



# Socioeconomic Report 2017

*Facilitating TRANSITION, Implementing CHANGE*





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# Message from the Secretary



A year after the roll out of the Philippine Development Plan (PDP) 2017-2022, we have witnessed significant milestones in thematic areas identified by the Administration deemed necessary in our pursuit of a *matatag, maginhawa, at panatag na buhay para sa lahat*. Acknowledging the vitality of every stakeholder's support to the Plan, the Office of the President issued Executive Order (EO) No. 27, s. 2017, which directed all national government agencies, instrumentalities, including government-owned and controlled corporations, and local government units to implement the PDP and the Public Investment Program for 2017-2022.

The Socioeconomic Report (SER) 2017 serves as the progress report of the implementation of the PDP 2017-2022, the first medium-term development plan geared towards our long-term vision called *AmBisyon Natin 2040*. Recognizing the importance of laying down a strong foundation for a more inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy, the SER 2017 chronicles the accomplishments in core indicators identified, along with the milestones in priority sectors in the Plan. The SER's theme, "*Facilitating Transition, Implementing Change*" suggests that the first year of Plan implementation is deemed crucial in ensuring that the whole of government understands the changes desired and is well prepared to implement these changes.



The Report notes that for 2017, we attained mixed results in terms of core indicators and sector-specific targets that gauge the effectiveness of our strategies in attaining the Plan's goals. Chapter 4 discusses our accomplishments in our headline targets, whereas, sector accomplishments are discussed in detail per chapter of the Report.

Apart from presenting the gains, the SER 2017 also points out the misses and the challenges confronting us. Given these, the Report recommends priority strategies and policy directions for 2018 and 2019 that will build on the gains and address the challenges ahead. Importantly, it identifies agencies accountable for the execution of such strategies.

To reinforce EO 27, s. 2017, the National Economic and Development Authority (NEDA) has taken necessary measures to ensure the effective and efficient coordination, implementation, and monitoring of the PDP. In March 2018, we issued Memorandum Circular No. 1 to integrate the reorganized cabinet cluster system in the PDP Coordinating Mechanism and to direct NEDA Board Interagency Committees, cabinet clusters, and national government agencies to formulate work plans that are aligned with and will contribute to the end goal of the Plan.

Indeed, we have laid down the ground work for change in 2017. And while there are steps that still need to be undertaken to fill in the gaps, lock in the reforms, and sustain our gains, we are a step closer to what we envision to achieve by 2022. For 2018 and 2019, we will continuously facilitate the transition to fully implement the change that we want to achieve.

As we gear toward another five years under this Administration, we in NEDA encourage our fellow government workers to rise up to the many challenges in our journey to 2040. As public servants, let us ensure that our institutions are able to efficiently deliver quality goods and services and are credible and worthy of people's trust (*malasakit*). Let us continue to create opportunities for everyone so that no one will be left behind (*pagbabago*). Let us ensure that our economy is stable and that we maximize the country's vast growth potential (*patuloy na pag-unlad*). As for the citizens, we challenge you to make the most out of existing participatory mechanisms and engage us, the people in government. After all, *AmBisyon Natin 2040* is *our* Vision, it is *our* shared responsibility to make it happen.

Our journey to attain our *AmBisyon* has begun, let us continuously work together—for an inclusive and sustainable growth for all.



**ERNESTO M. PERNIA**  
Secretary of Socioeconomic Planning

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01

Facilitating  
TRANSITION,  
Implementing  
CHANGE

# Facilitating TRANSITION, Implementing CHANGE

The Philippine Development Plan (PDP) 2017-2022 promises to lay down the foundation for inclusive growth, a high-trust and resilient society, and a globally-competitive knowledge economy. The foundation should be solid enough to propel the country on a faster economic growth path while ensuring that no one is forsaken and all Filipinos are empowered to attain their *AmBisyon*.

The strategies set out in the PDP are founded on a comprehensive agenda for change, consistent with President Rodrigo R. Duterte's 0-10-Point Socioeconomic Agenda, and geared towards the country's long-term vision. The strategies address the binding constraints that severely limit the effectiveness of programs and projects to achieve the desired outcomes.

For many sectors, groundwork for change was initiated in 2017. Some even reached successful conclusion, either through legislation or executive action. The former was made possible with the reactivation of the Legislative-Executive Development Advisory Council (LEDAC). Year 2018 is then expected to be a transition period as the changes are implemented in full by 2019. For the latter, however, the spadework for change still needs to be continued all through 2018, thereby pushing back the transition year to 2019.

Following is an overview of the major groundwork laid down in 2017 along with the recommended priority strategies for 2018 and 2019. The list is not exhaustive; a more detailed enumeration is discussed in the subsequent chapters of this Report.

## *Malasakit*: Enhancing the Social Fabric

A robust foundation for building a high-trust society is a trustworthy government. Mutual trust among people groups, as well as between individuals, can begin with a proper understanding of the different culture and values systems.

### Ensuring people-centered, clean, and efficient governance

The major game-changers to effect efficient governance are the launch of the Electronic Business Permit and Licensing System, the rollout of Project Repeal, and the creation of the Participatory Governance Cluster in the Cabinet. The early part of 2018 also saw the passage of the Expanded Anti-Red Tape Act (ARTA) of 2017 Bill.

For 2018, government agencies need to be trained on the conduct of Regulatory Impact Analysis. Quality management systems may need to be developed for processes involving frontline services of government. The necessary hardware and software also need to be procured in time for full implementation in 2019.

Another measure that is expected to be launched in 2018 is the national identification (ID) system. This is intended to provide every Filipino and resident a legal proof of identity to facilitate transactions, especially with government, and to improve access to public services.

The year 2018 is expected to be devoted to the design of the system and procurement of the necessary hardware and software; additional personnel also need to be hired and trained. There will also be a need to construct a well-designed facility to house the huge data and hardware complement, with due regard for data integrity, process efficiency, and business continuity. The designs can be done beginning 2019.

Addressing the needs of overseas Filipinos (OFs) and overseas Filipino workers (OFWs) can be greatly facilitated with the rollout of the national ID, together with the interface systems.

Enrollment in the system can begin in the latter part of the year and to proceed on a more massive scale, including OFs and OFWs, in 2019. Line agencies, particularly those that implement direct transfer programs, will need to reconfigure their systems and protocols to include the national ID.

## Pursuing swift and fair administration of justice

Manuals of operations have been harmonized across the different actors in the justice sector. Other developments are the Single Carpeta System which will interconnect and integrate all Corrections Cluster agencies of the National Justice Information System, and the passage of the amendment to the Revised Penal Code. Nevertheless, a number of critical reforms are still needed.

More case decongestion officers have been deployed but there is still a need to create new courts with judges and complete staff complement. New positions for public attorneys also need to be created. Similarly, additional correctional facilities need to be constructed.

## Promoting Philippine culture and values

A corpus of Filipino values that will serve as the cornerstone for the values formation program of government and culture stakeholders will be finalized in 2018. Developing the education and training modules will then proceed in 2019.

Several draft bills to create the Department of Culture have already been filed in Congress. If approved in 2018, the new Department will begin to be established in 2019.

## Pagbabago: Inequality-reducing Transformation

Fundamental to attaining *AmBisyon Natin 2040* is for every Filipino to be given adequate opportunities to attain his or her *AmBisyon*. Investments need to increase in order to generate higher demand for jobs. As resources become more scarce, these investments should come with better technologies leading to higher productivity and even greater affordability.



## Expanding economic opportunities in Agriculture, Forestry, and Fisheries

The agriculture, forestry, and fisheries (AFF) sector has demonstrated significantly better output performance in 2017, largely helped by good weather conditions. More sweeping reforms are required to attract more and better investments to the sector while making it possible to provide higher incomes to the producers and more affordable and better quality goods (mostly food) to the consumers.

Currently going through the legislative mill is the bill that replaces the quantitative restriction on rice trade with tariffs. This will remove the policy uncertainty in the rice market, paving the way for a more efficient trading environment. It will also reflect better rice market conditions on a broader scale, enabling a more optimum allocation of agricultural lands and labor across agricultural uses.

Intensive research and advocacy campaign need to be undertaken in 2018, not just to inform the farmers and other players about the benefits and costs of the new regime, but also on how to maximize its benefits.

In early 2017, the Department of Agriculture has updated and subsequently made available online, a color-coded agricultural map that can guide farmers on the crops that can be best grown in their farm, considering soil characteristics, topography, geoclimatic risks, etc. Utilization of this resource needs to be increased – to cover all extension workers, farmers' groups, and even unorganized farmers.

## Expanding economic opportunities in Industry and Services through *Trabaho at Negosyo*

Meanwhile, as with AFF, the industry and services sectors need to expand and be more competitive. These objectives are mutually reinforcing and can be achieved by attracting innovative firms to invest in the country.

In 2017, President Duterte issued Memorandum Order No. 16 directing the National Economic and Development Authority (NEDA) and NEDA Board member agencies to “take immediate steps to lift or ease restrictions on foreign participation” in certain investment areas and initiatives. Some of the identified investment areas do not even require new legislation nor constitutional amendment to be opened up to foreigners; these have been considered in the latest draft of the 11<sup>th</sup> Regular Foreign Investment Negative List (RFINL), which promises to be the least negative of FINLs thus far issued.

## Accelerating human capital development

While economic opportunities are being created and expanded, individuals, particularly the marginalized, need to be empowered to take advantage of these opportunities. Human capital development requires investments from the ante-natal period, all through pregnancy, birth, first 1,000 days, and so on.

**On nutrition.** In May 2017, the Philippine Plan of Action for Nutrition (PPAN) was launched. This is a comprehensive response of the government to the long-standing problems of malnutrition – wasting, stunting, micronutrient deficiency, overweightedness, and obesity. PPAN programs will be implemented by member agencies of the National Nutrition Council. It is important to ensure that these programs and projects are adequately budgeted for in 2018 and 2019.

**On health.** The Universal Health Care Bill is already in advance stages of the legislative process. Once approved, the law will improve access to health care and even reduce out-of-pocket expenses for health. This will need to be accompanied by investments in health care facilities, higher compensation for public health personnel, and adequate financing of the PhilHealth.

**On education.** The first cycle of the K to 12 Program will have been completed in 2018. It is important to undertake a rapid appraisal of the program and introduce improvements, as necessary.

The public higher education sector also needs to prepare for more incoming first year college students, due to the provision of free tuition in state universities and colleges and the influx of the first batch of senior high school graduates. To maintain—or even improve—education quality, investments in education inputs (classrooms, teachers, computers, laboratories, etc.) must at least match the projected higher demand.

**On increasing employability.** The K to 12 Curriculum is supposed to produce graduates who are work-ready. However, as the curriculum is still being perfected, there may be a need to increase work exposure, especially for the first set of senior high school graduates. To allow for this, the Government Internship Program may need to be reconfigured and expanded in coverage.

Another initiative that can increase employability is the enactment of the Philippine Qualifications Framework (PQF) Act. As this may increase the demand for qualifications testing, it may be necessary to establish more testing centers across the country.

In addition, government agencies, in cooperation with the Civil Service Commission, may need to revise the Qualification Standards pertaining to certain positions to allow graduates of senior high school and those who qualified under the PQF Act to work in government.

## Reducing vulnerability of individuals and families

Some people groups remain vulnerable and are likely to suffer quite seriously when faced with unexpected calamities, whether of natural or human-made causes.

Among the most vulnerable are the children in poor families. Any calamity befalling the family will likely result in the child being withdrawn from school, the child's health not being cared for properly, among others, thereby limiting the child's ability to realize his or her potentials as well as the family's ability to attain their *AmBisyon*.

By far, the most comprehensive program to address this vulnerability is the *Pantawid Pamilyang Pilipino Program* (4Ps). This program needs to be sustained and even enhanced.

The recent passage of the Tax Reform for Acceleration and Inclusion (TRAIN) is expected to increase the price of certain commodities, albeit temporarily. This negative impact must be mitigated, especially in the case of the 4Ps beneficiaries. This is also the case for the beneficiaries of the Social Pension Program.

Other vulnerable groups like the disabled and indigenous peoples remain underserved, mainly because they have not been adequately identified. Registries will need to be developed in the appropriate agencies and corresponding interventions will have to be made.

## Building safe and secure communities

A lot of work needs to be done to reform the housing sector. It has been negatively affected by leadership changes. Even the governance structure remains fragmented and ineffective in addressing the need to build safe and secure communities. This problem needs urgent attention, especially with the Build, Build, Build program that will undoubtedly result in displacement of families and communities.

Under deliberation in Congress are several bills that will introduce sweeping reforms in the sector. If passed in 2018, the transition, which may require reorganization of housing agencies, will need to be supported in 2019.

The Home Development Mutual Fund recently announced reductions in its lending rates. This can spur private investments in housing. Ideally, however, this should be preceded by the enactment of a National Land Use Policy and the formulation of urban plans consistent with the policy.

Meanwhile, the Marawi rehabilitation plan is expected to be implemented over a period of four (4) years beginning 2018.

## *Patuloy na Pag-unlad*: Increasing Growth Potential

Sustaining a period of fast economic growth all the way to 2040 will require periodic expansion in capacity. This can be done through technological innovation, as more goods and services will need to be produced using less resources. At the same time, the demographic dividend will temper the increases in demand even as it allows for more meaningful investments in human capital and social infrastructure.

## Reaching for the demographic dividend

The President has demonstrated tremendous support for this program. In 2017, the President issued Executive Order No. 12, s. 2017 on zero unmet need for family planning (FP) services, essentially mandating the full implementation of the Responsible Parenthood and Reproductive Health (RPRH) Law. The momentum further intensified with the lifting of the temporary restraining order on the use of certain FP commodities.

For 2018 and beyond, there should be adequate access to facilities and commodities to fully implement RPRH, particularly for sectors with unmet demand. This must be supplemented by information campaign, awareness-raising, and the comprehensive sexuality education program to address the sharply rising teenage pregnancies.

## Vigorously advancing Science, Technology, and Innovation

The Harmonized National Research and Development Agenda (HNRDA) for 2017-2022 has been completed and is set to be implemented beginning 2018. Correspondingly, roadmaps to develop technologies pertaining to artificial intelligence (AI), data analytics, internet of things, and nanotechnologies will be formulated. Already in advance stage is the roadmap concerning AI and data science; to follow should be an aggressive call for proposals for research and development along these lines.



Attracting the best minds is key to the successful implementation of the HNRDA. The strategies include strengthening the *Balik Scientist* program and hiring of foreign experts, including Filipino-American scientists and engineers. This will also require a more attractive compensation package and collaborative arrangements for conducting research and mentoring of graduate students. In addition, it is important to reduce, if not eliminate, restrictions on hiring foreign experts, particularly concerning the priorities identified in the HNRDA.

## Enabling and Supportive Economic Environment

Maintaining sound macroeconomic fundamentals is crucial to encouraging private initiatives. At the same time, there should be a level playing field to allow for healthy competition and innovation among firms and enterprises.

### Ensuring sound macroeconomic policy

**The years 2018 and 2019 will be a major turning point in fiscal programming and budget execution.** Wide-ranging reforms will improve the linkage between concerned agencies in terms of planning-programming-budgeting-implementation processes.

- Program Expenditure Classification (PREXC) will replace programming by Major Final Outputs. The PREXC requires government agencies to classify recurring activities and projects according to programs designed to meet the mandate and objectives of the agency. This forces the agencies to think about the synergy of activities and the optimum use of resources.
- Cash-based budgeting will replace obligation-based budgeting. The budget should only reflect payment for goods and services to be actually delivered within the budget year. Previously, the tendency is to simply obligate the funds but implementation and actual completion of activities can go beyond the current year. Cash-based budgeting will ensure that projects and activities are implemented at the time for which they have been originally programmed.
- The one-year validity of the budget (with an extended payment period of three months) will be in full implementation in 2019. Approved projects that require more than a year for implementation will be provided with a multi-year obligation authority.

These will need to be accompanied by intensive capacity-building programs and investments in technology hardware and software. Agencies should be provided with well-staffed and well-equipped procurement units. Philippine Government Electronic Procurement System (PhilGEPS) Modernization will also be carried out.

The Budget Reform Bill (BRB) currently being deliberated upon in Congress will institutionalize these initiatives to ensure continuity. In addition, the BRB stipulates measures to strengthen horizontal and vertical linkages, including the use of Regional Development Councils as a mechanism.

Another major reform being pursued is the National Government Rightsizing Program. Once enacted into law, government agencies, together with DBM, will need to reconfigure their organizational structure taking note of technological improvements, increased number of constituencies, among others. There is also a need to allocate funds for separation and early retirement benefits of affected personnel.

**The passage of the TRAIN Package 1A is the beginning of an overhaul of the country's tax system with a view to making it simple, fair, and equitable.** The remaining packages of the TRAIN will undergo deliberation in Congress in 2018 and possibly, spill over into 2019. The TRAIN also commits to improving tax administration. For this, investments in hardware and software, including training of personnel, are called for. Some tax measures also require monitoring implements, like fuel marking, to ensure compliance.

**The financial inclusion agenda is given a big boost with the issuance of circulars by the *Bangko Sentral ng Pilipinas* to encourage loan offerings to micro, small, and medium enterprises and opening of basic deposit accounts.** Government financial institutions may need to set the example of complying with the circulars, hopefully demonstrating improved bottom lines to encourage the rest of the financial sector to follow. Another positive factor to be introduced in 2019 is the national ID and its interface systems, like e-KYC (know-your-customer). This can improve the ability of financial institutions to manage risks and pave the way for broader financial inclusion.

A Capital Market Development Plan has been formulated covering the period 2011-2016. This should be assessed extensively and the lessons integrated into the new blueprint.

**Bilateral and regional trade agreements are currently being negotiated.** These will provide a more favorable environment for our exporters and importers. Necessarily, the negotiations should be backed by studies and strategies to assess and ensure benefits from the trade agreement.

## Leveling the playing field through a National Competition Policy

The Philippine Competition Commission has been conducting information campaign while increasing its capacity to carry out its mandate. Other initiatives have also been undertaken consistent with Memorandum Order 16, s. 2017 and the enhanced ARTA Law.

To be completed in 2018 is the Philippines' National Competition Policy (PNCP) to capture the policy direction, framework, and institutional arrangements. This will provide the structure and rationale for ongoing and future rules and regulations to consider the competition lens.

Once the PNCP is approved, there should be a massive information and awareness-raising campaign, particularly to inform the public about competition, the benefits of competition, and how to detect anti-competitive practices in both private and public sectors. Government officials also need to be trained on the use of the competition lens (i.e., determining whether and to what extent a proposed regulation impede or promote competition) before rules and regulations are issued.

## Foundations for Sustainable Development

The above-mentioned strategies can only work if founded on a solid bedrock of peace, security, public order, and safety. This will be further supported by the accelerated implementation of strategic infrastructure. In all these, there will be conscious effort to ensure ecological integrity.

## Attaining just and lasting peace

The draft Bangsamoro Basic Law has already been filed in Congress, hopefully to be enacted into a law in 2018. The law, however, still needs to be approved in a plebiscite. This will require broad-based information and advocacy campaigns prior to the holding of the plebiscite.

The law also mandates the creation of a Bangsamoro Transition Authority to ensure functionality of the governance structures and implementation of the peace agreements.

Some areas previously affected by conflict may be ready to dialogue with government for lasting peace. This willingness can be reinforced with the implementation of confidence-building social and economic development projects.

## Ensuring security, public order, and safety

Eliminating the drug menace remains a top priority. The Philippine Drug Enforcement Agency and other law enforcement agencies must be adequately staffed and properly equipped. At the same time, the National 911 Program will be expanded to the Greater Manila Area. Recognizing that some local government units already have an emergency number assistance system in place, the program will also include a component to ensure interoperability.

Funding for Assistance to Nationals has recently been increased and the guidelines enhanced. This needs to be complemented by adequate staffing of foreign service posts. To rationalize staffing decisions, there is a need to build the database on OFs and OFWs.

## Accelerating infrastructure development

The President has approved the National Transport Policy that will govern the selection and design of projects that affect people and vehicle mobility. Guidelines on how this can be applied at different levels will need to be developed and communicated effectively.

For 2018, the Philippine Transport System Master Plan and the Philippine Water Supply and Sanitation Master Plan are expected to be completed. Priority projects identified in the plans will then be implemented the following year.

Meanwhile, 24<sup>1</sup> out of 75 infrastructure flagship projects (IFPs) amounting to ₱1.13 trillion have been approved by the NEDA Board/Investment Coordination Committee or are currently being implemented. These IFPs are expected to proceed to the next stages of project development.

As preparation, right-of-way acquisition issues need to be resolved immediately. This has, of course, been greatly facilitated by the recent policy to value the compensation at market rates. It is also important to open up new roads that will serve as alternative routes while the infrastructure is being built. Some of these may be local roads, or even those in private subdivisions.

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<sup>1</sup> As of December 2017.

The Project Facilitation, Monitoring, and Innovation (PFMI) Task Force,<sup>2</sup> a facilitative mechanism for IFPs, was put up so that there will be improved coordination to resolve implementation bottlenecks. It is anticipated that regular updates on the progress of the IFPs shall be provided by the PFMI Task Force on a monthly basis.

## Ensuring ecological integrity, clean and healthy environment

Programs to protect land and water ecosystems are currently being implemented: enhanced National Greening Program and the Coastal and Marine Ecosystem Management Program. These will need to be sustained and the coverage expanded. In addition, the Guidelines on Mainstreaming Climate Change Adaptation and Disaster Risk Reduction in the Comprehensive Development Plan and Local Development Investment Program has been drafted. This will be finalized in 2018 and be subsequently rolled out across all local government units.

The more radical groundwork to ensure ecological integrity, however, still needs to be defined or even enacted into law. These are the Framework for Sustainable Consumption and Production and the National Land Use Policy—both necessary inputs into our Nationally Determined Contributions to the Paris Agreement on Climate Change. Studies should be conducted to ensure that all evidence is considered; consultations need to be undertaken to obtain broad-based acceptability.

## The year 2019

The PDP 2017-2022 intends to lay down the foundation for attaining the country's long-term vision while addressing short- and medium-term needs. However, the strategies outlined in the PDP can only be effective if implemented against a backdrop of important reforms.

A number of these reforms will have begun implementation in 2018 and the changes will be felt in full by 2019 or, perhaps, shortly thereafter. There will be changes in the market (new players, new production patterns), changes in the way citizens transact with government, changes in the way government delivers goods and services to the public, among other changes. There may be some handholding necessary for sectors that will be adversely affected during the transition. This must be done with utmost sensitivity, but with the objective of facilitating the transition that will fully eventuate in positive change.

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<sup>2</sup> On June 27, 2017, the NEDA Board approved the establishment of the PFMI Task Force to facilitate the development, approval, and implementation of the IFPs. To this end, on September 1, 2017, NEDA, the Department of Finance, and the Department of Budget and Management issued the 2017 Joint Memorandum Circular No. 1: Implementation Guidelines for the Establishment of the PFMI Task Force.

# 02 Global and Regional Trends and Prospects

# Global and Regional Trends and Prospects

Government priorities need to be aligned with expected developments in the coming years concerning the economic, social, and environmental dimensions both in the domestic and international fronts.

## Economic Trends

Global economic growth continues to gain ground owing to a broad-based cyclical upturn. With a rebound in investment and trade, global growth is expected to be sustained over the next couple of years, amidst a backdrop of benign financing conditions, generally accommodative policies, and improved confidence. Nevertheless, risks such as the possibility of financial stress, increased protectionism, and rising geopolitical tensions remain.<sup>1</sup>

Emerging markets should see a better outturn in the coming years, particularly for commodity-exporting countries that benefit from the recovery in commodity prices. Meanwhile, China will continue to see slower, albeit more sustainable growth in the foreseeable future as it continues to rebalance its economy and address financial vulnerabilities. Growth in the ASEAN-5 countries is expected to remain robust with an average growth of 5.2 percent in 2018-2022.<sup>2</sup>

Global trade (export volume) growth also accelerated to 4.2 percent in 2017. However, it is expected to moderate to an average of 3.7 percent annually over the period 2018-2022.<sup>3</sup>

After declining by 2 percent in 2016, global foreign direct investment flows are estimated to have risen by 5 percent to almost US\$1.8 trillion in 2017. These are projected to reach US\$ 1.85 trillion in 2018, reflecting an increase in global growth and increased business confidence.<sup>4</sup>

Monetary policy in the United States will continue its normalization track in the following years prompted by strong economic activity, healthy labor market, and expansionary fiscal policies. Recovery in the European Union (EU) is expected to continue albeit at a more modest pace, with the European Central Bank continuing its accommodative stance despite cutting back on its bond purchases. Despite some headway in growth, Japan is expected to maintain its accommodative monetary policy as inflation and wage growth remain modest.

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<sup>1</sup> World Bank Group. (2018). Global Economic Prospects, January 2018: Broad-Based Upturn, but for How Long?. Washington, DC: World Bank. Retrieved from <https://openknowledge.worldbank.org/handle/10986/28932>

<sup>2</sup> International Monetary Fund (IMF). (2017). World Economic Outlook, October 2017 Seeking Sustainable Growth: Short-term Recovery, Long-term Challenges. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>

<sup>3</sup> IMF. (2017). World Economic Outlook, October 2017 Seeking Sustainable Growth: Short-term Recovery, Long-term Challenges. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>

<sup>4</sup> United Nations Conference on Trade and Development (UNCTAD). (2017). World Investment Report 2017. Retrieved from <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1782>



## Political Trends

The political landscape will continue to be affected by the backlash resulting from the global financial crisis. The renegotiation of several free trade agreements, especially the North American Free Trade Agreement, as well as the failure of G20 economies to renew their long-standing commitment to free trade and pledge to resist all forms of protectionism, casts uncertainty over trade and investments.<sup>5</sup> The negotiations on the terms of United Kingdom's exit from the EU will continue to pose uncertainty. Furthermore, tensions within the Korean peninsula and strains in the Middle East could undermine confidence and induce market volatility.<sup>6</sup> Although ISIS has lost most of its territories in Syria and Iraq, new conflicts could arise even as old ones are rekindled if the underlying political, social, and economic problems are not addressed.<sup>7</sup> Meanwhile, the dispute over the West Philippine Sea remains an important challenge.

## Social and Demographic Trends

The ageing workforce in advanced economies will continue to support the demand for migrant workers. The number of international migrants worldwide has continued to grow rapidly in recent years, reaching 258 million in 2017, up from 220 million in 2010 and 173 million in 2000.

The backlash against globalization continues to breed sentiments against immigration in some countries. This is leading to more stringent migration policies and procedures, as well as to less hospitable working environments. This will make international negotiations for global agreements on migrants and refugees, which will be launched by the United Nations in 2018, both challenging and necessary.<sup>8</sup>

## Technological Trends

Space technology is expected to advance further, driven mostly by private enterprises. Quantum technology improvements could see initial applications in computing and communications. Public and private investments in machine learning, a sub-field of artificial intelligence, will likely continue to rise, with China aiming to become a global leader in the field. Medical advances in the field of gene or cell therapy will start reaching the market.<sup>9</sup>

## Environmental Trends

A weak La Niña, as reflected by below average sea surface temperatures in the tropical Pacific, started towards the end of 2017 and is expected to persist until the February to April 2018 season. A transition to neutral conditions is expected by March to May. El Niño phenomenon could develop towards the latter part of 2018, but the uncertainty remains high.<sup>10</sup>

<sup>5</sup> UNCTAD. (2017). World Investment Report 2017. Retrieved from <http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=1782>

<sup>6</sup> IMF. (2017). World Economic Outlook, October 2017 Seeking Sustainable Growth: Short-term Recovery, Long-term Challenges. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2017/09/19/world-economic-outlook-october-2017>

<sup>7</sup> La Guardia, A. (2018). What happens after the caliphate of Islamic State is destroyed?. The Economist, The World in 2018, Retrieved from <http://www.theworldin.com/edition/2018/article/14437/after-caliphate>

<sup>8</sup> Philippine Statistics Authority. (2016). 2010 Census-based Population Projections in collaboration with the Inter-Agency Working Group on Population Projections

<sup>9</sup> The Economist, The World in 2018 – Science and Technology, Retrieved from <http://www.theworldin.com/edition/2018>

<sup>10</sup> Gawthrop, E. (2018, February 24). February Climate Briefing: La Niña Pattern Holds. Retrieved from <https://iri.columbia.edu/news/february-climate-briefing-la-nina-pattern-holds/>



03

Overlay of  
Economic Growth,  
Demographic  
Trends, and Physical  
Characteristics

# Overlay of Economic Growth, Demographic Trends, and Physical Characteristics

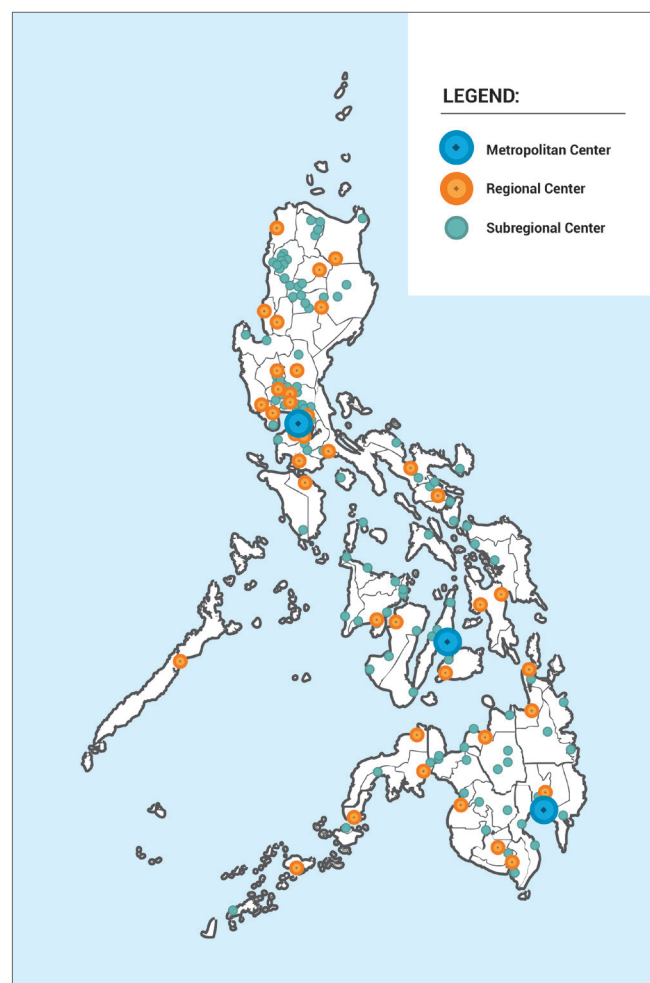
The PDP 2017-2022 recognizes that social and economic development occurs over a geographic space. If development is unchecked, it can lead to overcapacity which then caps development itself and worsens the quality of life. The National Spatial Strategy (NSS) defines the country's desired spatial structure and sets the direction of future growth based on trends in population, economic activities, and services. It recognizes the increasing role of cities as drivers and venues of economic growth and poverty reduction, and recommends sustainable human settlements coupled with efficient and effective production and service delivery systems.

The NSS thus seeks to address these challenges with three core strategies: (1) regional agglomeration, (2) connectivity, and (3) vulnerability reduction.

*Regional agglomeration.* The NSS promotes concentration, building on the efficiencies, and maximizing the benefits of scale and agglomeration economies. It recognizes the current population trend showing the emergence of a three-tiered network of settlements composed of (a) Metropolitan Centers, namely, Metro Manila, Metro Cebu, Metro Davao, and by 2025, Metro Cagayan de Oro; (b) Regional Centers; and (c) Sub-regional Centers. Given this, the NSS seeks to manage growth such that cities and regional centers function efficiently and that the benefits are maximized and spread to outlying areas.

*Connectivity* aims to connect the centers to form an efficient network and improve linkages between and among production areas and settlement/market areas. It seeks to equalize opportunities across space and address socioeconomic inequities through physical infrastructure linking lagging regions with leading ones (thus increasing access to social services) and through investments in human capital that will improve people's mobility.

**Figure 3.1 Average Regional Share in GDP, 2010-2015**



Lastly, *vulnerability reduction* seeks to protect environmentally-constrained or hazard prone areas, control settlements in these areas, and ensure safety of the population through specific strategies that are best defined at the regional and local levels.

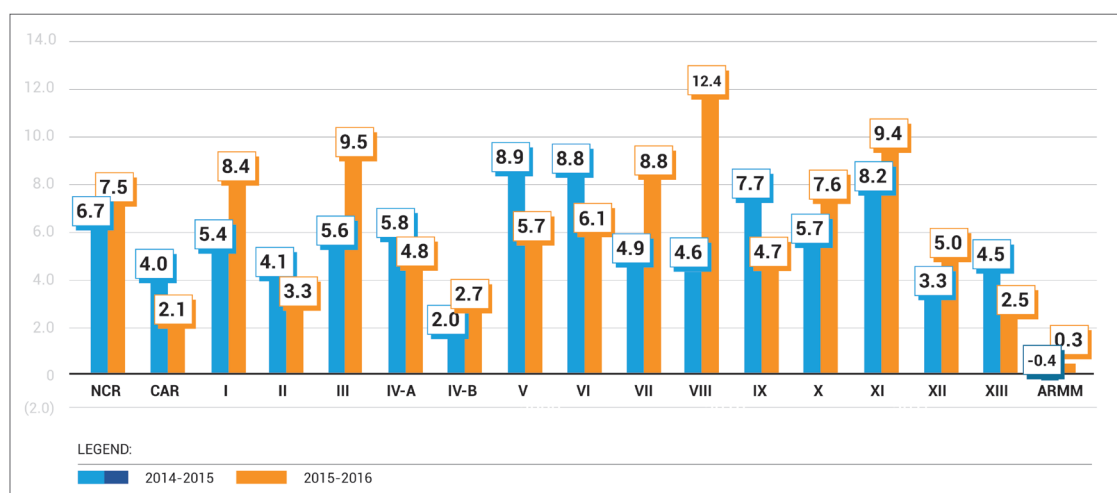
### Gross Regional Domestic Product Trend 2016

In the recent national output data, the National Capital Region (NCR) continued to have the largest share of the country's gross domestic product (GDP) at 36.6 percent, followed by CALABARZON with 16.8 percent and Central Luzon with 9.5 percent.

While this is the case, the regional economies likewise provided a promising performance in 2016. All regions posted a positive economic growth from 2015-2016, with Eastern Visayas having the fastest growth rate at 12.4 percent, exceeding its previous year's recorded growth of 4.6 percent. This is fueled by the expansion in Construction and Manufacturing subsectors of the region. Its Industry sector accounted for the largest share of 44.3 percent, followed by Services at 40.6 percent and Agriculture, Hunting, Forestry and Fishing (AHFF) at 15.1 percent.

Central Luzon trailed behind Eastern Visayas at 9.5 percent growth, which is attributed to its Industry sector with 46.4 percent, Services at 38.6 percent and AHFF at 15 percent. Davao Region followed at 9.4 percent growth due to the acceleration of its Services and Industry sectors with 51.1 percent and 36.7 percent, respectively, while its AHFF sector accounts to 12.2 percent.

**Figure 3.2 Growth Rates of Regional Economies, 2014-2015 and 2015-2016**

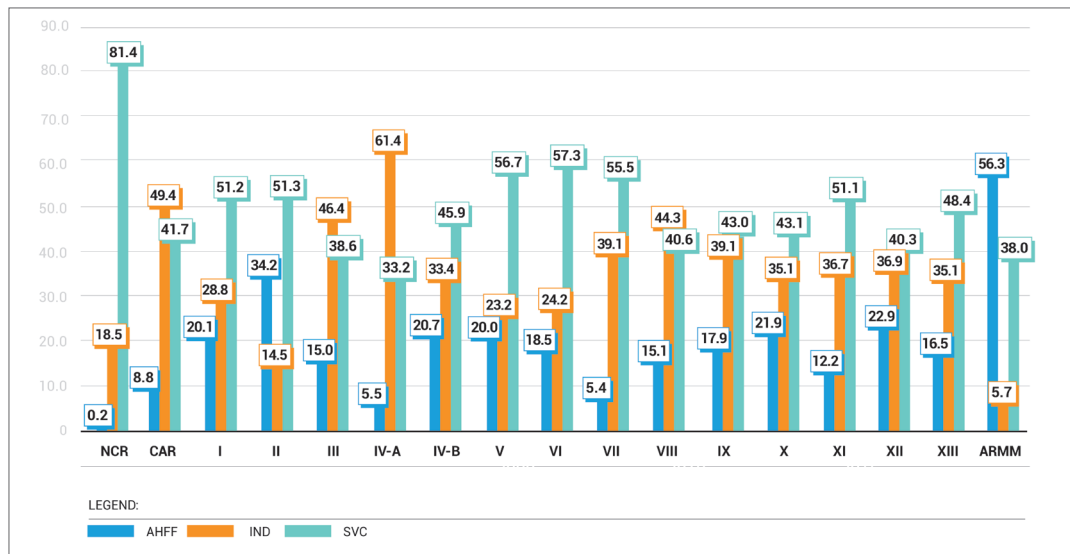


Other regions that followed increased growth trend are Central Visayas at 8.8 percent, Ilocos Region at 8.4 percent, Northern Mindanao at 7.6 percent, NCR at 7.5 percent, SOCCSKSARGEN at 5 percent, MIMAROPA at 2.7 percent and ARMM at 0.3 percent. Other regions also grew but at a slower pace, like Western Visayas at 6.1 percent, Bicol Region at 5.7 percent, CALABARZON at 4.8 percent, Zamboanga Peninsula at 4.7 percent, Cagayan Valley at 3.3 percent, Caraga at 2.5 percent, and Cordillera Administrative Region (CAR) at 2.1 percent.

Figure 3.4 demonstrates the possible complementarity of the different regions looking at the distribution of gross regional domestic product (GRDP) by sector. NCR economy remains concentrated in the Services sector, accounting for 81.4 percent of its GRDP, followed by Western Visayas, Bicol Region, and Central

Visayas with 57.3 percent, 56.7 percent and 55.5 percent, respectively. The Industry sector remains dominant in CALABARZON with 61.4 percent of GRDP, followed by CAR with 49.4 percent, Central Luzon with 46.4 percent, Eastern Visayas with 44.3 percent, and Zamboanga Peninsula with 39.1 percent. On the other hand, ARMM continues to rely heavily on AHFF accounting for 56.3 percent of GRDP, Cagayan Valley with 34.2 percent, and the rest of the regions at around 20 percent down to 5 percent.

**Figure 3.3 GRDP Sectoral Distribution by Region, 2016**



## Accomplishments

Consistent with the NSS, the Public Investment Program (PIP) 2017-2022 identifies projects, particularly for infrastructure, directed to address efficiency and mobility and to ensure safety and resilience.

To achieve spatial efficiency and connectivity, the government has embarked on a massive infrastructure program, the Build, Build, Build (BBB) Program which aims to (a) improve regional connectivity, (b) ease the cost of doing business thereby increasing the Philippines' growth potential and competitiveness, and (c) link production areas to growth centers through an efficient transportation network.

The National Economic Development Authority (NEDA) Board Committee on Infrastructure and the Investment Coordination Committee (ICC) identified 75 high-impact infrastructure flagship projects (IFPs) as part of the BBB. The NEDA Board adopted the list on June 27, 2017. The IFPs consist of projects on transportation (roads and bridges, railways, mass transit, airports, and seaports), power, flood control, irrigation, and water supply. Fifty-three (53) of these 75 IFPs have an estimated budget of ₱1.579 trillion.

In 2017, the NEDA Board approved nine (9) transport infrastructure projects aimed to improve linkages among metropolitan centers and other regional centers (*See Table 3.1*).

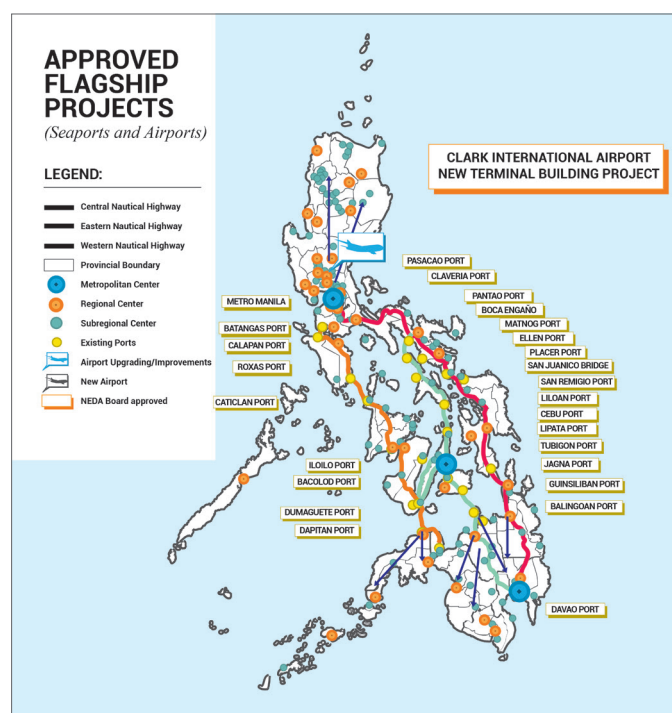


**Table 3.1. Approved Transport-related IFPs in 2017**

	Project Title	Region	Timeframe
1	PNR North 2 (Malolos-Clark Airport-Clark Green City Rail)	NCR, Region III	2018-2024
2	Clark International Airport New Terminal Building Project	Region III	2018-2020
3	MRT-LRT Common Station Project	NCR	2017-2018
4	Mindanao Rail Project (Phase 1) – Tagum Davao Digos Segment	Region XI	2018-2022
5	PNR South Commuter Line (Tutuban-Los Baños)	Region IV-A, NCR	2018-2022
6	PNR South Long-haul (Manila-Bicol)	NCR, Region IV-A, Region V	2018-2022
7	Metro Manila Subway Project (Phase 1)	NCR	2018-2025
8	Binondo-Intramuros Bridge	NCR	2018-2021
9	Estrella-Pantaleon Bridge	NCR	2018-2020

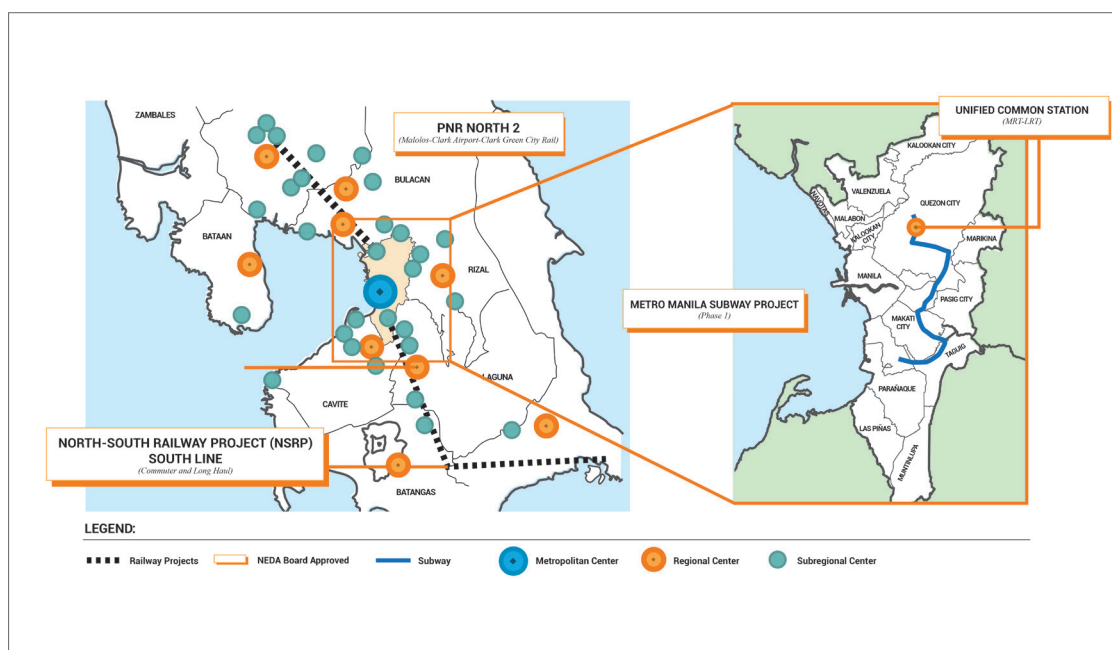
**Airports.** The Clark International Airport Expansion Project entails construction of a new passenger terminal building designed for eight (8) million passengers per year, with a floor area of 82,600 sqm. The increased capacity of the Clark International Airport will help lessen congestion in the Ninoy Aquino International Airport in Manila.

**Figure 3.4 Location of Approved Airport IFP**



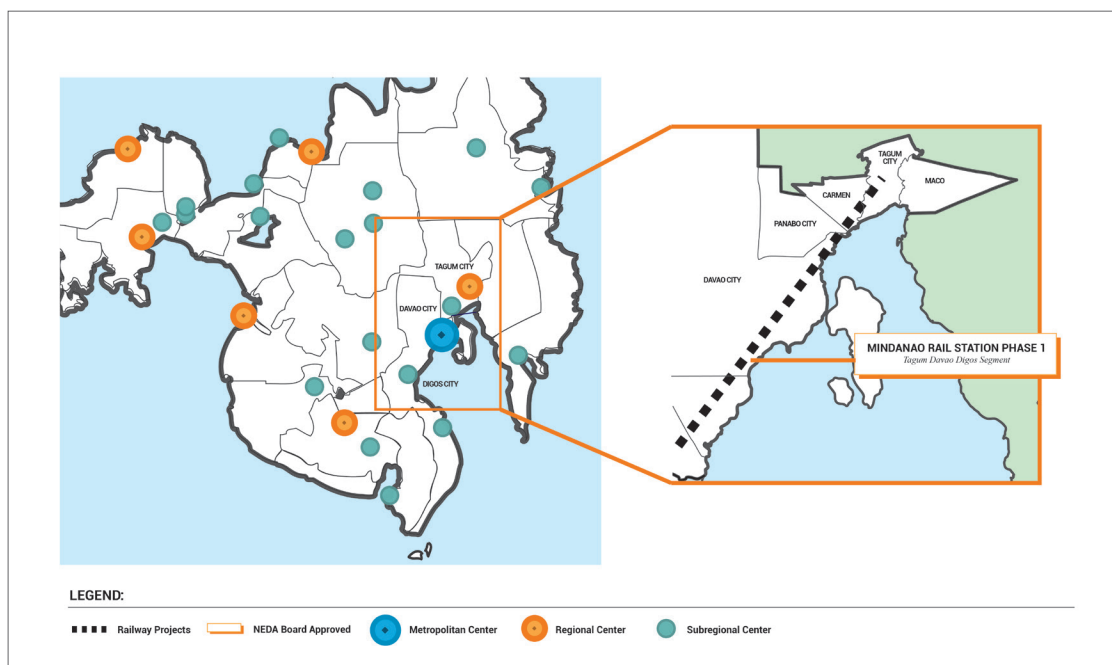
**Mass transportation.** Mass transportation projects will enhance personal mobility, lessen traffic congestion in urban roadways and highways, and reduce fuel consumption. The PNR North 2 (Malolos-Clark Airport-Clark Green City Rail), PNR South Commuter Line, and PNR Long Haul projects are seen to improve connectivity to and from Central Luzon, CALABARZON, and Bicol Region to Metro Manila. The MRT-LRT Common Station and Metro Manila Subway Project (Phase 1) will improve inter-city connectivity in Metro Manila. (Figure 3.5 shows the mass transportation projects in Greater Capital Region [GCR]).

**Figure 3.5 Location of Approved Mass Transportation IFPs**



**Roads and bridges.** The Binondo-Intramuros Bridge and Estrella-Pantaleon Bridge are two of the 12 new bridges along Pasig River which will link tourism areas, market centers, schools, and institutions. The Binondo-Intramuros Bridge will provide alternative linkage between the busy commercial establishments and restaurants in Binondo and the historical sites in Intramuros. Meanwhile, the construction of the Estrella-Pantaleon Bridge will replace the existing bridge connecting Mandaluyong City and Makati City's Rockwell Center which is expected to ease traffic congestion in the two areas.

**Figure 3.6 Location of Approved IFP in Mindanao**



Meanwhile, the Mindanao Railway Project (Tagum-Davao-Digos segment) will establish a 102.28km commuter railway from Tagum City to Digos City. This is part of the first phase of the proposed 830km Mindanao Railway Project loop envisioned as an efficient, reliable, and affordable mode of transport to boost tourism and the overall economic development of Mindanao.

**Flood control and other vulnerability-reduction projects.** The infrastructure development program includes specific projects for disaster risk reduction (DRR) focusing mainly on flood control. Eleven (11) projects on vulnerability reduction are in the pipeline for submission to ICC for processing and approval. These include the construction of dams and floodway components to address perennial flooding in these areas while addressing other needs of the provinces in terms of power, irrigation, and water supply (*See Table 3.2*).

**Table 3.2. Vulnerability Reduction-related IFPs for Submission to ICC**

	PROJECT TITLE	REGION	TIMEFRAME
1	Aqueduct No. 7 (AQ-7)	Region III, NCR	TBD
2	Ipo Dam No. 3	Region III, NCR	TBD
3	Improvement of remaining sections along Pasig River from Delpan Bridge to Napindan Channel	NCR	2018-2020
4	Gregorio del Pilar Impounding Project	Region I	2019-2023
5	Ilocos Norte Irrigation Project, Stage 2	Region I	2019-2026
6	Tumauni River Multipurpose Project	Region II	2019-2021
7	Panay River Basin Integrated Development Project	Region VI	2018-2025
8	Bohol Northeast Basin Multipurpose Project	Region VII	2019-2023
9	Balo-i Plains Flood Control Project	Region X	2020-2023
10	Asbang Small Reservoir Irrigation Project	Region XI	2019-2025
11	Ambal Simuay Sub-Basin of the Mindanao River Basin Flood Control and River Protection Project	Region XII	2018-2023

In addition, the Metro Manila Flood Control Project, a joint project of the Department of Public Works and Highways and Metro Manila Development Authority with assistance from the World Bank approved in September 2017, is set to start in 2018. This will include the rehabilitation of 36 existing pumping stations and construction of 20 new pumping stations in Metro Manila.

Further, the Cabinet Cluster for Climate Change Adaptation and Mitigation and Disaster Risk Reduction,<sup>1</sup> with the Presidential Management Staff as lead, started discussions on the formulation of an implementation plan for “Disaster Resiliency Measures for Metro Manila and its Surrounding Areas.” The proposed plan will indicate programs, activities, and projects to be implemented by various government agencies to reduce the risks and enhance the resilience of Metro Manila and its surrounding provinces in preparation for an earthquake with a magnitude of at least 7.2 (the “Big One”).

<sup>1</sup> Presidential Management Staff, Office of the Executive Secretary, HUDCC, DBM, NEDA, DFA, DICT, DOF, DOST, DILG, DPWH, DSWD, DA, DAR, DOE, DND, MMDA, Presidential Communications Operations Office, Presidential Legislative Liaison Office, and National Security Council

NEDA, together with the World Bank, in March 2017 launched the development of Socioeconomic Resilience Assessment Methodology, an analytical tool that can be used to identify the appropriate geographic focus of interventions, policies, and investment priorities aimed at reducing losses and managing the socioeconomic and fiscal impacts of disasters. This is useful in providing information on risk to assets and socioeconomic resilience at the national and provincial levels. The methodology is set to be completed in September 2018.

## Moving Forward

### Agglomeration and urban efficiency

The country's major growth centers, namely, Metro Manila, Metro Cebu, and Metro Davao, are faced with the following urban challenges:

- a. **Traffic congestion in major roads.** Traffic volume has already exceeded road capacities in urban road sections of Metro Manila. Influx of investments, poor traffic enforcement, illegal parking on streets, and outdated traffic signals have also contributed to road congestion in Metro Cebu and Metro Davao.
- b. **Lack of mass transit system.** This has contributed to road congestion in the metropolis. An unreliable mass transit system forces people to use private vehicles to reach their destinations. The absence of a railway system for goods and passengers also affects the metropolitan centers' ability to sustain its economic growth.
- c. **Encroachment into hazard-prone areas.** As of 2010, the number of informal settler families in Metro Manila is more than half a million, about 20 percent of its total households. Most of these informal settlements are located in hazard-prone areas (*Refer to Chapter 12*).
- d. **Exposure to natural hazards.** The Valley Fault System of Metro Manila makes the region and its surrounding provinces prone to earthquake-related hazards (e.g., faulting rupture, ground shaking, liquefaction, tsunami, fire, and landslide). Flood is also common in metropolitan centers due to poor drainage system. Metro Cebu is highly susceptible to flooding and storm surges, while portions of Metro Davao are highly susceptible to flooding as well as rain-induced landslides (*See Figures 3.7 to 3.11 for the hazard maps of Metro Manila, Metro Cebu, and Metro Davao*).
- e. **Increasing demand for water and energy.** Growth entails higher demand for water and energy. Efficient and sustainable power generation and distribution, as well as water resource management, will thus be important.
- f. **Pollution and waste management issues.** These affect livability and sustainability of cities and thus need to be addressed in a holistic manner, necessitating cooperation among national and local governments.

These challenges reduce the efficiency of cities to be engines of growth, and therefore need to be addressed in a sustainable manner. Considering that these cities are already built-up, the solutions will require “out-of-the-box” thinking. For instance, the solution to traffic congestion and the lack of transport may not be more roads, but ample provision for walking; telecommuting may also be encouraged. Considering other locations (e.g., New Clark City) as alternative site for government operations may also be pursued as a form of redundancy measure.

## Regional connectivity

The GCR, given its contribution to the country’s GDP, is seen to continue its role as the political and financial capital of the Philippines. This does not mean, however, that economic activities will only be concentrated in the region. While most infrastructure projects in the GCR aim to ease traffic congestion and enhance access to and from the regions, infrastructure in metropolitan and regional growth centers outside the GCR will also be developed to boost the economic development in the regions. This will be achievable with the complementation of the IFPs and infrastructure projects under the PIP 2017-2022.

To foster the enhancement of inter- and intra-regional connectivity in the country, the following are recommended:

- a. Fast-track implementation of approved infrastructure projects by addressing bottlenecks in the implementation process, which include: contracting of capable consultants/project teams; procurement issues; and simplification of approval process and requirements.
- b. Promote projects that enhance linkages between production areas to market centers.
- c. Construct new local roads for road network redundancy which allows the creation of alternative routes to increase accessibility between localities for trade and tourism, and disaster response and evacuation.
- d. Further encourage public-private partnerships in implementation or operation and maintenance of projects.

## Vulnerability reduction

While other areas are exposed to natural hazards and are prone to disasters, vulnerability reduction measures are necessarily focused on Metro Manila because of the concentration of establishments and settlements in the national capital, exacerbated by uncontrolled and inefficient development and encroachment into hazard-prone areas. Based on the 2004 Metro Manila Earthquake Impact Reduction Study and the Greater Metro Manila Area Risk Analysis Project, a 7.2 magnitude earthquake in Metro Manila could injure 100,000 people, kill 34,000 people, and result in about ₱2.269 trillion in economic losses. Hence, losses in property, income, and fatalities during disasters will have a substantial effect not just in Metro Manila, but also in the country given the significant share of Metro Manila to GDP.

DRR strategies are best formulated at the regional and local levels. This ensures that hazards are properly delineated on the ground and programs and projects are appropriately identified and prioritized. However, big-ticket projects that address inter-regional concerns such as dams, nationwide early warning system, and hazard and risk mapping may be implemented at the national level due to high cost and impact of the projects.

To further reduce vulnerability, the following are recommended:

- a. Complete the probabilistic hazard mapping and vulnerability and risk assessment for all areas in the country. Risk assessment will help prioritize areas for intervention. Probabilistic mapping and assessment should also include delineating on the ground and identifying exposed elements and their adaptive capacities.

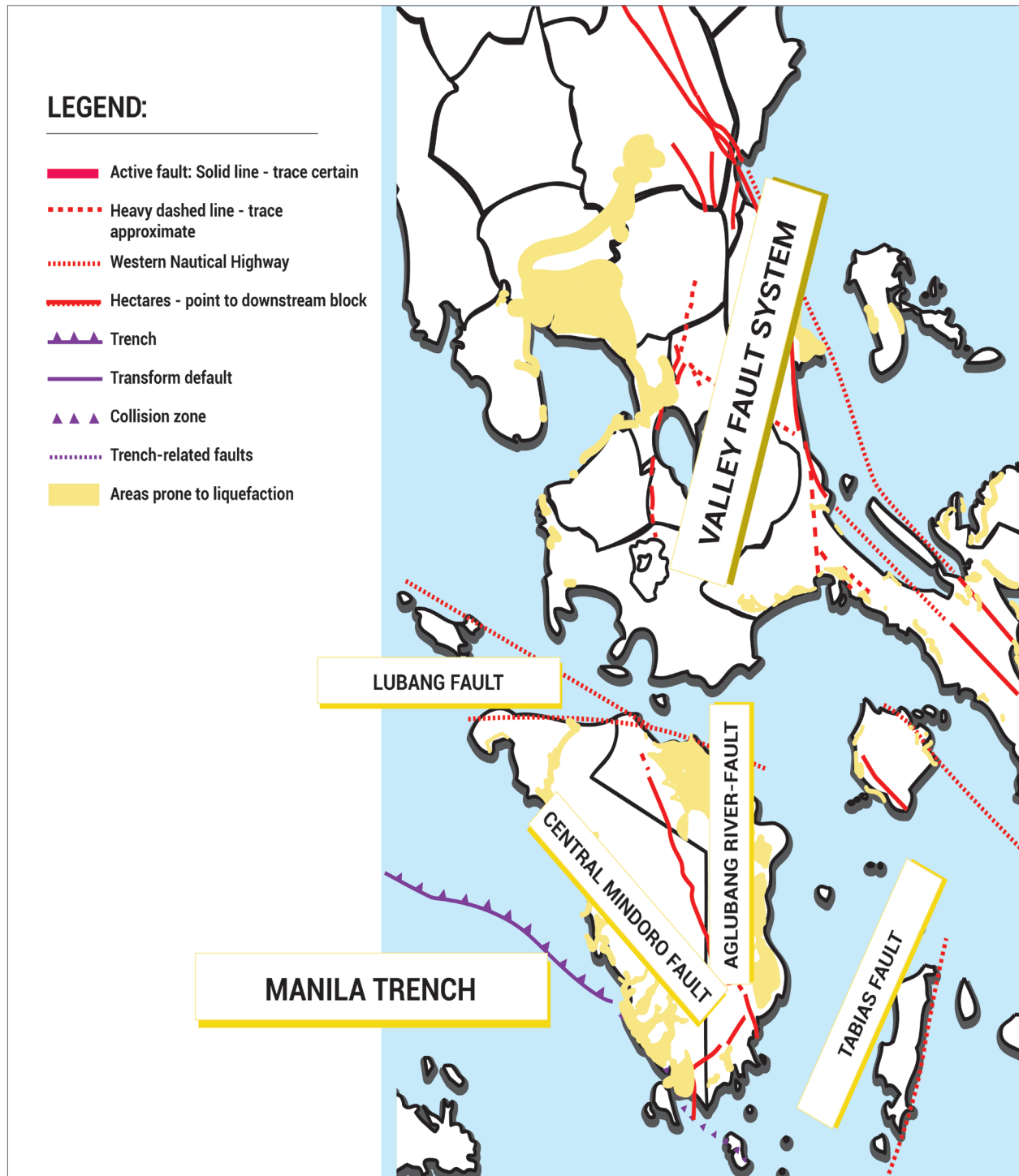
Information and education campaign for local government units on using the maps and conducting risk assessment for planning and other DRR-related activities are equally important. This will also be used as a basis for identifying appropriate programs and projects to address the risks, as well as the appropriate level of governance these projects are best implemented.

- b. Conduct Carrying Capacity Study for metropolitan centers to help guide local chief executives and planners in determining the centers' population and ecological limits. With this knowledge, location and design of infrastructure and settlements can be adjusted to ensure ecological soundness.
- c. Improve the vertical integration and enforcement of the physical and land use plans. This will ensure the harmonized and complementing efforts in all levels of governance. The strategies on vulnerability reduction may also be incorporated in sectoral plans to ensure the safety and resiliency of communities. The enforcement of plans should determine the appropriate land use activities in the identified hazard-prone area and also include penalties and/or incentives.



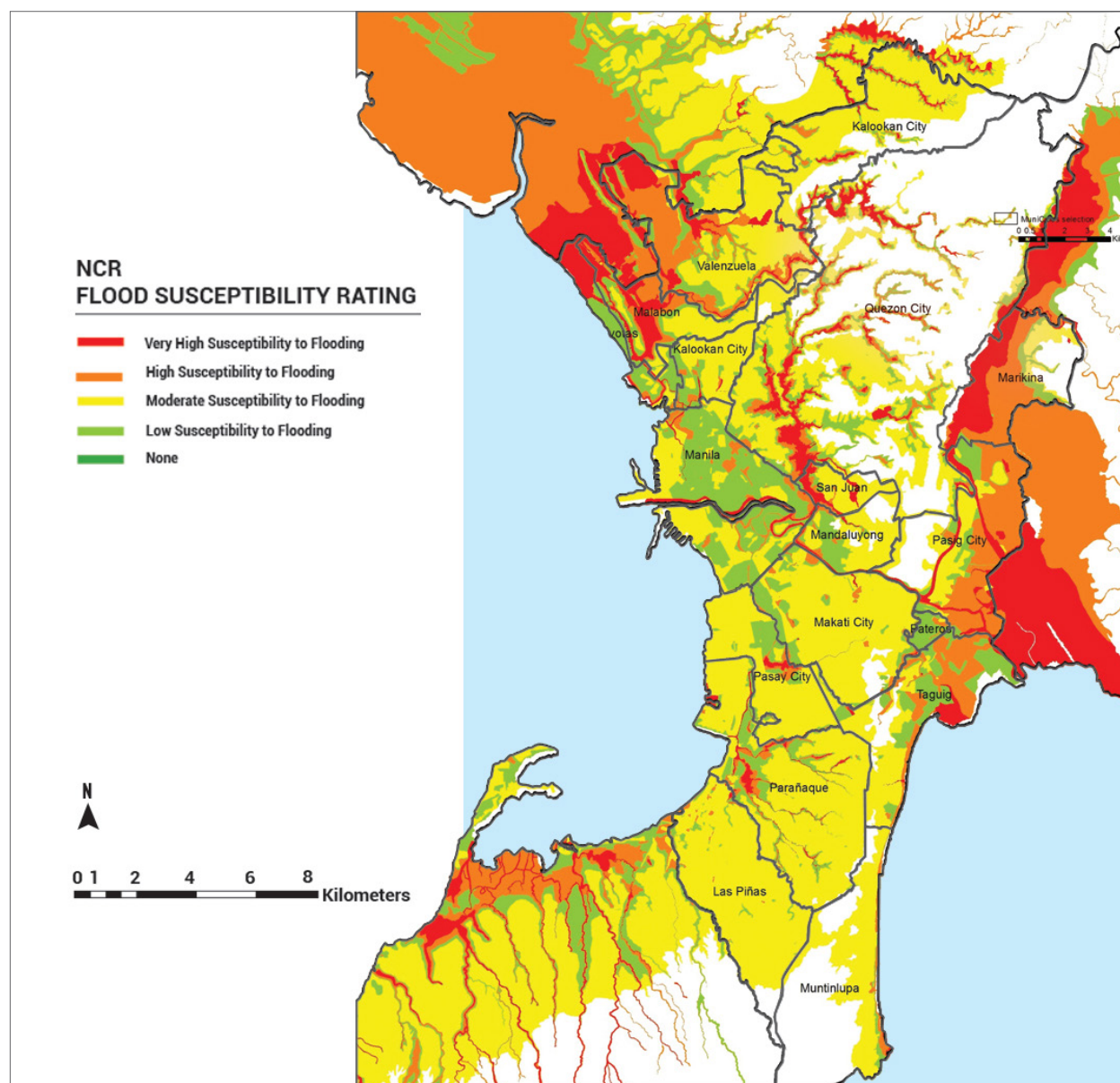
# Hazard Maps of Metro Manila, Metro Cebu, and Metro Davao

Figure 3.7 Fault Line Map of Metro Manila



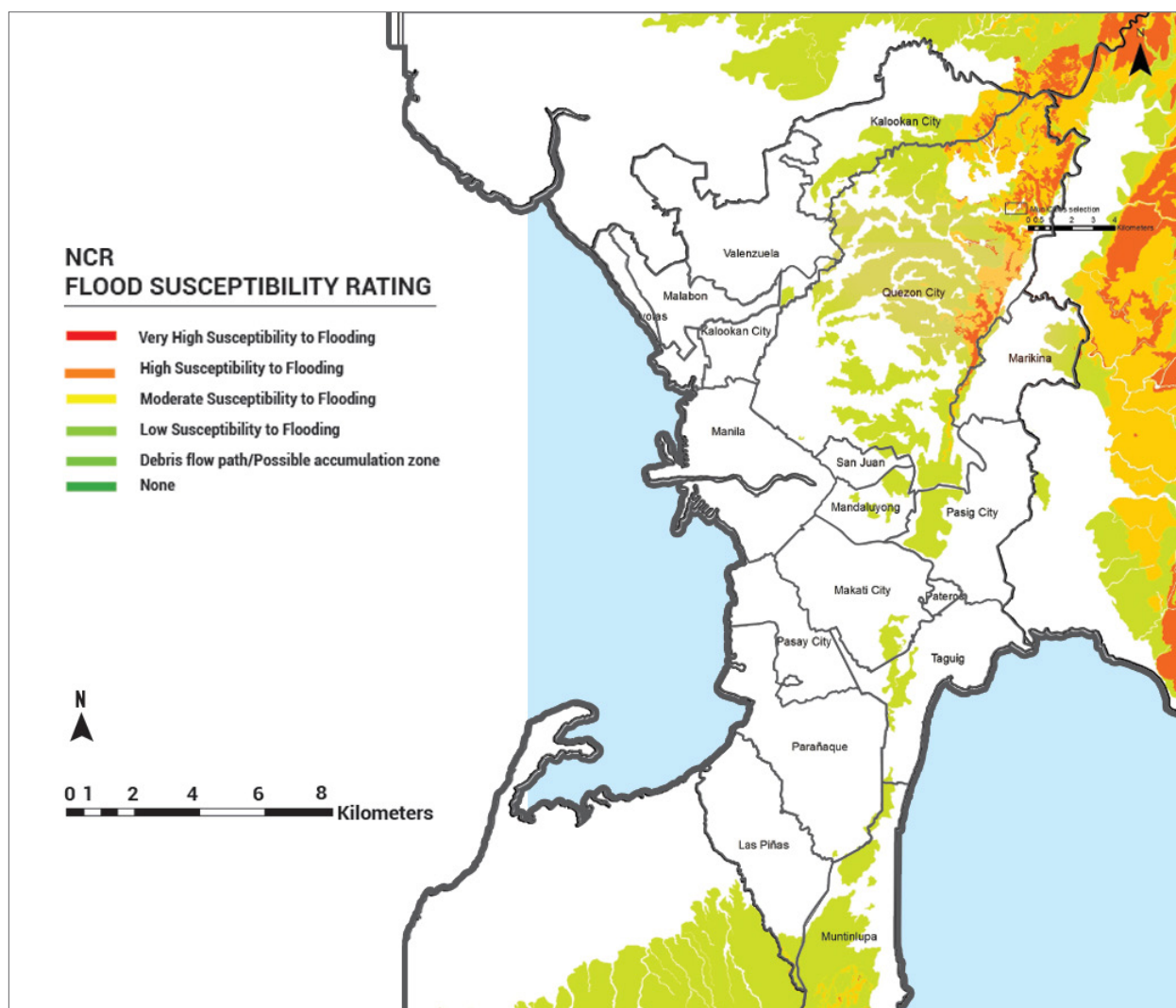
Source: Department of Science and Technology -Philippine Institute for Volcanology and Seismology (DOST-PHIVOLCS)

Figure 3.8 Flood Susceptibility Map of Metro Manila



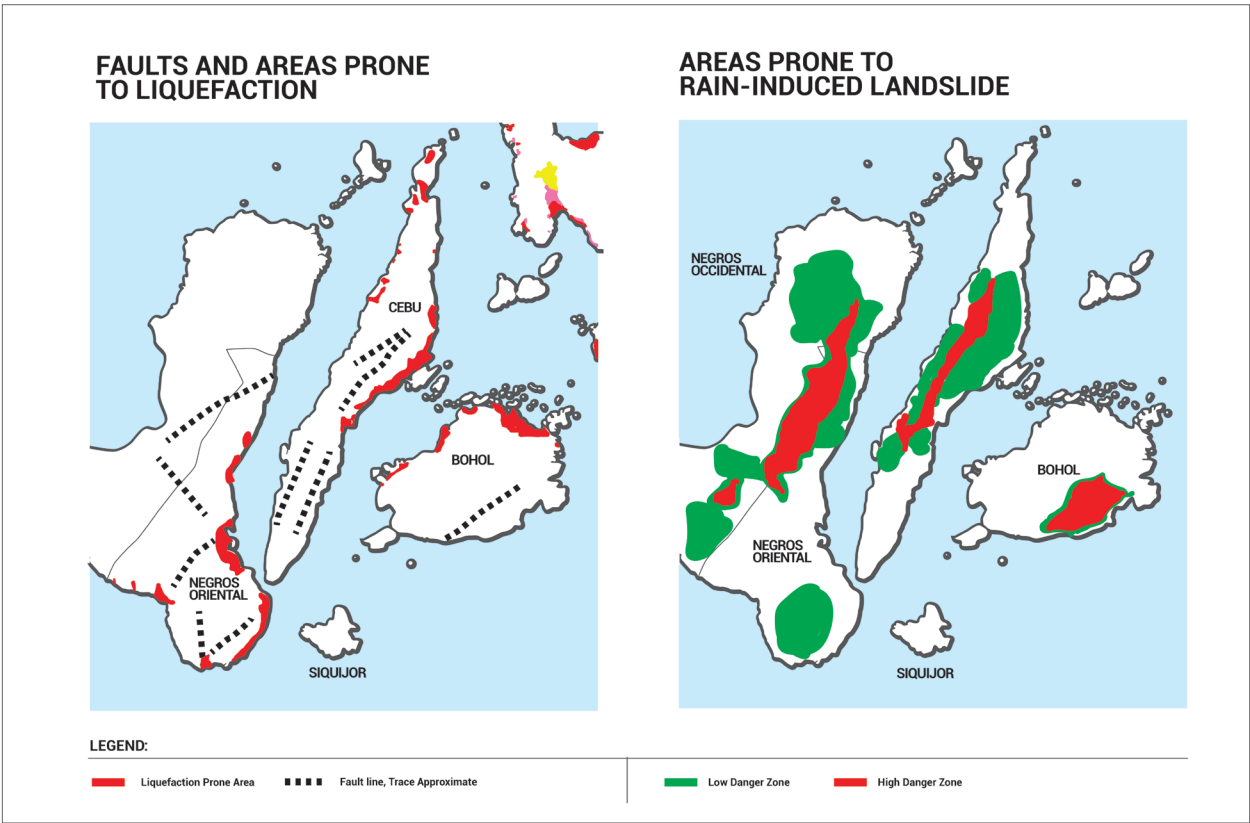
Sources: Department of Environment and Natural Resources-Mines and Geosciences Bureau (DENR-MGB)  
National Mapping and Resource Information Authority (NAMRIA)

Figure 3.9 Landslide Susceptibility Map of Metro Manila



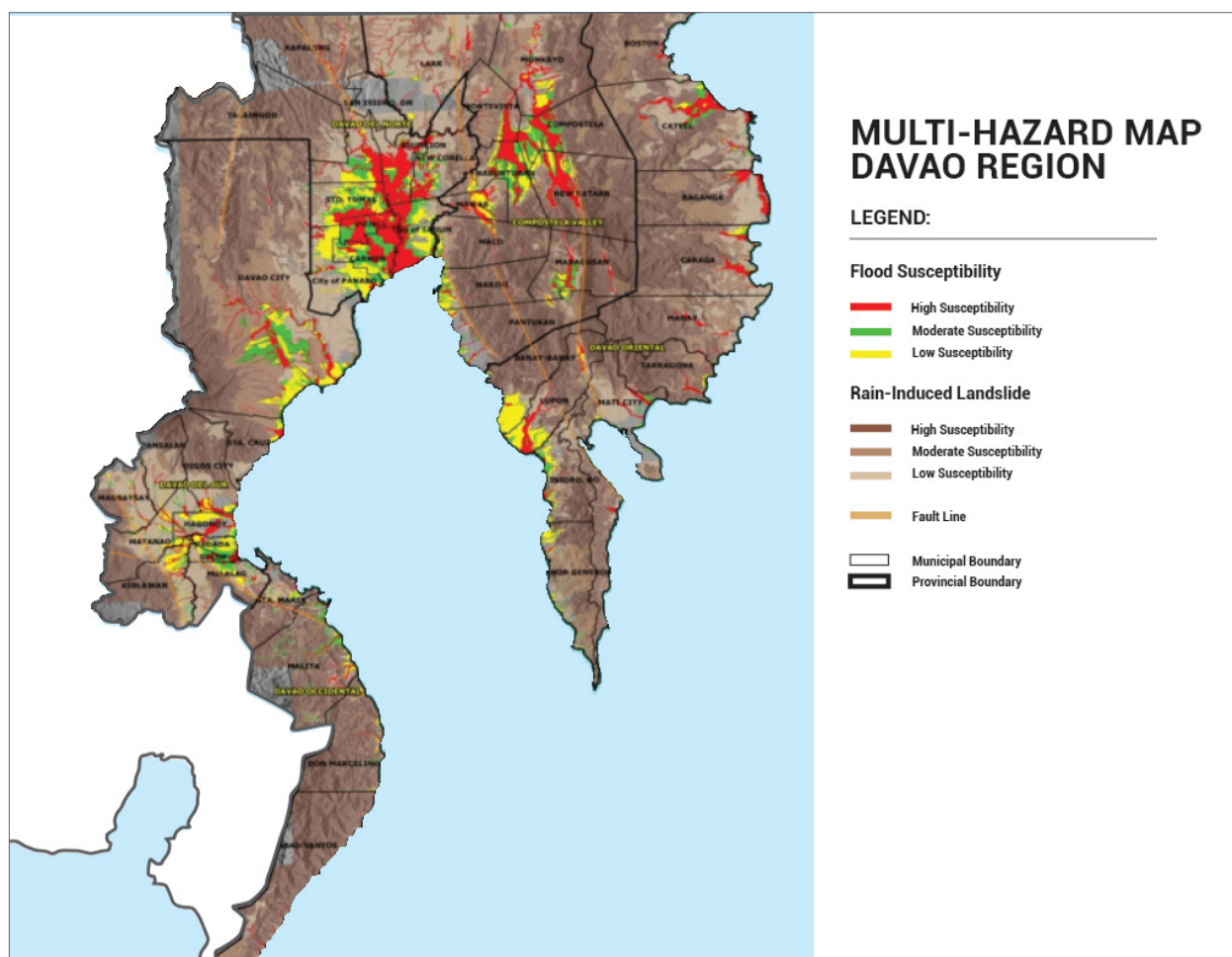
Sources: DENR-MGB  
NAMRIA

Figure 3.10 Fault Line, Liquefaction, and Rain-induced Landslide Susceptibility Maps of Cebu



Source: Visayas Spatial Development Framework, 2016-2045

*Figure 3.11 Multi-hazard Map of Davao*



Sources: DENR-MGB XI  
DOST-PHIVOLCS





# 04

Philippine  
Development Plan  
Framework and  
Headline Targets

# Philippine Development Plan Framework and Headline Targets

The Philippine Development Plan (PDP) 2017-2022 complies with Executive Order (EO) No. 5, s. 2016, which mandates that the four Philippine Development Plans to be crafted and implemented until 2040 shall be geared towards the achievement of *AmBisyon Natin 2040* for *a matatag, maginhawa, at panatag na buhay para sa lahat*.

Achieving the targets set in the PDP requires that the entire government, along with the private sector, work together in an integrated and holistic manner. This is mandated by EO 27, s. 2017, directing all departments, offices, and instrumentalities of the national government, including government-owned and controlled corporations and local government units to adopt, disseminate, and undertake efforts for the full implementation of the PDP 2017-2022. This is an important milestone in plan implementation as it accords the PDP 2017-2022 the primacy as the government's official guide on all matters pertaining to the country's socioeconomic development. Hence, all sectoral, thematic, and agency plans are to be consistent and aligned with the targets and strategies in the PDP.

While much has been done within the seven months since EO 27 was issued, most of these are to lay down the groundwork for change towards more inclusive growth, a high trust and resilient society, and a globally-competitive knowledge economy. Among the overall targets with annual breakdown, accomplishment has been mixed. Table 4.1 presents the accomplishments versus targets.

**On becoming an upper middle-income country by 2022.** The strong economic growth performance of the country in 2017 enabled us to achieve gross national income per capita growth rate of 4.8 percent, higher than the target of 4.5 percent. This would make it possible for us to reach the upper middle-income country standard definition of just below US\$4,000 income per capita by end-2019.

**On achieving inclusive growth.** Poverty incidence<sup>1</sup> is yet to be determined; results are expected in early 2019. There are indications that the 2017 numbers are better than in 2015, given the sustained economic growth and the moderate food inflation (3.8% for 2017). However, this target may be at risk in 2018, if inflationary pressures are not addressed effectively and immediately.

**On reducing unemployment rate.** The national unemployment rate registered 5.7 percent in 2017 vs. 5.5 percent in 2016. While the current unemployment rate has improved compared to previous decades, this is behind the 5.1 to 5.4 percent target set in 2017. In January 2018, unemployment rate declined to 5.3 percent—the lowest for all labor force surveys conducted in January rounds since 2009.

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<sup>1</sup> Poverty incidence is determined using the Family Income and Expenditure Survey of the Philippine Statistics Authority. The next round will be conducted in 2018, and every other year thereafter.

Employment creation remains a challenge as there were around 663,243 net employment losses in 2017, far from the target of increasing employment by 900,000 to 1.1 million per year. On the bright side, underemployment rate in areas outside the National Capital Region (AONCR) continues to decrease and is at 17.1 percent in 2017 from 19.7 percent in 2016, exceeding the target of 18.3 to 20.3 percent for the year.

**On reducing youth unemployment.** Youth unemployment rate for 2017 is at 14.4 percent, short of the 11.0 percent target. In fact, youth unemployment rate for October 2017 increased to 11.9 percent from 11.5 percent in October 2016.

**On being a globally-competitive knowledge economy.** The Philippines ranked 73<sup>rd</sup> of 127 economies in the 2017 Global Innovation Index Report. The report branded the country as one of the new Asian Tigers and the leader in information and communications technology services exports in Southeast Asia. The 2017 rank is marginally better than the 2016 rank of 74<sup>th</sup> out of 128 economies.

*Table 4.1 Accomplishments Versus Targets*

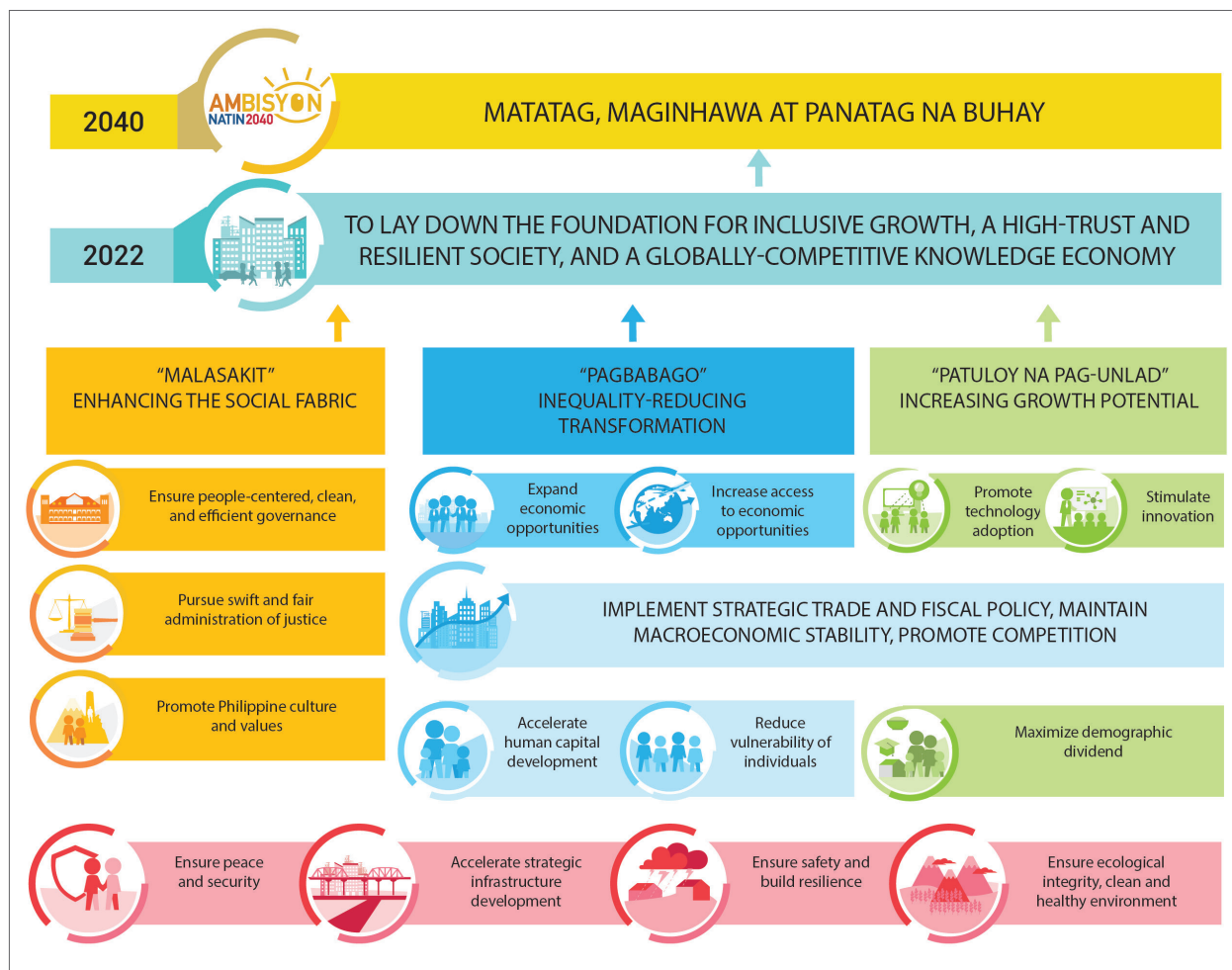
INDICATOR	BASELINE		ANNUAL PLAN TARGETS			2017 ACTUAL DATA
	YEAR	VALUE	2017	2018	2019	ACCOMPLISHMENT
Economic growth (%) sustained	2016	6.9	6.5-7.5	7.0-8.0	7.0-8.0	6.7
GNI per capita (growth rates) increased	2015	4.1	4.5	5.0	5.0	4.8
Poverty Incidence (% of population) reduced	2015	21.6		17.3-19.3		N/A
Rural Poverty Incidence (%) reduced	2015	29.8		25.6		N/A
Subsistence Incidence (%) reduced	2015	8.1		6.8		N/A
Food Inflation (%) kept stable	2016	2.6	2-4	2-4	2-4	3.8
Human Development Index improved	2015	0.682	increasing	increasing	increasing	N/A
Unemployment Rate (%) decreased	2016	5.5	5.1-5.4	4.7-5.3	4.3-5.3	5.7
Employment Generated increased	2016	N/A	900,000 - 1,100,000	900,000 - 1,100,000	900,000 - 1,100,000	-663,243
Youth Unemployment Rate (%) decreased	Oct 2016	11.5	11	10.4	9.8	11.9*
Underemployment Rate in AONCR (%) decreased	2016	19.7	18.3-20.3	17.8-19.8	17.4-19.4	17.1
Global Innovation Index (rank) improved	2016	74 out of 128 economies	increasing	increasing	increasing	73 out of 127 economies

Note:

\*Data as of October 2017

The subsequent chapters will present and discuss the accomplishments based on the overall strategic framework of the PDP 2017-2022 (Figure 4.1). The framework shows that overall and thematic targets shall be achieved through strategies under the three major pillars of “*Malasakit*,” “*Pagbabago*,” and “*Patuloy na Pag-unlad*.”

Figure 4.1 PDP 2017-2022 Overall Strategic Framework



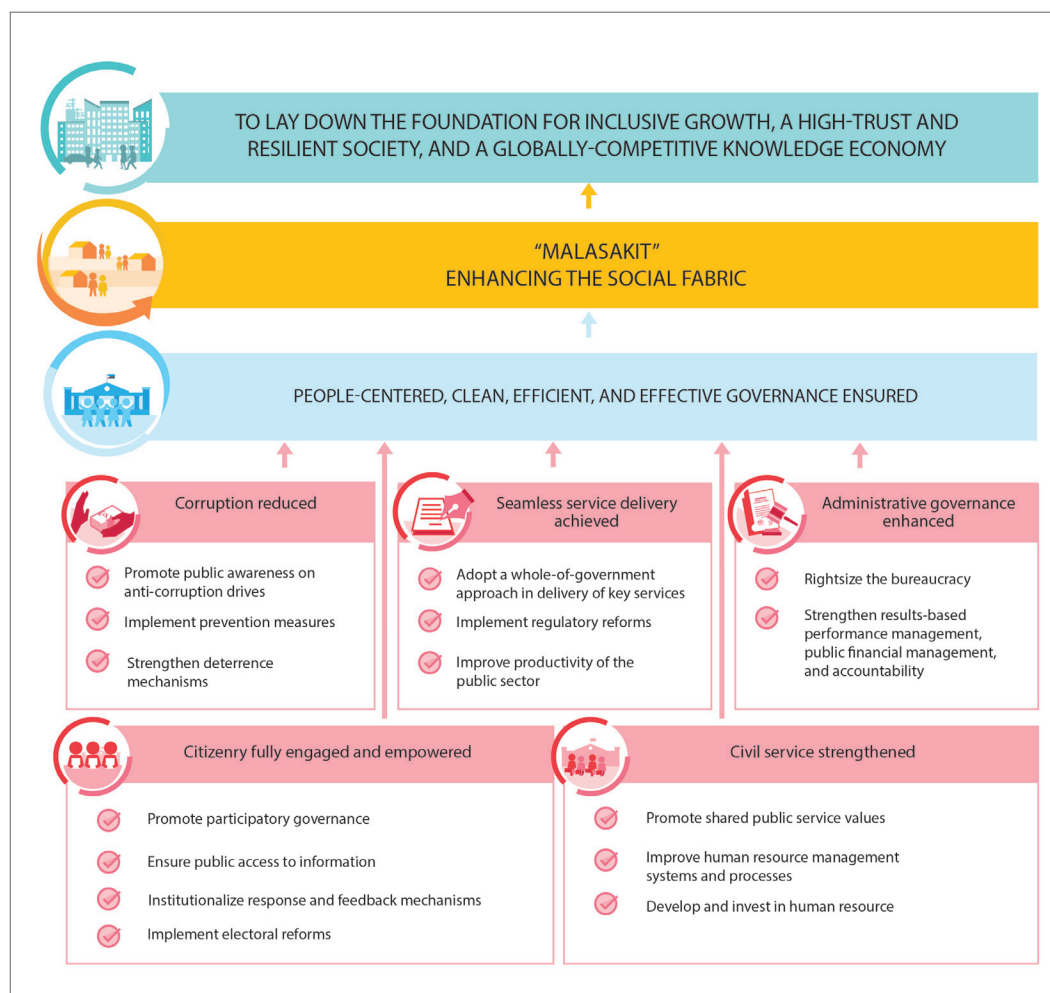
05

Ensuring People-  
centered, Clean,  
and Efficient  
Governance

# Ensuring People-centered, Clean, and Efficient Governance

To gain people's trust in government, the following outcomes will be achieved: corruption reduced; seamless service delivery achieved; administrative governance enhanced; citizenry fully engaged and empowered; and civil service strengthened. Generally, indicators of good governance in these subsector outcomes are on track. However, anti-corruption initiatives and civil service reforms need to catch up, as these are encumbered by the slow passage of legislations and a fickle political climate. To address these challenges and set budget priorities for 2019, the government will conduct advocacy activities, intensify its anti-corruption efforts, enhance its coordinating mechanisms, continue investment in technologies, and provide capacity-building interventions, among others.

**Figure 5.1 Strategic Framework to Ensure People-centered, Clean, and Efficient Governance**



# Accomplishments

A year after the approval of the Philippine Development Plan (PDP) 2017-2022 and building on previous gains, the sector has witnessed significant milestones in pursuit of a people-centered, clean, and efficient governance.

**Three core indicators are projected to meet/exceed targets for 2017: World Governance Indicators (WGI) on Regulatory Quality and Voice and Accountability, and the Open Budget Index (OBI).** Given the trajectory of historical data on these core indicators, the country has a positive outlook on the targets.

For WGI-Regulatory Quality, the target is achievable given the gradual improvement in the rank of the Philippines from 2011 to 2016 (43.6pctl vs. 53.9pctl). Current regulatory reforms for ease of doing business such as Project Repeal may boost the country's percentile rank.

In spite of a slight decline in the country's 2016 percentile rank in the WGI-Voice and Accountability (51.2pctl vs. 50.7pctl), the continuous implementation of participatory governance initiatives may bolster the country's performance for this indicator.

The recent OBI score exceeded the target (64/100 vs. 67/100) due to efforts on budget openness, which empowered relevant stakeholders to exact budget accountability. With the OBI score of 67, the Philippines landed 1<sup>st</sup> among Asian countries in terms of budget transparency, which means citizens are provided with substantial budget information.

## Achieving seamless service delivery

Various government agencies launched portals and online systems to digitize processes which lessened human intervention and fast-tracked the delivery of frontline services.

The Department of Information and Communications Technology (DICT) launched an electronic business process and licensing system, which is expected to reduce the processing time of application for business permits from 5 days to 1-2 working days.<sup>1</sup> Similarly, the Department of Finance (DOF) introduced the Philippine Business Data Bank to enable online processing of business permits through sharing of information among key agencies. On trade, the DOF adopted the use of the TradeNet platform as the National Single Window for processing import and export permits of commodities representing half of the country's total trade volume. The platform currently connects 16 government agencies in charge of processing trade permits (*See also Chapter 15*).

Citizens can now enjoy easier access to government transactions through the National Government Portal with 102 linked eServices<sup>2</sup> (e.g., request for birth certificate, processing of driver's license). The Bureau of Internal Revenue (BIR) has also implemented the Electronic Filing and Payment System, allowing citizens to electronically pay their taxes via the PayTax Online portal. It has also removed three out of an average of six documents required for the issuance of a Tax Identification Number.<sup>3</sup>

<sup>1</sup> Bhunia, P. (2017, July 29). DICT Philippines launches cloud-based Electronic Business Permit and Licensing System software for Local Government Units. OpenGov Asia. Retrieved from <https://www.opengovasia.com/articles/7855-dict-philippines-launches-cloud-based-electronic-business-permit-and-licensing-system-software-for-local-government-units>

<sup>2</sup> Data as of September 2017

<sup>3</sup> Cahiles-Magkilat, B. (2017, April 19). BIR extends tax clearance validity to 1 year. Manila Bulletin. Retrieved from <http://business.mb.com.ph/2017/04/19/bir-extends-tax-clearance-validity-to-1-year/>



Civil registration systems have also improved. For one, the validity of Philippine passports has been extended from five years to ten,<sup>4</sup> as well as driver's licenses from three years to five.<sup>5</sup> Refugees and stateless individuals are now ensured access to prompt and efficient process application for being granted their status through the newly created Refugee and Stateless Persons Unit under the Department of Justice.

Programs catering to the needs of overseas Filipino workers (OFWs) were also introduced. The One-Stop Shop Service Centers for OFWs were put up for easier processing of OFW documents, assisting 1.22 million Filipinos since January 2017. The Overseas Workers Welfare Association app was also launched, enabling members to verify their status, pay contributions, update information, and avail of programs and services through their smart phones. Lastly, the Department of Labor and Employment (DOLE) rolled out the OFW ID card to ease access of OFWs to online services on overseas employment and to link them to databases of concerned government agencies for an updated and complete labor market information system.

In promoting ease of agency-to-agency transactions, the National Economic and Development Authority (NEDA) launched the Public Investment Program Online (PIPOL) System. The system facilitated the investment programming process for both the implementing agencies, in terms of formulation and update of programs and projects, and NEDA, for validation of agency submissions. There are also ongoing initiatives to link the PIPOL System with the Department of Budget and Management's (DBM) Online Submission of Budget Proposal System, which contributes to achieving interoperability of government processes, including convergence of government databases and strengthening the linkages and coordination of agencies.

## Enhancing administrative governance

Starting 2018, the Philippines adopted the Program Expenditure Classification (PREXC) as the budget structure for the whole of government for an effective and efficient public expenditure management. With PREXC, agencies are now expected to attain targets set based on programs and projects, rather than their Major Final Outputs.<sup>6</sup> Monitoring of budgets is also anticipated to improve with the launch of the Budget and Treasury Management System (BTMS) Portal, an information system for the public financial management (PFM) operations of the government (*See also Chapter 15*). The Portal is still being developed with the integration of the Budget Execution and the Treasury Management Modules underway. Meanwhile, targets have been exceeded on the number of local government units (LGUs) adopting the PFM improvement measures (99 percent vs. 80 percent) as a result of the PFM Assessment Tool (PFMAT).

## Empowering and engaging with citizenry

President Duterte issued Executive Order (EO) No. 9, s. 2017 creating the Office of Participatory Governance to “promote active citizenship, inclusiveness, transparency, and accountability in governance.” Moreover, EO 24, s. 2017 was issued to reorganize the Cabinet Clusters System, including integration of anti-corruption and good governance objectives in the policy framework of all Cabinet clusters. The roadmap of the Participatory Governance Cluster has been recently published and is harmonized with the PH-Open Government Partnership 2017-2019 National Action Plan.

Feedback mechanisms have also been intensified through the institutionalization of citizens' hotlines. Hotline 8888 has recorded an average resolution rate of 93.2 percent for 22,180 transactions.<sup>7</sup> DOLE's Hotline 1349

<sup>4</sup> Mandated by Republic Act (RA) No. 10928 (Philippine Passport Act of 1996)

<sup>5</sup> Mandated by RA 10930 (An Act Rationalizing and Strengthening the Policy Regarding Driver's License)

<sup>6</sup> DBM (2017, February 8). National Budget Circular No. 569. Retrieved from [https://www.dbm.gov.ph/wp-content/uploads/Issuances/2017/National%20Budget%20Circular/NBC\\_569.pdf](https://www.dbm.gov.ph/wp-content/uploads/Issuances/2017/National%20Budget%20Circular/NBC_569.pdf)

<sup>7</sup> Data as of September 2017

designated for labor-related issues attended to 97,478 queries.<sup>8</sup> The Department of the Interior and Local Government's (DILG) Hotline 911 meant to address emergencies received 248,282 legitimate calls.<sup>9</sup>

Furthermore, the government continues to comply with existing measures of good governance. To wit, 97 percent<sup>10</sup> of national government agencies have complied with the Transparency Seal. The number of provinces, cities, and municipalities (PCMs) fully disclosing financial documents to the public has even exceeded its target (P=72 vs. 62; C=120 vs. 116; M=1,119 vs. 1,111).<sup>11</sup>

## Reducing corruption and strengthening the civil service

**Reducing corruption and strengthening civil service remain a challenge, even with numerous reforms.**

Anti-corruption initiatives and civil service reforms are continuously being implemented but reforms need time to take root. Traction may become more apparent as the plan rolls on.

The Office of the Ombudsman (OMB), which is the lead agency in reducing corruption in the government, follows a three-pronged approach of corruption reduction: promoting public awareness of anti-corruption drives; implementing prevention measures; and strengthening deterrence mechanisms. The OMB conducted Integrity Caravans through a University Integrity Tour. It implemented corruption prevention programs like the Integrity Management Plan; the Integrity, Transparency, and Accountability in Public Service training; and the system enhancement of filing and analyzing Statement of Assets, Liabilities, and Net Worth (SALN) through the rollout of e-SALN.

At the Executive level, EO 43, s. 2017 created the Presidential Anti-Corruption Commission tasked to “assist the President in investigating and hearing administrative cases of graft and corruption against all presidential appointees.” Once fully operational, the Commission will have the authority to conduct lifestyle checks and fact-finding investigations on appointees who are subjects of graft and/or corruption complaints.

Related to the same desired outcomes, various capacity building and civil service programs are being conducted. The Civil Service Commission (CSC) has successfully assisted 501 agencies through the Program to Institutionalize Meritocracy and Excellence in Human Resource Management.<sup>12</sup> The Development Academy of the Philippines (DAP) has taken in 88 officers under its Public Management Development Program.<sup>13</sup> For third level positions, the Career Executive Service Board (CESB) offers executive training courses and career development programs and facilitates eligibility and rank appointment of government executives. As of January 31, 2018, 40 percent of CES positions are occupied by CESOs and eligibles, 32 percent are non-CESO and non-CES-eligible presidential appointees, and 29 percent are vacant.<sup>14</sup>

Other agencies also have initiatives on developing competencies of civil servants: DBM, Local Government Academy (LGA), and Department of Foreign Affairs (DFA). DBM has the PFM Competency Program and the Careership Program in Development Economics in partnership with the UP School Economics. On the other hand, LGA is training LGUs in planning, monitoring and evaluation, and disaster risk management. Lastly, DFA is capacitating its consular through online consular assistants training and retooling programs.

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<sup>8</sup> Data as of June 2017

<sup>9</sup> Data as of June 2017

<sup>10</sup> Data as of May 15, 2017

<sup>11</sup> Data as of September 2017

<sup>12</sup> Data as of September 2017

<sup>13</sup> Data as of September 2017

<sup>14</sup> CESB. (2018, January 31). CES Occupancy Statistics Report (Presidential). Retrieved from <http://www.cesboard.gov.ph/2018/Public%20Documents/2018/Occupancy/January/Jan%202018%20Occupancy.pdf>

## Moving Forward

Despite having legislated landmark reforms, priority bills for the sector are still pending in both Houses of Congress. Thus, advocacy activities must be carried out to fast-track the passage of legislations and keep citizens fully engaged and informed of the government's development agenda. It is also important to ensure proper and timely implementation of ongoing and planned programs and projects to improve efficiency and productivity in delivering government services despite political dynamics.

**Strengthen and improve the implementation of anti-corruption initiatives.** A prerequisite to this is the enactment of the bills on strengthening the Ombudsman. Passage of the law should be complemented with the full implementation of the National Anti-Corruption and Advocacy Plan and the country's commitments to the United Nations Convention Against Corruption. Aside from existing regulatory instruments, systems, and capacities, the e-SALN should be rolled out to the entire bureaucracy. Public sector procurement also needs to be further reviewed by the Government Procurement Policy Board. One area that can be looked into is allowing agencies to adhere to the Lowest Calculated and Most Responsive Bid principle to ensure that bidders compete in terms of both cost and quality. Contract design and administration must also be improved to minimize ambiguities that can be a source of corruption and inefficiencies. Clauses on sanctions or penalties on suppliers/contractors deviating from contract terms must be clearly articulated and strictly enforced. Public access to information on these contracts can also help exact accountability and ensure fairness. Other long-standing procurement issues<sup>15</sup> should be resolved. These include limits to the entry of foreign bidders in terms of application of financial and technical criteria and the institution of an independent and autonomous complaint appeals body to resolve protests.

**Ease and further streamline government transactions and processes.** This can be done by reviewing and relaxing Commission on Audit (COA) rules and regulations that seem already antiquated, unnecessary, and ineffective and that only impede expeditious public service delivery. This will allow COA to focus and intensify efforts on areas and sectors most vulnerable to corruption. In addition, regulatory impact assessment, cost compliance analysis, and other related tools must be institutionalized. A national regulatory architecture must also be developed towards a sound regulatory system. These programs are designed to reduce regulatory burdens and re-engineer systems and procedures in frontline services. The National Competitiveness Council can enhance Project Repeal by looking into the qualitative nature of the repealed regulations (i.e., verifying whether the outputs of the program contribute to the intended outcomes). Related to this, issuances hindering the seamless agency-to-agency transactions should also be repealed. To speed up procurement and implementation, agencies should develop capacities to plan and program their projects, to formulate well-designed contracts, and to properly and smoothly administer contracts.

**Ensure the passage of the Budget Reform Act to improve administrative governance.** Passage of the said bill is vital in establishing linkages between planning, budgeting, and programming. The bill will also lock-in implemented reforms that promote accountability in public financial management.

**Intensify the full implementation of the following programs by 2019 to engage and empower citizens:** National Government Portal (NGP), national identification (ID) system, Freedom of Information, and Citizens' Hotline. It is envisioned that the NGP will be fully utilized by citizens and will be regularly enhanced based on their feedback. Hotlines may not be solely used for complaints or commendations, but also as a platform for suggestions for improvements. Further broadening citizen engagement requires the institutionalization of citizens' participation in all facets of governance.

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<sup>15</sup> Asian Development Bank. (2012). Philippine Country Procurement Assessment Report. Retrieved from <https://www.adb.org/sites/default/files/institutional-document/34079/files/philippines-country-procurement-assessment-report-2012.pdf>

**Implement a three-tiered approach in strengthening and professionalizing the civil service:** continuously build the capacity and competencies of civil servants; improve existing performance management systems; and put up mechanisms in managing appointees. The CSC must provide a whole spectrum of capacity-building interventions from first-level to third-level positions. This can take the form of: a) fast-tracking the revival of the Civil Service Academy; b) maximizing the current Civil Service Institute; and/or c) fostering linkages with the DAP and the CESB. The CSC must also enhance the Strategic Performance Management System (SPMS) through harmonizing with the PREXC, the Results-based Performance Management System (RBPMS), and the Career Executive Service Performance Evaluation System (CESPES). For third-level executive positions, it is imperative to ensure that appointees meet minimum qualifications set for a position and that all executives develop higher-level competencies and meet professional and ethical standards. Necessary mechanisms for exacting accountability from presidential appointees should also be put in place, starting with the passage of the Civil Service Code. Further, the CSC should seriously review and reform what may be antiquated rules and regulations that are unnecessary and only militate against the modernization and professionalization of the civil service system.

## Recommendations

Programs, activities, and projects designed to deliver the desired outcome of clean, efficient, and people-centered governance are enumerated in the Public Investment Program 2017-2022.

To fill in the gaps of programs mentioned above, the following strategies are recommended:

*Table 5.1 Supplemental Strategies to Ensure a People-centered, Clean, and Efficient Governance*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<b>People-centered, innovative, clean, efficient, effective, and inclusive delivery of public goods and services</b>		
<ul style="list-style-type: none"> <li>Lack of cost-benefit analysis on existing programs</li> <li>Slow passage of priority legislations</li> </ul>	<ul style="list-style-type: none"> <li>Conduct impact evaluation studies of continuing programs.</li> <li>Conduct advocacy activities.</li> </ul>	All agencies
<ul style="list-style-type: none"> <li>Lack of sustainable follow-up and follow-through in implementation of programs</li> <li>Lack of visibility on progress of programs</li> </ul>	<ul style="list-style-type: none"> <li>Implement a Monitoring and Evaluation Framework for Performance and Project Roadmaps of Cabinet Clusters.</li> </ul>	Office of the Cabinet Secretary
<b>Corruption reduced</b>		
<ul style="list-style-type: none"> <li>Lack of coordination among institutional mechanisms on anti-corruption</li> <li>Persistence of corruption in the bureaucracy</li> </ul>	<ul style="list-style-type: none"> <li>Intensify anti-corruption efforts.</li> </ul>	Ombudsman
<b>Seamless service delivery achieved</b>		
<ul style="list-style-type: none"> <li>Lack of whole-of-government approach to programs</li> <li>Poor access to technology in remote areas</li> <li>Low-level knowledge on technologies</li> </ul>	<ul style="list-style-type: none"> <li>Enhance coordinating mechanisms.</li> <li>Continue investment in technologies.</li> </ul>	All agencies
<ul style="list-style-type: none"> <li>Administrative burden in payment of government services</li> </ul>	<ul style="list-style-type: none"> <li>Establish e-payment platform systems.</li> </ul>	DOF
<ul style="list-style-type: none"> <li>Lack of proof of identity of individuals, particularly the marginalized</li> </ul>	<ul style="list-style-type: none"> <li>Establish the national ID system.</li> </ul>	NEDA - Philippine Statistics Authority <sup>16</sup>

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<b>Administrative governance enhanced</b>		
<ul style="list-style-type: none"> <li>• Full implementation of the National Rightsizing Program</li> <li>• Conduct of 2019 National and Local Elections</li> <li>• Possible change in government type</li> </ul>	<ul style="list-style-type: none"> <li>• Craft change management plans.</li> </ul>	All agencies
<ul style="list-style-type: none"> <li>• Shift to PREXC-based approach</li> <li>• Disconnect in performance management systems (e.g., CESPES and SPMS)</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade SPMS and RBPMS.</li> </ul>	DBM
<b>Citizenry fully engaged and empowered</b>		
<ul style="list-style-type: none"> <li>• Low impact of anti-corruption efforts</li> <li>• Low involvement and interest of citizens on participatory governance</li> </ul>	<ul style="list-style-type: none"> <li>• Institutionalize Citizen Participatory Audits.</li> </ul>	COA
<ul style="list-style-type: none"> <li>• Low functionality of Local Development Councils (LDCs) and the use of LDCs as a political mechanism</li> <li>• Level of difficulty of metrics in the Seal of Good Local Governance (e.g., too easy)</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen LDCs.</li> <li>• Scale up LGU performance metrics.</li> </ul>	DILG
<b>Civil service strengthened</b>		
<ul style="list-style-type: none"> <li>• Lack of competencies in planning, programming, among others</li> </ul>	<ul style="list-style-type: none"> <li>• Provide capacity-building interventions.</li> </ul>	All agencies
<ul style="list-style-type: none"> <li>• Disconnect in the spectrum of capacity building for the public sector</li> <li>• Lack of standard competencies across government levels</li> <li>• Employability of K-12 graduates</li> </ul>	<ul style="list-style-type: none"> <li>• Mainstream <i>AmBisyon Natin 2040</i> and culture-sensitive governance in capacity building.</li> <li>• Integrate new and relevant concepts in existing training programs.</li> <li>• Link programs with academic institutions and the LGA.</li> <li>• Continuously improve the capacity-building modules/methods.</li> <li>• Ensure availability of Qualification Standards that are compliant with K-12 competencies.</li> </ul>	CSC, CESB

<sup>16</sup> Including the Technical Working Group on the national ID system

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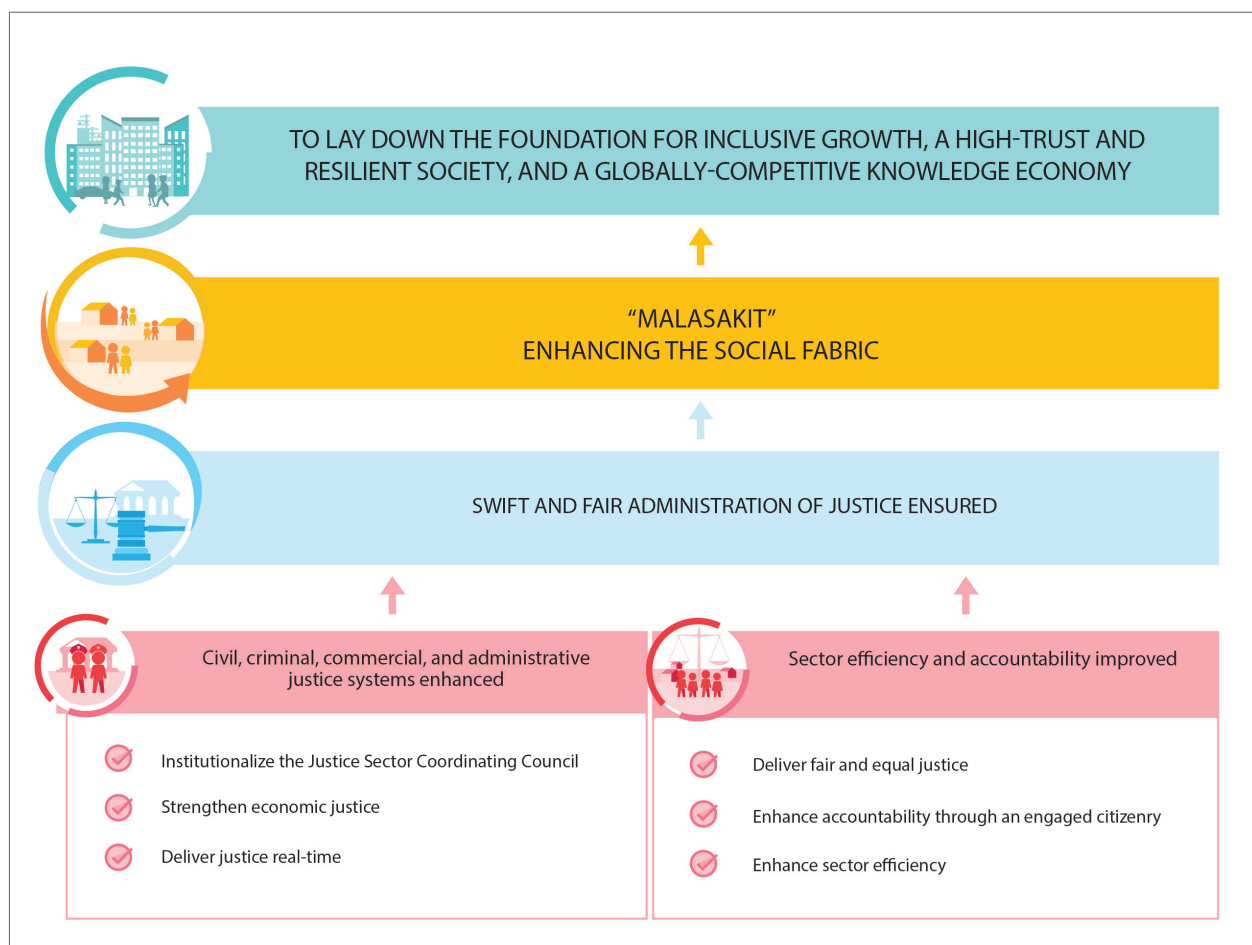
Pursuing  
Swift and Fair  
Administration  
of Justice

# Pursuing Swift and Fair Administration of Justice

The delivery of swift, fair, and real-time justice is imperative and critical to the realization of the Filipino dream of a stable, comfortable, and secure life. It is likewise crucial in building the trust of the people towards the government.

The Philippine Development Plan (PDP) 2017-2022 has underscored the importance of shifting from an institution-based to a sector-based approach in the administration of justice. An efficient and effective cooperation among the five pillars of the justice system—law enforcement, prosecution, courts, correction, and community—is necessary for the shift. Reforms have been initiated, but will need to be further intensified and accelerated.

**Figure 6.1 Strategic Framework to Pursue Swift and Fair Administration of Justice**





# Accomplishments

For 2017, the justice sector has made significant strides in achieving its targets. Most interventions focused on setting up mechanisms and information systems that are critical in laying down the foundation for integrated and harmonized efforts of justice sector agencies. Necessary issuances and measures were made to make it easier for people to avail of justice services and to expedite the disposition of cases.

## Enhancing civil, criminal, commercial, and administrative justice systems

**Information sharing systems and harmonized procedures are being set up for better coordination among agencies at various levels within the justice system.** The Department of Justice (DOJ) and the Department of the Interior and Local Government (DILG) developed and formally issued the Uniform Manual on Time Allowances and Service of Sentence to harmonize inter-agency corrections systems and procedures. The manual prescribes the standard procedures for prisons nationwide on inmate good conduct time allowances and determination of appropriate time of release. The Single Carpeta System has also been developed and integrated with the agency systems of the Bureau of Jail Management and Penology (BJMP), DOJ Board of Pardons and Parole, and Parole and Probation Administration. It is also part of the National Justice Information System (NJIS) and is aligned with the Uniform Manual. The system is designed to be interoperable in terms of sharing electronic data through a central exchange portal. Once completed, the system of the Bureau of Corrections will also form part of the Single Carpeta System.

The DOJ also facilitated the development of Philippine Crimes Index, a single reference list of offenses and corresponding penalties under all national laws with penal provisions. The index is currently being finalized for immediate use in the NJIS and its component systems. It will be a vital reference for the ongoing development of the Philippine Classification of Crime for Statistical Purposes in line with the 2015 United Nations International Standard.

The Justice Sector Coordinating Council (JSCC), composed of the Judiciary, DOJ, DILG, and their relevant attached agencies, continues as a collaborative mechanism to implement the justice sector reform agenda.

**Measures to improve the timeliness of justice delivery have been initiated.** Substantial steps have been taken to address case backlogs. Although full-year data for 2017 are not yet available, initial data<sup>1</sup> show that 85.03 percent of the total inventory of cases have been disposed. Despite this, backlogs in preliminary investigation remained high at 53.18 percent. To address this, the DOJ National Prosecution Service (NPS) launched its Case Decongestion Project to clear backlogs on highly congested prosecution offices and develop institutional measures to address NPS-wide backlogs. In addition, the Judiciary has completed the deployment of 635 Case Decongestion Officers to highly congested trial courts. The new Prosecution Case Management System is also being fine-tuned to facilitate case recording, documentation, monitoring, tracking, accountability, and reporting.

The Supreme Court issued the Revised Guidelines for Continuous Trial of Criminal Cases, covering existing trial courts and newly-filed and pending criminal cases with respect to the remainder of the proceedings. The 2017 target of establishing 295 e-courts has been met.

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<sup>1</sup> Available data as of January 2018, at 85 percent submission rate.

To facilitate the speedy disposition of cases, interventions to reinforce Alternative Dispute Resolution (ADR) mechanisms have been put in place. ADR mechanisms and mediations promoted and conducted by the Office of the Alternative Dispute Resolution, Public Attorney's Office (PAO), and courts render sustained success rate. Other ADR mechanisms such as Judicial Dispute Resolution, Appellate Court Mediation, and Mobile Court Annexed Mediation are also being maximized.

## Improving sector efficiency and accountability

**Significant measures to improve the delivery of fair and equal justice are being undertaken.** Notably, Republic Act No. 10951 (Amendment to the Revised Penal Code) is the first justice sector-related legislative measure passed under this Administration. It imposes stiffer, updated, and/or rationalized penalties for crimes committed in violation of the Revised Penal Code. In addition, the DOJ issued guidelines for prosecutors on plea bargaining agreement for offenses under RA 9165 (Comprehensive Dangerous Drugs Act of 2002). The issuance provided a definitive guidance and maximized the use of plea bargaining on illegal drugs cases to improve the efficiency of criminal prosecution and to expedite court proceedings.

*To increase the people's access to adequate legal aid,* the Supreme Court issued the Community Legal Aid Service Rule<sup>2</sup> which requires lawyers, beginning with those who passed the 2017 Bar Examinations, to render pro bono community legal aid services to qualified parties. Furthermore, all requests for free legal assistance and representation were acted upon within three working days from date of request.

*To strengthen programs on victim assistance,* the DOJ Victims Compensation Program processed and approved additional 376 claim applications by heinous crime victims, exceeding the 2017 target of 100 processed claims. The Commission on Human Rights has increased the resolution rate of human rights cases within the prescribed period to 68.76 percent. In terms of timeliness, inmates qualified for release were set free on time. These include those in city/municipal/district jails who are qualified based on court orders and those in national prisons who were granted parole/pardon, as well as those who have served their sentence.

*To address the steadily rising number of new drugs cases,* Regional Trial Courts are now allowed to hear, try, and decide cases filed under the Comprehensive Dangerous Drugs Act of 2002.<sup>3</sup> This measure was complemented with the construction of additional jail and prison facilities.

*To improve corrections reform actions,* jails manned by the BJMP were certified to be compliant with the Therapeutic Community and Modality Program. The program is a holistic approach where communities are engaged in facilitating rehabilitation programs for inmates, especially drug dependents. In addition, *REHABiNasyon*, a unified campaign against illegal drugs that puts premium to rehabilitation, was launched by the Inter-Agency Committee on Anti-Illegal Drugs (ICAD).<sup>4</sup> Moreover, improvements on inmate/offender rehabilitation programs may have contributed to the decrease in the reoffending rate among convicted offenders, which was 1.45 percent lower than the 2016 figures.

*To enhance accountability through engaging the citizenry,* the Enhanced Justice on Wheels continues to be a venue for disseminating and educating citizens on relevant laws and judicial reform projects, alongside hearing of cases. Moreover, an "all points broadcast" approach, through the Supreme Court official website, YouTube, Facebook, and short videos and the setting up of information campaign booths in malls, stimulated the public's

<sup>2</sup> Supreme Court A.M. No. 17-03-09

<sup>3</sup> Supreme Court A.M. No. 16-07-06 – Ordering 240 Other Regional Trial Courts to hear, try and decide newly-filed cases under the Comprehensive Dangerous Drugs Act of 2002 (RA 9165), As Amended

<sup>4</sup> ICAD was created by virtue of Executive Order (EO) No. 15, s. 2017.

awareness and engagement in the improvement of the justice system, particularly on the 2016 Revised Rules of Procedure for Small Claims Cases. Also, the Volunteer Probation Aides Program has heightened and maximized community involvement and participation in community-based programs. This is envisioned to help in the prevention of crime, treatment of offenders, and improvement of criminal justice administration.

As planned, the DOJ has proposed the inclusion of Access to Justice Survey in the National Governance Index and in the Philippine Statistical Development Program to measure the accessibility of and people's awareness of, and trust in, the justice system.

*To facilitate assistance to nationals*, Philippine embassies and consulates have been taking in or hearing witnesses' depositions. To streamline this procedure, the Department of Foreign Affairs-Office of Legal Affairs recently issued and circulated the "Guidelines in the Taking of Depositions before the Philippine Consular Officers Abroad."

## Moving Forward

The aforementioned initiatives need to be sustained and further enhanced. Reforms also need to be institutionalized in order for the system to be more resilient to political disruptions. Specifically, the following strategies should be implemented:

**Improve inter-pillar coordination and cooperation.** Until the coordination issues within the justice system and the pervasive fragmented legal and institutional framework are addressed, a whole-of-justice sector approach may be difficult to achieve. To address these issues, the justice sector should establish necessary coordination mechanisms and continuously harmonize efforts in the justice ecosystem. To do this, the following actions should be undertaken:

- Strengthen and maximize institutional arrangements within the JSCC.
- Continue the establishment of Justice Zones.
- Harmonize inter-agency policies, systems, and procedures for penology and corrections.
- Pursue the completion and adoption of the Philippine Crimes Index.
- Continue implementation of the NJIS and its component agency/inter-agency systems. Accordingly, establish and enhance necessary information and communications technology systems, including those that will facilitate sharing and harmonization of data among the justice sector agencies.
- Fast-track the passage of the proposed Criminal Investigation Act that seeks to streamline processes for case buildup by clarifying the roles of prosecutors and law enforcers. The bill also seeks to raise the evidence threshold for filing cases in court.

**Rationalize and streamline processes within the justice sector** including processes on case management, case decongestion, and updating of the DOJ Bail Bond Guide. Appropriate internal controls will have to be put in place to ensure that cases are decided based on evidence and meritorious consideration.

**Ensure speedy and timely appointment of prosecutors.** The lack of prosecutors contributes to the buildup of preliminary investigation and pending prosecuted cases. The speedy and timely appointment of prosecutors is needed to meet the ideal ratio of courts pursuant to RA 10071 (Prosecution Service Act of 2010) and to cope with the huge case load brought about by the campaign against illegal drugs. The process of screening candidates for judicial and prosecutorial positions should also give due consideration to integrity to ensure that decisions and resolutions are based on facts and the rule of law.

**Create additional public attorney positions and new courts with judges and complete staff complement.** Increase in case load should be complemented with the necessary human resources and facilities to achieve the ideal ratio per RA 9406 (Act on Reorganizing and Strengthening of the Public Attorney's Office). Amending the Judiciary Reorganization Act and Redefining the PAO's Mandate Act should be fast-tracked to address docket congestion.

**Ensure continuous conduct of decongestion programs and timely construction of jail and prison facilities.** Infrastructure construction, establishment of jail and regional prisons, and a comprehensive decongestion strategy are necessary in responding to the observed steady increase in congestion rate in corrective facilities.

**Strengthen the implementation of offender rehabilitation programs in response to the War on Drugs campaign.** Programs may include health-related activities, skills training, and interventions towards effective rehabilitation and reformation of offenders.

**Engage the citizens** through implementing communication and transparency strategies, conducting survey on access to justice, and providing venue to civil society participation through formal multisectoral mechanisms established by law and/or policies. Advocacy efforts will be continuously conducted to promote mediation and arbitration. In the long run, this will help declog court and prosecution dockets and help establish citizens' mindsets to seek peaceful and amicable settlement of disputes.

## Recommendations

The justice sector has enumerated a number of strategies requiring investments in the Public Investment Program 2017-2022. In addition, the following are recommended:

*Table 6.1 Supplemental Strategies to Pursue Swift and Fair Administration of Justice*

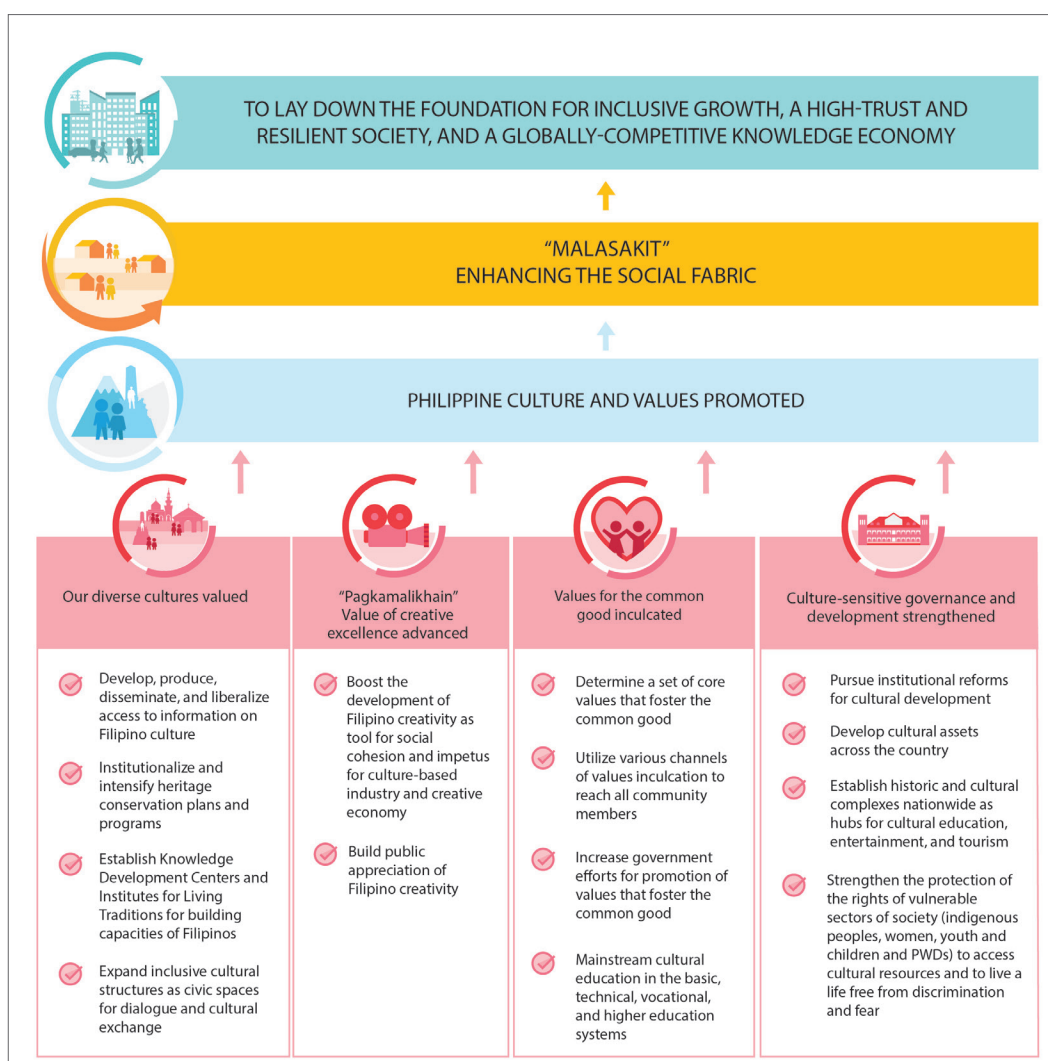
CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Heavy caseload and congestion in jails and prisons</li> <li>Lack of local indicators that assess the performance of the justice sector and validate the results of global indicators which are solely based on perception surveys</li> </ul>	<ul style="list-style-type: none"> <li>Review and amend existing penal laws, its corresponding penalties and criminal procedures to rationalize penalties and expedite the disposition of cases.</li> <li>Develop indicators that are reflective and relevant to the Philippine justice system to come up with an apt performance assessment on the country's justice system.</li> </ul>	SC, DOJ, DILG
<ul style="list-style-type: none"> <li>Slow appointment of prosecutors causing the continued backlogs and delays in both the prosecution and the court</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen and reorganize the National Prosecution Service to expedite the hiring process of prosecutorial positions.</li> </ul>	DOJ
<ul style="list-style-type: none"> <li>Fragmented institutional and legal framework of the justice system that hinders the effective coordination among justice sector institutions</li> </ul>	<ul style="list-style-type: none"> <li>Review and harmonize the institutional and legal framework on penology and corrections.</li> </ul>	NEDA

# 07 Promoting Philippine Culture and Values

# Promoting Philippine Culture and Values

Enhancing the social fabric requires promoting cultural awareness, identifying and inculcating values for the common good, cultivating creativity, and promoting culture-sensitivity in governance and development efforts. In the first year, limited strategies were employed, mostly focusing on consolidation and systematization of efforts or “putting the pieces in place” in preparation for bigger and broader reforms and actions. These primordial strategies of the culture sector include institution-building, systematic documentation and monitoring of ongoing programs, and identifying and addressing data gaps, among others.

**Figure 7.1 Strategic Framework to Promote Philippine Culture and Values**





# Accomplishments

Recognizing the importance of culture, the Social Development Committee (SDC) of the National Economic and Development Authority (NEDA) Board created the Subcommittee on Culture.<sup>1</sup> The SDC Subcommittee on Culture serves as a mechanism to oversee the implementation of the Philippine Development Plan (PDP) strategies on culture, requiring close collaboration and complementation of efforts of various government agencies. Similarly, Regional Development Councils (RDCs) have begun to include concerns of the culture sector.<sup>2</sup> In 2017, strategies have been fleshed out into concrete actions and several significant initiatives have been rolled out.

Less than a year since the PDP was approved, output targets in the Results Matrix were met or even exceeded, with 19 agencies<sup>3</sup> actively working as members of the Planning Committee. Other agencies are taking part in the implementation of projects identified in the Public Investment Program 2017-2022. More data will be available with the approval of the Philippine Cultural Statistics Framework (PCSF) and the conclusion of studies in the coming years. Implementing and monitoring agencies will continue to work closely to generate the baseline data for culture.

## Valuing our diverse cultures

**Intangible cultural heritage is being preserved.** Digitization projects are underway to facilitate the documentation and preservation of important information and materials for the benefit of present and future generations. The effort includes documentation of indigenous knowledge systems and practices, language revitalization, and film restoration.

**Public access to cultural resources is being improved.** Improvements include the modernization of museums, waiving of entrance fees or requirements, upgrading of collections, and expansion of facilities, among other projects in the pipeline. To promote Philippine culture abroad, *Sentro Rizals* are being established in various host countries. The government also provides support for artists who would perform or compete in prestigious events. Most notable for 2017 was the return of the Philippines to the Venice Biennale after 50 years of absence to feature two artists. In 2016, Filipino films won major awards from the top three A-list film festivals in the world: Cannes, Berlin, and Venice. The Philippines also participated in international events. The country hosted the 1st *Budayaw* Festival to celebrate and promote the rich heritage and cultural diversity of Brunei, Indonesia, Malaysia, and the Philippines. This was an initiative to harness greater understanding and solidarity within ASEAN.

**Schools of Living Traditions are being maintained.** Through learning traditional forms of weaving, epic chanting, architecture, rituals, and languages, the youth can find inspiration for greater creative innovation.

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<sup>1</sup> The Subcommittee on Culture was created on June 28, 2017. It is headed by the National Commission for Culture and the Arts with the National Economic and Development Authority as co-chair. Other members of the Subcommittee include: Office of the Cabinet Secretary, Department of Tourism, Department of Education, Design Center of the Philippines, Commission on Higher Education, Presidential Communications Operations Office, Film Development Council of the Philippines, Movie and Television Review and Classification Board, and the Philippine Sports Commission.

<sup>2</sup> Culture interests are raised at the RDCs through the existing SDC and the invitation of Culture sector representatives to discuss concerns. In 2017, ten regions have started discussions on the creation of an RDC Subcommittee on Culture and initiated the invitation of culture sector representatives to become members.

<sup>3</sup> The agencies involved in submitting and providing data for the results matrix are: National Commission for Culture and the Arts, National Economic and Development Authority, Philippine Statistics Authority, Design Center of the Philippines, Department of Education, Philippine Information Agency, Civil Service Institute, Department of Interior and Local Government, National Commission on Indigenous Peoples, National Commission for Disability Affairs, Philippine Commission on Women, National Youth Commission, Komisyon sa Wikang Filipino, Cultural Center of the Philippines, National Museum, National Historical Commission of the Philippines, National Archives of the Philippines, National Library of the Philippines, and the Film Development Council of the Philippines.



## Advancing *pagkamalikhain* values of creative excellence

**Effective interventions that encourage the cultivation of creative industries are being replicated.** Creativity in industrial design received a boost with the support of the Department of Trade and Industry for the development of more local products.<sup>4</sup> Government agencies also helped facilitate the application for patents and copyrights of these products.<sup>5</sup>

In 2017, the international community recognized Philippine creativity when Baguio City was formally included in the UNESCO Creative Cities Network under the Crafts and Folk Art category. This is a major milestone for the country.

The world saw a renaissance of Philippine cinema as creative genius in this art form when it was lauded with 77 international awards received by Filipino artists. Public access to Filipino films was made possible through regional cinematheques—Baguio, Manila, Iloilo, Davao, and Zamboanga—to provide an alternative to commercial film theaters. Various film festivals also enhanced the promotion of Filipino cinema all over the country, tackling different—often, socially relevant—themes with the participation of amateur and professional filmmakers. Key film festivals that promote local films include *CineLokal*, *Pista ng Pelikulang Pilipino*, and *Cinemalaya*, among others. Keeping this tradition alive, youth-led projects that promote Filipino culture and creativity were launched, such as the *Sine Kabataan*.

## Inculcating values for the common good

**Studies are currently being undertaken to determine the corpus of values to be promoted.** The National Commission for Culture and the Arts (NCCA) commissioned a study to define the corpus of Filipino values, while NEDA has embarked on a study to establish mechanisms to quantitatively measure cultural values.

**Capacity-building interventions for government employees are being rolled out.** The Civil Service Commission (CSC) approved the implementation of its Public Service Values Program to ensure values inculcation among public servants across different levels. The program focuses on instilling a sense of responsibility towards achieving national development.

## Strengthening culture-sensitive governance and development

**Several measures have been taken to institutionalize culture-sensitive governance.** “Tourism, Culture and the Arts” was included as a new essential area in the 2017 Guidelines for the Seal of Good Local Governance of the Department of the Interior and Local Government (DILG). This is a good complement to the capacity-building efforts for local government units to promote, protect, and enrich culture and heritage. Bigger steps were also taken with the progress of draft legislations for the establishment of the Department of Culture at both Houses of Congress. The proposed legislation is likewise being discussed within the Executive branch.

**Various agencies have taken actions at conserving, restoring, and preserving built heritage.** The old Department of Tourism building was renovated to become the National Museum of Natural History. Rehabilitation efforts for the Manila Metropolitan Theater is also ongoing while preliminary work and studies for the establishment of culture hubs are in the pipeline.

<sup>4</sup> Initiatives such as the One Town, One Product Philippines, Go Lokal!, and the National Industry Cluster Capacity Enhancement Project were largely responsible for this boost in achievements compared to the previous year.

<sup>5</sup> The Philippines is compliant with the World Intellectual Property Organization requirements. Typically, applications for utility models take 5-15 months to award, while industrial designs typically take 2-13 months to finish.

## Moving Forward

Despite the significant milestones achieved in 2017, the culture sector still has a long way to go in pursuing and securing broader reforms to promote Philippine culture and values. The following strategies are critical in increasing the level of cultural awareness, inculcating values for the common good, cultivating creativity, and integrating culture in the development process of the government:

**Establish mechanisms to measure, evaluate, coordinate, and consolidate efforts towards cultural development.** This is a formidable challenge for the culture sector—notwithstanding the commitment to ensure its functionality and sustainability. In addition, the contribution of the culture sector in attaining the Sustainable Development Goals (SDGs) may not be reflected because the relevant indicator, SDG 11.4.1 on public and private expenditure on preservation, protection, and conservation of all cultural and natural heritage, is not monitored by the Philippine Statistics Authority.<sup>6</sup>

**Encourage participatory and inclusive cultural development.** Strategies to encourage and harness the participation of other sectors in promoting culture need to be set in place, especially among government agencies not directly involved with either culture or the arts. While achievements were made, particularly by the Subcommittee on Culture at the national level and the existing mechanisms at the regional levels, it may take more time and resources before the impact of the efforts of the culture sector can be felt.

A unique opportunity presented by this “Golden Age of Infrastructure” is for the culture sector to become more closely involved with infrastructure agencies in the Build, Build, Build Program. This can be done by encouraging the building of structures with iconic designs that can merit global recognition. Such infrastructure projects could become icons of history and heritage that the public could access and appreciate. Meanwhile, the drastic devastation to Islamic architectural heritage in conflict areas will require substantive public investment. Rebuilding spaces of worship, symbolic of Muslim Filipino identity, will be a significant step to rebuild communities in an era of peace.

Given the recent developments in Marawi, it is also important for the government to support *madaris*—schools that teach basic tenets of Islam and Qur’an recitation to young Filipinos. The culture sector also works to foster understanding of Islamic culture. The public needs to be engaged in constructive and educational discussions about terrorism and needs to be able to make a distinction between acts of terrorism and legitimate religious practices and traditions.

**Pursue institutional reform.** The creation of the Department of Culture,<sup>7</sup> which is part of the legislative agenda, is undergoing policy review by the stakeholders. This legislation seeks to respond to several structural weaknesses of the culture sector by: (1) acquiring the mandate and resources to implement initiatives from national to local levels, (2) rationalizing the overlapping functions among existing agencies, and (3) asserting the regulatory powers as prescribed by law.<sup>8</sup>

**Build culture hubs in the regions.** Through the initiative of the NCCA, feasibility studies for building the country’s first regional culture hub will be conducted to ensure its sustainable operation. This infrastructure project will be pursued to foster access, exchange, and development of Philippine culture, as well as to expand and promote tourism sites. Pieces of land have already been donated to NCCA by the local government units of Sorsogon, Bukidnon, and Bohol to become possible sites for the culture hubs.

<sup>6</sup> The indicator is classified as Tier 2, and its proxy indicator, defined as the NCCA budget, does not give the full picture. For the full description of the indicator, visit: <https://unhabitat.org/un-habitat-for-the-sustainable-development-goals/11-4-world-heritage>

<sup>7</sup> As of writing, drafts of this policy have been filed as Senate Bill 1528 and House Bill 6113

<sup>8</sup> For example, the Republic Act 10066 (National Cultural Heritage Act of 2009) gives NCCA the power to regulate the repatriation of cultural properties but given its current structure, it cannot fulfill this function.

**Mainstream culture in development planning.** An inter-agency initiative to be led by NEDA in cooperation with NCCA and DILG is to mainstream culture to ensure that local development plans reflect local cultures. Local government units will be made to understand the contributions of culture in achieving inclusive and sustainable development through a series of studies, module development, and capacity-building activities. This project will be implemented in phases throughout the medium-term.

**Cultivate the creative industry.** Just as manufacturing characterized the 19th and 20th centuries, the Creative Economy<sup>9</sup> Revolution is redefining 21st century economies. To keep up with the global shift, an inter-agency initiative led by the Design Center of the Philippines proposes the “Nurturing the Philippine Creative Industries Program”. The program aims to develop a thriving and globally-competitive creative economy through key interventions in the following areas: Creative Cities, Creative Clusters, Creative Education, and Creative Tourism. To allow the creative industry to thrive, a strong policy on protecting intellectual property for creative works is necessary, supported by efforts to raise awareness on and inculcate respect for Philippine culture and creative expression, to promote innovation rather than imitation, and to develop an ethical mindset.

**Provide skills development and social protection for artists and cultural workers.** To ensure continuous advancement, investment in human capital development in culture-related fields<sup>10</sup> needs to be encouraged. The government will continue to disburse grants and support artists through the National Endowment Fund for Culture and the Arts. It is also important to protect the social welfare rights of artists and cultural workers, many of whom are contractual workers.

**Study indigenous cultures and foster a social, political, and economic environment to ensure inclusive development.** Roughly 14 percent of the national population belong to an indigenous cultural community, majority of whom live in poverty. Towards this end, the National Commission on Indigenous Peoples is leading efforts to generate a comprehensive set of cultural data on indigenous peoples across the country.

**Formulate evidence-based development strategies for cultural development.** Baseline efforts will continue to be pursued, including the ongoing studies on values for the common good. Results of the studies will help shape succeeding interventions. Alongside these efforts, the public sector will have to undergo capacity-building activities focusing on cultural development. Culture being a new development area and being highly complex, it is important for agencies to be creative, adaptable, and responsive so as to be effective in this aspect.

In order to effectively achieve the targets and goals of the sector, public investment needs to be channeled into priority programs and projects.

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<sup>9</sup> The “creative economy” covers advertising, animation, film, television, radio, visual arts, performing arts, digital media, digital games, design (product, fashion or graphic), and even culinary arts.

<sup>10</sup> Included in this chapter’s agenda are the establishment of the following: Institute for Cultural Heritage Conservation of the Philippines, Kandungan ng mga Wika at Kultura, Linangan ng Likhaang Bayan (National Institute for Living Traditions), regional arts academies, and more schools with special programs in the arts.

# Recommendations

In the coming years, it is expected that stronger partnerships and coordinating mechanisms will be established between and among cultural agencies, other government agencies, civil society organizations, and the private sector. Alongside the strategies discussed, recommendations in Table 7.1 should also be considered.

**Table 7.1 Supplemental Strategies to Promote Philippine Culture and Values**

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>• Securing resources (financial, personnel, infrastructure) to maintain, operate, and develop cultural assets</li> <li>• Consolidating efforts in preserving and conserving heritage</li> <li>• Increasing traffic into museums, libraries, or other cultural sites</li> <li>• Providing social protection and human resource development to artists and cultural workers</li> </ul>	<ul style="list-style-type: none"> <li>• Continue and expand cultural mapping across the country.</li> <li>• Digitize cultural properties (e.g. texts, film, visual arts).</li> <li>• Improve access to cultural services via information and communications technology.</li> <li>• Create a registry for artists and cultural workers.</li> </ul>	All culture agencies
<ul style="list-style-type: none"> <li>• Capacitating local planners to design, formulate, and execute culture-related plans and programs</li> <li>• Achieving smooth coordination among government agencies, especially those not directly involved with culture or the arts</li> <li>• Coordinating with decision makers for the formulation of policies that support cultural development</li> </ul>	<ul style="list-style-type: none"> <li>• Mainstream culture in development planning.</li> <li>• Commission policy papers for items under the legislative agenda.</li> </ul>	NEDA
<ul style="list-style-type: none"> <li>• Establishing monitoring mechanisms to gather actionable data for culture</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct data audit in cultural agencies.</li> <li>• Design surveys based on the PCSF and results matrix.</li> </ul>	PSA



08

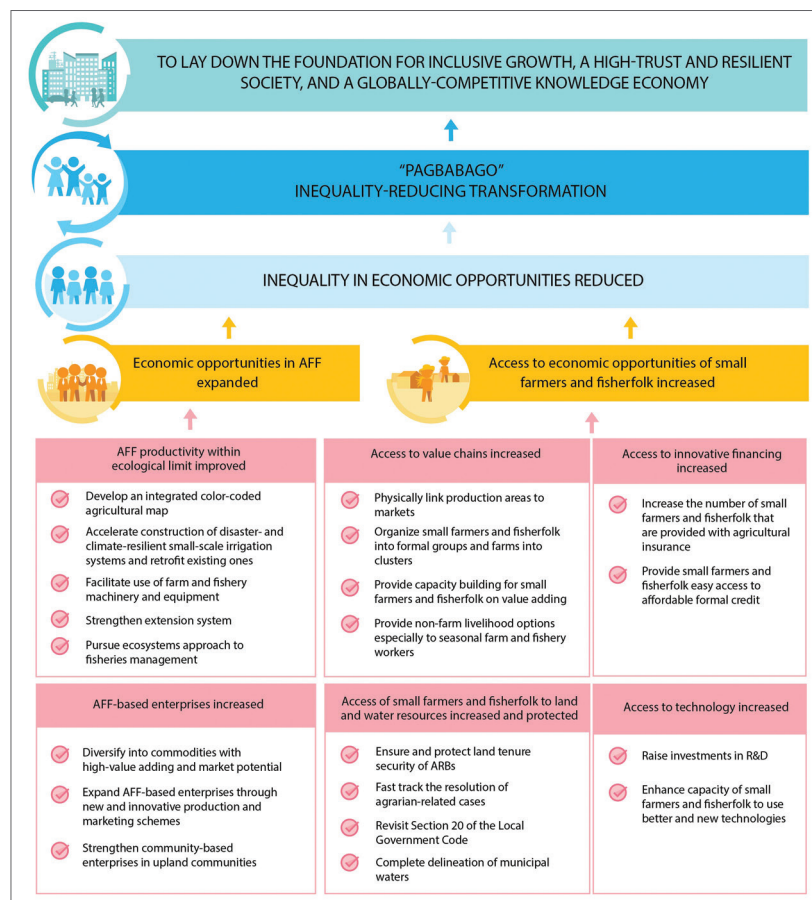
Expanding  
Economic  
Opportunities in  
Agriculture, Forestry,  
and Fisheries

# Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries

The Philippines is stepping up its efforts in boosting the potential of the agriculture, forestry, and fisheries (AFF) sector to promote more inclusive development and meet the country's food security needs. At the same time, the country intends to strengthen its participation in international trade to capture markets for high-value AFF products. All these will be done while ensuring the sustainability of the resource base.

Anchored on the overarching goal of inequality-reducing transformation or “Pagbabago”, strategic activities were undertaken to meet the sector outcomes on expanding economic opportunities in AFF and increasing access to economic opportunities by small farmers and fisherfolk. Sustaining the gains from such initiatives, however, entails the right blend of innovations, science and technology, and policy reforms supported by partnerships with and cooperation by various stakeholders. These activities are graphically depicted in Figure 8.1.

**Figure 8.1 Strategic Framework to Expand Economic Opportunities in Agriculture, Forestry, and Fisheries**





# Accomplishments

## Expanding economic opportunities in AFF

In 2017, the implementation of activities to expand economic opportunities in AFF translated to the achievement of most of the sector outcome indicators and targets.

**AFF sector posted its highest growth rate in a decade and exceeded the Philippine Development Plan (PDP) 2017-2022 target.** The overall sector gross value added (GVA) grew by 3.9 percent in 2017, overcoming its sluggish growth in the last 10 years and exceeding the target of 2.5 to 3.5 percent.

**Vibrant performance of the crops subsector fueled the overall AFF growth.** The GVA of crops, which accounts for the bulk of the total output of the sector at 51.2 percent, grew at an average of 6.5 percent in 2017, which is higher than the target of 2 to 3 percent. This growth is mainly attributed to production increases in palay, corn, coconut, sugarcane, banana, pineapple, cassava, and rubber,<sup>1</sup> resulting from favorable weather condition. In addition, these commodities benefitted from the government's support services such as the provision of inputs like high-yielding seed varieties, fertilizers, and irrigation (especially for palay).

**Poultry subsector already surpassed its growth target while livestock subsector grew, albeit at a slower rate.** The GVA of poultry subsector grew by 4.5 percent in 2017, exceeding the 3 to 4 percent target. This could be attributed to the emergence of new and expansion of existing broiler farms in the Cordillera Administrative Region, Central Luzon, Eastern Visayas, Zamboanga Peninsula, and Davao Region. The expansion of commercial layer farms in Ilocos Region, CALABARZON, Central Visayas, and SOCCSKSARGEN also contributed to the subsector's good performance. The outbreak of avian influenza that affected Pampanga and Nueva Ecija in August 2017 had a negligible impact on the subsector's growth.

On the other hand, the GVA of livestock increased by 1.1 percent in 2017, still below the 3 to 4 percent target. The full-year growth was slowed down by the drop in the number of slaughtered carabao, cattle, hog, and goat in the second quarter of 2017. This can be traced to limited marketable stocks for disposal. During this time, commercial farms carried out stocking of reserves for breeding purposes as the current inventory needed replenishment in order to meet future demand.<sup>2</sup> Further, there was an incidence of Porcine Reproductive and Respiratory Syndrome (PRRS) during the third quarter of 2017 in Central Luzon which contributed to slower growth of hogs.

Measures to combat pests and diseases in livestock and poultry shall be undertaken even though the recent outbreaks of avian influenza and PRRS had negligible impact on the subsectors' growth. These measures include: (a) adopting of good agricultural practices including integrated pest management and ensuring that farmhouses are not overcrowded; and (b) strengthening of quarantine and monitoring services.

**Forestry contraction decelerated as forest plantations in areas not covered by the moratorium on cutting and harvesting of timber posted increases in output.** The growth of forestry GVA remained negative with the ongoing implementation of a moratorium<sup>3</sup> on the cutting and harvesting of timber in natural and residual forests. However, the contraction slowed down to -5.9 percent in 2017 from -10.1 percent in 2016.

<sup>1</sup> These commodities account for 82 percent of the total crops GVA, with the share of palay accounts for about 39.0 percent.

<sup>2</sup> As of July 1, 2017, (a) cattle inventory in commercial farms decreased by 5.46 percent compared with previous year's level; (b) carabao inventory in commercial stocks went down by 5.50 percent; (c) hog inventory in commercial farmers decreased by 0.67 percent; and (d) goat inventory in commercial farms decreased by 6.26 percent.

<sup>3</sup> Executive Order No. 23, s. 2011 declared a national moratorium on the cutting and harvesting of timber in natural and residual forest in the short term to protect the remaining forest cover areas, preserve various ecological services, and encourage sustainable use of resources.

The forestry output will likely remain low in the short term but is seen to pick up in the medium term, owing to the commencement of the delineation of production and protection forests, as well as the timber harvest from National Greening Program.

**Aquaculture maintained positive growth, but commercial and municipal fisheries remained sluggish.** The growth in the value of aquaculture production reached 1.9 percent in 2017 – higher than the 0.5 percent growth in 2016 – mainly due to the increase in the volume of production in brackish water fishponds and seaweeds. For municipal and commercial fisheries, the value of production (in constant prices) continue to contract, at -0.9 percent and -5.3 percent, respectively, despite government efforts to implement closed seasons and distribute fishing boats and gears. Thus, such interventions need revisiting and should be properly guided by information from the National Stock Assessment Program (NSAP).<sup>4</sup> The Philippine Statistics Authority's (PSA) Census of Agriculture and Fisheries 2012, once released, could likewise further complement the NSAP data.

**Agriculture and fishery exports recovered.** Earnings from agricultural exports bounced back from a 0.1 percent contraction from January to September 2016 to a 19.5-percent increase in the same period of 2017.<sup>5</sup> There was a significant increase in the volume of the top Philippine export commodities such as coconut, tuna, tobacco, centrifugal sugar, and rubber.<sup>6</sup> This was due to an increase in demand by the country's major trading partners.<sup>7</sup> Among these commodities, rubber had the highest increase in terms of volume of exports at 160 percent, which was mostly exported to Malaysia.<sup>8</sup>

## Increasing access to economic opportunities by small farmers and fisherfolk

Efforts to empower small farmers and fisherfolk through increasing their access to economic opportunities were implemented throughout the year. Positive results in terms of labor productivity, financing, research and development (R&D), and access to land and water resources were achieved.

**Growth in AFF labor productivity doubled against the low-end 2017 target of 5.0 percent.** The strong AFF performance, i.e., high GVA output, accompanied by a drop in the number of employed in AFF translated to a labor productivity growth of 10 percent in 2017. However, there are indications that the drop in AFF employment was due to the following: (a) temporary disruption of economic activities due to weather disturbances (i.e., Typhoons Auring, Crising, Maring, Gorio), and (b) reduction of fishing activities due to strict implementation of fishery laws (i.e., implementing closed season and three-month fishing ban in Davao Gulf, and banning of commercial fishing at municipal waters in Bohol and Cebu, ). The National Economic and Development Authority (NEDA) will undertake a study on the rural labor migration phenomenon which leads to the drop in AFF employment or the shift of labor from AFF to other sectors.

**Intensified efforts to deliver productivity-enhancing support services were observed but need to be further strengthened.** The Department of Agriculture (DA), through the Agricultural Credit Policy Council, developed and rolled out easy, fast, accessible, and affordable loan packages to small farmers and fisherfolk, particularly those unserved/underserved by banks during the first year of PDP implementation.

<sup>4</sup> The NSAP published the Philippine Capture Fisheries Atlas that provides scientific data on the location, distribution and abundance, and size and species composition of the major capture fisheries resources in the fishing grounds.

<sup>5</sup> The depreciation of the peso in 2017 may also played a role in export recovery, with an average US\$ to ₱ exchange rate of 50.40.

<sup>6</sup> These commodities account about 64 percent of the total top agricultural exports for January to September 2017.

<sup>7</sup> In terms of quantity, demand from major trading partners increased by 42.9 percent for coconut, 80.1 percent for tuna, 65.8 percent for tobacco, and 34.0 percent for centrifugal sugar.

<sup>8</sup> Malaysia was the top country of destination for rubber, accounting for 90 percent of the total volume of rubber exported from January to September 2017.

These financing facilities, bundled with agricultural insurance, include the Production Loan Easy Access (PLEA) and the Survival and Recovery (SURE) Assistance Program. The PLEA provides non-collateral loans for agri-fishery production, including long-gestating crops, at 6 percent annual interest rate payable within two to ten years, depending on the project cycle. The SURE Program is a post-disaster support facility which provides emergency loans for immediate needs and recovery loans for the rehabilitation of agricultural and livelihood activities of small farmers and fisherfolk in areas declared under state of calamity. These programs should be coupled with enabling factors that would facilitate successful implementation, such as: (a) capacity building of cooperatives and farmers/fisherfolk organizations to perform microfinance operations, and (b) updating of the Registry System for Basic Sectors in Agriculture.

For AFF R&D, the share of budget appropriation to total AFF GVA increased to 0.36 percent (i.e., from ₱4.8 billion in 2016 to ₱5.5 billion in 2017), higher than the target of 0.33 percent. This increased the number of new technologies developed to 171, exceeding the target of 138. To facilitate the adoption of newly developed technologies, agricultural extension workers shall intensify technology promotion and information dissemination to farmers, as well as continue providing technical and business advisory services.

In terms of improving crop yield, targets for palay, yellow corn, and sugarcane were met in 2017. On the other hand, target yield for banana, coconut, mango, coffee, cacao, and rubber in the programmed areas will most likely not be attained due to delays in the procurement and delivery of seeds and planting materials.

Meanwhile, AFF remains unattractive to investments as approved investments declined by 29.3 percent in 2017. This should be carefully studied in order to design the proper policy response.

**Distribution of land and subdivision of lands under collective ownership continued.** As of September 2017, the Department of Agrarian Reform (DAR) has distributed about 4,840,728 hectares (ha) out of the 2017 cumulative target of 4,871,625 ha. However, the DAR may fall short of the PDP land distribution target (i.e., a backlog of around 30,897 ha), due to the strong resistance of landowners, as these remaining areas for distribution are already private agricultural lands. Also causing delay are discrepancies between the technical descriptions of landholdings in the title vis-à-vis those in the survey, which would entail correction process. Collective certificates of land ownership award (CLOA) covering 1,149,851 ha have also been subdivided (99 percent accomplishment rate vis-à-vis the 2017 PDP target) as of September 2017. However, DAR is unlikely to achieve the 2017 full-year target due to missing titles and tedious process of validating the qualified agrarian reform beneficiaries (ARBs) for inclusion or exclusion in the title.

**Share of registered small fisherfolk within municipal waters increased.** Registered fisherfolk were given preference in the provision of livelihood interventions including training on aquaculture such as seaweed farming, aquasilviculture, and oyster farming, among others. The Bureau of Fisheries and Aquatic Resources (BFAR) reported that based on their latest data, the ratio of registered boats<sup>9</sup> in coastal areas to the total number of registered municipal fisherfolk<sup>10</sup> increased by 28 percent, which is above the 12.8 percent target for 2017. The increase in number of registered small fisherfolk was due to BFAR's intensified campaign for fisherfolk to register in the FishR. Nonetheless, more fisherfolk need to register to facilitate proper planning and provision of interventions.

<sup>9</sup> The number of registered boats is based on the Municipal Fishing Vessel and Gear Registration System (BoatR), the centralized database system of BFAR for the registration of fishing boats three (3) gross tonnage and below conducted by municipal and city local government units.

<sup>10</sup> The number of registered municipal fisherfolk is based on the Municipal Fisherfolk Registration System (FishR) of the BFAR, which was implemented in compliance with the mandate of Republic Act No. 8550 (The Philippine Fisheries Code) to enhance, fast-track, and complete the Municipal Fisherfolk Registry of coastal local government units (LGUs) nationwide.

## Moving Forward

To realize the potential of the AFF sector in accelerating economic development and reducing poverty, key policy reforms and programs and projects (PAPs) need to be pushed harder.

**Amend the Agricultural Tariffication Act of 1996 to replace the quantitative restriction (QR) on rice with tariff.** Replacing the QR on rice with tariff removes market uncertainties. This is in relation to the unpredictability of import decisions by the government that hinder greater private sector participation. This is a move towards creating more transparent and competitive rice market that will make rice more available and cheaper to benefit the general public, especially the poor who spend about 29 percent of their total food expenditure on rice<sup>11</sup> and farmers themselves who become net consumers when harvests are sold to cover other basic necessities. Apprehension on rice tariffication among rice farmers, especially the small uncompetitive ones,<sup>12</sup> could be allayed by the expected enhanced technical assistance and other support which can be funded out of the tariff revenues in order to increase farmers' incomes. The government will formulate and implement the Rice Roadmap to enhance competitiveness and increase the incomes of farmers through the following: (a) increase productivity of rice areas deemed to be competitive through the provision of irrigation systems (*Refer to Chapter 19*), use of high-yielding seed varieties, and more efficient use of other inputs such as fertilizer; (b) reduce the unit cost of production primarily through the adoption of farm machinery and equipment; and (c) encourage livelihood diversification to high-value crops to promote more efficient use of land and/or to non-farm activities. The use of the National Color-Coded Agriculture Guidemap<sup>13</sup> shall be further promoted by cascading down to the LGUs and farmers to guide them in their production investment decisions.

**Institute reforms in the function and structure of the National Food Authority (NFA).** This entails the decoupling of NFA's proprietary and regulatory functions by amending Presidential Decree No. 4 of 1972 which created the NFA. This reform is necessary for NFA to focus on its function of maintaining a national buffer stock for food security and refrain from rice trading to avoid distorting the market and incurring huge debts. The pending Restructuring Plan of the NFA in the Governance Commission for GOCCs should also be finalized.

**Diversify DA's budget by eliminating commodity bias and promoting commodity diversification.** Instead of too much focus on rice, the budget of DA shall be reallocated to activities (e.g., R&D) that promote non-traditional and high-value commodities. Likewise, investments in small-scale irrigation systems for crops other than rice shall be increased.

**Reinforce implementation of sustainable fisheries management.** While ecosystem approach to fishery management (e.g., closed fishing season and upscaling of community-based coastal resource management) continues to be implemented to protect and conserve fishery resources and to balance environmental concerns with socioeconomic needs, there is a need to reinforce the implementation of the following: (a) complete the delineation, delimitation, and zoning of municipal waters to ensure that municipal fisherfolk are given preferential use and exclusive access to resources (mapped and zoned accordingly into production and protection areas to ensure fisheries sustainability); (b) strengthen law enforcement and management of coastal and marine areas particularly against illegal, unreported, and unregulated fishing activities;

<sup>11</sup> Based on the Family Income and Expenditure Survey for 2015

<sup>12</sup> Based on the study of the Philippine Rice Research Institute entitled Competitiveness of Philippine Rice in Asia in 2016, the domestic small rice farmers' average cost of palay production is about ₱12.41 per kilogram, which is higher than the average cost of palay production in Vietnam at around ₱6.53 per kilogram and Thailand at ₱8.85 per kilogram.

<sup>13</sup> The color-coded map identifies the crops that are most suitable in agricultural parcels and overlays soil properties, elevation, rainfall pattern, temperature, and the projected climate-induced multihazards.

(c) rationalize the identification of marine protected areas and other networks to ensure the continued supply of seafood, underpin ecotourism, and enhance climate resilience; and (d) regulate fishery structures such as fish pens and cages in inland bodies of water (*Refer to Chapter 20*).

**Ramp up land distribution and individual titling efforts.** Cognizant of landowners' resistance to the agrarian reform program, the DAR should initiate dialogues between landowners and ARBs to resolve conflicts that could impede the land distribution process. For disputes that have matured into legal cases, the DAR should extend assistance to concerned ARBs such as counselling and representation in judicial and/or quasi-judicial bodies. The targets on land distribution and collective CLOA would also entail: (a) engaging contract of service personnel to complement the manpower of DAR in the conduct of field validation on the status of lands and ARBs, as well as verification of titles and survey documents; (b) adopting the latest land surveying technologies (e.g., geographic information system and global positioning system) to expedite subdivision process; and (c) streamlining of land titling procedures (e.g., survey, registration, and issuance of titles) in coordination with the Department of Environment and Natural Resources and Land Registration Authority.

**Boost private sector involvement in AFF to promote technology transfer.** Plans and programs that would entice the private sector to invest in technologies will be formulated to boost production and improve post-harvest processing. The government will also encourage public-private partnership in logistics facilities (e.g., warehouse, cold storage facilities). This will support value chain development and improve the competitiveness of small producers, millers, and processors. Additionally, joint ventures of local machine manufacturers and assemblers, producers, millers, and processors with foreign investors will be encouraged.

Easing of restriction on foreign investments on the culture, production, milling, processing, and trading (except retailing of rice and corn) has already been proposed in the 11<sup>th</sup> Regular Foreign Investment Negative List<sup>14</sup>. In addition, fair competition between foreign companies and local farmers/grains business players (especially the smaller ones) will always be upheld, in compliance with the provisions of the Philippine Competition Act of 2015.

**Strengthen resilience to climate and disaster risks.** The AFF sector remains vulnerable to climate and disaster risks which result in huge losses and damage. In 2017, agricultural losses and damage (excluding forestry) brought about by disasters amounted to ₱3.67 billion. Thus, the following key activities have to be strongly undertaken: (a) establishment of small water-impounding dams in strategic areas for irrigation purposes, especially during El Niño episodes; (b) adoption of improved farm management practices, particularly for effective and efficient management of inputs including water; (c) promotion of new technologies including water-saving and management technologies (e.g., broadcasting, drip irrigation, alternate wetting, and drying), stress-tolerant seed varieties, animal breeds, and fish stocks (*Refer to Chapter 20*); and (d) construction of more climate resilient farm structures.

**Support PAPs that are responsive to the needs of the sector.** Chapter 8 of the Public Investment Program 2017-2022 shows the major PAPs that need to be pushed in order to contribute in achieving the sector outcomes on expanding economic opportunities in the AFF sector and increasing access to economic opportunities by small farmers and fisherfolk. A total of 18 ongoing PAPs (Tier 1) shall continue to be implemented by DA, DAR, Philippine Coconut Authority (PCA), and DOST-Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development (PCAARRD). On the other hand, 24 new PAPs (Tier 2) are programmed to be implemented by DA, DAR, PCA, DOST-PCAARRD, Department of Trade and Industry, Bases Conversion and Development Authority, the Autonomous Region in Muslim Mindanao, and Landbank of the Philippines starting 2018.

<sup>14</sup> Memorandum Order No. 16, s. 2017, directed to ease restriction on foreign investment (currently at 40% foreign equity) for the "culture, production, milling, processing, and trading except retailing of rice and corn".



# Recommendations

Apart from ensuring the implementation of the strategies identified in the PDP 2017-2022, the following newly-identified supplementary and complementary strategies need to be implemented.

**Table 8.1 Supplemental Strategies to Expand Opportunities in Agriculture, Forestry, and Fisheries**

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>AFF sector remains unattractive as an investment area or career path due the perception that the sector is antiquated and unprofitable. This may pose a threat to food security.</li> </ul>	<ul style="list-style-type: none"> <li>Provide capacity building for non-agriculture workers, particularly the returning overseas Filipino workers (OFWs) and Senior High School Students to captivate their interest in the AFF-based enterprises (<i>Refer to Chapter 10</i>).               <ul style="list-style-type: none"> <li>» In collaboration with the Department of Labor and Employment-Overseas Workers Welfare Administration (DOLE-OWWA) and the CFO, build the capacity and provide business advisory on AFF-based enterprises for returning OFWs (e.g., under <i>Balik-Manggagawa</i> Program).</li> <li>» In collaboration with DepEd, immerse senior high school students on production and value-adding activities through established farm-field schools and demonstration farms. The students could be trained in production, processing, packaging, marketing, and complying with product standards and certification.</li> </ul> </li> </ul>	DA, Commission on Filipinos Overseas (CFO) <sup>15</sup> , and Department of Education (DepEd)
<ul style="list-style-type: none"> <li>Amplifying the AFF sector's contribution in meeting the sustainable development goals (SDGs), i.e., eradicating poverty (SDG 1), ending hunger (SDG 2), reducing inequality (SDG 10), and life under water (SDG 14).<sup>16</sup></li> </ul>	<ul style="list-style-type: none"> <li>Ensure nutrition-sensitive agriculture<sup>17</sup> in all aspects of the value chain, beginning in production and extending across the food system – encompassing food safety, processing, fortification, and proper preparation and consumption.</li> <li>In conjunction, this will be supported by strategies to promote healthy diet (e.g., increase consumption of vegetables and fruits), to diverse and healthy food choices, and to increase awareness of the risks of unhealthy food habits such as high sugar intake and alcoholism (<i>See also health and nutrition outcomes in Chapter 10</i>).</li> </ul>	DA, DOH-National Nutrition Council, DOST-Food and Nutrition Research Institute

<sup>15</sup> The CFO recognized the need to establish *BaLinkBayan*. A quip on the Filipino word *balikbayan* (a returning overseas Filipino), *BaLinkBayan* is a means to connect Filipino individuals and communities to the Philippines through the Diaspora to Development (D2D) program of the CFO. *BaLinkbayan* focuses on the five of the D2D: diaspora investment and entrepreneurship, diaspora philanthropy, brain gain program, educational exchange, and medical mission coordination.

<sup>16</sup> SDG 14. Fish is one of the cheapest source of protein. In the Philippines, close to 1.8M individuals are registered municipal fisherfolk and 39.6 percent of them lives below the poverty level. SDG 14 primarily focuses to conserve and sustainably use the oceans, seas, and marine resources for sustainable development. Part of the SDG 14 targets is to provide access for small-scale artisanal fishers to marine resources and market (UNDP).

<sup>17</sup> Food and Agriculture Organization defines this as “an approach that seeks to maximize agriculture’s contribution to nutrition. It stresses the multiple benefits derived from enjoying a variety of foods, recognizing the nutritional value of food for good nutrition, health and productivity, and the social significance of the food and agricultural sector for supporting rural livelihoods.”

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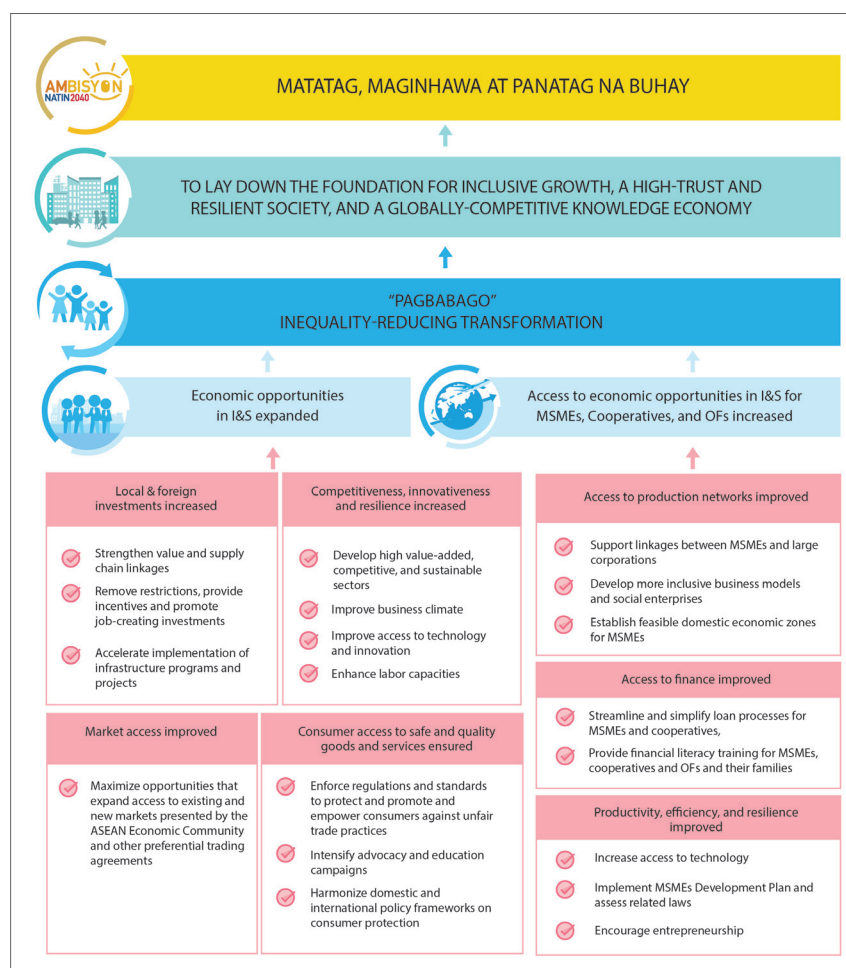
Expanding Economic  
Opportunities in  
Industry and Services  
through *Trabaho at  
Negosyo*



# Expanding Economic Opportunities in Industry and Services through *Trabaho at Negosyo*

Industry and services (I&S) continued to drive the growth of the Philippine economy at 7.2 and 6.7 percent, respectively, reaching the low-end 6.7 percent target growth range for both sectors. For this to continue, there is a need to spur and foster innovation and improve ease of doing business. Foremost, this will ensure that the country remains competitive in the global market and that challenges of disruptive technologies are addressed. These are also crucial for micro, small, and medium enterprises (MSMEs), cooperatives, and overseas Filipinos (OFs) to have an increased access to economic opportunities. This will allow the country to achieve inclusive growth in the medium term; and in the long term, a society where no one is poor, as shown in Figure 9.1.

**Figure 9.1 Strategic Framework to Expand Economic Opportunities in Industry and Services**



# Accomplishments

**Manufacturing led the 7.2 percent growth of industry, albeit lower than the 8.4 percent increase in the previous year.** Manufacturing gross value added (GVA), which accounts for 69 percent of total industry GVA, was supported by expansions in basic metals, non-metallic mineral products, fabricated metal products, and electronics subsectors. Higher export receipts in these subsectors could be attributed to the recovery in the global market, as well as higher spending in public construction. Proportion of manufacturing GVA to gross domestic product was 23.6 percent and manufacturing GVA per capita grew by ₱1,244.3 compared to the same period in 2016.

**Industry generated an average of 211,965 additional employment, accounting for only 54.1 percent of the 2017 plan target of 392,000.** Additional employment generated resulted from increased construction and manufacturing activities. Proportion of manufacturing employment to total employment also slightly increased to 8.6 percent. Meanwhile, mining and quarrying, as well as electricity, gas, and steam and air conditioning supply recorded large employment losses.

**Expansions in financial intermediation, public administration and defense, and compulsory social security drove services growth at 6.7 percent, although lower than the 7.4 percent increase in 2016.** Financial inclusion initiatives and the entry of foreign banks in the country as a result of the liberalization of the financial institutions, contributed to the growth of financial intermediation.

**Services sector registered a net loss of 72,130 in employment year-on-year in 2017.** Wholesale and retail trade, repair of motor vehicles and motorcycles, and education services recorded large employment losses. The reduction in employment in the education sector may be partly attributed to the implementation of the K to 12 program with job losses likely to continue until AY 2020-2021, although in a decreasing trend. Despite the decline, more than half of total employment in the country remained to be accounted for by services in 2017.

**Total approved investments grew by 32.5 percent, amounting to ₱908,667.2 million in 2017 despite the declines in some sectors.** Subsectors that posted an increase in approved investments were: (a) financial and insurance activities; (b) real estate activities; (c) electricity, gas, and steam and air conditioning supply; (d) transportation and storage; (e) wholesale and retail trade; repair of motor vehicles and motorcycles; (f) manufacturing; (g) information and communication; and (h) accommodation and food service activities.

***Approved investments of Filipino nationals increased to ₱805,652.0 million in 2017 from ₱466,913.9 million during the same period in 2016.*** Most of these will go to electricity, gas, and steam and air conditioning supply (39.7%), real estate activities (27.3%), transportation and storage (17.6%), and manufacturing (11.8%). These will be located in CALABARZON (40.7%), Central Luzon (21.3%), and National Capital Region (13.8%). Other areas that posted increases in approved investments of Filipino nationals were Caraga, Ilocos, Cagayan Valley, CALABARZON, SOCCSKSARGEN, ARMM, Central Luzon, and Central Visayas.

***Approved foreign investments declined by 51.8 percent from ₱219,038.6 million in 2016 to ₱105,638.7 million in the same period in 2017.*** This was driven by the decline in manufacturing (42.7%) which accounts for more than half of the total approved investments. CALABARZON (45.8%), NCR (16.5%), Central Luzon (10.0%), Ilocos (9.6 %), and Western Visayas (6.5%) accounted for the bulk of approved foreign investments in 2017. Approved foreign investments also increased in Ilocos (66.0%) and Northern Mindanao (36.9 %), during the same period. Top sources of investment pledges were Taiwan and China followed by Japan, Hong Kong, and the United Kingdom.

***Net flows of foreign direct investments (FDI) amounted to US\$8.7 billion in the first 11 months of 2017 from US\$7.3 billion during the same period in 2016.*** This was mainly due to the expansion in non-residents' net placements in debt instruments issued by local affiliates, as well as the increase in net equity capital inflows. Equity capital infusions came mostly from Singapore, Hong Kong, Luxembourg, China, and the United States. These were invested mainly in electricity, gas, steam and air conditioning supply activities, manufacturing, real estate, construction, and wholesale and retail trade activities.

***The World Investment Report 2017 identified the Philippines as 9th among the top 15 prospective host economies for multinational enterprises for 2017-2019.*** Closer economic integration in the ASEAN region and positive investment outlook of multinational companies toward the country would open up new sources of capital and markets.

**Visitor arrivals in the country reached 6 million from January to November 2017, 11.5 percent higher than the same period in the previous year.** Korea continues to be the biggest market for tourism with 24.3 percent share of total arrivals, followed by China (14.8%), United States (14.3 %), and Japan (8.9%).

In terms of programs and projects, a total of 27 shared service facilities (SSF) were established from January to December 2017. Some 123,401 MSMEs benefited from both newly established and existing SSF in 2017. To date, there are a total of 2,227 SSF all over the country serving 215,628 beneficiaries.

The Small Enterprise Technology Upgrading Program (SETUP) of the Department of Science and Technology also reported a total of 769 beneficiaries which was higher than the 2017 target.

## Moving Forward

### Expanding economic opportunities in I&S

**Fully implement the Inclusive Innovation Industrial Strategy.** This will accelerate the growth of I&S by strengthening the linkages among agriculture, industry, and services through innovation. Government initiatives will be focused on the following sectors towards the achievement of the *AmBisyon Natin 2040*: (a) manufacturing, particularly electronics and electrical, automotive and auto parts, aerospace parts, chemicals, garments, textiles, and furniture, as well as iron and steel and tool and die; (b) agribusiness which include food production and agricultural biotechnology, among others to enable the agriculture sector to support the growth of manufacturing; (c) construction to support housing and urban development; (d) shipbuilding, as well as infrastructure and logistics, to increase connectivity; (e) tourism and allied services to spur the growth of local economies outside urban centers and; (f) information technology-business process management (IT-BPM), particularly knowledge process outsourcing and e-commerce.

**Create an inclusive innovation ecosystem involving all relevant stakeholders.** This will identify and implement appropriate measures to encourage development and adoption of technology and innovative solutions, as well as mitigate the negative impacts on traditional business processes. Expenditure in research and development (R&D) and education will be increased. Appropriate R&D incentives and shared facilities for prototyping and demonstration will be provided to encourage and support market-oriented research in the academe. Incubator and accelerator facilities will be established to provide venues for start-ups and potential investors to form linkages at the regional and local levels. These facilities will be upgraded regularly to match the continuous changes in the way goods and services are produced and traded (*Refer to Chapter 14*).

**Strengthen backward linkages of economic zone locators to the domestic economy.** Domestic industries are still largely characterized by gaps in supply and value chains. Limited participation of local industries in global value chains is attributed to lack of support industries and locally available parts and components that meet the quality, scale, and cost requirements of the global production networks and markets. Hence, capacity of local firms will be enhanced to enable them to meet international requirements. Additionally, agroindustry-specific capital formation will be encouraged to develop a high-value agribusiness sector.

## Local and foreign investment increased

**Implement the enhanced Next Wave Cities program to ensure inclusive growth in the IT-BPM sector.** The program aims to provide investors with comprehensive information about cities and markets for potential IT-BPM locations. Promotion of the Philippines as the best destination for the IT-BPM will be continued, highlighting more complex non-voice services; knowledge process outsourcing in medical, financial, and legal services; game development; engineering services outsourcing; and software development, among others.

**Continue strategies to improve backbone services such as logistics, telecommunications, and finance, among others.** Emphasis will be on strategies aimed at reducing transaction costs and facilitating movement of goods and services. These include the implementation of the ASEAN Framework Agreement on Multimodal Transport which aims to have a single national competent body for the registration of multimodal transport operators. Government will also push for the enactment of the amendment of the Public Service Act which defines public utilities and the Open Data Access to increase competition in the data transmission sector. In addition, strategies to promote safe and secured online banking and payment services will also be pursued.

**Promote utilization of e-commerce by pursuing strategies identified in the Philippine E-commerce Roadmap 2016-2022.** Amendments to the Consumer Act of the Philippines will be advocated. In particular, e-commerce-related provisions of the Tax Reform for Acceleration and Inclusion (TRAIN) need to be included. A single online platform needs to be established to handle dispute resolution between merchant and consumer complaints, especially those in remote areas. This will build confidence in doing e-commerce. Regulations and guidelines on e-banking and e-payments will also be updated to ensure secure, reliable, and efficient electronic transfer of funds. Fast, reliable, and affordable internet and courier services will be made available to facilitate online transactions and distribution of goods, especially in rural areas.

**Pursue reforms that ease restrictions on economic activities in I&S to attract more local and foreign investments.** The review and amendment of restrictive legislation and economic provisions in the Constitution will be pursued. For instance, the amendment of the Corporation Code to permit single-person corporations, as well as the Retail Trade Liberalization Act of 2000, to reduce the minimum paid-up capital requirement for foreign retailers will also be supported. Foreign participation in investment areas or activities that have current restrictions will be eased or lifted, in accordance with Memorandum Order No. 16.

**Implement targeted and efficient investment promotion activities.** This will be done through innovative marketing and other methods such as social media to attract more investments, especially those that bring new technologies.

**Fast-track the implementation of projects under the Build, Build, Build program to support the development of logistics and infrastructure needed by I&S (Refer to Chapter 19).** Opening publicly funded construction contracts to foreign-owned firms will support the implementation of the administration's Build, Build, Build Program (See Box Article 9.1).

## Competitiveness, innovativeness, and resilience increased

**Link services activities such as design, research and development, engineering, and after-sales with manufacturing to increase the services value added in other sectors.** Strategies to maximize the opportunities from the growth of the global value chains will be implemented. Government focus will be in manufacturing where embedded and embodied services form part of the global value chain.

**Accelerate reforms to improve ease of doing business.** Reforms need to be implemented at a much faster pace, especially in the areas of starting a business, enforcing contracts, and protecting minority investors. The initiative of the National Competitiveness Council, Project Repeal, which seeks to eliminate burdensome laws and regulations on businesses, will also be continued. Full operationalization of the National Single Window nationwide and its linkage to the ASEAN Single Window will also contribute to reducing the cost of doing business in the country.

**Promote the Meetings, Incentives, Conferences, and Exhibitions, and cruise tourism to increase the sector's contribution to growth.** Key products include sun and beach tourism, and culture tourism. Standards, skills, and competencies of tourism facilities and service providers will also be improved and upgraded to be competitive with other tourist destinations in the ASEAN region. Cities may also avail of the Local Government Support Fund-Assistance to Cities to establish or improve parks, especially in historical sites to promote tourism.<sup>1</sup> In addition, strategies to develop creative industries will also be pursued.

**Support policies that improve health and education services to develop human capital and a highly skilled workforce.** International collaboration, student exchange programs, and information sharing on educational standards, among others, shall be promoted to support the development of education services. Information and expertise exchange shall also be promoted through mutual recognition arrangements. These will foster best practices and international standards among professional services. In addition, knowledge transfer shall be pursued to enhance higher level skills of the labor market in line with the ASEAN Community 2025. These will ensure that our workforce will have access to the best knowledge and resources (*Refer to Chapter 10*).

**Revise education curricula in coordination with the industry, government, and academe to strengthen science, technology, engineering, agriculture, and mathematics programs.** It is important to align these programs such that they inculcate 21<sup>st</sup> century skills, competencies and character qualities that are important for current and future needs of I&S. Upgrading and updating of the skills set of those employed in traditional jobs to include design, technical, and vocational skills will be pursued. The objective is to maintain demand for Filipino labor even with the introduction of advanced machines and automation (*Refer to Chapter 10*).

## Market access improved (*Refer to Chapter 15*)

### Consumer access to safe and quality goods and services ensured

**The establishment of the National Quality Infrastructure (NQI) System will be strongly advocated.** A unified NQI system will enhance access of MSMEs and cooperatives to quality testing, calibration, and quality assurance services needed to produce safe and quality goods for the local and international market.

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<sup>1</sup> Local Budget Circular 116 issued on January 29, 2018. Retrieved from: <https://www.dbm.gov.ph/index.php/205-latest-issuances/local-budget-circular/2018/505-local-budget-circular-no-116>

## Increasing access to economic opportunities in I&S for MSMEs, cooperatives, and OFs

**Develop MSMEs by boosting their productivity and profitability.** Government will focus on the 7M's – mindset, mastery, mentoring, money, machine, market, and models.

### Access to production network increased

**Capacity of MSMEs to produce at larger scales and in accordance with international product standards, such as *halal* standards, will be enhanced.** The ability of MSMEs to deliver the necessary quantity at the right cost is crucial to be able to engage in long-term relationships with large domestic and multinational enterprises. These relationships will not only improve access to new markets but also expand access to advanced technology and increase exposure to innovative practices.

### Access to finance improved

**Operationalize a comprehensive credit information system, develop a policy for alternative collaterals (secured transactions framework), and establish an effective credit guarantee system.** These will improve access of MSMEs to finance. The credit information system shall be integrated with the national ID system (*Refer to Chapter 15*).

### Productivity, efficiency, and resilience improved

**Small Enterprise Technology Upgrading Program and Shared Service Facilities will be expanded.** This will provide MSMEs with access to needed technology, with an aim of increasing their scale of production and improve efficiency of production processes. These will be strategically located where they are accessible to potential users.

Ongoing and planned programs and projects that are deemed responsive to the goals of expanding economic opportunities in I&S, as well as increasing access of MSMEs, cooperatives, and OFs to these opportunities, are in Chapter 9 of the Public Investment Program 2017-2022.



# Recommendations

The succeeding table reflects the challenges identified based on the assessment of the sectors' performance, as well as recommended strategies to address them.

*Table 9.1 Supplemental Strategies to Expand Economic Opportunities in Industry and Services*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<b>Expanding economic opportunities in I&amp;S</b>		
<b>Local and foreign investment increased</b>		
<ul style="list-style-type: none"> <li>• Limitations or restrictions of foreign participation in certain sectors limit the entry of foreign investments</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue initiatives to lift or ease existing restrictions on investment areas/activities where foreign participation is limited, in accordance with Memorandum Order No. 16, s. 2017.</li> </ul>	NEDA Board Member Agencies
<ul style="list-style-type: none"> <li>• Government incentives provided to export-oriented multinational enterprises in economic zones did not result in strong linkages between locators and domestic industries</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct policy and regulatory analyses, and develop and adopt appropriate policy and regulatory framework to strengthen linkages between ecozone locators and domestic industries.</li> </ul>	DTI
<ul style="list-style-type: none"> <li>• Decline in approved foreign investments due to lower investment pledges in manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>• Pursue initiatives to reduce the cost of doing business and provide targeted and time-bound incentives to strategic sectors that will contribute to advancing technology and innovation.</li> <li>• Design more online platform systems for business transactions with government.</li> </ul>	DTI
<b>Competitiveness, innovativeness, and resilience increased</b>		
<ul style="list-style-type: none"> <li>• Limited utilization of e-commerce remains due to low consumer confidence. Consumer complaints require appearance of parties at the DTI which poses difficulty for consumers located in remote areas.</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a single online platform to handle merchant and consumer complaints.</li> </ul>	DTI
<b>Market access improved (Refer to Chapter 15)</b>		
<b>Consumer access to safe and quality goods and services ensured</b>		
<ul style="list-style-type: none"> <li>• Fragmented components of the existing quality infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate for the establishment of a National Quality Infrastructure System. This will enable MSMEs to produce goods that meet quality and safety requirements, as well as market standards.</li> </ul>	DTI
<b>Increasing access to economic opportunities in I&amp;S for MSMEs, cooperatives, and OFs</b>		
<b>Access to production network increased</b>		
<ul style="list-style-type: none"> <li>• Limited participation of MSMEs in global and production networks remains despite information dissemination initiatives of the government</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct an assessment of the effectiveness of the Doing Business in Free Trade Areas to determine impact, if any, and provide recommendations for improvement or alternative strategies.</li> <li>• Develop statistics for MSMEs, particularly those needed to measure participation in the global market.</li> </ul>	PIDS, Monitoring and Evaluation Staff of NEDA DTI, PSA
<ul style="list-style-type: none"> <li>• Certification-related issues hindering local producers of <i>halal</i> products to maximize the growing <i>halal</i> market</li> </ul>	<ul style="list-style-type: none"> <li>• Resolve governance issues surrounding <i>halal</i> multiple certifying bodies.</li> </ul>	DTI
<b>Access to finance improved</b>		
<ul style="list-style-type: none"> <li>• Lack of access of MSMEs to formal financing limits the scale of their production.</li> </ul>	<ul style="list-style-type: none"> <li>• Integrate the credit information system with the national ID system.</li> </ul>	SEC, PSA
<b>Productivity, efficiency, and resilience improved</b>		
<ul style="list-style-type: none"> <li>• Capacity of MSMEs and cooperatives to meet scale and quality requirements are not at par with the needs of global and regional production networks/markets</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate the SSF and the SETUP. These should ensure that these programs are responsive to the needs of their target beneficiaries. If needed, measures to improve them must be identified.</li> </ul>	PIDS, Monitoring and Evaluation Staff of NEDA



### Box Article 9.1 Relaxing restrictions on foreign participation in certain investment areas/activities

The Philippines is lagging behind the rest of the five original ASEAN Member States as well as Viet Nam in attracting foreign direct investments or FDI. In 2016, a total of US\$7,912 million of FDI entered the Philippines while US\$61,597 million went to Singapore and US\$12,600 million was invested in Viet Nam. The country's share to total ASEAN FDI was only 7.8 percent, lagging behind Singapore (60.9%), Malaysia (9.8%), and Viet Nam (12.5%). Of the total global FDI inflows, only 0.5 percent entered the Philippines in 2016.<sup>1</sup>

Among the major barriers to the inflow of foreign capital to the country are restrictions on foreign equity participation in investment areas/activities. These restrictions are categorized as follows: (a) those that do not require legislative action to ease or lift restrictions; (b) those that require legislative action; and (c) those that require Constitutional amendments.

Memorandum Order No. 16 issued on November 21, 2017<sup>2</sup> identifies investment areas/activities where restrictions on foreign participation are to be lifted or eased. These include, among others, practice of particular professions where allowing foreign participation will benefit the public; public services that are not covered by the definition of public utilities; and contracts for the construction and repair of locally funded public works.

Specific laws on professions that need to be amended include those that define teaching as practice of profession. Such definition poses difficulties for higher education institutions to tap the expertise and advanced knowledge and skills of foreign professionals (e.g., engineers) including former Filipino citizens. The lifting or easing of the 40 percent limitation on foreign equity participation in educational institutions provided in the Constitution could also pave the way for local schools to invest in improved facilities (e.g., laboratories) and/or more classrooms. Improvements in the education sector are seen as necessary if the country is to become competitive in a rapidly changing world.

Increased FDI in public services, such as telecommunication and transport services, and entry of foreign service providers are expected to increase competition, encourage innovation, drive down prices, and raise the quality of such services in the domestic market.

Opening publicly funded construction contracts to foreign-owned firms could also bring in new and advanced technologies and introduce competition resulting in improved infrastructure facilities, such as roads and bridges.<sup>3</sup>

#### Sources:

<sup>1</sup> Flows of Inward Foreign Direct Investment (FDI) by Host Country and Economic Sectors. ASEAN.org. Retrieved from <https://data.aseanstats.org/>

<sup>2</sup> Memorandum Order No. 16, s. 2017: Directing the National Economic and Development Authority (NEDA) Board and its Member Agencies to Exert Utmost Efforts to Lift or Ease Restrictions on Certain Investment Areas or Activities with Limited Foreign Participation. Retrieved from <http://www.officialgazette.gov.ph/downloads/2017/11nov/20171121-MO-16-RRD.pdf>

<sup>3</sup> Philippine Competition Commission. Anti-Competitive Effects of Regulatory Restrictions: The Case of the Construction Sector. Policy Note No. 1, s. 2017

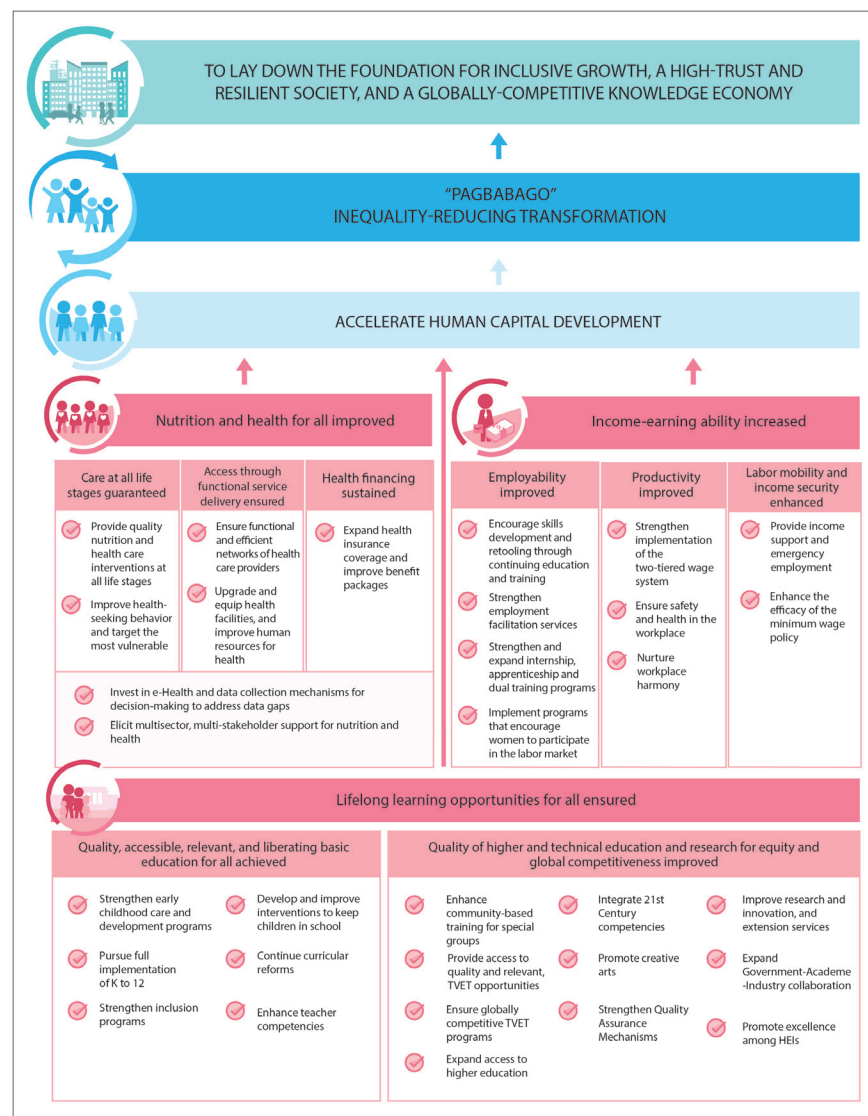


# 10 Accelerating Human Capital Development

# Accelerating Human Capital Development

To reduce inequalities and provide equal opportunities for all, the government continues to prioritize programs and projects to improve human capital. Mixed results were observed for nutrition and health, and education sectors, while modest gains were experienced in the country's employment situation. As such, new priorities were identified along with inclusive strategies and other interventions to ensure that the sectors' challenges are addressed to (a) improve nutrition and health, (b) ensure lifelong learning opportunities, and (c) increase the income-earning ability of Filipinos (See Figure 10.1).

**Figure 10.1 Strategic Framework to Accelerate Human Capital Development**



# Accomplishments

## Improving nutrition and health for all

**Sectoral plans to improve nutrition and health for all were formulated.** These include the Philippine Plan of Action for Nutrition, Philippine Population Management Program Directional Plan, Philippine Strategic TB Elimination Plan Phase 1, AIDS Medium Term Plan, and the National Strategic Plan for the Control and Elimination of Malaria in the Philippines. Needs of vulnerable groups were also recognized through the Indigenous Peoples Health Strategic Plan and the Philippine Migrant Health Program.

Several issuances were also released in line with sectoral objectives. These include Executive Order (EO) No. 12 for the attainment of zero unmet need for modern family planning and EO No. 26 for smoke-free environments. Moreover, the temporary restraining order on the purchase and distribution of implants was lifted as the recertification of other family planning commodities was concluded, and the set of Implementing Rules and Regulations of the Responsible Parenthood and Reproductive Health (RPRH) Law was revised.

**Several initiatives were undertaken to enhance health information systems.** The Department of Health (DOH) and the Philippine Health Insurance Corporation (PhilHealth) initiated the Philippine Health Information Exchange (PHIE) in 2016.<sup>1</sup> The PHIE's focus was on creating a platform for interoperable health information system that streamlines the business processes and harmonizes the architecture, data structure, and technology solutions between DOH and PhilHealth. The DOH also spearheaded the drafting of the Philippine eHealth Strategic Framework and Plan that will effectively stimulate and establish the use of harmonized and relevant information and communications technologies to improve health care delivery, administration and management, and communicating health to Filipinos. Moreover, PhilHealth institutionalized the use of Electronic Medical Records for easier reimbursement to primary care health providers.<sup>2</sup>

**The government collaborated with civil society organizations (CSOs) in health plan formulation, program planning, implementation, and research and development.** CSOs actively participated in the discussion and implementation of several health programs with the government. For example, women health organizations formed part of the RPRH National Implementation Team that coordinates all efforts to effectively implement the law. The government also engaged with CSOs in implementing some health programs that are funded by development partners.

Researches and studies that would input into policy formulation and planning were also conducted with key stakeholders. New priorities for health research were identified through the National Unified Health Research Agenda (NUHRA) 2017-2022.<sup>3</sup> Some of the researches and studies conducted that could input into policy formulation and planning include, among others, the validation studies on the Philippine Health Insurance Program, Damage Assessment Report on the Economic Consequences of Undernutrition in the Philippines, and the Longitudinal Cohort Study on the Filipino Girl and Boy Child.<sup>4</sup>

<sup>1</sup> DOH-DOST-PhilHealth Joint Administrative Order 2016-0001 "Implementation of the Philippine Health Information Exchange".

<sup>2</sup> PhilHealth Advisory No. 2016-0040 "Electronic Medical Record System".

<sup>3</sup> There were six themes identified as new priorities under the NUHRA namely: responsive health systems, research to enhance and extend healthy lives, holistic approaches to health and wellness, health resiliency, global competitiveness and innovation in health, and research in equity and health.

<sup>4</sup> The validation study on the Philippine Health Insurance Program is conducted by the UP-National Institutes of Health, National Economic and Development Authority (NEDA) and Philippine Statistics Authority (PSA); Damage Assessment Report on the Economic Consequences of Undernutrition in the Philippines by the United Nations Children's Fund (UNICEF), National Nutrition Council (NNC) and DOH; and the Longitudinal Cohort Study on the Filipino Girl and Boy Child by the United Nations Population Fund (UNFPA) and University of San Carlos.

**Access to functional service delivery networks (SDNs) is continuously being improved.** The DOH already created a technical working group that will establish and operationalize SDNs, including guidelines on redefining these networks. New directions for upgrading health facilities that promote rational allocation of investments and equitable access to health facilities were also crafted. However, issues on procurement with regard to construction and rehabilitation of facilities still remain a challenge. For 2016, only 31 percent out of the 2,704 facilities to be constructed and rehabilitated were completed. In 2017, none of the 904 target facilities was completed.

On human resources for health (HRH), there was an increase in the number of deployed health workers. A total of 23,836 HRH were deployed in 2016 compared to 18,067 in 2015, representing a 28 percent increase.<sup>5</sup> These HRH continue to receive capacity building to improve provision of care. The trainings conducted by the DOH include Basic Emergency Obstetric and Newborn Care, Lifestyle-related Diseases Prevention, and Severe and Acute Malnutrition Management for Children, among others.

**Child health outcomes improved.** Infant and under-five mortality rates continued to decrease. The 2017 National Demographic and Health Survey (NDHS) showed that infant mortality rate decreased from 23 deaths per 1,000 live births in 2013 to 21 in 2017. Under-five mortality also decreased from 31 deaths per 1,000 live births in 2013 to 27 in 2017.<sup>6</sup>

**“Triple burden of disease”<sup>7</sup> remains as a public health concern.** Malaria prevalence declined from 7.7 per 100,000 population in 2015 to 6.45 in 2016. Data for the first half of 2017 showed that the total number of reported malaria cases decreased by 71 percent, to 501 from 1,744 cases in the first half of 2016. From the start of the National Malaria Control and Elimination Program in the early 1990s to 2017, 36 provinces were already declared malaria-free. In 2017, added to the list of malaria-free provinces were: Mountain Province, Nueva Vizcaya, Misamis Oriental, and South Cotabato.

Premature mortality attributed to non-communicable diseases (NCDs) in the age group 30-70 years old<sup>8</sup> and death rate due to road traffic accidents increased. Data from the Civil Registration and Vital Statistics (CRVS) system of the PSA showed that premature mortality due to NCDs rose from 168 to 310 per 100,000 in 2013 to 2015. Death rate due to road traffic accidents also increased from 8.9 to 10 per 100,000 in 2014 to 2015.

Furthermore, the problem of tuberculosis (TB) and human immunodeficiency virus/acquired immunodeficiency syndrome (HIV/AIDS) persists despite efforts to address these. Tuberculosis incidence increased from 322 per 100,000 population in 2015 to 554 in 2016.<sup>9</sup> However, the increase may be due to improved methodology applied in detecting TB cases and computing for TB incidence.<sup>10</sup> The new methodology introduced by DOH used three new diagnostic tests<sup>11</sup> on sputum<sup>12</sup> collected from respondents, which are more sensitive and are faster in detecting the bacteria causing the disease and its drug resistance. For HIV/AIDS, the number of newly diagnosed HIV cases likewise increased, reaching 11,103 in 2017 or a

<sup>5</sup> Breakdown of the 23,836 deployed HRH include: 442 doctors, 995 universal health care implementers, 16,703 nurses, 4,205 midwives, 441 medical technologists, 267 dentists, and 1,681 Public Health Associates.

<sup>6</sup> These mortality rates cover a three-year period; 2017 rates cover 2013 to 2016.

<sup>7</sup> Morbidity caused by infectious diseases and mortality by NCDs and emerging incidence of injuries, mental health, and alcohol and drug abuse.

<sup>8</sup> Cardiovascular disease, cancer, diabetes, and chronic respiratory diseases.

<sup>9</sup> According to the 2016 National Tuberculosis Prevalence Survey.

<sup>10</sup> The Survey was conducted with the Philippine Council for Health Research and Development and the Foundation for the Advancement of Clinical Epidemiology, Inc.

<sup>11</sup> These diagnostic tests include: using light-emitting diode fluorescence microscopy (LED-FM), the Xpert MTB/RIF, and a solid culture for mycobacteria (2016 National Tuberculosis Prevalence Survey Presentation during the 24th Annual PhilCAT Convention, 2017).

<sup>12</sup> A mixture of saliva and mucus coughed up from the respiratory tract, typically as a result of infection or other disease and often examined microscopically to aid medical diagnosis.

20 percent increase from the previous year.<sup>13</sup> This may be attributed to the HIV/AIDS advocacy campaigns of the DOH that encouraged the public to avail of free services offered under the HIV/sexually transmitted infections Prevention Program i.e., voluntary counselling and testing, and free antiretroviral therapy. Also made available was PhilHealth's Outpatient HIV/AIDS Treatment Package that reimburses HIV-positive patients up to ₱30,000 annually for treatment. Increase in the number of cases was observed among the most-at-risk populations with the highest prevalence among men who have sex with men at almost 57 percent of all cases in 2017. Similarly, an increase in the number of cases among the youth aged 15-24 years was observed from 2015 to 2017, where they comprised one-third of all the newly diagnosed cases.

On the provision of treatment for users of illegal drugs, positive gains were achieved. For 2016, around 3,580 or 97 percent of the 3,706 patients admitted in DOH facilities were able to receive complete drug rehabilitation treatment. In terms of illegal drug prevention, especially among the youth, the Department of Education (DepEd) plans to conduct random drug testing in public and private schools. The DepEd guidelines released in 2017<sup>14</sup> spelled out the coverage, actual collection of biological samples, and intervention programs for those who will test positive.

**The country continues to experience high levels of under-five children who are under- and overweight.**<sup>15</sup> Stunting<sup>16</sup> also remains a concern that may contribute to a child's poor cognition and educational performance in the future.<sup>17</sup>

**Total fertility decreased but rise in teenage pregnancy persists.** The 2017 NDHS revealed that total fertility rate decreased from 3.0 births per woman in 2013 to 2.7 in 2017. The use of modern contraceptives among currently married women aged 15-49 increased from 37.6 percent in 2013 to 40.4 percent in 2017. In terms of teenage pregnancies, the 2017 NDHS also revealed that 9 percent of women aged 15-19 have already begun childbearing. However, data from the CRVS showed that there are girls who are giving birth as early as 10 years old. Trends in pregnancies among these younger group of girls (under 15 years old) have decreased from 1,986 cases in 2015 to 1,903 in 2016, but continues to be high and a persistent issue that needs to be addressed (*For detailed discussion on other issues on teenage pregnancies and reproductive health, refer to Chapter 13*).

## Ensuring lifelong learning opportunities for all

**Access to basic education of vulnerable groups was expanded.** DepEd recognized 648 special education (SPED) centers and schools for children with disabilities and established additional 302 schools to serve indigenous learners.<sup>18</sup> Meanwhile, enrollment in the Alternative Learning System (ALS) increased from 586,693 in school year (SY) 2015-2016 to almost 700,000 out-of-school youth and adults (397,002 males and 301,741 females) in SY 2016-2017. In addition, 2,500 Filipinos in Sabah also availed of ALS. There are also 36,000 children of overseas Filipinos enrolled in 40 Philippine Schools Overseas in 2017, up from 33,000 in 2016.<sup>19</sup>

**Adjustments on the K to 12 curriculum were done to make basic education relevant.** Twenty-first (21<sup>st</sup>)

<sup>13</sup> DOH – Epidemiology Bureau, HIV/AIDS and ART Registry of the Philippines, December 2017.

<sup>14</sup> DepEd Department Order No. 40, s. 2017.

<sup>15</sup> ASEAN, European Union and UNICEF 2016 Regional Report on Nutrition Security in ASEAN Volume 1.

<sup>16</sup> Stunting is a condition where the child's height is lower than that of a normal person of the same age and is measured using height-for-age as the index. (Food and Nutrition Research Institute, <http://philfsis.psa.gov.ph/index.php/id/16/meta/PCU>).

<sup>17</sup> World Health Organization. (n.d.). Stunting in a nutshell. Retrieved from [http://www.who.int/nutrition/healthygrowthproj\\_stunted\\_videos/en/](http://www.who.int/nutrition/healthygrowthproj_stunted_videos/en/)

<sup>18</sup> Data as of October 2017. Source: Briones, L. (2017). Seeing the Big Picture: DepEd Challenges and Direction [PowerPoint Slides]. Retrieved from <http://www.deped.gov.ph/education-summit-2017>.

<sup>19</sup> Source: Commission on Filipino Overseas.



century skills were integrated in the curriculum, such as (a) Information, Media, and Technology Skills, (b) Learning and Innovation Skills, (c) Effective Communication Skills, and (d) Life and Career Skills. Aligned with this initiative, the DepEd established a technical working group to develop the financial literacy curriculum competencies and learning materials that will teach learners to plan, manage, and save money and resources. Further, schools were directed to strengthen the implementation of the National Drug Education Program<sup>20</sup> which includes integrating topics on illegal drugs in the curriculum.

**Procurement reforms were introduced, but delays in the delivery of inputs were still experienced.** The DepEd implemented measures to address procurement bottlenecks such as creating more bids and awards committees, retooling of budget and accounting personnel, conducting mid-year review of procurement plans, and streamlining of downloading of funds. These reforms contributed to the decrease in underspending from 27.17 percent in 2012 to 13.33 percent in 2016.

Delays in classroom construction and delivery of needed education inputs, however, persisted due to failure of bidding, market/industry limitations to meet DepEd's huge demands, and late downloading of funds.<sup>21</sup> The lack of classrooms resulted in shifting class schedules, as junior high and senior high school (SHS) students had to share classrooms. Likewise, SHS students had to share learning materials because textbooks were unavailable or not delivered on time.

**Preliminary data on SHS showed a marked decline in Grade 12 enrolment.** The number of Grade 11 enrollees for SY 2017-2018 was almost the same as the enrollment in the previous school year. However, of the 1.5 million Grade 11 students in SY 2016-2017, only 1.2 million proceeded to Grade 12. Enrollment data per track showed that the academic track still has the biggest share of students (61%), followed by the Technical-Vocational-Livelihood track (37%).

**Table 10.1 Senior High School Enrollment: SYs 2016-2017 and 2017-2018**

TRACK	SY 2016-2017*		SY 2017-2018**	
	GRADE 11	GRADE 12	GRADE 11	GRADE 12
Academic	925,019	757,237	875,661	757,237
Technical-Vocational-Livelihood	602,951	475,703	517,126	475,703
Sports	3,175	2,108	2,120	2,108
Arts and Design	5,901	4,707	5,158	4,707
Total	1,537,046	1,239,767	1,400,053	1,239,767

Notes:

\* Data as of August 31, 2016

\*\* Data as of November 28, 2017

**Access to tertiary education was expanded.** Latest data from the Commission on Higher Education (CHED) showed that 211,776 students were awarded with scholarships, grants, and other financial assistance in academic year (AY) 2016-2017. The number of students receiving government support is expected to dramatically increase in AY 2017-2018 due to the 2017 General Appropriations Act (GAA) special budget provision for a free tuition policy in state universities and colleges (SUCs), where a total of 990,899 students from 111 SUCs benefited.<sup>22</sup> To ensure continuity, Congress passed the Universal Access to Quality Tertiary Education Act (Republic Act No. 10931). Unlike the special GAA provision for the free tuition policy in 2017, this landmark legislation provides for broader grants/modalities: (a) Free tuition and other school

<sup>20</sup> DepEd Memorandum 200 series 2016.

<sup>21</sup> DepEd (2017). Understanding Underspending in DepEd (Issue 2).

<sup>22</sup> Licuanan, P. (2017). Sustaining the Gains, Closing the Gaps. [PowerPoint Sides]. Retrieved from <http://www.deped.gov.ph/education-summit-2017>.

fees (including miscellaneous fees) for all Filipino students in SUCs, local universities and colleges, and state-run technical vocational institutions (TVIs) pursuing post-secondary studies; (b) Tertiary Education Subsidy to support cost of tertiary education or any part or portion thereof; and (c) National Student Loan Program for all Filipino students in private and public higher education institutions (HEIs). For 2018, ₱40 billion is provided under the GAA for the implementation of the law.

**HEIs were supported during the K to 12 transition period (from SY 2016-2017 to SY 2020-2021), through various development programs and scholarships and research grants for faculty.** The transition period was also seen as an opportunity to upgrade the qualification of HEI faculty and encourage research and development (R&D). Of the 4,000 CHED faculty and staff scholars currently supported for Science, Technology, Engineering, Agriculture and Mathematics (STEAM)-centered graduate studies both locally and abroad, 40 percent are under the K to 12 Transition Program. In terms of K to 12 Sectoral Engagement Grants, 22 percent and 10 percent of the 383 grantees since 2016 are in the information technology (IT) and Engineering disciplines, respectively.

**Research and innovation productivity was promoted through the Philippine-California Advanced Research Institutes (PCARI) Project<sup>23</sup> and several R&D projects of CHED, SUCs, and Department of Science and Technology (DOST).** As of 2017, the PCARI has provided 150 scholarships, supported 37 R&D projects, and enabled trainings and research partnerships in 18 HEIs with five leading research University of California campuses.<sup>24</sup> A Transnational Education partnership between CHED and the British Council was also launched in early 2018 to provide students and professionals with opportunities for internationally-recognized postgraduate qualification on niche disciplines that are currently not available in the Philippines.<sup>25</sup> Further, grants will be provided to displaced students and professionals in Marawi City taking up STEAM courses in undergraduate and postgraduate studies through DOST-Science Education Institute's *Bangon Marawi* Program on Science and Technology Human Resource Development<sup>26</sup> (*Refer to Chapter 14 for more discussion on other R&D initiatives of CHED, DOST, and SUCs*).

**Arts, culture, and humanities education was promoted by education agencies.** Training regulations and programs on digital creative arts (i.e., animation, game development) were developed and updated by the Technical Education and Skills Development Authority (TESDA). In partnership with the National Commission for Culture and the Arts (NCCA), TESDA came up with training regulations related to the arts and crafts of indigenous people. CHED also partnered with NCCA for the first offering of “*Salikha* creative grants” for the fields of Fine and Applied Arts, Humanities, and Social and Behavioral Sciences under the K to 12 Transition Program in 2017. Further, under the new General Education Curriculum starting June 2018, all college students will be required to take an “Arts Appreciation” course.

**Special Technical and Vocational Education Training (TVET) programs were established to cater to the socially excluded, displaced, and marginalized.** Preliminary data<sup>27</sup> showed that TVET enrollees and graduates reached 2.25 million and 2.07 million, respectively.

Of these, training programs for socially excluded, displaced, and marginalized sectors were provided:

<sup>23</sup> PCARI Project aims to develop the capability of selected HEIs to undertake high-end research and to mobilize and translate knowledge into technological innovations. It focuses on addressing vital societal issues such as health, food security, energy, environmental quality, disaster mitigation, and others.

<sup>24</sup> Licuanan, P. (2017). Sustaining the Gains, Closing the Gaps. [PowerPoint Sides].

<sup>25</sup> British Council. (2018, February). Philippine-UK Transnational Education. Retrieved from <https://www.britishcouncil.ph/tne/about>

<sup>26</sup> DOST. (2018). DOST to grant scholarships to Students, S&T Professionals in Marawi. <http://www.dost.gov.ph/knowledge-resources/news/49-2018/1356-dost-to-grant-scholarship-to-students-s-t-professionals-in-marawi>.

<sup>27</sup> Data as of December 2017.

**Table 10.2 Beneficiaries of TVET Special Programs**

TVET PROGRAM	NUMBER OF BENEFICIARIES
Skills Training for Drug-Dependent Surrenders	14,046 drug dependents trained and working with relevant agencies
Skills Training for Inmates	3,503 inmates
Emergency Training for Overseas Filipinos (OFs)	890 returning/repatriated OFs
Language and Culture Trainings for OFs*	Enrollment: 29,676 Graduates: 28,847
Onsite Skills Assessment for OFs**	Assessed: 537 Certified: 410
Barangay-based Trainings	1,043,078 applicants
Mobile Training Laboratories	Available to the 10 poorest provinces nationwide

Note:

\*Data as of September 2017

\*\*Data as of November 2017

**TESDA continues to improve the delivery of competency assessment and certification to ensure quality of TVET graduates.**<sup>28</sup> Certification rate increased from 91.3 percent in 2016 to 93 percent in 2017 due to the intensive industry consultations to ensure the responsiveness and quality of its 264 training regulations in 2017. Its training programs were also designed to meet the standards set by the Philippine Qualifications Framework (PQF).<sup>29</sup>

**Learner mobility policies are being enhanced.** DepEd, CHED, TESDA, Department of Labor and Employment (DOLE), and Professional Regulation Commission (PRC) are currently benchmarking the PQF with the ASEAN Qualifications Reference Framework (AQRF), the region's common reference framework that allows ASEAN Member States (AMS) to compare the education qualifications with one another. In preparation for the impact of the fourth industrial revolution to the global economic growth and employment landscape, TESDA is proposing the creation of ASEAN TVET Development Council that will further intensify the cooperation among AMS toward the development of TVET sector. The Council aims for AMS to: (a) build a 21<sup>st</sup> Century Workforce; (b) develop globally-competitive and market-responsive skills sets; (c) ensure employability of the workforce; and (d) support the AQRF.<sup>30</sup>

## Increasing income-earning ability

With the robust growth performance of the economy, the country has moved closer toward its decent work agenda with modest gains observed in the country's employment situation.

**The share of discouraged jobseekers<sup>31</sup> to total unemployment rate declined.** Reflective of the generally more positive outlook in the country's growth prospects, the share of discouraged jobseekers to total unemployment rate decreased to 11.6 percent in 2017 from the PDP baseline of 12.5 percent in 2014.

**There were less unproductive and economically unutilized youths<sup>32</sup> in 2017.** The share of youth not in

<sup>28</sup> Mamondiong, G. (2017, December). Philippine TVET Updates and Direction. Presented at the 2017 Education Summit, Manila.

<sup>29</sup> Mamondiong, G. (2017, December). Philippine TVET Updates and Direction. Presented at the 2017 Education Summit, Manila.

<sup>30</sup> Mamondiong, G. (2017, December). Philippine TVET Updates and Direction. Presented at the 2017 Education Summit, Manila.

<sup>31</sup> Discouraged jobseekers are persons who want a job and are currently available for work but who have given up any active search for work because they believe that they cannot find it.

<sup>32</sup> Economically unutilized youths (age 15 to 24) are categorically different from child laborers (below the age of 18). The former pertains to out-of-

employment nor in education (NEE) decreased to 22.4 percent in 2017 from 22.7 percent in 2015. This is in line with the modest target range set (20.5 to 22.5 percent) for youth NEE in 2017.

**Labor productivity growth<sup>33</sup> in the industry and services sectors increased.** Labor productivity in industry registered an average growth of 4.8 percent<sup>34</sup> in the first three quarters of 2017 from a baseline of 3.4 percent growth in 2015. In the same period, labor productivity in services posted an average growth of 8.6 percent from a baseline of 4 percent growth. Among the government's initiatives to increase the country's labor productivity include the regular conduct of productivity trainings and orientations targeting micro, small, and medium enterprises.

**Conducting career guidance advocacy campaigns, coaching, and counselling for overseas jobseekers were expanded.** Orientation seminars for overseas Filipino workers (OFWs) and OFW-aspirants have been widely conducted. From January to October 2017, around 839,567 OFW-aspirants participated in mass-based and online pre-employment seminars. In the same period, pre-departure and post-arrival orientation seminars were also conducted for 499,909 OFW-aspirants and 401 OFWs, respectively. Other orientation seminars targeting specific sectors such as spouses or partners of foreign nationals and the youth have also been carried out. The number of participants in the Community Education Program, an information campaign on migration, increased to 11,309 individuals for the first ten months of 2017 from only 9,190 participants for full-year 2016. Moreover, agency-to-agency hiring services are continually being enhanced through e-Registration.<sup>35</sup>

**There were less economically-active persons in 2017.** The labor force participation rate (LFPR) fell to 61.2 percent<sup>36</sup> driven by the decrease in the female LFPR for the period. Majority of those who dropped out of the labor force in 2017 cited assumption of household duties, school participation, and temporary illness or disability. While there have been predominant increase among females of child-bearing age who cited assumption of household duties for the period, there were almost equal share of male and female youths<sup>37</sup> who cited school participation as reason for not being in the labor force. The added years of schooling brought by the K to 12 Program may likely be the reason behind the increased or lengthened school participation of the youth for the period. However, the drop in Grades 11 and 12 enrollment in SY 2017-2018 is a reason for concern that warrants urgent government intervention.

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school youths and economically-idle persons and are encouraged to engage in legitimate work, while the latter is engaged in hazardous occupation. Child labor refers to any work or economic activity performed by a child that subjects him/her to any form of exploitation or is harmful to his/her health and safety or physical, mental, or psychosocial development. (See also Chapter 11)

<sup>33</sup> Preliminary estimates were derived by the NEDA Staff (Refer to Chapter 10 of the PDP Results Matrices 2017-2022).

<sup>34</sup> Preliminary data; NEDA Staff estimates only.

<sup>35</sup> The e-Registration system of the Philippine Overseas Employment Administration (POEA) is a single online registration facility for all types of applicant workers: government hires, agency hires (land-based and sea-based), and direct hires. Once registered, the OFW will have access to "my POEA" where they can receive alerts and notification on the status of his application and transactions with the POEA or his/her recruitment agency. The e-Registration database is where the Government Placement Branch sources its applicants for all its clients. Thus, if a jobseeker wants to apply to any of the employers/principals through the POEA government placement facility, he/she must register online through the e-Registration system.

<sup>36</sup> From 63.4 percent in 2016

<sup>37</sup> Youths are persons in the age bracket 15 to 24 based on PSA definition.

# Moving Forward

## Improving nutrition and health for all

Amid accomplishments made in 2017, several critical issues and challenges remain to be addressed in improving nutrition and health for all Filipinos. These include: (a) unhealthy lifestyle and diet and poor health-seeking behavior that contribute to late detection of diseases; (b) increasing cases of communicable diseases (tuberculosis and HIV/AIDS); (c) weak and slow implementation of health interventions; (d) devolved set-up which makes the coordination of health programs difficult and the competing priorities of local chief executives that sometimes lead to low budgets and expenditures in the sector; (e) fragmentation in the delivery of primary, secondary, and tertiary care services due to non-functioning SDNs and weak referral systems; and (f) continued gaps in the health information system due to lack of interoperability.

Agencies involved in the sector have identified their priority programs and projects in the Public Investment Program for 2017-2022. To supplement these, the following strategies are recommended:

**Table 10.3 Supplemental Strategies to Improve Nutrition and Health for All**

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Unhealthy lifestyle and diet and poor health-seeking behavior that contribute to late detection of diseases</li> </ul>	Strengthen health advocacy campaigns, specifically: <ul style="list-style-type: none"> <li>Employ community-based or grassroots approach, where needs and goals will be identified by the people themselves.</li> <li>Develop more cohesive communication strategies.</li> <li>Focus on the benefits for the interventions for the first 1,000 days (exclusive breastfeeding and complementary feeding) and healthy diet and lifestyle.</li> </ul>	DOH, NNC, local government units (LGUs)
<ul style="list-style-type: none"> <li>Increase in cases of communicable diseases (tuberculosis and HIV/AIDS) and weak and slow implementation of health interventions</li> </ul>	Intensify provision/implementation of quality nutrition and health care interventions: <ul style="list-style-type: none"> <li>Pass supportive policies such as the National Mental Health Care Services Delivery System, amendment to the HIV/AIDS Law, and the Universal Health Care Bill.</li> <li>Fast-track the implementation of new interventions such as the comprehensive sexuality education in the basic education curriculum through the finalization of the curriculum guide for teachers and drug prevention and treatment among the youth.</li> <li>Implement the return service requirements for HRH, especially in geographically isolated and disadvantaged areas.</li> <li>Institutionalize the HRH Network Philippines.</li> <li>Streamline and fast-track the procurement process and improve transparency in identifying targets in constructing and rehabilitating health facilities.</li> <li>Institutionalize health technology assessment that will determine the health services/benefits/entitlements to be provided for all Filipinos.</li> <li>Improve health system resiliency.</li> </ul>	DOH, LGUs

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>• Devolved set-up which makes the coordination of health programs difficult and the competing priorities of local chief executives that sometimes lead to low budgets and expenditures in the sector</li> </ul>	Improve technical skills of LGUs: <ul style="list-style-type: none"> <li>• Continue the provision of technical assistance to local chief executives and health workers to enhance their health planning, programming, and monitoring and evaluation skills.</li> <li>• Expand programs like the Public Health Leadership Formation.</li> </ul>	DOH, LGUs
<ul style="list-style-type: none"> <li>• Fragmentation in the delivery of primary, secondary, and tertiary care services due to non-functioning SDNs and weak referral systems</li> </ul>	Improve coordination within the health system: <ul style="list-style-type: none"> <li>• Operationalize SDNs using new definitions and develop and adopt new standards.</li> <li>• Create province-wide networks of public and private health service providers with efficient referral mechanism and gatekeeping functions.</li> </ul>	DOH, LGUs
<ul style="list-style-type: none"> <li>• Continued gaps in the health information system due to lack of interoperability</li> </ul>	Increase investment and alignment in eHealth and data collection mechanisms: <ul style="list-style-type: none"> <li>• Expand existing health data systems, such as DOH's Field Health Services Information System to include private health facility data.</li> <li>• Provide capacity building to data collectors and processors to improve quality of administrative data.</li> <li>• Identify proper data warehouse, establish health data quality standards, and harmonize reporting mechanism.</li> <li>• Ensure that health research findings are used in decision-making.</li> <li>• Strengthen the internal capacity of the DOH in generating/producing high quality health studies and researches that will guide policy and decision making.</li> </ul>	DOH, LGUs, PSA

## Ensuring lifelong learning opportunities for all

The implementation of various programs to improve access and quality of education remains a critical concern. The K to 12 and inclusion programs<sup>38</sup> faced difficulties such as: (a) shortage of qualified teachers, (b) lack of classrooms, laboratories, technical-vocational-livelihood equipment, and adaptive materials for persons with disabilities (PWDs), and (c) delayed delivery of teaching and learning materials. Further, a significant number of SHS students drop out of school, perhaps, due to financial constraints, family problems, and teenage pregnancy.<sup>39</sup> While recent laws and policies have made tertiary education more accessible, the sector continues to be challenged by financial sustainability and delivery of quality education. The changing employment landscape due to rapid technological innovation and ASEAN integration also emphasizes the need for the programs and trainings to align with international standards and industry needs. Moreover, delays in the processing of grants were also observed in the K to 12 Transition Program.

<sup>38</sup> Inclusion programs include special education, IP education, and alternative learning system.

<sup>39</sup> 2017 ADB Review Mission.



**Table 10.4 Supplemental Strategies to Ensure Lifelong Learning Opportunities for All**

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>• Shortage of qualified teachers</li> <li>• Lack of classrooms, laboratories, technical-vocational-livelihood equipment, and adaptive materials for PWDs</li> <li>• Delayed delivery of teaching and learning materials</li> </ul>	<p>Strengthen monitoring of SHS:</p> <ul style="list-style-type: none"> <li>• Conduct a preliminary assessment of the different components of SHS curriculum, particularly the work immersion program, selection of track offering, teacher hiring and deployment, and procurement of learning materials.</li> <li>• Provide a tracking system for SHS graduates.</li> <li>• Improve procurement process and budget utilization to ensure that education inputs are delivered on-time.</li> </ul>	DepEd
<ul style="list-style-type: none"> <li>• Keeping children in school</li> </ul>	<p>Review and update current policies on inclusive education:</p> <ul style="list-style-type: none"> <li>• Design an ALS program for SHS dropouts and a certification mechanism that will allow completers to obtain a high school diploma.</li> <li>• Assess effectiveness of current alternative delivery modes (i.e., Enhanced Instructional Management for Parents, Community, and Teachers, Modified In-School/ Off-School Approach, Open High School) and explore possibility of implementing these in SHS.</li> </ul>	DepEd
<ul style="list-style-type: none"> <li>• Financial sustainability of tertiary education student financial assistance programs (StuFAPs)</li> </ul>	<p>Rationalize existing StuFAPs:</p> <ul style="list-style-type: none"> <li>• Harmonize StuFAPs and grants-in-aid under the Free Higher Education or TVET and Tertiary Education Subsidy programs.</li> </ul> <p>Redesign the National Student Loan Program:</p> <ul style="list-style-type: none"> <li>• Ensure that the design of the loan program will be both sustainable and affordable.</li> <li>• Factor in viability and risk management, and set appropriate interest rates and repayment thresholds in formulating program designs.</li> <li>• Implement support interventions such as career guidance and financial counseling to assist student-borrowers, especially the poor, with regard to loan repayment issues while coping with the rigors of schooling.</li> </ul> <p>Establish a learner information system to improve monitoring of higher education and TVET students and graduates:</p> <ul style="list-style-type: none"> <li>• Form an efficient tracking system of students and graduates to improve loan repayment collections.</li> <li>• Use data from the information system for more accurate planning and budgeting for the subsequent years of implementation of the program.</li> </ul> <p>Strengthen monitoring and regulation of tuition and other school fees of SUCs:</p> <ul style="list-style-type: none"> <li>• Standardize fees and determine normative costs charged by SUCs to prevent possible overcharging and abusive increases in tuition and miscellaneous fees.</li> </ul>	<p>UniFAST Secretariat, CHED, TESDA</p> <p>CHED</p>



CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Ensuring the readiness of Higher and Technical Education Institutions to keep up with the changing education and employment landscape due to developments such as the ASEAN Integration and rapid technological innovation</li> </ul>	<p>Strengthen competitiveness in STEAM:</p> <ul style="list-style-type: none"> <li>Upgrade curricula and training standards that will encourage technology adoption and keep up with changing skills demand driven by the Fourth Industrial Revolution.</li> <li>Support existing initiatives to modernize key sectors, such as the National Agriculture and Fisheries Education System and Program on Accelerating Farm School Establishment.</li> </ul>	CHED, TESDA
	<p>Maximize international collaborations to improve quality of instruction and foster research and innovation:</p> <ul style="list-style-type: none"> <li>Capitalize on existing global partnerships in the areas of research, training, and transnational education between Philippine HEIs, TVIs, and international universities and training institutions.</li> <li>Intensify efforts in engaging international talents and fellows, especially Filipino scientists who have been successful in research and development abroad, to delve into research and teaching in Philippine HEIs.</li> </ul>	CHED, TESDA
	<p>Boost Philippine HEI competitiveness in international university rankings:</p> <ul style="list-style-type: none"> <li>Explore mechanisms to encourage public HEIs to participate in assessments and surveys for global university rankings and international league tables.</li> </ul>	CHED
	<p>Implement a New General Education Curriculum:</p> <ul style="list-style-type: none"> <li>A new general education curriculum<sup>40</sup> is targeted to be launched in June 2018<sup>41</sup> to produce “thoughtful graduates imbued with values reflective of a humanist orientation, conscious of his/her identity as an individual, a Filipino, a member of the global community, and a steward of the environment”, thereby equipping them with the necessary skills to join the workforce and/or pursue further studies.</li> </ul>	CHED
	<p>Improve implementation of the K to 12 Transition Program:</p> <ul style="list-style-type: none"> <li>Strengthen advocacy for undersubscribed programs (i.e. sectoral engagement, research grant) to increase interest and encourage HEI personnel to apply to these programs.</li> <li>Streamline processes to ensure that beneficiaries will not be encumbered.</li> <li>Monitor the reentry of HEI faculty to assess whether the gains from the program have translated into improvement in the quality of instruction.</li> </ul>	CHED
	<p>Intensify distance learning methods to promote retooling and continuing education:</p> <ul style="list-style-type: none"> <li>Promote and expand open distance learning (i.e., TESDA Online Program, postgraduate distance education/open university, massive online open courses) to encourage continuing education, especially among OFs and workers requiring continuing professional development.</li> </ul>	TESDA, CHED

<sup>40</sup>Core courses: Art appreciation; The Contemporary World; Mathematics in the Modern World; Science, Technology, and Society; Ethics; Readings in Philippine History; Purposive Communication; Understanding the Self.

<sup>41</sup> Licuanan, P. (2017, December).

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<b>CROSSCUTTING STRATEGY</b>		
<ul style="list-style-type: none"> <li>Ensuring delivery of quality education</li> </ul>	Implement/Operationalize the Philippine Qualifications Framework: <ul style="list-style-type: none"> <li>Develop pathways, equivalencies, and system of credit transfer to provide access to qualifications and assist the movement of learners.</li> <li>Develop training regulations for qualifications for higher levels of technical education and skills development.</li> <li>Implement the Philippine Credit Transfer System, which is being developed to allow seamless transition across levels of education, by aligning the Philippine national standards to regional and international education systems.</li> </ul>	DepEd, CHED, TESDA, DOLE, PRC
	Strengthen partnership among government agencies, academe, and industry to achieve policy coherence, productive cost-sharing, pooling of resources, and improved accountability: <ul style="list-style-type: none"> <li>Maximize existing inter-agency and multistakeholder bodies to facilitate smooth school-to-work transition, ensure alignment of education curricula to industry needs, and encourage private support in the education sector.</li> </ul>	DepEd, CHED, TESDA, DOLE, DTI

## Increasing income-earning ability

Despite significant gains in improving the quality of employment, the national unemployment rate reached 5.7 percent in 2017 from 5.5 percent in 2016, driven by the increase in youth unemployment. Aside from the still high number of youths-at-risk, other concerns requiring interventions in the near-term include: (a) graduating SHS students in 2018 which could drive youth unemployment and national unemployment rates upward; (b) unequal access to employment, with female LFPR remaining low; (c) changes in market conditions and potential domestic reforms which may impact key industries particularly, the Information Technology and Business Process Management (IT-BPM) sector; (d) uneven labor productivity growth; (e) tightening work and migration conditions overseas which may result in repatriation of OFs; (f) limited access to employment opportunities for those residing in areas outside of NCR (AONCR); (g) gaps in policies and programs to enhance income security of workers; and (h) operational constraints of the ASEAN Mutual Recognition Agreements (MRAs).

*Table 10.5 Supplemental Strategies to Increase the Income-earning Ability of Filipinos*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>High number of youths-at-risk and youth unemployment</li> </ul>	Scale up target beneficiaries and expand program reach of the JobStart Program: <ul style="list-style-type: none"> <li>Identify and resolve program challenges.</li> <li>Institutionalize Public Employment Service Offices (PESOs) with adequate employer base located outside Metro Manila. This will be a good starting point for expansion as the program will improve the delivery of employment facilitation services of the PESOs.</li> <li>Integrate life skills training component of the JobStart Program in the SHS Program to teach the values of professionalism and work appreciation among students.</li> </ul>	DOLE, DepEd, CHED, TESDA
	Refine work immersion programs designed to build confidence and cultivate sound work ethics of students.	DepEd, CHED, TESDA

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Graduating SHS students in 2018 which could drive youth unemployment and national unemployment rates upward</li> </ul>	<p>Redesign the Government Internship Program (GIP):</p> <ul style="list-style-type: none"> <li>Make GIP ready for implementation anytime of the year.</li> <li>Craft internship manuals that will allow student interns in the public sector to undertake non-classified work engagements.</li> <li>Review Civil Service Commission (CSC) rules on public sector hiring to realign with the SHS Program and the Philippine Qualifications Framework Act.</li> </ul>	DOLE, CSC, LGUs
<ul style="list-style-type: none"> <li>Low female LFPR</li> </ul>	<p>Address constraints faced by women in the labor force:</p> <ul style="list-style-type: none"> <li>Fully implement the RPRH Law (See <i>Chapter 13</i>).</li> <li>Make childcare cost affordable and accessible by scaling up the implementation of day care facilities and services for children age 0-4, thereby achieving effective Gender and Development budget utilization.</li> <li>Address gendered norms in household/child-rearing care (e.g., encourage greater paternal roles in child-rearing).</li> <li>Encourage flexi-time arrangements (e.g., freelance/home-based/online work).</li> <li>Encourage future workforce to engage in the fields of STEAM.<sup>42</sup></li> </ul>	CHED, DOLE, DSWD, DOH
<ul style="list-style-type: none"> <li>Need to sustain IT-BPM growth given the changing market conditions and potential domestic reforms (e.g., adoption of new technologies, rationalization of fiscal incentives on the IT-BPM industry, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Identify specific higher value-added services (with the participation of IT-BPM companies) to match Philippine skills and business strategies of the IT-BPM sector.</li> <li>Initiate knowledge transfer programs with overseas Filipino IT professionals with skills and network to capacitate local talents by facilitating entry of recruited professionals and by providing incentive packages for these professionals (See <i>Chapter 14 on science, technology and innovation (STI) priorities</i>).</li> <li>Reinforce STI programs in educational institutions and strengthen their industry collaboration, incorporating practical learning by providing incentives to schools that develop relevant internationally accepted programs and by liberalizing the provision of education services (See <i>Chapter 9 on Foreign Investment Negative List</i>).</li> <li>Align public service delivery supported by capacitating relevant national government agencies to be responsive to the market needs of higher value-added services through full automation of government processes and provision of highly specialized training for frontline agencies (See <i>Chapter 5 on e-Governance platforms</i>).</li> <li>Retool and complement private initiatives in re-training business process outsourcing employees to acquire higher value-added skills in the identified industries.</li> <li>Encourage expansion of voice services to other promising host LGUs and stimulate local start-ups by providing recognition and funding to deserving information and communications technology entrepreneurs.</li> </ul>	TESDA, DOLE, DOST, Department of Trade and Industry, and Department of Information and Communications Technology
<ul style="list-style-type: none"> <li>Limited access to employment opportunities in AONCR</li> </ul>	<ul style="list-style-type: none"> <li>Improve content of the PhilJobNet<sup>43</sup> and service delivery of PESO Employment Information System (PEIS)<sup>44</sup> to include present and future job openings originating from the private and public sectors.</li> <li>Intensify conduct of campaign awareness on PhilJobNet access so it can be utilized by jobseekers residing in AONCR.</li> <li>Intensify campaign awareness on the e-Registration System and streamline content to be user-friendly so it can be effectively accessed by jobseekers looking for work abroad.</li> </ul>	<p>DOLE, CSC, and Department of Public Works and Highways</p> <p>POEA</p>

<sup>42</sup> Given global labor shortage in occupations relating to Science, Technology, Engineering, and Mathematics and with women representing approximately half of the global population (not to mention being under-represented in these fields), there is need to consider the magnitude of untapped potential and talent and influential factors preventing girls from pursuing careers in STEM from the perspective of gender parity. Retrieved from: <http://unesdoc.unesco.org/images/0023/002315/231519e.pdf>

<sup>43</sup> The PhilJobNet is an online job and applicant matching system which aims to fast-track jobseekers' search for job and employers' search for manpower requirements.

<sup>44</sup> The PEIS captures jobseeker and establishment profiles as well as their vacancies, and regularly tracks the employment status of registered jobseekers in the system. The PEIS is mainly used by PESOs nationwide as a tool for monitoring major facilitation programs of the DOLE.

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Uneven labor productivity growth</li> </ul>	<ul style="list-style-type: none"> <li>Increase labor productivity through better education and training outcomes (i.e., stronger academe-industry linkage).</li> <li>Encourage students' competence in Trends in International Mathematics and Science Study.</li> <li>Design and integrate modules on productivity improvements in the SHS Program and various HEI curricula, and engage educators and trainers who have successful track record on practicing productivity improvements in various fields and industry.</li> <li>Prioritize full employment for critical and high-skilled jobs by addressing reasons for occupational shortages (i.e., lack of worker competency, insufficient work experience, and deficiency in socioemotional skills).</li> <li>Encourage adoption of technology and innovation practices to make firms and workers perform better.</li> <li>Craft/design alternative productivity enhancement programs such as mainstreaming productivity action agenda in sectoral and development plans, including education and training development plans.</li> <li>Tap the country's reservoir of productivity advocates, practitioners, and experts to strengthen, accelerate, and deepen the deployment of productivity technologies at the enterprise level.</li> </ul>	<p>DepEd, CHED</p> <p>DOLE, National Wages and Productivity Commission</p>
<ul style="list-style-type: none"> <li>Tightening work and migration conditions overseas</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen domestic reintegration through effective access of OFs to employment facilitation services (i.e., PhilJobnet, PEIS, and e-Registration)</li> <li>Strengthen bilateral and regional ties to diversify and explore prospective destination countries for OFs.</li> <li>Improve matching of OF skills for both domestic and overseas labor market opportunities.</li> </ul>	<p>DOLE, POEA, Department of Foreign Affairs, and National Reintegration Center for OFWs</p>
<ul style="list-style-type: none"> <li>Gaps in policies and programs to enhance income security of workers</li> </ul>	<ul style="list-style-type: none"> <li>Enhance income security of workers by designing and implementing an effective insurance targeting those who face sudden work displacement (See Chapter 11 on Employment Insurance).</li> </ul>	<p>DOLE</p>
<ul style="list-style-type: none"> <li>Operational constraints of the ASEAN MRAs<sup>45</sup></li> </ul>	<ul style="list-style-type: none"> <li>Create/revise domestic policies, regulations, and processes to facilitate recognition of qualifications and expedite mobility of professionals anywhere in ASEAN.</li> <li>Create regulatory authorities and provide financial and technical resources to fulfill their growing and increasingly complex mandates. This will require appropriate government funding.</li> <li>Simplify recognition and registration process, such as promulgating clear qualification guidelines, sharing of databases in collecting data/information of professionals, and regulating the certification costs so it will not hamper professionals from utilizing the MRA systems. This will necessitate effective coordination between government agencies.</li> </ul>	
<b>OTHER LEGISLATIVE AGENDA</b>		
<ul style="list-style-type: none"> <li>Unequal access to employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Prioritize the enactment of the telecommuting bill to encourage flexi-time work arrangements. This is expected to promote inclusive employment opportunities for all in addressing the concerns of PWDs, people of advanced age, the underemployed, and other disadvantaged members of the society.</li> <li>Push the passage of the proposed "First-Time Jobseekers Assistance Act of 2017".<sup>46</sup> This will support first-time jobseekers by waiving fees and charges collected by various agencies for the issuance of pre-employment documents/requirements (i.e., Police Clearance, Birth Certificate, NBI Clearance, etc.).</li> </ul>	

<sup>45</sup> The Long Road Ahead: Status Report on the Implementation of the ASEAN Mutual Recognition Arrangements on Professional Services. Retrieved from <https://www.adb.org/sites/default/files/publication/224101/long-road-ahead.pdf>

<sup>46</sup> House Bill Nos. 242 and 4362 and Senate Bill Nos. 1426, 343, and 313.

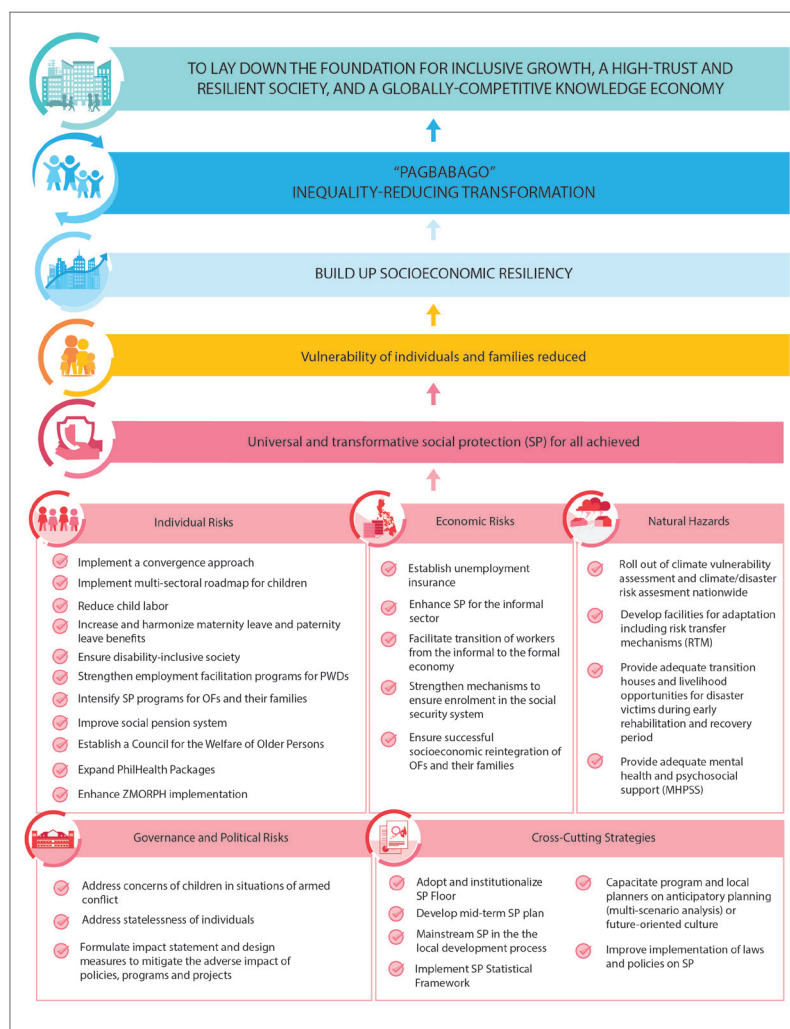
11

Reducing  
Vulnerability of  
Individuals and  
Families

# Reducing Vulnerability of Individuals and Families

Social protection policies and programs have been implemented alongside poverty alleviation programs to ensure that households are able to manage shocks and avoid slipping into poverty. These social protection initiatives intend to address the inherent vulnerabilities of certain population groups, as well as economic risks, natural and human-induced disasters, and governance and political uncertainties which may limit the impact of poverty alleviation schemes. As stipulated in the Philippine Development Plan (PDP) 2017-2022, the government will build the socioeconomic resilience of people through job creation and asset reforms. The needs of the most vulnerable members of the community will also be prioritized as strategies will focus on providing universal and transformative social protection that pursues equity, social cohesion, human capital formation, and nation-building, as presented in Figure 11.1.

**Figure 11.1 Strategic Framework to Reduce Vulnerability of Individuals and Families**

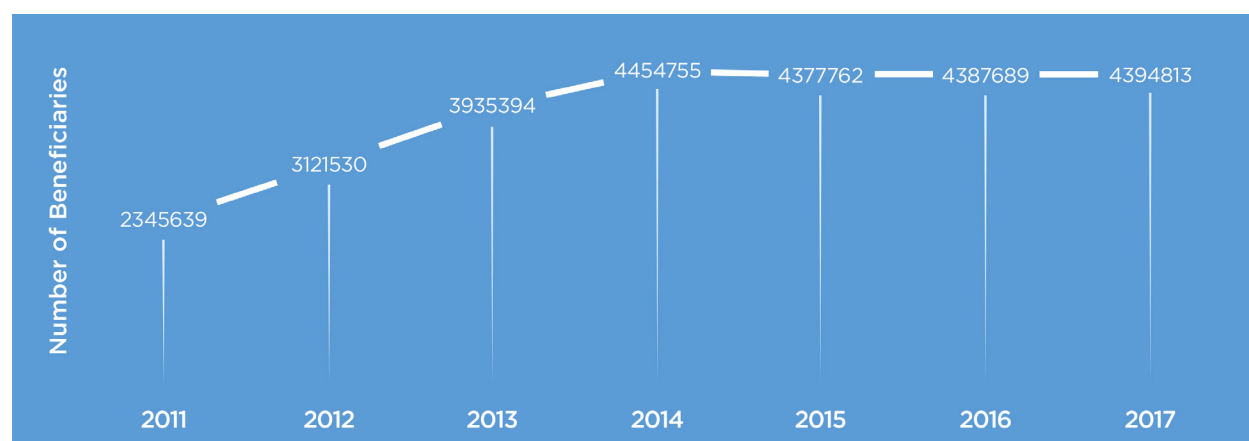


# Accomplishments

## Mitigating risks faced by vulnerable groups

**Poor households were provided cash grants.** Several cash transfer programs of the government are provided to poor households mostly identified using the National Household Targeting System for Poverty Reduction (NHTS-PR), or the *Listahanan*. These include the Conditional Cash Transfer (CCT) or *Pantawid Pamilyang Pilipino Program* (4Ps), the Unconditional Cash Transfer (UCT), and the Presidential directive to provide rice subsidy to poor households.

*Figure 11.2 Pantawid Pamilya Beneficiaries, 2011-2017*



In 2017, there were 4,394,813 households receiving cash grants through the 4Ps. The graph shows a plateau in the trend of the number of 4Ps beneficiaries mainly due to the graduation of some of its beneficiaries from school. Among the covered households, 4.2 million are regular CCT beneficiaries, while 230,000 are modified CCT beneficiaries.<sup>1</sup> Moreover, as much as 12.6 percent of the total beneficiaries are indigenous peoples (IPs) while 4.9 percent of all the covered households have at least one person with disability. The Sustainable Livelihood Program (SLP) also provides livelihood assistance to many of the 4Ps beneficiaries. For 2017, the SLP served 1,469,364 *Pantawid* households or 89.4 percent of the total 1,764,255 target households.

As a mitigating measure for the expected increase in the prices of certain commodities due to the passage of the Tax Reform for Acceleration and Inclusion (TRAIN) Law, the UCT will cover 10 million poor households. These households will receive ₱200/month in 2018, and ₱300/month in 2019 and 2020. Upon compliance with the program conditionalities, the 4Ps beneficiaries receive: (a) education grant amounting to ₱300 per child per month for kindergarten and elementary students, and ₱500 per child per month for secondary students; and (b) health grant amounting to ₱500 per household per month. Beginning 2017, the transfer was increased by a rice subsidy of ₱600 per household per month.

The targeting of program beneficiaries for these cash transfer programs is done using the *Listahanan* 2,<sup>2</sup> while their effectiveness in meeting program objectives are assessed using the Social Welfare and

<sup>1</sup> The Modified Conditional Cash Transfer Program caters to families in need of special protection. These include street families, itinerant indigenous families, families displaced by natural and man-made disasters, families with a PWD, child laborers, children in conflict with the law, and families with members with terminal disease and victims of human trafficking.

<sup>2</sup> The *Listahanan* or NHTS-PR is an information management system that identifies who and where the poor are. The *Listahanan 2* (2015) uses a more updated Proxy Means Test Model compared to *Listahanan* (2011). The *Listahanan 2* targeted 15.3 million households for the nationwide survey, from the *Listahanan* target of 10 million. In October 2015, 14 million households were assessed using the Proxy Means Test. Of the 14 million, 5 million households are poor and 1.8 million households are near poor.



Development Indicators. Further, the *Kumustahan*<sup>3</sup> is also conducted by the Department of Social Welfare and Development (DSWD) to validate/assess whether the 4Ps household beneficiaries should be removed from or retained in the program.

**Assistance were provided to child laborers and their families.** There were 3,856 child laborers provided with assistance through the Project Angel Tree<sup>4</sup> while 3,430 families with child laborers were provided with livelihood assistance in the form of *Nego-Kart*<sup>5</sup> starter kits. Moreover, 54 child laborers were saved from the 20 rescue operations conducted by the *Sagip Batang Manggagawa* Quick Action Teams.

**The Philippines ranked 10<sup>th</sup> in the world for gender equality.** In 2017, the Philippines ranked 10<sup>th</sup> place overall for gender equality out of 144 countries in the Global Gender Gap Index, closing about 79 percent of our overall gender gap. Previously the highest in Asia-Pacific, the Philippines slipped three spots from its 2016 ranking. Although the gender gap in educational attainment has been fully closed, the country's performance on the indicator relating to wage equality worsened.

**The National Disability Prevalence Survey/Model Functioning Survey 2016 was undertaken to enhance the registry of persons with disabilities (PWDs).** To address the lack of disability-related data, the Philippine Statistics Authority (PSA) conducted the National Disability Prevalence Survey/Model Functioning Survey 2016<sup>6</sup> and undertook the implementation and enhancement of a PWD registry to ensure the registration of all PWDs by the Department of Health (DOH). The National Council on Disability Affairs (NCDA) has also been convening concerned agencies to inform them of the globally agreed definition of disability, based on the International Classification of Functioning, Disability, and Health of the World Health Organization.

**Advocacy and information campaigns and programs and projects (PAPs) for IPs' rights were implemented.** Various initiatives were carried out to advocate for the rights of IPs such as agro-technology development, sustainable tourism, ancestral domain ecology development, socio-entrepreneurship and livelihood, and infrastructure projects. The Integrated Ancestral Domain Development Approach for the formulation of Ancestral Domain Sustainable Development and Protection Plan was also implemented.

The National Commission on Indigenous Peoples' quick response mechanism assisted a total of 188 IP families who were forcibly displaced due to human-induced disasters. Further discussion on related campaigns and PAPs may be found in the following chapters of the PDP: data on social, political, and economic environment of IPs in Chapter 7; strengthening of programs for inclusive education in Chapter 10; and protection of IPs' rights to ancestral domain in Chapter 20.

**Indigent senior citizens were provided with social pension coverage.** The social pension program covered 2,562,477 (91.2%) indigent senior citizens from the targeted 2,809,542 in 2017. This translates to an increase of 104 percent compared to 2016's recorded coverage. However, in terms of accomplishment vis-à-vis the target, the 91.2 percent coverage for 2017 is a decline from the 97.7 percent coverage in the previous year.

<sup>3</sup> The *Kumustahan* is also used to update the households' roster of information from Listahanan 2 and capture other relevant poverty-related information on the beneficiaries.

<sup>4</sup> Project Angel Tree, a component of the Department of Labor and Employment (DOLE) Child Labor Prevention and Elimination Program, provides an array of social services that range from food, clothing, educational assistance or school supplies, and even work and training opportunities made available by sponsors to child laborers and their families.

<sup>5</sup> *Nego-Kart* or *Negosyo sa Kariton* is a project of DOLE intended for ambulant vendors in major cities in the country. Through the project, ambulant vendors are assisted by "making their existing livelihood undertakings grow into profitable and sustainable business, making their income level at par with that of the minimum wage earners."

<sup>6</sup> The survey provides detailed and nuanced information on how people conduct their lives and the difficulties they encounter, regardless of any underlying health condition or impairment. The study helps the country identify the barriers that contribute to the problems that people encounter which in turn help guide policy and development, as well as contribute in monitoring Sustainable Development Goals.

**The Inter-Agency Medical Repatriation Assistance Program (IMRAP) aided returning overseas Filipinos (OFs) in need of medical care and attention.** In 2017, efforts of various government agencies to provide assistance to OFs who are repatriated due to medical reasons have been streamlined through the Joint Memorandum Circular on the Integrated Policy Guidelines and Procedures in the Conduct of Medical Repatriation of OFs. A total of 101 medical repatriations of OFs were facilitated through concerted inter-agency efforts.<sup>7</sup>

## Managing economic risks

**Overseas Filipino workers' (OFWs) registration to the Social Security System (SSS) and the Home Development Mutual Fund (Pag-IBIG Fund) increased.** The total number of OFWs registered as members of the SSS increased by 5.1 percent from December 2016 (1,234,389) to June 2017 (1,297,293). However, this was accompanied by a decrease in the number of paying OFW members from 509,272 in December 2016 to 455,818 in June 2017. As of October 2017, there are 4,977,476 OFs registered with the Pag-IBIG Fund. For the first nine months of 2017, short-term loans granted to OFs amounted to ₱152.686 million, while ₱13.199 billion was granted to OFs as housing loans. In the same period, ₱265.705 million was released to OFs and their beneficiaries as proceeds of provident benefit claims.

**Labor agreements and mechanisms were forged to protect the rights of migrant workers.** To maximize the benefits and minimize the costs of international migration, the Philippines signed the Agreement on Labor Cooperation for General Workers Recruitment and Employment with the Kingdom of Saudi Arabia and a Memorandum of Understanding on Labor Cooperation and Protocol on Domestic Workers with the United Arab Emirates. Moreover, the Kingdom of Saudi Arabia started the Nation Without Violations Amnesty Program in March 2017 wherein 10,011 OFs were repatriated by July 2017. Meanwhile, the ASEAN Consensus on the Protection and Promotion of the Rights of Migrant Workers (ASEAN Consensus) was signed during the 31<sup>st</sup> ASEAN Summit. The ASEAN Consensus aims to strengthen regional cooperation towards the adoption of a mechanism of shared and balanced responsibilities of the ASEAN Member States to protect and promote the rights of migrant workers and members of their families in the entire migration process.

**Repatriated OFWs were provided assistance and services.** Through the Department of Labor and Employment's (DOLE) Assist WELL<sup>8</sup> Program, more than 12,000 repatriated OFWs were given assistance and services to address their welfare, employment, legal, and livelihood needs. In 2017, the *Balik Pinas Balik Hanapbuhay* Program, a training and employment intervention intended to improve the socioeconomic wellbeing of returning OFWs, has benefitted 17,123 OFWs. In the same period, the Overseas Workers Welfare Administration's reintegration preparedness program aided over 40,000 OFWs with its trainings on reorientation, financial literacy, entrepreneurial development, and skills and job diversification. Other initiatives to aid the reintegration of OFs include the *Sa Pinas, Ikaw ang Ma'am/Sir* Program and *Byaheng Agripreneur*.

**Social insurance coverage for formal and informal sector workers increased.** The percentage of economically active population contributing to the SSS pension scheme increased from 34.1 percent in 2016 to 35.1 percent in 2017, with 13.7 million SSS paying members.<sup>9</sup> In the public sector, the Government

<sup>7</sup> The following services are provided for free under the IMRAP: Airport Assistance and Initial Medical Assessment/Evaluation, Ambulance Conduction, Referral to and/or Confinement in a DOH Hospital, Endorsement to non-DOH Health Facilities, Financial Assistance, Philippine Health Insurance Corporation (PhilHealth) Membership Coverage, Medical Escort Services, and Psychosocial Counseling.

<sup>8</sup> Welfare, Employment, Legal, and Livelihood.

<sup>9</sup> Data as of October 2017 and excludes OFWs.

Service Insurance System (GSIS) has attained 100 percent coverage of its 1,712,360 members in 2017.<sup>10</sup> The GSIS also attained its 100 percent target to provide emergency loans to all applications of qualified members and pensioners through GSIS Kiosks or over-the-counter transactions.<sup>11</sup>

Meanwhile, the SSS' *AlkanSSSy* program provided affordable social insurance for the self-employed in the services sector. Through the program, workers in the informal sector are able to save through contributions of only ₱11 per day. In November 2017, the number of associations covered by the *AlkanSSSy* program slightly increased to 1,405 from 1,369 in 2016. During the same period, collections from members covered by the program also increased from ₱435 million to ₱592 million.

## Dealing with hazards and human-induced shocks

**Deaths and missing persons due to natural hazards and human-induced disasters decreased.** There was a significant decrease in the number of deaths and missing persons due to natural and human-induced disasters, despite the Philippines experiencing more typhoons in 2017 (22 typhoons hit the country in 2017 compared to 14 in 2016). During the period, disaster-related deaths and missing persons declined by 43 percent (431 cases in 2016 to 246 in 2017) and 40 percent (47 cases in 2016 to 28 cases in 2017), respectively. However, these meant that the target of having zero-deaths during disasters was not met. According to DSWD, a total of 1,435,761 families or 6,450,318 individuals affected by disasters were provided with relief assistance in 2017.

**The Parametric Insurance Pilot Project has been implemented.** The Parametric Insurance Pilot allows 25 provinces<sup>12</sup> to access quick-disbursing payouts based on the estimated loss triggers determined through the Philippines' Catastrophic Risk Model. The ₱1 billion insurance fund also facilitates better response of these provinces to calamities through easier access to funds without a lengthy claims process.

## Addressing governance and political risks

**Rehabilitation efforts are being undertaken in Marawi.** The Marawi Siege which started in May 2017 and lasted for five months left 77,170 families or 353,636 persons displaced. Ongoing initiatives to secure the wellbeing of affected families and individuals include providing access to transitory shelters, permanent housing, psychosocial interventions, and unconditional cash transfers; clearing and expanding roads; deploying heavy equipment and service vehicles for returning internally displaced persons; increasing police capacity and sustaining engagement with community leaders to ensure peace and security; conducting peace-building activities (e.g., solidarity gathering activities); and providing livelihood assistance (*Further discussions on transitional housing for Filipinos affected by disasters are reflected in Chapter 12, while initiatives to address peace and security issues related to the Marawi Siege are discussed in Chapter 18*).

<sup>10</sup> 100 percent coverage of all personnel eligible for GSIS coverage under the Revised Implementing Rules and Regulations of the GSIS Act of 1997 (Republic Act No. 8291) and properly endorsed by the Authorized Agency Officer. There were 1,630,044 GSIS members in 2016.

<sup>11</sup> Emergency loan for members: 191,448 in 2017 and 236,541 in 2016; Emergency loan for pensioners: 3,344 in 2017 and 4,400 in 2016.

<sup>12</sup> The project covers 25 provincial local government units namely Aurora, Cagayan, Camarines Norte, Camarines Sur, Catanduanes, Cebu, Davao del Sur, Davao Oriental, Dinagat Islands, Eastern Samar, Ilocos Norte, Ilocos Sur, Isabela, Laguna, Northern Samar, Pampanga, Quezon, Rizal, Sorsogon, Surigao del Norte, Surigao del Sur and Zambales.

# Moving Forward

Although significant strides were made in reducing the vulnerability and building the socioeconomic resilience of Filipinos in 2017, several challenges still need to be addressed. These include: (a) implementation and sustainability of the 4Ps; (b) undercoverage of the social pension program; (c) implementation of universal health care; (d) income security of workers; (e) employment facilitation and exclusion of PWDs; (f) child labor; (g) alleviating the socioeconomic impacts of the Marawi Siege; and 7) disaster risk reduction and management. These call for continuous and more effective implementation of the priority programs and projects (PAPs) reflected in the Chapter 11 of the Public Investment Program 2017-2022.

## Recommendations

To supplement and address the gaps of the existing PAPs on reducing the vulnerability of individuals and families, the following strategies are recommended for the implementation of concerned agencies:

**Table 11.1 Supplemental Strategies to Reduce Vulnerability of Individuals and Families**

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<b>To mitigate risks faced by vulnerable groups</b>		
<ul style="list-style-type: none"> <li>Near poor households and newly identified poor households are not yet covered by the 4Ps</li> </ul>	<ul style="list-style-type: none"> <li>Expand the coverage of the 4Ps to accommodate newly identified poor households and near-poor households based on <i>Listahanan</i>.</li> </ul>	DSWD
<ul style="list-style-type: none"> <li>Graduating household beneficiaries of the 4Ps are at risk of falling into poverty</li> </ul>	<ul style="list-style-type: none"> <li>Formulate a transition policy/program for graduating 4Ps beneficiaries, including a National Advisory Council resolution to enable the policy/programs implementation.</li> <li>Ensure better coordination among concerned agencies and conduct more thorough consultations with other stakeholders in the implementation of the 4Ps.</li> </ul>	DSWD, DOLE, and Department of Trade and Industry
<ul style="list-style-type: none"> <li>Planning and programming remain insufficiently informed of the concerns of PWDs</li> </ul>	<ul style="list-style-type: none"> <li>Generate better data on PWDs.</li> <li>Pursue PWD-related studies to have a better understanding of the challenges faced by members of the sector.</li> </ul>	PSA, NCDA
<ul style="list-style-type: none"> <li>Low employment rate of PWDs</li> </ul>	<ul style="list-style-type: none"> <li>Promote tax incentives in hiring PWDs.</li> <li>Pursue PWD advocacy campaigns with employers.</li> </ul>	DOLE, Department of Finance
<ul style="list-style-type: none"> <li>Out-of-pocket (OOP) health expenditure remains high</li> </ul>	<ul style="list-style-type: none"> <li>Strictly implement the No Balance Billing Policy.</li> <li>Strategically purchase health care services that contribute to high OOP expenses (PhilHealth as the national single purchaser) and expand primary care benefit packages.</li> </ul>	PhilHealth
<ul style="list-style-type: none"> <li>Undercoverage of the social pension program</li> </ul>	<ul style="list-style-type: none"> <li>Redefine the criteria for the Social Pension for Indigent Senior Citizens<sup>13</sup> to cover all poor senior citizens, not just indigent senior citizens.</li> </ul>	DSWD

<sup>13</sup> Cover any elderly who is frail, sickly or with disability, without pension or permanent source of income and compensation or financial assistance from relatives to finance basic needs, as determined by the DSWD in consultation with the National Coordinating and Monitoring Board.

<sup>14</sup> Refers to the anti-illegal drugs campaign of the Philippine National Police.

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Oplan Double Barrel<sup>14</sup> may result to children of affected households to engage in hazardous work</li> </ul>	<ul style="list-style-type: none"> <li>Provide livelihood training for surviving spouse or working age member/s of the concerned households.</li> <li>Refer affected children to DSWD for psychosocial and other support services.</li> </ul>	DSWD
<b>To manage economic risks</b>		
<ul style="list-style-type: none"> <li>Unemployment and other economic shocks may cause income insecurity</li> </ul>	<ul style="list-style-type: none"> <li>Pass legislation that would provide unemployment insurance.</li> </ul>	DOLE, SSS
<ul style="list-style-type: none"> <li>In the short term, the consumption of minimum wage earners and informal sector workers will be negatively affected by the implementation of the TRAIN Law</li> </ul>	<ul style="list-style-type: none"> <li>Finalize facilitation of cash transfer disbursement to non-<i>Pantawid</i> and non-Social Pensioners beneficiaries.</li> <li>Fully implement and provide timely cash disbursements of the mitigating measures identified in the TRAIN Law (e.g., unconditional cash transfer,<sup>15</sup> fuel vouchers, etc.) to all its intended beneficiaries.</li> </ul>	DSWD
<ul style="list-style-type: none"> <li>Protection of the welfare of OFs</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen initiatives on the Global Compact for Safe, Orderly, and Regular Migration (GCM):               <ul style="list-style-type: none"> <li>» Actively participate in negotiations on the GCM to ensure that the rights and welfare of migrants are protected.</li> <li>» Expand bilateral labor agreements and align these agreements with the GCM.</li> </ul> </li> <li>Increase engagement with OFs:               <ul style="list-style-type: none"> <li>» Support and advocate the establishment of formal OF organizations which can be channels for vulnerable OFs to seek support systems.</li> <li>» Reinforce Philippine embassies and ensure that they are adequately staffed to address the needs of OFs.</li> </ul> </li> </ul>	DOLE, Department of Foreign Affairs
<b>To deal with natural hazards</b>		
<ul style="list-style-type: none"> <li>Farmers and fisherfolk remain the poorest sectors, whose livelihoods are highly-susceptible to the effects of natural hazards</li> <li>Increasing intensity of natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>Adopt parametric insurance<sup>16</sup> and weather index-based crop insurance.</li> <li>Design insurance against property losses.</li> </ul>	Department of Finance (DOF), Philippine Crop Insurance Corporation
<ul style="list-style-type: none"> <li>Lack of disaster-resilient and responsive evacuation centers in some local government units (LGUs)</li> </ul>	<ul style="list-style-type: none"> <li>Provide LGUs with the technology to build disaster-resilient "model evacuation centers."<sup>17</sup></li> <li>Ensure funding for the construction of disaster-resilient evacuation centers that are also responsive to the needs of women and children.</li> </ul>	Department of the Interior and Local Government
<ul style="list-style-type: none"> <li>The inevitable effects of natural and human-induced disasters</li> </ul>	<ul style="list-style-type: none"> <li>Complete the drafting of Guidelines on the Provision of a Rights-Based and Gender-Responsive Temporary Shelters for Families Affected by Disasters and Armed Conflict (<i>Refer to Chapter 12</i>).</li> </ul>	National Housing Authority
<b>To address governance and political risks</b>		
<ul style="list-style-type: none"> <li>Alleviating the socioeconomic impacts of the Marawi Siege</li> </ul>	<ul style="list-style-type: none"> <li>Implement a comprehensive rehabilitation and recovery program for the Marawi Siege victims.</li> </ul>	National Economic and Development Authority

<sup>15</sup> The UCT program seeks to provide an unconditional one-time cash transfer of ₱2,400 to poorest 7.2 million households, comprised of some 4.4 million current *Pantawid Pamilya* beneficiaries and some 2.8 million other poor but non-*Pantawid Pamilya* households.

<sup>16</sup> Parametric insurance allows quick-disbursing payouts depending on the loss triggers as determined through the DOF's Catastrophic Risk Model. The Catastrophe Risk Model estimates the economic loss values for potential disaster events. The model helps in determining contingent liabilities in the face of disasters and provides the foundation in designing risk transfer mechanisms.

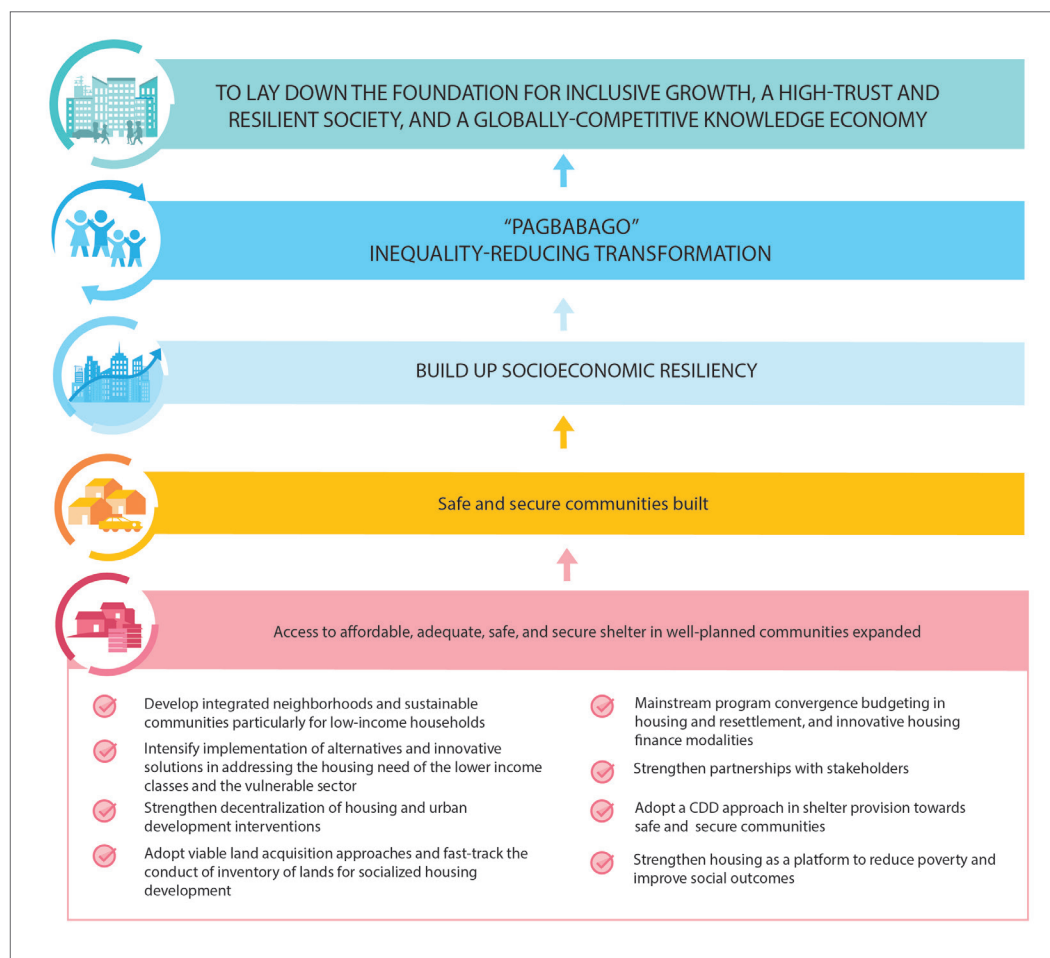
<sup>17</sup> Model evacuation centers can withstand up to magnitude 8 earthquakes and Category 5 typhoons. These are also designed to respond to the specific needs of women and children.

# 12 Building Safe and Secure Communities

# Building Safe and Secure Communities

The housing sector agencies of the government completed 86,185 socialized and about 55,483 low-cost housing units in 2017. However, recurring challenges such as (a) low budget utilization; (b) mismatch in housing demand and supply; and (c) threats of natural and human-induced disasters persisted. Hence, the need to implement strategies, such as (a) adopting frameworks for sustainable communities; (b) implementing initiatives to address operational issues on government housing projects; (c) implementing housing reforms; and (d) strengthening partnerships among stakeholders to improve responsiveness in shelter provision during natural and human-induced disasters (See Figure 12.1).

**Figure 12.1 Strategic Framework to Build Safe and Secure Communities**





# Accomplishments

The country's total projected housing need for the period 2017-2022 stands at 6.57 million. In 2017 alone, the actual housing need reached 1.02 million. Nevertheless, the key shelter agencies (KSAs) targeted to assist only 262,153 households – which is only 26 percent of the total housing need. This low target is due to the sector's need to improve its budget utilization rate to gain better government support through an increased budget appropriation in the succeeding years. It may be noted that, historically, budget obligation for housing and community development has always been less than 1 percent of the total expenditure (See Table 12.1).

**Table 12.1. Sectoral Distribution of Public Expenditure As Share of Total Expenditures, 2015-2017**

SECTOR	2015	2016	2017
Education	14.48%	14.86%	17.30%
Health	6.33%	6.27%	5.68%
Social Security, Welfare and Employment	5.55%	4.57%	3.73%
Housing and Community Development	0.02%	0.03%	0.02%
Others	3.87%	3.73%	4.64%

Source: Department of Budget and Management - Budget of Expenditures and Sources of Financing 2017 and 2018

Notwithstanding the conservative target, Table 12.2 shows that the KSAs delivered only 54 percent (142,444 households assisted) in 2017. Of the said accomplishment, the National Housing Authority (NHA) Housing Production Program contributed 39 percent (55,393 households), the Social Housing and Finance Corporation (SHFC) Community Driven Housing Program, 4 percent (6,087 households), and the Home Development Mutual Fund's (HDMF/Pag-IBIG) Retail and Development Financing, 57 percent (80,964 households). It is worth mentioning that Pag-IBIG exceeded its 2017 target partly due to improved processes, such as the shortening of processing time for housing loan applications from 27 to 20 days and reducing the number of requirements from 14 to 7 documents. In addition, the agency's Affordable Housing Program further lowered its interest rate from 4.5 percent to 3 percent and accommodated minimum wage earners with gross monthly incomes not exceeding ₱15,000. Since the program's effectivity in May 2017, 788 housing units worth ₱281 million were acquired by qualified borrowers at the new rate.

**Table 12.2 National Shelter Program Direct Housing Assistance Targets and Accomplishments, 2017  
(in households assisted)**

PROGRAM	AGENCY	2017 TARGET	ACCOMPLISHMENT
<b>A. NHA Housing Production</b>	<b>NHA</b>	<b>152,715</b>	<b>82,883</b>
1. Resettlement for Informal Settler Families		28,700	9,165
2. AFP/PNP Housing Program		7,000	2,271
3. Settlements Upgrading		1,000	437
4. Housing Assistance Program For Calamity Victims		116,015	71,010
- Permanent Housing		115,515	43,520
- HOMA		500	27,490
Total NHA Without HOMA		152,215	55,393
<b>B. Community Driven Housing Program</b>	<b>SHFC</b>	<b>39,254</b>	<b>6,087</b>
5. Community Mortgage Program (CMP)		25,515	5,491
6. High Density Housing Program (HDHP)		13,739	596
<b>C. Retail &amp; Development Financing (Total)</b>	<b>HDMF*</b>	<b>70,684</b>	<b>80,964</b>
1. End-User Financing		70,684	80,964
a. Socialized Housing (SH)		20,461	24,705
b. Low-Cost Housing (LC)		48,779	55,483
c. Medium Cost (MC)		1,006	501
d. Open Market (OM)		438	275
<b>Total Direct Housing Provision (Excluding HOMA)</b>		<b>262,153</b>	<b>142,444</b>

Source: HUDCC and KSAs

Table 12.3 shows that all programs on indirect housing provision have exceeded their 2017 target to support housing supply. The only exception is Home Guaranty Corporation's (HGC) New Guaranty Enrollments where only 17,415 guarantees of the targeted 33,647 were issued. In terms of licenses to sell that protect homebuyers from fraudulent practices, the Housing and Land Use Regulatory Board (HLURB) was able to issue 274,545 licenses and assisted 225 local government units (LGUs) in formulating/updating their Comprehensive Land Use Plans (CLUPs) in 2017. Meanwhile, to increase liquidity in the housing market, the National Home Mortgage Finance Corporation (NHMFC) purchased 5,046 housing loans under the Housing Loan Receivables Purchase Program (HLRPP), wherein the purchased loans are reissued for sale or traded in the secondary mortgage market through securitization.

**Table 12.3 Indirect Housing Assistance Targets and Accomplishments, 2017**

PROGRAM	AGENCY	2017 TARGET	ACCOMPLISHMENT
<b>I. New Guaranty Enrollments</b>	<b>HGC*</b>	<b>33,647</b>	<b>17,415</b>
A. Socialized Housing		1,739	399
1. Socialized Housing Loans		1,679	196
2. Small Housing Loans		60	203
B. Low-cost Housing		23,511	11,884
C. Medium-cost Housing		5,038	2,506
D. Open Housing		3,359	2,626
<b>II. License to Sell</b>	<b>HLURB</b>	<b>218,918</b>	<b>274,545</b>
<b>III. LGUs provided Comprehensive Land Use Plan (CLUP) Assistance</b>	<b>HLURB</b>	<b>130</b>	<b>225</b>
<b>IV. Housing Loan Receivables Purchase Program (HLRPP)</b>	<b>NHMFC</b>	<b>3,500</b>	<b>5,046</b>

Source: HGC, HLURB, and NHMFC

\*Accomplishments only for 1<sup>st</sup> to 3<sup>rd</sup> quarters of 2017

## Moving Forward

As a way forward, the housing sector aims to address the immediate challenges that limited its performance for 2017. These problems may be attributed to recurring factors that have challenged the sector over the years, such as: (a) low budget utilization of shelter agencies; (b) mismatch in housing demand and supply; and (c) threats of natural and human-induced disasters.

First, the 2017 appropriated budget of ₱15.3 billion for the housing sector was lower than the ₱33.3 billion in 2016 and will further decline to only ₱4.7 billion in 2018. In terms of budget utilization, NHA has only disbursed 15 percent of its 2017 budget, while NHMFC and SHFC disbursed below 5 percent of their budgets in the same year. This performance of the sector further points to the need to improve its budget utilization prior to obtaining increased resource allocation.

Second, the mismatch between housing demand and supply remains, particularly for government-led housing projects. On the demand side, it was earlier mentioned that there is still a considerable housing need of 1.02 million<sup>1</sup> and only a fifth of which has been targeted to receive assistance through direct housing provision. While the National Shelter Program targets low-income families, housing packages also remain costly for them. For example, the Housing and Urban Development Coordinating Council (HUDCC) reported that based on the 2015 Family Income and Expenditure Survey, families in the lowest income decile cannot afford the Community Mortgage Program package with the least cost of ₱1,725 monthly amortization. On the supply side, a number of housing units remain unoccupied or unawarded because of livability concerns that overlooked the needs of the targeted beneficiaries. With increased prices, developers are also challenged to provide decent housing at low prices. Relatedly, there is also a need to address the lack of community facilities in some government housing projects which may have hindered targeted beneficiaries from occupying the housing units. Meanwhile, relative to the reconstruction projects in disaster-stricken areas, concerns were raised on the snail-paced construction of housing units primarily due to lack of suitable sites, titling problems, and difficulty in securing approvals, among others.

<sup>1</sup> Comprised of annual housing need and backlog distributed equally for the six year planning period, including households in unacceptable housing; doubled-up households in acceptable housing units among others.

Furthermore, with the inevitable effects of natural and human-made disasters, the need for more resilient housing becomes even urgent. It is noted that apart from its regular programs, NHA has likewise provided housing construction materials to build a total of 9,086 units for Typhoon *Lawin* and fire victims in 2017. Meanwhile, right after the conflict between government forces and the militant Maute group in Marawi, 533 transitory shelter units were already provided in 2017, but rehabilitation efforts still require permanent housing for the 2,747 affected families.

**Table 12.4 Planned Strategies of Key Shelter Agencies to Build Safe and Secure Communities**

CHALLENGES	PLANNED STRATEGIES
<b>Low budget utilization rate</b>	<b>Implement reforms needed</b> <ul style="list-style-type: none"> <li>Facilitate the downloading of funds to LGUs with capability/track record in the implementation of housing projects under the Yolanda Permanent Housing and Resettlement Assistance to LGUs.</li> <li>Creation of additional Bids and Awards Committee to hasten bidding for mass housing development.</li> <li>Implement BALAI strategies such as: (a) accelerating housing production at 250,000 units for 2018; (b) implementing anti-red tape initiatives; and (c) developing synergy among KSAs, among others.</li> </ul>
<b>Mismatch in housing demand and supply</b>	<b>Adopt frameworks for sustainable communities</b> <ul style="list-style-type: none"> <li>Adopt the National Urban Development and Housing Framework 2017-2022 and National Resettlement Policy Framework.</li> </ul> <b>Address operational issues in government housing</b> <ul style="list-style-type: none"> <li>Implement the Joint Senate and House resolution on distributing unoccupied and unawarded housing units to other qualified beneficiaries.</li> <li>Support the construction and maintenance of community facilities in resettlement sites (e.g., live cases, additional budget for maintenance of resettlement sites).</li> <li>Coordinate more closely with LGUs in post-disaster reconstruction efforts.</li> <li>Update housing standards according to needs of beneficiaries (e.g., wider space for AFP/PNP Housing).</li> </ul> <b>Implement alternative and innovative solutions in addressing the housing needs of lower income and vulnerable groups</b> <ul style="list-style-type: none"> <li>Study the viability of direct housing subsidy and public rental schemes.</li> <li>Support the expansion of access to housing finance through the HGC's Expanded Socialized Housing Program which aims to encourage private funders to finance socialized housing and the NHMFC's Socialized Housing Loan Take-Out of Receivables (SHeLTeR) Program which provides a liquidity mechanism for socialized housing originators.</li> </ul>
<b>Inevitable effects of natural and human-made disasters</b>	<b>Strengthen partnerships among stakeholders to improve responsiveness in shelter provision during natural and human-induced disasters</b> <ul style="list-style-type: none"> <li>Formulate the Comprehensive Resilient Housing and Sustainable Human Settlements Framework.</li> </ul>

# Recommendations

*Table 12.5 Supplemental Strategies to Build Safe and Secure Communities*

CHALLENGES	RECOMMENDED STRATEGIES
<b>Low budget utilization rate</b>	<b>Facilitate improved monitoring</b> <ul style="list-style-type: none"> <li>Require KSAs to report on communities resettled and housing units occupied in addition to the current reporting on units built only. A closer and more regular monitoring of progress, from housing construction to occupancy, is in order.</li> </ul>
<b>Mismatch in housing demand and supply</b>	<b>Address operational issues in government housing</b> <ul style="list-style-type: none"> <li>Pursue a national policy on idle lands, including the completion of cadastral surveys.</li> <li>HDMF to explore allowing the increase in regular payment contributions from members that can add to the equity down payments, especially for homebuyers.</li> <li>Develop alternative solutions such as the housing voucher system.</li> <li>Study the feasibility of using idle government lands for vertical housing.</li> <li>Strengthen monitoring of the Balanced Housing requirement (i.e., RA 10884 or the Balanced Housing Development Program Amendments).</li> </ul> <b>Promote new housing solutions</b> <ul style="list-style-type: none"> <li>Encourage KSAs to improve their housing standards based on the needs of their targeted beneficiaries.</li> <li>Promote and adopt green building technology.</li> </ul>
<b>Inevitable effects of natural and human-made disasters</b>	<ul style="list-style-type: none"> <li>Complete the drafting of the Guidelines on the Provision of a Rights-Based and Gender-Responsive Temporary Shelters for Families Affected by Disasters and Armed Conflict.</li> <li>Complete CLUPs accounting for risks and mitigating measures.</li> </ul>



13

Reaching for the  
Demographic  
Dividend



# Reaching for the Demographic Dividend

In support of the pillar of increasing growth potential, the Philippine Development Plan (PDP) 2017-2022 has stipulated strategies that aim to accelerate the demographic transition and maximize the gains from the demographic dividend. The priority measures are on addressing the unmet need for modern family planning, reducing mortality due to preventable causes,<sup>1</sup> improving the quality of the human capital of the youth, and encouraging savings build-up.

However, supply and demand concerns on family planning and health services continue to impede the attainment of the desired objectives despite the gains from instituting appropriate policies, plans, and programs. Human capital development through improved health and education outcomes were likewise accorded utmost priority by the government, but mixed results were reported.

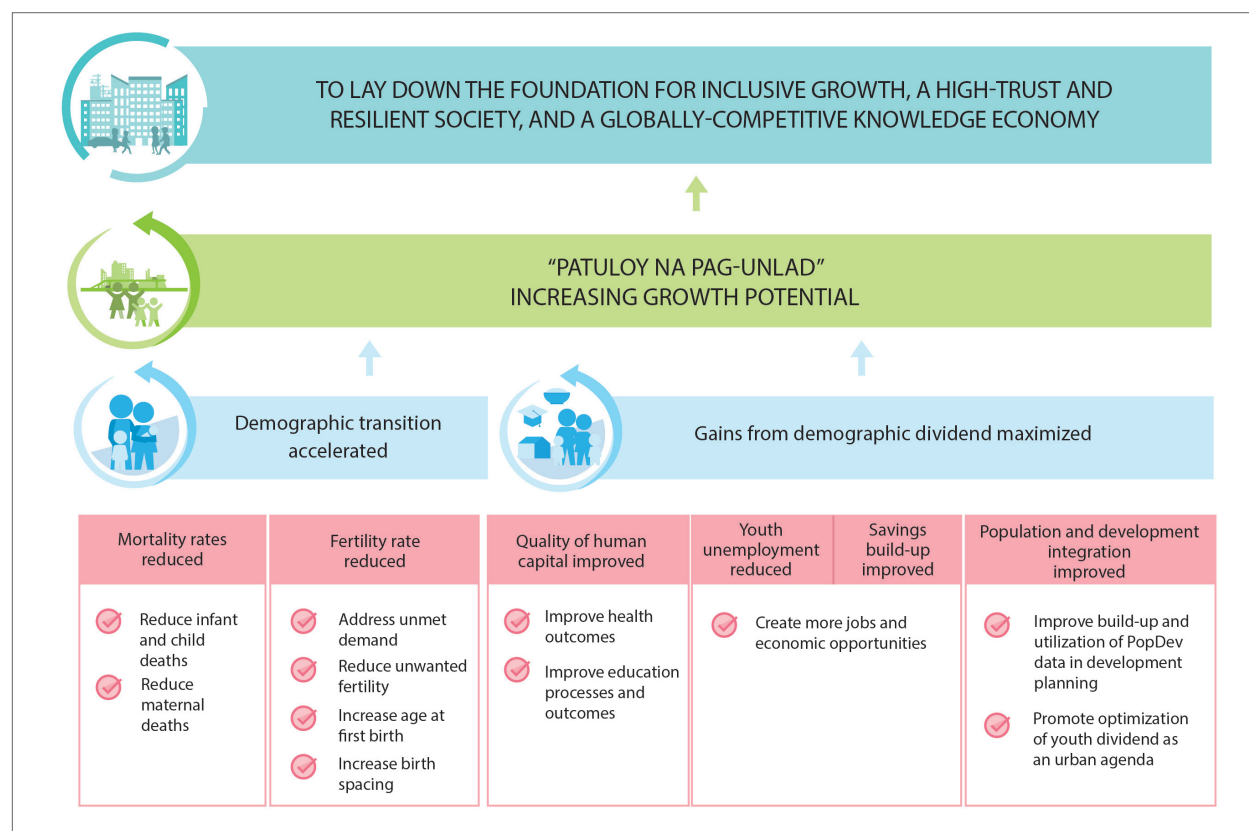
Furthermore, while there were less youth with unutilized potential, more needs to be done to reduce their unemployment, considering that graduating senior high school (SHS) students may put further pressure on the youth labor market.

Lastly, innovations were also introduced to encourage savings build-up among Filipino families. These efforts need to be sustained and expanded (See *Figure 13.1*).

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<sup>1</sup> Shift from the first phase of the demographic transition characterized by a large proportion of the population in the under-15 years age bracket and with households having a large dependency burden to the second phase; a bigger proportion of the working age population vis-à-vis dependents (Chapter 13 of the PDP 2017-2022)

**Figure 13.1 Strategic Framework to Maximize the Demographic Dividend**



## Accomplishments

### Reducing fertility rates by addressing unmet need for modern family planning

**Total fertility decreased but teenage pregnancy remains high.** The recent National Demographic and Health Survey (NDHS) shows that total fertility rate decreased from 3.0 births per woman in 2013 to 2.7 in 2017. Moreover, the proportion of women of reproductive age who are using modern contraceptives remains low at 40.4 percent, though higher than the 37.6 percent registered in 2013. In terms of teenage pregnancies, the 2017 NDHS also revealed that 9 percent of women aged 15 to 19 have already begun childbearing. However, data from the Civil Registration and Vital Statistics showed that there are girls who are giving birth as early as 10 years old. Trends in pregnancies among these younger group of girls (under 15 years old) have decreased from 1,986 cases in 2015 to 1,903 in 2016 but continues to be disturbing and a persistent issue that needs to be addressed.

**Several issuances were enacted to address unmet need for modern family planning.** To intensify and accelerate the implementation of the critical steps needed to attain and sustain “zero unmet need for modern family planning (FP)”, the President issued Executive Order (EO) No. 12 on January 9, 2017, in line with the Responsible Parenthood and Reproductive Health (RPRH) Law. The EO 12, s. 2017 specified the mechanisms and roles of concerned agencies and local government units (LGUs) in the implementation of key strategies such as: (a) mapping of couples and individuals with unmet need for modern FP; (b) capacitating and mobilizing local structures; (c) conduct of community-based FP demand generation activities; and (d) collaborating with civil society organizations (CSOs) and the private sector.

Subsequently, the Department of Health (DOH) on March 30, 2017 issued Administrative Order No. 2017-0005 providing the “Guidelines in Achieving the Desired Family Size through Accelerated and Sustained Reduction in Unmet Need for Modern Family Planning Methods,” which provided guidance in the operationalization of the EO 12, s. 2017.

**The temporary restraining orders which hampered the full implementation of the RPRH Law were lifted.** Another major development is the lifting of the Supreme Court temporary restraining order (TRO) on the procurement and distribution of Implanon and Implanon NXT and registration and recertification of contraceptive commodities and devices. This is after the Food and Drug Authority issued resolution 2017-302 in November 2017, which certified all 51 contraceptives as non-abortionifacient and their fulfillment of required amendments in the RPRH Law’s Implementing Rules and Regulations. The TROs have significantly affected the FP program implementation in the country, since their issuance<sup>2</sup> resulted in: confusion and hesitation among LGUs in the delivery of FP services;<sup>3</sup> and unavailability of a number of FP commodities<sup>4</sup>, particularly Implanon and those with expired certificates of product registration.

**Efforts on family planning logistics, monitoring, and advocacy were established to improve RPRH Law implementation.** The DOH made efforts to improve commodity logistics, while the Commission on Population (POPCOM) pursued FP demand generation initiatives by establishing a monitoring system to track individuals and couples with unmet FP needs. However, the link between FP supply and demand remains a problem, as stockouts and overstocking of commodities in rural health units/health centers persist. In addition, inequality in the provision of services remains a challenge.

Another critical aspect is the implementation of an age-appropriate comprehensive sexuality education (CSE) in schools in view of the increasing incidence of teenage pregnancy in the country<sup>5</sup>. While the Department of Education (DepEd) has already initiated the development of the CSE curriculum, there is a need to ensure that it captures the essence of the RPRH Law.

## Reducing mortality rates and improving quality of human capital

**There was an increase in the country’s number of deaths, but under-five mortality decreased.** The number of reported deaths in 2016 reached 582,183, with an average of 1,591 persons who died daily. This represents a 3.8 percent increase from the 560,605 deaths in 2015. However, this rate of increase is lower compared

<sup>2</sup> DOH. (2016). 3rd Annual Report of the RPRH Law

<sup>3</sup> Includes provision of the following 1) appropriate information on full range of modern family planning methods, both natural and artificial; skilled birth attendance; child nutrition, including breastfeeding; prenatal and postnatal care; adolescent health and reproductive/fertility awareness; male responsibility and reproductive health; responsible parenthood and values formation; maternal and newborn care; and health financing (e.g., PhilHealth maternal and newborn care packages); 2) interpersonal communication and counseling; and 3) dispensing of health products by trained skilled health professional, among others.

<sup>4</sup> Family planning commodities include: condoms, sub-dermal implant, intra-urine device, oral contraceptive pill, and cycle beads.

<sup>5</sup> Reported to have risen to 13.6 percent in 2013 from only 6 percent in 2002 (aged 15-19) based on the Young Adult Fertility and Sexuality Survey.

to the 4.4 percent from 2014 to 2015. On the other hand, crude death rate<sup>6</sup> remained the same from 2014 to 2016 at six persons per 1,000 population. On a positive note, under-five mortality rate declined from 31 deaths per 1,000 livebirths in 2013 to 27 in 2017<sup>7</sup> based on the 2017 NDHS.

**Interventions on health and education were intensified to improve the quality of human capital.** The government laid down several health sector plans and guidelines along with new programs to accelerate the demographic transition by reducing mortality rates and harnessing the dividend through improved health status. In addition, education processes were also improved, among which is the expansion of inclusion programs, especially for indigenous peoples and for persons with disabilities through the Special Education curriculum. There were also revisions to the Alternative Learning System to align it to the competencies set in the new K to 12 curriculum. (See also Chapter 10)

## Reducing youth unemployment and encouraging savings build-up

**There were less youth with unutilized potential in 2017<sup>8</sup>.** The workforce in the Philippines will remain relatively young for some time. Overall, population is expected to reach 108,274,300 in 2019, with an estimated 69.4 percent comprised of aged 15 years and above. Notably, there were less youth with unutilized potential in 2017, with the share of unemployed youth and those not in schools declining to 22.4 percent from 22.7 in 2015<sup>9</sup> (See also Chapter 10).

**Innovations were introduced to encourage savings build-up.** The *Bangko Sentral ng Pilipinas* (BSP) continued to provide an enabling policy and regulatory environment for financial inclusion through regulation and supervision, advocacy, financial education, consumer protection, and data and measurement. The BSP also launched the no-frills basic deposit account, which features simpler requirements for opening an account and no maintaining balance. Other initiatives include the Development Bank of the Philippines (DBP) program that improves financial inclusion through the Pag-IBIG-DBP prepaid card (See also Chapter 15).

## Population and development integration

To strengthen integration of population in all development initiatives, the POPCOM spearheaded the formulation of the Philippine Population Management Program Directional Plan for 2017-2022 which spelled out the key strategies of Responsible Parenthood and Family Planning, Adolescent Health and Development, and Population and Development. POPCOM also introduced the Local Internal Migration System at the barangay level, which aims to gather data and information on population movement at the barangay level that may be used to project service requirements and to serve as inputs for policy and program formulation – e.g., housing, disaster risk reduction and mitigation, environmental planning, and security and order.

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<sup>6</sup> It is the ratio of the number of deaths occurring within one year to the mid-year population expressed per 1,000 population. It is "crude" in the sense that all ages are represented in the rate and does not take into account the variations in risks of dying at particular ages. (PSA Board Resolution No 01, Series of 2017 – 122)

<sup>7</sup> These mortality rates cover a three-year period, for 2017 rates cover 2013 to 2016.

<sup>8</sup> Economically unutilized youths (age 15 to 24) are categorically different from child laborers (below the age of 18). The former pertains to out-of-school-youths and economically idle persons and are encouraged to engage in legitimate work while the latter is engaged in hazardous occupation. Child labor refers to any work or economic activity performed by a child that subjects him/her to any form of exploitation or is harmful to his/her health and safety or physical, mental or psychosocial development. (See Chapter 11)

<sup>9</sup> This is in line with the modest target range set (20.5-22.5 percent) for youth not in employment nor in education (NEE) in 2017.

The Philippine Statistics Authority (PSA) will be conducting the first National Migration Survey in 2018. The survey's broad objective is to generate baseline data on internal and international migration. Its specific objective includes: (a) estimate migration stock and flows at the regional level; (b) examine different types of migration (e.g., return migration, seasonal, displaced population due to environmental disasters, and peace and order); (c) collect and analyze factors that determine levels and patterns of migration; and (d) study the migration process (e.g., decision-making, facilitating factors).

## Moving Forward

There are three challenges that should be focused on to reach and eventually harvest the demographic dividend namely, high fertility especially among women in low-income households, the increasing incidence of teenage pregnancy, and the low quality of human capital among the youth.<sup>10</sup> Specific challenges that contribute to these are the following:

- **Translation of policies into action at the local level.** The issuance of EO 12, s. 2017 reflects the government's commitment to address unmet need for modern family planning. However, the challenge is to ensure that these are adopted and implemented, not only by concerned national government agencies, but also by the LGUs who are at the forefront in providing the needed FP services in their localities. Issues on conflicting political/moral stance on FP, priority accorded to it, and capacity to provide quality services, among others, result to varying levels of outcome across localities in the country.
- **Lack of dedicated trained FP/RPRH focals in health facilities.** According to a World Health Organization (WHO) study<sup>11</sup> in 2017, a number of women who desired to delay or limit childbearing had "missed opportunities" or did not receive appropriate counseling on their visit to a health facility. This shows the lack of skilled FP focal points that could provide proper counselling to mitigate fears and provide information on the various FP methods.
- **Need for improvement in the FP supply and logistics.** While the lifting of the TRO may help improve the supply of FP commodities, perennial concern on the availability of adequate number and appropriate type of FP commodities at service delivery points persist.
- **Need for an intensified communications campaign on modern FP.** There is a need to address fears on the side-effects and misconceptions on modern FP methods through proper communication and education on FPs to increase their usage and the demand for FPs.
- **Increasing incidence of teenage pregnancy.** The RPRH Law mandates the implementation of age-appropriate CSE to adolescents to address the impact of early pregnancy. Early pregnancy increases the risk of maternal death and affects school completion of teenage women which contributes to poverty. However, CSE has yet to be fully integrated to the country's basic education curriculum.

<sup>10</sup> Dr. Dennis Mapa presentation during the 2017 National Consultative Workshop on Increasing Growth Potential through the Demographic Dividend

<sup>11</sup> WHO Philippines and Western Pacific Region (2017). Preliminary Findings: Underlying causes of unmet need in the Philippines. Agenda item presented at a Responsible Parenthood and Reproductive Health National Implementation Team Meeting.

- **Inequities in health and education outcomes.** Both the health and education sectors, while accorded high priority by the government, continue to experience critical issues and challenges in terms of access and quality (*See also Chapter 10*). Shortages in human resources (teachers and health personnel) and facilities (classrooms and health centers) persist, affecting the country's objective to reach the second phase of the demographic transition and reap the dividend.
- **High youth NEET.** To reap the dividend, efforts should be strengthened to increase the opportunities for the youth to gain quality education and training and to be productively employed.
- **Low saving rate among households.** BSP reports that in 2015, less than 45 percent of Filipino adults were saving; of these, less than a third saved in a formal financial institution. As the country enters the next phase of the demographic transition, there will be cost savings from having lower dependency burden. It is important, however, for the savings to be channeled to investments, and before that, to be funneled into formal financial institutions. Efforts to educate Filipinos on economic and financial literacy and to increase their access to formal financial institutions should be aggressively pursued.

## Recommendations

The following supplemental strategies are recommended to be considered to address the challenges mentioned above.

*Table 13.1 Supplemental Strategies to Reach for the Demographic Dividend*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>• Translation of policies into action at the local level, especially of new issuances; lack of dedicated trained FP/RPRH focal points (i.e., nurses and midwives) in health facilities; and perennial concern on the availability of adequate number and appropriate type of FP commodities to service delivery points</li> </ul>	<ul style="list-style-type: none"> <li>• Intensify provision of FP commodities and services:               <ul style="list-style-type: none"> <li>» Enhance DOH capacity to improve commodity logistics, by providing guidance and assistance to LGUs and harnessing support among FP players.</li> <li>» Ensure the presence of dedicated and trained FP/RPRH focal points (i.e., nurses and midwives) to improve supply and quality of FP services in health center and rural health units.</li> <li>» Establish and operationalize Service Delivery Networks (SDNs) for FP at the local level to ensure that individuals and couples seeking care and/or counselling are provided with the needed services.</li> <li>» Apply incentive mechanisms and provide technical assistance to LGUs, particularly in areas with high unmet need for modern FP.</li> </ul> </li> <li>• Strengthen private sector and CSO engagement:               <ul style="list-style-type: none"> <li>» Engage private service providers and CSOs under the SDNs systems.</li> <li>» Sustain engagement with CSOs in policy and program implementation, especially under the RPRH Law National Implementation Team.</li> </ul> </li> <li>• Revitalize the RPRH Regional Implementation Teams to ensure better coordination and improve monitoring of the implementation of the law.</li> </ul>	DOH, LGUs
<ul style="list-style-type: none"> <li>• Weak FP demand as there are continuous fears of side-effects and misconceptions on FP commodities</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance demand generation interventions:               <ul style="list-style-type: none"> <li>» Establish a coordinated FP communication strategy among implementers, both at the national and local levels.</li> <li>» Use appropriate media and approaches and engage communication experts, including sociologists, to ensure that key FP information are properly delivered to target population.</li> </ul> </li> </ul>	DOH, POPCOM, LGUs

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
	<ul style="list-style-type: none"> <li>» Institutionalize a monitoring system to track individuals and couples with unmet need at the LGU level.</li> </ul>	DOH, POPCOM, LGUs
<ul style="list-style-type: none"> <li>• Increasing incidence of teenage pregnancy</li> </ul>	<ul style="list-style-type: none"> <li>• Improve efforts to address teenage pregnancy:               <ul style="list-style-type: none"> <li>» Fast-track integration of the CSE in the K to 12 Curriculum.</li> <li>» Develop appropriate instructional materials and conduct training for teachers.</li> <li>» Strengthen provision of comprehensive adolescent sexual and reproductive health services, especially at the local level.</li> </ul> </li> </ul>	DOH, DepEd, NYC, LGUs
<ul style="list-style-type: none"> <li>• Inequities in health and education outcomes (See Chapter 10)</li> </ul>	<ul style="list-style-type: none"> <li>• Accelerate human capital development:               <ul style="list-style-type: none"> <li>» Improve health advocacy campaigns.</li> <li>» Intensify provision of quality nutrition and health care interventions.</li> <li>» Improve coordination within the health system.</li> <li>» Increase investment and alignment in eHealth and data collection mechanisms.</li> <li>» Strengthen monitoring of SHS.</li> <li>» Continue improving financial management systems.</li> <li>» Review and update current policies on inclusive education.</li> <li>» Implement Republic Act No. 10931 or the Universal Access to Quality Tertiary Education Act.</li> <li>» Strengthen monitoring and regulation of tuition and other school fees of state universities and challenges.</li> <li>» Establish a learner information system to improve monitoring of higher education and Technical Vocational Education and Training students and graduates.</li> <li>» Implement a New General Education Curriculum.</li> <li>» Improve implementation of the K to 12 Transition Program.</li> <li>» Implement/Operationalize the Philippine Qualifications Framework.</li> <li>» Create a Government-Industry-Education Council.</li> <li>» Integrate life skills training component in the SHS program to teach the values of professionalism and work appreciation among students.</li> <li>» Refine Work Immersion Program design to build confidence and cultivate sound work ethics of students.</li> </ul> </li> </ul>	DOH, DepEd, CHED, TESDA, LGUs
<ul style="list-style-type: none"> <li>• Improve population and development integration, especially at the local level</li> </ul>	<ul style="list-style-type: none"> <li>• Integrate population factors in development initiatives               <ul style="list-style-type: none"> <li>» Recognize population and development needs and apply it at the national and local level planning and programming.</li> <li>» Use different mediums in localizing or teaching population and development concepts and utilize them in development planning and programming at the national and local level.</li> </ul> </li> </ul>	POPCOM, LGUs
<ul style="list-style-type: none"> <li>• Continued high unemployment rate among the youth (See Chapter 10)</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce reforms in the basic education curriculum and program to improve the employability of the youth.</li> <li>• Scale up target beneficiaries and expand reach of the JobStart Program.</li> <li>• Refine work immersion programs designed to build confidence and cultivate sound work ethics of students.</li> </ul>	DepEd, DOLE, CHED, TESDA
<ul style="list-style-type: none"> <li>• Low saving rate among households (See Chapter 15)</li> </ul>	<ul style="list-style-type: none"> <li>• Scale up the implementation of economic and financial literacy programs.</li> <li>• Improve access to different financial products or schemes.</li> </ul>	BSP and other government financial institutions



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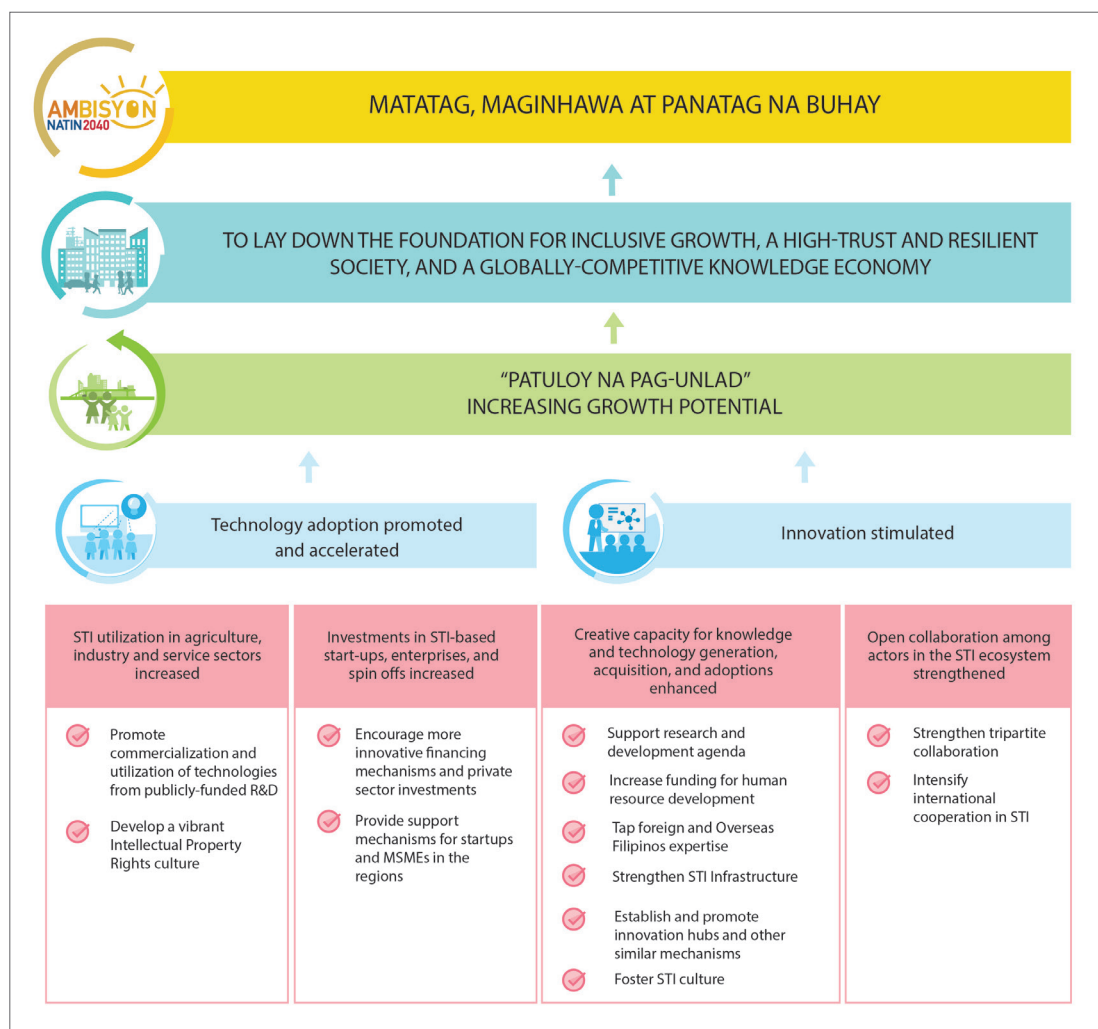
Vigorously  
Advancing  
Science,  
Technology, and  
Innovation

# Vigorously Advancing Science, Technology, and Innovation

Advancing science, technology, and innovation (STI) in the country through increased use of scientific and technological breakthroughs will institutionalize improvements in production, health, education, energy, and infrastructure systems, among others.

The government will promote and accelerate technology adoption and stimulate innovation to advance the country's STI. Four subsector outcomes are tracked namely STI utilization in the agriculture, industry, and services sectors improved; investments in technology-based start-ups, enterprises, and spin-offs increased; creative capacity for knowledge and technology generation, acquisition, and adoption enhanced; and open collaboration among actors in the STI ecosystem strengthened (See Figure 14.1).

**Figure 14.1 Strategic Framework to Leverage Science, Technology, and Innovation**



# Accomplishments

In general, the country's performance in achieving the desired outcomes for the STI sector has been moderate. Latest available data indicate that four out of nine targets with available data have been exceeded.<sup>1</sup>

As part of developing a vibrant Intellectual Property Rights (IPR) culture in the country, the government is strengthening the implementation of a Patent Incentive Package, providing funding support on intellectual property protection, and conducting various awareness campaigns on the importance of IPR. In 2017, the country reached the top 33 percent percentile rank in the World Intellectual Property Organization–Knowledge and Technology Outputs Index, beating the top 34 percent target. In terms of industrial designs, there were 909 registrations, surpassing the target of 542. However, in 2017, there were only 19 new Filipino patents and 455 new Filipino utility models registered, falling short of the 33 and 594 targets, respectively.<sup>2</sup>

One of the main goals of the Philippine Development Plan (PDP) 2017-2022 is to support the development of the sectors that used to lag behind – especially farmers, fisherfolks, and micro, small, and medium enterprises (MSMEs). For the STI sector, the government targeted to provide start-ups and MSMEs with platforms for technology commercialization such as the establishment of new technology business incubators (TBIs). This pushed the number of TBI graduates to 56 in 2017, as compared to the 41 graduates recorded in 2016.

To foster a culture of inventiveness and creativity, government has been promoting STI and the creative arts to young students. In Academic Year 2016-2017, the number of Science, Technology, Engineering, and Mathematics (STEM) enrollees in higher education institutions (HEIs) reached 1.27 million, higher than the target of one million enrollees for 2017.

Moreover, the country has established a total of 30 innovation hubs as of end-2017. Although this slightly fell short of the target of 33, the 43 targeted innovation hubs for 2018 is still achievable as the government seeks to strengthen STI infrastructure development.

Open collaboration among actors in the STI ecosystem is also being strengthened to some extent. In 2017, the government engaged 33 new *Balik* Scientists, only a tad lower than the target of 39. The country is still on track of its target of top 50 percent in the University – Industry Collaboration percentile rank (in the World Economic Forum Competitiveness Report), despite dropping from 52.5 percent in 2016 to 51 percent 2017.

<sup>1</sup> Only 9 out of 26 indicators for Chapter 14 Results Matrices (RMs) have available data. The RMs can be accessed through: [www.neda.gov.ph/pdp-results-matrices/2017-2022/](http://www.neda.gov.ph/pdp-results-matrices/2017-2022/)

<sup>2</sup> Examples: For patents, apparatus for reducing the risk of developing decubitus ulcers and adjunct to treatment thereof on immobile patients invented by Sonny Wilson R. Merioles and biogas from water lily invented by Dr. Virgilio L. Malang and Yasmin E. Malang; For utility models registration, combined motorcycle helmet and a locking mechanism by Miguel A. Timor and methods of preserving coconut water and fruit extracts by Cristovin M. Caralde; for industrial designs registrations, LED streetlight luminaires (Skyled V2 – Big) by Joel T. Alegre and combined vertical axis wind powered turbine and solar power system by Engr. Tito J. Paalan.

# Moving Forward

## Promoting and accelerating technology adoption

### STI utilization in the agriculture, industry, and services sectors increased

**Outputs of STI activities are not brought to the market at once.** The commercialization or the transfer of outputs of innovation activities to the mainstream market and to the public remains difficult. Many innovation outputs lie dormant and underutilized. The information dissemination activities particularly on available technologies remain low, while government campaigns are fragmented.

**Acknowledging these challenges, the government will aggressively facilitate promotion, marketing, and commercialization of STI outputs.** Higher budget will be earmarked for technology transfer and commercialization programs such as science fairs, exhibits, invention contests, technology transfer days, etc. Full use of the said budget will be ensured. The Technology for Innovation and Commercialization Program will continue to provide financial and technical support for the improvement and commercialization of research and development (R&D) results. In addition, the Department of Science and Technology (DOST), in partnership with the Department of Information and Communications Technology (DICT), will establish a central online repository of technology information for the sharing of and access to technologies and knowledge. The government will also actively promote the online repository to the public.

The Commission on Higher Education (CHED) with the Department of Trade and Industry (DTI), will formulate the Implementing Rules and Regulations guiding HEIs in intellectual property protection and utilization based on sound intellectual property valuation, landscape analysis, and business analytics. HEIs, state universities and colleges (SUCs), and research and development institutions (RDIs) will also be encouraged to put up their own technology licensing office to increase the commercialization of R&D outputs.

CHED will also monitor knowledge generation in CHED-funded HEIs doing research and development and extensions by implementing a real-time monitoring system based on quantitative indicators under the R.I.P.E. metrics.<sup>3</sup>

To facilitate the process of knowledge creation, technology transfer, and transformation of research results into products and services, the Intellectual Property Office of the Philippines (IPOPHL) will strengthen the Mind to Market Program which assists individuals and enterprises by linking them to a network of services (e.g., protection, commercialization, etc.) of partners (e.g., government, private sector, etc.). The Intellectual Property Hub and Spokes system will also be promoted to provide intellectual property infrastructure, enable linkages, and facilitate transactions among partners.

**Disruptive<sup>4</sup> and/or emerging technologies may change the way things are done, create new industries and new jobs, and at the same time, cause job losses (e.g., low-skilled, repetitive jobs, assembly workers, as well as jobs in the IT-BPM, banks, advertising, health, research and development, and retail sectors).**

<sup>3</sup> Research management, leadership, and ethics; Integration in pedagogy leading to new understanding and coaching of young scholars; Productivity, innovation, research excellence, and global visibility; Engagement with the general public, local community, and industry.

<sup>4</sup> Disruptive technologies can be defined as new ways of doing things that disrupt or overturn the traditional methods and practices of conducting business (e.g., development of internet) (D. Chishakwe, W. Smith. 2012. An analysis of the impact of disruptive technology on the success of small and medium enterprises (SMEs) in a developing nation. A case of King Williams Town, South Africa)

The rate at which these technologies are being developed/adopted in many countries is very fast. In contrast, the country has not yet fully developed its own capabilities to produce/adopt these technologies. This constrains the country's ability to utilize disruptive technologies to raise economic growth potential.

**Thus, the government will utilize promising and potentially disruptive technologies and minimize its potential adverse impact.** The country will develop its capabilities to produce and utilize these types of technologies by conducting capacity building, conducting R&D programs, and adopting programs on the internet of things, artificial intelligence, big data analytics, robotics, 3D printing, nanotechnology, next-generation genomics, digital health, cloud computing, and blockchain, among others.

### Investments in STI-based start-ups, enterprises, and spin-offs increased

**The lack of awareness on the results of R&D activities and the lack of government's support mechanisms to help firms become more innovative still persist.** Hence, technologies are not yet used extensively among MSMEs.

**Accordingly, the government will strengthen support for spin-offs, start-ups, and MSMEs in the regions** by providing, among others, technology business incubators, consultancy services, and financial support. It will establish more innovation hubs and shared service facilities; and undertake efforts to improve R&D productivity and to help bring down the costs of engaging in innovation activities.

The Small Enterprise Technology Upgrading Program (SETUP) will be relaunched as SETUP 2.0 to include both firm and industry-level interventions, as well as encourage smarter and more productive MSMEs. The implementation of the Startup Research Grant Program will be scaled up to help overcome R&D roadblocks, strengthen intellectual property protection, establish initial market traction, and refine business models. Enhancements to the program should be geared towards translating early stage technologies into market-ready products.

The Business Innovation through Science and Technology for Industry Program will facilitate the acquisition of high-tech equipment and foreign technologies by Filipino companies for their R&D activities. It will enhance their technological capacity to undertake R&D through funding, technology licensing, and acquiring patent rights. Moreover, the Inventor Assistance Program will be bolstered to connect small businesses and inventors to patent attorneys who provide pro bono legal assistance in securing patent protection.

## Stimulating innovation

### Creative capacity for knowledge and technology generation, acquisition, and adoption enhanced

**Increasing R&D expenditure continue to be a great challenge.** The country remains one of the lowest among ASEAN countries in terms of R&D gross expenditure as a percentage of gross domestic product (GDP). It has stayed at a low level (estimated to be less than 0.10% of GDP) and barely expanded for some time, preventing the country from taking full advantage of technological developments that could be leveraged to boost growth in the agriculture, industry, and services sectors. The 1 percent R&D spending share to GDP benchmark recommended by the United Nations Educational, Scientific, and Cultural Organization (UNESCO) is still far from being achieved.

**R&D budget and spending will be increased across regions to support R&D activities on new and emerging technologies.** The government will also strongly pursue the implementation of the Harmonized National Research and Development Agenda (HNRDA) 2017-2022.<sup>5</sup> Roadmaps to harness identified new technologies such as the internet of things, artificial intelligence, big data analytics, and nanotechnology will be formulated in consultation with the private sector. Approval and rollout of these roadmaps will be targeted in 2019.

The government will conduct and encourage research activities in the Philippine (Benham) Rise and West Philippine Sea. Marine scientists and geologists will be trained and research vessels will be acquired to enable deep sea resource assessment and monitoring, and to conduct studies on oceanography and connectivity, coastal erosion and bathymetry, and connectivity of reefs along Eastern Luzon and Benham Bank.

**The country is still characterized with weaknesses and inadequacy in STI human capital.** Latest data showed that the country has only 270 researchers for every one million population in 2013. This is below the UNESCO norm of 380 per million population and the 1,020 researchers per million population average in East Asia and the Pacific.

**More funding will be provided for Science, Technology, Engineering, Agriculture, and Mathematics (STEAM) scholarships.** Science and Technology (S&T) scholarship programs<sup>6</sup> will be strengthened to encourage students to pursue STEAM. Specialized STI training will also be expanded. Student Financial Assistance Programs will be used to shepherd more scholars/enrollees to get into STEAM areas. Improving the K to 12 Transition Program should also lead to more study grants for STEAM scholars (*See also Chapter 10*). Moreover, the government should establish more science high schools and science section institutions to help increase STI employment in the country.

CHED will launch new policies and standards for Philippine Graduate Education that will produce advanced competencies, spur leadership and innovation, drive scientific and technological growth, and creative learning. It will promote an ecosystem for digital technology in education, such as the development of online and blended learning, the introduction of massive online open courses, and other opportunities for open online education. To promote awareness and appreciation of STI, the government will aggressively promote the DOSTv<sup>7</sup> to the public through various marketing strategies including quad media.

**The country still lacks STI infrastructures, while existing ones need upgrading/improvement.** Furthermore, research institutions are still not widely dispersed across the regions and are still concentrated in Luzon.

**The government will upgrade and establish research facilities to accommodate anticipated increase in R&D activities.** In partnership with different sectors, the government will build more FabLabs,<sup>8</sup> laboratory facilities, R&D centers, and technology parks to increase R&D activities and hire more researchers, scientists, and engineers. Burdensome processes under the procurement law will be removed to facilitate

<sup>5</sup> It articulates the country's priorities and guides public investment in R&D while ensuring a cohesive convergence and integration of R&D efforts. HNRDA 2017-2022 is organized into five sectors namely National Integrated Basic Research Agenda; health; agriculture, aquatic, and natural resources; industry, energy, and emerging technologies; disaster risk reduction and climate change adaptation.

<sup>6</sup> Example, Expanded Specialized Science Secondary Education Scholarship; Expanded Undergraduate S&T Scholarships for Inclusive Development; Expanded S&T Graduate (Masters/PhD) Scholarships, etc.

<sup>7</sup> DOSTv is the "official weather and science program of the DOST to communicate Science For the People, promote a culture of science and technology, and raise the aspirations to our youth to pursue careers in Science, Technology, Engineering, and Mathematics, and be the leaders of the future." Definition retrieved from <http://www.dostv.ph/about.php>

<sup>8</sup> FabLabs or fabrication labs are "technical pro-typing platforms for innovation and invention that allow local manufacturers to make prototypes and products such as equipment, machinery, and electronic gadgets; create scale models; illustrate graphic designs; and mass-produce products, among others." Definition retrieved from <http://www.manilatimes.net/dti-launches-fabrication-laboratory-in-bohol/96298/>



the acquisition of equipment and other materials needed for these infrastructures. The OneLab Network, a platform which integrates DOST research laboratories and other laboratories, will be strengthened to provide easy access to testing and calibration services. The implementation of the Information and Communications Technology (ICT) and Electronics R&D for Resilient Infrastructures Project will also be strengthened.

The following programs under DOST's Science for Change Program will also be boosted:

1. **Niche Centers in the Regions for R&D (NICER)** to capacitate regional HEIs through R&D funding that will improve regional research and S&T infrastructure, enabling HEIs to integrate regional development needs with R&D and local resources.
2. **R&D Leadership (RDLead)** will engage experts with strong leadership, management, and innovative policy-making proficiency to strengthen research capabilities of HEIs or RDIs. The experts will take the lead in establishing new and upgrading existing R&D centers and RDIs under the NICER Program. HEIs will also be capacitated in improving and speeding up the use of research results in addressing the pressing challenges in agriculture, industry, and emerging technologies.

Currently, data has not been sufficient to track the STI sector's progress and performance (e.g., absence of data on the following: R&D expenditure per sector; R&D budget utilization rate; technology transferred/commercialized; number of researchers, scientists, and engineers; collaborations/cooperations between the government, industry, and academe; activities/pursuits of TBIs and STEM graduates; and number of STI-based start-ups). As a result, there are no existing targets for some indicators. The lack of these data impedes the anticipation of potential problems and better assessment of government interventions for the sector.

As a basic element for the formulation of national R&D and innovation strategies, the government will accelerate the process of gathering accurate and timely data to track the developments in STI. This will entail further strengthening of the Inter-Agency Committee on Science, Technology, and Innovation.

### Open collaboration among actors in the STI ecosystem strengthened

Problems in collaborative linkages among the government, academe, and industries still exist. The difficulty in finding cooperation partners for innovation activities is cited among the barriers to innovation.<sup>9</sup> Limited linkage between industry and academe in product development, incubation facilities, and R&D activities is also emphasized.<sup>10</sup> This is one of the reasons why many R&D outputs of the academe are not market-oriented.<sup>11</sup>

**The government will strengthen coordination among the academe, industry, and the government.** Linkages between knowledge producers and users will be bolstered. It will establish STI-related collaborations with business/entrepreneurial schools, firms, and other institutions. CHED will also establish a higher education network for research and innovation that will strengthen innovation and academe-industry partnership. The network will push for equitable regional growth of RDI funding and outputs, and support HEIs towards their development as veritable research universities capable to meet international standards.

The Collaborative Research and Development to Leverage Philippine Economy Program will be promoted to help create a synergistic relationship between the academe, as producer of knowledge, and human resources and the industry, as translators of technologies to real world applications.

<sup>9</sup> Mentioned in the Results of the 2015 Philippine Institute for Development Studies Survey of Innovation Activities

<sup>10</sup> Department of Trade and Industry Policy Brief Series No. 2017-05: Philippine Inclusive Innovation Industrial Strategy

<sup>11</sup> Catibog, N. (2016). Challenges Faced by Government Research Institutions & Public Universities in the Commercialization of Agricultural Innovation in the Philippines. Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development.



The implementation of the Converge, Network, and Collaborate for Economic and Technological Development will be augmented to facilitate the utilization and commercialization of intellectual property assets through the provision of opportunities for the academe and industry to meet, interact, and discuss possibilities of collaboration, either in terms of research or technology utilization, or commercialization.

International R&D collaborations on the following areas will be pursued: (a) nanotechnology, intelligent transport system, drug discovery, modern agriculture, food processing, electronics and computer, space technology, metrology, and innovative start-ups; (b) nuclear science; and (c) building start-up ecosystem.

The government will continue to encourage foreign experts to share their knowledge and expertise with the government, academe, and industry. The *Balik Scientist Program* and other related initiatives will be strengthened including: (a) the passage of the Act Strengthening the *Balik Scientist Program*<sup>12</sup>; (b) reduction, if not elimination, of hiring restrictions (e.g., Civil Service Commission [CSC] and Professional Regulation Commission [PRC] rules on hiring foreign experts and overseas Filipinos with foreign citizenship); (c) effective implementation of the Inclusive Innovation Industrial Strategy (i<sup>3</sup>S) and Inclusive Innovation Roadmap; (d) match priority sectors and technologies with the skills of the awarded Scientists under the program; and (e) ensure appropriate funding for the enhanced program.

The i<sup>3</sup>S will be implemented to help grow innovative and globally-competitive manufacturing, agriculture, and services sectors while strengthening their linkages to the domestic and global value chains. It prioritizes the growth and development of 12 major industries.<sup>13</sup> It entails the establishment of an inclusive innovation and entrepreneurship ecosystem that would strengthen industry-academe collaboration focusing on market-oriented research; facilitate the revision of the engineering curricula; equip universities to carry out research relevant to industries; encourage intellectual property protection; and provide incentives (i.e., tax credit, accelerated depreciation, etc.) and shared facilities for rapid prototyping and demonstration.

The government will also formulate the Inclusive Innovation Roadmap that will lay down the vision, goals, targets, priorities, and strategies to be implemented to create a collaborative and innovative ecosystem.

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<sup>12</sup> Seeks to strengthen the scientific and technological human resources of the academe, public institutions, and domestic corporations

<sup>13</sup> The major industries are: automotive; electronics and electrical; aerospace parts; chemicals; iron and steel and tool and die; garments, textiles, and furniture; shipbuilding; tourism; IT-business process management, particularly knowledge process outsourcing and E-commerce; agribusiness; construction; and transport and logistics.

# Recommendations

In addition to the strategies that are currently implemented to advance the country's STI sector, the National Economic and Development Authority (NEDA) also recommends the following strategies to ensure that initial efforts are sustained.

*Table 14.1. Supplemental Strategies to Leverage Science, Technology, and Innovation*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<b>Promoting and accelerating technology adoption</b>		
<b>STI utilization in the agriculture, industry, and services sectors increased</b>		
<ul style="list-style-type: none"> <li>Outputs of STI activities are not brought to the market at once               <ul style="list-style-type: none"> <li>The commercialization/transfer of the outputs of innovation activities to the mainstream market and to the public remain difficult</li> <li>Many innovation outputs lie dormant and underutilized</li> <li>Low information dissemination activities, particularly on available technologies and fragmented government campaigns</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Pursue more promotions and advocacy activities for STI by organizing regular fora, fairs, and exhibits which feature the innovation activities and outputs of the government, primary and secondary schools, SUCs/HEIs</li> </ul>	CHED/ Department of Education
<b>Investments in STI-based startups, enterprises, and spin-offs increased</b>		
<b>Stimulating innovation</b>		
<b>Creative capacity for knowledge and technology generation, acquisition, and adoption enhanced</b>		
<ul style="list-style-type: none"> <li>Increasing the R&amp;D expenditure continues to be a great challenge, preventing the country from taking full advantage of technological developments that can be leveraged to boost growth in the agriculture, industry, and services sectors</li> </ul>	<ul style="list-style-type: none"> <li>Identify capacity constraints to undertake research in the academe–public and private– industry, business, government</li> </ul>	NEDA, DOST, CHED, DTI, CSC, Department of Budget and Management
<ul style="list-style-type: none"> <li>Disruptive and/or emerging technologies may change the way things are done, create new industries and new jobs, and at the same time cause job loss               <ul style="list-style-type: none"> <li>The country has not yet fully developed its own capabilities to produce/adopt these technologies, constraining our ability to utilize disruptive technologies to increase potential economic growth</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Formulate roadmaps on other promising and potentially disruptive technologies such as advanced robotics, next-generation genomics, digital health, autonomous and unmanned vehicles, energy storage, blockchain, cloud computing, among others.</li> <li>Include R&amp;D on new/emerging technologies in the research areas under the HNRDA 2017-2022.</li> <li>Conduct activities that will ensure the effective implementation of the roadmaps on selected disruptive technologies (e.g., technology transfer events, promotional activities, central online repository of technology information, enhanced collaboration in the STI ecosystem, etc.).</li> <li>Make changes in educational curriculum to prevent the potential adverse impacts of disruptive technologies.               <ul style="list-style-type: none"> <li>For affected industries, retraining programs and skills development will be conducted to help workers develop and enhance their skills to enable them to adapt to other industries.</li> </ul> </li> </ul>	DOST/DTI  DOST/IPOPHIL/DTI/CHED/DICT
<ul style="list-style-type: none"> <li>Implementation of changes in the higher education curriculum of the country takes too long due to constraints in hiring of qualified instructors, purchasing/upgrading of equipment, and creating/amending policies in SUCs and HEIs</li> </ul>	<ul style="list-style-type: none"> <li>Address the constraints in changing/updating curriculum on STEAM to respond to disruptive technology and other advancements.</li> </ul>	CHED

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Brain drain problem in the country continues, as the supply of STEM graduates exceeds local demand               <ul style="list-style-type: none"> <li>» Many researchers, scientists, and engineers cannot find opportunities in the country, hence they seek employment opportunities abroad</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Craft a strategy/plan/roadmap on how to establish industries that can absorb researchers, scientists, and engineers (e.g., similar to the Silicon Valley).</li> </ul>	DOST/DTI
<ul style="list-style-type: none"> <li>Lack of national framework that integrates sustainable consumption and production initiatives in the country (<i>See also Chapter 20</i>)</li> </ul>	<ul style="list-style-type: none"> <li>Implement programs/projects on how STI can be utilized to establish a circular economy in the country.</li> </ul>	DOST
<ul style="list-style-type: none"> <li>Insufficient data to track the STI sector's progress and performance, which impedes the anticipation of potential problems and better assessment of government interventions for the sector</li> </ul>	<ul style="list-style-type: none"> <li>Identify new members of the Inter-Agency Committee on STI Statistics to ensure that statistics needed to monitor the performance of the STI sector will be identified and produced.</li> <li>Resolve problems encountered in producing the data needed for the STI sector.</li> <li>Implement the NEDA R&amp;D funded project on "Formulating a Statistical Framework for and Improving Statistics on STI."</li> </ul>	PSA / DOST  PSA
<b>Open collaboration among actors in the STI ecosystem strengthened</b>		
<ul style="list-style-type: none"> <li>Restrictive regulations delaying the implementation of R&amp;D programs and projects, including CSC and PRC rules which make hiring of foreign and overseas Filipinos with foreign citizenship difficult</li> </ul>	<ul style="list-style-type: none"> <li>Reduce, if not eliminate, restrictions in hiring foreign experts</li> </ul>	DOST and other NEDA Board Member Agencies

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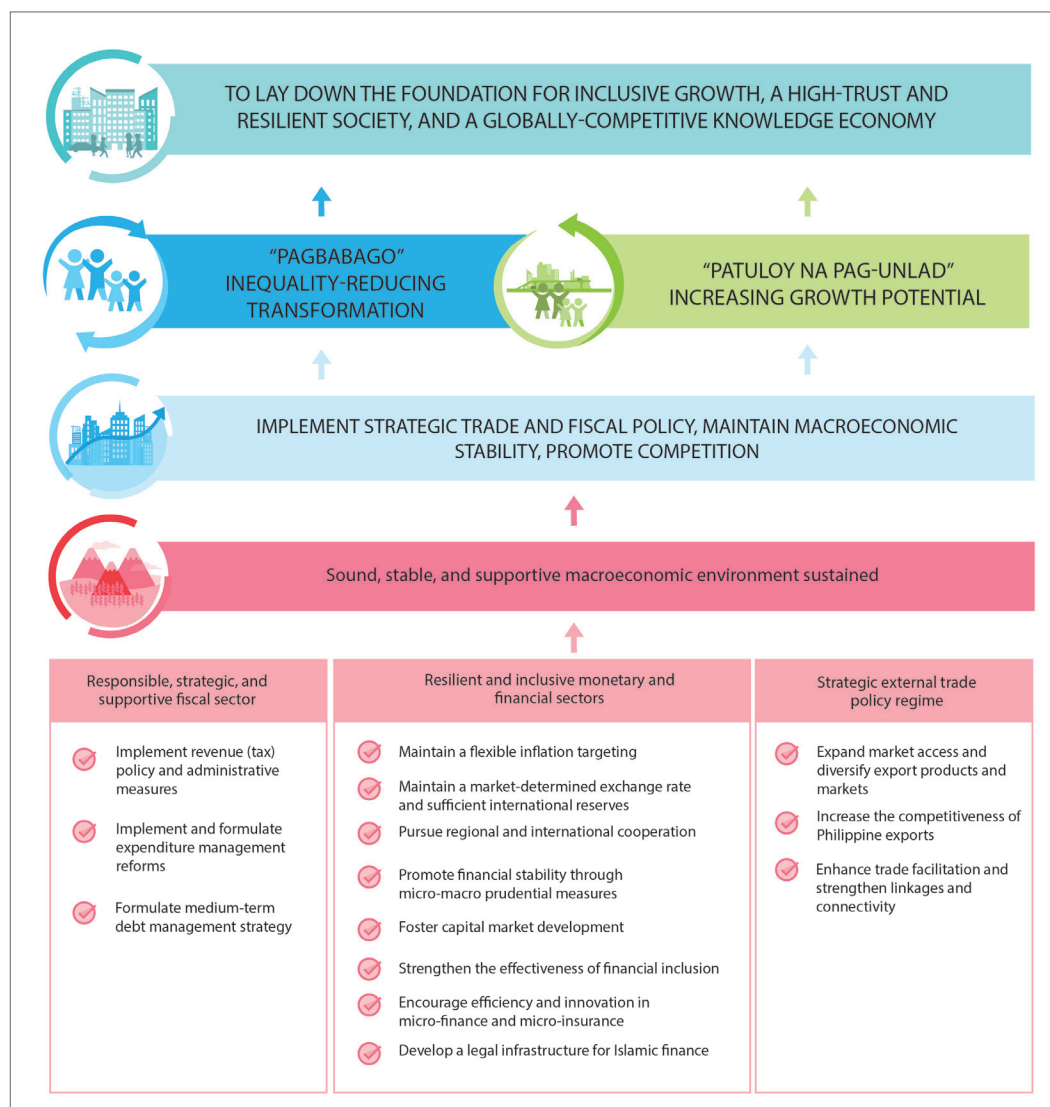
Ensuring Sound  
Macroeconomic  
Policy

# Ensuring Sound Macroeconomic Policy

The country's macroeconomic fundamentals remained conducive to supporting a dynamic and sustainable economic growth trajectory, pushing the 2017 gross domestic product (GDP) growth to 6.7 percent. Effective monetary policy and a strong financial sector also ensured overall price stability which has supported the expansion of access to economic opportunities. Moreover, improved government revenue performance, the passage of the first package of the Tax Reform for Acceleration and Inclusion (TRAIN) Act, as well as improvements in transparency and expenditure and debt management, are expected to push key government programs that will improve the country's competitiveness and sustain growth momentum.

Notwithstanding the gains, much remains to be done to maintain the economy's solid foundation and promote an enabling and supportive macroeconomic environment. Policy and administrative reforms need to be advanced to sustain recent improvements in revenue performance. Absorptive capacity of implementing agencies need to be improved to ensure the accomplishment of the government expenditure program. Financial market infrastructures should be strengthened and financial inclusion should be improved further to support a more robust and inclusive economic growth. Trade facilitation should also be improved to make the country more integrated in the global production networks (See *Figure 15.1*).

**Figure 15.1 Strategic Framework to Sustain a Sound, Stable, and Supportive Macroeconomic Environment**



# Accomplishments

**National Government (NG) overall revenue target was attained and the first package of the comprehensive tax reform program was passed.** Revenue effort in 2017 reached 15.7 percent, slightly surpassing the target of 15.6 percent, on the back of an intensified tax administration. Tax effort improved to 14.2 percent but fell short of the 14.5 percent target. The Bureau of Internal Revenue (BIR) missed its target by only 1 percent, even as its collections grew by 13 percent. Bureau of Customs revenues were up by 16 percent and almost on target. Local sources of local government units' (LGUs) revenue as a share of total current operating income also increased to 35.7 percent as of third quarter of 2017, compared to the full-year target of 35.4 percent. This is due to increases in real property and business taxes.

The first package of the tax reform program was passed into law in December 2017, benefiting 99 percent of taxpayers from the progressive reduction in personal income taxes. However, if the numerous mitigating measures approved by Congress (e.g., unconditional cash transfers, fuel subsidy, etc.) are fully implemented, the additional expenditures could exceed the funds earmarked from incremental revenues.

**Overall spending remained below target despite improvements in infrastructure spending.** Total government expenditure increased by 10.8 percent in 2017, driven by the strong upturn in capital outlays. Primary spending (i.e., expenditures net of interest payments) increased to 15.9 percent of GDP in 2017, but fell short of the target of 16.5 percent. Infrastructure and other capital outlay increased by 15.4 percent and exceeded its target by 3.5 percent. However, personnel services recorded an 8.4 percent underspending despite an 11.8 percent growth, while maintenance and other operating expenses fell short of the program by 1.9 percent despite a 10.8 percent growth. On the other hand, lower interest payments provided additional fiscal space for the government. As a result, total expenditures were 2.9 percent below target despite a 10.8 percent increase. The budget deficit also declined to 2.2 percent of GDP, smaller than the 2.4 percent incurred in 2016, and below the 3 percent target.

**Government debt remained sustainable.** NG outstanding debt stabilized at 42.1 percent of GDP in 2017, 1.1 percentage point above the full-year target of 41 percent, due to the pre-funding activity undertaken for 2018. The share of foreign debt declined to 33.2 percent (₱2.2 trillion) of the total debt. The average residual maturity of NG debt declined to 9.8 years, still within the target of 7 to 10 years. For 2017, 18.6 percent of gross financing came from foreign borrowing, lower than the target of 20 percent.

**Inflation increased but remained within the target range, allowing the Bangko Sentral ng Pilipinas (BSP) to keep key policy rates unchanged.** Headline inflation rose to 2.9 percent in 2017<sup>1</sup> from 1.3 percent in 2016, which is well within the 2.0-4.0 percent target. The uptick was driven mainly by higher prices of food, petroleum products, and electricity rates during the review period.

**The financial system registered moderate growth, while financial inclusion improved.** Total resources of the financial system grew in line with the target by 10 percent to ₱18.9 trillion in end-December 2017. Total assets of the banking system expanded by 11.6 percent, supported by more stable funding base from deposits and a diversified loan portfolio. The value of outstanding microfinance loans increased by 24.5 percent to ₱17.1 billion in end-December 2017, well above the ₱10 billion target for 2017. Microinsurance penetration also expanded to 30.5 percent of the total population as of the third quarter of 2017. This is supported by the number of access points per 10,000 adults, which increased by 5.3 percent to 9.7 as of September 2017, only slightly below the target of 10 for 2017. The BSP rolled out the Basic Deposit Account which features simplified know-your-customer requirements, opening deposit amount of less than ₱100, no minimum maintaining balance, no dormancy charges, and zero reserve requirement.

<sup>1</sup> Based on the new 2012-based Consumer Price Index series.



**Reforms in capital markets were undertaken.** Recent capital market reforms include legislative and regulatory changes to encourage the contractual savings sector to purchase longer-term maturity investments and infrastructure bonds. New listing rules also allow public-private partnership projects to raise capital through the stock market. In addition, the Expanded Primary Dealer System was launched in November 2017 to reduce the cost of debt through competition. Also, a repurchase market in the Philippines that adheres to international standards was reintroduced in the last quarter of 2017 to strengthen the linkage between domestic and global banks.

**Retail payment systems were strengthened.** The framework for the National Retail Payment System (NRPS) was adopted to facilitate more convenient, affordable, and secure electronic fund transfers (EFT) and e-payments, thereby encouraging a shift from a cash-heavy to a cash-lite society. As one of the automated clearing houses under the NRPS, the Philippine EFT System and Operations Network for batch EFT credit payment was also rolled out last year.

**Platforms to harness the investment potential of overseas Filipinos (OF) remittances were implemented.** As of September 2017, a total of 401 Personal Equity and Retirement Accounts were opened, amounting to ₱23.4 million. The costs of sending remittances as a proportion of the amount remitted also fell from 4.7 percent in the fourth quarter of 2016 to 4.3 percent as of third quarter of 2017. As part of the Overseas Workers Welfare Administration's (OWWA) OF reintegration program, financial literacy campaigns were conducted onsite (in destination countries) and in-country<sup>2</sup> to encourage the participation of OFs in economic governance. Meanwhile, the Commission on Filipinos Overseas used social media and mobile application to promote its PESO Sense initiative to reach Filipinos abroad.

**Anti-money laundering/financing of terrorism regulatory regime was improved.** The first Philippine National Money Laundering and Terrorist Financing Risk Assessment was conducted along with issuances of BSP Circulars to enhance the regulatory framework for money service businesses<sup>3</sup> and to introduce a more risk-based approach, particularly in relation to the conduct of customer due diligence. Efforts to mitigate potential risks associated with the use of virtual currencies (VCs) have also been initiated, such as the issuance of BSP Circular No. 944 to govern the conversion or exchange of any VC into fiat currency or vice versa.

**Exports sector exceeded the 2017 target.** Exports increased by 12.8 percent to US\$48.2 billion, surpassing the target of US\$45.1 billion.<sup>4</sup> Electronic products still comprised half (52%) of total exports of goods in 2017. Japan (16%) remained the top export market, followed by United States of America, European Union, and ASEAN each comprising 15 percent, followed by Hong Kong (14%) and China (11%). Similarly, services exports in 2017 grew by 14.1 percent to US\$35.6 billion, exceeding the 2017 target of US\$34.5 billion. Other business services, including Information Technology-Business Processing Management (IT-BPM),<sup>5</sup> accounted for almost half (47%) of total services exports, followed by travel services (20%) and telecommunications, computer, and information services (16%). However, a 14.2 percent increase in imports to \$89.4 billion led the current account deficit to widen to US\$2.5 billion or -0.8 percent of GDP in 2017, which is below the full-year target of a surplus of 0.2 percent of GDP.<sup>6</sup>

<sup>2</sup> As of September 2017, under the onsite Reintegration Preparedness Program, a total of 171 sessions with 6,381 participants were conducted in 31 posts overseas. For in-country, through the 17 OWWA Regional Welfare Offices, a total of 353 sessions with 15,016 participants (OF Workers and/or their families) were conducted. From Q1-Q3 2017, the BSP conducted eight (8) Financial Literacy Campaigns attended by 1,182 participants.

<sup>3</sup> Covering remittance and transfer companies, money changers, and foreign exchange dealers

<sup>4</sup> Actual and target figures are based on the Balance of Payments compiled by BSP. In terms of data released by PSA, merchandise exports reached US\$62.9 billion and grew by 9.5 percent for 2017.

<sup>5</sup> Including research and development services, professional and management consulting services and technical, trade-related, and other business services.

<sup>6</sup> Bangko Sentral ng Pilipinas. BSP revises Balance of Payments Projections for 2017. Retrieved from <http://www.bsp.gov.ph/publications/media.asp?id=4560>

**Support to the country's exporters continue to increase.** The number of Department of Trade and Industry (DTI)-assisted technology-enabled and technology-based exporters was recorded at 204, more than double the 2017 target of 100. These exporters apply technology innovation<sup>7</sup> to compete in the global market. The number of enrollees<sup>8</sup> who were able to export under the Regional Interactive Platform for Philippine Exporters Plus (RIPPLES Plus) program reached 408 which is 104 percent higher than the target of 200 exporters for the year. New export products certified as *halal* were almost thrice the minimum target of 100 for 2017, with 280 products registered in 2017.

**Initiatives to facilitate trade are being implemented.** The continued development of online platforms and use of technology in transactions with government such as the TradeNet as the National Single Window (NSW) platform and the Philippine National Trade Repository (PNTR), are steps in the right direction to lower the costs of doing business. The PNTR aims to provide easy access to comprehensive, accurate, and timely information relevant to trade-related transactions. To date, 65 out of the 76 identified trade regulatory government agencies have been engaged in discussions on the adoption of the TradeNet, which is being developed as the NSW platform that will eventually be connected to the ASEAN Single Window gateway.

## Moving Forward

Building on the accomplishments in 2017, the sector is poised to achieve its end-of-plan targets. Facilitating appropriate and well thought-out strategies will sustain the country's strong macroeconomic fundamentals that will provide a solid support amidst domestic and external challenges.

**Pursue the tax reform program.** The balance of Package 1 of the Comprehensive Tax Reform Program (CTRP) (i.e., general tax amnesty, estate tax, bank secrecy, Motor Vehicle User's Charge) is essential to augment revenues and enhance tax administration. Package 2, consisting of the corporate income tax reform and fiscal incentives modernization, was submitted at the start of 2018 for deliberation in the Congress. Meanwhile, Package 4, consisting of capital income and financial taxes, is targeted for consideration in the second half of the year. Reforms in real property taxation and property valuation (Package 3) is also targeted to be passed in Congress by January 2019.

**Intensify implementation of tax administration reforms.** In addition to a more vigorous enforcement of *Oplan Kandado*, Run After Tax Evaders (RATE), and Run After the Smugglers (RATS) program, tax compliance could be improved through adoption of technology-based reforms such as electronic data sharing and electronic sales reporting system. Tax monitoring could also be enhanced through complete tax mapping and comprehensive taxpayer profiling. It is noted that many of the proposed improvements in information technology and database management intended to enhance tax monitoring and compliance have been moved to later date, i.e., 2018, while the pre-procurement process is ongoing.

**Improve LGUs' capacity to mobilize local sources of revenue.** To complement the efforts in capacity building of local treasurers, reforms in real property valuation and assessment (CTRP Package 3) need to be pushed. Fiscal provisions of the Local Government Code may also be revisited for possible amendments, while the Idle Land Tax has to be implemented vigorously.

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<sup>7</sup> Technology-enabled exporters belong to a variety of sectors, such as food processing, game development and animation services, franchising, and logistics.

<sup>8</sup> Enrollees to the RIPPLES Plus belong to the gifts, housewares and holiday decors, wearables and jewelry, and health supplements and cosmetics, among others.

**Encourage transparency and mitigate corruption.** Amendments to the provisions of Republic Act No. 1405 (Law on Secrecy of Bank Deposits) and RA 6426 (Foreign Currency Deposit Act), which seek to exempt government officials and employees, whether elected or appointed, from the coverage of the Bank Secrecy Law, is crucial to promote greater transparency.

**Push expenditure management reforms.** Among the expenditure management reform measures (e.g., shift to Program Expenditure Classification,<sup>9</sup> pilot test of Government Purchase Card (GPC),<sup>10</sup> adoption of one-year validity of appropriation, etc.) the passage of the Budget Reform Bill is a priority as it seeks to improve the linkage between planning, programming, and budgeting of agencies. The bill can help minimize bottlenecks by addressing gaps in planning, as well as in program and project design. In relation to this, the Budget Reform Program has been set up to ensure the smooth transition and effective implementation of the proposed reforms under the Budget Reform Bill. Part of the program is the creation of task teams who will review and streamline processes and procedures. Moreover, the rollout of the Budget and Treasury Management System (BTMS)<sup>11</sup> to big spending departments<sup>12</sup> and the shift from obligation-based to cash-based budgeting can contribute to improving budget utilization of agencies. It is also crucial to extend assistance to implementing agencies to facilitate a smooth transition (*See also Chapter 5*).

**Further introduce improvements in the public procurement.** In addition to the 2016 amendments to the Implementing Rules and Regulations (IRR) of the Government Procurement Reform Act, the Philippine Government Electronic Procurement System (PhilGEPS) Modernization needs to be fully rolled out. The program intends to upgrade the current system's technology with functionalities that will establish linkages with the BTMS of the Department of Budget and Management (DBM) and the Bureau of the Treasury (BTr). Reforms to level the playing field further by abolishing the preference margin for domestic suppliers and operationalizing the reciprocity provisions should likewise be pursued.

**Continue to build capacity of implementing agencies.** Capacity concerns reflected in low releases for creation and filling up of positions among agencies emerged as a weighty concern. Operational delays such as late submission of documentary requirements for fund releases were also observed among implementing agencies. To minimize this, implementing agencies and LGUs can continue to receive training under the Public Financial Management (PFM) Certificate Program.<sup>13</sup>

**Remain vigilant to price pressures.** Upward pressures on inflation may stem from the faster-than-expected rebound in oil prices and peso depreciation. Likewise, the implementation of the tax reform is expected to lead to transitory inflationary pressures and may further add pressure for wage and fare hikes. The government should undertake measures to reduce inflation especially on food to cushion its potential impact on the poor.

**Implement additional reforms to strengthen the capital market.** Following the gains highlighted in the earlier section, additional reforms need to be completed to further boost the country's capital market. These include the enhancements in the operation of the over-the-counter government bond market for better bond pricing and transparency; and enactment of a Payment Systems Law to improve the regulatory oversight of the BSP and to ensure safe and efficient payment systems.

<sup>9</sup> PREXC is restructuring an agency's budget by grouping all recurring activities as well as projects under the different programs or key strategies being pursued by the agency to meet its objectives and mandates.

<sup>10</sup> GPC is an alternative mode of payment for goods and services that aims to reduce administrative costs and enhance control and liquidity management by limiting the frequency and amount of cash advances.

<sup>11</sup> BTMS is the government's integrated financial management system which will handle the budget execution and cash management function of the DBM and BTr, respectively. It features online and real-time processing, monitoring, and reporting of various financial transactions of the government.

<sup>12</sup> Include the Departments of Social Welfare and Development, Health, Education, and Public Works and Highways.

<sup>13</sup> The Certificate Program is an initiative by the DBM, the PFM Committee, and supported by the Philippines-Australia PFM Program. It aims to enhance the technical skills and competencies of the PFM workforce in the oversight and spending agencies. Source: [https://www.dbm.gov.ph/wp-content/uploads/DBM%20Publications/Bulletin/2015/2ndQuarter\\_%20april-june%20corrected%20pdf.pdf](https://www.dbm.gov.ph/wp-content/uploads/DBM%20Publications/Bulletin/2015/2ndQuarter_%20april-june%20corrected%20pdf.pdf)

**Promote seamless financial market infrastructure.** The passage of a Secured Transactions Law will strengthen the legal framework for the use of personal property as collateral and establish a modern centralized online collateral registry. The rollout of InstaPay<sup>14</sup> should also be accelerated. There is also a proposed merger of the trading platforms for equities and the fixed income securities.<sup>15</sup> However, the proposed single platform must be structured to harmonize the functions of the current exchanges without causing market disruptions during the migration or transition. Other financial market infrastructure that need to be improved include those for post-trade processing (e.g., trade repositories, central counterparties, central securities depository, and securities settlement system).<sup>16</sup>

**Hasten efforts to enhance financial inclusion.** Economic and financial literacy campaigns need to be scaled up. The enactment of the Collective Investment Schemes Law will boost the participation in the financial system, especially of middle- and low-income households. The current initiative to have a national identification system is also seen to facilitate peoples' access to finance by building credit history and potentially reduce de-risking by international correspondent banks.

**Develop the legal framework for Islamic finance.** The passage of an Islamic Banking Law, which remains pending at the Committee level of both Houses of Congress, must be accelerated to develop Islamic banking and promote financial inclusion among Muslim Filipinos.

**Implement a strategic market-oriented export strategy focused on market trends and demand for products and services.**

**Institute a feedback mechanism, with diplomatic posts and trade attachés as main players, to identify and disseminate timely and accurate information on foreign markets.** This could fill the information gap on policy and market trends affecting export performance and product demand. The feedback mechanism would be a resource that exporters could use in forming linkages with businesses, malls, shopping centers, and overseas Filipino associations that would help increase visibility of export products.

**Increase the visibility of Philippine products through alternative approaches in export promotion.** Undertaking more frequent, resource-efficient, and innovative activities such as setting up pop-up stores in shopping centers and malls and maximizing visibility in social media, are alternative and complementary approaches to the conduct of traditional trade fairs that would help raise awareness of foreign markets to Philippine products.

**Identify and prioritize high-impact programs.** Impact evaluation studies on programs and projects such as the Small Medium Enterprise Roving Academy and the Doing Business in Free Trade Areas should be undertaken to determine if these programs contribute to improving the competitiveness of exporters. This assessment is critical in identifying whether these programs and projects should be continued or if interventions are required to make them more effective.

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<sup>14</sup> An automated clearing house for real-time low-value (less than ₱50,000.00) transfer credit under the NRPS

<sup>15</sup> Currently, fixed income securities are traded through the Philippine Dealing & Exchange Corp, the fixed income exchange; while equities instruments are traded through the Philippine Stock Exchange, the equities exchange.

<sup>16</sup> A Capital Market Development Blueprint 2017-2022 detailing an assessment of the current capital market development efforts, as well as the strategy and roadmap for capital market development, is targeted to be released by end 2018 led by the Department of Finance, Securities and Exchange Commission, BTr, and the BSP.

**Conduct capability-building programs to cultivate skills in emerging services and to ease restrictions on certain sectors.** As the IT-BPM sector faces an expected global slowdown as it moves towards maturity,<sup>17</sup> its annual revenue growth is seen to decelerate<sup>18</sup> to 9 percent until 2022. It is vital that capacity-building programs be pursued to allow the services sector, particularly IT-BPM, to sustain growth and move towards higher-value services (e.g., software development, animation, artificial intelligence, big data analytics, etc.). Continued efforts by the Executive as directed under Memorandum Order No. 16, s. 2017<sup>19</sup> to ease or lift restrictions in certain sectors should be pursued to encourage investments and develop skills that will support further growth (*See also Chapter 9*).

**Establish institutions to improve capacity of businesses to meet international standards for products and processes.** The issuance and eventual implementation of a National Quality Infrastructure Law would spur the development of a culture of quality, establish institutions and practices that will improve compliance with technical requirements, and promote the adoption of international standards in products and processes<sup>20</sup> (*See also Chapter 9*).

**Strengthen and broaden programs that will promote and maintain an environment conducive for export innovation.** There is a need for programs that cultivate partnerships between universities, research centers, industry sectors, and government agencies, such as the Collaborative Research and Development to Leverage Philippine Economy Program of the Department of Science and Technology (DOST), to enhance the technological capacity of businesses for innovation and to encompass more stakeholders (*See also Chapter 14*).

**Upgrade information and communications technology (ICT), transportation, and logistics infrastructure to boost exports of products and services and to lower costs of production.** Infrastructure that will allow the country's exports to reach its full potential must be in place (*See also Chapter 19*).

**Develop a framework for local partnerships to meet supply volume requirements of export markets.** The framework would facilitate coordination among producers and suppliers and help address constraints faced by exporters that have limited capacity to produce the volume requirements (*See also Chapter 9*).

**Enhance and interlink online portals to heighten awareness for Philippine export products and facilitate trade.** To broaden the awareness of foreign markets to Philippine products, there is a need to supplement promotion campaigns and maximize the use of online portals with comprehensive information on available products and exporters. The content and design of Tradeline Philippines should be enhanced to provide comprehensive user-friendly information on products, services, and exporters, as well as the Philippines Free Trade Agreements with trading partners. This portal should be linked with the PNTR to maximize the exposure of Philippine exporters and their products to buyers in export markets. The PNTR's eventual connection to the ASEAN Trade Repository would further widen the reach of Philippine products and services. Full implementation of the TradeNet, which will connect all 76 trade regulatory government agencies to the TradeNet platform, should be carried out to facilitate trade, increase transparency in cargo processing, and reduce operational costs and processing time. The conduct of briefings with government agencies and the private sector to introduce the system and promote its use should also be pursued.

<sup>17</sup> Dela Paz, C. (27 September 2017). "Philippines' BPO Industry sees slower annual growth of 9% until 2022," Rappler. Accessed from <https://www.rappler.com/business/183523-philippines-bpo-industry-growth-projection-2022>

<sup>18</sup> Lower than the 17 percent compounded annual growth recorded from 2011 to 2016

<sup>19</sup> Directing the National Economic and Development Authority (NEDA) Board and its member agencies to exert utmost efforts to lift or ease restrictions on certain investment areas or activities with limited foreign participation. Retrieved from: <http://www.officialgazette.gov.ph/2017/11/21/memorandum-order-no-16-s-2017/>

<sup>20</sup> Senate Bill No. 707. Retrieved from <https://www.senate.gov.ph/lisdata/2422620840!.pdf>



# Recommendations

Aside from the abovementioned strategies, the following should also be considered to ensure a sound macroeconomic policy supportive of growth of all sectors.

*Table 15.1 Supplemental Strategies to Ensure Sound Macroeconomic Policy*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<b>Implement and formulate expenditure management reforms</b>		
<ul style="list-style-type: none"> <li>Perpetual operational delays and bottlenecks in program and project implementation due to gaps in planning and in program and project design, leading to low budget utilization rate</li> </ul>	<ul style="list-style-type: none"> <li>Further amendments to the Government Procurement Reform Act</li> <li>Assist and build the capacities of implementing agencies and LGUs to facilitate the transition to cash-based appropriation.</li> </ul>	DBM
<b>Ensure effectiveness of financial literacy campaigns</b>		
<ul style="list-style-type: none"> <li>The number of financial literacy campaigns (FLCs) conducted may not be an appropriate measure of the reach of financial literacy</li> </ul>	<ul style="list-style-type: none"> <li>Improve the monitoring of FLCs.</li> </ul>	BSP
<b>Expand market access and diversify export products and markets</b>		
<ul style="list-style-type: none"> <li>Information gap on products demanded by the market</li> </ul>	<ul style="list-style-type: none"> <li>Institute a feedback mechanism to identify and disseminate timely and accurate information on export markets.</li> </ul>	DTI, Department of Foreign Affairs
<ul style="list-style-type: none"> <li>Making trade promotion campaigns more innovative</li> </ul>	<ul style="list-style-type: none"> <li>Increase the visibility of Philippine products through alternative approaches in export promotion.</li> </ul>	DTI
<b>Increase competitiveness of Philippine exports</b>		
<ul style="list-style-type: none"> <li>Concentrating resources on programs and projects that have maximum impact</li> </ul>	<ul style="list-style-type: none"> <li>Conduct impact evaluation studies on current programs, such as the SME Roving Academy and Doing Business in Free Trade Areas, to determine effectiveness and need for continuity or improvements.</li> </ul>	DTI
<ul style="list-style-type: none"> <li>Preparing services sector for changes in demand of the market</li> </ul>	<ul style="list-style-type: none"> <li>Conduct capability-building programs to cultivate skills in emerging services and ease restrictions on certain sectors.</li> </ul>	
<ul style="list-style-type: none"> <li>Improving capacity of businesses to meet international standards</li> </ul>	<ul style="list-style-type: none"> <li>Establish institutions to improve product standards and increase technical compliance.</li> </ul>	
<ul style="list-style-type: none"> <li>Enhancing the technological capacity of businesses for innovation</li> </ul>	<ul style="list-style-type: none"> <li>Cultivate partnerships between universities, research centers, industry sectors, and government agencies.</li> </ul>	DOST
<b>Enhance trade facilitation and strengthen linkages and connectivity</b>		
<ul style="list-style-type: none"> <li>Developing products and higher-value services, lower production and delivery costs</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade ICT, transportation, and logistics infrastructure</li> </ul>	DTI
<ul style="list-style-type: none"> <li>Limited capacity of exporters to produce volume requirements and link to the value chain</li> </ul>	<ul style="list-style-type: none"> <li>Develop a framework for local partnerships.</li> </ul>	
<ul style="list-style-type: none"> <li>Improving accessibility to comprehensive information on products and foreign trade agreements (FTAs)</li> </ul>	<ul style="list-style-type: none"> <li>Interconnect Tradeline Philippines to the Philippine National Trade Repository and enhance content and design to include comprehensive and understandable information on FTAs.</li> </ul>	

16

Leveling the  
Playing Field  
through a National  
Competition Policy

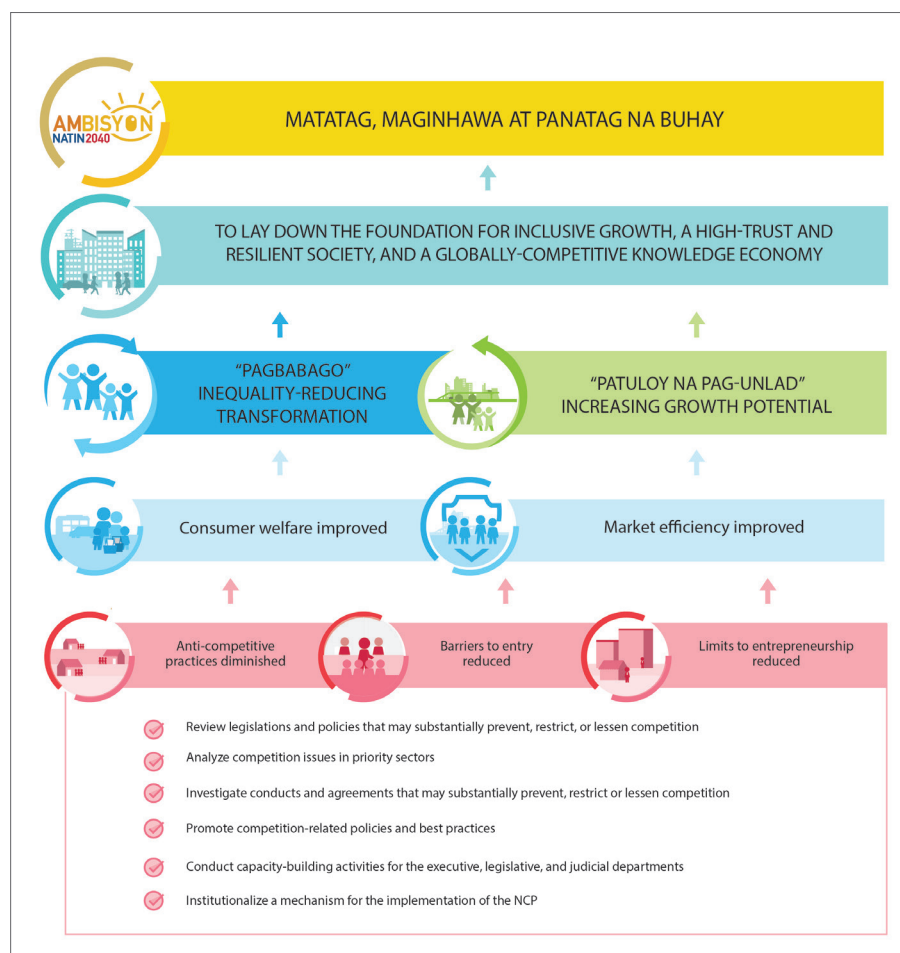


# Leveling the Playing Field through a National Competition Policy

Market competition, as a new concept and chapter, was introduced in the Philippine Development Plan (PDP) 2017-2022. A year after the implementation of the Plan, several achievements and challenges in identifying competitive neutrality issues and reviewing anti-competitive policies have been recorded. Nevertheless, the government's goal of improving consumer welfare and market efficiency through competition remains.

The National Competition Policy intends to improve consumer welfare and market efficiency, thereby meeting the two goals of reducing inequality and increasing growth potential. Competition will facilitate innovation and promote efficiency, thereby expanding economic opportunities and speeding up economic growth. These will be done through: (a) diminishing anti-competitive practices, (b) reducing barriers to entry, and (c) reducing limits to entrepreneurship, as depicted in Figure 16.1.

**Figure 16.1 Strategic Framework to Level the Playing Field through a National Competition Policy**



# Accomplishments

**The country witnessed an improvement in the overall competitiveness ranking.** The Global Competitiveness Index<sup>1</sup> (GCI) ranking of the Philippines improved from 57<sup>th</sup> in 2016 to 56<sup>th</sup> in 2017, putting the country at the top 41 percent of 137 countries. However, faster progress is needed as the government is targeting to be at the top 33 percent by 2019.

The GCI ranking on market size<sup>2</sup> improved from 31<sup>st</sup> (top 23%) in 2016 to 27<sup>th</sup> (top 20%) in 2017, achieving ahead of time the government's target for the Philippines to be at the top 20 percent by 2019. Meanwhile, the GCI ranking on goods market efficiency<sup>3</sup> declined from 99<sup>th</sup> to 103<sup>rd</sup>. By 2019, the government intends to reach the top 60 percent for the Philippines in this subindex.

**Competition agencies<sup>4</sup> are on track in their target outputs.** Competition agencies made significant gains, as shown by the achievement of their target major outputs in the PDP. Several major outputs identified in the Plan that have significant positive effect in promoting competition were delivered by competition agencies. These accomplishments include: a) 100 percent of all business-related issuances reviewed by the National Competitiveness Council (NCC); b) all mergers and acquisitions reviewed by the Philippine Competition Commission (PCC); and c) 137 corporate profiles of government-owned and controlled corporations (GOCCs) reviewed by the Governance Commission for GOCCs (GCG).

**Directive to ease restrictions on certain investment areas issued.** On November 21, 2017, the President issued Memorandum Order (MO) No. 16, s. 2017 directing the National Economic and Development Authority (NEDA) Board and its member agencies to exert utmost efforts to lift or ease restrictions on certain investment areas or activities with limited foreign participation. The NEDA Board was also instructed to do the same on existing restrictions on foreign participation in different investment areas, such as retail trade and domestic market enterprises, among others.

## Moving Forward

Despite the abovementioned achievements, challenges in fostering competition remain. Competition in key economic sectors remain limited brought about by unnecessary regulatory burden, barriers to entry of firms in the market, lack of competitive neutrality concerning GOCCs, low awareness of competition law resulting in lack of market competition culture in the country, and inadequate capacity of the Executive and Judicial departments on market competition issues.

<sup>1</sup> According to the Global Competitiveness Report 2017-2018 of the World Economic Forum, the GCI is the measure of competitiveness among countries based on 12 distinct areas or pillars that are grouped into subindices, including competition-related indicators such as market size and goods market efficiency. Initially, the GCI ranking on business dynamism was part of this Chapter's Results Matrix. This pillar was eventually changed to business sophistication, whose factors are not directly related to anti-competitive practices, thus, the decision to exclude it in the succeeding reports on GCI ranking.

<sup>2</sup> In the GCI, market size captures: (a) real market potential, (b) cost required to start a business, (c) time required to start a business, (d) cost of bankruptcy proceedings, (e) strength of insolvency framework, (f) attitudes toward entrepreneurial risk, (g) growth of innovative companies, and (h) willingness to delegate authority.

<sup>3</sup> In the GCI, goods market efficiency measures: (a) intensity of local competition, (b) extent of market dominance, (c) effectiveness of anti-monopoly policy, (d) number of procedures to start a business, and (e) time to start a business.

<sup>4</sup> Competition agencies are government agencies or institutions initially identified in the PDP 2017-2022 whose mandates affect market competition. These are the PCC, DTI-NCC, GCG, NEDA, and Department of Justice-Office for Competition (DOJ-OFC).

The following strategies need to be implemented in order for competition initiatives to progress:

**Formulate the National Competition Policy (NCP).** The NCP will be formulated in 2018. It aims to provide a holistic and comprehensive framework for competition and to complement the Philippine Competition Act. This is to ensure that the government and the private sector are working closely to boost market competition by addressing issues on competitive neutrality, anti-competitive behaviors, and unnecessary regulatory burdens. The Implementation Plan/Strategy of the NCP will also be crafted.

In addition, since the competition law does not exempt micro, small, and medium enterprises (MSMEs) from penalties due to anticompetitive behaviors, the NCP shall provide measures to ensure that they will thrive in a competitive market. An executive order will be issued within 2018 providing for the consolidation of state guarantee firms, such as the Agricultural Guarantee Fund Pool, Industrial Guarantee and Loan Fund, Home Guaranty Corporation, and Small Business Corporation into Philippine Export-Import Credit Agency (PhilExim). The PhilExim shall extend guarantee, insurance, credit, and technical assistance to viable enterprises to help them compete in the market.

Stakeholder consultations will be conducted, particularly in the formulation of institutional arrangements, to ensure that the appropriate competition agencies are involved.

**Reduce unnecessary regulatory burdens to foster competition.** Executive issuances that may substantially prevent, restrict, or lessen competition are being reviewed. While Project Repeal has created awareness in ensuring regulatory quality and started simplifying and streamlining initiatives, it merely delisted, amended, repealed, and consolidated existing regulations. This model needs refinement to take into account compliance cost, administrative costs, and costs of limited competition. In addition, Congress has started the review of primary laws or legislations and a similar approach should be applied.

Moreover, the passage of the Ease of Doing Business and Efficient Government Service Delivery Act, also known as Expanded Anti-Red Tape Act (EARTA) will establish the Anti-Red Tape Authority. The Anti-Red Tape Authority will formulate the National Policy on Ease of Doing Business.

**Address barriers to entry of firms in the market.** There is a need to foster competition in key economic sectors or areas that are crucial in achieving inclusive development.

In the telecommunications sector, a major barrier is the restriction on foreign investments in public utilities. The Constitution requires public utilities to be at least 60 percent owned by Filipinos. At present, electricity (transmission and distribution), water, transportation, telecommunications, and other essential services are considered public utilities. There is a need to amend the Public Service Act to redefine public utilities to open up the competition and improve service delivery.

In addition, a Philippine Institute for Development Studies (PIDS) study<sup>5</sup> showed that even when it is complemented by a competition framework, the regulatory environment is ineffective unless a high-level of regulatory authority with the right mandate is established. PIDS also cited the need for a regulatory mandate over interconnection rates and universal access of service. Currently, interconnection rates are still negotiated only between parties (service providers), and the National Telecommunications Commission (NTC) only becomes involved when the parties fail to reach an agreement.

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<sup>5</sup> Ortiz K., et.al, (2017). Rebooting Philippine Telecommunications Through Structural Reform, Published by PIDS

To address these challenges, there is a need to:

- Eliminate any discriminatory practice in the application of financial or technical criteria against foreign-owned firms when evaluating public procurement tenders.
- Regulate local loop unbundling prices.
- Review the mandates of the NTC, the PCC and the Department of Information and Communications Technology (DICT) to fully address recurring issues (including interconnection) in the sector to ensure complementary powers and functions of the three agencies, and to boost competition in the market.
- Restructure the NTC to ensure its independence, through diversifying its funding sources and setting more appropriate fines to erring service providers.
- Add penal provision in the amendment of Republic Act No. 7925, s. 1995 or the Public Telecommunications Policy Act of the Philippines.

In the maritime transport industry, a joint study by the PIDS and the World Bank (WB) revealed the need to address barriers to domestic and international trade integration.<sup>6</sup> These hindered countryside development due to the high cost of transporting people and goods, which stunted efforts to improve productivity and competitiveness of exports and tourism. In addition, the domestic shipping industry remained to be very concentrated with a few shipping companies resulting in delays in the shipment of cargos.

There is a need to review the effectiveness of the amended Republic Act No. 10668, s. 2015 or the Cabotage Act to address the said barriers to the development of the maritime transport industry.

In public procurement, there is a margin of preference for domestic suppliers. Given this, there is a need to review the 15-percent margin of preference for local suppliers under the Government Procurement Reform Act (GPRA). Moreover, there is a need to fully implement MO 16, s. 2017 to ease or lift restrictions on foreign participation in certain investment areas or activities, including contracts for the construction and repair of locally funded public works. This will address restrictions on foreign participation in the construction industry that limit competition in the procurement of public infrastructure projects. Additionally, the government needs to work on eliminating unnecessary requirements that hinder competition in public procurement.

**Promote competitive neutrality concerning GOCCs.** Continuous review of the GOCC corporate profiles and evaluation of the mandate and services of the GOCCs will be done to ensure competitive neutrality, such that government-owned and private businesses can compete on a level playing field. This is an important element of the broad competition policy framework of a country and essential in using resources effectively within the economy to achieve growth and development.<sup>7</sup>

In the Philippines, there is a need to rationalize the government's involvement in business operations. Based on the 2017 WB study on Product Market Regulation (PMR),<sup>8</sup> the three areas where the Philippines should address significant restrictions to competition are: scope of state-owned enterprises (i.e., GOCCs); governance of state-owned enterprises; and antitrust exemptions.

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<sup>6</sup> Llanto, G.M, E. Basilio & L. Basilio. "Competition Policy and Regulation in Ports and Shipping." PIDS-World Bank Competition Policy Project

<sup>7</sup> Fostering Competition in the Philippines: The Challenge of Restrictive Regulations, World Bank Group

<sup>8</sup> PMR score indicates the level of regulatory environment restriction of a country based on three major indicators: state control, barriers to entrepreneurship, and barriers to investment and trade. According to the World Bank, the PMR indicators constitute only a preliminary diagnostic tool as further analytical work in specific pillars sector would be necessary to design and prioritize interventions according to their expected effects and feasibility.

For example, in the maritime industry, the Philippine Ports Authority (PPA) is the developer, operator, and regulator of ports in the country. This setup disadvantages non-PPA ports and leads to limited competition in the industry.<sup>9</sup>

Hence, there is a need to:

- Review the mandate of PPA and Maritime Industry Authority (MARINA) to separate regulatory from proprietary functions, as well as address anticompetitive behaviors in the shipping industry.
- Review the 10-year Maritime Industry Development Program led by the Department of Transportation (DOTr) and MARINA to ensure that reforms in the mandates of PPA and MARINA are in place.
- Ensure competitive neutrality between public and private firms in the freight/cargo and passenger markets.

**Increase awareness of the competition law to foster a culture of strong market competition.** There is a need to intensify information campaigns on market competition to increase awareness of MSMEs, large firms, and the consumers on competition law. A 2017 nationwide survey<sup>10</sup> conducted by the PCC shows that only 4.2 percent of households have heard or read about the PCA and only 0.4 percent correctly understand it.

More advocacy campaigns must be undertaken to promote a culture of competition in the private sector and to enhance compliance with the law. Communication plans must be crafted to increase awareness of consumers on the competition policy and law. Case studies must also be conducted to broaden knowledge and document good practices on competition in the country.

**Strengthen the capacity of the Executive and Judicial departments to enforce the competition law.** While the PCC and the DOJ-OFC have conducted trainings and workshops on competition, there is still a need to further strengthen the capacity of the executive and judicial arms of government towards the effective criminal, civil, and administrative enforcement of the PCA and other competition-related laws.

**Implement more collaborative undertakings among competition agencies.** Intra-government cooperation and communication in addressing competition concerns in different sectors must be formed to align initiatives among competition agencies and sector regulators. This will ensure that potential overlaps in jurisdiction are averted. Memoranda of agreement may be signed between and among competition agencies to address challenges in enforcing the Philippine Competition Act.

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<sup>9</sup> Llanto, G.M, E. Basilio & L. Basilio. "Competition Policy and Regulation in Ports and Shipping." PIDS-World Bank Competition Policy Project

<sup>10</sup> PCC conducted a Survey on Awareness of Households on the Philippine Competition Act and the Philippine Competition Commission nationwide. It was participated by 1,500 households, with respondents both male and female head of households. Through a multistage probability sample, they have analyzed the data gathered with 2.53 margin of error. Both rural and urban households were part of the survey.

# Recommendations

While the PDP 2017-2022 has provided key strategies in ensuring a level playing field through the NCP, new strategies are recommended to be prioritized in the near-term:

*Table 16.1 Supplemental Strategies to Level the Playing Field through a National Competition Policy*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Limited competition in key economic sectors</li> <li>Lack of market competition culture in the country</li> </ul>	<ul style="list-style-type: none"> <li>Draft and recommend an Executive issuance on the National Competition Policy (NCP).</li> <li>Craft the Implementation Plan/Strategy of the NCP.</li> <li>Create the inter-agency body on the implementation of the NCP.</li> </ul>	NEDA, PCC
<ul style="list-style-type: none"> <li>Unnecessary regulatory burdens for businesses hamper competition</li> <li>Existing barriers to the entry of firms in the telecommunications industry:               <ul style="list-style-type: none"> <li>A major barrier is the restriction on foreign investments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Enact the Ease of Doing Business and Efficient Government Service Delivery Act, also known as EARTA.</li> <li>Create the Anti-Red Tape Authority.</li> <li>Review the mandates of the NTC, DICT, and the PCC to fully address recurring issues (including interconnection) in the sector, to ensure complementary powers and functions of the three agencies, and to boost competition in the market.</li> <li>Restructure the NTC to ensure its independence, through diversifying its funding sources and setting more appropriate fines to erring service providers.</li> </ul>	Congress, NEDA, NTC, DICT, PCC, Government Procurement and Policy Board
<ul style="list-style-type: none"> <li>The margin of preference for domestic suppliers and restrictions on foreign participation limit competition in the procurement of public infrastructure projects.</li> </ul>	<ul style="list-style-type: none"> <li>Review the 15-percent margin of preference for local suppliers under the GPRA.</li> </ul>	Congress, GPPB
<ul style="list-style-type: none"> <li>Competitive neutrality issues exist among GOCCs, for example in the Maritime Transport industry.</li> <li>The domestic shipping industry remained to be very concentrated with a few shipping companies, resulting in delays in the shipment of cargos.</li> </ul>	<ul style="list-style-type: none"> <li>Review the 10-year Maritime Industry Development Program led by the DOTr and MARINA to ensure that reforms in the mandates of PPA and MARINA are in place.</li> </ul>	NEDA, DOTr, PPA, MARINA, GCG
<ul style="list-style-type: none"> <li>Rapid globalization of economic activities has raised challenges for competition authorities and in international trade integration.</li> </ul>	<ul style="list-style-type: none"> <li>Form stronger linkages and partnerships with international organizations and development partners, such as the Association of Southeast Asian Nations, Asian Development Bank, International Competition Network, Organisation for Economic Co-operation and Development, and United Nations Conference on Trade and Development.</li> </ul>	Competition agencies





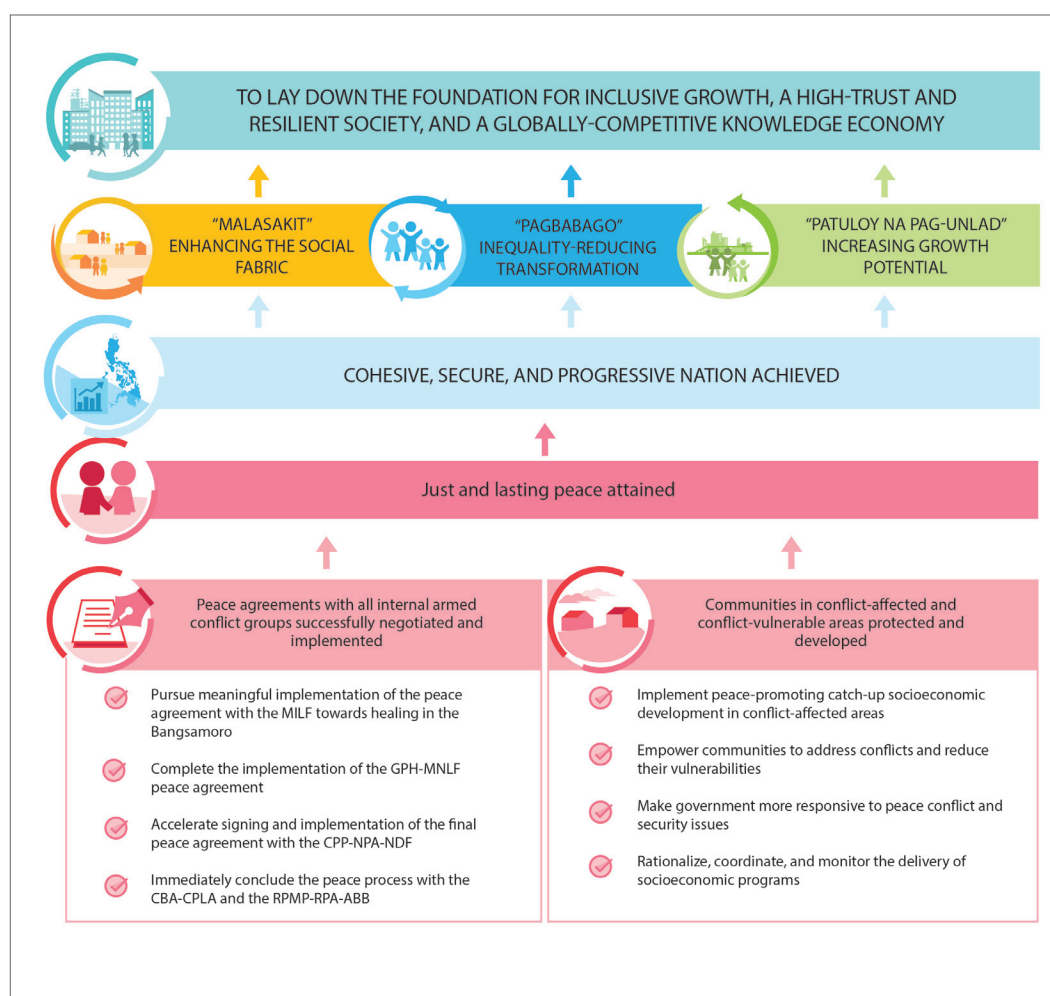
# 17 Attaining Just and Lasting Peace

# Attaining Just and Lasting Peace

The government's strong commitment to achieving just and lasting peace within this administration was made based on the approval of President Duterte's Peace and Development Roadmap. The roadmap contains the six-point peace and development agenda that would guide the peace process, the implementation of peace agreements, and the protection and development of conflict-affected and -vulnerable communities.

Attaining just and lasting peace is one of the crucial foundations that support the pillars of the Philippine Development Plan (PDP) 2017-2022: *Malasakit*, *Pagbabago*, and *Patuloy na Pag-unlad*. To achieve this, peace agreements with all internal armed conflict groups will be negotiated and implemented. While engaging in peace talks, the government will also ensure that conflict-affected and -vulnerable communities are protected and developed. This is illustrated in the schematic diagram below.

**Figure 17.1 Strategic Framework to Attain Just and Lasting Peace**



# Accomplishments

## Negotiating and implementing peace agreements with all internal armed conflict groups

**Despite the termination of the peace negotiations with the Communist Party of the Philippines/New People's Army/National Democratic Front of the Philippines (CPP/NPA/NDFP), modest milestones in the peace process have been achieved since the current administration took over in 2016.** Several rounds of formal talks with the NDFP were conducted after a five-year impasse. The government showed its sincerity to the advancement of the peace talks by releasing the detained NDFP consultants to take part in the negotiations and by declaring an indefinite unilateral ceasefire which lowered the level of violence on the ground from August 2016 to January 2017. The supplemental guidelines for the operationalization of the Joint Monitoring Committee under the Comprehensive Agreement on Respect for Human Rights and International Humanitarian Law (CARHRIHL) was signed to guide the monitoring of its implementation. The government also established the Compliance Monitoring Station in Davao City in September 2017 to oversee incidents of “noncompliance” of the provisions of CARHRIHL.

The bilateral teams conducted simultaneous negotiations on the exchanged drafts of comprehensive agreements on socioeconomic reforms, political and constitutional reforms, and end of hostilities and disposition of forces. This resulted in a common draft of the agreement on agrarian reform and rural development and on national industrialization and economic development of the Comprehensive Agreement on Socioeconomic Reforms, which was not achieved in previous negotiations during past administrations. However, the continued attacks and intensified extortion activities by NPA rebels amidst ongoing peace talks prompted the President to terminate the negotiations.<sup>1</sup>

**Stronger partnerships have been forged and a more conducive environment has been created for the implementation of signed peace agreements.**

*Meaningful implementation of the agreement with the Moro Islamic Liberation Front (MILF) toward healing in the Bangsamoro.* Both the Government of the Philippines (GPH) and the MILF parties strengthened their commitment and collaboration towards the implementation of the Comprehensive Agreement on the Bangsamoro (CAB).<sup>2</sup> President Duterte expanded the membership of the Bangsamoro Transition Commission (BTC) through the issuance of Executive Order No. 8, s. of 2016 to ensure inclusivity and wider participation of stakeholders. The new Bangsamoro Basic Law (BBL) draft was filed in the House of Representatives in September 2017, certified urgent by the President.

As part of the rehabilitation, reconstruction, and development of conflict-affected areas, the GPH and MILF intensified partnership on the implementation of the Phase 1 of the Normalization Process, particularly the implementation of socioeconomic program for decommissioned combatants and its communities vis-à-

<sup>1</sup> Proclamation No. 374, s. 2017 declaring the CPP and NPA as terrorists under RA 10168 (An Act Defining the Crime of Financing of Terrorism, Providing Penalties Therefor and for Other Purposes)

<sup>2</sup> The following documents were signed: Terms of Reference of the GPH and MILF Implementing Panels (March 21, 2017); Certificate of renewal of the International Monitoring Team and the Ad Hoc Joint Action Group (AHJAG) (March 21, 2017); and the Protocol of Cooperation on Anti-illegal Drug Operations and Related Activities in MILF Areas/Communities (signed by the Chairmen of the CCCH and AHJAG of both parties witnessed by the Armed Forces of the Philippines, Department of the Interior and Local Government, Philippine National Police (PNP), National Intelligence Coordinating Agency, Philippine Drug Enforcement Agency, and MILF on June 30, 2017).

vis the developments in the political-legislative track.<sup>3</sup> They also consolidated and facilitated development programs for the transformation of former MILF camps.<sup>4</sup>

Both parties formulated the roadmap for transitional justice and reconciliation program and organized the Peoples' Peace Tables that enabled stakeholder participation in the peace process and allowed the building of relationships, healing, and reconciliation among them.

Moreover, the GPH-MILF ceasefire mechanisms<sup>5</sup> supported and coordinated law enforcement operations of the Armed Forces of the Philippines (AFP) against the Bangsamoro Islamic Freedom Fighters in some areas of Maguindanao.<sup>6</sup> These mechanisms also resolved ceasefire concerns and rido-related cases<sup>7</sup> in conflict-affected areas in Mindanao.

*Completion of the implementation of the remaining commitments under the 1996 Final Peace Agreement (FPA) with the Moro National Liberation Front (MNLF).* The GPH Implementing Panel continued to hold discussions on the implementation of the Tripartite Agreements, in particular the consensus point on the convergence of the 1996 FPA and the 2014 CAB based on the 2010 draft amendatory bill and legal panel report. However, the Draft Amendatory bill to Republic Act No. 9054 is still pending for submission due to the MNLF's decision to pursue the federalism track.

*Immediate conclusion of the peace process with Cordillera Bodong Administration-Cordillera People's Liberation Army (CBA-CPLA) and the Rebolusyonaryong Partido ng Manggagawa ng Pilipinas-Revolutionary Proletarian Army-Alex Boncayao Brigade (RPMP/RPA/ABB) Tabara Paduano Group (TPG).*

*On CBA-CPLA.* The commitments under the Memorandum of Agreement between the government and the CBA-CPLA towards the CPLA's final disposition of arms and forces and its transformation into a potent socioeconomic unarmed force (Closure Agreement) have been significantly implemented in 2017. On the government side, sustainable socioeconomic interventions were established to ensure peaceful and productive lives for former CPLA members, their families, and communities. These include the continuation of economic reintegration of more than 500 former combatants into government programs, such as employment and provision of livelihood and capacitating their transformed people's organizations to ensure sustainability of their enterprise. On the other hand, the CBA-CPLA implemented 81 community development projects in 57 barangays.

Both sides recognize the importance of sustaining the gains even after the agreement has been fulfilled. For this reason, the completion of the component on the disposition of arms and forces is being pursued.

*On RPMP/RPA/ABB.* The government and RPMP/RPA/ABB-TPG national leaders are currently reviewing the concluding accord to the 2000 Peace Agreement. Concerned agencies also vetted the budget for the socioeconomic projects and activities under the agreement.

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<sup>3</sup> Security assessments and workshops with the government security sector; discussions and consultations on the curriculum of Joint Peace and Security Teams; review of draft Terms of Reference of the Joint Peace and Security Committee and draft Implementing Rules and Regulations of the National Task Force on the Disbandment of Private Armed Groups; initial site visits for Joint Peace and Security Teams trainings and deployment; and review of other pertinent documents and protocols relative to the implementation of the Normalization Process.

<sup>4</sup> Such as solar power systems and community centers (e.g., masjid, day care, health stations, madrasah, warehouse, barangay hall)

<sup>5</sup> Coordinating Committee on the Cessation of Hostilities and Ad Hoc Joint Action Group, supported by the International Monitoring Team

<sup>6</sup> Shariff Aguak, Pagatin (Datu Piang), Mamasapano, and Salibo

<sup>7</sup> The Asia Foundation defines rido as a "type of conflict characterized by sporadic outburst of retaliatory violence between families and clans. Rido-related cases can occur in areas where the central authority is weak or where there is a perceived lack of justice and security."

In preparation for the signing and implementation of the Closure Agreement, more than 100 Community Peace Dividend areas<sup>8</sup> were identified as beneficiaries of livelihood grants and enterprise development, including settlement and production sites of Peace and Development Communities. Moreover, the status of the group's legal cases of members and other categorized cases eligible for the Presidential Committee on Bail, Recognizance, and Pardon were updated. The AFP and PNP also continued the integration of the members into the Community Security Force. A quick response mechanism<sup>9</sup> was also created to address concerns of the group especially of its members' security.

## Protecting and developing communities in conflict-affected and conflict-vulnerable areas

**Continuation of the *Payapa at Masaganang Pamayanan* Program or PAMANA as the government's peace and development convergence program.** The program was enhanced to complement the expanded peace and development efforts of the government in addressing issues of injustice and improving access to socioeconomic interventions. It aims to empower communities in addressing issues of conflict and peace; and capacitate national government agencies and local government units (LGUs) in adopting a conflict-sensitive and peace-promoting (CSPP), culture-sensitive, and gender-sensitive approach to human rights promotion and development.

In 2017, 1,395 socioeconomic development projects were implemented for conflict-affected and conflict-vulnerable communities. These include infrastructure projects, agricultural and fishery productivity support, livelihood, and social protection, among others. PAMANA also include projects on Ancestral Domain Delineation and Recognition and Ancestral Domain Sustainable Development and Protection Plan formulation and development of settlement site projects.

**Empowering communities by increasing their capacity to address conflict and reduce their vulnerabilities.** The government launched the Peoples' Peace Table to equip young peacebuilders with basic knowledge of the Culture of Peace. Multisectoral peace conversations were also organized including those with key indigenous peoples (IP) leaders that resulted in the activation of the IP Peace Panel, in response to the persistent clamor for IP representation in the peace process.

**Strengthening peace and development institutions and mechanisms to increase their responsiveness to conflict and security issues.** The GPH-MILF Joint Coordination, Monitoring and Assistance Centers facilitated the establishment of Peace Corridors that served as safe and secure pathways for the victims fleeing the conflict zones in Marawi City. It has been instrumental in the rescue and retrieval of some 255 individuals, as well as in the humanitarian assistance and delivery of relief goods to more than 40,000 families.

Through PAMANA, the government also ensured that the implementation of development projects in conflict-affected and -vulnerable areas is CSPP-compliant. It also seeks to enhance existing protocols and policy guidelines, particularly on internally displaced persons' (IDPs) social protection.

Partnerships with LGUs and Commission on Higher Education were established to mainstream peace education in formal and non-formal education. The Department of Education was given modules to

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<sup>8</sup> Areas covered include those in Negros, Panay, Davao City, Bukidnon, and Ilocos Sur

<sup>9</sup> The quick-response mechanism, the Interim Joint Action Committee (IJAC), is composed of representatives of the AFP and PNP at the provincial and regional levels, and TPG chapter representatives (2 per province).

strengthen their capacity in disaster risk and reduction management, climate change adaptation, and education in emergencies.

As part of the implementation of the National Action Plan on Women, Peace, and Security (WPS), the Regional Action Plan on WPS for the Autonomous Region in Muslim Mindanao was launched, which several LGUs have mainstreamed in their local development plans. A comprehensive program was also formulated to develop effective, efficient, and appropriate strategies, measures, and interventions to prevent trafficking and rehabilitate victims and survivors, especially women.

**Ensuring government rationalization, coordination, and monitoring of the delivery of socioeconomic programs and other interventions by donor institutions and government agencies in conflict-affected areas, especially in Mindanao.** To achieve a peaceful, cohesive, secure, and inclusively-developed Mindanao, the government has formulated the Strategic Framework for Mindanao Peace and Development which the Cabinet Cluster on Human Development and Poverty Reduction approved and adopted.

## Moving Forward

The termination of the peace negotiations with the CPP-NPA-NDF threatened the possibility of forging a political settlement within this administration and may further increase armed encounters as well as resurgence of armed conflicts in once cleared barangays. **The government recognizes this and, thus, will pursue other paths to peace through key reform measures, general amnesty, among others, in the absence of peace negotiations.** Its peace panel is still open for possible resumption of the peace talks, once an enabling environment that will allow the continuation of the peace negotiations is already present.

The security sector will enforce coordinated and focused military action in countering heightened acts of violence on the ground committed by the NPA, while sustaining engagement with peace stakeholders in support of the government's peace efforts. The government will also implement strategic communications plan to maintain its high moral ground in the peace process and to clarify its principled positions on issues raised by the CPP/NPA/NDF.

The passage of the BBL will be instrumental in curbing discontent among the Bangsamoro constituency. It is identified as a priority legislative agenda of both houses of Congress. **Given this, the government will strengthen partnership with the MILF and the BTC to ensure the enactment of the new BBL within this term.** It will also sustain and strengthen engagement with Congress through consultations, briefings, and close collaboration with and support from executive agencies. An intensified information and education campaign will be conducted to gather support and commitment from various stakeholders. The GPH and MILF will sustain ceasefire agreement to enable a conducive environment for the peace process.

**The government will entrench mechanisms and modalities to fast-track the completion of the implementation of signed peace agreements.** It shall imbue efficiency, consistency, and adequacy in the assessment and monitoring of the implementation of the GPH-MILF normalization process, while maintaining close coordination with relevant agencies and bodies. Provision and improvement of socioeconomic programs for Bangsamoro and MNLF communities will be ensured through the Bangsamoro Development Assistance Fund (BDAF),<sup>10</sup> PAMANA, or other mechanisms. A continuous engagement with both factions of the MNLF and MILF towards convergence will also be pursued.

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<sup>10</sup> The BDAF was created by virtue of Executive Order No. 872 series of 2010.

To conclude the peace process with the CBA-CPLA, the government will pursue the complete implementation of the 2011 Closure Agreement, continuation of peace and development interventions, and provision of support to regional development advocacies. The government will also continue to employ the following strategies for the closure of the RPMP/RPA/ABB-TPG track: signing of an agreement towards the group's disposition of arms and forces; multistakeholder convergence and support towards the full implementation of socioeconomic interventions; release of alleged political offenders for humanitarian reasons; and sustained local development support.

**Collaboration with the security sector will be strengthened to facilitate and ensure the implementation of development interventions in conflict-affected and -vulnerable areas.** The government will also support programs and initiatives on conflict resolution and management such as dialogues, civilian protection, peace education, healing and reconciliation efforts, particularly those affected by the Marawi siege.

**The government will ensure coordination and monitor development interventions both by donor institutions and government agencies, especially in Mindanao.** An appropriate financing modality will be established to support the government's peace and development efforts in Mindanao. The current Mindanao Trust Fund – Reconstruction and Development Program will allow for the implementation of development projects and build the capacity of key institutions in the Bangsamoro.

**The government will continue to promote the culture of peace through the Peoples' Peace Tables to prevent and counter violent extremism.** It will also develop a conflict-sensitive, peace-promoting, comprehensive, and sustainable national action plan to counter and prevent violent extremism. The government will sustain efforts in enhancing education programs designed to inculcate the values of peace, tolerance, respect, commitment to the rule of law, democracy, social justice, human rights, and freedom. The Madrasah system will also be strengthened to instill these values in the youth and create platforms for both inter- and intra-cultural and inter- and intra-faith dialogue.

Engagement with and empowerment of stakeholders are crucial in preventing violent extremism. Regional and international partnerships will be strengthened and communities will be empowered, especially the youth and women. The government will also use social media to build peaceful communities online – challenging violence, hate, and intolerance by promoting trust and acceptance of our cultural diversity.



# Recommendations

To supplement and address the gaps of the existing programs and projects on attaining just and lasting peace, the following strategies are recommended.

*Table 17.1 Supplemental Strategies to Attain Just and Lasting Peace*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>No established mechanism to improve the delivery of assistance to IDPs for efficient implementation of interventions</li> </ul>	<ul style="list-style-type: none"> <li>Implement policies to improve the provision of assistance and interventions to IDPs, such as establishment of protocols and guidelines and strengthening of coordination mechanism among government agencies as well as the donor partners.</li> </ul>	OPAPP
<ul style="list-style-type: none"> <li>Lack of mechanism within the government that would provide the data specifically for conflict-affected areas necessary to assess the impact of PAMANA to the beneficiaries and communities. Although there are available administrative data at the agencies, consolidating such data is tasking and has always been a challenge to assess the outcome indicators identified to be monitored in the Results Matrix of the PDP.</li> </ul>	<ul style="list-style-type: none"> <li>Establish a mechanism that would regularly monitor data to assess the impacts of the implementation of PAMANA to communities in conflict-affected areas.</li> </ul>	OPAPP

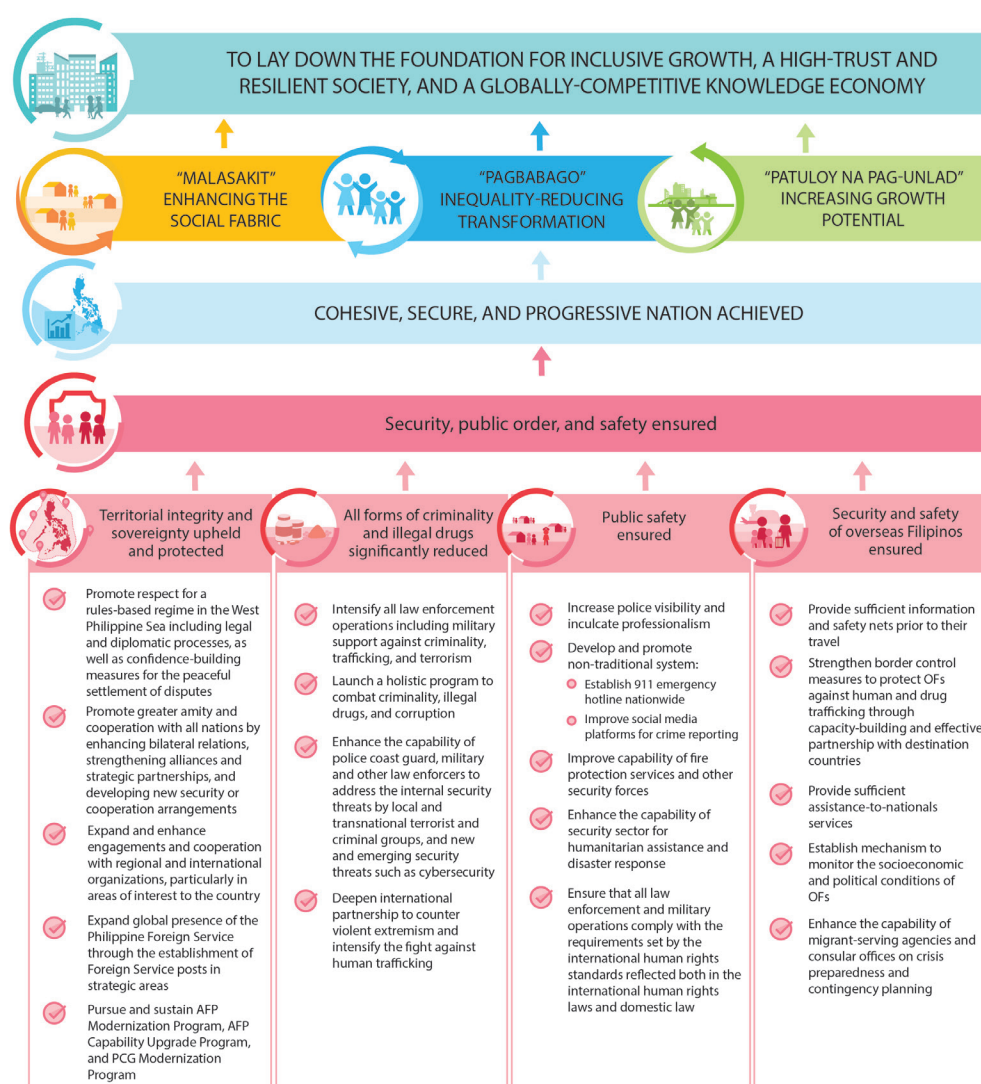
18

Ensuring  
Security, Public  
Order, and Safety

# Ensuring Security, Public Order, and Safety

Peace, security, and public order are essential bedrock elements in building the foundation for inclusive growth, a high trust and resilient society, and a globally competitive knowledge economy. These affect people's mobility, confidence, and well-being, as well as business continuity and longevity. Ensuring security, public order, and safety is one of the fundamental bedrock strategies of the Philippine Development Plan (PDP) 2017-2022 – as it facilitates the implementation of all other strategies. The intended outcomes of this sector are: (a) territorial integrity and sovereignty upheld and protected, (b) all forms of criminality and illegal drugs significantly reduced, (c) public safety ensured, and (d) security and safety of Overseas Filipinos (OFs) ensured (See Figure 18.1).

**Figure 18.1. Strategic Framework to Ensure Security, Public Order, and Safety**



# Accomplishments

## Upholding and protecting territorial integrity and sovereignty

**The Philippines has taken the first step towards a rules-based regime in the West Philippine Sea by pushing for a legally-binding Code of Conduct (COC).** During the 31st ASEAN Summit hosted by the Philippines, ASEAN member states and China agreed to begin negotiations for the ASEAN-China Declaration of Code of Conduct in the West Philippine Sea. The COC shall be based on the framework for the Code of Conduct in the South China Sea agreed upon by ASEAN-China Foreign Ministers in August 2017 and in accordance with international law, including the 1982 United Nations Convention on the Law of the Sea. The COC is expected to foster cooperation and rules-based conduct among claimant states to maintain peace, stability, and freedom of navigation in the area.

**Diplomatic engagements with traditional allies have been expanded and enhanced, while the government engaged nontraditional allies.** The Philippines has signed agreements enhancing defense cooperation and logistics cooperation with Russia, China, India, Czech Republic, Cambodia, and the United Kingdom. Likewise, the country implemented bilateral defense cooperation agreements with the United States of America, Australia, China, Japan, South Korea, and ASEAN member states.

**Allocation for the defense sector has been increased.** To address external threats and sustain efforts in modernizing the Armed Forces of the Philippines (AFP) and the Philippine Coast Guard (PCG), the national budget for defense increased by 25 percent. The Department of Budget and Management also released ₱18.2 billion out of the ₱25.0 billion appropriated for the AFP Modernization Program for 2017. The National Economic and Development Authority (NEDA) Board approved the Maritime Safety Capability Improvement Project for the PCG–Phase II for the acquisition of two heavy-weather, high-endurance, 94-meter Multi-Role Response Vessels. To establish the Philippines’ presence in the West Philippine Sea, the Department of National Defense (DND), in coordination with the Department of Transportation and the local government of Palawan, repaired and rehabilitated the runway and port facilities in Pag-asa Island.

## Reducing all forms of criminality and illegal drugs

**Efforts to reduce all forms of criminality have been fruitful.** There was a slight reduction in both index and non-index crime rates, complemented by improvements in crime solution efficiency and crime clearance efficiency. These can be attributed to the Philippine National Police’s (PNP) intensified efforts to address crimes that disturb peace and order in communities such as theft, robbery, carnapping, rape, and murder. The military provided assistance in law enforcement operations through the Joint Task Force NOAH (Nationwide Operational Assessment of Hazards), a support unit to Law Enforcement Support Operations.

In support of the PNP, the Department of the Interior and Local Government (DILG) rolled out the *Mamamayang Ayaw Sa Anomalya-Mamamayang Ayaw sa Iligal na Droga (MASA-MASID)*, a platform for stronger collaboration between the local government units (LGUs), communities, and national government against criminality, corruption, and illegal drugs. The DILG exceeded the target for organized MASA-MASID teams in barangays and *Ugnayan ng Barangay at Simbahan* Technical Working Groups (UBAS TWG) in cities and municipalities.

**The anti-illegal drugs campaign led by the Philippine Drug Enforcement Agency (PDEA) has had initial success.** Through the barangay drug-clearing program, the number of drug personalities was reduced by more than half from 2016 to 2017. Likewise, drug level affectation in barangays declined from 47 percent in 2016 to 36 percent in the 3rd quarter of 2017.

## Ensuring public safety

**The number of fire incidents recorded was reduced by 26 percent, from 19,292 in 2016 to 14,197 in 2017.** However, the capacity of the Bureau of Fire Protection (BFP) on fire prevention still needs to be strengthened. Despite a slight increase in fireman-to-population ratio and the implementation of the BFP Service Establishment Program and BFP Service Upgrading and Modernization Program, there was a notable increase in damages and casualties (deaths) due to fire incidents. The increase in wages for uniformed personnel is expected to improve the performance of the security sector.

**Nontraditional systems for responding to crime and emergencies were established.** The DILG implemented the National 911 Program which successfully managed and responded to 101,130 emergency cases from August to September 2017, resulting in a total of 94 human lives saved. The program was further expanded through the establishment of eight Public Safety Answering Points nationwide, and training of 161 emergency telecommunicators certified through the Emergency Telecommunicator Certification.

Aimed at ensuring fast, effective, and efficient management of public safety, the NEDA Board approved DILG's Safe Philippines Project to modernize the capabilities of the DILG, PNP, BFP, and Bureau of Jail Management and Penology in major cities to respond to emergencies, crises and disasters, law enforcement, traffic and fire management, peace and order, and public safety concerns.

**Compliance with local and international human rights laws in law enforcement and military operations was continued.** The DND implemented policies in compliance with local and international human rights laws such as the Child Protection during Armed-Conflict Situations, Prohibition on Red-Tagging, and the Doctrine Publication on the Law of Armed Conflict. In addition, the DND monitored and investigated alleged violations of human rights and International Humanitarian Laws through the Monitoring, Reporting, and Response System, Citizen's Assistance Desk in Iligan City in relation to the implementation of Martial Law in Mindanao, and the Inter-Agency Committee on Extra-Legal Killings, Enforced Disappearances, Torture and Other Grave Violations of the Right to Life, Liberty, and Security of Persons. To sustain efforts in ensuring the protection of human rights during military operations, the DND integrated human rights and International Humanitarian Law modules in the AFP's Professional Military Education. Concurrently, the DILG has conducted capacity-building activities for focal persons and Program Management Teams of the People's Law Enforcement Boards. Accordingly, the Commission on Human Rights (CHR) recorded a slight decrease in number of reported cases of human rights violations covering January to September 2017.

## Ensuring security and safety of overseas Filipinos

**Assistance to Nationals services, including human trafficking victims and mapping of OFs and repatriation of OFs, were provided.** The Department of Foreign Affairs (DFA) expanded the implementation of Assistance to Nationals (ATN) mapping, increasing the territories mapped from 35 to 51. The agency is on track in delivering its target of 80 territories mapped by 2022. The DFA is also continually developing and upgrading the contingency plans for all foreign posts to enhance the capability of migrant-serving agencies and consular officers on crisis preparedness and contingency planning.

In 2017, the DFA serviced 14,504 ATN cases and 463 legal assistance cases, and in coordination with the Department of Justice – Inter-Agency Council Against Trafficking (DOJ-IACAT), provided assistance to 727 human trafficking victims abroad. The Bureau of Immigration Port Operations Division was able to turn over 77 cases of human trafficking to the IACAT, and another 40 cases to the Philippine Overseas Employment Administration (POEA). The DFA likewise facilitated the repatriation of 8,000 OFs from Saudi Arabia, and another 2,227 OFs from the United Arab Emirates.

The DFA has developed an online platform through Facebook for legal aid, guidance, and counselling to migrants. The 888 Hotline for ATN queries was also established as an action line service for nationals in distress, complementing the OWWA 24/7 Operations Center and POEA 24/7 Hotlines. The DOLE also established under its International Labor Affairs Bureau the Assistance to Migrants and their Families Desk which assisted in 1,452 requests and resolved 526 cases.

The IACAT also launched a “1343 Actionline against Human Trafficking” to respond to emergency or crisis calls from victims of human trafficking and their families via call, mobile application, and Facebook. Moreover, the PNP and the National Bureau of Investigation has intensified its anti-trafficking operations, resulting in the rescue of 651 victims and arrest/identification of 387 offenders.

## Moving Forward

**The defense of the country’s territorial integrity and sovereignty in the West Philippine Sea remains a great challenge.** The presence and activities of South China Sea claimant states may negatively affect the Philippines’ exercise of sovereignty, sovereign rights, and jurisdiction in its territory. Further, there is a possibility of militarization of reclaimed islands in the South China Sea. Without a substantive and effective ASEAN-China Code of Conduct in the South China Sea, the risks of inadvertent escalation of hostilities remain.

The nuclear program of the Democratic People’s Republic of Korea, which involved a number of intercontinental ballistic missile tests, also threatens peace and stability in the region.

While positive developments have taken place in relationships among claimant countries to areas in the South China Sea, the Philippines still needs to improve its defense capability to protect its sovereignty. Given the archipelagic nature of the country, there is a need to intensify its detection, identification, and interdiction capabilities, and to strengthen border protection from piracy, trafficking, and other transnational crimes.

A credible defense posture must be established. Given the risks posed to the country’s sovereignty, sovereign rights, and territorial integrity, the modernization of the Armed Forces and Coast Guard should be sustained. The acquisition of necessary radars and maritime awareness platforms must be pursued. Likewise, facilities, equipment, and skills of maritime law enforcers and of LGUs should be enhanced. A decent presence and strengthened border protection in the West Philippine Sea and eastern seaboard should also be established.

The country will pursue legal and diplomatic engagements with other claimant states, as well as implement confidence-building measures to assert our claims and protect our sovereignty. The country must push for a legally binding Code of Conduct in the West Philippine Sea when the negotiations between ASEAN and China begin. Similarly, the Philippines should expand and strengthen diplomatic engagements and cooperation in regional and international fora.



To mitigate increasing tensions in the region arising from possible militarization of reclaimed islands, the Philippines shall advocate and work towards the peaceful resolution of territorial disputes and overlapping maritime claims in the West Philippine Sea. The country shall operate under the ruling of the Permanent Court of Arbitration and other international laws when engaging China and other claimant states.

**Rise of radicalism and violent terrorism continues to threaten peace and order in the country and the region.** The recent crisis in Marawi instigated by the Maute Terror Group highlighted the need to further enhance the capacity of our defense and security forces and improve regional cooperation against violent terrorism. It also exposed the vulnerability of the youth to indoctrination of radicals and terrorist groups. The government must ensure that the rehabilitation and recovery program to rebuild Marawi City includes psychosocial healing processes and incorporates conflict-sensitive, peace-promoting, and inclusive governance to prevent violent extremism.

A holistic approach in curbing the rise of terrorism and violent extremism shall be pursued. The mechanisms to monitor internal security threats shall be strengthened. Likewise, the ability of military and law enforcement forces to undertake immediate action against terrorists and extremists shall be enhanced. Engagements with local communities through the madrasahs, sultans, ulamas, and other religious and traditional leaders shall be pursued to deter and prevent recruitment of youth in sowing violence and terrorism.

**The government's capability to address criminality and illegal drugs needs improvement.** As a result of intensified criticisms, the President designated the PDEA as the sole agency in charge of the anti-illegal drugs campaign twice, first on January 30, 2017 and again on October 10, 2017 by virtue of Executive Order No. 15 and the President's Memorandum, respectively. However, the agency does not have the adequate budget, personnel, and equipment to fully and effectively enforce the campaign, which may counter the recent achievements of the government. As such, the Congress increased the allotment for PDEA's Dangerous Drugs Supply Reduction and Suppression Program from ₱1.2 billion to ₱2.4 billion to address the need for personnel and equipment in the full and effective enforcement of the anti-illegal drugs campaign.

However, it is still critical for law enforcement agencies to address issues on human rights protection for the campaign against criminality and illegal drugs to be successful. The integration of human rights in police and military training shall be institutionalized, while human rights offices, desks, or units shall be established in all police and military headquarters. Further, the security sector shall establish and strengthen mechanisms to monitor human rights abuses in law enforcement operations in support of the CHR.

Equally important are strategies to reduce the demand for illegal drugs. There should be a more aggressive promotion of activities involving the youth like sports, civic action, culture, and the arts.

To address the threats posed by transnational crimes, the institutional capacity of the Bureau of Immigration (BI) will be strengthened through increased plantilla positions and effective border control.

**There is a need to strengthen coordination among agencies and enhance the capability of the security sector in providing humanitarian assistance and disaster response.** The security sector has played a key role in restoring normalcy to disaster-stricken areas, both natural, and more importantly, human-induced events in the past year. Its capability however must continuously be upgraded to ensure safety of the people. The results of the review of RA 10121 (Philippine Disaster Risk Reduction and Management Act of 2010) conducted by the National Disaster Risk and Reduction Management Council underscored the need for a more integrated approach to disaster risk reduction from mitigation and preparedness, to response, and rehabilitation and recovery.



Taking this review into consideration, Congress has initiated discussions on the enactment of a law to create a department-level agency with the primary responsibility of overseeing, coordinating, and implementing the country's comprehensive DRRM program. An independent Disaster Risk Reduction Authority shall enable the country to be more resilient to disaster events. Meanwhile, disaster mitigation and preparedness measures will be continuously strengthened at all levels of governance. To support this, capacity-building measures shall be sustained to enhance the competency of the security sector for humanitarian assistance and disaster response. For instance, the capacity of security agencies will be enhanced in terms of incident command system, chemical, biological, radiological, and nuclear defense (CBRNE) response, and scenario-building in nationwide simultaneous earthquake drills.

The government shall continue to provide humanitarian assistance to countries, especially during emergencies. This includes the provision of relief and assistance to crisis-afflicted countries, as well as the deployment of peacekeeping forces in conflict-afflicted areas.

**Safety and welfare of OFs must be ensured, especially during emergencies.** The DFA shall establish and strengthen mechanisms to monitor socioeconomic and security conditions of OFs, especially in conflict-afflicted areas. Likewise, the enhanced guidelines and increased ATN Fund of the DFA shall further enhance the capability of migrant-serving agencies and consular officers in providing assistance to OFs, crisis preparation, and contingency planning.

Recognizing the potential nuclear threat due to increasing tension in the Korean Peninsula, the DFA shall continually update contingency plans in the area and other neighboring states. The Philippines shall support and coordinate with the United Nations Command in monitoring the situation in the area to quickly carry out contingency plans should the need arise. Furthermore, the Philippines shall support efforts in resolving issues in the Korean Peninsula while working closely with international partners in urging the Democratic People's Republic of Korea to tread the path of peace towards easing tensions and attaining long-term peace and stability in the region.

# Recommendations

To address the above concerns and to supplement and address the gaps of the existing programs and projects on ensuring security, public order, and safety, the following strategies are recommended for implementation of concerned agencies:

*Table 18.1 Supplemental Strategies to Ensure Security, Public Order, and Safety*

RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<b>Upholding and protecting territorial integrity and sovereignty</b>	
<ul style="list-style-type: none"> <li>Strengthen border security and patrol measures to protect our porous borders from smuggling, piracy, and trafficking.</li> </ul>	DND, AFP, PAF, PN, PCG, BFAR
<b>Reducing all forms of criminality and illegal drugs</b>	
<ul style="list-style-type: none"> <li>Strengthen regional and international cooperation to combat terrorism, violent extremism, and transnational crimes.</li> <li>Strengthen capacity of law enforcement in addressing emerging threats such as cybersecurity and transnational crimes.</li> </ul>	DILG, DFA, DND, PNP, PCG, NBI, BI
<ul style="list-style-type: none"> <li>Formulate and implement a plan to involve the youth in sports, civic action, culture, and the arts.</li> </ul>	PSC, DepEd, NCCA, NYC, LGUs, CSOs
<b>Public safety ensured</b>	
<ul style="list-style-type: none"> <li>Enhance capabilities of the security sector in providing humanitarian assistance and disaster response.</li> <li>Improve and enhance public safety measures and infrastructure for CBRNE.</li> </ul>	DND, DFA, DILG, AFP, OCD, BFP, PCG, LGUs
<b>Security and safety of overseas Filipinos ensured</b>	
<ul style="list-style-type: none"> <li>Consistent with the proposed Rightsizing Bill, identify the need for additional plantilla positions and Foreign Service posts, especially in high-risk countries and in countries with high levels of undocumented OFs.</li> </ul>	DFA

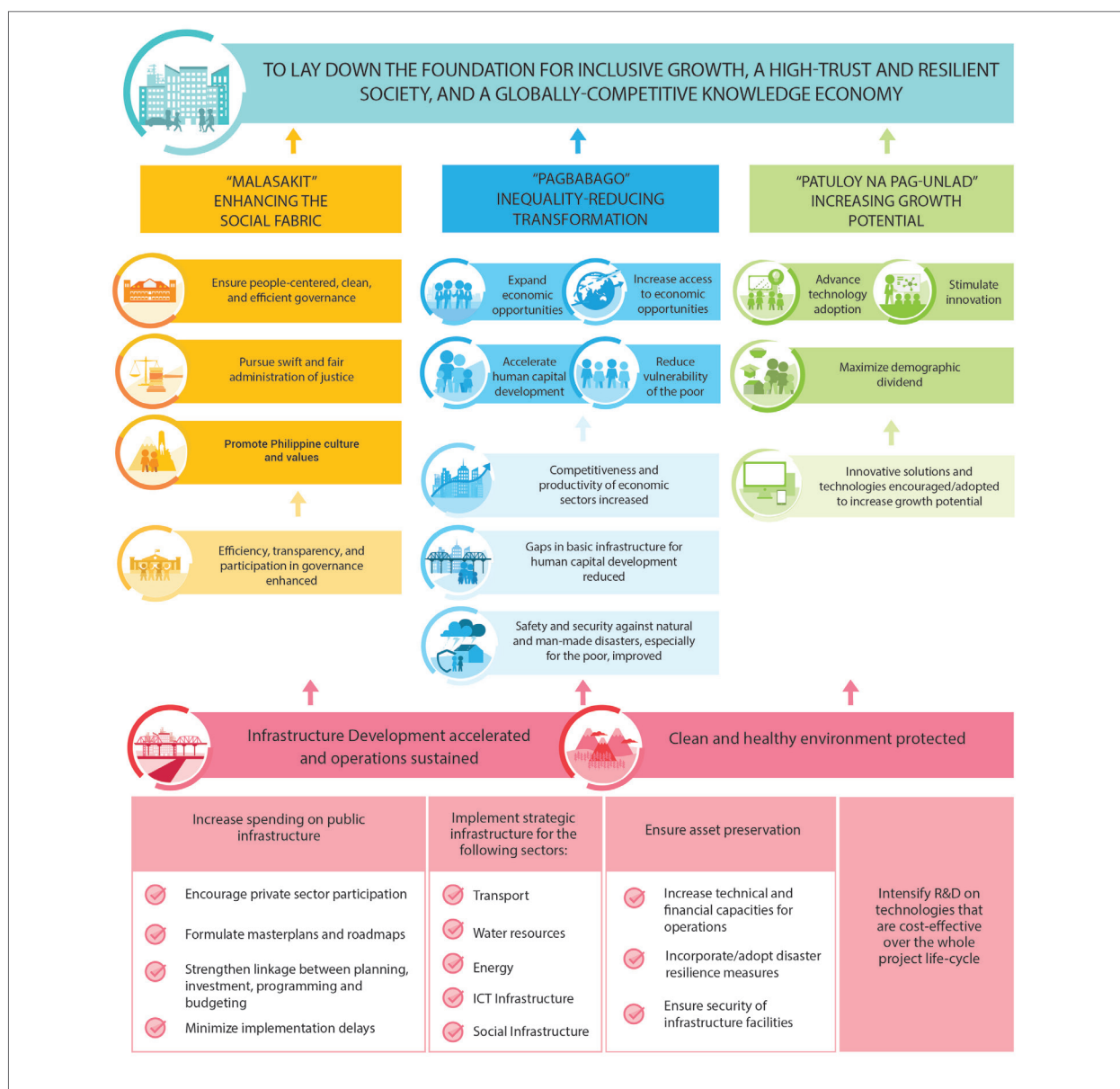
# 19 Accelerating Infrastructure Development

# Accelerating Infrastructure Development

The government has delivered on its commitment to prioritize infrastructure development. It laid down strong foundations for the Build, Build, Build (BBB) Program by taking several key steps to fast-track approval, and subsequently implement high-impact projects to address infrastructure backlogs and support overall economic productivity.

As of December 2017, 24 infrastructure flagship projects (IFPs) amounting to more than ₱1.13 trillion have been approved by the National Economic and Development Authority (NEDA) Board/Investment Coordination Committee (ICC) or are currently being implemented. Meanwhile, the remaining 51 IFPs are in the pipeline for ICC processing and approval. The government has further implemented various sectoral policies to strengthen the institutional capacity and monitoring of the implementation of infrastructure programs and projects (PAPs) to further accelerate infrastructure development.

**Figure 19.1 Strategic Framework to Accelerate Infrastructure Development**

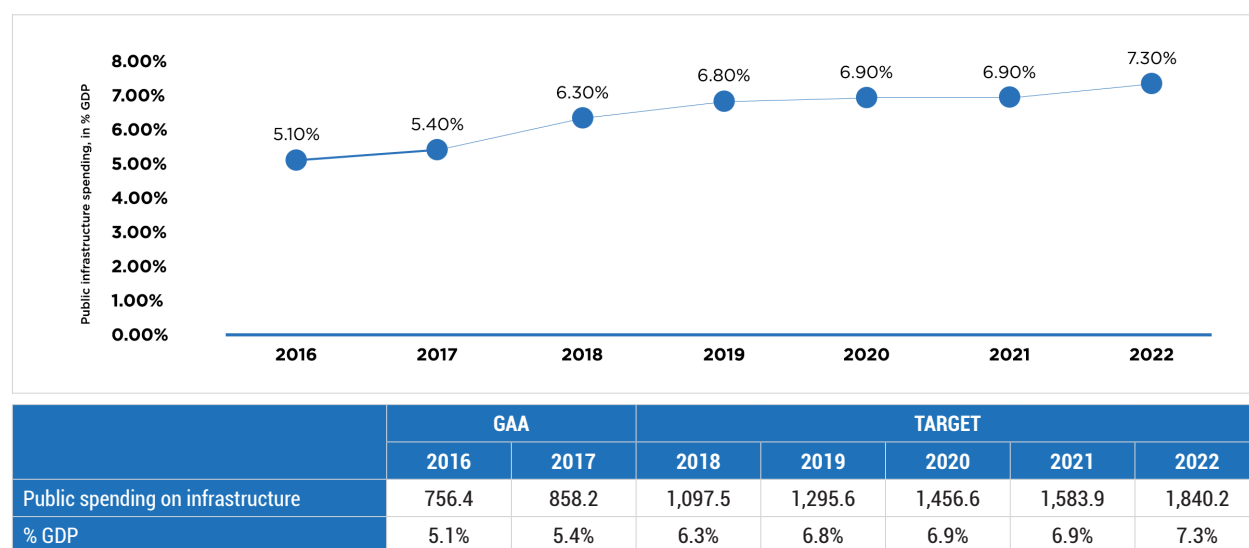


## Accomplishments

### Increasing spending on public infrastructure

**The government has maintained its spending targets for infrastructure development.** The government has committed to accelerate public infrastructure spending from 5.10 percent of the gross domestic product (GDP) in 2016 to 5.40 percent in 2017, with an increase in funding allocation of ₱101.76 billion based on the General Appropriations Act (GAA).

**Figure 19.2 Obligation-Based Public Spending on Infrastructure, in Percent of the GDP (2016-2022)**



**Major infrastructure-related roadmaps and masterplans are currently being formulated to appropriately and efficiently address the infrastructure gaps and bottlenecks in the country:**

- Philippine Transport System Master Plan (PTSMP)
- Philippine Water Supply and Sanitation Master Plan (PWSSMP)
- Manila Bay Sustainable Development Master Plan (MBSDMP)

**There are ongoing efforts to improve the government systems and procedures to further streamline the approval and implementation of major capital infrastructure projects.** In June 2017, the NEDA Board confirmed the approval of increasing the project cost threshold for ICC review to ₱2.5 billion and above, except otherwise provided by law. This deglogged the pipeline projects for ICC approval while exacting greater accountability from implementing agencies (IAs) to exercise due diligence on a large number of major capital projects.

**The government has commenced initiatives to develop the infrastructure pipeline, as well as ensured the timely movement of projects in the pipeline.** These initiatives include, among others, the approval of project preparation facilities such as the (a) the Project Development and Other Related Studies (PDRS) Fund amounting to ₱1.595 billion to be administered by NEDA for 2018 and (b) Infrastructure Preparation and Innovation Facility (IPIF) amounting to ₱7.92 billion to be financed through Official Development Assistance (ODA) facilitated by the Department of Finance from 2018 to 2021. Likewise, the NEDA Board approved the creation of a Project Facilitation, Monitoring, and Innovation (PFMI) Task Force to closely monitor the implementation of IFPs throughout their life cycle and provide policy and procedural recommendations to the ICC and Committee on Infrastructure (INFRACOM) and consequently, for the NEDA Board's consideration.

# Implementing strategic infrastructure

## Transport

**The National Transport Policy (NTP) was approved for adoption to guide the development of the transportation sector.** In order to realize the Transport Vision of a safe, secure, reliable, efficient, integrated, intermodal, affordable, cost-effective, environmentally sustainable, and people-oriented national transport system, the NTP was adopted by the government through NEDA Board Resolution No. 5 dated June 27, 2017. Accordingly, the formulation of the PTSMP and the updating of the Transport Roadmap for the Greater Capital Region (GCR) and High Standard Highway (HSH) Master Plan was initiated in 2017.

**The existing road and highway network is continuously being improved to attain prescribed standards and promote inclusivity of non-motorized transport.** The improvement in the resiliency, design capacities, and levels of service of some road sections/corridors, while underway, is still unable to cope with the increasing number of motor vehicles, particularly those leading to major gateways. As such, traffic congestion remains a primary concern particularly in urban areas/metropolis. Existing road and highway networks also lack the provision for non-motorized transport and pedestrian facilities.

As for the country's high standard highway network, the NAIA Expressway Phase II, STAR II, and the widening of NLEX have been completed and currently being utilized. Construction of Skyway Stage 3 is underway while the implementation of the NLEX-SLEX Connector Road, C6 Expressway, and SLEX Toll Road 4 is ongoing. Remaining sections of existing expressways are being completed including: Binalonan to Pozorrubio Section of TPLEX, NLEX Harbor Link-Segment 10, and Bustos to San Rafael Segment of the Plaridel Bypass Road.

Under the Conditional Matching Grant to Provinces (CMGP) or the KALSADA Program, the upgrading of identified local roads was continued with 788 km completed in 2016, and about 1200 km programmed in 2017.

Two bridges, the Binondo-Intramuros Bridge and the Estrella-Pantaleon Bridge, were approved by the NEDA Board for immediate implementation to serve as alternative linkages between major thoroughfares in Metro Manila. Inter-island bridges in the regions are also underway with the widening of the Governor Miranda Bridge II in Davao del Norte and the construction of Panguil Bay Bridge to connect Misamis Occidental and Lanao del Norte.

Improvements in road-based transport services were undertaken with the extension of validity of driver's licenses to five (5) years; expansion of Premium Point-to-Point (P2P) bus service to eight (8) routes, including the provincial route to Cavite; implementation of the PUV Modernization Program, with the issuance of the Omnibus Franchising Guidelines as an initial step; transfer of the Interim Southwest Terminal from Coastal Mall to a better location along Roxas Boulevard; and commencement of works for the new Southwest and South Intermodal Transport Exchanges which offer long-term solution for inter-modal transport.

**The necessary upgrading and expansion of the country's mass transport network is still inadequate** given that rail assets require high level of operation and maintenance aside from their huge capital investment outlay, while procurement and delivery of these assets also require longer lead time.



Nevertheless, to encourage the shift from private vehicle to public transport usage, with emphasis on mass transit, the following activities were undertaken: finalization of the plans for the Common Station and North-South Commuter Rail (NSCR) (Malolos to Tutuban); construction of two stations for the LRT Line 2 East Extension (Santolan to Masinag), LRT Line 1 South Extension (Baclaran to Bacoor, Cavite), and MRT 7 Project (North Avenue Station to Bulacan); and installation of wireless fidelity (WiFi) service, new ventilation and security equipment rehabilitation of conveyances in MRT3 and LRT Lines 1 and 2, as well as rehabilitation of PNR trains and stations. The following projects, using standard gauge as adopted through INFRACOM Resolution No.02-2016 signed on August 5, 2016, were also approved by the NEDA Board for immediate implementation:

- a. Metro Manila Subway Project Phase I – 25.3-km underground rail from Mindanao Avenue in Quezon City to FTI in Taguig with a spur line to NAIA;
- b. North-South Railway Project South Line, Commuter and Long Haul – construction of a 72-km commuter rail from Manila to Los Baños and a 639-km line, consisting of Los Baños-Legaspi (406 km), Legazpi-Matnog (117 km), Calamba-Batangas (58 km), and a Manila-Los Baños Line (58 km);
- c. Malolos-Clark Railway Project – 70-km rail extending NSCR from Malolos to Clark International Airport; and
- d. Mindanao Rail Project Phase 1 – 102-km line along the Tagum-Davao-Digos Corridor.

**Improvements in existing airports and development of new airports are underway to accommodate increasing passenger and cargo traffic.** NAIA remains as the main international gateway for the GCR because of its proximity to ancillary services (e.g., for overseas Filipino workers [OFWs] shippers, etc.) and availability of flights. The following improvements for NAIA were undertaken: restriction of General Aviation Flights during peak hours to give priority to commercial flights; strict implementation of the five-minute rule for pilots to take-off (which resulted in an increase from 40 percent to 78 percent of “on-time performance” of flights); construction of rapid exit taxiway to allow aircraft to leave the runway at higher speeds; and improvement of other facilities including comfort rooms, Wi-Fi access, and waiting areas for passengers and well-wishers. Premium airport buses servicing all NAIA Terminals going to and from nearby destinations such as Makati, Entertainment City, and Intramuros were also operated for enhanced passenger convenience.

Improvement of other regional airports, such as Laguindingan (Cagayan De Oro), Davao, Bacolod-Silay (Negros Occidental), and Iloilo, has also been given government funding allocation. Further, 19 out of 42 regional airports are now capable of accommodating night flights, while eight (8) more are being night rated. The New Puerto Princesa Airport in Palawan began operating in May 2017, and the development of the Mactan-Cebu International Airport, New Bohol (Panglao) International Airport, and New Bicol International Airport is ongoing. Upgrading of the Clark International Airport to accommodate eight (8) million passengers per year is also underway. Flights in Clark have increased by at least 39 more flights per day. The One-Stop-Shop center for OFWs was also put in place.

The modernization of the country’s Communication, Navigation and Surveillance/Air Traffic Management has been completed.

**Initiatives in the maritime transport sector have been undertaken given its importance for inter-island and regional connectivity.** The Roll On-Roll Off (RoRo) network is being improved with the acquisition of 15 brand new RoRo vessels to ply major nautical highways. As part of the country’s initiative for Master Plan on ASEAN Connectivity 2025, the RoRo network was expanded by opening the Davao/GenSan – Bitung ASEAN RoRo in April 2017. Based on initial assessments, travel time in this route has decreased from five (5) weeks to at most three (3) days while shipping cost was reduced from US\$ 2,200 to 700.

Port expansions across the country are also being undertaken to accommodate the projected cargo traffic demand of 772,640.23 metric tons. Main ports in Iloilo, General Santos City, Cagayan de Oro, and Zamboanga are being modernized to increase efficiency of port operations. The formulation of the 10-Year Maritime Industry Development Program has also commenced with the joint leadership of the Department of Transportation (DOTr) and MARINA.

As a key alternative mode of transport in Metro Manila, the Pasig Ferry service was relaunched complemented with bus/shuttle services.

**Despite efforts to increase safety and security for the traveling public, road accidents, mass transit service interruptions, and illegal activities (e.g., pilferage, smuggling, etc.) are still prevalent.** The Inter-Agency Council on Traffic was formed and has actively worked on harmonizing traffic laws, ordinances, and penalties of local government units (LGUs) in Metro Manila, particularly on apprehending colorum vehicles, illegal parking, and illegal sidewalk vendors. Given the vast coastline area of the country, the current floating and air assets of the Philippine Coast Guard (PCG) face challenges in manning Philippine waters.

## Water Resources

**Uncoordinated planning and implementation of programs and projects remain a major challenge in the water sector.** The institutional set-up for the water resources subsector remains weak and fragmented due to the absence of a single lead agency to oversee overall planning, programming, and policy formulation based on updated, harmonized, and comprehensive data. The uncoordinated efforts of various players in the sector resulted in the unsustainable and inefficient management and utilization of the country's water resources.

**Provision of water supply and sanitation projects has expanded. However, many households still lack access to level III water supply systems.** As of June 2017, the number of connections within water district jurisdictions marginally increased to 4.16 million. Water districts have also desludged and/or treated a cumulative 322,588 cubic meters of septage as of 2017. Meanwhile, 849 subprojects or 41 percent of the total 2,058 subprojects for the 455 waterless communities under the *Sagana at Ligtas na Tubig sa Lahat* (SALINTUBIG) Program have already been completed as of 2017. In 2017 alone, 301 subprojects under SALINTUBIG were in various stages of development and implementation (127 or 44% under preparation, 122 or 44% undergoing detailed engineering and design, 42 or 10% undergoing procurement, and 10 or 2% undergoing construction), while only one (1) subproject was completed.

The government began the formulation of the PWSSMP aimed at improving access to water supply and sanitation (WSS). The master plan looks at, among others, the rationalization of available financing in the sector and the institutional framework to encourage more investments. In addition, the National Sewerage and Septage Management Program (NSSMP) had been amended to expand the coverage of subsidy and target beneficiaries.

**The government is unlikely to meet its 2017 irrigation development target due to challenges in opening up new service areas and restoring/rehabilitating existing systems.** The National Irrigation Administration (NIA) reported that irrigation service to support agricultural production increased but the target to irrigate a cumulative 1.78 million hectares (59%) of the total potential irrigable area by 2017 is unlikely to be met. As of third quarter of 2017, 1.75 million (58%) of the total area for irrigation has been developed. The government has recognized the following key challenges in irrigation development: (a) low water use efficiency in agriculture due to inadequate water control and hydraulic structures; and (b) poor maintenance

of irrigation structures and facilities because of NIA's limited capacity (e.g., manpower, financial resources). NIA is currently undertaking organizational strengthening and organizational structure review for efficiency and effectiveness in performing its mandate.

**Flooding has been a constant issue and may become more severe due to the increasing frequency and intensity of flood occurrences caused by climate change.** The lack of comprehensive sector data for planning and monitoring compounds the problem of uncertainty in terms of the probabilistic impacts of climate change. Nevertheless, the government strives to expand the protected flood-prone areas in the country by completing and updating the flood control and drainage masterplans and feasibility studies (FS) of projects in major river basins and principal rivers.

The government has completed flood and drainage plans<sup>1</sup> for 11 out of 18 major river basins. The preparation of the Davao River Basin flood and drainage plan and FS is currently ongoing, while the other six (6) river basins are being proposed for ODA.

With respect to big-ticket projects in the subsector, the Metro Manila Flood Management Program achieved an important milestone with the loan signing in December 2017, while the Cavite Industrial Area Flood Management Project was approved by the NEDA Board in June 2017.

## Energy

**The national household electrification rate reached 88.7 percent or 20.4 million out of 22.98 million households (HHs) as of June 2017.** Actual house-wiring connection has been installed in a total of 33,062 HHs, of which 28,376 have already been energized as of August 2017. Moreover, the Nationwide Intensification of Household Electrification (NIHE) provided grant assistance fund to increase access to electricity services by eligible electrified HHs, in partnership with distribution utilities and local government units. To date, the Department of Energy (DOE) has approved 12 project proposals for 79,949 household beneficiaries.

**As of December 31, 2017, the country's total installed and dependable capacity<sup>2</sup> has increased to 22,728 Megawatts (MW) and 20,515 MW, respectively.** In 2017, a total of 835.70 MW of additional capacity, mainly coal and solar power plants, went into commercial operation, of which 392.60 MW was added in the Luzon Grid and 105.7 MW in the Visayas Grid. In Mindanao, installed capacity increased by an additional 337.4 MW.

Notwithstanding the additional capacities in 2017, security of energy supply to meet the growing demand is still a challenge. The DOE has identified a total of 8,018 MW and 8,990 MW committed and indicative capacities of power projects,<sup>3</sup> respectively, of the private sector to be implemented from 2018 to 2025 to address the energy security concern. In addition, some policy mechanisms in the Renewable Energy Act have not yet been implemented. The government, through the issuance of Executive Order (EO) No. 30, s. 2017 creating the Energy Investment Coordinating Council (EICC), has initiated streamlining the permitting process to promote transparency and facilitate the smooth regulatory process for energy projects.

<sup>1</sup> Panay, Cagayan, Agno, Ilog-Hilabangan, Agusan (Upper), Bicol, Mindanao, Pampanga, Tagaloan, Cagayan De Oro and Pasig

<sup>2</sup> DOE List of Existing Power Plants as of 31 December 2017. Retrieved from: <https://www.doe.gov.ph/electric-power/list-existing-power-plants-december-31-2017>. Accessed on March 7, 2018.

<sup>3</sup> DOE List of Private Sector-Initiated Power Projects as of December 31, 2017. Retrieved from: <https://www.doe.gov.ph/private-sector-initiated-power-projects>. Accessed on March 7, 2018.

**The government continues to boost renewable energy (RE) utilization in generating power through new and emerging technologies.** The cost of RE has also decreased significantly, leading to increase in RE interest and investments. However, new investments in power plants are sometimes not located at electricity demand centers and are inadequate for the demand. Nevertheless, 193 RE contract applications with potential capacity of 3,813.35 MW as of November 2017 were processed.

**Several policies, rules, and regulations that support the implementation of critical roadmaps in the energy sector, aimed at attaining energy independence, implementation of power market reforms, and sustainability of all available energy sources, were put in place. Among these are the following:**

- EO 30, s. 2017 creating the EICC which will streamline the regulatory processes and fast-track the implementation of major energy projects for power generation, transmission, and ancillary services needed to sustain grid stability and security. The EO further requires government agencies receiving applications for permits of energy projects to process them without awaiting the action of other government agencies within a 30-day period;
- Department Order No. 2017-04-0005 prescribing the new guidelines in the Processing of Applications for Renewable Energy Service/Operating Contracts which provides the procedural flow of evaluation of RE applications within a faster period;
- Department Circular No. 2017-05-0008 which provides the policies and guidelines of Performance Assessment and Audit for all power generation, transmission, and distribution systems and facilities that will be instrumental in the attainment of the secure, reliable, and affordable supply of electric power to support the economic growth of the country; and
- Department Circular No. 2017-11-0012 or the Philippine Natural Gas Regulation (PNGR) which will standardize the guidelines in the accreditation, operation, and maintenance of natural gas infrastructures and facilities, including supply importation and transportation. The PNGR aims to, among others, liberalize entry of investors/participants to the natural gas market and ensure adherence to international and Philippine health, safety, security, and environment standards.

## Information and Communications Technology (ICT)

**The country's digital connectivity has improved moderately with the private sector continuing to lead the development, yet it remains inadequate to meet the increasing demand in the sector.** While average broadband speed increased from 4.3 megabits per second (mbps) in 2016 to 5.5 mbps in 1<sup>st</sup> quarter of 2017 and household internet access increased from 28.3 percent in 2016 to 39.1 percent in 2017, the Philippines has been continuously lagging behind its ASEAN neighbors.

To expand access of broadband services, President Rodrigo R. Duterte approved Republic Act No. 10929<sup>4</sup> or the Free Internet Access in Public Places Act on August 2, 2017 which aims to provide public internet access points in key areas across the country. Nevertheless, the availability of broadband services is mainly concentrated in urban areas, thus marked disparity in digital infrastructure still exists in the country.

<sup>4</sup> RA 10929: "An Act Establishing the Free Internet Access Program in Public Places in the Country and Appropriating Funds Therefor"  
Source: <http://www.officialgazette.gov.ph/downloads/2017/08aug/20170802-RA-10929-RRD.pdf>

**Critical roadmaps and masterplans that set the policy direction towards the development of the ICT sector have been affirmed by the President. These are the following:**

- The National Broadband Plan (NBP) serves as blueprint for the development of the necessary digital infrastructure and modernization of the policy and regulatory framework aimed at addressing the perennial issues and challenges in the sector. The NBP envisions providing available, affordable, and quality broadband internet access across the country. In line with the goals of the NBP, the government and a private sector partner will jointly undertake the Luzon Bypass Infrastructure Project. Through this project, a cable network corridor will be established and cable landing stations will be provided for international submarine cables terminating in the Philippines to support the broadband needs of the national government agencies (NGAs). The landing party agreement for the said project was signed on November 15, 2017. The City Government of San Fernando (La Union) signed a Memorandum of Agreement (MOA) with the Department of Information and Communications Technology (DICT) for the project on December 5, 2017.<sup>5</sup>
- The Framework of the Digital Terrestrial Television Broadcasting (DTTB) Migration Plan guides the country's migration from analog to digital broadcasting. The plan targets the analog switch off in four to six years when the household penetration of DTTB reaches 95 percent in each service area, while the digital switch on was held February 14, 2017.
- The National Cybersecurity Plan 2022 lays down specific proactive strategies in ensuring safety, security, and resiliency of the country's digital infrastructure.

**Efforts were initiated to streamline current government systems and ensure effective and efficient delivery of government frontline services to the public.** The Philippines has embraced the importance of e-government through the continuous implementation of the Integrated Government Philippines Program initially launched in 2016. Several initiatives to streamline current systems to ensure effective and efficient delivery of government services have been introduced.

- The Government Network (GovNet) aims to interconnect all government offices to streamline coordination and increase efficiency in the delivery of services. Completed in 2016, GovNet connects 160 NGAs located in the National Capital Region and 15 agencies in Cebu City. GovNet was then expanded to the regional level with Regional GovNet Phase I, covering 317 agencies in seven (7) regions<sup>6</sup> in 2017. Regional GovNet Phase II will cover eight (8) additional regions.<sup>7</sup>
- Adoption of the Philippine Government's Cloud First Policy that encourages government offices to adopt cloud computing as the preferred ICT-deployment strategy for administrative use and delivery of online services, optimizing the government ICT resources.
- Launching of the National Government Portal (NGP), a single gateway that unites online information and streamlines frontline services to the public.

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<sup>5</sup> Retrieved from: <http://www.sanfernandocity.gov.ph/sfcsite/index.PHP/en/archives/news-articles/287-city-gov-t-signs-agreement-with-dict-as-cable-landing-station-to-speed-up-ph-internet-connectivity>

<sup>6</sup> Tuguegarao, Iloilo, Pampanga, Baguio, Legazpi, Palo-Leyte, and Butuan.

<sup>7</sup> Zamboanga, Cagayan de Oro, Davao, Cotabato, Marawi, La Union, Batangas, and Cebu.



## Social Infrastructure

**The government continued to provide basic education facilities to support full implementation of the K to 12 Program.** The allocation of resources for the construction of school buildings/new classrooms under the Basic Education Facilities Fund (BEFF) increased from ₱82.3 billion in 2016 to ₱118.78 billion in 2017 (i.e., 44% increase). In terms of physical output, the Department of Education (DepEd) has completed the construction of 24,625 classrooms from July 2016 to June 2017.<sup>8</sup>

To address bottlenecks in delivering the BEFF, the DepEd and the Department of Public Works and Highways (DPWH) signed a MOA on March 21, 2017 to improve coordination on joint validation of buildable space, classroom building types, project costs, and soil tests.<sup>9</sup>

**Improving the quality and access to healthcare services remain a priority of the government.** To guide the establishment and upgrading of health facilities throughout the country, the Philippine Health Facilities Development Plan (PHFDP) 2017-2022 was approved by the President on May 8, 2017. It identifies the gaps and needs for health facilities and ensures availability of quality health services throughout the country. To ensure access to safe and quality health care services and facilities, the Health Facilities Enhancement Program of the Department of Health (DOH) was allocated ₱21.9 billion in 2017 for the construction, rehabilitation, and modernization of 58 DOH hospitals, 16 drug abuse treatment facilities, and 126 other national government hospitals. This also include the construction of additional 2,528 barangay health stations (BHS) and upgrading of 510 BHS.

**Solid waste management among LGUs remains a perennial issue.** The high investment capital required to establish, operate, and maintain solid waste management (SWM) facilities remain a major bottleneck in complying with the provisions of RA 9003 or the Ecological Solid Waste Management Act. As of 2017, majority of barangays remain unserved by SWM facilities as most LGUs still have limited capacity to plan for and provide appropriate SWM services.

According to the Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB), a total of 78 SWM plans of LGUs were approved by the National Solid Waste Management Commission (NSWMC), 167 open dumpsites were closed and rehabilitated from January to November 2017, and 169 materials recovery facilities (MRFs) were established in 2017, exceeding the physical target of 100 MRFs.

## Moving Forward

Infrastructure development will remain among the top priorities of the government, thus, investments will be intensified to improve connectivity, address infrastructure backlogs, and enhance the country's productivity and growth potential. The continuous implementation of the proposed strategic measures identified in the Philippine Development Plan 2017-2022 will be pursued, with focus on the following strategies for the coming years:

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<sup>8</sup> Based on DepEd Accomplishment Report from July 2016 to June 2017.

<sup>9</sup> Understanding Underspending in DepEd, October 2017, Issue 2

## Increasing spending on public infrastructure

The government will adopt a shift from obligation-based to annual cash-based appropriations to strengthen the focus and accountability of implementing agencies, effecting quick delivery of programs and projects.

To attain infrastructure spending targets, government must pursue systematic and deliberate efforts to deliver effective and efficient infrastructure services from program/project identification to operations and maintenance (O&M), among others:

- Identification of programs and projects based on completed masterplans and roadmaps;
- Institutional strengthening and enhancement of the absorptive capacity of implementing agencies and development of their capacity to identify, develop, implement and operate, and maintain infrastructure programs/projects;
- Optimal utilization of the IPIF and PDRS Fund to ensure quality-at-entry of programs and projects for ICC approval;
- Conferment of equal priority to asset preservation/rehabilitation and new capital investments in programming and budgeting for infrastructure;
- Advance acquisition of right-of-way (ROW) and maximization of use of government lands in locating infrastructure projects;
- Revisiting the Government Procurement Reform Act and/or its Implementing Rules and Regulations (IRR) to ensure efficiency while maintaining check and balance in the procurement for infrastructure projects;
- Adoption of 24/7 construction of key infrastructure projects and geo-tagging of infrastructure projects to curtail ghost projects;
- “Hybrid approach” in financing infrastructure projects to fast-track project completion and explore comparative advantage of the private sector. In addition, Public-Private Partnership Knowledge Corners shall be established in each NEDA Regional Office to facilitate knowledge-sharing for LGUs, implementing agencies, and private partners in the regions;
- Amending the National Building Code to mainstream disaster risk resiliency in the design of infrastructure;
- Strengthening of the Infrastructure Cluster (IC) in monitoring infrastructure PAPs; and
- Operationalization of the PFMI Task Force to monitor the progress of IFPs and address operational and implementation issues encountered throughout their life cycle.

## Implementing strategic infrastructure

### Transport

The NTP shall remain the basis for planning, programming, implementation, and O&M of transport projects, guided by the NTP IRR which will operationalize the strategies and intended policy reforms.

Mobility of people and goods will continue to be prioritized over private vehicles. Along this line, the following strategies per mode of transport will be pursued:

- *Road-based Transport.* The Luzon Spine Network that will deliver high standard highways and expressways, as determined by the High Standard Highway Study for Mainland Luzon. This network of HSH and expressways will be expanded to the islands of Visayas and Mindanao. Furthermore, inter-island bridges will also be given priority to provide alternative modes of transport between islands,



especially in times of disasters. To help alleviate traffic congestion in urban areas/metropolis, initiatives such as improving route systems, putting up intermodal terminals, and implementing bus rapid transits in appropriate corridors will continue to be undertaken to ensure interconnectivity of different transport modes and land-uses.

Under the CMGP, the upgrading of the remaining 8,490 km of local road shall be completed by 2022.

Provision for pedestrian and other non-motorized transport facilities will be incorporated in the design of new roads. Elevated walkways, complete with the necessary conveyances, shall be put up in areas with limited road space.

- *Rail and Urban Transport.* The country's rail network will be expanded with the introduction of the Metro Manila Subway Project—the first subway system in the country, and the Mindanao Railway—the first rail network in Mindanao. With the adoption of the standard gauge policy, all rail projects will be interconnected both physically and operationally. Where appropriate, private sector expertise shall be considered in the operations and maintenance of mass transit facilities. Timely procurement and delivery of needed spare parts and equipment to maintain existing mass transit systems shall also be pursued.
- *Air Transport.* Improvements of capacities of existing airports and construction of new ones in accordance with applicable international standards will be continued to cope with increasing air traffic demand. Since the expansion of NAIA is constrained due to limited land space, upgrading of the Clark International Airport and/or construction of a new airport in GCR will be pursued, guided by an optimal airport strategy.
- *Water Transport.* To ensure reliable inter-island shipping, a stronger RoRo network will be established through port expansion, modernization, and sustainable O&M, together with upgrading of roads. Road access will also be improved to ensure seamless transport. With the opening of the Davao/General Santos–Bitung route, integration with the BIMP-EAGA and ASEAN shall be continued with other routes.

Improvements for regional fish ports including Sual, Iloilo, Lucena, Camaligan, Davao, and Zamboanga shall be implemented.

The Pasig River Ferry Convergence Program shall be pursued to ensure coordinated efforts in maximizing the use of the river, including as an alternative transport corridor by restoring the Pasig Ferry System.

- *Transport Safety and Security.* The creation of an independent body to investigate transport accidents and provide recommendations (backed by statistics and studies) for transport safety across the country will be a step forward in curbing the number of transport-related accidents. PCG will continue to complete its required fleet and manpower complement on the basis of its 15-Year Development Plan for more effective patrol and search and rescue missions.
- Further, modernization of all transport infrastructures by utilizing modern technology, such as global positioning system, global navigation satellite system, VMS, etc. will reduce human error and will help in monitoring, tracking, and guiding transport assets for a more seamless transportation.

## Water Resources

The creation of a department-level apex body for water resources will be pursued to support a science-based and integrated basin-wide approach to the management of the country's water resources, with due consideration for the effects of climate change and the demands of future population growth. In parallel, pending the creation of such body, (a) a National Water Policy (NWP) which will institutionalize and pursue the overarching principles for water resource management and development in the country, and (b) the strengthening of the National Water Resources Board will be pursued. Masterplans for the seven (7) remaining major river basins will be completed using the integrated water resources management approach. Promotion of eco-efficient water infrastructure, including rainwater harvesting will be intensified in pursuit of water security.

- *Water Supply, Sewerage, and Sanitation.* Legislation creating the Water Regulatory Commission, an independent economic regulatory agency, will be pursued. A database will be developed initially through the PWSSMP which will be maintained to collect data for the planning and programming, including the consolidation and rationalization of all available fund sources for water supply and sanitation projects using the Unified Financing Framework (UFF). There is also a need to increase budget allocation to support water supply and sanitation projects across the country. To help avert water supply crisis in the capital, preparatory activities to develop a large water source in addition to the Kaliwa Dam needs to commence in the next few years. In the interim, construction of Aqueduct No. 7 will be undertaken to contribute to Metro Manila's water security.

The foregoing strategies are aimed at achieving 95 percent water supply access and 97 percent sanitation access for households by 2022. Pursuant to the Clean Water Act, sewerage and septage management systems will be implemented in highly urbanized cities and first class cities/municipalities under the NSSMP to minimize the adverse impacts of domestic waste water discharges on water quality and water resources in general.

- *Irrigation.* The Irrigation Development Master Plan will be formulated to account for recent developments such as agriculture sector policy (e.g., rice tariffication), availability of irrigable lands, and climate change (e.g., El Niño) as well as support for diversified, non-traditional, and high-value crop farming. The institutional development within NIA, specifically its core units, shall be prioritized to realize the desired results and targets for irrigation development. Irrigators' Associations and LGUs will be capacitated for effective water-saving farming systems, climate change adaptation measures, and management of communal irrigation system. Sustainability and disaster-resiliency of irrigation systems through adequate funds for O&M and improved eco-efficient design shall also be prioritized.

Big-ticket projects in the pipeline for the next few years include the Ilocos Norte Irrigation Project, the Panay River Basin Integrated Development Project, the Tumauni River Multipurpose Project, the Gregorio del Pilar Impounding Project, and the Bohol Northeast Basin Multipurpose Project.

- *Flood Management and Drainage.* The completion and updating of flood management plans across all river basins and funding support for the full implementation of the flood management and mitigation measures under said plans shall be undertaken. Construction and rehabilitation of flood mitigation structures incorporating upgraded engineering standards for design and O&M to cope with climate change are also necessary.

In addition, the government will include, among its IFPs, the Ambal-Simuay River and Rio Grande de Mindanao River Flood Control Projects as well as the Ipo Dam 3 to mitigate flooding in the provinces of Maguindanao and Bulacan, respectively.

## Power

Access to secure and reliable energy will remain a priority of government to support inclusive economic growth.

- The Electric Power Industry Reform Act will be amended, particularly provisions that impede entry of new players which contribute to high cost of electricity and insufficient power supply.
- Through the EICC, a simplified and transparent permitting process will be developed to fast-track major energy projects.
- Efforts to advance RE development, including the implementation of the Renewable Energy Market (REM),<sup>10</sup> establishment of the Renewable Portfolio Standard (RPS),<sup>11</sup> and Off-Grid Renewable Energy Development will be continued to achieve the Philippines' Intended Nationally Determined Contribution.
- Efforts to realize the vision of a *One Grid Philippines* through the Visayas to Mindanao Interconnection Project will be supported to allow flexibility in the country's power grid system through transfer of excess supply of power within the three (3) main grids.
- Assessment and audit for all power generation, transmission, and distribution systems and facilities shall be conducted to inform long-term planning.
- Timely completion and commissioning of transmission infrastructure and the continuous upgrading, rehabilitation, and expansion of existing transmission lines, substations, and other related facilities/priority projects as stipulated under the Transmission Development Plan shall be ensured.
- Philippine National Oil Company's Batangas Integrated Liquefied Natural Gas Project will be pursued to safeguard natural gas supply when the Malampaya Natural Gas Field becomes depleted in 2022. This is also in support of the country's aim to be the regional hub for liquefied natural gas in both ASEAN and East Asia.
- The NIHE will be fast-tracked to reach 100 percent household electrification by 2022. RE in rural households and missionary electrification will be encouraged to facilitate energization efforts and provide cheaper electricity. National Power Corporation-Small Power Utilities Group shall undertake the Limawasa Solar Photovoltaic with Energy Storage System-Diesel Hybrid Power Plant that will showcase a hybrid pilot project to replace diesel units upon successful implementation.
- Information and education campaigns will be intensified in pursuit of demand-side management by promoting energy efficiency and conservation measure to reduce peak demand.

## ICT Infrastructure

With rapid technological development and increasing demand for ICT-based services, there is a need to review the existing laws, policies, and regulations and to propose new measures to enable competition in the ICT sector, including the strengthening of the National Telecommunications Commission. The following are priority strategies for specific services:

- Fast-track the completion of feasibility studies for the various components of the NBP to identify gaps and determine priority investments in broadband infrastructure;
- Leverage existing government broadband infrastructure assets, and pursue convergence programs and infrastructure-sharing initiatives to reduce construction costs;
- Identify suitable broadband deployment options;
- Continue to strengthen the country's e-government system to harmonize current ICT systems and frontline services, and support impending implementation of the national ID system;

<sup>10</sup> REM facilitates the issuance, commercialization, and verification of compliance for the annual RPS requirement.

<sup>11</sup> RPS mandates power industry players to produce and source a certain percentage of electricity from RE sources.

- Provide capacity-building and information outreach programs to promote awareness among citizens on the benefits of broadband; and
- Ensure timely implementation of the country's migration to digital broadcasting.

## Social Infrastructure

The government will continue to address the gaps in social infrastructure.

- *Education.* To address the requirements resulting from the implementation of the K to 12 Basic Education Program, the BEFF will be expanded to include the provision of quality classrooms, rehabilitation of existing classrooms, replacement of seats, and procurement of furniture/fixture for school laboratories. The capacity of DepEd to identify gaps and needs will also be enhanced to better allocate resources for classrooms and other facilities (e.g., improve methods on monitoring and utilizing current conditions of existing school facilities and site identification of school buildings). The need to decentralize more responsibilities to schools and their corresponding governing boards by strengthening their roles in infrastructure planning and project management will be assessed.
- *Health.* According to the PHFDP, 9,064 BHS and 2,289 rural health units (RHUs)/urban health centers (UHCs) will be established in the medium-term in order to attain its end-of-plan target of one (1) BHS per barangay and one (1) RHU/UHC per 20,000 population.

**Table 19.1 Inventory of Existing, Ongoing, and Gaps in Health Facilities Requirements**

FACILITY	EXISTING HEALTH FACILITIES	ONGOING CONSTRUCTION	HEALTH FACILITIES NEEDED
BHS	20,045	12,387	9,064
RHU/HUC	2,586	375	2,289

To fully realize the objectives of the PHFDP, the government will continue to develop policies and plans to ensure the functionality and sustainability of health facilities, including the necessary human resource requirements.

- *Housing.* The government will continue to prioritize the needs of informal settler families, especially those residing in dangerous areas and displaced by calamities.
  - » To unlock land for socialized housing, government-owned and controlled corporations and LGUs shall identify idle lands within their respective jurisdictions. The passage of the National Land Use Act shall also be pursued to rationalize allocation of land resources and minimize conflicts arising from competing land uses.
  - » Lease variants and other rights-based instruments, as a less costly approach in providing security of tenure, shall be recognized as possible alternatives for the underserved sector that cannot afford to secure freehold titles.
  - » Owners and developers of proposed subdivision and condominium projects shall develop an area for socialized housing, as required by the balanced housing provisions of the Urban Development and Housing Act of 1992 as amended by RA 10884.
  - » Prior to the creation of a national agency that will lead the implementation of government housing and urban development initiatives, the National Resettlement Policy Framework shall provide a proposed governance structure that will harmonize the responsibilities of the different national and key shelter agencies as well as affected LGUs to ensure that resettlement planning process is carried out.

- » Promotion of disaster-resilient housing and livable settlements will be adopted, with due consideration for rights-based principles, through the application of appropriate standards, technologies, and innovations.
- *Solid Waste Management.* The DENR-EMB, in coordination with the NSWMC and relevant stakeholders, will continue to pursue the adoption of alternative technologies, including waste-to-energy (WTE) technologies, as a solution to address the increasing volume of wastes in the country and its impact on climate change. To this end, DENR-EMB shall ensure the adoption of guidelines for all recent and future developments pertaining to the establishment and operation of WTE facilities in the country.

To help LGUs comply with the requirements of RA 9003, the government will operationalize the SWM Fund and assess the re-institutionalization of the national government-local government unit cost sharing scheme for SWM.

## Major Infrastructure Programs/Projects/Activities

The government will ensure prioritization of the following Tier 2 projects contained in the Public Investment Program 2017-2022:

*Table 19.2 Tier 2 Projects to Accelerate Infrastructure Development*

PROJECT TITLE	IMPLEMENTING AGENCY	INDICATIVE TOTAL PROJECT COST (IN MILLION PESOS)	IMPLEMENTATION PERIOD
<b>Transport</b>			
Improving Growth Corridors in Mindanao Road Sector Project	DPWH	18,956.00	2019-2023
(Road) NAIA Intermodal Terminal	DOTr	2,000.00	2019-2022
Establishment of Philippine Railway Institute	Light Rail Transit Authority	1,249.93	2019-2022
(Aviation) Siargao Airport Development Project	DOTr	1,235.00	2019-2022
<b>Water Resources</b>			
Ilocos Norte Irrigation Project, Stage 2	NIA	14,994.04	2019-2026
Kabulan 2 Multipurpose Irrigation and Power Project	NIA	12,907.00	2019-2025
National Irrigation Sector Rehabilitation and Improvement Project II	NIA	11,820.50	2019-2025
<b>ICT</b>			
National Broadband Plan Implementation/Update	DICT	39,501.03	2019-2020
<b>Energy</b>			
Brooke's Point - Bataraza 69kV Transmission Line Project	National Power Corporation (NPC)	352.00	2019
Puerto Galera 69kV Substation Project	NPC	147.00	2019-2020
Pinamalayan Switching Station Project	NPC	126.37	2019
<b>Social and Other Public Infrastructure</b>			
Special Area for Agricultural Development	Department of Agriculture	20,940.64	2019-2022
Climate Resilient Integrated Development Project in Agrarian Reform Community Clusters	Department of Agrarian Reform	5,000.00	2019-2024

# Recommendations

*Table 19.3 Supplemental Strategies to Accelerate Infrastructure Development*

RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>Sustain the operation of PFMI Task Force and IC.</li> <li>Ensure completion of various sector masterplans (i.e., PTSMP and PWSSMP).</li> </ul>	NEDA
<ul style="list-style-type: none"> <li>Ensure funding and support to various infrastructure sector projects (i.e., increase budget allocation to support WSS projects through UFF, funding of flood management projects, etc.).</li> </ul>	Department of Budget and Management
<ul style="list-style-type: none"> <li>Pursue institutional development within NIA, specifically its core units, to realize the desired results and targets for irrigation development.</li> </ul>	NIA
<ul style="list-style-type: none"> <li>Fast-track ROW acquisition to ensure timely implementation of projects.</li> </ul>	DPWH
<ul style="list-style-type: none"> <li>Capacitate Irrigators' Associations and LGUs for effective water-saving farming systems, climate change adaptation measures, and management of communal irrigation system.</li> </ul>	Local Water Utilities Administration/ Department of the Interior and Local Government
<ul style="list-style-type: none"> <li>Populate the project pipeline (based on PIP) to conduct required project preparation activities, i.e., conduct of feasibility studies, ROW acquisition.</li> <li>Ensure O&amp;M of existing infrastructure assets and efficiency in various international and domestic gateways, i.e., airports and seaports.</li> </ul>	DOTr
<ul style="list-style-type: none"> <li>Establish an integrated monitoring and tracking system to better determine and address infrastructure gaps.</li> </ul>	DepEd
<ul style="list-style-type: none"> <li>Operationalize SWM Fund for LGUs.</li> </ul>	DENR
<ul style="list-style-type: none"> <li>Fast-track the roll out of Free WiFi in Public Places Project.</li> <li>Ensure broadband access to unserved and underserved areas.</li> </ul>	DICT
<ul style="list-style-type: none"> <li>Improve access to and quality of health facilities through provision of budgetary resources for pre-investment activities (e.g., including ROW acquisition, resettlement, and auxiliary services) to ensure that said facilities are well-developed, functional, and readily implementable.</li> </ul>	DOH
<ul style="list-style-type: none"> <li>Streamline/fast-track the approval process of permits of energy projects through the EICC.</li> </ul>	DOE

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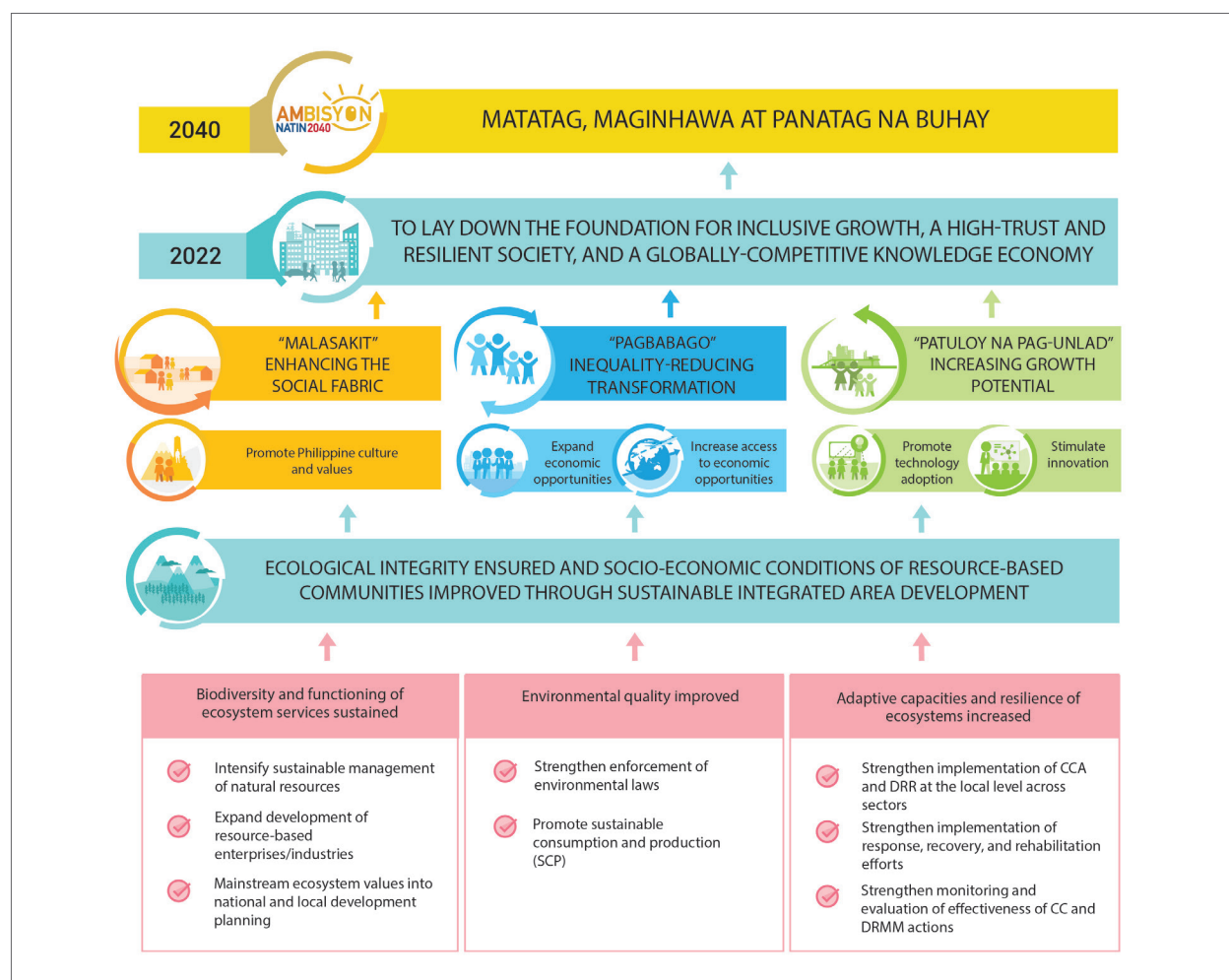
Ensuring  
Ecological Integrity,  
Clean and Healthy  
Environment



# Ensuring Ecological Integrity, Clean and Healthy Environment

Numerous interventions were laid down to ensure ecological integrity, clean and healthy environment, and to increase adaptive capacity and resilience of ecosystems towards improving socioeconomic conditions of resource-based communities. These include advanced efforts to manage biodiversity, covering terrestrial, coastal, and marine ecosystems, as well as income opportunities from resource-based enterprises. The local and national efforts to improve air, water, and land quality are gaining momentum. Tools for building adaptive capacity and resilience are made available, especially at the local level. However, concrete actions on climate change and disaster risk reduction (DRR), funding, capacity building, monitoring, and evaluation need to be further enhanced to address the long-standing challenges in environment and natural resources (ENR) management and implementation (See Figure 20.1).

**Figure 20.1 Strategic Framework to Ensure Ecological Integrity, Clean and Healthy Environment**



# Accomplishments

## Sustaining biodiversity and functioning of ecosystem services

**Efforts on forest management led to a decrease in the number of degraded forestlands, while residential free patents and ancestral domain encountered challenges on documentation/classification.** The implementation of the enhanced National Greening Program (e-NGP) has reduced the area of denuded and degraded forestland and mangrove forests from 7.6 million hectares in 2016 to 7.4 million hectares, surpassing the 2017 target.<sup>1</sup> To secure natural forest and reforested areas from further degradation, effective management have been maintained on the existing 8.2 million hectares of forestlands with the issuance of Community-based Forest Management Agreements, Protected Area Community-based Resource Management Agreements, and other appropriate management arrangements. To support the management of ancestral domains, the Ancestral Domain/Land Recognition Program Support has formulated four (4) additional Ancestral Domain Sustainable Development and Protection Plans.

However, the issuance of residential free patents and Certificates of Ancestral Domain Titles (CADTs) fell short of the 2017 targets. In particular, only 44,124 out of the 45,858 target residential free patents were issued in 2017 due to difficulties in securing zoning clearance from local government units (LGUs) and in obtaining the required documents for the application of residential free patents. For areas within ancestral domain, only 1 of the 12 targeted CADTs was not issued in 2017 due to conflict on the classification of the area as being private lands.<sup>2</sup>

**A total of 343 Community Fish Landing Centers (CFLCs) were established and 80 municipal waters were delineated by the National Mapping and Resource Information Authority (NAMRIA) in 2017.** The full operationalization of 50 units (out of 132) of CFLCs in 2016 helped reduce post-harvest losses for fisherfolk and coastal communities. Additional 211 CFLC units were established in 2017 bringing the total number of CFLCs to 343, which are expected to be operational in the succeeding years. However, these initiatives, together with interventions to manage coastal and marine resources (e.g., closed fishing season, community-based coastal resource management), are yet to be translated to a significant increase in fish production and its value to reverse the negative growth that has stressed the subsector for some time (*See also Chapter 8*). In terms of ensuring preferential access of municipal fisherfolk to coastal and marine resources, NAMRIA has completed the delineation of municipal waters in 80 target coastal cities and municipalities for 2017. This can be attributed to NAMRIA's provision of technical and capacity-building support to the LGUs. However, due to unresolved boundary conflicts, this delineation is yet to be concurred and certified by LGUs.

Accomplishments in terms of improving the quality of coastal and marine habitats (i.e., coral reefs) through increasing coverage and management effectiveness of marine and terrestrial protected areas (PAs), caves, and inland wetlands are yet to be quantified by the Department of Environment and Natural Resources (DENR). Notwithstanding, the DENR is continuing the implementation of its Protected Area Management and Development Program, Coastal and Marine Ecosystems Management Program, and Strengthening the Marine Protected Area System to Conserve Marine Key Biodiversity Areas Project to ensure achievement of these targets. In-situ measures are also being pursued to assess the status of critical habitats and to improve conservation and management of biodiversity of protected areas. Strategies are also underway

<sup>1</sup> This was achieved by planting 200,544 hectares of forest lands under e-NGP and 5,208 hectares of mangrove areas as of December 31, 2017. Additional 1,295 hectares of mangroves are also planted as part of the rehabilitation efforts for the abandoned, underutilized, and undeveloped fishponds through the National Aquasilviculture Program.

<sup>2</sup> Per the Indigenous Peoples Rights Act (Republic Act No. 8371) and Forestry Code (Presidential Decree 705)

to sustainably manage inland wetlands as espoused in the draft National Inland Wetland Conservation Program. In addition, initiatives are also being done to ensure management of land-based activities affecting biodiversity, including the objective review of existing operating mines spearheaded by the Mining Industry Coordinating Council (MICC) that will emphasize the need to move towards more responsible mining.<sup>3</sup>

**Employment and jobs generated from ecotourism and other resource-based enterprises are being realized and accounted for.** For 2017, the employment generated in the ecotourism and other resource-based industries across 15 marine and terrestrial PAs was recorded at 1,335. People were engaged in tour-guiding and providing other ecotourism-related transport services. This can be attributed to the support from DENR's Ecotourism Development Fund for the construction of accommodation and recreational facilities and the development of resource-based products and services. An additional 417,918 jobs<sup>4</sup> were generated from the implementation of the e-NGP and community-based forest management programs. Initiatives are also underway in the development of Biodiversity-Friendly Enterprises (BDFEs) in priority PAs pursuant to DENR-Biodiversity Management Bureau Technical Bulletin No. 2017-11.<sup>5</sup>

## Improving environmental quality

**Implementation of air, water, and land quality management policies and programs, including promotion of sustainable consumption and production (SCP) practices, has been strengthened.** The stronger compliance to emission standards by motor vehicles, adoption of Euro IV standards in the manufacture of new vehicles, and continuous implementation of anti-smoke belching campaigns have increased the percentage of highly urbanized and other major urban centers that are within the ambient air quality guideline value from 47 percent in 2015 to 63 percent in 2017. The nationwide enforcement of these policies not only covers car owners but also manufacturers, importers, and dealers of all motor vehicles from which the available supply are sourced.

With the implementation of Adopt-an-*Estero*/Waterbody Program, Water Quality Management Area Plans, coastal clean-up programs, and other water quality improvement programs and initiatives, 25 out of the 31 priority water bodies for public water supply, food (i.e., fish) production, and recreation passed the water quality standards for dissolved oxygen (DO), biochemical oxygen demand (BOD), pH, and temperature. However, under a more stringent standard (i.e., 7 water quality parameters<sup>6</sup>), only three of these priority water bodies passed the quality standards. Solid waste diversion rate (SWDR)<sup>7</sup> outside Metro Manila increased from the 2016 baseline value of 46 percent to 62 percent in 2017. On the other hand, Metro Manila is 3 percent short of meeting its 2017 SWDR target of 55 percent because of insufficient garbage collection facilities, materials recovery facilities (MRFs), and sanitary landfills.

**Land degradation hotspots were reduced, while mines rehabilitation are still up for completion.** Land degradation hotspots have been reduced to 2.24 million hectares, exceeding the 2017 target of 2.25 million hectares with the implementation of the National Organic Agriculture Program and Sustainable Land Management Project. Around 1.78 million hectares were also assessed and mapped for soil fertility status and its corresponding management with support from the National Soil Sampling and Testing Program. The rehabilitation of abandoned mines remains a government priority, particularly Bagacay Mines, and the

<sup>3</sup> Pursuant to the MICC Resolution dated February 9, 2017

<sup>4</sup> These include jobs related to the following activities: seedling production, site preparation, plantation establishment, and protection and maintenance, among others.

<sup>5</sup> Guidelines in the Identification and Recognition of BDFE

<sup>6</sup> Seven water quality parameters used are DO, BOD, pH, temperature, fecal coliform, phosphate, and nitrate levels.

<sup>7</sup> Waste diversion refers to activities that reduce or eliminate the amount of potentially recyclable material or solid wastes diverted out from the waste disposal stream and therefore do not go into the landfills. The SWDR is computed by dividing the total recovered and recycled waste by the total waste generation. (Guidebook for the Formulation of Solid Wastes Management).

interim rehabilitation activities for Palawan Quicksilver, Romblon Marble, and Silica Sand Mines.<sup>8</sup> Of the targeted rehabilitation of mines, Romblon Marble Mines was completed in 2017, while efforts in Bagacay Mines did not progress. Only 76.6 percent of interim activities were achieved in Palawan Quicksilver Mines because of administrative and logistical issues among concerned agencies (e.g., management arrangement between the Privatization and Management Office and DENR in Bagacay Mines; settlement of dispute in Palawan Quicksilver Mines).

**Efforts on the implementation of SCP practices increased.** The implementation of the Government Energy Management Program to promote energy-efficiency across all government agencies have resulted in the reduction of energy consumption by 26.28 percent or approximately ₱78 million energy savings in 2017. Under the National Ecolabelling Program-Green Choice Philippines, *Lybase LED Lighting Sdn. Bhd* was added to the list of eco-labelled products in 2017 while there are still pending applications of subscription from private companies.<sup>9</sup>

## Increasing adaptive capacity and resilience of ecosystems

**Necessary tools, processes, and facilities to address climate and disaster risks are becoming available particularly at the local level.** In 2017, there were additional 281 LGUs with operating multi-hazard early warning systems (EWS) and 53 functioning Disaster Risk Reduction and Management (DRRM) Operations Centers.<sup>10</sup> There was also an increase in the number of LGUs with enhanced-Comprehensive Land Use Plans (603 cities/municipalities), Local DRRM Plans (1,765 provinces, cities/municipalities and barangays), and Local Climate Change Action Plans (LCCAP in 1,283 cities/municipalities). This has been facilitated by the: (a) availability and accessibility of more science-based information to LGUs; (b) continuous conduct of climate and disaster risk/vulnerability assessment; (c) increasing awareness (e.g., through roll-out of LCCAP by the League of Municipalities/Cities of the Philippines); and (d) acceptance among LGUs on the importance of integrating climate and disaster-risk considerations in local planning and programming. However, these accomplishments appear insignificant with respect to the total number of LGUs (i.e., provinces, municipalities, cities, and barangays) that are required to develop such plans. These local plans also need to undergo review and approval of concerned entities (i.e., Sanggunian, Regional Development Council, Department of the Interior and Local Government, Housing and Land Use Regulatory Board, National Disaster Risk Reduction and Management Council, and Climate Change Commission). Meanwhile, a guide to ensure that climate change adaptation and DRR considerations are incorporated in the Comprehensive Development Plan is being finalized. In 2017, the national government, through the Government Service Insurance System launched a parametric insurance program for typhoons and earthquake events which will provide assistance to the national government and an additional 25 provinces.<sup>11</sup> This program complements the national and local disaster risk reduction and management fund. On the other hand, the People's Survival Fund (PSF) has not been utilized due to operational issues and low approval rate as the majority of the submitted proposals did not fulfill the basic requirements of the PSF.

<sup>8</sup> Interim activities for the implementation of rehabilitation measures in Silica Sand Mine will commence in 2019. To date, the Notice of Award for the Risk Assessment and preparation of Environmental Management Plan was awarded to the third party consultant in December 2017. The completion of the Risk Assessment and preparation of Environmental Management Plan for the abandoned mine site of Silica Sand Mine in Roxas, Palawan will be in 2018.

<sup>9</sup> The implementation of the National Ecolabelling Programme-Green Choice Philippines is administered by the Philippine Center for Environmental Protection and Sustainable Development, Inc. which aims to encourage clean manufacturing practices and consumption of environmentally preferable products and services.

<sup>10</sup> The number of LGUs with operating multi-hazard EWS and functioning DRRM Operations Centers, out of the 1,671 that were assessed (i.e., 81 provinces, 144 cities, and 1,446 municipalities), have increased by 281 (23.81%) and 53 (3.34%), respectively, from 2016 to 2017.

<sup>11</sup> The 25 provinces with typhoon insurance cover include Albay, Aurora, Batanes, Cagayan, Camarines Norte, Camarines Sur, Catanduanes, Cebu, Davao del Sur, Davao Oriental, Dinagat Islands, Eastern Samar, Ilocos Norte, Ilocos Sur, Isabela, Laguna, Leyte, Northern Samar, Pampanga, Quezon, Rizal, Sorsogon, Surigao del Norte, Surigao del Sur, and Zambales. The LGUs were selected based on their exposure to typhoon and/or earthquake risk based on the catastrophe modelling by AIR Worldwide.

The issuance of Executive Order (EO) No. 174 in 2015 has resulted in greater institutionalization of the greenhouse gas (GHG) management and reporting system in national government agencies. Key agencies including the Department of Energy, Department of Transportation, Department of Agriculture (DA), and DENR as well as selected LGUs have been trained to conduct sector-specific and entity level GHG inventory, respectively. The development of the guidance document<sup>12</sup> and database for GHG inventory along with other climate change information is also underway.

## Moving Forward

Long-standing governance issues such as lack of or limited funding, weak coordination, and poor implementation and monitoring need to be addressed to continuously improve the state of the ENR.

Policy reforms, programs, and projects need to be formulated, implemented, and strengthened to achieve the objectives of the following key strategies:

- **Review, codify, and streamline existing ENR policies, rules, and regulations.** Existing ENR laws and policies, including governance arrangements, should be assessed and reviewed in terms of overlapping and conflicting provisions to improve compliance, transparency, and accountability across all levels. This should include evaluating the Local Government Code to strengthen the LGUs and its relevant ENR devolved functions, with consideration to their differences in financial, technical, and absorptive capacities.
- **Strengthen the regulatory and monitoring functions of mandated agencies on environmental quality management, including the rehabilitation of abandoned mines.** To intensify compliance with environmental laws, the DENR should continuously (a) undertake nationwide inventory and classification of waterbodies to ensure its effective management; (b) support the installation of fully-operational water quality monitoring instruments; (c) conduct regular monitoring of effluent standards; and (d) assess the need to establish water management systems in the priority water bodies. Funding assistance or incentive mechanisms<sup>13</sup> should be promoted to engage the LGUs, water districts, and the private sector to participate in the implementation of waste collection and treatment facilities. The air quality compliance monitoring activities of the DENR and the vehicle emission-testing program and non-contact apprehension policy of the Land Transportation Office may be complemented with the installation of high definition cameras, public listing of violators, and establishment of more emission-testing centers.

For solid waste management, LGUs shall (a) implement their approved ten-year solid waste management plans; (b) prioritize the closure of dumpsites; and (c) establish MRFs within or group/cluster of LGUs. The DENR needs to strengthen coordination with other government agencies and provide continuous funding for the mine rehabilitation activities.

- **Enact the National Land Use Act (NaLUA).** Passing the NaLUA will support ENR activities through its provisions on: (a) creation of institutional mechanisms to resolve land use conflicts and harmonize initiatives on land use; (b) designation of four major land use – protection, production, settlements

<sup>12</sup> Implementing Rules and Regulations of Executive Order (EO) No. 174 on Institutionalizing Philippine Greenhouse Gas Inventory Management and Reporting System

<sup>13</sup> As provided in Section 26 of the Clean Water Act



and institutional, and infrastructure; (c) delineation of forest boundaries and geo-hazard areas; and (d) specific policies on special areas of concern such as environmentally critical areas, forest lands, watershed, coastal zones, and mineral lands, among others.

- **Increase utilization of the PSF.** To enhance LGUs' access to PSF, the following should be undertaken: (a) roll-out a nationwide marketing strategy to inform LGUs and key stakeholders on eligibility requirements; (b) streamline the process for project development, appraisal, approval, negotiation, obligation/fund release, implementation, and monitoring and evaluation; and (c) provide capacity-building activities on project proposal development for LGUs and training on review and evaluation of proposals for the PSF Secretariat.

Moreover, the annual budget allocation for the PSF under the General Appropriations Act should be restored. Also, there is a need for the government to aggressively mobilize additional resource to augment funding for PSF (e.g., counterpart funding from LGUs and the private sector).

- **Finalize and adopt a roadmap for the institutionalization of Natural Capital Accounting (NCA) and valuation of ecosystem services.** Institutionalizing NCA will address constraints in collecting, monitoring, and reporting of data from the national and local governments, including academic and research institutions. This is because an integral part of NCA is valuation, which involves the estimation of monetary values for ecosystem assets and services for proper collection of fees from use of the natural capital. Pursuing a policy to institutionalize payments for ecosystem services, as well as polluters-pay principle may be enabled, as follows: (a) develop a local ENR metrics based on international frameworks such as System of Environmental-Economic Accounting and United Nations Framework for the Development of Environment Statistics; (b) collect baseline data for regular updating (e.g., biodiversity profiling, inventory, mapping and assessment of genetic resources products, and carrying capacity study) through support programs such as the implementation of the National Program on Wealth Creation from Genetic Resources,<sup>14</sup> among others; and (c) develop a working and updated database system to improve accessibility and provide better evidence on ENR management activities on the ground.
- **Finalize, submit, and support the implementation of the Nationally Determined Contributions (NDCs).** Key activities to operationalize the NDCs, upon its submission to the United Nations Framework Convention on Climate Change in 2018, include: (a) completion of the GHG inventory; (b) development of the implementation plan for the target sectors (e.g., energy, waste, industry, forestry and transport); (c) establishment of monitoring, reporting, and verification systems for the mitigation targets including adaptation and capacity needs; (d) assessment of the NDCs progress and its impact to achieving national priorities; and (e) identification of policies to support the implementation of the NDCs, particularly the mitigation actions.

Also, there is a need to implement programs/investments with the private sector to meet the country's emission reduction targets under the NDCs: (a) renewable energy, energy-efficient facilities and equipment, and environmentally sustainable transport systems and green buildings (*See also Chapter 19*); and (b) low carbon/more efficient production practices and technologies (*See also Chapters 8, 9, and 14*).

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<sup>14</sup> Tracking and benefit sharing system on the access and utilization of genetic resources, to be developed under this Program, will address biopiracy and optimize the economic potential of these resources for the benefit and welfare of local and indigenous peoples communities.

- **Implement the priority programs and projects (PAPs).** The priority PAPs summarized in the Public Investment Program 2017-2022 will operationalize the aforementioned strategies. Major PAPs will be implemented by DENR, DA (BSWM and BFAR), DOST (PAGASA, PHIVOLCS, and PCAARRD), NCIP, and DILG, among others.

## Recommendations

To supplement and address the gaps on ensuring ecological integrity, clean and healthy environment, the following strategies are recommended for implementation of concerned agencies:

*Table 20.1 Supplemental Strategies to Ensure Ecological Integrity, Clean and Healthy Environment*

CHALLENGES	RECOMMENDED STRATEGIES	IMPLEMENTING AGENCIES
<ul style="list-style-type: none"> <li>• Lack of a national framework that will integrate existing SCP initiatives               <ul style="list-style-type: none"> <li>» This limits effective implementation, monitoring, and reporting of progress and accomplishments across activities, especially on eco-labelling, green procurement, and ecotourism, among others</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Formulate a national framework to guide the implementation of SCP initiatives across sectors. A national framework is deemed critical to ensure that such activities are guided and geared towards the country's development goals.  To initiate formulation of this framework, the following are deemed necessary:               <ul style="list-style-type: none"> <li>» Implement a program or project to assess circular economy<sup>15</sup> in the Philippine context and identify mechanisms towards the transition, such as: modifying socioeconomic system (e.g., rethinking of product design and lifespan extension activities along the value chain, strengthening repair and reuse industries, etc.); and improving regulatory frameworks, among others.</li> <li>» Develop incentive mechanisms to create an enabling environment for SCP adoption across all sectors (e.g., households, industries, micro, small, and medium enterprises).</li> <li>» Establish regulatory system to certify and test products and services on their compliance to environmental standards.</li> </ul> </li> <li>• Upscale programs of the government on SCP to facilitate transformative interventions (e.g., prescriptive installation of energy efficient equipment/facilities in the government).</li> </ul>	DENR/National Economic and Development Authority (NEDA) with private sector
<ul style="list-style-type: none"> <li>• Fragmented and limited engagement of private sector, given its voluntary nature</li> </ul>	<ul style="list-style-type: none"> <li>• Aggressively implement programs and projects on SCP with the private sector. There is a need to integrate sustainable production practices into core business models and processes to enable the greening of the supply and demand sides. Similarly, the private sector's contribution should have reporting mechanisms to:               <ul style="list-style-type: none"> <li>» Help inform evidence-based decision making and collaboration among companies, government, and other stakeholders.</li> <li>» Replicate and accelerate best practices that provide innovative solutions to development challenges.</li> </ul> </li> </ul>	DENR/NEDA with private sector

<sup>15</sup> A system that keeps resources in use for as long as possible, extract the maximum value from them, then recover and regenerate products and materials at the end of each service life.



21

Plan  
Implementation  
and Monitoring

# Plan Implementation and Monitoring

Following the approval of the Philippine Development Plan (PDP) 2017-2022 by the National Economic and Development Authority (NEDA) Board on February 20, 2017, the NEDA has worked together with various implementing agencies of the government to prioritize and sequence programs, activities, and projects, including proposed legislations. Executive Order (EO) No. 24, s. 2017 which effectively reorganized the Cabinet Cluster system requires that each cluster shall formulate a Performance and Projects Roadmap to be aligned with the PDP.<sup>1</sup> Meanwhile, EO No. 27, s. 2017 directs all government agencies and instrumentalities to implement the PDP and the Public Investment Program for the period 2017-2022.

With the mandate of the NEDA, its Board, and its Committees to shepherd the policy reform agenda, there is a need to integrate the Cluster system in the coordination mechanism of the PDP implementation and monitoring. To this end, the NEDA has been consulting with the Office of the President and is set to issue Memorandum Circular No. 1, s. 2018<sup>2</sup> by the Secretary of Socioeconomic Planning, wherein the coordination mechanism for the PDP 2017-2022, as presented in Chapter 21 of the Plan, will be updated to integrate the Cabinet Cluster system to ensure consistency of policies and efficient coordination among government agencies.<sup>3</sup> The policy reform agenda under the PDP would then be integrated in the work plans of relevant NEDA Board Committees, Cabinet Clusters, and national government agencies to ensure the efficient implementation of the reform agenda and its corresponding programs and projects.

The development of instruments to measure the qualitative indicators in the PDP is equally important to better capture the full range of development outcomes of the Plan. For instance, an appropriate measure for achieving a “*high-trust society*” will effectively gauge improvements in gaining peoples’ trust in public institutions and in each other, while a measure for having “*resilient communities*” indicates the extent to which vulnerabilities of individuals and communities have been reduced. NEDA will also pursue a study to develop a Quality of Life Index that will help track progress towards attaining *Ambisyon Natin 2040*. These, as well as the other PDP and Sustainable Development Goals indicators (especially those classified as Tier 2 and Tier 3) that need to be developed are being integrated in the Philippine Statistical Development Program 2018-2023.

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<sup>1</sup> Per Section 10 of EO No. 24, issued on May 16, 2017.

<sup>2</sup> Memorandum Circular No. 1, s. 2018 by the Secretary of Socioeconomic Planning entitled “Integrating the Reorganized Cabinet Cluster System in the PDP Coordination Mechanism and Directing All Concerned National Government Agencies to Align their Performance and Projects Roadmap with the PDP Implementation Workplan.”

<sup>3</sup> Per Section 5 of EO No. 27, issued on June 1, 2017.

# List of Acronyms

4Ps	Pantawid Pamilyang Pilipino Program
ADR	Alternative dispute resolution
AFF	Agriculture, Forestry, and Fisheries
AFP	Armed Forces of the Philippines
AHFF	Agriculture, Hunting, Forestry, and Fishing
AHJAG	Ad Hoc Joint Action Group
AI	Artificial intelligence
AIDS	Acquired immunodeficiency syndrome
ALS	Alternative learning system
AMS	ASEAN member states
AONCR	Areas outside the National Capital Region
AQRF	ASEAN Qualifications Reference Framework
ARB	Agrarian reform beneficiary
ARMM	Autonomous Region in Muslim Mindanao
ARTA	Anti-Red Tape Act
ASEAN	Association of Southeast Asian Nations
ATN	Assistance to Nationals
AY	Academic year
BBB	Build, Build, Build
BBL	Bangsamoro Basic Law
BDFE	Biodiversity-Friendly Enterprise
BEFF	Basic Education Facilities Fund
BFAR	Bureau of Fisheries and Aquatic Resources
BFP	Bureau of Fire Protection
BHS	Barangay health station
BI	Bureau of Immigration
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
BIR	Bureau of Internal Revenue
BJMP	Bureau of Jail Management and Penology
BOD	Biochemical oxygen demand
BRB	Budget Reform Bill
BSP	Bangko Sentral ng Pilipinas
BTC	Bangsamoro Transition Commission
BTMS	Budget and Treasury and Management System
BTr	Bureau of the Treasury
CAB	Comprehensive Agreement on the Bangsamoro
CADT	Certificate of Ancestral Domain Title

<b>CARHRIHL</b>	Comprehensive Agreement on Respect for Human Rights and International Humanitarian Law
<b>CBRNE</b>	Chemical, biological, radiological, and nuclear defense
<b>CCT</b>	Conditional Cash Transfer
<b>CESB</b>	Career Executive Service Board
<b>CESPES</b>	Career Executive Service Performance Evaluation Sytem
<b>CFLC</b>	Community Fish Landing Center
<b>CFO</b>	Commission on Filipinos Overseas
<b>CHED</b>	Commission on Higher Education
<b>CHR</b>	Commission on Human Rights
<b>CLOA</b>	Certificate of land ownership award
<b>CLUP</b>	Comprehensive Land Use Plan
<b>CMGP</b>	Conditional Matching Grant to Provinces
<b>COA</b>	Commission on Audit
<b>COC</b>	Code of Conduct
<b>CPP/NPA/NDFP</b>	Communist Party of the Philippines/National People's Army/National Democratic Front of the Philippines
<b>CRVS</b>	Civil Registration and Vital Statistics
<b>CSC</b>	Civil Service Commission
<b>CSE</b>	Comprehensive sexuality education
<b>CSO</b>	Civil society organization
<b>CSP</b>	Conflict-sensitive and peace-promoting
<b>CTRP</b>	Comprehensive Tax Reform Program
<b>DA</b>	Department of Agriculture
<b>DAP</b>	Development Academy of the Philippines
<b>DAR</b>	Department of Agrarian Reform
<b>DBM</b>	Department of Budget and Management
<b>DBP</b>	Development Bank of the Philippines
<b>DENR</b>	Department of Environment and Natural Resources
<b>DENR-EMB</b>	Department of Environment and Natural Resources - Environmental Management Bureau
<b>DENR - MGB</b>	Department of Environment and Natural Resources - Mines and Geosciences Bureau
<b>DepEd</b>	Department of Education
<b>DFA</b>	Department of Foreign Affairs
<b>DICT</b>	Department of Information and Communications Technology
<b>DILG</b>	Department of the Interior Local Government
<b>DND</b>	Department of National Defense
<b>DO</b>	Dissolved oxygen
<b>DOE</b>	Department of Energy
<b>DOF</b>	Department of Finance

DOH	Department of Health
DOJ	Department of Justice
DOJ-IACAT	Department of Justice - Inter-Agency Council Against Trafficking
DOJ-OFC	Department of Justice - Office for Competition
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DOTr	Department of Transportation
DPWH	Department of Public Works and Highways
DRR	Disaster risk reduction
DRRM	Disaster risk reduction and management
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
DTTB	Digital Terrestrial Television Broadcasting
EARTA	Expanded Anti-Red Tape Act
EFT	Electronic fund transfer
EICC	Energy Investment Coordinating Council
e-NGP	Enhanced National Greening Program
ENR	Environment and natural resources
EO	Executive Order
e-SALN	Electronic Statement of Assets, Liabilities, and Net Worth
EU	European Union
EWS	Early warning system
FDI	Foreign direct investment
FLC	Financial literacy campaign
FP	Family planning
FPA	Final Peace Agreement
FS	Feasibility study
FTA	Foreign trade agreement
GAA	General Appropriations Act
GCG	Governance Commission for GOCCs
GCI	Global Competitiveness Index
GCM	Global Compact for Safe, Orderly, and Regular Migration
GCR	Greater Capital Region
GDP	Gross domestic product
GIP	Government Internship Program
GOCC	Government-owned and controlled corporation
GovNET	Government network
GPC	Government Purchase Card
GPH	Government of the Philippines
GPPB	Government Procurement and Policy Board

<b>GPRA</b>	Government Procurement Reform Act
<b>GRDP</b>	Gross regional domestic product
<b>GVA</b>	Gross value added
<b>ha</b>	Hectare
<b>HDMF</b>	Home Development Mutual Fund
<b>HEI</b>	Higher education institution
<b>HGC</b>	Home Guaranty Corporation
<b>HH</b>	Household
<b>HIV</b>	Human immunodeficiency virus
<b>HLRPP</b>	Housing Loan Receivables Purchase Program
<b>HLURB</b>	Housing and Land Use Regulatory Board
<b>HNDRDA</b>	Harmonized National Research and Development Agenda
<b>HRH</b>	Human resources for health
<b>HSH</b>	High standard highway
<b>HUDCC</b>	Housing and Urban Development Coordinating Council
<b>I&amp;S</b>	Industry and Services
<b>i<sup>3</sup>s</b>	Inclusive Innovation Industrial Strategy
<b>IC</b>	Infrastructure Cluster
<b>ICAD</b>	Inter-Agency Committee on Anti-Illegal Drugs
<b>ICC</b>	Investment Coordination Committee
<b>ICT</b>	Information and communications technology
<b>ID</b>	Identification
<b>IDP</b>	Internally displaced person
<b>IFP</b>	Infrastructure flagship project
<b>IMF</b>	International Monetary Fund
<b>IMRAP</b>	Inter-Agency Medical Repatriation Assistance Program
<b>INFRACOM</b>	Committee on Infrastructure
<b>IP</b>	Indigenous people
<b>IPIF</b>	Infrastructure Preparation and Innovation Facility
<b>IPOPHL</b>	Intellectual Property Office of the Philippines
<b>IPR</b>	Intellectual property rights
<b>IRR</b>	Implementing Rules and Regulations
<b>IT</b>	Information technology
<b>IT-BPM</b>	Information technology-business process management
<b>JSCC</b>	Justice Sector Coordinating Council
<b>KSA</b>	Key shelter agency
<b>KYC</b>	Know-your-customer
<b>LCCAP</b>	Local Climate Change Action Plan
<b>LDC</b>	Local Development Council
<b>LEDAC</b>	Legislative-Executive Development Advisory Council

<b>LFPR</b>	Labor force participation rate
<b>LGA</b>	Local Government Academy
<b>LGU</b>	Local government unit
<b>MARINA</b>	Maritime Industry Authority
<b>MASA MASID</b>	Mamamayang Ayaw sa Anomalya-Mamamayang Ayaw sa Iligal na Droga
<b>mbps</b>	megabits per second
<b>MBSDMP</b>	Manila Bay Sustainable Development Master Plan
<b>MILF</b>	Moro Islamic Liberation Front
<b>MMDA</b>	Metro Manila Development Authority
<b>MNLF</b>	Moro National Liberation Front
<b>MO</b>	Memorandum Order
<b>MOA</b>	Memorandum of Agreement
<b>MRA</b>	Mutual Recognition Agreement
<b>MRF</b>	Materials recovery facility
<b>MSME</b>	Micro, small, and medium enterprise
<b>MW</b>	Megawatts
<b>NaLUA</b>	National Land Use Act
<b>NAMRIA</b>	National Mapping and Resource Information Authority
<b>NBP</b>	National Broadband Plan
<b>NCA</b>	Natural Capital Accounting
<b>NCC</b>	National Competitiveness Council
<b>NCCA</b>	National Commission for Culture and the Arts
<b>NCD</b>	Non-communicable disease
<b>NCDA</b>	National Council on Disability Affairs
<b>NCP</b>	National Competition Policy
<b>NCR</b>	National Capital Region
<b>NDC</b>	Nationally determined contribution
<b>NDHS</b>	National Demographic and Health Survey
<b>NEDA</b>	National Economic and Development Authority
<b>NEE</b>	Youth not in employment nor in education
<b>NFA</b>	National Food Authority
<b>NG</b>	National government
<b>NGA</b>	National government agency
<b>NGP</b>	National Government Portal
<b>NHA</b>	National Housing Authority
<b>NHMFC</b>	National Home Mortgage Finance Corporation
<b>NHTS -PR</b>	National Household Targeting System for Poverty Reduction
<b>NIA</b>	National Irrigation Administration
<b>NICER</b>	Niche Centers in the Regions for R&D
<b>NIHE</b>	Nationwide Intensification of Household Electrification



NJIS	National Justice Information System
NNC	National Nutrition Council
NOAH	Nationwide Operational Assessment of Hazards
NPC	National Power Corporation
NPS	National Prosecution Service
NQI	National Quality Infrastructure
NRPS	National Retail Payment System
NSAP	National Stock Assessment Program
NSS	National Spatial Strategy
NSSMP	National Sewerage and Septage Management Program
NSW	National Single Window
NSWMC	National Solid Waste Management Commission
NTC	National Telecommunications Commission
NTP	National Transport Policy
NUHRA	National Unified Health Research Agenda
NYC	National Youth Commission
O&M	Operation and maintenance
OBID	Open Budget Index
OCD	Office of Civil Defense
ODA	Official development assistance
OF	Overseas Filipino
OFW	Overseas Filipino worker
OMB	Office of the Ombudsman
OOP	Out-of-pocket
OPAPP	Office of the Presidential Adviser on the Peace Process
OWWA	Overseas Workers Welfare Administration
P2P	Point-to-Point
PAF	Philippine Air Force
PAGASA	Philippine Atmospheric, Geophysical, and Astronomical Services Administration
PAMANA	Payapa at Masaganang Pamayanan
PAO	Public Attorney's Office
PAPs	Programs and projects
PCA	Philippine Coconut Authority
PCARI	Philippine-California Advanced Research Institutes
PCC	Philippine Competition Commission
PCAARRD	Philippine Council for Agriculture, Aquatic, and Natural Resources Research and Development
PCG	Philippine Coast Guard
PCSF	Philippine Cultural Statistics Framework
PDEA	Philippine Drug Enforcement Agency

<b>PDP</b>	Philippine Development Plan
<b>PDRS</b>	Project Development and Other Related Studies
<b>PEIS</b>	PESO Employment Information System
<b>PESO</b>	Public Employment Service Office
<b>PFM</b>	Public financial management
<b>PFMAT</b>	Public Financial Management Assessment Tool
<b>PFMI</b>	Project Facilitation, Monitoring, and Innovation
<b>PHFDP</b>	Philippine Health Facilities Development Plan
<b>PHIE</b>	Philippine Health Information Exchange
<b>PhilExim</b>	Philippine Export-Import Credit Agency
<b>PhilGEPS</b>	Philippine Government Electronic Procurement System
<b>PhilHealth</b>	Philippine Health Insurance Corporation
<b>PHIVOLCS</b>	Philippine Institute of Volcanology and Seismology
<b>PIDS</b>	Philippine Institute for Development Studies
<b>PIP</b>	Public Investment Program
<b>PIPOL</b>	Public Investment Program Online
<b>PLEA</b>	Production Loan Easy Access
<b>PMR</b>	Product market regulation
<b>PN</b>	Philippine Navy
<b>PNCP</b>	Philippines' National Competition Policy
<b>PNGR</b>	Philippine Natural Gas Regulation
<b>PNP</b>	Philippine National Police
<b>PNTR</b>	Philippine National Trade Repository
<b>POEA</b>	Philippine Overseas Employment Administration
<b>POPCOM</b>	Commission on Population
<b>PPA</b>	Philippine Ports Authority
<b>PPAN</b>	Philippine Plan of Action for Nutrition
<b>PQF</b>	Philippine Qualifications Framework
<b>PRC</b>	Professional Regulation Commission
<b>PREXC</b>	Program Expenditure Classification
<b>PRRS</b>	Porcine Reproductive and Respiratory Syndrome
<b>PSA</b>	Philippine Statistics Authority
<b>PSC</b>	Philippine Sports Commission
<b>PSF</b>	People's Survival Fund
<b>PTSMP</b>	Philippine Transportation System Master Plan
<b>PWDs</b>	Persons with disabilities
<b>PWSSMP</b>	Philippine Water Supply and Sanitation Master Plan
<b>QR</b>	Quantitative restriction
<b>R&amp;D</b>	Research and development
<b>RA</b>	Republic Act

RATE	Run After the Tax Evaders
RATS	Run After the Smugglers
RBPMs	Results-based Performance Management System
RDC	Regional Development Council
RDI	Research and development institution
RDLead	R&D Leadership
RE	Renewable energy
REM	Renewable energy market
RFINL	Regular Foreign Investment Negative List
RHU	Rural health unit
RIPPLES	Regional Interactive Platform for Philippine Exporters
RM	Results matrix
RoRo	Roll on-Roll off
ROW	Right-of-way
RPMP/RPA/ ABB TPG	Rebolusyonaryong Partido ng Manggagawa ng Pilipinas-Revolutionary Proletarian Army-Alex Boncayao Brigade Tabara Paduano Group
RPRH	Responsible Parenthood and Reproductive Health
RPS	Renewable portfolio standard
S&T	Science and Technology
SALINTUBIG	Sagana at Ligtas na Tubig sa Lahat
SALN	Statement of Assets, Liabilities, and Net Worth
SC	Supreme Court
SCP	Sustainable consumption and production
SDC	Social Development Committee
SDGs	Sustainable Development Goals
SDN	Service delivery network
SETUP	Small Enterprise Technology Upgrading Program
SHelTeR	Socialized Housing Loan Take-Out of Receivables
SHFC	Social Housing and Finance Corporation
SHS	Senior high school
SLP	Sustainable Livelihood Program
SPED	Special Education
SPMS	Strategic Performance Management System
SSF	Shared service facilities
SSS	Social Security System
STEAM	Science, Technology, Engineering, Agriculture, and Mathematics
STEM	Science, Technology, Engineering, and Mathematics
STI	Science, technology, and innovation
STuFAPs	Student financial assistance programs
SUCs	State universities and colleges

<b>SURE</b>	Survival and Recovery Assistance
<b>SWDR</b>	Solid waste diversion rate
<b>SWM</b>	Solid waste management
<b>SY</b>	School year
<b>TB</b>	Tuberculosis
<b>TBI</b>	Technology business incubator
<b>TESDA</b>	Technical Education and Skills Development Authority
<b>TRAIN</b>	Tax Reform for Acceleration and Inclusion
<b>TRO</b>	Temporary restraining order
<b>TVET</b>	Technical and Vocational Education Training
<b>TVI</b>	Technical-vocational institution
<b>UBAS TWG</b>	Ugnayan ng Barangay at Simbahan Technical Working Group
<b>UCT</b>	Unconditional Cash Transfer
<b>UFF</b>	Unified Financing Framework
<b>UHC</b>	Urban health center
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNESCO</b>	United Nations Educational, Scientific, and Cultural Organization
<b>UNICEF</b>	United Nations Children's Fund
<b>UniFAST</b>	Unified Student Financial Assistance System for Tertiary Education
<b>VC</b>	Virtual currency
<b>WB</b>	World Bank
<b>WGI</b>	World Governance Indicator
<b>WTE</b>	Waste-to-energy









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