



# SOCIOECONOMIC REPORT 2018









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# MESSAGE FROM THE SECRETARY

SOCIOECONOMIC REPORT 2018

***"Tingnan mo... Nagbabago na ang lahat"***

The year 2018 marked the passage of key legislative agenda identified in the Philippine Development Plan (PDP) 2017-2022. Two years into Plan implementation, game-changing reforms were enacted to improve the country's standing in terms of enabling Filipinos to enjoy the life envisioned in *AmBisyon Natin 2040*. These reforms are all encapsulated in this year's Socioeconomic Report (SER).

Notably, the traction of landmark legislations passed in 2017 continued in 2018. Specifically, we started implementing reforms such as the Universal Access to Quality Tertiary Reform, the first package of Tax Reform for Acceleration and Inclusion Act, and the Executive Order on Zero Unmet Need for Family Planning Services. We also welcomed the enactment of laws and issuance of key policies such as the First 1,000 Days Act, Philippine Identification System Act, Ease of Doing Business and Efficient Government Service Delivery Act, the 11<sup>th</sup> Regular Foreign Investment Negative List, to name a few.

These reforms, alongside the massive Build Build Build Program, and together with other policies and programs that we have put in place in the past years, make up a large part of the solid foundation that we have been laying down for a more inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy.



The SER 2018 signals how the government was able to successfully kick off the implementation of its reform agenda and bring about the needed changes in some of its priority areas. While mixed results were attained in the PDP's core indicators and sector-specific targets set at the beginning of the Plan period, we remain on track and we take stock of the gains we have achieved.

This is of course not to say that these were accomplishments without challenges. After all, we know that the journey to achieving our ambitious goals is long and difficult; the challenges we encounter become more complex amid global headwinds and constantly changing environment. Certainly, we have a long way to go to empower the poor and disadvantaged and let them reap the full benefits of growth and development. Hence, we need to be more innovative and be able to fine-tune our strategies to attain our development targets.

For 2019 and 2020, the government will continue to pursue reforms that will open up opportunities for more people, encourage investments in key areas, and strengthen the adaptability and resiliency of Filipinos, among others. Importantly, we need to raise the Filipinos' awareness of the interventions and reforms in place so they can benefit more. "*Tingnan mo...Nagbabago na ang lahat*" – the theme for SER 2018 – emphasizes the need for people to see and acknowledge the positive changes, and to reinforce and secure these reforms so that they can be sustained.

We are off to a good start in 2019 but the challenge of implementation remains. As public servants, we should take the challenge to continuously live up to our commitments to the Filipino people and the country. Let us show our *malasakit* by giving the best public service we could offer. Let us be the change (*pagbabago*) that we want to see by implementing programs and projects that will enable everyone to partake in our economic growth. Let us pursue *patuloy na pag-unlad* by thinking out of the box and by applying innovative solutions to longstanding and new emerging challenges.

We encourage all of citizenry to maximize existing participatory mechanisms. Engage the government, exact accountability from the government, and take part in our journey to inclusive growth.

Indeed, what we need is a whole-of-society approach to meet our PDP targets. Despite perceptions of disunity, we need to recognize that the reforms we have made thus far are a result of collaboration among the different branches of government and various stakeholders who, after all, have higher common goals. Let us never lose sight of our collective vision.

Let us all continue to work together for a *matatag, maginhawa, at panatag na buhay para sa lahat ng Pilipino*.



**ERNESTO M. PERNIA**

Secretary of Socioeconomic Planning



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01

*Tingnan mo...  
Nagbabago na  
ang lahat*



# TINGNAN MO... NAGBABAGO NA ANG LAHAT

Much-awaited reforms are finally taking roots. The next step is to accelerate the bureaucratic restructuring that is needed to adapt to the new regime. The objective must be to ensure that the Filipino people benefit from these reform measures expeditiously and palpably.

Two years into the implementation of the Philippine Development Plan (PDP) 2017-2022, the Duterte administration has delivered on its promise to put in place critical and broad-based reforms. These include the Philippine Identification System (PhilSys) Act and Ease of Doing Business and Efficient Government Service Delivery Act under the *Malasakit* pillar; the Rice Tariffication Act, 11th Regular Foreign Investment Negative List, the entry of the third TelCo player, First 1000 Days Act, and the Universal Access to Quality Tertiary Education under the *Pagbabago* pillar; the restructuring of the Commission on Population (PopCom) and Balik-Scientist Law under the *Patuloy na Pag-unlad* pillar; the Tax Reform for Acceleration and Inclusion (TRAIN), Personal Property Security Act, and Administrative Order 13 (Removing Non-Tariff Barriers and Streamlining Administrative Procedures on the Importation of Agricultural Products) under the supporting strategies; and the Bangsamoro Organic Law, enforcement of environment laws for sustainable tourism under the bedrock strategies. These reforms were among the material considerations for the country's recent credit ratings upgrade.

The next steps should ensure that the benefits from these reforms are positive, substantial, and broadly shared – that there is ample mechanism to see to it that those who bore the cost of the reforms can quickly recover and later thrive under the new regime. These next steps are about empowering every Filipino by keeping them informed of the new regime (rules, protocols, etc.); providing them access to improved facilities; and encouraging utilization. This also entails retooling the bureaucracy to implement the enhanced protocol.

Some of these reforms, however, are still incomplete. Administrative rules and regulations need to be reviewed to ensure coherence. Moreover, a number of measures in the reform agenda still needs to be undertaken.

Over the years 2019 and 2020, the following priority strategies are recommended:

## Building a constituency for reforms

The benefits of reforms already in place have to be seen and felt to establish credibility and to build constituency for the next set of reforms.

1. **Ensure that all those involved in the implementation and those who would be affected are in step with the reforms.** Government agencies tasked with implementing the reforms need to formulate an implementation roadmap, complete with an intensive information drive, safety nets for those who would be adversely affected especially in the short term, and a program for retooling the bureaucracy. Note that in some cases, a new unit (e.g., PhilSys, Cooperative Development Authority) or agency (e.g., Anti-Red Tape Authority, Department of Human Settlements and Urban Development, and possibly a Department of Water Resource) may need to be established to implement the reform.



2. **Implement complementary measures for reforms to be effective and beneficial to people.** For instance, the PhilSys ID will improve the efficiency in the delivery of services, provided that existing program databases will be reconfigured such that the PhilSys ID number is used as a sorting field in agencies' information management systems. Government processes need to be redesigned to make use of electronic platforms. Safety net mechanisms also require the creation of sectoral registries. The accurate collection of tariff revenue from rice imports under the Rice Tariffication Act likewise requires the full operationalization of the National Single Window covering all agencies involved in the rice trade.
3. **Institute monitoring and impact evaluation protocols** in all government agencies to enable tracking of progress and allow for timely corrective measures.

## Creating opportunities for more people

Strategies to expand opportunities and facilitate access to opportunities need to be intensified to sustain growth and make it more inclusive:

4. **Expand production opportunities** through sustainable agriculture, agri-business, upscale manufacturing, coastal resource management, responsible mining, and sustainable tourism.
5. **Expand markets and access to markets** by promoting inclusive finance, facilitating access to technology, improving connectivity and logistics, fostering National Quality Infrastructure, and forging strategic trade agreements and openness of the economy in general.

## Encouraging investments in key areas

In some cases, investors with financial resources are simply waiting for a more attractive business environment. The following initiatives may provide the big push needed to establish a more attractive investment climate:

6. **Improve macroeconomic competitiveness** by streamlining government processes, increasing the efficiency of logistics, ensuring energy security, improving labor flexibility, and lifting restrictions on foreign participation in investment areas and activities. The creation of the Anti-Red Tape Authority will facilitate the first measure identified.
7. **Ensure a level playing field** through a national competition policy to encourage more investments and business. World Bank (2019) finds that some regulations have created barriers to entry in some sectors and actually abetted the formation of monopolies and oligopolies. It is also equally important to aggressively implement anti-smuggling measures such as the Run After the Smugglers (RATS) program to complement the various tax administration reforms.
8. **Reduce vulnerabilities** through the use of adequate technology, provision of needed infrastructure, and the establishment of social protection measures.

## Strengthening adaptability and resiliency

Times are increasingly becoming volatile, uncertain, complex, and ambiguous (VUCA) hence it is necessary to build the capacity of the country and Filipinos to thrive amidst a VUCA world.

9. **Face up to the Fourth Industrial Revolution** (Industry 4.0) by building the country's science, technology, and innovation ecosystem.
10. **Implement the Population and Development program.** Besides averting unintended pregnancies, intensify interventions during the first 1000 days of the child to build the capacity to develop the necessary cognitive skills.
11. **Increase investments to improve the quality of human capital** to meet the human resource requirements under Industry 4.0.

## Building social cohesion, promoting connectivity, and maintaining ecological integrity

The durability of the benefits of policies, programs, and projects rests having a strong society and on maintaining ecological integrity.

12. **Build a constituency for long lasting peace.** The strategies need to be varied depending on the problems and the sectors involved. Efforts to reduce the supply of drugs must be accompanied by programs to reduce demand, as indicated in the *Rehabinasyon* Program. A whole-of-government approach is also needed to effectively address the problem of insurgency, as directed by Executive Order No. 70, s. 2018. Moreover, to pursue our goal of building a high-trust society while maintaining cultural diversity, it is important to mainstream culture concerns in development planning.
13. **Sustain infrastructure investments** consistent with the National Spatial Strategy and other masterplans.
14. **Mitigate climate change and its impact** following a framework for Sustainable Consumption and Production which will also require the conduct of studies on carrying capacity and ecological limits and the development of biotech solutions.

## Pursuing still more reforms

The momentum for change is still strong and work on reforms should continue.

15. **Pursue amendments to the Foreign Investment Act, Public Service Act, Retail Trade Act, and TRABAHO Bill, and create a policy framework** to stimulate innovation, institute flexible work arrangements, and initiate social protection floor.

As with the previous Socioeconomic Report, these reform agenda and the programs, activities, and projects are all meant to lay down the foundation for inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy.





02

Global and  
Regional  
Trends and  
Prospects



# GLOBAL AND REGIONAL TRENDS AND PROSPECTS

Government's strategies and interventions need to consider global and regional trends and prospects. These include economic and political issues and concerns and social, demographic, technological, and environmental developments that could impact the country.

## Economic Trends

The growth of the global economy is estimated to have moderated to 3.7 percent in 2018. This was amid country-specific issues in advanced economies and broader deterioration in financial market sentiment, uncertainties in trade policy, and concerns on the outlook for China. Global growth is expected to weaken further to 3.5 percent in 2019 and 3.6 percent in 2020.<sup>1</sup> Downside risks include potential escalation of trade tensions, disorderly financial market developments, monetary policy tightening, uncertainties in the exit of the United Kingdom (UK) from the European Union (EU), protracted United States (US) Federal Government shutdown, a hard-landing in China, and geopolitical tensions.<sup>2</sup>

Growth in advanced economies is expected to weaken substantially from 2.3 percent in 2018 to 2.0 percent in 2019 and 1.7 percent in 2020. This is mainly due to a marked deterioration in US' growth and more modest slowdown in the Euro area and Canada. Growth in emerging economies is seen to remain broadly stable despite a marked slowdown in China, Saudi Arabia, and Central and Eastern Europe. Growth in ASEAN-5 (Indonesia, Malaysia, Philippines, Singapore, and Thailand) is also projected to remain broadly stable, at 5.1 percent in 2019 and 5.25 in 2020. India will continue to see robust and accelerating growth over the next two years.<sup>3</sup>

Global trade (export volume) growth is estimated to have slowed from 5.1 percent in 2017 to 3.9 percent in 2018. It is forecasted to ease further to an average of 3.6 percent annual growth in 2019 to 2023.<sup>4</sup>

Global foreign direct investment flows are estimated to have grown only by a modest 5.0 percent in 2018 coming from a 23.0 percent drop to USD1.4 trillion in 2017, as trade tensions and tax competition influence global investment patterns.<sup>5</sup>

After raising its policy rates four times in 2018, the US Federal Reserve is seen to continue doing so in 2019 and 2020, though at a slower pace. Meanwhile, after ending its net asset purchases in 2018, the European

<sup>1</sup> International Monetary Fund (IMF). (2019). *World Economic Outlook Update, January 2019*. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019>

<sup>2</sup> World Bank Group. (2018). *Global Economic Prospects, June 2018: The Turning of the Tide?*. Washington, DC: World Bank. Retrieved from <http://www.worldbank.org/en/publication/global-economic-prospects>

<sup>3</sup> World Bank Group. (2018). *Global Economic Prospects, June 2018: The Turning of the Tide?*. Washington, DC: World Bank. Retrieved from <http://www.worldbank.org/en/publication/global-economic-prospects>

<sup>4</sup> IMF. (2018). *World Economic Outlook, October 2018 Challenges to Steady Growth*. Retrieved from <https://www.imf.org/en/Publications/WEO/Issues/2018/09/24/world-economic-outlook-october-2018>

<sup>5</sup> United Nations Conference on Trade and Development (UNCTAD). (2018). *World Investment Report 2018*. Retrieved from [https://unctad.org/en/PublicationsLibrary/wir2018\\_en.pdf](https://unctad.org/en/PublicationsLibrary/wir2018_en.pdf)

Central Bank has announced that its monetary policy would remain accommodative.<sup>6</sup> The Bank of Japan is set to maintain current low interest rates, taking into account uncertainties on economic activity and prices, including the effects of the consumption tax hike scheduled in October 2019.<sup>7</sup>

The 30.0 percent increase in average oil prices in 2018, which created inflationary pressures for net-importing economies, was mainly due to supply-side and geopolitical factors such as the decline in Venezuelan production and concerns about US sanctions on Iran. After the sharp drop in oil prices in the last quarter of 2018, oil prices are expected to stabilize at a lower level in 2019 compared to the previous year, with the strong increase in US oil production seen to persist.<sup>8</sup>

## Political Trends

The conflict between populist, inward-looking ideas, and more open and liberal ideas will continue to manifest itself over the coming years. Despite the signing of the United States-Mexico-Canada Agreement and the temporary trade war “truce” between the US and China, uncertainties remain given the respective ratification process and negotiations needed. There is also a rising risk of a disorderly exit of the UK from the EU, which could increase euro-skepticism and negatively affect European parliamentary election outcomes.<sup>9</sup> While tensions in the Korean peninsula seem to have eased, tensions may reignite as the pressure for clear progress towards nuclear disarmament mounts.<sup>10</sup> Geopolitical tensions in the Middle East will persist as the US sanctions against Iran begin to bite in 2019, while its policy towards Syria remains uncertain.<sup>11</sup> Geopolitical tensions in the West Philippine Sea also seem to be rising as territorial disputes persist.

## Social and Demographic Trends

The adoption of the Global Compact for Safe, Orderly, and Regular Migration in 2018 was an important milestone, being the first-ever intergovernmentally negotiated United Nations agreement to cover all dimensions of international migration. However, anti-immigration sentiments in several countries marred the negotiations and will likely continue to challenge its implementation. Nevertheless, more progressive societies like Canada will remain open and benefit from the diversion of talent.<sup>12</sup> Other countries like Japan are beginning to open up under the sheer weight of a shrinking and aging population.<sup>13</sup>

## Technological Trends

Artificial intelligence will play an increasingly significant role in how firms (and even some governments) operate. The next two years will also see more than half of the world’s population gaining access to the internet. Both developments will offer a lot of opportunities but will also raise concerns on abuses (e.g., invasion of privacy, ‘algorithmic bias,’ misinformation, security breaches), safety and impact on workers. The

<sup>6</sup> IMF. (2019). *World Economic Outlook Update, January 2019*

<sup>7</sup> Bank of Japan. (2019). *Outlook for Economic Activity and Prices, January 2019*

<sup>8</sup> World Bank Group. (2018). *Global Economic Prospects, January 2019*

<sup>9</sup> IMF (2019). *World Economic Outlook Update, January 2019*

<sup>10</sup> Ziegler, D. (2018). *Head over Heels. The Economist's The World in 2019*

<sup>11</sup> McShane, R. (2018). *Hardship Ahead. The Economist's The World in 2019*

<sup>12</sup> *The Economist* (22 December 2018). *Indian technology talent is flocking to Canada*

<sup>13</sup> *The Economist* (17 November 2018). *How Japan's prime minister plans to cope with daunting demography*



next two years will likewise highlight the increasing role of the private sector and developing economies, notably China and India, in further developing space technology, with several expeditions to the moon expected.<sup>14</sup>

## Environmental Trends

A relatively weak El Niño phenomenon is expected to form in early 2019 until towards the end of the second quarter. There is a moderate to strong risk of below-normal rainfall across the Philippines.<sup>15</sup>

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<sup>14</sup> *The Economist*. *The World in 2019*. Retrieved from <https://worldin2019.economist.com/>

<sup>15</sup> Gawthrop, E. (3 January 2019). *CPC/IRI December Climate Briefing: Atmosphere Resists El Niño Participation*



03

Overlay of  
Economic  
Growth,  
Demographic  
Trends, and  
Physical  
Characteristics





# OVERLAY OF ECONOMIC GROWTH, DEMOGRAPHIC TRENDS, AND PHYSICAL CHARACTERISTICS

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. It also recommends sustainable human settlements, efficient production, and effective service delivery systems. The NSS has three core strategies: Regional agglomeration; Connectivity; and Vulnerability reduction.

Regional agglomeration aims to increase the efficiency and build on the economies of scale of major urban growth centers. It seeks to manage growth in these centers and spread benefits to rural areas. Based on trends, the NSS recognizes a three-tiered network of settlements: (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.

Connectivity seeks to improve linkages between growth centers as well as connections between production and settlement areas. The objective is to equalize opportunities in various areas of the country by linking lagging regions with leading ones. Vulnerability reduction, on the other hand, improves the safety of communities against the impacts of natural hazard events. This includes the regulation of settlements in hazard-prone areas and putting in place disaster risk resilience measures.

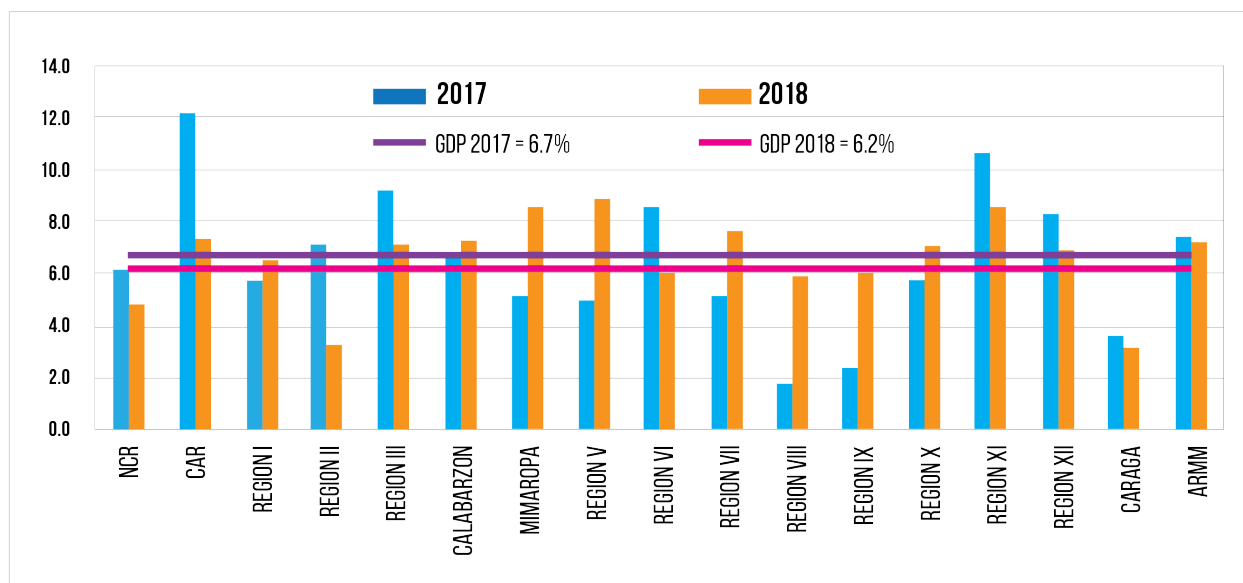
## Gross Regional Domestic Product Trends in 2018

Data from the Philippines Statistics Authority (PSA) showed that all 17 regions posted positive gross regional domestic product (GRDP) growth from 2017 to 2018, with 12 regions exceeding the national growth of 6.2 percent.

Bicol Region posted the highest growth rate with 8.9 percent, followed by Davao and MIMAROPA regions both with 8.6 percent. Bicol's services sector was the biggest contributor to the regional economy with an almost 58.0 percent share. The region's growth was supported by the expansion in construction, other services, and public administration. Davao's economy was boosted by the increased production in construction, manufacturing, trade, and other services. Notable growth was likewise observed in the region's electricity, gas and water, public administration, and financial intermediation. Lastly, MIMAROPA's growth was bolstered by the expansion of construction, other services, mining and quarrying, transportation, storage and communication, and public administration.

Most regional economies outperformed the National Capital Region's (NCR) growth rate of 4.8 percent except Cagayan Valley (3.3%) and Caraga (3.2%).

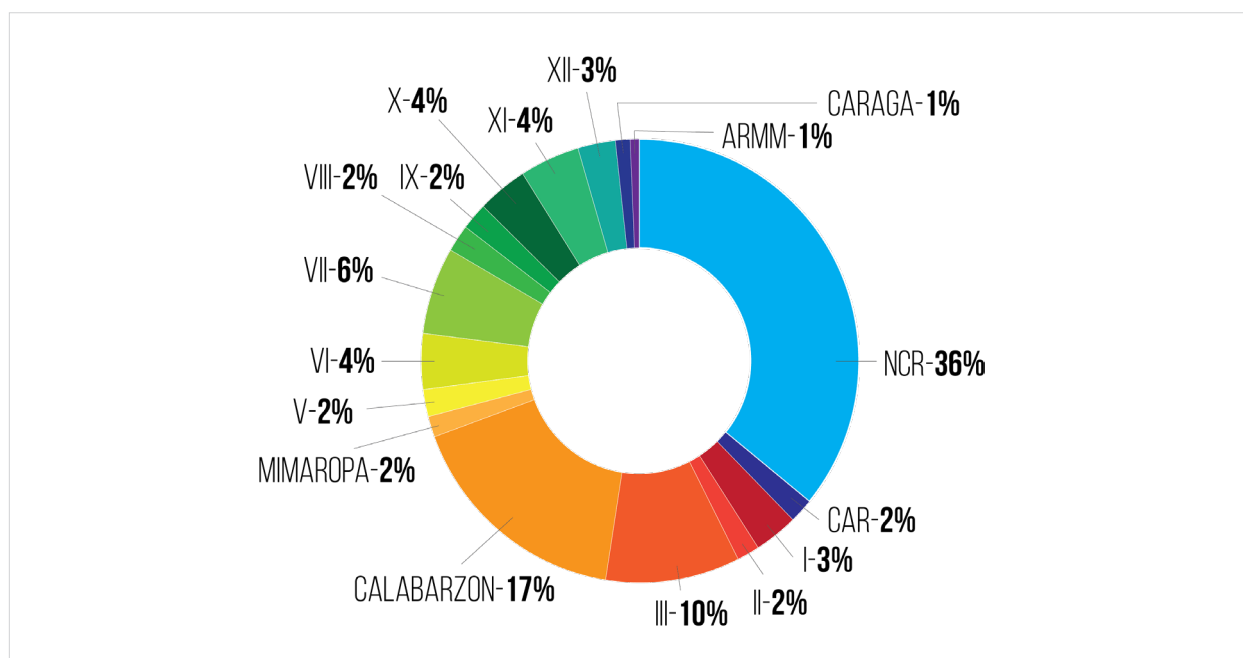
**Figure 3.1 GRDP Growth Rates, 2017-2018**



Source: PSA

NCR continued to have the largest share of the national economy in 2018, accounting for 36.0 percent, followed by CALABARZON with 17.0 percent and Central Luzon with 10.0 percent. When combined, these three regions comprising the Greater Metro Manila Area contributed 63.0 percent to the national output.

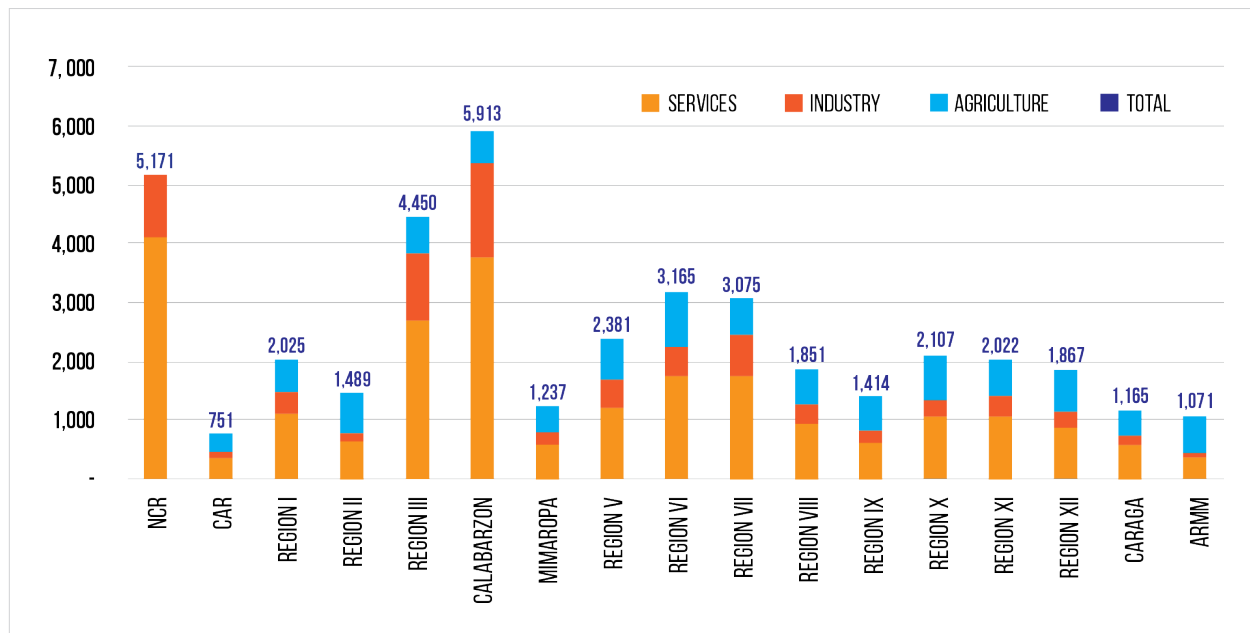
**Figure 3.2 GRDP Shares, 2018**



Source: PSA

In terms of employment, CALABARZON had the highest number of employed persons in 2018 with 5.91 million employed, followed by NCR and Central Luzon with 5.17 million and 4.45 million, respectively. More than 50.0 percent of the employed individuals were workers in the services sector who were primarily engaged in wholesale and retail trade; and repair of motor vehicles and motorcycles. Workers in the industry sector were concentrated in construction and manufacturing.

*Figure 3.3 Employed persons by sector, 2018*



Source: PSA Annual Labor and Employment Estimates 2018

## Assessment

### Regional agglomeration

The concentration of population and enterprises in urban centers comes with diseconomies associated with urbanization such as congestion, pollution, and waste management issues. Based on preliminary estimates by Japan International Cooperation Agency (JICA), Metro Manila lost PHP3.5 billion a day in 2017 due to traffic congestion. In Metro Cebu, losses were estimated at PHP1.1 billion a day. On air pollution, the latest World Health Organization report cites Baguio City, Cebu City, Dagupan City, and Manila as among the most polluted in the country. Meanwhile, poor solid waste management persists and is often blamed as one of the causes of flooding in urban communities along waterways.

The interconnectedness of these urbanization concerns calls for a comprehensive and integrated approach to urban planning and development.

To address urban inefficiencies, several studies were undertaken to inform the planning and evaluation of programs and projects in specific areas. For instance, the National Economic and Development Authority (NEDA) formally started a partnership with the Netherlands Ministry of Foreign Affairs on the formulation of a Manila Bay Sustainable Development Master Plan, which aims to provide a comprehensive framework and supporting institutional arrangements for the sustainable development of the entire Manila Bay Area.

It will guide decision-makers in the assessment and approval of programs/activities/projects (PAPs) for implementation within the Manila Bay Area covering Metro Manila and coastal zones in the provinces of Bataan, Bulacan, Cavite, and Pampanga. These PAPs shall include coastal protection works, solid waste and water resources management, transport, and reclamation. Outside Metro Manila, there are eight (8) regional and 28 sub-regional centers located within the Manila Bay catchment area.

In addition to NEDA's initiatives, JICA and Metro Cebu Development Coordinating Board prepared the Urban Transport Master Plan (UTMP) for Metro Cebu in 2018. The UTMP is one of the projects identified in the Roadmap Study for Sustainable Development of Metro Cebu completed in 2015 through the same partnership. This study provides the action plan towards the realization of the Mega Cebu Vision 2050. Sub-roadmaps were formulated to identify the programs and projects, and recommended implementation modalities leading to 2050. These sub-roadmaps cover metropolitan competitiveness, urban structure and land use, highway network and public transport, water supply and disposal, and solid waste management.

The Davao City Infrastructure Development Plan and Capacity Building Project is being implemented through a partnership agreement of JICA, NEDA, and the City Government of Davao. This project aims to improve the competitiveness, safety/disaster response, and general urban conditions of Davao City through the formulation of an urban infrastructure development plan, with sub-plans and priority projects to be implemented by the city government and mandated agencies together with some private proponents in seven sectors: roads and road traffic management, public transport, gateways such as ports and airports, water supply, wastewater management, solid waste management, and industry development support.

The government, through the Bases Conversion and Development Authority (BCDA), has also started the development of Clark Green City, which is being promoted as the newest growth center in the country. Developments include the expansion of the Clark International Airport, construction of Malolos-Clark railway, New Clark City mixed-use industrial real estate development, and the Clark City food processing terminal and international food market. New Clark City is also envisioned to host the new government administrative center which will house satellite offices of various government agencies. This will serve as a redundancy measure to ensure business continuity and service delivery in case a disaster hits Metro Manila.

For other growth centers, NEDA has initiated the preparation of master plans for sustainable urban infrastructure development for 11 regional centers: Baguio-La Trinidad-Itogon-Sablan-Tuba-Tubay (BLISTT) and cities of Vigan, Tuguegarao, Calapan, Iloilo, Bacolod, Ormoc, Pagadian, Cagayan de Oro, General Santos, and Butuan. The master plans define the growth centers' physical and socioeconomic profiles, and identify key problems and assess gaps in infrastructure requirement to support their further development. In consultation with stakeholders, a situational analysis will be conducted to assess the area's economic activities, land use patterns, transport networks, environmental conditions, disaster risks, housing, and utilities. The interplay among these elements and how they influence urbanization will be further examined.

## Connectivity

Connectivity narrows spatial disparities especially in economic opportunities and access to social and welfare services. It is hampered by (a) low quality of public transport; (b) lack of mass transit; (c) poor road network quality; and (d) traffic congestion. Due to the lack or low quality of public transportation facilities, commuters prefer to use private vehicles for work, school, business, or leisure -- increasing the volume of vehicles, thus, further worsening the traffic situation. Those without vehicles are left with facilities that have already exceeded their maximum capacity. This affects their travel time and, more importantly, the quality of life in urban areas.

The country has only three urban railway lines in Metro Manila, with a total length of 76.9 kilometers, and two commuter railways of the Philippine National Railways (PNR) which connect Metro Manila to Southern Luzon. In the 2018 World Economic Forum–Global Competitiveness Report, rail infrastructure in the Philippines ranked 91st out of 137 countries.

To address these issues, the government has formulated the National Transport Policy (NTP), its Implementing Rules and Regulations, and the Philippine Transportation System Master Plan (PTSMP). The NTP and PTSMP aim to guide the identification of programs and projects that will improve connectivity and transport network and systems in the country.

### The National Transport Policy and its Implementing Rules and Regulations

The National Transport Policy was adopted by the NEDA Board through Resolution No. 5, s. 2017 on September 12, 2017. It provides the mechanisms for effective and efficient inter-government coordination, local government participation, and stakeholder collaboration in the development of transportation infrastructure. Specifically, the NTP aims to improve intermodal connectivity among transportation infrastructures, promote good governance, increase green and people-oriented transport systems, create “new” economic growth centers outside the country’s key cities for inclusive growth consistent with the NSS, and promote transport infrastructure investments.

### Philippine Transportation System Master Plan 2018-2040

Consistent with and complementary to the NTP, the PTSMP guides the rational development of an intermodal transport network in the country -- preparing a transport database for traffic management and transportation planning. More importantly, it will produce a prioritized list of national transport programs and projects and investment plan.

Priorities for the short-term (2018-2022) are core strategic transport projects and retrofitting of transport facilities to increase their resiliency. These include those under the Build Build Build (BBB) Program and/or considered as infrastructure flagship projects (IFP). There are currently 37 projects for the short term period in the master plan, of which 13 are located in Mega Manila, six (6) in Luzon, eight (8) in Visayas, and 10 in Mindanao.

Below are the projects included in the PTSMP located in Mega Manila Area as well as in Luzon, Visayas, and Mindanao.

**Table 3.1 Projects under the PTMSP, 2018-2022**

MEGA MANILA	LUZON	VISAYAS	MINDANAO
<ol style="list-style-type: none"> <li>1. Priority Bridges Crossing Pasig River-Manggahan Floodway</li> <li>2. Arterial Road Bypass Project, Phase III</li> <li>3. Metro Manila Subway Project – Phase 1*</li> <li>4. LRT 6 (LRT 1 Extension to Dasmariñas, Cavite) – PPP**</li> <li>5. C-5 LRT 10 – PPP</li> <li>6. Quezon Avenue Mass Transit (BRT or LRT)***</li> <li>7. North ITS (Integrated Transport Terminal) – PPP</li> <li>8. NAIA Rehabilitation/ Expansion – PPP</li> <li>9. Pasig River Ferry Convergence Project</li> <li>10. North-South Commuter Railway System**</li> <li>11. Pampanga Mass Transit (BRT)</li> <li>12. Subic-Clark Railway Project*</li> <li>13. Bulacan Airport Project – PPP</li> </ol>	<ol style="list-style-type: none"> <li>1. Central Luzon Link Expressway (CLLEX), Phase 1**</li> <li>2. Bridge Construction Acceleration Project for Socio-Eco Development</li> <li>3. North Luzon Expressway East, Phase I and II</li> <li>4. Pasacao – Balatan Tourism Coastal Highway</li> <li>5. Quezon-Bicol Expressway</li> <li>6. Baguio-La Trinidad Mass Transit</li> </ol>	<ol style="list-style-type: none"> <li>1. Bridge Construction Acceleration Project for Socio-Eco Development</li> <li>2. South Pacific Coastal Road – Samar</li> <li>3. New Cebu International Container Port*</li> <li>4. Cebu Expressway Project</li> <li>5. Cebu Central Rail Line and Airport Link – BTOM-PPP</li> <li>6. Bacolod and Iloilo Airport Projects***</li> <li>7. Panglao Airport O&amp;M – System Upgrade – PPP</li> <li>8. Kalibo Airport O&amp;M – System Upgrade – PPP</li> </ol>	<ol style="list-style-type: none"> <li>1. Improving Growth Corridors in Mindanao Road Sector</li> <li>2. Road Network Development Project in Conflict-Affected Areas in Mindanao</li> <li>3. Bridge Construction Acceleration Project for Socio-Eco Development</li> <li>4. Panguil Bay Bridge Project***</li> <li>5. Mindanao Rail Project, Phase 1 (Tagum-Davao-Digos Section)***</li> <li>6. Davao City By-pass Project</li> <li>7. Davao Monorail Project – PPP</li> <li>8. Davao Public Transport Modernization</li> <li>9. Davao Airport – BTOM-PPP***</li> <li>10. Laguindingan Airport O&amp;M – System Upgrade - PPP</li> </ol>

Notes: \* IFP \*\* BBB \*\*\* Both IFP and BBB

Source: Presentation on the Philippine Transportation System Master Plan – Inter-Agency Technical Committee on Transportation Planning – Consultation Workshop (December 21, 2018)

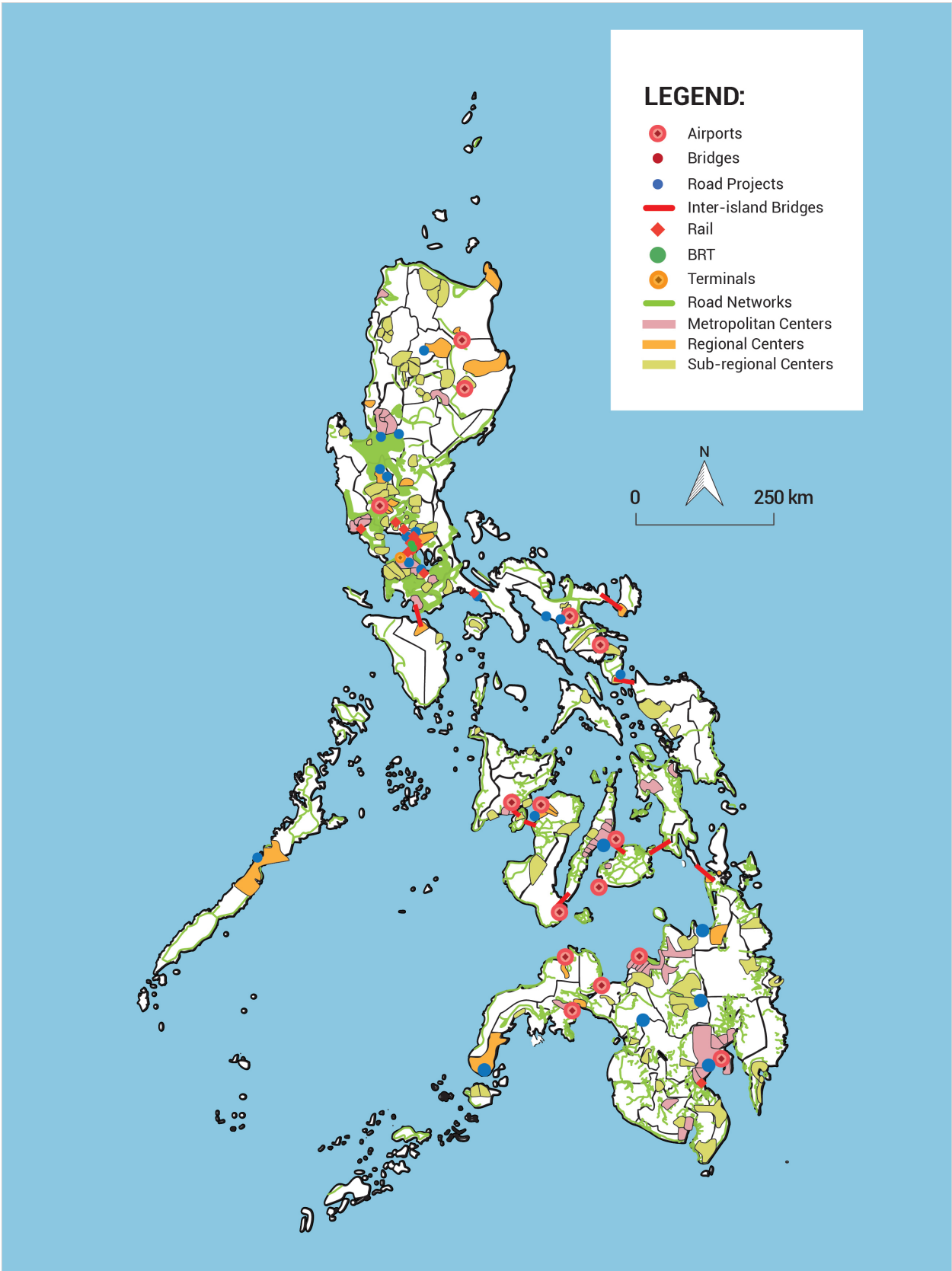
Overall, the government has identified 89 major projects that will help improve the country's connectivity. Out of these, 34 projects are IFPs, 37 projects are under the BBB program, and 18 projects are identified as both IFP and BBB. In terms of status,<sup>1</sup> out of the 89 projects, 22 are currently being implemented, 31 are in the project development stage, and 14 have completed Feasibility Studies. Furthermore, 19 projects will undergo NEDA Board-Investment Coordination Committee (ICC) approval and three (3) projects will not need NEDA Board approval but are still classified as important. (*Annex 1*)

There are projects that enhance the linkages between metropolitan centers (MCs) to regional centers (RCs). Majority of the projects that promote connectivity in the country are concentrated in Metro Manila. While RCs and sub-RCs in Luzon are connected with expressway projects and bridges, connectivity in Visayas is through inter-island linkages, specifically the construction of bridges from Cebu (MC) to Bohol (RC), Cebu to Negros, Bohol to Leyte, and Metro Iloilo to Bacolod, among others. Furthermore, enhanced connectivity between Metro Davao and other RCs is supported (*Figure 3.4*).

<sup>1</sup> As of November 27, 2018



Figure 3.4 Connectivity Projects in the Philippines



## Improving connectivity in conflict-affected areas

The government recognizes the need to equalize opportunities across space with special attention given to areas affected by conflicts. There is recognition of the importance of transport infrastructure as a means to address unequal access to services which heightens discontent and social divisions in conflict-affected areas.

The NEDA Board-ICC has approved road projects to complement peace and development efforts. One such project is the Reconstruction and Development Plan for a Greater Marawi - Stage 2 of the Department of Public Works and Highways, involving the construction of the transcentral roads Phase 3, construction of the Malabang Viaduct, rehabilitation of the Beyaba Damag Open Channel, and construction of a permanent Rorogagus Bridge. Another project is the Road Network Development Project in Conflict-Affected Areas in Mindanao involving the construction of the Marawi-Saguiran-Piagapo-Marantao Ring Road. These two projects are part of the Bangon Marawi Comprehensive Reconstruction and Recovery Program submitted in 2018 by NEDA to the Task Force Bangon Marawi.

## Vulnerability Reduction

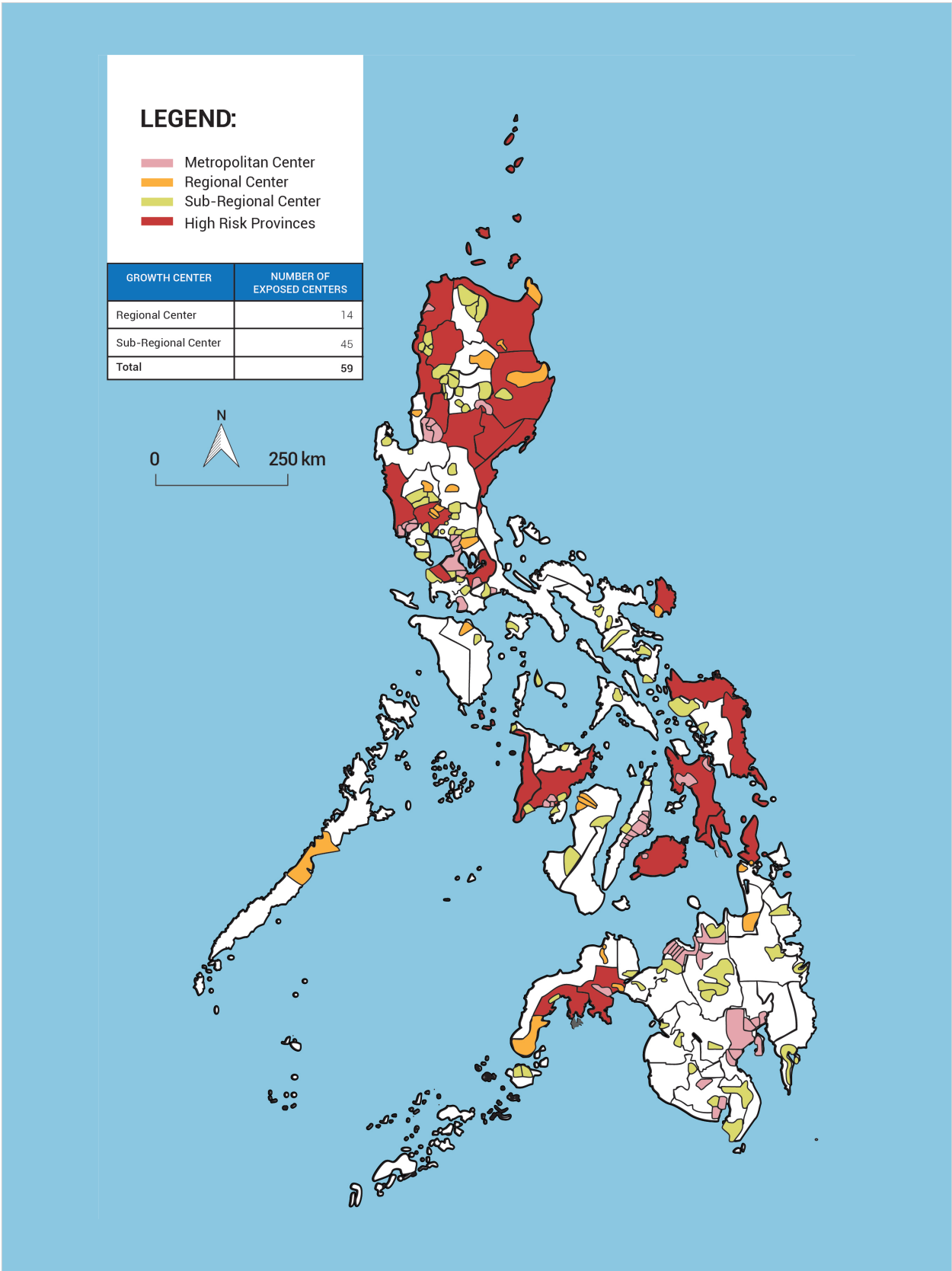
The Hazard Mapping and Assessment for Effective Community-Based Disaster Risk Management or “READY” Project<sup>2</sup> identified 27 priority provinces at high risk from natural hazards. These are mostly located along the country’s eastern seaboard and are susceptible to two or more natural hazards such as earthquake-induced landslide, ground rupture, ground shaking, liquefaction, storm surge, tsunami, rain-induced landslide, flooding, and volcanic hazards.

Many growth centers are located in these 27 high-risk provinces. Metropolitan centers and other urban areas are at high risk, due to their susceptibility to various natural hazards, their high population concentration, and poor condition of certain physical infrastructures.

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<sup>2</sup> The READY Project was a collaborative effort between the Government of the Philippines, the United Nations Development Programme and the Government of Australia Australian Aid; and was jointly implemented by Office of the Civil Defense; Philippine Institute of Volcanology and Seismology; Philippine Atmospheric, Geophysical, and Astronomical Services Administration; Mines and Geosciences Bureau; and National Mapping and Resource Information Authority as responsible agencies.

Figure 3.5 High-risk Provinces vs. Growth Centers



In 2018, the major disaster event was caused by Typhoon *Omping* which brought heavy rains and caused landslides. Total cost of damages was estimated at PHP11.47 billion—PHP4.98 billion in the agriculture sector and PHP4.62 billion in infrastructure.<sup>3</sup> The Municipality of Itogon suffered the most with 71 deaths and 50 people missing due to landslides.<sup>4</sup>

The country should continue to strengthen its disaster risk reduction efforts to achieve the goal of zero casualties in times of major hazard events and reduce damages to properties and losses to the economy.

There are currently nine projects on disaster resiliency under the BBB Program. The improvement of the remaining sections along the Pasig River from Delpan Bridge to Napindan Channel was already completed in March 2018. The Leyte Tide Embankment is ongoing. The Ambay-Simuay River and Rio Grande de Mindanao Flood Control Project; and the Cavite Industrial Area Flood Management Project have both already secured NEDA Board Approval. Currently on project development or ICC evaluation stage are Balo-i Plains Flood Control Project, Ipo Dam 3, Panay River Basin Integrated Development Project, Mandaluyong Main Drainage Phase 2, and Pasig-Marikina River Channel Improvement.

In addition to these big-ticket projects, there are also other notable efforts being implemented at the national and local levels that can contribute to reducing vulnerabilities in the growth centers.

First, Executive Order No. 52, s. 2018 “Creating the Program Management Office (PMO) for Earthquake Resilience of Greater Metro Manila Area (GMMA)”, was issued on May 8, 2018. The PMO shall formulate and operationalize the GMMA Resiliency Plan, including overall government service continuity plan.

Second, climate resiliency is being incorporated in urban planning through a project of the UN Habitat with the Housing and Land Use Regulatory Board.<sup>5</sup> It is currently assisting five pilot/partner cities -- Angeles City, Cagayan de Oro City, Legazpi City, Ormoc City, and Tagum City -- in developing climate-resilient urban plans and designs and projects which include integrated waterfronts, water harvesting parks, and multi-nodal urban forest parks.

Third, updated science-based information related to natural hazards has been provided to local government units (LGUs) to help them better prepare for disastrous events. These include the Philippine Atmospheric, Geophysical, and Astronomical Services Administration’s (PAGASA) downscaled climate change projections which will help inform the formulation of Local Climate Change Action Plans. The Philippine Earthquake Model of the Philippine Institute of Volcanology and Seismology (PHIVOLCS) also provided probabilistic seismic hazard analysis as guide in designing earthquake resilient buildings and structures.

Fourth, platforms to collect vulnerability and exposure information, such as population, buildings, infrastructure, economic activities, public services, and other assets located in hazard-prone areas are being developed. PHIVOLCS is implementing the Geospatial Information Management and Analysis Project for Hazard and Risk Assessment for the Philippines or GeoRiskPH Project while the Department of the Interior and Local Government is also developing the Integrated Local Disaster Risk Governance and the Roads and Bridges Information System. With these, a more comprehensive view of the disaster risk at the local level will be available to help identify more targeted interventions.

Fifth, recognizing the link between disaster risk reduction and sound environmental management, the government demonstrated its seriousness by ordering the closure of Boracay Island. The island, which is a tourism gem, has been suffering from poor environmental condition resulting from overtourism,

<sup>3</sup> Sourced from the Regional Disaster Risk Reduction and Management Council-CAR Post Disaster Needs Assessment for Typhoon “OMPONG” Draft No. 3 (As of December 2, 2018)

<sup>4</sup> SitRep No 57 re Preparedness Measures and Effects for Typhoon “Omping” (I.N Mangkhut) as of 5:00PM, 05 October 2018 -6:00AM, 06 October 2018

<sup>5</sup> Building Climate Resiliency through Urban Plans and Designs Project

uncontrolled developments in the area, and unsustainable environmental practices. By order of the President, the island was closed for six months for a massive clean-up and rehabilitation (*See Chapter 20*). In order to ensure sustainability, a medium-term Boracay Action Plan contains interventions for the Island's post-closure rehabilitation activities grouped under four thematic areas: enforcement of laws and regulations, pollution control and prevention, rehabilitation and recovery of the ecosystem, and sustainability of the island activities. These include coastal geohazard field mapping and survey, recovery and protection of easements, management of marine protected areas, rehabilitation of wetlands, and forest and biodiversity protection program<sup>6</sup>.

## Moving Forward

The initiatives implemented in 2018 need to be sustained, expanded, and, as necessary, enhanced. The pace and complexity of growth of settlements and how these manifest in geographic space have to be constantly examined not only to solve existing problems, but more importantly, predict them and implement the necessary measures to prevent them from happening. In view of this, the following should be pursued:

### Regional agglomeration

Managing growth in major urban centers requires cohesive efforts from national and local government. Further initiatives on the following should be undertaken:

***Meeting demands for services.*** The continuous influx of population in growth centers results in greater demand for social services including those related to housing, health, sanitation, and education. This would entail improved facilities and corresponding personnel to run them. Efforts along this line will benefit from the ongoing formulation of the Philippine Water Supply and Sanitation Master Plan which aims to set the direction in addressing challenges on these sectors through short-, medium-, and long-term policy reforms, strategies, and priority PPAs.

***Easing traffic congestion.*** The flow of goods and services is the lifeblood that sustains the country's growth centers. Investments in mass transit systems should be fast-tracked in order to have long-term solutions to this issue. Concurrently, better traffic law enforcement and transport demand management schemes can be explored as immediate remedial measures.

***Managing waste and minimizing pollution.*** LGUs have an important role in solving solid waste management problems plaguing many of our cities. However, there is a need to institute mechanisms that will enable LGUs to perform their mandates such as technical support in setting up appropriate equipment and facilities and access to financing. (*See Chapter 20*) Programs should not only focus on collection and disposal but more importantly on reducing the amount of waste generated by households and establishments.

***Promoting development of Smart Cities.*** NEDA has tapped experts from Netherlands and Japan in the preparation of master plans for Metropolitan Manila and Davao City, respectively. These plans will adopt smart city principles in urban mobility, natural and built environment, sustainable energy, and economic competitiveness. The cities of Manila, Cebu and Davao were selected as pilot sites for the ASEAN Smart Cities Network initiative to be implemented from 2018 to 2025 which aims to catalyze projects in transport, water quality, health, public services, data, and information and communication technology. Moving forward, the

<sup>6</sup> Executive Order 53, s. 2018 created an inter-agency task force, headed by the Department of Environment and Natural Resources (DENR). In turn, DENR designated NEDA to lead the Boracay Action Plan Committee. The final draft of the Boracay Action Plan, whose formulation was led by NEDA Regional Office – Western Visayas, was adopted by the task force in December 2018.

adoption of smart city principles should also be promoted in other existing and emerging growth centers in the country. Platforms for sharing of good practices and ideas among LGUs can be explored as a strategy for promotion.

## Connectivity

To improve and strengthen connectivity in the country, the following still need to be addressed:

***Supporting and enhancing linkages among growth centers to production areas and market centers.*** The PTSMP, which will guide the rational development of an intermodal transport network in the country, must identify the gaps in terms of national and local road network and access to public transportation, both in urban and rural areas, and propose projects that will enhance the physical and economic linkages throughout the country.

***Constructing new local roads for road network redundancy,*** which allows the creation of alternative routes for disaster response and evacuation. Natural disasters like flooding, landslides, volcanic eruptions, storm surges, and earthquakes disrupt the transportation network in affected areas and cause damages to infrastructure. These also have an economic impact and affect the provision of basic services and emergency response.

## Vulnerability reduction

To further reduce vulnerability in the growth centers, the following are recommended:

***Giving attention to metropolitan centers such as Metro Cebu, Metro Davao, and Metro CDO as regards risk reduction initiatives.*** While there are notable initiatives to reduce risks in Metro Manila as the country's seat of government and main economic hub, these areas, as well as other regional centers, are also prone to multiple hazards (ground shaking, earthquake induced-landslide, liquefaction and/or tsunami, flooding).

***Further developing and promoting incentive mechanisms to encourage LGUs to develop their capacities and further invest on disaster risk reduction (DRR) and climate change adaptation (CCA)-related projects*** given that specific climate change adaptation and disaster risk reduction strategies are best formulated at the regional and local levels. One existing mechanism is the *Gawad Kalasag* Awards organized by the National Disaster Risk Reduction and Management Council. It not only recognizes the outstanding contribution of institutions and individuals in the field of DRR but also serves as information, education, and communication campaign for LGUs lagging in terms of DRR capacities by showcasing the country's best practices for possible replication. The awardees for 2018 showcased outstanding innovations, functionality of the disaster risk reduction management councils, completeness of the DRRM plans, and comprehensiveness of local policy issuances, among others.

***Continuing efforts to improve science-based information.*** These include sustained investment on hazard monitoring, forecasting, disaster risk assessment, early warning system, and communication to enable individuals, communities, and governments to take timely action to reduce disaster risks. Completing the probabilistic hazard mapping and vulnerability and risk assessment for hydrometeorological and geological hazards by PAGASA, PHIVOLCS, and Mines and Geosciences Bureau for all areas in the country, as well as having an integrated disaster exposure database will also help in improving planning by understanding the risks and identifying priority areas and development challenges posed by natural hazards.



# Annex 1: List of Projects under the IFPs and Build Build Build

*Table 3.2 Infrastructure Flagship Projects (IFPs)*

	PROJECT TITLE	REGION	STATUS (AS OF NOVEMBER 27, 2018)
1	Palanca-Villegas (2nd Ayala)	NCR	NEDA Board approved/ Project development
2	Beata-F.Y. Manalo Bridge	NCR	NEDA Board approved/ Project development
3	Blumentritt - Antipolo Bridge	NCR	NEDA Board approved/ Project development
4	Marikina-Vista Real Bridge	NCR	NEDA Board approved/ Project development
5	J.P. Rizal - St. Mary Bridge	NCR	NEDA Board approved/ Project development
6	Mercury-Evangelista Bridge	NCR	NEDA Board approved/ Project development
7	East-west Bank Bridge 1	NCR	NEDA Board approved/ Project development
8	East-west Bank Bridge 2	NCR	NEDA Board approved/ Project development
9	North and South Harbor Bridge	NCR	NEDA Board approved/ Project development
10	New Cebu International Container Port	Region VII	NEDA Board approved/ Project development
11	PNR South Long-haul (Manila-Bicol)	CALABARZON, Region V	NEDA Board approved/ Project development
12	Metro Manila Subway Project - Phase 1	NCR	NEDA Board approved/ Project development
13	Binondo-Intramuros Bridge	NCR	NEDA Board approved/ Project development
14	Estrella-Pantaleon Bridge	NCR	NEDA Board approved/ Project development
15	Subic-Clark Railway Project	Region III	NEDA Board approved/ Project development

**Table 3.3 Projects Listed under the Build Build Build Program**

	PROJECT TITLE	REGION	STATUS
1	Mindanao Logistics Infrastructure Network	Region XI	Project development
2	LRT 1 South (Cavite) Extension Project	CALABARZON	Project development
3	Night Rating of Tuguegarao Airport	Region II	Project development
4	Night Rating of Pagadian Airport	Region IX	Project development
5	Night Rating of Ozamis Airport	Region X	Project development
6	Night Rating of Naga Airport	Region V	Project development
7	Night Rating of Dumaguete Airport	Region VIII	Project development
8	Night Rating of Dipolog Airport	Region IX	Project development
9	Night Rating of Cotabato Airport	Region ARMM	Project development
10	Night Rating of Cauayan Airport	Region II	Project development
11	Cavite Barge Gateway Terminal	NCR, CALABARZON	Project development
12	PNR North 1 (North South Commuter Rail)	Region III	Project development
13	Taguig Integrated Terminal Exchange	NCR	Project development
14	Parañaque Integrated Terminal Exchange	NCR	Project development
15	Line 7 (MRT 7)	NCR, Region III	Project development
16	East-West Lateral Road	Caraga	Project implementation
17	Bahile-Oyster Access Road	MIMAROPA	Project implementation
18	Laguna Lake Highway	NCR, CALABARZON	Project implementation
19	Pinguaman Bridge	Region XII	Project implementation
20	Zamboanga City By-Pass road	Region IX	Project implementation
21	Matnog - Sta. Magdalena - Bulusan Road	Region V	Project implementation
22	Pigalo Bridge	Region II	Project implementation
23	Urdaneta City Bypass Road	Region I	Project implementation
24	Apayao-Ilocos Norte Road	Region CAR	Project implementation
25	Davao City Bypass road	Region XI	Project implementation
26	Central Luzon Link Expressway	Region III	Project implementation
27	Metro Cebu Expressway	Region VII	Project implementation
28	Bacolod Economic Highway	Region VI	Project implementation
29	Cavite-Laguna Expressway	CALABARZON	Project implementation
30	Tarlac-Pangasinan-La Union Expressway Project	Region I, Region III	Project implementation
31	NLEX Harbor Link, Segment 10	NCR	Project implementation
32	NLEX-SLEX Connector Road	NCR, Region III	Project implementation
33	NAIA Expressway Phase II	NCR	Project implementation
34	Mactan-Cebu International Airport Project	Region VII	Project implementation
35	Bicol International Airport Development Project	Region VI	Project implementation
36	Mega Manila Subway	NCR	Project implementation
37	LRT Line 2 East (Masinag) Extension Project	NCR, CALABARZON	Project implementation

**Table 3.4 Projects listed under both IFPs and Build Build Build Program**

	PROJECT TITLE	REGION	STATUS
1	PNR North 2 (Malolos-Clark International Airport-New Clark City) Phase 1: Malolos-Clark International Airport Phase 2: Clark International Airport-New Clark City	NCR, Region III	Completed FS
2	PNR South Commuter Line (Tutuban-Calamba)	CALABARZON, NCR	Completed FS
3	Panguil Bay Bridge Project	Region X	Completed FS
4	Bonifacio Global City to Ortigas Center Road Link Project , Phase I, IIA & IIB	NCR	Completed FS
5	MRT-LRT Common Station Project	NCR	Completed FS
6	Iloilo International Airport Project	Region VI	Completed FS
7	New Bohol Airport - O&M Concession	Region VII	Completed FS
8	Laguindingan International Airport Project	Region X	Completed FS
9	Davao International Airport Development Project	Region XI	Completed FS
10	Mindanao Rail Project (Phase 1) - Tagum Davao Digos Segment	Region XI	Completed FS
11	Metro Manila BRT - Line 1 (Quezon Avenue)	NCR	Completed FS
12	Metro Manila BRT - Line 2 (EDSA/Central)	NCR	Completed FS
13	Bacolod-Silay International Airport Project	Region VI	Completed FS
14	A. Clark International Airport Expansion Project Clark International Airport Expansion Project - Procurement of the EPC (with BCDA as budgeting agency)	Region III	Completed FS
15	PNR South Long Haul Project	Region V	Project development
16	Clark Green City Government Center (a component of National Government Administrative Center)	Region III	for JV signing (Not for NB Approval)
17	Clark Green City Commercial Center (a component of National Government Administrative Center)	Region III	for JV signing (Not for NB Approval)
18	Clark Green City Mixed-Income Housing (a component of National Government Administrative Center)	Region III	for JV signing (Not for NB Approval)

**Table 3.5 Projects for ICC Approval (as IFPs but not in BBB list)**

	PROJECT TITLE	REGION	STATUS
1	Circumferential Road 3 (C3) Missing Link Project	NCR	To be submitted to ICC / On-going F/S
2	North Luzon Expressway East, Phase I and II	Region III	TBD / No F/S
3	Pasacao - Balatan Tourism Coastal Highway	Region V	To be submitted to ICC / Completed F/S (for updating)
4	Camarines Sur Expressway Project (San Fernando-Pili Section)	Region V	To be submitted to ICC / Completed F/S (for updating)
5	Camarines - Catanduanes Friendship Bridge (Nationwide Island Provinces Link Bridges)	Region V	To be submitted to ICC / On-going F/S
6	Panay-Guimaras-Negros (PGN) Island Bridge Project	Region VI	To be submitted to ICC / On-going F/S
7	Bohol - Leyte Link Bridge (included in the Nationwide Island Provinces Link Bridges)	Region VII, Region VIII	To be submitted to ICC / No F/S
8	Cebu - Negros Link Bridge (Nationwide Island Provinces Link Bridges)	Region VI, Region VII	To be submitted to ICC / No F/S
9	Cebu - Bohol Link Bridge (Nationwide Island Link Bridges)	Region VII	To be submitted to ICC / No F/S
10	Road Network Development Project in Conflict Affected Areas in Mindanao	Region IX, Region X, Region XI, Region XII, Caraga	For NEDA Board confirmation / On-going F/S
11	Davao City Expressway Project	Region XI	To be submitted to ICC / No F/S
12	Dalton Pass East Alignment Alternative Road Project (East Dalton Bypass Project)	Region II, Region III	To be submitted to ICC / On-going F/S
13	Quezon-Bicol Expressway	CALABARZON, Region V	To be submitted to ICC / On-going F/S
14	Luzon - Samar Link Bridge (Nationwide Island Provinces Link Bridges)	Region V, Region VIII	To be submitted to ICC / No F/S
15	Leyte - Surigao Link Bridge(Nationwide Island Link Bridges)	Region VIII, Caraga	To be submitted to ICC / No F/S
16	Metro Manila BRT - Phase 3 (BGC-NAIA Segment)	NCR	To be submitted to ICC / Completed F/S
17	Mindoro - Batangas Super Bridge	CALABARZON, MIMAROPA	To be submitted to ICC / No F/S
18	Mindanao Railway Project (Phase 2)	Region XI, Caraga	To be submitted to ICC / On-going F/S
19	Mindanao Railway Project (Phase 3)	Region X, Region XI, Region XII, Caraga	To be submitted to ICC / No F/S

04

Philippine  
Development  
Plan 2017-  
2022 Headline  
Targets



# PHILIPPINE DEVELOPMENT PLAN 2017-2022 HEADLINE TARGETS

The Philippine Development Plan (PDP) 2017-2022 is the first of the four medium-term plans geared towards achieving the country's long-term vision of a *matatag, maginhawa, at panatag na buhay para sa lahat*.

The headline or core targets of the PDP reflect the higher-level goals of: a) an inclusive society, b) a high trust and resilient society, and c) a globally competitive knowledge economy. Achieving these goals in turn depend on how well the strategies and initiatives are implemented and realize the sub-sector and sector outcomes in every chapter of the PDP.

The year 2018 saw the passage of a number of overarching reform measures in key sectors. While these are important milestones, this puts a heavier burden upon the government since Filipinos are now expecting to benefit from these reforms. In terms of reaching the core targets in 2018, accomplishments are mixed. Table 4.1 presents the accomplishments versus targets on core indicators.

**On achieving upper middle-income status by 2022**, the country is still one of the fastest growing emerging economies in the region, despite the full-year gross domestic product (GDP) growth rate of 6.2 percent falling short of the 7-8 percent target. Likewise, the per capita gross national income (GNI) growth rate slowed down from 4.9 percent in 2017 to 4.1 percent in 2018, falling short of the 5 percent target. Despite this setback, the country remains on track to reaching upper middle-income status within the next two years.

**On reducing poverty**, the triennial Family Income and Expenditure Survey (FIES) was carried out in July 2018 and January 2019, the results of which will be the basis of poverty incidence figures for 2018.<sup>1</sup> On the other hand, the high inflation in 2018 would correspondingly increase poverty threshold levels, which can put the achievement of the 17.3 to 19.3 percent target of reduction in poverty incidence for 2018 at risk.

**On reducing unemployment**, the national unemployment rate decreased from 5.7 percent in 2017 to 5.3 percent in 2018, which is within the margin of the 2018 target of 4.7 to 5.3 percent. Moreover, there was a turnaround in employment generation from net employment losses of 663,243 in 2017 to 826,000 employment generated in 2018. This however fell short of the target of increasing employment by 900,000 to 1.1 million per year.

**On reducing underemployment**. Underemployment rate in areas outside the National Capital Region stood at 17.7 percent in 2018. This exceeded the target of 17.8 to 19.8 percent. However, youth underemployment increased from 11.9 in 2017 to 13.4 in 2018. This is off the 10.4 percent target for the year.

**On being a globally competitive knowledge economy**. Based on the 2018 Global Innovation Index Report, the Philippines' ranking has remained stagnant at 73rd out of 126 economies.

<sup>1</sup> Preliminary results of FIES 2018 will be available by end of first quarter of 2019.

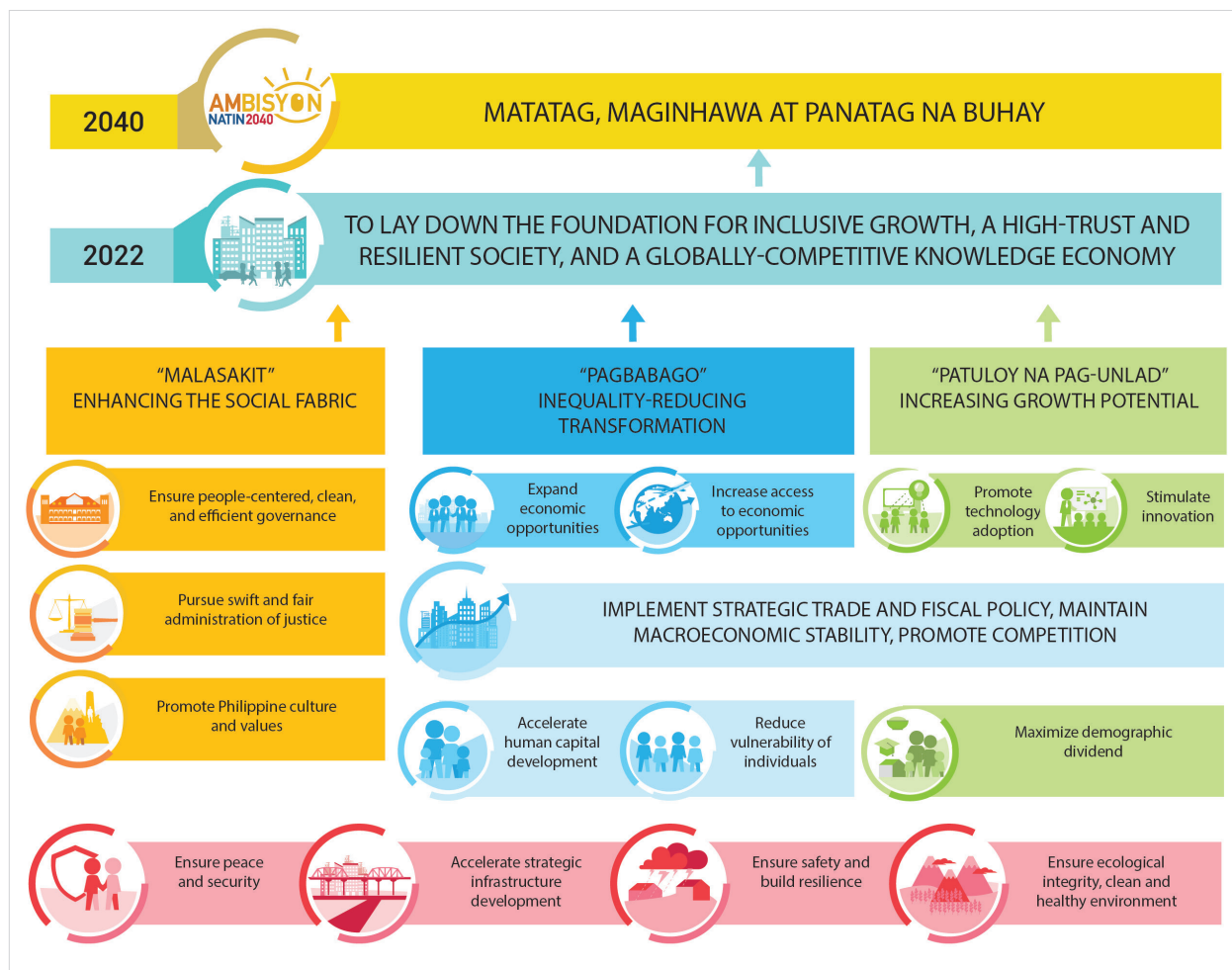
**Table 4.1 Accomplishments versus targets**

INDICATOR	BASELINE VALUE (YEAR)	PLAN TARGETS						ACCOMPLISHMENTS	
		2017	2018	2019	2020	2021	2022	2017	2018
GDP (growth rates) sustained	6.9r (2016)	6.5- 7.5	7.0- 8.0	7.0- 8.0	7.0- 8.0	7.0- 8.0	7.0- 8.0	6.7	6.2
GNI per capita (growth rates) increased	4.1 (2015)	4.5	5.0	5.0	5.2	5.2	5.2	4.9	4.1
Poverty Incidence (% of Pop'n.) reduced	21.6 (2015)		17.3-19.3		15.2-17.2		13-15	N/A	N/A
Rural Poverty Incidence (%) reduced	29.8 (2015)		25.6		22.8		20.0	N/A	N/A
Subsistence Incidence (%) reduced	8.1 (2015)		6.8		5.9		5.0	N/A	N/A
Food Inflation (%) kept stable	1.7a (2016)	2 - 4	2 - 4	2 - 4	2 - 4	2 - 4	2 - 4	3.2a	6.6
Human Dev't. Index (HDI) improved	0.693r (2015)	Increasing	Increasing	Increasing	Increasing	Increasing	>0.7	0.699	N/A
Unemployment Rate (%) decreased	5.4r (2016)	5.1-5.4	4.7-5.3	4.3-5.3	3.8-5.2	3.4-5.1	3-5	5.7	5.3
Employment Generated increased	n.a. (2016)	900,000-1.1 Mn	900,000-1.1 Mn	900,000-1.1 Mn	900,000-1.1 Mn	900,000-1.1 Mn	900,000-1.1 Mn	-663	826
Youth Unemployment Rate (%) decreased	11.5 (Oct 2016)	11.0	10.4	9.8	9.2	8.6	8.0	11.9	13.4
Underemployment Rate in areas outside NCR (%) decreased	19.7 (2016)	18.3-20.3	17.8-19.8	17.4-19.4	16.9-18.9	16.5-18.5	16-18	17.1	17.7
Global Innovation Index (rank) improved	74 out of 128 economies (2016)	increasing	increasing	increasing	increasing	increasing	top one-third	73 out of 127 economies	73 out of 126 economies

The mixed results in the PDP's core indicators reflect the accomplishments presented in the subsequent chapters of the Socioeconomic Report. Note that the said chapters follow the overall strategic framework of the PDP 2017-2022 presented in Figure 4.1. The *Malasakit* pillar covers Chapters 5 to 7. The *Pagbabago* pillar includes Chapters 8 to 12. The *Patuloy na Pag-unlad* pillar covers Chapters 13 and 14. Economic support strategies cover Chapters 15 and 16, while Chapters 17 to 20 represent the bedrock strategies.



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 achieve people-centered, clean, efficient, and effective governance, the strategies outlined in the Philippine Development Plan (PDP) 2017-2022 will reduce corruption, achieve seamless service delivery, enhance administrative governance, fully engage and empower citizens, and strengthen the civil service.

Two years into PDP implementation, the government has made significant strides in improving its internal systems and efficiency as attested by the passage of landmark bills (i.e., Philippine Identification System Act and the Ease of Doing Business and Efficient Government Service Delivery Act) and better scores in some global governance indicators (e.g., Global Competitiveness Index and Corruption Perceptions Index).

However, public perception of these reforms and quality of governance in general must be enhanced. Moving forward, the government will conduct advocacy activities, which require the development of a communications plan to engage citizens. Establishment of necessary systems for the seamless implementation of the recently enacted laws will also be pursued to streamline the delivery of services to the people.

## Assessment

**The Philippines has achieved mixed results in global governance indicators.** Of the eight core indicators, one met its target (Global Competitiveness Index or GCI), one exceeded its target (Corruption Perceptions Index or CPI), and two more are expected to meet its 2018 targets (World Governance Indicator or WGI on Regulatory Quality and the Open Budget Index or OBI). Targets for the remaining core indicators are unlikely to be met.

These accomplishments may be attributed to the enactment of the Ease of Doing Business and Efficient Government Service Delivery (EODB and EGSD) Act of 2018 (Republic Act No. 11032) and the Philippine Identification System (PhilSys) Act (RA 11055), as well as the staunch commitment of the country to the Open Government Partnership (OGP) and anti-corruption initiatives.

The Philippines increased its ranking in the CPI from 38.3 percentile to 45.0 percentile, exceeding the target of 43.0 percentile. Consistent implementation of anti-corruption initiatives may have resulted in the recovery of the CPI this year.

The country achieved 60.0 percentile in the GCI due to steady gains in EODB reforms, particularly the use of technology in providing government services. In fact, the Philippines achieved a high e-participation index in the GCI (0.94),<sup>1</sup> the 19th highest in the world and the 2nd best in the ASEAN.

<sup>1</sup> The nearer to 1.00, the better the score. The e-participation index measures the use of online services to facilitate provision of information by governments to citizens (e-information sharing), interaction with stakeholders (e-consultation), and engagement in decision-making processes (e-decision making).

The target for WGI-Regulatory Quality is achievable given the country's 2017 performance, which exceeded its target (55.8pctl vs. 54.0pctl). Spurred by the enactment of the EODB and EGSD Law, regulatory reforms in streamlining government processes will drive the country's performance in this indicator. Further, better regulations are expected given the institutionalization of regulatory impact assessments through the said law.

Similar to WGI, the OBI may be met as it surpassed the previous year's target (67/100 vs. 64/100). Although OBI data will be available in 2019, this target may be exceeded as the country has consistently fulfilled its National Action Plans for the OGP.

The rest of the core indicators may fall short of its targets due to negative public perception on the government as caused by delays in the implementation of infrastructure projects; spike in inflation; and the seemingly fragile relationship between the government and the media.

**Table 5.1 Accomplishments versus Targets in Ensuring People-centered, Efficient, and Clean Governance**

INDICATOR	BASELINE <sup>a</sup>		ANNUAL PLAN TARGETS			ACTUAL
	YEAR	VALUE	2018	2019	2020	2018*
<b>Sector Outcome: People-centered, innovative, clean, efficient, effective and inclusive delivery of public goods and services ensured</b>						
Score in national government index improved <sup>b</sup>	2016	None	N/A	N/A	TBD	Bidding of Expert
<b>Subsector Outcome: Anti-corruption initiatives improved</b>						
Percentile rank in the World Governance Indicators (WGI) - Control of Corruption Indicator improved <sup>c</sup>	2015	42	43	50	50	N/A
Percentile rank in Corruption Perceptions Index improved <sup>d</sup>	2015	43	44	50	50	45
<b>Subsector Outcome: Seamless service delivery achieved</b>						
Percentile rank in the WGI – Regulatory Quality improved <sup>e</sup>	2015	53	54	60	60	N/A
Percentile rank in the Global Competitiveness Index improved <sup>f</sup>	2016	59	60	62	62	60
<b>Subsector Outcome: Administrative governance enhanced</b>						
Percentile rank in the WGI - Government Effectiveness Indicator improved <sup>g</sup>	2015	58	59	60	60	N/A
<b>Subsector Outcome: Citizenry fully engaged and empowered</b>						
Percentile rank in the WGI - Voice and Accountability Indicator improved <sup>h</sup>	2015	52	53	60	60	N/A
Open Budget Index (OBI) score improved <sup>i</sup>	2016	64	64	67	67	N/A

<sup>a</sup> Actual data as of December 2015, or most recent available data. May not necessarily be year-end values.

<sup>b</sup> The National Economic and Development Authority (NEDA) and the Philippine Statistics Authority (PSA) will develop the index from 2017-2019, and conduct pilot testing of the tool in 2020-2021. The said index is expected to be fully functional by 2022.

<sup>c</sup> Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

<sup>d</sup> The index measures the perceived level of public sector corruption in 178 countries and territories based on 13 expert and business surveys. The score ranges from 0-100, where 0 means that a country is perceived as highly corrupt and a 100 means that a country is perceived as very clean.

<sup>e</sup> Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

<sup>f</sup> The Global Competitiveness Report analyzes competitiveness along 12 pillars: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation.

<sup>g</sup> Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

<sup>h</sup> Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.

<sup>i</sup> The OBI is based on the Open Budget Survey, which is a comprehensive analysis and survey that evaluates whether governments give the public access to budget information and opportunities to participate in the budget process at the national level. Score ranges from 1 to 100.

## Reducing corruption

**The Office of the Ombudsman has improved its punitive, preventive, and promotional strategies.** In the first five months of 2018, 100.0 percent of appellate cases have been affirmed by the Supreme Court for criminal dispositions. Conviction rate has also reached 81.0 percent on the first quarter of 2018 vs. 77.0 percent in 2016. Further, from 19,814 cases being processed in 2011 (on top of the usual 5,000 cases annually), the docket has now been reduced to 6,000 by the end of 2017.<sup>2</sup> In terms of public assistance, the Office reported a disposal rate of 99.2 percent for Request for Assistance and Mediation cases. Programs to improve anti-corruption coordination among sectors are also continuously implemented such as the Integrity Management Program; Integrity, Transparency and Accountability in Public Service Program; and Campus Integrity Crusaders.

## Achieving seamless service delivery

**The government is steadily streamlining processes and policies to ease doing business, deliver efficient public service, and optimize its performance.** This came in the form of the passage of two priority bills, automation of transactions, and simplification of government procedures and requirements.

Major accomplishments in this subsector are the passage of the PhilSys Act and the EODB and EGSD Act. The PhilSys Act streamlines private and public transactions and strengthens financial inclusion by establishing a single, valid government-issued identification document for Filipinos and resident aliens (*refer to Box Article 5.1*). Meanwhile, the EODB and EGSD Act enforces shorter and simpler transaction periods on government agencies by reducing the processing time, number of signatories, and requirements, among others.

## Facilitating ease of doing business

**Policies have been revised and supplemented in preparation for the full implementation of the EODB and EGSD Act.** The Congress recently approved the amendments to the Corporation Code of the Philippines, which removes the minimum number of incorporators, permits electronic filing of reportorial requirements, and allows attendance in meetings via remote communication, among others.

For local government units (LGUs), a Joint Memorandum Circular, JMC 2018-01,<sup>3</sup> was issued directing LGUs to ease the processing of construction-related permits. It also prescribes the maximum processing time of application for these permits and issuance of certificates of occupancy to five working days and for Bureau of Fire Protection's permits to three working days. The JMC also mandates LGUs to establish one-stop shops (OSS) for the processing of construction clearances. Quezon City is a pioneer LGU that has established an OSS for business and building permits.<sup>4</sup>

**These issuances were complemented with the necessary technological platforms.** DTI launched the Project One website,<sup>5</sup> a one-stop portal containing information on LGUs and their business permit processes

<sup>2</sup> 2018 data is not yet available.

<sup>3</sup> The Department of the Interior and Local Government, Department of Public Works and Highways, Department of Information and Communications Technology, and the Department of Trade and Industry issued JMC 2018: Guidelines in Streamlining the Processes for the Issuances of Building Permits and Certificates of Occupancy on January 2018.

<sup>4</sup> Cahiles-Magkilat, B. (2018, April 28). DTI confident of improved ranking in WB 2019 Ease of Doing Business Survey. Manila Bulletin. Retrieved from <https://business.mb.com.ph/2018/04/28/dti-confident-of-improved-ranking-in-wb-2019-ease-of-doing-business-survey/>

<sup>5</sup> Can be accessed at <http://projectone.ph/>

and requirements.<sup>6</sup> Related to this, three LGUs have adopted the electronic Business Permit and Licensing System (eBPLS), and additional 42 are already underway. The Bureau of Customs also piloted the Enhanced Goods Verification System in three provincial collection districts to eliminate human intervention for filing goods declaration.<sup>7</sup>

The TradeNet Portal also went live in December, automating trade processes, licenses, and permits for linkage to the ASEAN Single Window.<sup>8</sup> Tariff codes for the regulated commodities of 24 government agencies<sup>9</sup> have been harmonized and classified as inputs to the TradeNet Portal (*see also Chapter 15*).

### Delivering efficient service to the public

**The shift towards e-governance is continuously moving forward.** The number of eServices in the National Government Portal has increased to 156 from 102 in 2017. This shift has resulted in gains, particularly for the Department of Foreign Affairs (DFA). Since the implementation of an e-Payment system, passport application has been improved: the waiting time for online appointments was reduced from at most three months to at least two weeks, while processing time was reduced from 15 working days to 12.<sup>10</sup> The Bureau of Immigration also operationalized 21 E-Gates in the country's international airports to ease the arrival procedure for Filipinos with machine readable passports. The E-Gates enable faster travel for passengers and provide an accurate border clearing system with an average processing time of 18 to 22 seconds.

**Another agenda advancing steadily is the expansion of services for overseas Filipino workers (OFWs).** The Department of Labor and Employment created a 24/7 Command Center to serve as a central referral and action hub for OFW requests for immediate action and assistance (*see also Chapter 18*). The Commission on Filipinos Overseas (CFO) also collaborated with eight LGUs in managing the *BaLinkBayan*, a one-stop online portal for diaspora engagement, bringing the total to 22 *BaLinkBayan* LGUs. The CFO also created a Registration and Reservation Online System to better accommodate overseas Filipinos participating in its pre-departure programs. Similarly, the Overseas Workers Welfare Administration launched the OFW e-card to ease members' access to its programs and services. Meanwhile, the DFA established three new foreign service posts<sup>11</sup> and seven regional consular offices.

### Improving government processes and performance

**Enhancements in performance management and technology use were also introduced.** The Department of the Interior and Local Government (DILG) elevated the assessment criteria of the Seal of Good Local Governance (SGLG) from “4+1” to “All-In”, wherein an LGU must pass all seven core areas before it gets the Seal.<sup>12</sup> Consequently, this reduced the percentage of provinces, cities, and municipalities conferred with the SGLG at 15.3 percent vs. 26.8 percent in 2017.

The Department of Budget and Management (DBM) has been modernizing its systems to improve budget management and monitoring. As part of the modernized Philippine Government Electronic Procurement System, DBM piloted a Virtual Store that will enable government agencies to purchase common-use supplies

<sup>6</sup> Project One. Retrieved from <http://projectone.ph/about/>

<sup>7</sup> Gutierrez, P. (2018, October 11). Implementation of '1-Assessment' deferred by BoC. Journal Online. Retrieved from <https://journal.com.ph/news/nation/implementation-1-assessment-deferred-boc>

<sup>8</sup> Philippine News Agency. (2019, January 9). DOF sustains programs to cut red tape, improve EODB in 2018. Retrieved from <http://www.pna.gov.ph/articles/1058372>

<sup>9</sup> As of November 2018.

<sup>10</sup> Marquez, C. (2018, September 28). Faster passport processing time starting Oct. 1 – DFA. *The Philippine Daily Inquirer*. Retrieved from <http://newsinfo.inquirer.net/1037252/faster-passport-processing-time-starting-oct-1-dfa>

<sup>11</sup> The Philippine Consulate General in Houston, Texas; Philippine Consulate Frankfurt, Germany; and Philippine Embassy in Copenhagen Denmark were established in 2018.

<sup>12</sup> Seven core areas are Financial Administration, Disaster Preparedness, Social Protection, Peace and Order, Business Friendliness, Environmental Protection, and Tourism, Culture, and Arts.



and equipment online. Further, DBM and the Department of Science and Technology (DOST) launched the Project Digital Imaging for Monitoring and Evaluation to monitor government projects through Light Detection and Ranging technology, satellites, and drones. It is currently monitoring 13 big-ticket projects, including construction and improvement of access roads leading to seaports and airports, North-South Commuter Railway, conditional cash transfer program, and basic education facilities, among others.

## Enhancing administrative governance

### **Reforms in public financial management (PFM) has driven enhancements in administrative governance.**

Serving as a central database for PFM functions, DBM's Budget and Treasury Management System is already being used by four agencies (Bureau of the Treasury, DBM, DPWH, and DTI), while 12 others are undergoing briefing and training. This is still far from covering the whole of government, but along with the roll out, the system is being continuously improved and expanded to cover more functionalities. Further, PFM measures and standards were adopted and complied with by almost all cities and municipalities (99.8%), while provinces are slowly catching up (92.6%).

### **The Commission on Audit (COA) has lagged in reviewing and simplifying its rules and regulations aimed at updating its antiquated guidelines and addressing the varying interpretations of its issuances.**

In its 2016-2022 Strategic Plan, COA aimed to review auditing policies, rules, standards, and regulations through a Permanent Committee (PC). However, the PC was just created in 2018 and has, since then, only requested from heads of government agencies a list of auditing laws, rules and regulations which need updating or are counterproductive. As of September 30, 2018, only five of the 104 agencies have responded to this request.

## Empowering and engaging the citizenry

### **The government has continued to pursue initiatives that encourage citizen participation in governance.**

To promote participatory governance, agencies have reinforced institutional frameworks. COA formally adopted and institutionalized Citizen Participatory Audit (CPA) as its regular program through COA Resolution No. 2018-006. Meanwhile, DILG tapped the University of the Philippines-Visayas and Bicol University to strengthen Local Development Councils in the formulation of higher quality Comprehensive Development Plans and in better data management.

The exercise of one's right to suffrage promotes participatory governance as well. As the 2019 midterm elections are fast approaching, the Commission on Elections (COMELEC) intensified its voter's education and information campaigns in the country and abroad, conducting twice the number of its 2018 target (46 vs. 24). This may have resulted in an increase of registered overseas voters from 1.38 million for the 2016 elections to 1.61 million for the 2019 elections.<sup>13</sup> COMELEC also upgraded its automated election system as its source code now contains information on the precinct number and geographical location of the votes.<sup>14</sup>

The Philippines has remained firmly committed to OGP. Through this platform, the Participatory Governance Cluster (PGC) conducted nine regional dialogues between the government and non-government sectors, where proposed plans and programs were developed for both the Philippine OGP National Action Plan and the PGC Performance and Projects Roadmap. As a global open government reform champion, the country has also hosted several peer-learning activities at the regional and global levels.

<sup>13</sup> Data as of September 2018. Patinio, F. (2018, September 13). Transfer of registration for overseas voters ends Sept. 15. Philippine News Agency. Retrieved from <http://www.pna.gov.ph/articles/1047907>

<sup>14</sup> Crisostomo, S. (2018, October 14). Comelec introduces 'enhancements' in source code of auto polls. The Philippine Star. Retrieved from <https://www.philstar.com/headlines/2018/10/14/1859936/comelec-introduces-enhancements-source-code-auto-polls>

In terms of ensuring public access to information, 90.0 percent of national government agencies and government-owned and controlled corporations (GOCCs) have been onboarded to the electronic Freedom of Information (eFOI) portal, where over 7,712 eFOI requests have been logged.<sup>15</sup>

The government has also continued establishing response and feedback mechanisms: DTI, in partnership with Globe Business, launched its consumer hotline 1-DTI (or 1-384) to enable consumers and businesses to report concerns and issues; <sup>16</sup> DILG's Citizen Satisfaction Index System has been implemented in 256 LGUs (15.7%) to gauge public sentiments on the quality of service delivery in their locality; the Governance Commission for GOCCs has also rolled out a standard methodology for customer satisfaction to 78 GOCCs (49.7%).

The participation of OFWs in development planning is also being improved. The Philippine Statistics Authority (PSA) held the first National Migration Survey in 2018 to address the need for in-depth data on the mobility of Filipinos. Moreover, towards adopting an operational framework for counting international and internal migrants, the PSA approved the creation of the Task Force on Internal Migration Statistics and the Task Force on International Migration Statistics in April 2018.

Further, existing transparency initiatives are still being implemented. As of second quarter of 2018, 1,435 out of 1,592 LGUs (90.0%) are fully compliant with the Full Disclosure Policy. However, tightened evaluation in accordance to the 2017 Performance-Based Bonus Guidelines has led to a decrease in the compliance rate for Transparency Seal (75.0% in 2017 vs. 97.0% in 2016).<sup>17</sup>

Despite these accomplishments, trust towards the government has not improved as evidenced by the poor public perception and non-achievement of core indicators involving public perception. There is, therefore, a need to study and manage this to encourage more citizens to engage the government and become partners for change.

## Strengthening the civil service

**The Civil Service Commission (CSC) has sustained its efforts on strengthening the civil service through review of human resource (HR) rules and systems.** As a result, the Commission was awarded silver-level accreditation under the Generation 6 Investors in People Standard<sup>18</sup> due to its reputation for integrity and experience of transformation. In fact, CSC ranked first among 42 public sector organizations which underwent the assessment.<sup>19</sup>

In terms of rules, the Commission issued the revised Omnibus Rules on Appointments and Other Human Resource Actions (ORAOHRA) to ensure consistency of provisions with administrative issuances and pertinent laws. Among these amendments are the shift in the role of a government agency's Human Resource Merit Promotion and Selection Board from recommendatory to assistorial;<sup>20</sup> and acceptance of other licenses as proof of eligibility for appointment to positions not involving the practice of profession.<sup>21</sup>

<sup>15</sup> Data as of third quarter of 2018.

<sup>16</sup> CNN Philippines. (2018, August 17). Globe Telecom, DTI launch new consumer hotline. Retrieved from <http://cnnphilippines.com/business/2018/08/17/globe-business-dti-enable-consumer-hotline.html>

<sup>17</sup> Data as of October 2018.

<sup>18</sup> The IiP is an internationally recognized accreditation for better people management.

<sup>19</sup> CSC. (2018, July 3). CSC among the best globally for people management practices. Retrieved from <http://www.csc.gov.ph/new-updates/1554-csc-among-the-best-globally-for-people-management-practices.html>

<sup>20</sup> The Selection Board is no longer required to recommend the top-ranking candidates deemed most qualified for recruitment.

<sup>21</sup> CSC. (2018, August 31). Revised rules on appointments take effect – CSC. Retrieved from <http://www.csc.gov.ph/new-updates/1591-revised-rules-on-appointments-take-effect-%E2%80%93-csc.html>

On HR systems, the Strategic Performance Management System has been harmonized with the Program Expenditure Classification and the Results-based Performance Management System. Through the Program to Institutionalize Meritocracy and Excellence in HR Management (PRIME-HRM), CSC has awarded 123 agencies out of 640 agencies assisted in 2017. It has also validated 12 complying agencies<sup>22</sup> with Maturity Level 2 and conferred these agencies with the PRIME-HRM Bronze Award, subsequently.

As the bureaucracy gears toward the full implementation of governance reforms, the absorptive capacities of agencies must be continuously reinforced. Public servants should be able to contend with the pace of reforms; thus, continuous capacity building should be implemented.

## Moving Forward

As the PDP implementation is approaching its midterm, efforts must be strengthened to ensure that reforms that have been enacted get implemented and begin to yield benefits; and also that the rest of the reform agenda be undertaken.

Efforts to address service delivery issues while implementing key legislative agenda will likely yield to favorable perception of the people towards the government. This however, might be offset by the current standoff between the government and several media outlets, which can also affect the country's rating in some indicators.

The passage of the PhilSys Act and the EODB and EGSD Act offers great promise in improving the access of the people to various government services. It is imperative that the requirements for the full implementation of these reforms be provided to fast-track their roll out.

With this, strategies must be prioritized and recalibrated to ensure that they remain responsive to the new realities in the governance sector and enable the government to sustain and expand its gains.

## To ensure people-centered, clean, and efficient governance

**Fast track the development of the National Governance Index.** This index will address the demand for a more context-sensitive indicator to gauge the state of governance in the country. In addition, it is expected to improve the performance of the country in global indicators.

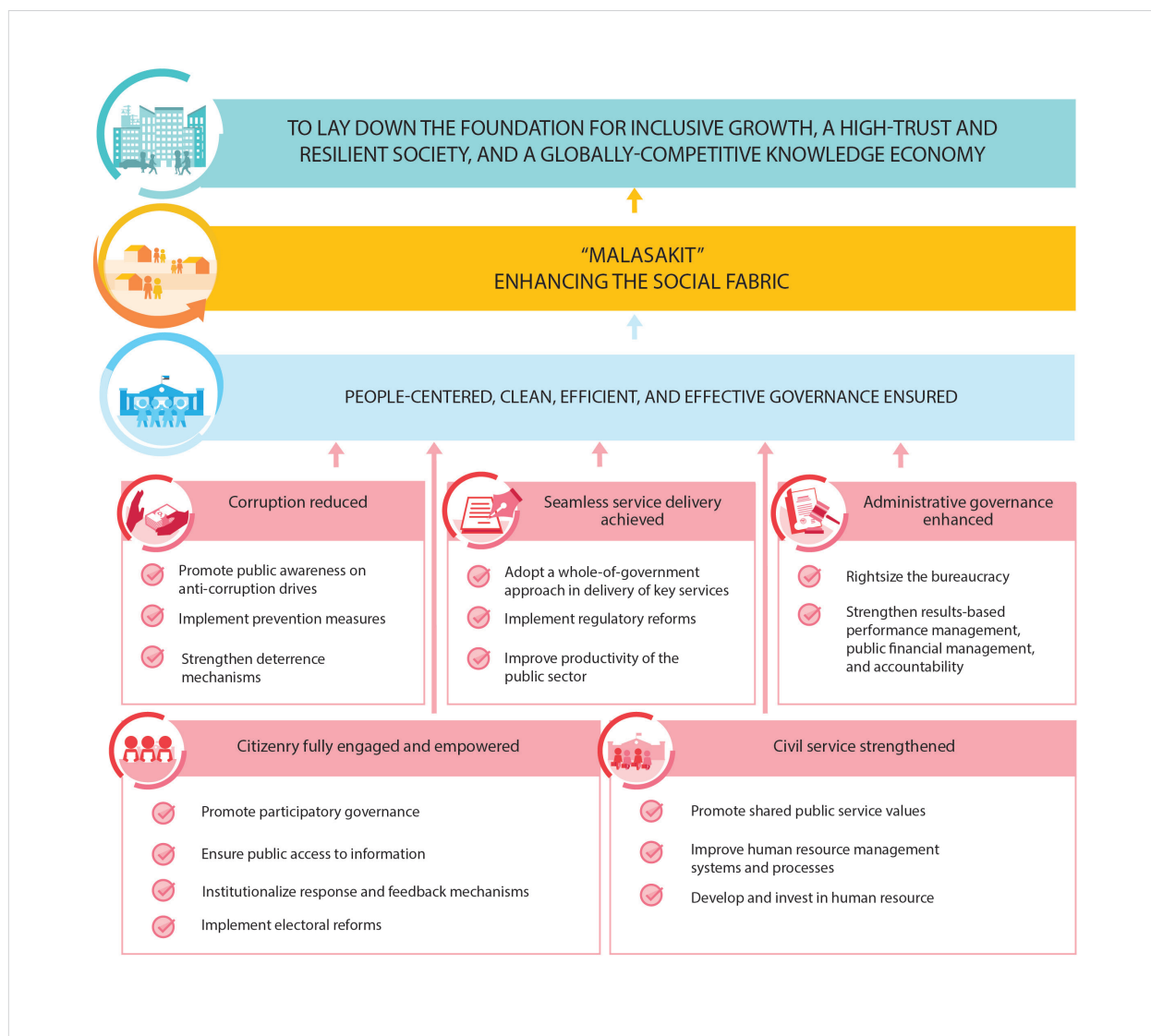
**Review and amend the Government Procurement Reform Act** to make it more responsive to the new realities in project implementation and be more facilitative of getting the best deals for the government, cost- and quality-wise. Doing so will enable the government to implement programs and projects faster and to provide better services to the people. This will drive up the satisfaction of the people towards government services, and may result in the improvement of the performance related to the indicator on government effectiveness.

**Issue the necessary guidelines related to the National Evaluation Policy Framework (NEPF).** This is to address the lack of a sustainable follow-up and follow-through in the implementation of government programs. Following the approval of the NEPF in 2015, it is yet to be fully rolled out to the whole of government. The issuance of these guidelines will operationalize the implementation of the said Framework. It will contain the implementing arrangements and principles for monitoring and evaluation.

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<sup>22</sup> Data as of September 30, 2018.

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



Aside from the guidelines, the bureaucracy should first be made aware of the need to implement for results. They should also be equipped with the necessary skills and information on logical framework analysis, theory of change, and then, monitoring and evaluation design and operations.

**Conduct advocacy activities to expedite the passage of priority legislations.** These include the E-Government Act, the Budget Reform Act, the Civil Service Code, and Amendment of the Local Government Code. The enactment of these laws will contribute to achieving governance outcomes, as these are designed to institutionalize existing reforms, harmonize various issuances, build the organizational capacities of relevant agencies, and provide for the budgetary requirements on the implementation of the laws, among others.

## To reduce corruption

**Expand anti-corruption initiatives through citizen engagement and technology use.** Despite the achievements of the Ombudsman, there is still room for improvement in other anti-corruption agencies and initiatives. The Office of the Ombudsman may consider upscaling its efforts and utilizing appropriate technologies to expedite its procedures. Systems may be developed to automate complaints evaluation, case management, and case inventory.

Citizens must also be engaged to participate in the anti-corruption agenda. Together with DILG, COA must implement and institutionalize CPAs at the LGU level. By enjoining citizens to conduct audits, corruption may be minimized and public accountability may be exacted by a vigilant and informed citizenry.

Not everyone may be motivated to be part of CPAs; hence, there must be a way to determine the pulse of these passive citizens. In addition to the corruption questions in the Annual Poverty Indicators Survey, other rider questions may be added to understand public sentiments.

Another area that can be looked into is tapping technology to ensure that government projects are delivered on time, with the right specifications. COA may tap DOST in monitoring hard infrastructure projects through its geotagging technologies.

Similar to last year, it is still recommended to fast-track passage of other bills strengthening the Office to ensure that they are internally efficient and sufficiently empowered to act on corruption cases.

**Fully implement penal provisions of anti-corruption issuances.** This requires that necessary sanctions against corruption cases be applied at all times. Capabilities of relevant agencies with punitive authority should also be strengthened.

**Fast-track the operationalization of the National ID system and other related government reforms to streamline and automate government processes.** Reducing human intervention in the processing of transactions with the public will likely lessen the incidence of corruption and red tape in public service. As the government shifts toward e-governance, the operationalization of the National ID system will not only expedite the verification process of the government, it will also ease the access of more Filipinos to more government services.

**Capacitate Internal Audit Service units of government agencies on effective internal control systems.** Internal Audit units are tasked to ensure that agency resources are managed and utilized properly. More than ensuring that agencies have functional internal audit units, the government should start shifting to building the capacities of the existing internal audit units in carrying out effective control systems. After which, these training programs must be evaluated to ensure that knowledge and skills learned are translated to change in behavior and performance of the trained internal audit units.

## To achieve seamless service delivery

**Address capacity issues in the implementation of programs and projects.** The implementation of the PhilSys Act and the EODB and EGSD Act requires full operationalization of its offices with competent technical personnel and sufficient capital outlay.

Particular to Philsys, with due advice from the PhilSys Policy and Coordinating Council, PSA must develop and implement a long-term strategic plan to finalize risk management strategies, data privacy management, and technological interfacing, among others.

Particular to the Anti-Red Tape Authority (ARTA), the newly-established agency need to conduct the necessary training programs on regulatory impact analysis, estimation of administrative cost, compliance cost, among others. These programs must fully engage frontline service personnel —from identifying specific strategies for agency rollout to updating citizen's charters and other relevant documents. This also entails the preparation of corresponding change management plans to ease the transition to the new ways of doing things. The development of incentives system can likewise be explored to drive the compliance to the provisions of the law.

As a partner in the implementation of the PhilSys Act and the EODB and EGSD Act, the DICT must also be capably staffed and institutionally prepared to manage reforms requiring their assistance. In coordination with DBM and CSC, DICT must increase its manpower and plantilla positions. This can also be addressed by the enactment of the E-Government Act. The agency may also consider outsourcing services to offload its current workforce.

Aside from human resources, agencies must also be supplied with adequate funds for investing in systems and fulfilling technological requirements of the EODB and EGSD Act. Included in these technologies is a system to archive information and documents for appropriate data mining.

**Involve LGUs as partners in the issuance of business permits and licenses.** To this end, the current Modernizing Government Regulation Programs can be expanded to cover LGUs and improve systems and processes related to permits and licenses. Compliance cost analysis at the local level can also be applied to ensure that LGUs foster a conducive environment for businesses and industries to thrive in their respective localities.

## To enhance administrative governance

**Review COA rules and regulations in terms of uniform application and clear definition.** This review is necessary so that audit rules and regulations reflect the realities on the ground, including advancements in technology, changes in financial systems, and necessary exceptions to tools used for public service delivery. COA must hasten the conduct of this review to immediately decommission outdated and counterproductive regulations, and harmonize fragmented rules. In particular, the issues of unclear definition and varying interpretation of audit rules must be resolved.

**Craft continuity plans and change management plans.** To ensure that gains and developments in the government are guarded from the disruption that can be caused by the possible shift in government and the Constitution, it is important that agencies have their continuity plans and change management plans. In crafting these plans, it is necessary that relevant stakeholders are engaged and consulted to ensure their buy in and support to the implementation of the said plans.

**Conduct appropriate capacity building activities and transitional mechanisms to ease the adaption to the cash-based budgeting scheme.** The shift from an obligation-based budgeting to a cash-based budgeting scheme has been long warranted to improve the Philippine budget system. As the bureaucracy gears toward the implementation of the cash-based budgeting for 2019, the whole of government needs to be capacitated and necessary transitional mechanisms should be put in place.



## To engage and empower the citizenry

**Foster a culture of engaging, consulting, and advocating to the citizenry within the government.** To garner appreciation of governance reforms, the government must provide an enabling culture for citizen engagement and participation. Agencies must proactively solicit comments and suggestions from citizens using a three-pronged approach: providing adequate venues for engagement; communicating in clear language; and collaborating with other sectors.

Expanding the reach of existing mechanisms and institutionalizing reforms may provide adequate venues for engagement. The Citizens' Hotline must be scaled up to extend its services through other platforms such as text messaging and online feedback. Although their website<sup>23</sup> touts a social media page, the link is no longer operational. Aside from the Citizens' Hotline, agencies may also consider using other platforms such as crowdsourcing methods. Institutionalization may come in the form of providing a line item in the budget of all agencies for communications plan and feedback strategies. Easing the access to necessary resources will enable agencies to communicate reforms in traditional media that have wider reach (i.e., radio or television shows).

The government must likewise craft and implement a communications framework. This will define the scope, procedures, and requirements in engaging and consulting civil society and the academe to ensure that reforms are participatory, transparent, and representative of local and sectoral needs. The framework must also identify strategies and protocols in advocating reforms to the common Filipino. Accompanying this is updating protocols where citizens interface with the government such as the Citizens' Charter. Development of this framework may be taken up by the Inter-Agency Committee on Good Governance, in consultation with the Presidential Communications Operations Office (PCOO) and other implementing agencies.

Collaborating with other sectors may also be beneficial. For example, the government may also explore partnering with the media to harness feedback received from citizens who utilize radio, television, mobile, and social media channels for engagement. This should, however, ensure that the objectivity of the media is maintained while soliciting feedback from citizens.

While the country is performing well in budget transparency as reflected in the OBI score, there is a need to upscale efforts in implementing OGP commitments. This can be done by cascading experiences and lessons to other government agencies for best practices.

**Mainstream the involvement of migrants and micro, small, and medium enterprises (MSMEs) in local development planning.** Integrating the needs and concerns of underrepresented sectors in local planning is important to make government programs and projects more inclusive and responsive. One way of instilling this to local governance is through the expansion of the localization of the *BalinkBayan* Portal to cover more LGUs.

To push for the involvement of MSMEs in the local development agenda, the government can look into including the provision of assistance to MSMEs in the indicators being monitored in DILG's Seal of Good Local Governance.

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<sup>23</sup> See <http://contactcenterngbayan.gov.ph/transparency/about-ccb>

**Strengthen Local Development Councils and other statutory councils.** Existing mechanisms designed to make governance participatory as stipulated in the Local Government Code of 1991 should be revisited. Other than reviewing the number of required membership of civil society organizations (CSOs) in these councils, it is also recommended that prior their inclusion as members of local special bodies, CSO representatives should be evaluated to ensure that their organizations are legitimate and indeed represent a sector, instead of instituting member of organizations that are affiliated with LGU officials. Apart from this, capacities of CSO representatives must be built to ensure that their participation to statutory councils will be substantial. Their counterparts from LGUs should likewise be capacitated to create an environment that is conducive for CSO participation.

To make these reforms more holistic, strategies at the local level should be complemented by strengthening DILG's absorptive capacity in implementing programs related to participatory governance.

## To strengthen the civil service

**Review the ORAOHRA guidelines.** The review will skirt stringency and inefficiencies and facilitate the process of hiring and promoting personnel in the government service. This will be instrumental in expediting the filling of vacant positions in the bureaucracy.

**Develop a whole-of-government evidence-based training framework.** To ensure that investments from training programs will benefit the right beneficiaries and yield the intended results, a framework will be developed based on the assessments of training needs from agencies.

### Box Article 5.1. The Philippine Identification System

The Philippine Identification System (PhilSys) or RA 11055 was enacted into a law on August 6, 2018. It took effect on August 25, 2018 and its implementing rules and regulations were approved on October 5, 2018.

The Philippine Statistics Authority (PSA) spearheads the program's implementation under the guidance of the PhilSys Coordinating Council. The Council is an inter-agency body composed of NEDA (as Chair), PSA (as Co-Chair), DBM (as Vice-Chair) and 11 other member agencies (DFA, DICT, DOF, DSWD, DILG, NPC, BSP, GSIS, PhilHealth, SSS, and PHLPost).

The PhilSys provides identification to citizens and resident aliens of the country. It serves as the government's central identification platform, whereby the PhilSys ID (PhilID) is the official government-issued identification document. It sufficiently provides a valid proof of identity to its owner for any transaction with the government and private entities.

The System promotes seamless service delivery, reduces corruption, curtails bureaucratic red tape, strengthens financial inclusion, enhances administrative governance, averts fraudulent transactions and misrepresentations, promotes technology adoption, and stimulates innovation.

In the next two years, the PSA will finalize the technical requirements for the system, implement an extensive information awareness campaign (with PCOO and other agencies), develop a long-term strategic plan, and procure the end-to-end system. The World Bank and Asian Development Bank are also providing technical expertise on building the system.



06

Pursuing  
Swift and Fair  
Administration  
of Justice



# PURSUING SWIFT AND FAIR ADMINISTRATION OF JUSTICE

The Philippine Development Plan (PDP) 2017-2022 underscores the need to pursue swift and fair administration of justice by enhancing the country's civil, criminal, commercial, and administrative justice systems; and improving efficiency and accountability of the justice sector. Two years into the implementation of the PDP, significant justice reforms are already underway.

Continuing reform initiatives resulted in the achievement and surpassing of most of the performance targets of the sector, but much still needs to be done to address the persistent and longstanding issues in the justice system. Inter-pillar coordination mechanisms were strengthened in 2018, including the establishment of additional Justice Zones<sup>1</sup> (JZs) and the completion of the development phase of inter-agency information systems. Continuous Trial was expanded to cover all courts as part of efforts to deliver swift and fair justice. The country also improved its ranking in the 2017-2018 World Justice Project-Rule of Law (WJP-RoL) sub-indicator on Civil Justice (81/113 vs. 87/113 in 2016). While these targets were exceeded, significant efforts are still necessary to address the uneven public attorney and prosecutor to court ratio, high case backlog, and congestion in penal facilities, among others. Ranking in other global indicators, particularly on WJP-RoL sub-indicators on Criminal Justice and Fundamental Rights, are still far behind from its targets.

## Assessment

**Table 6.1 Accomplishments versus Targets in Pursuing Swift and Fair Administration of Justice**

INDICATOR	BASELINE <sup>a</sup>		ANNUAL PLAN TARGETS						ACTUAL
	YEAR	VALUE	2017	2018	2019	2020	2021	2022	2018
<b>Chapter Outcome 1</b>									
Swift and fair administration of justice ensured									
<b>Sub-chapter Outcome 1.1</b>									
<b>Civil, criminal, commercial and administrative justice systems enhanced</b>									
Percentile rank in the World Governance Indicator – Rule of Law improved <sup>b</sup>	2015	42.31	44	44	46	46	50	50	N/A
Percentile rank in the World Justice Project (WJP) Rule of Law (RoL) Index: Fundamental Rights improved <sup>c</sup>	2016	26.55	27	27	28	28	29	29	12.39

<sup>1</sup> The Justice Zone is inter-agency mechanism that clusters all the stakeholders in the Justice System in a single location and allows for the coordinative reforms in the locality.

INDICATOR	BASELINE <sup>a</sup>		ANNUAL PLAN TARGETS						ACTUAL
	YEAR	VALUE	2017	2018	2019	2020	2021	2022	2018
<b>Sub-chapter Outcome 1.2</b>									
<b>Sector efficiency and accountability improved</b>									
Percentile rank in the WJP RoL Index: Civil Justice indicator improved <sup>d</sup>	2016	23.01	24	24	25	25	27	27	28.32
Percentile rank in the WJP-RoL Index: Criminal Justice indicator improved	2016	25.66	26	26	27	27	29	29	9.73

a/ Actual data as of December 2015, or most recent available data. May not necessarily be year-end values

b/ WGI – Rule of Law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, particularly the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence

c/ WJP RoL Index: Fundamental Rights covers effective enforcement of laws that ensure equal protection, right to life and security, due process of law, and the rights of the accused, among others.

d/ WJP RoL Index: Civil Justice measures whether civil justice systems are accessible and affordable, free of discrimination, corruption, and improper influence by public officials. It examines whether court proceedings are conducted without unreasonable delays, and if decisions are enforced effectively. It also measures the accessibility, impartiality, and effectiveness of alternative dispute resolution mechanisms.

e/ WJP RoL Index: Criminal Justice measures whether the criminal investigation, adjudication, and correctional systems are effective, and whether the criminal justice system is impartial, free of corruption, free of improper influence, and protective of due process and the rights of the accused.

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

Much has been done to achieve better coordination among agencies particularly on developing information systems and harmonizing procedures. However, pervasive fragmented legal and institutional frameworks have hampered the implementation of the envisioned whole-of-sector approach.

Following the pilot JZ in Quezon City in 2014, the second JZ was launched in Cebu City in 2018 while two (2) other JZs (Angeles City and Davao City) are targeted to be launched in the Q1 2019.

The development of the Single Carpeta System, the Prosecution Case Management System, and the Philippine Crime Index as part of the National Justice Information System (NJIS) were completed. The roll-out of the system and data sharing among concerned agencies will be done in 2019 through a Memorandum of Understanding.

**Data showed improvement in the delivery of justice, but more can be done to achieve speedier disposition of cases.** Initial data for 2018 shows that 82.37 percent<sup>2</sup> of the total inventory of cases have been disposed of, with backlog in preliminary investigation dropping to 39 percent from 44.3 percent in 2017.

The Supreme Court (SC) also completed the roll-out of the Revised Guidelines on Continuous Trial to all courts in 2017, which paved the way to speedier disposition of criminal cases. This was coupled with the Philippine Judicial Academy's (PHILJA) conduct of a series of training seminars for its effective implementation.

Multi-sectoral trainings on cybercrime and electronic evidence were conducted for judges and prosecutors to enhance their skills in handling cybercrime and cyber-related cases. The roll-out of the eCourt System in 41 additional courts improved and automated the processes of the trial courts, bringing a total of 336

<sup>2</sup> DOJ data on criminal complaints as of October 2018, year-end data is yet to be released.

eCourts out of 2,660 courts nationwide. The construction of six (6) additional Halls of Justice intended to house existing and new court branches is expected to improve operations of the lower courts. Moreover, four (4) additional Philippine Mediation Centers (PMC) were established, reaching a total of 141 PMCs. This brings the sector closer to the target of 159 PMCs by 2022.

Despite these achievements, the number of prosecutors, public attorneys, and courts (including judges and court staff positions) is still insufficient and hinders the delivery of swift justice. The problem is twofold. First, the existing number of prosecutor and public attorney positions is not enough to achieve the ideal ratio pursuant to Republic Act 10071 (Prosecution Service Act of 2010) and RA 9406 (Act on Reorganizing and Strengthening of the Public Attorney's Office). Second, there are delays in the appointment of lawyers to these existing positions. Moreover, the uneven distribution of caseloads among judges contributes to the piling up and case hearing delays. This is exacerbated by the intensified campaign against illegal drugs that has caused a spike in the number of cases, thereby contributing to the overall case backlog.

## Improving sector efficiency and accountability

**People's access to legal aid was increased to afford fair and equal justice to all.** The Expanded Rule on Small Claims Cases was issued as an amendment to the Revised Rules of Procedure for Small Claims Cases, increasing the allowable claims from PHP200,000.00 to PHP300,000.00. Furthermore, all requests for free legal assistance and representation were acted upon within three (3) working days from date of request.

The Commission on Human Rights (CHR) addressed a total of 4,305 complaints on human rights violation in 2018.<sup>3</sup> Among these complaints, 4,256 were provided legal counseling of which 1,532 have either been evaluated, investigated, or referred for further investigation.

**Conditions in jail and prison facilities were improved, but are still not enough to ease the longstanding congestion in penal facilities.** The Bureau of Corrections (BuCor) implemented several projects which are now in various stages of completion in six (6) national and regional prisons, including the construction and rehabilitation of prison dormitories and training facilities. The Bureau of Jail Management and Penology (BJMP) also constructed 70 new jail buildings. However, budget constraints specifically for hiring manpower and further securing the facilities, have hindered the use of these constructed buildings. Necessary resources should be provided for the existing facilities and the additional 74 jail buildings that are planned to be constructed in 2019.

The BJMP and BuCor reported that all persons deprived of liberty (PDLs) who qualified for release from both city/municipal/district jails (84,663 PDLs) and national prisons (1,993 PDLs), were set free on time. To facilitate the early release of qualified PDLs, the BJMP developed the Electronic Paralegal Learning Module (EPLM) to provide Paralegal Officers easy access to standard forms and legal remedies.

**Mechanisms to engage citizens were adopted to promote enhanced trust and accountability in the justice system.** Aside from providing mobile court hearing, legal aid, and mediation services to far flung courts, the Enhanced Justice on Wheels also became an avenue for dialogue and information dissemination.

The creation of two (2) new offices in the Judiciary -- the Judicial Integrity Board (JIB) and the Corruption Prevention and Investigation Office (CPIO) -- also led to the revision of the Rules of Court for the discipline of the members of the Judiciary. Specifically, the JIB will improve the assessment and evaluation of disciplinary actions towards complaints against erring justices, judges, and court personnel. On the other hand, the CPIO will conduct investigations, intelligence, surveillance, entrapment operations, or lifestyle checks of

<sup>3</sup> Available data as of December 11, 2018

justices of the Court of Appeals, Sandiganbayan, Court of Tax Appeals, judges and personnel of the trial courts (including the Shari'a Courts), and officials and employees of the Office of the Court Administrator. These developments will constitute additional avenue for citizens to exact accountability from members of the Judiciary.

**Quality management systems were established to enhance justice delivery.** The Department of Justice (DOJ) and its attached agencies were granted ISO Quality Management System certification, which highlights the alignment of their processes with international standards. Improvements on public financial management were also noted. A Learning and Development program that aims to improve human resource competency was also developed in DOJ.

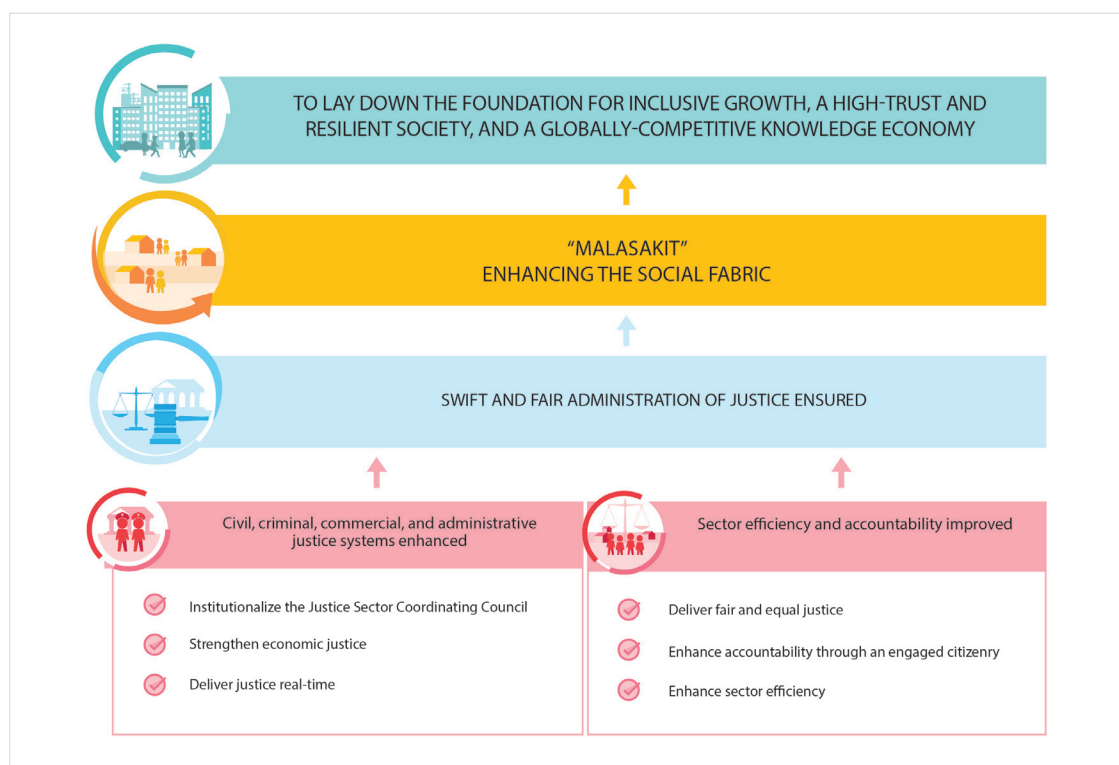
## Moving Forward

Initiatives implemented in 2018 paved the way for better access to justice, and thus should be sustained. Further reforms should be carried out efficiently and effectively to address the persisting challenges and gaps that hamper the pursuit of swift and fair administration of justice.

Continuous efforts in the collaboration and cooperation among justice sector agencies will provide better gains in achieving a sector-wide impact. Swifter exchange of information through the roll-out of the different inter-agency information systems will likely enable faster disposition of cases and proper monitoring and release of PDLs in penal facilities.

With this, it is necessary to update and prioritize the strategies to ensure that they will continue to resolve the persisting challenges in the justice sector.

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



## To enhance civil, criminal, commercial, and administrative justice systems

**Continue to pursue measures to address fragmentation in the justice system and improve inter-pillar coordination and cooperation.** Institutionalizing the Justice Sector Coordinating Council (JSCC) and securing continuing annual program appropriations will pave the way for effective and efficient coordination among all justice sector agencies and other stakeholders. The creation of provincial and regional Justice Zones will foster greater coordination with local government units. The sustained implementation of the NJIS and its component systems, including the conduct of training and awareness on its use and the distribution of equipment and hardware for pilot regions, will be a big push towards a sector-based approach in administering justice. Moreover, uniform procedures in filing cases on illegal drugs cases and evidence management should be adopted to fast-track the resolution of these cases.

The passage of legislation that aim to address fragmentation in the justice system should also be fast-tracked. Among these are the (a) Criminal Investigation Bill to institutionalize the prosecutors' role in case build-up with law enforcers; (b) Unified Corrections and Jail Management Systems Bill to integrate correction and jail management into one new unified institution; and (c) Harmonized Penology Bill to transfer the supervision and control of provincial jails to BJMP.

**Sustain efforts and implement complementary strategies to address the backlog in resolving cases.** These include fully operationalizing the Office for ADR in accordance with RA 9285 and adopting the APEC Collaborative Framework for Online Resolution of Cross-Border Business to Business Disputes especially for small and medium enterprises. The DOJ and Judiciary should also harmonize its procedures on cybercrime investigation, prosecution, and electronic evidence collection; and sustain trainings on these thereon.

The documentation, investigation, and monitoring of critical human rights violations such as extra judicial killings, atrocities of Martial Law, and gender-related violence, among others, should be reinforced with CHR as the lead agency.

There is also a need to push for legislation that aim to ease case backlogs such as the (a) creation of the Judges-at-Large positions; (b) redefining the mandate of Public Attorney's Office including the automatic increase of public attorney positions upon creation of new court branches; and (c) strengthening and reorganizing the National Prosecution Service to expedite the hiring process of prosecutorial positions.

## To improve sector efficiency and accountability

**Prioritize construction of jails and facilities with the provision of necessary human, physical, technological, and security resources to alleviate the persistent congestion in penal facilities.** The BJMP jails and BuCor prison facilities have exceeded their capacities by a staggering 582 percent<sup>4</sup> and 133 percent,<sup>5</sup> respectively. Alongside concerted efforts to provide legal assistance and hasten case resolution, there is a need to provide humane living conditions of PDLs as overcrowding has resulted in health and sanitation problems as well as gang affiliations. Hence, additional jails and prisons should be constructed and existing facilities improved.

<sup>4</sup> BJMP Data as of May 2018, BJMP Website

<sup>5</sup> BuCor Data as of November 2018, BuCor Website

Additional rehabilitation facilities should also be constructed and programs should be improved for the reintegration of PDLs to community life. In particular, the design and training for reformation/technical officers should be enhanced. Adopting these measures becomes more imperative in light of the relentless campaign against illegal drugs that has led to the arrest of almost 164,000 drug personalities<sup>6</sup> since 2016.

Decongestion programs should also be properly conducted. These include improving the management of inmate records; implementing the provisions of the Uniform Manual on Time Allowances and Service of Sentence and the Plea Bargaining Programs; expediting the release of qualified PDLs; and maximizing the use of EPLM to support jail paralegals' continuing education.

**Address persistent sector inefficiencies by improving processes and systems.** The enhancements made in the financial management and procurement processes should be sustained, coupled with the institutionalization of a competency framework and development program for the entire sector. These processes, along with other systems and procedures, should be reengineered pursuant to the Ease of Doing Business and the Efficient Government Service Delivery Act of 2018. Moreover, a resiliency and operations continuity plan should be developed to ensure safety and preservation of evidences and court records.

**Develop local indicators to more accurately assess the performance of the justice system.** While the country's performance in global justice indicators is being monitored, local measures and indicators must also be institutionalized to more accurately gauge the state of the country's justice system. Towards this end, the establishment of local indicators on justice through a National Governance Index and Crime Victimization Survey and through client feedback and complaint monitoring and evaluation systems in all justice sector institutions should be prioritized. Meanwhile, a serious review of justice-related global indicators must be undertaken to identify drivers for improvement.

**Regularly evaluate the effectiveness of judicial reforms and the justice system overall.** The recently implemented reforms have benefitted from the independent evaluation of the Action Program for Judicial Reform 2001-2006 which recommended the continuous improvement of the ADR to increase the poor's access to justice. It also prompted the formulation of a follow-on program to improve strategy for public awareness. Also being conducted is the Second National Survey on the User's Experience and Perception on the Judiciary. In addition, an impact evaluation study on three (3) selected judicial reform projects (eCourts System, Small Claims Procedure, and Continuous Trial Guidelines) will commence in 2019.

All these will guide the crafting a Communication Plan as it takes into account the insights of the public and investors, and as reference in developing new programs and projects.

In addition, the CHR should take the lead in the review and assessment of stakeholder engagement with security and law enforcement agencies, government agencies, and civil society at the central and regional levels.

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<sup>6</sup> #RealNumbersPH Data as of November 2018, PDEA Website



# 07 Promoting Philippine Culture and Values

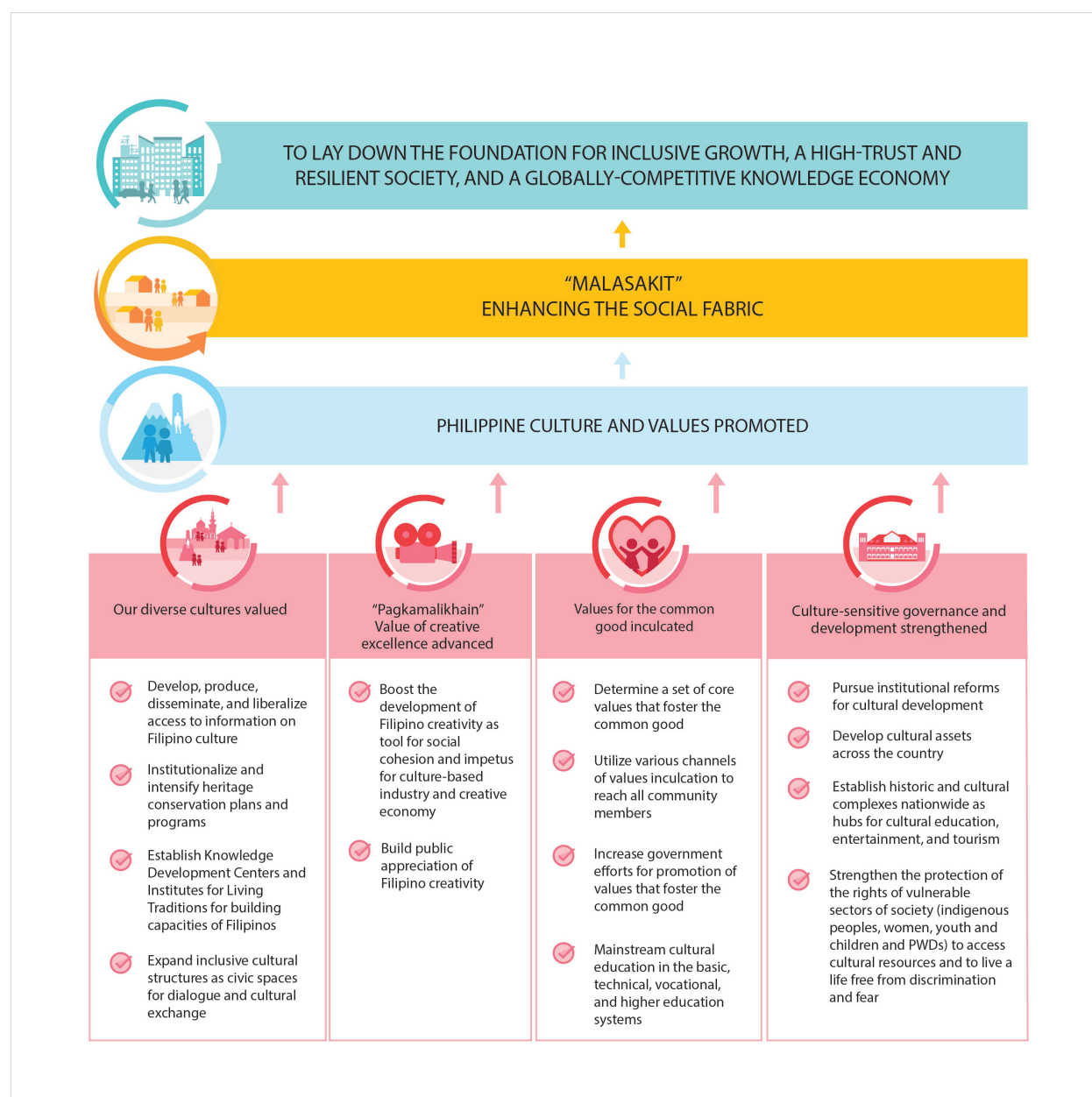


# PROMOTING PHILIPPINE CULTURE AND VALUES

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 second year of the implementation of the Philippine Development Plan (PDP) 2017-2022, the sector achieved significant strides in heritage conservation, identification of shared cultural values, cultural promotion, and development of the creative industries.

Moving forward, the sector should focus on mainstreaming culture in governance. Complementing this strategy are: creating a Department of Culture; developing human resources for specialized skills in heritage preservation and conservation; increasing youth enrollment in culture education and arts programs; and hastening the development of the creative economy, among others.

**Figure 7.1 Strategic Framework for Promoting Philippine Culture and Values**



# Assessment

## Valuing our diverse cultures

**Tangible and intangible heritage are continuously being documented, preserved, and conserved although the dearth of heritage conservation experts remains a major concern.** For tangible heritage, 98.2 million pages of Filipiniana resources, 215 movable artworks, and 531,590 items in the paleontological, geological, botanical, zoological, archaeological, ethnographic, and underwater archaeological collections of the National Museum, as well as collections in regional museums, were maintained and preserved. Eighty-seven structures, along with Spanish period records collection of the Archdiocese of Nueva Segovia<sup>1</sup> were declared as either National Cultural Treasures (NCT)<sup>2</sup> or Important Cultural Properties<sup>3</sup> (ICP) due to their cultural and historical significance. As such, they are eligible for government funding for their preservation. Eleven heritage structures, which are mostly churches, ten NCT structures, six monuments, and an obelisk tribute were also restored and preserved. The return of the Balangiga bells, taken by American soldiers more than a century ago from a church in Balangiga, Samar, after decades-long efforts of the government and war veterans, is a landmark for the sector and the country.

For intangible heritage, ethnography of 33 Philippine languages and orthography of three languages, namely Ilokano, Waray, and Kinamay, were completed. Fifty-one indigenous knowledge systems and practices (IKSPs) from 25 Indigenous Peoples (IP) groups were documented as of December 2018. In addition, 18 customary laws and 25 indigenous political structures were documented, which are essential to understanding the specific cultural and organizational systems, institutions, relationships and dynamics, rules, patterns and processes of particular IP groups.

The sector, however, has limited capacity to address the country's heritage conservation requirements. In particular, there is a lack of local experts for the conservation of certain cultural assets, conservators for paper, microfilms and other multimedia resources, photographs and memorabilia, and Spanish language and paleography experts for cataloguing and describing Spanish period archival records. For intangible heritage, while the Komisyon sa Wikang Filipino (KWF) recognizes the contribution of language experts, higher level skills are needed to support language revitalization, or the process of transmitting or teaching language to the younger generation.

**State of Conservation (SOC) reports for some NCTs and ICPs were completed as initial steps in crafting Conservation Management Plans (CMP).** From 2017 to 2018, the National Museum completed its evaluation of 22 out of 455<sup>4</sup> NCTs and ICPs and prepared the corresponding SOC reports. These reports on the status of immovable structures and other cultural assets are critical inputs to the preparation of CMPs.

**Public access to cultural resources has been expanded, but inadequate support to establish and maintain public libraries and local community archives poses as a stumbling block.** The opening of the National Museum of Natural History is a significant accomplishment for the preservation and promotion of biodiversity heritage and Philippine natural history. The Presidential Car Museum of the National Historical Commission of the Philippines, the first of its kind in the country, chronicles our political history through

<sup>1</sup> The collection contains records of great historical value as well as important records for the study of art history, language development, religious development, political development, economic development, social movements and other fields.

<sup>2</sup> Republic Act No. 10066 or the Heritage Law defines a "National Cultural Treasure" as a unique cultural property found locally, possessing outstanding historical, cultural, artistic, and/or scientific value which is highly significant and important to the country and nation, and officially declared as such by pertinent cultural agency.

<sup>3</sup> RA 10066 or the Heritage Law defines an "Important Cultural Property" as a cultural property having exceptional cultural, artistic, and historical significance to the Philippines, as shall be determined by the National Museum and/or National Historical Institute.

<sup>4</sup> The data refers only to the total number of NCTs and ICPs declared by the National Museum and the National Archives of the Philippines.

the story of cars used by past Philippine presidents. Eleven language monuments, 39 local public libraries, and two regional cinematheques were also established. The *Bahay Wika for Ayta Magbukun* in Bataan is the first among the language centers for children to be established under the nationwide Philippine language revitalization program. More Sentro Rizal Branches<sup>5</sup> were established in Ottawa and Toronto, Canada, Jeddah, and in Washington, USA. As of December 2018, 30 centers have so far been set up overseas. In addition, 24 Virtual Sentro Rizal<sup>6</sup> hard drives were distributed to nine Philippine posts, eight Philippine Schools Overseas, five Filipino associations overseas, and two Filipino academicians overseas.

Some local chief executives, however, do not consider the establishment and maintenance of local public libraries and archives, which serve as repositories of cultural heritage, as a priority for their respective local government units (LGUs). Out of the target 44,011 LGUs, there are only 1,433 public libraries and Barangay Reading Centers affiliated with the National Library of the Philippines (NLP), notwithstanding the recent establishment of 39 libraries. The lack of professional librarians in the country exacerbates the situation.

**Cultural cooperation agreements have been forged to foster greater appreciation of Philippine culture and Filipino talents overseas.** The bilateral cultural agreements with Brunei Darussalam and Qatar entered into force in May 2018. Meanwhile, the agreement with Burkina Faso in Africa, ratified in March 2018 by the Philippines, has yet to come into force. The Philippines also signed an Executive Program on Cultural Exchange with China and a Memorandum of Understanding between Cambodia's National Institute of Diplomacy and International Relations and the Philippines' Foreign Service Institute. Three Sister Cities Agreements were formalized between (a) Davao City-Kauai, Hawaii, (b) Candon City, Ilocos Sur- Kauai, Hawaii, and (c) General Santos City - Jersey City, USA. A Letter of Intent on the twinning of Calamba, Laguna and Jinjiang City in China was likewise signed to enhance the Friendship Accord between the two cities. These agreements paved the way for wider promotion of Philippine culture, as well as the development of Filipino talents and creativity.

**Overseas Filipinos have taken more active roles in cultural preservation and promotion abroad.** Foreign service posts have engaged more overseas Filipinos in cultural diplomacy events featuring both foreign-based and Philippine-based Filipino artists. The Philippine Foreign Service organized and hosted such cultural events to promote Filipino historical milestones, gastronomy, performing arts, visual arts, Philippine studies and literature, film and TV, and other creatives.

To advance Philippine studies, the Philippine Embassy in London, for the first time, provided endowments to partner with the University of London-School of Oriental and African Studies. This was geared to educate policymakers in Europe and the new generation of Filipino nationals on the Filipino heritage.

**Foreign service posts face some constraints that make the implementation of cultural programs difficult.** Foreign service posts continued to experience budget and manpower constraints. Their human resources perform multiple roles, which include providing assistance to nationals and fulfilling consular demands, which far outweigh other activities, even programs in political and economic diplomacy. According to the Department of Foreign Affairs (DFA), in the deployment for tours of duty abroad, foreign service officers as third, second, or first secretary to the ambassador wear two or more hats, serving as consuls and diplomatic officers at the same time.

<sup>5</sup> Sentro Rizal promotes Philippine arts, culture, literature, history, and languages around the world through the Philippine embassies/consulates and/or institutions of countries where there are large concentration of Filipinos. It provides language programs and knowledge resources on Philippine culture for Filipinos overseas, as well as interested local and foreign individual or groups.

<sup>6</sup> The Virtual Sentro Rizal (VSR) targets tech-savvy Filipinos and youth overseas to bring the traditional mode of appreciating Filipino heritage into the digital age. The VSR is a portable, multi-lingual collection of selected Filipiniana references in DVD format culled from the library collection of the National Commission for Culture and the Arts. These are being disseminated by the Commission on Filipinos Overseas.

## Advancing *pagkamalikhain* or values of creative excellence

**Filipinos with significant contributions to Philippine arts have been recognized.** The seven new National Artists<sup>7</sup> named were Larry Alcala for visual arts, Amelia Lapeña-Bonifacio for theatre and literature, Ryan Cayabyab for music, Kidlat Tahimik for film and broadcast arts, Francisco T. Mañosa for architecture and allied arts, Resil B. Mojares for literature, and Ramon Muzones for literature. Receiving the *Gawad Manlilikha ng Bayan*<sup>8</sup> or National Living Treasures Award were three women, namely Ambalang Ausalin for textile weaving, Estelita Bantilan for B'laan mat weaving, and Yabing Masalon-Dulo for B'laan ikat weaving. Apo Whang Od Oggay, the highly respected manwhatok (tattooist) from Kalinga, was also conferred the prestigious *Dangal ng Haraya* Award for Intangible Cultural Heritage by the National Commission for Culture and the Arts (NCCA). The award was given for her exemplary work and influence on Philippine traditional arts. Publications, online platforms, and touring exhibits popularize the contributions of these recognized artists.

**Notable artistic works have been documented.** The completion of the new edition of the Cultural Center of the Philippines (CCP) Encyclopedia of Philippine Arts is also significant. It now serves as the country's only comprehensive inventory of artistic excellence that is inclusive of the country's major ethnolinguistic groups and with updates on notable works in the fields of architecture, visual arts, film, music, dance, theater, broadcast arts, and literature. The encyclopedia documents the history, specific characteristics, and contribution of Philippine artists to national heritage and world culture. The online and offline versions to be provided free to all public schools and state universities' libraries also democratize access to cultural history and knowledge.

**There is now more government support for creative industry sectors, but there is a need to consolidate all creative industry players, create opportunities, and develop a pool of creative talent and experts for a more inclusive creative economy.** Events that foster creativity and spur innovation were organized by the Design Center of the Philippines, providing platforms for collaboration among individual artists, the country's top brands, design organizations, innovators, and innovation centers. Managers for creative hubs were also trained to become trailblazers in creating synergy among creativity, innovation, and entrepreneurship for social impact. To provide opportunities for creatives in the film industry, a registry of film artists and film industry service providers was established by the Film Development Council of the Philippines. Moreover, 83 intellectual property applications for individual creative works were filed, exceeding the target of 50 in 2018.

Design innovations for the social good were supported to participate in international promotions and markets. The Philippines bagged four prestigious Good Design Awards (GMark) under the ASEAN Selection Category from the Japan Institute of Design Promotion for Bambino (Bamboo Balance Bike), SALt Lamp (Emergency Lamp), Banana Stalk Wallpaper, and Social Tourism. This has elevated the discussion on design beyond aesthetics and towards a holistic perspective that covers people, society, and quality of life. The awarded products and services would bear the GMark seal that would facilitate their entry into the Japanese market.

Since the concepts of "creative industry" and "creative economy" are relatively new, there is a need to have a common and shared understanding of such between the government and private sector. Hence, at the industry level, efforts to raise awareness should be intensified so that creative firms and individuals can access government support. For this reason, mapping of creative and cultural industries must be undertaken to identify the specific players and determine the industry size and its contribution to the services sector and the economy.

<sup>7</sup> The Order of National Artists is the highest national recognition given to Filipino individuals who have made significant contributions to the development of Philippine arts. The order is jointly administered by NCCA and CCP and is conferred by the President of the Philippines upon recommendation by both institutions.

<sup>8</sup> The *Gawad sa Manlilikha ng Bayan*, or the National Living Treasures Award, is conferred on Filipinos who have done significant work in the preservation and promotion of the nation's traditional folk arts.

To further strengthen creative industries, a pool of creative talents must be created. To this end, the government must create more awareness on culture education and arts programs especially in literature, literary and cultural studies, performing arts, and culture and arts education. In turn, these programs will make the creative industry more substantive. Furthermore, streamlining these programs into higher education levels would yield more cultural research and projects, which will result into added value in the employment level.

**The government gave more value to the identity and the participation of IP communities in creative production but it needs to promote culture-sensitivity in commercial product development.** The Department of Trade and Industry (DTI) went through the process of acquiring free, prior, and informed consent from IP communities, as communities and their indigenous knowledge, systems, and practices (IKSPs) were tapped for the National Arts and Crafts Fair. Likewise, through the collaborative efforts of the National Commission on Indigenous Peoples (NCIP) and the Office of the Cabinet Secretary, funding support for culture-based livelihood projects of indigenous cultural communities in their respective Ancestral Domains Sustainable Development and Protection Plans increased.

However, a lot of creative industry players tend to use IKSPs and other tangible and intangible indigenous cultural assets in commercial production without getting the FPIC of indigenous cultural communities (ICCs). Moreover, due to the lack of appreciation of the IKSPs being borrowed or drawn from ICCs/IPs for inspiration, issues of misappropriation arose. This could be considered as a form of disrespect toward indigenous peoples and exploitation of their cultural assets.

## Inculcating values for the common good

**The results of the studies to determine the corpus of values to be promoted are now undergoing validation processes.** The study to clarify Filipino values for national development under the NCCA is currently in its final stages of validation and results of which will be available in the first quarter of 2019. Meanwhile, the Philippine Dimensional Model on Filipino Values has been completed by the National Economic and Development Authority (NEDA). An accompanying survey instrument has likewise been completed for a national survey to be undertaken in the first quarter of 2019. These studies will update the existing set of values being taught in schools and in government. The last study undertaken on national values was in 1999.

## Strengthening culture-sensitive governance and development

**Coordination mechanisms for cultural planning and programming between national and local government have been bolstered.** The NCCA has established closer linkages with LGUs to align efforts on cultural preservation, inventory of cultural properties, cultural mapping, and other culture-related activities. It has been included in regional development councils for cultural concerns. NEDA, on the other hand, has conducted alignment workshops on culture with its regional counterparts in Mindanao to ensure better coordination and implementation of initiatives.

**Provision of capacity building and knowledge development support for LGUs and the public has been strengthened. However, the increasing frequency and intensity of hazards and events brought about by climate change and human-induced disasters continued to hamper government efforts.** Cultural agencies such as the NCCA, NLP, National Historical Commission of the Philippines, and National Archives of the Philippines conducted training on culture and heritage for local government officers. The topics include the Flag and Heraldic Code, Basic Conservation of Movable Objects, Establishment of Local History Museums, Policies on the Declaration of Local Holidays and Guidelines on Naming and Renaming of Public Places, Preserving and Protecting Historic Urban Landscapes in the Philippines, and Setting up of Local



Community Archives, among others. The National Museum also held free seminars on museum practices, which focus on heritage management and museum education.

Through the Culturally Adaptive Basic Education and Health Integrating Indigenous Knowledge Systems and Practices Project of the NCIP, 448 public school teachers, 110 development management officers and health personnel, 116 IP leaders/elders, and 32 IP youth were trained on cultural sensitivity and ethnographic participatory research, which are essential in the documentation of IKSPs, customary laws, and indigenous political structures.

Climate change and human-induced disasters remain key issues affecting heritage preservation. This vulnerability is exacerbated by the lack of conservation management plans that could guide preparations for the effects of disasters on built and movable heritage. The National Archives of the Philippines suffered from a fire in May 2018, which damaged restoration equipment and materials, and affected the storage and management of archival records.

**Awareness and understanding of issues relating to violence against women (VAW), persons with disabilities, and indigenous peoples increased.** As part of the 18-Day Campaign to End Violence Against Women in 2018, the Philippine Commission on Women conducted the VAW Experiential Museum, an interactive and walk-through event aimed at deepening public understanding on the difficult experiences of VAW victim-survivors. National government agencies have also undergone disability sensitivity training to promote understanding on disability laws and sensitivity towards persons with disabilities. Cultural sensitivity orientation activities for the delivery of services for ICCs/IPs were also conducted with specific units of partner-stakeholders including the Department of Education (DepEd), Department of Health, Department of Agriculture, Technical Education and Skills Development Authority, Bureau of Fisheries and Aquatic Resources, and Cooperative Development Authority, as well as with the Metropolitan Waterworks and Sewerage System, Manila Water Company, Inc., and Maynilad Water Services, Inc..

**Public awareness and understanding of the cultures of Muslim Filipinos remains a challenge.** Stereotyping and issues of discrimination continue to be present in the contemporary narratives of and about Muslim Filipinos. This is aggravated by the perception that private *Madaris* are breeding grounds of terrorists. However, the number of private *Madaris*, which were granted permits to operate by DepEd, went down from 81 in 2017 to 59 in 2018 due to the Marawi siege. Many of the *Madaris* supported by DepEd were destroyed, thus displacing students. *Madaris* are schools for basic tenets of Islam and Qur'an recitation with the primary aim of teaching Islamic studies and the Arabic language.

Madrasah students benefit from DepEd's Madrasah Education Program through the Arabic Language and Islamic Values Education (ALIVE) and support to private *Madaris*. The number of public elementary schools implementing the ALIVE Program reached 1,662. Eighty-five private *Madaris*, meanwhile, are now offering the K to 12 Program nationwide with an estimated 176,000 learners receiving quality and appropriate education that is culturally and socially relevant.

## Moving Forward

Upcoming major events in 2019, such as the yearlong celebration of Philippine cinema's centenary dubbed "Sandaan," will give the culture sector a great boost. The United Nations Educational, Scientific, and Cultural Organization (UNESCO) 2005 Convention, a legally-binding international agreement on the protection and promotion of the diversity of cultural expressions, is also expected to be ratified in the Philippines within this year. The creative industry must take advantage of these events, especially the opportunities afforded by the UNESCO convention once ratified.

Other forthcoming positive developments include the activation of the Design Advisory Council, the completion of the Indigenous Peoples' Masterplan, and the incorporation of the Corpus of Filipino Values in the education modules and curriculum and other government training instruments such as that of the Civil Service Institute.

With the challenges and gains from the past, culture must be mainstreamed across all governance channels, from planning to the design, implementation, appraisal, and monitoring of development programs and projects.

Toward this end, the Social Development Committee – Sub-Committee on Culture will develop and implement a roadmap for mainstreaming culture in development. To complement this major undertaking, the following priority strategies are recommended:

**Pass a bill creating the Department of Culture.** This forms part of the legislative agenda in the PDP 2017-2022. Still pending in Congress, this legislation seeks to respond to several structural weaknesses of the culture sector by: (a) acquiring the mandate and resources to implement initiatives from national to local levels, (b) rationalizing the overlapping functions among existing agencies, and (c) asserting the regulatory powers as prescribed by law.

**Develop human resources for specialized skills in heritage preservation and conservation as well as for the development of conservation management plans.** Training and education opportunities on the preservation and conservation of tangible and intangible cultural assets should be made available to increase the pool of local experts. Bilateral cultural agreements, foreign grants, and scholarships should be facilitated and tapped. Incentives to faculty members or university researchers should be given by Higher Education Institutions to undertake culture studies and projects. Current preservation and conservation experts should also develop cultural conservation and preservation management plans while implementing preventive conservation activities.

**Encourage youth to enroll in culture education and arts programs.** At the secondary level, through the DepEd, arts will be integrated into the science, technology, engineering, and math education. The DepEd policy on creating regional arts academies should be implemented. At the tertiary level, scholarship grants, opportunities to attend international conferences, seminars, and culture education and arts activities and events in the country should be provided by public and private higher educational institutions, and facilitated by the Commission on Higher Education.

**Hasten the development of the creative economy.** As part of the full implementation of the Creative Economy Roadmap to 2030, the passage of the Creative Economy Act should be pushed to pave the way for the establishment of the Creative Economy Agency. The UNESCO 2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions should also be ratified to provide opportunities for creative industries, artists, and culture workers to enjoy mobility in terms of their creative production and distribution. The Philippines' bid to have additional UNESCO Creative Cities should likewise be adequately supported by DTI. To further inform policy and programming, a more aggressive cultural and creative industries mapping, through the DTI and NCCA, should be implemented. To create opportunities for culture and arts workers, stronger academe-industry partnerships must be forged.

**Strengthen implementation of heritage laws and develop supporting policies.** A guideline or code of conduct for creative industries will be developed in relation to the use of IKSPs in commercial production. Policies to implement the Philippine commitment to the UNESCO 2003 Convention for the Safeguarding of the Intangible Cultural Heritage should also be crafted. All these efforts need to be coordinated among the NCCA, NCIP, and DTI, with support from the appropriate offices in DFA.

**Develop and implement programs and policies utilizing the results of the values studies by NCCA and NEDA.** The corpus of Filipino values study will be used to update the DepEd core values curriculum, as well as the Civil Service Institute's Public Service Values Program. On the other hand, the Philippine Dimensional Model on Cultural Values Study will guide future policy formulation and development planning, particularly on the promotion of Philippine culture and values, enhancing the social fabric, and creating a high-trust society.

**Raise public awareness and understanding of the culture of Muslim Filipinos.** This will address stereotypes and issues of discrimination. The National Commission on Muslim Filipinos needs to work with DepEd in the accreditation of all private *Madaris* to ensure that they conform with the national formal education system, not only to enable learners to have better opportunities at becoming more globally competitive, but also to allay public fears and address the perception that private *Madaris* are breeding grounds of terrorists.

**Continue the establishment of Knowledge Development Centers and Schools of Living Traditions nationwide and overseas.** Schools of Living Traditions, Sentro Rizal, Arts Centers, and satellite venues for the arts will be established and maintained. The feasibility studies for the establishment of culture hubs should be completed.

**Continue to generate a comprehensive set of data on culture, including data on indigenous peoples across the country to support planning, policy, and programming toward more inclusive development.** The Philippine Cultural Statistics Framework will continuously be implemented by the NCCA and Philippine Statistics Authority to generate sound cultural statistics in aid of policy and programming toward a high-trust society. The Philippine Indigenous People's Ethnographies Project under the NCIP should also be continuously funded and implemented to strengthen initiatives for properly documenting IKSPs, doing participatory cultural mapping, reinforcing community protocols including the assertion for respecting the IPs' free and prior informed consent process, and establishing community registries.



08

Expanding  
Economic  
Opportunities  
in Agriculture,  
Forestry, and  
Fisheries



# EXPANDING ECONOMIC OPPORTUNITIES IN AGRICULTURE, FORESTRY, AND FISHERIES

With 24.0 percent<sup>1</sup> of the country's labor force employed in the agriculture, forestry, and fisheries (AFF) sector, the government is working to revitalize and modernize the sector to increase productivity, ensure food security and, most importantly, improve the welfare of the millions of farmers and fisherfolk who depend on it.

Moving forward, the government needs to identify investment areas that will enhance the sector's competitiveness, profitability, and resiliency.

## Assessment

*Table 8.1 Accomplishments versus Targets in Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries*

INDICATOR	BASELINE		ANNUAL PLAN TARGETS				ACCOMPLISHMENT			
	YEAR	VALUE	2017	2018	2019	2020	PERIOD COVERED	2017	PERIOD COVERED	2018
<b>Outcome: Economic opportunities in agriculture, forestry, and fisheries expanded</b>										
<b>Growth of Gross Value Added (GVA) in AFF increased (% in real terms)</b>	2015	0.1	2.5-3.5	2.5-3.5	2.5-3.5	2.5-3.5	Jan-Dec	3.9	Jan-Dec	0.8
<b>a. Crops</b>	2015	-1.8	2.0-3.0	2.0-3.0	2.0-3.0	2.0-3.0	Jan-Dec	6.5	Jan-Dec	-0.9
<b>b. Livestock</b>	2015	3.8	3.0-4.0	3.0-4.0	3.0-4.0	3.0-4.0	Jan-Dec	1.1	Jan-Dec	1.9
<b>c. Poultry</b>	2015	5.7	3.0-4.0	3.0-4.0	3.0-4.0	3.0-4.0	Jan-Dec	4.5	Jan-Dec	5.8
<b>d. Forestry</b>	2015	-26.7	2.0-3.0	2.0-3.0	2.0-3.0	2.0-3.0	Jan-Dec	-7.3	Jan-Dec	3.8
<b>Growth in Value of Production of Fisheries increased (% at constant prices)</b>										
<b>a. Commercial</b>	2015	-3.3	2.5	2.5	2.5	2.5	Jan-Dec	-5.3	Jan-Dec	-2.5
<b>b. Municipal</b>	2015	-2.2	1.0	1.0	1.0	1.0	Jan-Dec	-0.9	Jan-Dec	-1.7
<b>c. Aquaculture</b>	2015	0.8	5.0	5.0	5.0	5.0	Jan-Dec	1.9	Jan-Dec	-0.5
<b>Growth in the value of agriculture and fishery exports increased (% FOB value, cumulative)</b>	2015	-21.6	2.0	5.0	7.0	9.0	Jan-Dec	27.7	Jan-Dec	-8.4
<b>Outcome: Access to economic opportunities by small farmers and fisherfolk increased</b>										
<b>Growth in labor productivity of farmers and fisherfolk increased (% in real terms)</b>	2015	4.6	5.0-6.0	5.0-6.0	5.0-6.0	5.0-6.0	Jan-Dec	12.1	Jan-Dec	3.4

<sup>1</sup> 2018 Annual Labor and Employment Status reported by the Philippine Statistics Authority (as of December 28, 2018)

## Expanding economic opportunities in AFF

**The AFF sector grew at a rate slower than the target of 2.5 to 3.5 percent.** The sector's overall gross value added (GVA) grew by only 0.8 percent in 2018, far from the 3.9 percent growth in 2017, with crops, livestock, and fisheries missing their targets for 2018 and outweighing the growth of the poultry subsector.

**Contraction in the growth of crops subsector pulled down the overall AFF growth.** Accounting for 48 percent of the total output of AFF, crops output declined by 0.9 percent. Typhoons heavily affected rice and corn<sup>2</sup> with losses valued at around PHP20.7 billion and PHP9.1 billion, respectively.<sup>3</sup> Output (in terms of GVA) also decreased for sugarcane, mango, coffee, and cassava mainly due to lower production,<sup>4</sup> offsetting the improved outputs of coconut (including copra), banana, pineapple, and rubber.

**The poultry subsector surpassed its annual target, while the livestock subsector improved but remained lower than the target.** Accounting for 12.0 percent of the total sector output, poultry grew by 5.8 percent exceeding the high-end 2018 target of 4.0 percent. This is attributed to the expansion of layer and broiler farms, improvement of farm facilities and disease control management, and opening of new commercial broiler farms in Central Luzon, CALABARZON, Zamboanga Peninsula, and SOCCSKSARGEN.

On the other hand, accounting for 14 percent of the total AFF output, livestock posted a 1.9 percent growth – higher than the 1.1 percent in 2017, but fell short of 2018 target of 3.0 to 4.0 percent. The decreased production of carabao, cattle, and goat slowed down the growth of livestock output, offsetting the improved production of hogs and dairy. Contributing to this decline was the reservation of carabao stocks for breeding and dairy purposes, and as draft animals in some regions. Furthermore, the reduction in pasture areas in SOCCSKSARGEN and closure of some farms in MIMAROPA contributed to lower inventory of cattle, while the decrease in goat production was attributed to the reservation of stocks for breeding and fattening.<sup>5</sup>

**Forestry output exceeded the high-end target of 3.0 percent.** Recovering from a contraction of 7.3 percent in 2017, forestry output went up by 3.8 percent in 2018. This is attributed to the higher volume of timber harvested from established plantations in production areas and from holders of Integrated Forest Management Agreements<sup>6</sup> that practice sustainable development of forestland area and forest resources. Forestry production is expected to further increase in the next few years in the face of expansion of forest plantations and delineation of production and protection forests.

**Output of the fisheries subsectors declined.** The growth in the value of aquaculture production contracted by 0.5 percent in 2018 mainly due to sulfur upwelling and delayed stocking in freshwater cages particularly in CALABARZON, occurrence of ice-ice disease in seaweeds in Leyte and Antique,<sup>7</sup> and overflow of some brackish water fishponds in Central Luzon caused by typhoons. The production of tiger prawns was also affected by the occurrence of white spots disease in Northern Mindanao. Moreover, the value of commercial and municipal production declined by 2.4 percent and 1.7 percent, respectively, due to less fishing trips caused by weather disturbances and degradation of fishery resources/habitats.

**Earnings from agriculture and fishery exports dropped by 8.4 percent.** A significant decrease in the value of the top Philippine export commodities such as coconut oil, desiccated coconut, pineapple and its

<sup>2</sup> Rice and corn share 53 percent of the total crops gross value added (GVA).

<sup>3</sup> January to December 2018.

<sup>4</sup> These crops share 12 percent of the total crops GVA.

<sup>5</sup> Reasons for the decrease in production of carabao, cattle, and goat were cited from the report of the Philippine Statistics Authority Performance of Philippine Agriculture.

<sup>6</sup> Pursuant to Department of Environment and Natural Resources (DENR) Administrative Order No. 99-53, a qualified applicant may enter into contract with DENR and be granted with exclusive right to develop, manage, protect, and utilize a specified area of forestland and forest resources, consistent with the principle of sustainable development and in accordance with an approved Comprehensive Development and Management Plan.

<sup>7</sup> Freshwater pens share 1.5 percent of the country's aquaculture production. Rizal Province shares 68 percent of the country's total freshwater pens production. Seaweeds production in Leyte and Antique share 1.0 percent and 7.0 percent, respectively, of the country's seaweed production.



products, tuna, and centrifugal sugar was recorded in 2018.<sup>8</sup> Among these commodities, centrifugal sugar, which was mostly exported to USA, decreased the most in terms of value and volume of exports by 80.0 percent and 82.0 percent, respectively. Contributing to this decline is the amendment of policies<sup>9</sup> issued by the Sugar Regulatory Administration reducing the allocation of locally-produced raw sugar for the world market (including the USA) from an average of 20.0 percent in 2017 down to 6.0 percent in 2018. On the other hand, the allocation of sugar for domestic market increased in consideration of lower production and increasing domestic prices of raw and refined sugar in 2018.

**Approval of Republic Act No. 10969 or the Free Irrigation Service Act in February 02, 2018.** This Act exempts all farmers with eight hectares and below from paying irrigation service fees (ISF) for water derived from national irrigation systems and communal irrigation systems under the National Irrigation Administration (NIA).<sup>10</sup> This Act also condones and writes off all unpaid ISF and corresponding penalties of exempt farmers, and all loans, past due accounts and corresponding interest and penalties of irrigators associations to NIA. The NIA Board of Directors, through a resolution dated December 18, 2018, confirmed and issued the Implementing Rules and Regulations of the law.

**Congress ratified the bill removing the quantitative restrictions (QR) on rice imports in November 28, 2018, which was enacted into law in February 14, 2019.** RA No. 11203<sup>11</sup> amends the two-decade-old RA No. 8178, otherwise known as the Agricultural Tariffication Act of 1996, and replaces the QR on rice imports with tariff. It establishes the Rice Competitiveness Enhancement Fund (RCEF) that will fund programs and projects to enhance the competitiveness and profitability of the sector to support farmers who will be adversely affected by the removal of the QR. The bulk of the RCEF will be allocated for the provision of farm machineries and equipment, and development, propagation, and promotion of rice seeds.<sup>12</sup>

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

**AFF labor productivity improved but at a slower rate.** Slight increase of AFF output accompanied by a 2.6 percent decline in AFF employment, labor productivity in the sector registered 3.4 percent growth,<sup>13</sup> which is lower than the 5.0 to 6.0 percent target for 2018. The National Economic and Development Authority is currently undertaking a study on rural labor migration to determine the reasons on the continuous decline in AFF employment.<sup>14</sup> Based on the initial results of the study, unstable, low farm income in the sector, and availability of better-paying opportunities in other sectors (i.e., industry and services) push farmers and farmworkers to move out from the agriculture sector.

**Increase in productivity-enhancing support services and AFF investment were observed.** The Department of Agriculture-Agricultural Credit Policy Council (DA-ACPC) continued in rolling out easy, fast, accessible, and affordable financing facilities prioritizing small farmers and fisherfolk (SFFs) located in unbanked municipalities. As of September 2018, credit programs under DA-ACPC has provided financing

<sup>8</sup> These commodities account for about 40.0 percent of the total value of agri-fishery exports from January to October 2018.

<sup>9</sup> Sugar Order No. 1-A (2016-2017), Sugar Order No. 1-B (2016-2017), Sugar Order No. 1 (2017-2018), Sugar Order No. 1-A (2017-2018), and Sugar Order No. 1-B (2017-2018).

<sup>10</sup> These also include NIS and CIS funded, constructed, maintained, and administered by other government agencies, including those that have been turned over to irrigators associations.

<sup>11</sup> An Act Liberalizing the Importation, Exportation, and Trading of Rice, Lifting for the Purpose the Quantitative Import Restriction on Rice, and for Other Purposes

<sup>12</sup> The RCEF worth PHP10 billion is allocated for farm machineries and equipment (50%), rice seed development, propagation, and promotion (30%), expanded credit assistance (10%), and extension services (10%). In case the annual tariff revenues from rice importation exceeds the PHP10 billion in any given year, excess tariff revenues will be allocated to financial assistance to rice farmers, titling of agricultural rice lands, expanded crop insurance program for rice, and crop diversification program.

<sup>13</sup> As of December 2018.

<sup>14</sup> The R&D study seeks to understand the factors affecting the decline in agriculture employment.

to a total of 399,148 SFFs or 26.3 percent of the total number of borrowing SFFs in the Registry System for Basic Sectors in Agriculture (RSBSA) in unbanked municipalities. These facilities, bundled with insurance, include the Production Loan Easy Access (PLEA) Program and the Survival and Recovery (SURE) Loan Program.<sup>15</sup> Other financing facilities are also being implemented to finance the acquisition of machinery, equipment, and facilities from production to post-harvest through Farm Machinery Loan Easy Access; and working capital requirements of trading, marketing, and processing of agri-fisheries products through Working Capital Loan Easy Access.

In addition, farmers and fisherfolk also tapped the Agricultural Competitiveness Enhancement Fund (ACEF) Lending Program through the Land Bank of the Philippines (LBP).<sup>16</sup> As of December 31, 2018, the Bank's total releases under the ACEF Lending Program amounted to PHP25.2 million. The loans were channeled largely to productive activities involving the acquisition of agricultural facilities, machineries, and equipment, crop production, and fishery and livestock production. Further, LBP recently implemented the Accessible and Sustainable Lending Program for Small Farmers (ASL Farmers Program) to expand its reach to more small farmers and fishers nationwide.<sup>17</sup> It employs direct marketing where Supervised Credit Technicians will directly market the Program to all farmers and fisherfolk in the master list generated in coordination with the Department of Agrarian Reform (DAR) and Department of Agriculture (DA). The ASL Farmers Program was pilot-tested in Isabela and Nueva Ecija in October 2018.

In terms of AFF research and development (R&D), the share of budget appropriation in the total AFF GVA slightly increased to 0.37 percent in 2018 from 0.36 percent in 2017, but is still lower than the target of 0.40 percent. The R&D budget resulted in the development of 162 new technologies,<sup>18</sup> exceeding the 2018 target of 127. There is still a need to strengthen extension services to increase the adoption of technologies by farmers and fisherfolk through promotion and information dissemination (e.g., farm field schools, technology demonstration, one-stop shops).

On the other hand, approved private investment in AFF has improved, recording a 7.7 percent growth<sup>19</sup> in 2018 compared to a decline of 29.3 percent in 2017, but still below the target growth of 10.0 percent.

<sup>15</sup> The PLEA Program provides non-collateral loans for agri-fishery production, including long-gestating crops, at 6.0 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.

<sup>16</sup> Farmers and fisherfolk can tap the ACEF financing facility for the following purposes: for individual farmers and fisherfolk to finance the purchase of farm inputs and equipment or farm improvement not exceeding PHP1M per individual; and for cooperatives, associations, and medium and small enterprises (MSEs) engaged in agricultural production, farming, agri-business, and similar activities – to acquire and establish agri-based production and post-production, and processing machineries, equipment and facilities to achieve modern agricultural practices not to exceed PHP5M per project per cooperative/association/MSEs.

<sup>17</sup> The Bank has earmarked PHP10 billion in loans to assist small farmers' agricultural financing needs and help them improve productivity and income.

<sup>18</sup> These new technologies were under the Bureau of Agricultural Research (108), Philippine Carabao Center (32), Philippine Center for Postharvest Development and Mechanization (18), and Philippine Fiber Industry Development Authority (4). DA-BAR funded/developed the following: 2 Community-Based Participatory Action Researches (i.e., on dairy buffalo and on diversified farming system for sugar apple + vegetables + legume); 20 technologies under the Climate Change Program (e.g., geospatially referenced data on climate risks, biophysical, agricultural and socio-economic parameters used in generating suitability/vulnerability maps); 6 technologies under the Biotechnology Program (e.g., DNA barcodes for detection of fishery products for export); 18 technologies under the National Rice Program (e.g., improved rice postharvest technology called as IM Palay HD system or Integrated and Mechanized Palay Handling and Drying system), 17 technologies under the National Corn Program (e.g., Native corn varieties tolerant to abiotic stress), 27 technologies under the National High Value Crops Development Program (e.g., utilized grinded rhizomes "sapal" into flour and substitutes flour for pastries), and 18 technologies under the National Organic Agriculture Program (e.g., science-based organic production management system for lowland rice and vegetable).

<sup>19</sup> Private investments in the AFF sector grew by 7.7 percent with the addition of investment approvals from the Regional Board of Investments – Autonomous Region in Muslim Mindanao (ARMM) amounting to a total of PHP1.21 billion in 2018. The reported accomplishment in ARMM is attributed to the inflow of investments from private investors due to the anticipation of the ratification of the Bangsamoro Organic Law; and the increasing demand for Cacao in international markets.

**Land distribution under the Comprehensive Agrarian Reform Program continued.** The DAR distributed a total of 4,888,177 hectares (ha) of land out of the 2018 cumulative target of 4,925,466 ha. in the Philippine Development Plan (PDP) 2017-2022, benefiting about 2.87 million agrarian reform beneficiaries. The DAR also subdivided collective certificates of land ownership award covering 1,202,200 ha. Resolving issues of problematic landholdings, such as those with land titling, survey, coverage, and land transfer issues, can facilitate the attainment of the PDP target.

**Share of registered small fisherfolk within municipal water surpassed the target.** The Bureau of Fisheries and Aquatic Resources (BFAR) reported that the ratio of registered boats<sup>20</sup> in coastal areas to the total number of registered municipal fisherfolk<sup>21</sup> increased by 27.6 percent, which is above the 13.7 percent target for 2018. The improvement is still attributed to BFAR's intensified campaign for fisherfolk to register in the FisherFolk Registration System.

## Moving forward

With RA No. 11203, the removal of the QR on rice imports, as well as the removal of unnecessary government intervention (i.e., National Food Authority's [NFA] monopoly and regulation of rice importation) will create a more competitive rice market to ensure the availability and accessibility of affordable rice for every Filipino. The expected reduction in the domestic price of rice will benefit the general public, especially the poor who spend about 29.0 percent of their total food expenditure on rice,<sup>22</sup> including farmers themselves who are net consumers when their harvests are sold to cover other basic necessities.

Moreover, the Act will remove all the regulatory functions of the NFA, and transfer its critical food safety function to the DA as provided by the Food Safety Act of 2013. This was done because NFA being both a player and a regulator in the rice industry is a clear conflict of interest and is inconsistent with the Government-Owned and -Controlled Corporation (GOCC) Governance Act of 2011.<sup>23</sup>

On the other hand, the increasing risks posed by the effects of global warming and climate change may affect the productivity of the AFF sector and the country's food security if left unaddressed, especially since the country has been experiencing El Niño phenomena since last year.

Given this outlook, the government will implement strategic activities to leverage available opportunities for the sector and ensure that key policy reforms will be felt by the people.

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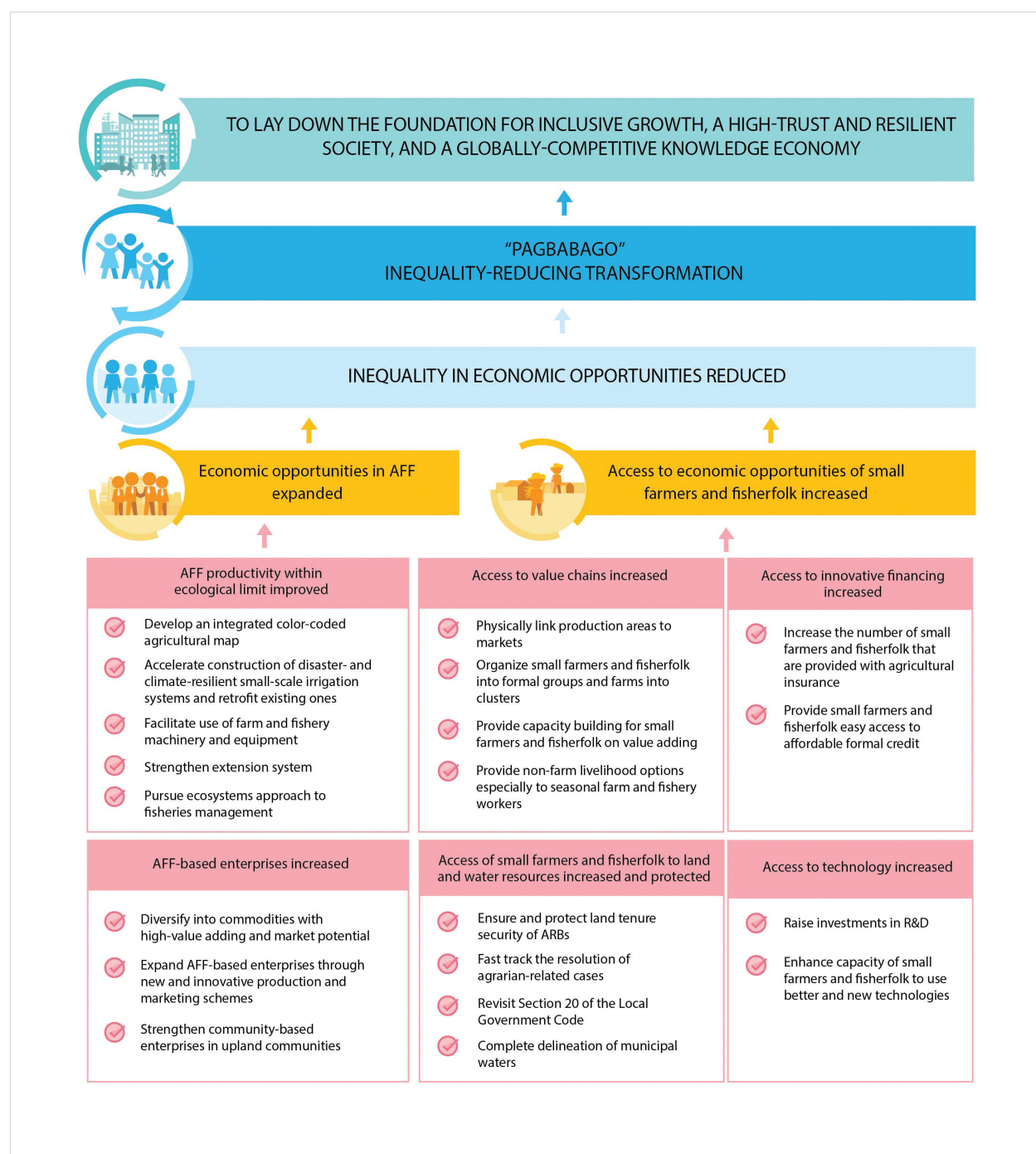
<sup>20</sup> The number of registered boats is based on the Municipal Fishing Vessel and Gear Registration System (BoatR), the centralized database system of BFAR for the registration of fishing boats three (3) gross tonnage and below, conducted by municipal and city local government units.

<sup>21</sup> The number of registered municipal fisherfolk is based on the Municipal FisherFolk Registration System of the BFAR, which was implemented in compliance with the mandate of RA 8550 (The Philippine Fisheries Code) to enhance, fast-track, and complete the Municipal Fisherfolk Registry of coastal local government units (LGUs) nationwide.

<sup>22</sup> Based on the Family Income and Expenditure Survey for 2015.

<sup>23</sup> Section 2, item G of the Governance Act states that, "There is a clear separation between the regulatory and proprietary activities of GOCCs, in order to achieve a level playing field with corporations in the private sector performing similar commercial activities for the public."

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



**Intensify complementary interventions and efforts to maximize benefits from rice tariffication.** For this impact to be felt and sustained, the government should encourage more rice traders to participate and ensure fair market competition among various firms and industry players in the rice value chain. The Philippine Competition Commission should be vigilant in monitoring the rice market to avoid cornering of the supply of imported rice by big traders. Efficient market price information systems should also be put in place to inform farmers and traders of the current (and possibly projected) domestic and world market prices that will guide them in selling their produce.

To ensure the accurate collection of tariff revenue from rice importation, implementation of the National Single Window Program is crucial, and should be complemented with heightened anti-smuggling efforts by the Bureau of Customs, in collaboration with the Philippine Coast Guard and other concerned agencies.

To enhance the competitiveness and profitability of the rice sector and assist farmers who will be adversely affected by the removal of the QR, a Rice Industry Roadmap should be formulated by the DA in consultation with other government agencies and stakeholders. The Roadmap should contain more aggressive and well-targeted interventions that include the promotion and adoption of farm machineries and equipment, among others, to increase productivity, reduce production costs, reduce post-harvest losses, and increase income. This is also the opportunity to accelerate commodity diversification in the Philippine agriculture sector by assisting uncompetitive rice farmers to diversify to other high value commodities. The limited public investments accorded to non-rice subsectors should be corrected. Immediate updating of the RSBSA is also needed to ensure proper identification of beneficiaries of RCEF.

**Restructure the NFA to focus its function on buffer stocking.** Under RA 11203, the NFA is now mandated to focus on maintaining a national buffer stock to address emergency situations and to sustain the disaster relief programs of the government during natural or man-made calamities. The Act also mandated the NFA to procure the buffer stock solely from local farmers. Given the reduced role of the NFA under the post-Rice QR regime, the NFA will need to be restructured in terms of personnel (especially those involved in regulatory functions) and properties that would no longer be required. The restructuring plan should also include proposals on the settlement of the outstanding debt of the NFA valued at PHP140 billion in 2018, either from the sale of its assets or absorption of the debt by the national government subject to certain conditionalities. Further, with the reduction in subsidy given to the NFA, the national government will have more funds available to allocate to other sectors, such as education and health.

The NFA can still sell affordable rice since there is a need to periodically replenish its buffer stocks, but it should focus on very targeted markets such as marginalized and far-flung areas, which some private traders may not find profitable to serve. Likewise, the government may also explore the possibility of distributing rice stamps or discount vouchers for indigent families to avail rice at subsidized retail price.

**Revisit initiatives to increase resilience of AFF to climate and disaster risks.** Every year, drought and numerous typhoons hit the country causing long dry spells, destructive flooding, and landslides that heavily affect the agriculture and fisheries sectors. While strategies to increase resilience are identified in the PDP, revisiting existing efforts has to be done to assess the effectiveness and efficiency of implementation of programs and projects on the ground. Construction of disaster- and climate-resilient farm structures and retrofitting of existing ones (e.g. small-scale irrigation systems) has to be accelerated. AFF extension systems should also be strengthened to increase adoption of climate- and shock-resilient technologies (e.g., greenhouses, varieties that are short-maturing, high-yielding, flood and drought tolerant, and stress-resilient) and best practices (e.g., alternate wetting and drying technology, integrated pest management). Further, concerned agencies should enhance decision support tools by providing timely and site-specific weather and climate advisories and utilizing advanced and appropriate information and communication technology to make it more available and accessible to stakeholders. Updating of suitability and vulnerability maps, as well as identifying disaster prone areas, are also necessary to guide agricultural planning, investments, and activities.



In view of the presence of weak El Niño that will likely continue until end of 2019,<sup>24</sup> concerned agencies (e.g., DA) are expected to enhance coordination with PAGASA to monitor the status of El Niño and ensure that appropriate interventions are in place. In August 2018, DA created a National El Niño Task Force<sup>25</sup> which oversees the activities related to the monitoring, assessment, and mitigation of possible impacts of El Niño to agriculture. The Task Force also defines the needed interventions, operationalizes assistance schemes to farmers/fisherfolk, and coordinates with other concerned institutions (e.g., NDRRMC) to harmonize and efficiently implement the El Niño Mitigation and Adaptation Plan which is being finalized by the DA. The provision of production support (e.g., distribution of crop varieties that are high quality drought-tolerant or early maturing) and agricultural insurance, pest and disease management, water supply augmentation (e.g., pump irrigation), and information, education, and communication campaigns are among the planned core activities of DA that must be implemented.

**Implement strategies that address the push factors responsible for out-of-agriculture labor migration.**

Although the sector continues to have a significant share to the country's labor force, the number of employed in the sector has consistently decreased in recent years due to unstable and low farm income. As the country intends to continuously push for the improvement of profitability in the AFF sector, the government should invest in capacity enhancement of farmers and fisherfolk, particularly on the provision of training on agripreneurship and value-adding activities, to increase their income. Competency-based training on farm machinery operation and basic maintenance should also be provided considering the intensification of strategies to enhance productivity in AFF specifically through farm mechanization. Capacity-building programs should also be conducted for non-agriculture workers who are interested to venture into farming, particularly returning OFWs and senior high school students. Programs and projects to increase access of value chain players to innovative financing, and facilitate and generate agribusiness investments, also need to be implemented.

**Strengthen efforts to integrate smallholder farmers and fisherfolk into larger agribusiness enterprises.**

Intensive promotion of farm diversification has to be complemented with social preparation such as capacity building and organization building and management. Organized farmers and fisherfolk should be provided with training on value-adding activities that translate to more active engagement of farmers and fisherfolk in venturing in commodities with high-value adding and market potential, agribusiness, and enterprise development. Increasing domestic participation in the global supply and/or value chains is also necessary (refer to Chapter 9). Similar efforts have to be implemented to transform AFF from a production-oriented sector to an innovative and market-driven agribusiness or agro-industry clusters.

**Amend the Revised Charter of the DA-Philippine Crop Insurance Corporation (PCIC) Act of 1995 or RA 8175 as well as other relevant laws.** In 2018, PCIC provided agricultural insurance<sup>26</sup> to only 15.5 percent of small farmers and fisherfolk. Although this exceeded the 2018 target of 14.4 percent, a greater number of beneficiaries should be provided with insurance considering the risks of natural calamities (e.g., typhoons, El Niño) and pest infestations. However, PCIC is unable to reach more farmers and fisherfolk due to budget constraints. Hence, there is a need to reorganize the PCIC and increase its authorized PHP2 billion capital stock to cater to the demands of small farmers and fisherfolk more effectively.

<sup>24</sup> Based on PAGASA El Niño and Climate Outlook (as of April 24, 2019), models from the Climate Prediction Center and the International Research Institute for Climate and Society (IRI) in the United States of America indicate weak El Niño conditions for May to August, continuing into September to December 2019 season.

<sup>25</sup> Pursuant to DA Special Order No. 945 series of 2018, issued on August 28, 2018.

<sup>26</sup> The PCIC provide insurance protection to farmers against losses arising from natural calamities, plant diseases and pest infestations of crops (i.e. rice, corn, and high value crops), livestock (i.e. cattle, carabao, horse, swine, goat and sheep), poultry (i.e. broiler chicken), and fisheries (i.e. fishponds, mariculture parks, and seaweed farms). It also provides protection against damage to/loss of non-crop agricultural assets including but not limited to machineries, equipment, transport facilities and other related infrastructures due to peril/s insured against.

**Continue to push for the creation of the Coconut Farmers and Industry Trust Fund.** The bill<sup>27</sup> creating the Trust Fund has to provide necessary safeguards to ensure that the fund will fully benefit coconut farmers and farm workers. Formulation of measures to properly manage, utilize and oversee the use of Coco Levy fund is needed. As the basis of utilizing the Trust Fund, the Coconut Farmers and Industry Development Plan has to be finalized with stakeholder consultations to ensure that actions to be implemented will benefit the coconut industry.

**Reinforce efforts to protect and conserve fishery resources through ecosystems approach to fisheries management.** In view of the need to sustainably manage fishery resources to harness their economic potential, the government aims to further intensify the implementation of ecosystems approach to fisheries management. In particular, priority will be given to the enhancement of registry and licensing system for boat, vessel, and gear, as well as the monitoring of compliance with catch documentation requirements among municipal and commercial fishing boats; and identification of priority fishery management areas and development of harvest control rules to avoid overfishing. In addition, the government must continuously strengthen its efforts to provide alternative livelihood support to fisherfolk (particularly those who are affected by closed fishing season), promote value addition and diversification of fishery products, and develop fishery culture system for species with high market potential to lessen pressure on resources. Complementary strategies on intensifying sustainable management of coastal and marine ecosystems will also be continuously pursued to ensure sustained provision of ecosystem services, particularly in providing habitats to fishery resources to meet both the present and future demand (*see Chapter 20*).

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<sup>27</sup> The bill was ratified by Congress in November 28, 2018, but was vetoed by the President in February 08, 2019.





09

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) remain as the major drivers of the country's economic growth. Industry grew 6.8 percent, contributing 2.3 percentage points to the 6.2 percent real gross domestic product (GDP) growth in 2018. The services sector, on the other hand, grew by 6.6 percent, contributing 3.8 percentage points to the total real GDP growth in 2018. This performance, however, falls short of the targets set for the year; due in part to sluggish export demand, subdued business sentiment, and uncertainty regarding the fiscal incentives regime besides labor market regulations.

In terms of employment, I&S generated about 475,000 and 610,000 net employment, respectively, higher than the target. This was contributed primarily by net employment increases in construction, manufacturing, public administration and defense, wholesale and retail trade, as well as transportation and storage.

The environment for transacting with government promises to be much easier with the enactment of the Ease of Doing Business (EODB) and Efficient Government Service Delivery (EGSD) Act. Micro, small, and medium enterprises (MSMEs) will also have greater access to finance with the enactment of the Personal Property Security Act and the establishment of several Credit Surety Funds (CSFs). The 11th Regular Foreign Investment Negative List (RFINL) also opens up a number of sectors to foreign investors, especially those that will prepare the country for the Fourth Industrial Revolution (FIRe).

Moving forward, the bureaucracy needs to revise its processes, and establish and fully operationalize the agency that will ensure compliance to the EODB and EGSD Act. Further, programs to facilitate the access of MSMEs to markets, finance, and technology should be intensified to reach more MSMEs.

# Assessment

**Table 9.1 Accomplishments versus Targets in Expanding Economic Opportunities in Industry and Services**

OBJECTIVES/RESULTS	INDICATOR	BASELINE <sup>a</sup>		ANNUAL PLAN TARGETS			ACCOMPLISHMENT
		YEAR	VALUE	2018	2019	2020	2018
Societal Goal							
To lay down the foundation for inclusive growth, a high-trust and resilient society and a globally competitive knowledge economy							
Intermediate Goal							
Reducing inequality							
Sector Outcome 1							
Economic opportunities in industry and services (I&S) expanded	Gross Value Added (GVA) growth rate in the industry sector improved (%) <sup>b</sup>	2016	8.4 <sup>c</sup>	8.4-9.4	7.7-8.7	8.2-9.2	6.8
	Manufacturing GVA as a proportion of GDP increased (%)	2016	23.2	23.8-24.4	24.2-24.8	24.7-25.3	23
	GVA growth rate in the services sector improved (%) <sup>b</sup>	2016	7.4 <sup>c</sup>	6.9-7.9	7.0-8.0	7.1-8.1	6.6
	Employment generated by the industry increased ('000s) <sup>d</sup>	2015	180	434	437	440	475
	Manufacturing employment as a proportion to total employment increased (%)	2016	8.3	9.9	10.4	10.9	8.8
	Employment generated from the services sector increased ('000s) <sup>d</sup>	2015	579	748	471	498	610
Intermediate Outcome 1.1							
Local and foreign investments increased	Net FDI increased (USD million)	2016	7,980	None	None	None	9,802
	Net foreign direct investments (FDI) as proportion of GDP increased (%) <sup>e</sup>	2016	2.6 <sup>i</sup>	None	None	None	3.0
	Total approved investments increased (PHP million)	2016	729,000 <sup>j</sup>	882,000	970,000	1,076,000	1,084,152
Aggregate Outputs							
Intermediate Outcome 1.2							
Competitiveness, innovativeness and resilience increased	Philippine overall ranking in the WB-IFC Doing Business Report improved	2016	Top 60%	Top 50%	Top 50%	Top 40%	Top 65%
Intermediate Outcome 1.3							
Market access improved (see Chapter 15 Sub-sector Outcome on "Strategic external trade policy regime achieved")							
Intermediate Outcome 1.4							

OBJECTIVES/RESULTS	INDICATOR	BASELINE <sup>a</sup>		ANNUAL PLAN TARGETS			ACCOMPLISHMENT
		YEAR	VALUE	2018	2019	2020	2018
Consumer access to safe and quality goods and services ensured	Level of consumer awareness of basic consumer rights increased (%)	2016	74	76	77	78	<b>67</b> (Q1-Q3 2018)
<b>Sector Outcome 2</b>							
Increased access to economic opportunities in I&S for micro, small and medium enterprises (MSMEs), cooperatives and overseas Filipinos	Proportion of small-scale industries in total industry value added increased <sup>f</sup>	None	None	TBD	TBD	TBD	
<b>Intermediate Outcome 2.1</b>							
Access to production networks improved <sup>g</sup>	Number of MSMEs participating in Global Value Chains increased	None	None	TBD	TBD	TBD	
<b>Intermediate Outcome 2.2</b>							
Access to finance improved	Proportion of small-scale industries (enterprises) with a loan or line of credit increased	None	None	TBD	TBD	TBD	
<b>Intermediate Outcome 2.3</b>							
Productivity, efficiency, and resilience improved		None	None	TBD	TBD	TBD	

Notes:

<sup>a</sup> Actual data as of December 2015, or most recent available data. May not necessarily be year-end values

<sup>b</sup> GVA at constant 2000 prices. Targets approved by the DBCC as of July 2016

<sup>c</sup> National Income Accounts as of January 2018

<sup>d</sup> Employment generated refers to additional employment generated from the preceding year. Baseline data generated using the average of Q1-Q3 estimates (excluding data for Leyte) for both 2014 and 2015.

<sup>e</sup> While there were no targets set, the indicator was included in the RM for monitoring purposes.

<sup>f</sup> No data available. There is no clear definition of small-scale industries.

<sup>g</sup> Indicator still to be developed by the DTI.

In 2018, industry and services expanded, generated additional employment, and registered improvements in labor productivity. However, total net foreign direct investments (FDI) declined slightly, dragged by decreases in equity investments.

## Industry

**Industry expanded by 6.8 percent in 2018 but growth was below Plan target.** The overall industry growth was buoyed by construction, attributed to the continued increase in the government's infrastructure spending, particularly in the implementation of the Build Build Build Program and the sustained increase in private construction activities. But even as construction grew strongly by 15.9 percent, the slowdown in the growth of manufacturing (4.9% in 2018 from 8.4% in 2017) and mining and quarrying (1.0% in 2018 from 3.7% in 2017) tempered industry growth to below the Philippine Development Plan (PDP) target of 8.4 to 9.4 percent for the year.

Slower manufacturing growth, which accounted for 68.1 percent of total industry gross value added (GVA), was largely due to contractions in the GVA in chemical and chemical products and basic metal industries. Slower growth in food manufactures; furniture and fixtures; fabricated metal products; transport equipment; and radio, television, and communication equipment and apparatus also pulled down overall

manufacturing growth. Nonetheless, strong expansions were recorded by petroleum and other fuel products; textile manufactures; rubber and plastic products; beverages; and paper and paper products.

**The industry sector generated an average of 475,000 net additional employment in 2018, surpassing the annual target of 434,000.** Higher industry employment was generally attributed to increased construction activities as the government heightened its implementation of the Build Build Build Program while the manufacturing sector also contributed positively to employment generation.

## Services

**The services sector grew by 6.6 percent in 2018 relative to the previous year, slightly lower than the low-end target of 6.9 percent for the full year.** Growth was attributed to the acceleration in the public administration and defense, compulsory social security (14.6%) and other services<sup>1</sup> (7.7%). The 7.1 percent growth in financial intermediation also boosted the sector (although at slower growth rate as compared to the previous year).

**Services registered a net employment gain of 610,000, accounting for 81.6 percent of the 748,000 additional employment target for 2018.** Except for accommodation and food services activities and education, all services sectors registered increases in employment, particularly public administration and defense, transportation and storage, and wholesale and retail trade.

**Tourism continued to be vibrant, notwithstanding the temporary closure of Boracay in the first half of 2018.** Visitor arrivals in the country reached 7.1 million in 2018, 7.6 percent higher than the previous year. The number of tourist arrivals in 2018 set an all-time high record for the Philippines to date, albeit falling short of the 7.4 million target for the year. Korea remained as the highest market for tourism with 24.3 percent share of total arrivals, followed by China (14.6%), United States (14.5%), and Japan (8.8%). The increase in visitor arrivals translated in higher revenues, estimated to have reached PHP402.7 billion, which was 20 percent higher than the PHP335.6 billion recorded in 2017. Meanwhile, average daily expenditure per tourist in 2018 was lower at USD109.4 from USD125.6 in 2017 and with no significant change in the average length of stay, from 9.4 nights in 2017 to a lower average of 9.1 nights in 2018. This suggests that while the country have been attracting more tourists in terms of volume, higher tourism receipts can be generated by encouraging tourists to stay for longer periods.

Robust tourism growth was supported by positive performance of services exports (7.9%) particularly on transportation (10.9%), miscellaneous activities (8.1%), and government services (74.9%). Export of insurance and travel also registered positive growth at 5.9 percent and 2.9 percent, respectively.<sup>2</sup>

## Investments

The Philippines' share in ASEAN FDI continues to lag behind the five (5) original ASEAN member states<sup>3</sup> and Viet Nam.

**Net flows of FDI amounted to USD9.8 billion in 2018, 4.4 percent lower relative to the USD10.3 billion registered in 2017.** This was mainly attributed to lower net equity inflows in 2018 which amounted to USD2.3 billion from USD3.4 billion in 2017.

<sup>1</sup> Particularly education; recreational, cultural, and sporting activities; and other service activities.

<sup>2</sup> Philippine Statistics Authority, National Accounts as of January 2019.

<sup>3</sup> Indonesia, Malaysia, Philippines, Thailand, and Singapore

Placements of equity capital to the industry sector dropped to USD1.3 billion from USD2.7 billion in 2017, which pulled down overall growth of FDI. All industry subsectors declined, particularly manufacturing. On the other hand, net investments of equity capital in the services sector registered an increase of 49.7 percent to reach USD1.0 billion from USD0.6 billion in 2017, driven by financial and insurance activities, real estate activities, as well as arts, entertainment, and recreation. Reinvestment of earnings also dropped by 0.4 percent, while net availment of debt instruments grew by 11.3 percent in 2018.

In terms of shares, the bulk of equity infusions were invested primarily in industry particularly manufacturing (47.7%) as well as electricity, gas, steam, and air-conditioning supply (8.5%), while investments in the services sector were largely in financial and insurance (14.6%); real estate (13.1%); and arts, entertainment, and recreation activities (8.3%).

Investment pledges rose by 19.3 percent to PHP1,084.2 billion in 2018<sup>4</sup> from PHP908.7 billion in 2017. Investment commitments to the industry sectors increased by 54.9 percent to PHP740.1 billion from PHP477.8 billion in 2017 mainly due to the notable increase in commitments for the manufacturing sector (PHP295.0 billion). Pledges to the services sectors, however, declined by 20.1 percent to PHP340.3 billion in 2018 from PHP426.6 billion in the previous year. Of the total approved investments in 2018, the industry sector constituted 68.3 percent while the services sector represented 31.4 percent.

### Support to MSMEs

A number of MSMEs benefited from shared service facilities (SSFs) and technology upgrading programs, as well as testing and calibration services to ensure product safety standards.

From January to November 2018, 72 SSFs were established, mostly catering to MSMEs engaged in food processing. However, these newly-established SSFs only represent 22.0 percent of the 333 SSFs targeted in 2018. Majority of the new SSFs are in Cagayan Valley (18), Central Visayas (12), SOCCSKSARGEN (10), and Bicol Region (9). In terms of total budget allocation cost, only 7.0 percent were disbursed as of November 2018. To date, there are 2,300 SSFs all over the country serving 269,914 beneficiaries where an estimated 128,671 MSMEs were provided technical assistance in 2018.

The Small Enterprise Technology Upgrading Program (SETUP) of the Department of Science and Technology (DOST) reported a total of 721 beneficiaries as of October 2018, reaching 91.0 percent of the 2018 target beneficiaries. Areas with the most beneficiaries are Cagayan Valley (14.7%), National Capital Region (8.7%), Central Luzon (7.9%), Cordillera Administrative Region and CARAGA (6.8% each), and Eastern Visayas (6.4%).

The number of clients/customers<sup>5</sup> provided with testing and calibration services by DOST regional offices and research institutes reached 17,022 as of October 2018, exceeding the 2018 target of 12,441.<sup>6</sup>

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<sup>4</sup> According to data on approved investments.

<sup>5</sup> Clients/customers refer to specific business enterprises, government offices, schools, and universities

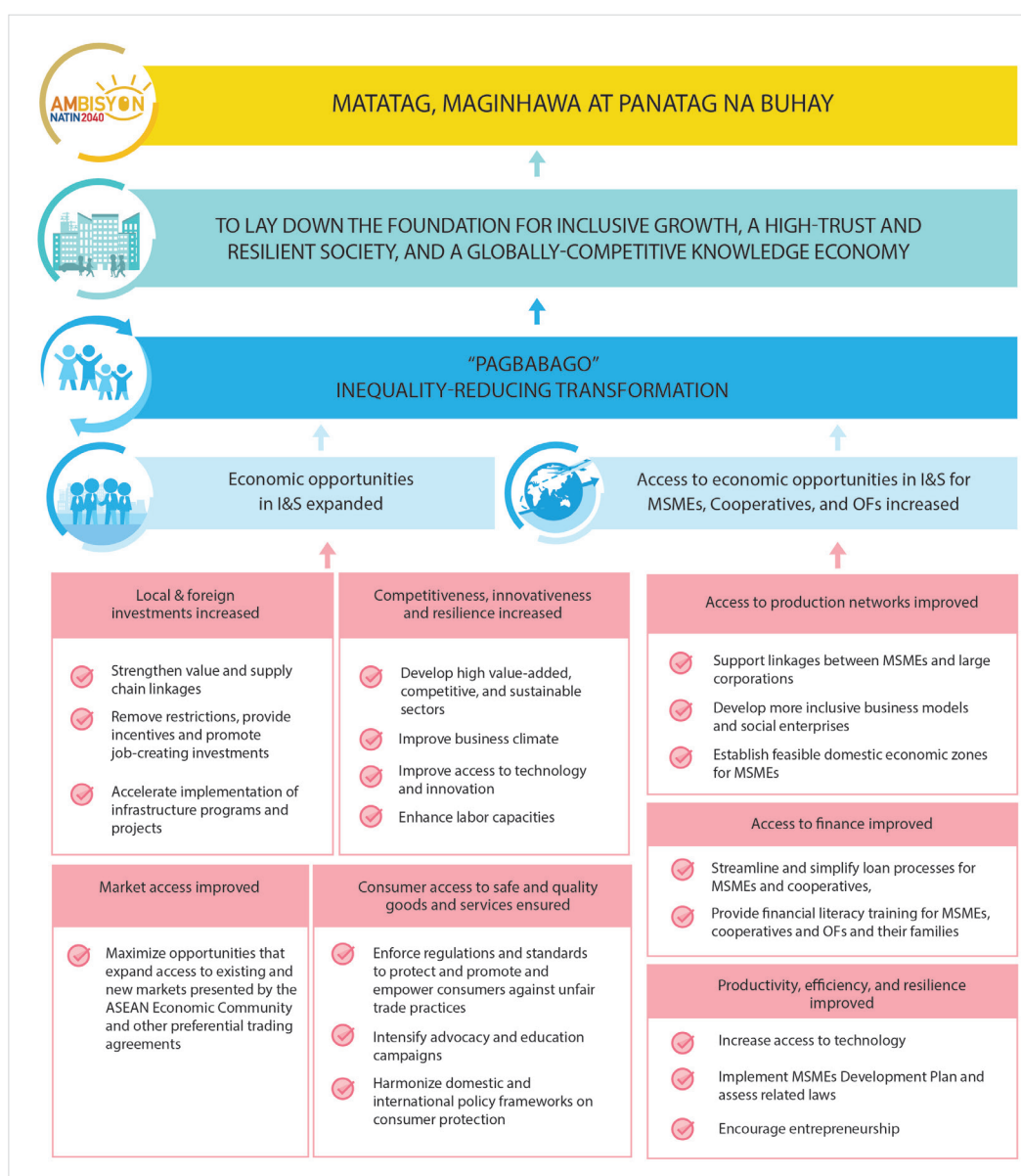
<sup>6</sup> Target from 2018 to 2022 were revised in June 2018 brought about by the review of indicator and harmonization of definition across testing and calibration laboratories and rationalization of targets.

# Moving Forward

Growth of export-oriented manufactures will be affected by a generally subdued global growth as major economies such as the US, China, Japan, and the Euro Area are projected to post-moderate growth in 2019. With exports growth unlikely to pick up in the near term and with higher demand for infrastructure spending, import payments are likely to increase further. It thus becomes imperative for the government to monitor the country's current account balance and be ready to mitigate possible impact on the exchange rate. This also underlines the importance of expanding the manufacturing base of the country by attracting more domestic-oriented enterprises, besides export-oriented ones (*refer to Chapter 15*).

Given this outlook, it is important to fine-tune and prioritize strategies for I&S to effectively address challenges, manage risks, and to ensure and sustain inclusivity of growth.

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





## To increase local and foreign investments

**Establish clear enforcement rules in line with the issuance of the 11<sup>th</sup> RFINL.** This is to further ease regulatory restrictions on foreign participation as it provides definition of internet business, accreditation rules for foreign contractors, and reciprocity rules in the practice of profession, wellness centers, and teaching in higher education institutions (*refer to Box Article 9.1 for details*).

**Pursue reforms to improve Philippines' business environment.** Full implementation of the EODB and EGSD Act of 2018 and reforms to reduce cost of doing business, particularly in energy and logistics, will be pursued to improve the country's attractiveness to investors. Project Repeal will be continued to further reduce, if not eliminate restrictive laws and regulations on businesses. Efforts towards the full operationalization of the National Single Window will also be pursued in line with the country's commitment to the ASEAN Single Window.

Enhancing the country's transparency regime on policies affecting investment beyond equity participation is also critical for attracting and promoting foreign investments as this helps potential investors make informed decisions.

**Continue efforts to remove restrictions on economic activities in I&S.** The proposed amendments will open transport and telecommunications to foreign participation and encourage competition that will lead to improvements in service quality as well as lower transport costs, among others. Liberalization of the retail trade is also being pursued through the proposed amendments that will remove reservation of retail enterprises with less than USD200,000 paid up capital to Filipino citizens.

Meanwhile, amendments to the Foreign Investments Act are intended to reduce restrictions for the entry of medium-sized domestic enterprises to foreign participation. Moreover, the proposed removal of the minimum number of incorporators and allowing the establishment of one-person corporation under the Corporation Code will address the difficulty of investors, particularly start-ups, in meeting the current requirement to have at least five incorporators. Efforts to liberalize the construction sector are also being pursued through amendments that will lift nationality requirements in the issuance of contractor's license and limitations on foreign participation for locally funded public works.

## To increase competitiveness, innovativeness, and resilience

**Encourage the development of a high-value agribusiness sector.** The strategy should include promoting product diversification; increasing agribusiness competencies among farmers and fisherfolk; and promoting and adopting appropriate agricultural and fisheries machineries and equipment to enhance farm productivity and efficiency, taking into account priority agro-industrial commodities of respective regions.<sup>7</sup>

**Pursue reskilling of workforce in the information technology and business process management (IT-BPM) sector and other labor-intensive manufacturing sectors to leverage technological advancements in frontier technologies.** Upskilling of workforce is part of the DigitalPH Program of the Department of Information and Communications Technology (DICT) that aims to sustain the growth of the IT-BPM sector through the promotion of Stepping Up the Value Chain, digital entrepreneurship, and implementation of the Digital Cities Portal.

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<sup>7</sup> As identified in Regional Development Plans, priority agro-industrial commodities in Luzon include mango, processed fruits and nuts, bangus, bamboo, abaca, and coconut. Muscovado, mango, seaweeds, oyster, swine, abaca, native chicken, milkfish, seaweed, mussels, and coconut are considered priority commodities in Visayas, while cacao, coffee, and calamansi are considered priority commodities in Mindanao.

The capacities of existing and incoming workers in manufacturing need to be strengthened to realize the potential profitability of additive manufacturing<sup>8</sup> and other frontier technologies.<sup>9</sup> Skilled trainers, regardless of nationality, must be available and accessible to ensure that the labor force is able to adapt to current and emerging trends in the sector. Course offerings of the Technical Education and Skills Development Authority's (TESDA) Training for Work Scholarship under the Manufacturing Resurgence Program also need to be updated to include skills needed to perform advanced manufacturing tasks (*refer to Chapter 10*).

**Formulate the roadmap that will develop the creative industries.** Despite its growth, the sector is proportionately much smaller than it should be. The country has not been able to transform creative goods and services into sustainable domestic markets and exports. As such, activities promoting creative skills such as visual arts, print media and design, among others, should be mapped into a dedicated development framework for the creative industries. In addition, access to fast, reliable, and cost-effective internet services to support web-based operations of exported services will also be supported in line with the full implementation of the National Broadband Plan.

**Incorporate digital trade in the Updated E-Commerce Roadmap 2016-2020.** The roadmap, which is being updated, should consider incorporating digital trade strategies to be in step with new digital technology applications and consumer patterns. Website and payments security in e-commerce will have to be improved to build trust between businesses and consumers.

**Establish a uniform system for resolving disputes involving e-commerce transactions.** With the increasing prevalence of e-commerce transactions, online shopping sites should be required to include a system that will govern the filing, processing, and resolving complaints and disputes in transactions. This system should make information available on the reliability of merchants in fulfilling e-commerce transactions and in resolving transaction complaints to consumers.

## To improve access to production networks

**Aggressively promote inclusive business (IB) models that link micro and small suppliers to medium and large companies that are part of, or operate their own, global supply and/or value chains.** Agribusiness and tourism enterprises registered with the Board of Investments (BOI) that adopt inclusive business models are entitled to investment incentives under the Investment Priorities Plan (IPP) 2017-2019. The Department of Trade and Industry (DTI)-BOI shall implement measures to attract IB enterprises, especially those in high-value agribusiness. Some examples are the *Kapatid* Mentor ME (micro entrepreneurs) Program and Project Entrep of the DTI, under the Public Investment Program 2017-2022.

**Prioritize the passage of required legislation to establish a unified National Quality Infrastructure (NQI).** Harmonization of the components of the NQI will clarify the roles of government and the private sector and address the fragmented nature of the country's quality infrastructure system which limits the capacity of local manufacturers to comply with technical regulations and international product standards. The number, quality, and accessibility of testing laboratories will also be increased, especially for agro-industry products, to enhance the capacity of food manufacturers and traders to penetrate local and global markets.<sup>10</sup>

<sup>8</sup> Additive manufacturing also known as 3D-printing, refers to processes used to create a three-dimensional product in which a computer control assembles materials into layers. (Dadios, E.P., et al. August 2018. *Preparing the Philippines for the Fourth Industrial Revolution: A Scoping Study*. PIDS Discussion Paper Series No. 2018-11, p. 31)

<sup>9</sup> Technologies that "have the potential to disrupt the status quo, alter the way people live and work, rearrange value pools, and lead to entirely new products and services" are referred to as "frontier technologies" (UNESCAP 2018, p.1)

<sup>10</sup> Standardization and certification (Bureau of Product Standards) fall within mandate of DTI, based on Republic Act No. 4109. Metrology and calibration (Industrial Technology Development Institute - National Metrology Laboratory) fall within mandate of DOST, based on Executive Order. No. 128.

**Ensure adequate supply of construction-related materials in the local market at reasonable prices to support the timely implementation of the Build Build Build Program** (*refer to Chapter 19*). Appropriate regulations should be enforced to address possible anti-competitive practices and ensure that prices of construction-related materials such as cement, glass, basic metals and fabricated metal products remain competitive. (*Refer to Chapter 16*). The Roads Leveraging Linkages of Industry and Trade or ROLL IT, a convergence program of the DTI and the Department of Public Works and Highways will link transport terminals such as airports, seaports, and other transport nodes, with distribution centers, warehouses, and retailers. Increased connectivity to and from production sites, processing centers, markets, and ports will facilitate the movement of manufactured goods from producers to consumers and will also help minimize the cost of transporting construction-related goods.

**Enhance the existing statistical database on MSMEs through collaboration between the Philippine Statistics Authority and DTI's Bureau of Small and Medium Enterprise Development.** This will include adoption of an official definition of MSMEs in line with Republic Act No. 9501 or the Magna Carta for Micro, Small, and Medium Enterprises, as well as ensuring the availability of MSME data by employment and asset size released annually. The thresholds for the value of assets as indicated in RA 9501 will be reviewed to ensure that these are reflective of current economic conditions. Moreover, indicators that measure the performance of MSMEs (e.g., graduation from micro to small, small to medium; participation in the global production networks, among others) need to be developed for purposes of performance monitoring and support to planning and implementation of government interventions.

## To facilitate access to finance of MSMEs

**Implement the Personal Property Security Act (PPSA).** The law expands the list of assets acceptable to banks and other financial institutions as collateral, enabling MSMEs to use movable collaterals, giving them better access to credit. The law mandates the establishment of an electronic national registry with the Land Registration Authority (LRA) to help in the monitoring of loans and hasten the loan application process. The next step is to establish the national registry, operating systems, and the corresponding information, education, and communication campaign to fully implement the provisions of the PPSA.

**Expand technical assistance such as trainings and seminars to MSMEs, cooperatives, and other stakeholders to improve access to credit under the Credit Surety Fund (CSF) Program.** While the law (RA 10744 or the Credit Surety Fund Cooperative Act) has been enacted in 2015, and the Bangko Sentral ng Pilipinas has established a number of CSFs, its coverage is yet to be expanded. There is a need to organize more cooperatives and provide these cooperatives with organizational and financial management training. For this, and as provided by law, the Cooperative Development Authority needs to be reorganized through the creation of new positions for the CSF Department to regulate, supervise, and monitor CSF cooperatives to fully meet its expanded functions and responsibilities.

**Complete the roll-out of the Philippine ID System with integrated credit information.** The system, which can be used to link credit information to facilitate loan applications, is expected to be completed by 2023. Government agencies need to reconfigure their systems to integrate the national ID and continuously enhance it to ensure the safety and integrity of the data.

**Encourage MSMEs to adopt digital solutions to increase financial inclusion, improve operations, and expand accessible market.** Basic financial products and services such as savings, payments, credit, and investments should be incorporated in government programs such as *Pondo sa Pagbabago at Pag-Asenso* and *GoNegosyo*, among others.

Few MSMEs employ digital productivity-enhancing technologies due to financial constraints and limited exposure to and knowledge on such technologies. To increase appreciation of these digital solutions, trial options through *Negosyo* Centers will be provided to MSMEs. Moreover, manageable payment options also need to be available to make adoption of these technologies financially-feasible for MSMEs

## To improve productivity, efficiency, and resilience

**Prioritize acquisition of high-tech/advanced technologies to improve product quality, reduce cost of production, and enhance resilience of MSMEs.** Machineries that enable MSMEs to consistently produce higher quality goods at lower marginal costs need to be made more accessible especially to those in the countryside. Local government partners need to be updated with the latest and emerging trends in industries operating within their localities. Technologies that utilize sustainable energy sources should be promoted to reduce dependence on costly traditional energy sources.

**Strengthen monitoring and evaluation mechanisms to measure the impact of government intervention for MSMEs.** Programs and projects of DTI and other concerned agencies will undergo a third-party impact evaluation to measure their effectiveness and promote complementarity between various MSME support initiatives. Evaluations shall identify bottlenecks and recommend strategies to improve implementation, as well as identify effective interventions that will be expanded, especially in areas accessible to potential users in accordance with the National Spatial Strategy (*refer to Chapter 3*).

**Strengthen industry-academe linkage to support human resource development.** A database containing university and industry resources needs to be developed to increase accessibility of information needed to initiate mutually-beneficial relationships between industry and academe. For instance, the supply of skilled workers in the construction sector should be adequate to complement the full implementation of the Build Build Program. About 2.5 million additional skilled workers will be required to address the demand in the implementation of infrastructure projects until 2022.<sup>11</sup>

Partnerships, especially in knowledge production and innovation as well as commercialization and diffusion of research and development (R&D) products, are being encouraged. An initiative under the Inclusive Filipinnovation and Entrepreneurship Roadmap,<sup>12</sup> is the establishment of Regional Inclusive Innovation Centers (RIICs). The RIICs aim to encourage collaboration between and among industries, universities, national and local government offices, start-ups, MSMEs, R&D laboratories, incubators, FabLabs, and investors, among others. (*Refer to Chapter 14*).

**Promote microinsurance for disaster risk insurance of MSMEs.** There is a need to develop disaster risk insurance for MSMEs, advocate for financial literacy, and identify strong distribution channel through the private sector.

<sup>11</sup> TESDA Labor Intelligence Report, October 2017

<sup>12</sup> <http://industry.gov.ph/wp-content/uploads/2018/10/DTI-Policy-Brief-Special-Issue.-Oct-2018-Inclusive-Filipinnovation-and-Entrepreneurship-Roadmap.pdf>

### **Box Article 9.1 11th Regular Foreign Investment Negative List (RFINL)**

Executive Order No. 65 signed on October 29, 2018, which promulgates the 11th RFINL, lifted the foreign equity restriction on the following investment areas:

1. Internet businesses, which has been excluded from mass media;
2. Teaching at higher education levels provided the subject being taught is not a professional subject (i.e., included in a government board or bar examination);
3. Training centers that are engaged in short-term high level skills development that do not form part of the formal education system;
4. Adjustment companies, lending companies, financing companies, and investment houses; and
5. Wellness centers.

Furthermore, foreign participation up to 40.0 percent is now allowed in contracts for the construction and repair of locally funded public works and private radio communications network from 25.0 percent and 20.0 percent under the 10<sup>th</sup> RFINL, respectively.

Moving forward, the government will work for the passage of related legislative bills that seek to attract foreign investments. Among such bills pending legislation include the proposed amendments to the Foreign Investments Act, amendments to the Retail Trade Act, and amendments to the Public Service Act. Moreover, clear enforcement rules to facilitate increased foreign participation in key investment areas need to be crafted and existing regulatory measures that still restrict foreign investment need to be reviewed and revised if needed. For instance, the accreditation rules for contractors and reciprocity rules on the practice of profession may need to be reviewed to further maximize the gains of the 11th RFINL.



10

Accelerating  
Human Capital  
Development





# ACCELERATING HUMAN CAPITAL DEVELOPMENT

The Philippines acknowledges the importance of building human capital in increasing productivity and enhancing social cohesion. Hence, the government continues to prioritize programs and projects in health, nutrition, education, social protection<sup>1</sup> and enhancing employability and income potentials of the labor force. In 2018, landmark legislation have been passed (i.e., Mental Health Act, First 1000 Days Act, Philippine Qualifications Framework Act, and HIV and AIDS Policy Act) and implemented (i.e., Universal Access to Quality Tertiary Education) to improve health and education services. On the other hand, modest gains were achieved in the overall employment situation.

The country's requirements for human capital development are large and still growing. According to the World Bank's Human Capital Index<sup>2</sup> released in 2018, the Philippines' ranks 84th out of 157 economies. While this is higher than the average for those in the lower middle-income group, it is lower than the average in the East Asia and Pacific Region. Reflecting our commitment to accelerate human capital development, the Philippines is one of the early adopters of the World Bank's Human Capital Project – a global effort to mobilize engagement and resources to promote investing in people and reduce inequalities. Going forward, the country needs to build on these gains and ensure that the country's desired human capital outcomes are achieved through well-thought-out strategies.

## Assessment

### Improving nutrition and health for all

**Table 10.1 Accomplishments versus Targets in Improving Nutrition and Health for All**

INDICATOR	BASELINE <sup>a</sup>		TARGETS			
	YEAR	VALUE	2018	2019	2020	ACTUAL 2018
<b>Sector Outcome A: Nutrition and health for all improved</b>						
Life expectancy at birth increased (years)						
Male	2015	69.6	None	None	None	69.60
Female	2015	75.9	None	None	None	75.90
Total fertility rate decreased (total number of births per woman aged 15-49)	2013	3.0	None	None	None	Not available (Latest available is 2017)

<sup>1</sup> See Chapter 11

<sup>2</sup> The index measures the amount of human capital that a child born today can expect to achieve, considering the risks in the health and education sectors currently prevailing in the country where the child lives. It has three components: survival, expected years of learning-adjusted school, and health. The health and education components of the index, when combined, reflects their contribution to worker productivity. (from World Bank's The Human Capital Project.)

INDICATOR	BASELINE <sup>a</sup>		TARGETS			
	YEAR	VALUE	2018	2019	2020	ACTUAL 2018
<b>Subsector Outcome 1: Care at all life stages guaranteed</b>						
Maternal mortality ratio decreased (number of deaths per 100,000 live births)	2011 (FHS)	221.0	None	100	None	Not available
Neonatal mortality rate decreased (number of deaths per 1,000 live births)	2013	13	None	12	None	Not available (Latest available is 2017)
Infant mortality rate decreased (number of deaths per 1,000 live births)	2013	23	None	17	None	Not available (Latest available is 2017)
Under-5 mortality rate decreased (number of deaths per 1,000 live births)	2013	31	None	25	None	Not available (Latest available is 2017)
Premature mortality attributed to cardiovascular disease, cancer, diabetes, and chronic respiratory diseases decreased (number of deaths per 100,000 population)	2013	168.4	None	None	None	Not available (Latest available is 2016)
Prevalence of stunting among children under 5 decreased (%)	2015	33.4	None	26.7	None	Not available (Latest available is 2015)
Tuberculosis incidence decreased (per 100,000 population)	2015	322.0	287.0	273.0	258.0	Not available (Latest available is 2017)
Malaria prevalence decreased (per 100,000 population)	2015	7.7	3.4	2.5	1.5	Not available (Latest available is 2016)
Number of newly diagnosed HIV cases decreased	2016	9,264.0	None	None	None	11,427.00
Modern contraceptive prevalence rate increased (%)	2013	37.6	None	None	None	None (Latest data is 2017)

a/ Actual data as of December 2015, or most recent available data. May not necessarily be year-end values

**Health budget and expenditure are generally increasing.** The Department of Health (DOH) budget, including its attached agencies and corporations, increased by 13.0 percent from PHP151 billion in 2017 to PHP171 billion in 2018. The increase in budget was attributed to the Sin Tax Incremental Revenue for Health, amounting to PHP113 billion, where PHP48 billion was allocated to Philippine Health Insurance Corporation (PhilHealth) premium subsidy for the indigent, senior citizens, and sponsored members.<sup>3</sup>

Meanwhile, the total health expenditure, which includes government, private corporations, and households' spending, also grew by 8.0 percent from PHP659.3 billion in 2016 to PHP712.3 billion in 2017. Majority of these were from households' out-of-pocket payments, which reached 54.5 percent.<sup>4</sup> Total health expenditure contributed 4.5 percent to the gross domestic product in 2017.

Efficient utilization of budget has remained a concern as DOH budget utilization rate was only 88 percent in 2017. Likewise, the mandate of local government units (LGUs) to provide health services, a devolved function under the Local Government Code of 1991, has not been manifested in their health spending, which comprised only 20 percent of overall government spending for health in 2017.<sup>5</sup>

**Laws and policies that aim to contribute in improving health and nutrition were passed.** In 2018, the following laws were passed: Republic Act No. 11036 (Mental Health Act), RA 11037 (*Masustansyang Pagkain Para Sa Batang Pilipino* Act 2018), RA 11148 (First 1,000 Days Act), and RA 11166 (Philippine Human Immunodeficiency Virus [HIV] and Acquired Immune Deficiency Syndrome [AIDS] Policy Act).

The Mental Health Act, which was signed into law in June 2018, aims to secure the rights and welfare of persons with mental health needs by providing mental health services down to the local level. These services include psychiatric, psychosocial, and neurologic services and mental health education. *Masustansyang*

<sup>3</sup> DOH. (2018). *DOH Budget Brochures*.

<sup>4</sup> Philippine Statistics Authority (PSA). (2017). *Philippine National Health Accounts*.

<sup>5</sup> PSA. (2017). *Philippine National Health Accounts*.

*Pagkain para sa Batang Pilipino* Act was enacted into law in mid-2018. The law institutionalizes a national feeding program among Filipino children in public day care centers, kindergarten, and elementary. Another landmark legislation enacted, the First 1,000 Days Act, recognizes the importance of providing health and nutrition services to children during their early days of development. This Act will scale up nutrition interventions and programs in the first one thousand days of the child's life. These include prenatal care services, antenatal care services, maternal immunization, micronutrient supplementation, lactation management services, psychosocial support for mothers, oral health, health and nutrition counselling and consultations, among others. Meanwhile, Philippine HIV and AIDS Policy Act aims to increase access of the vulnerable groups, including at-risk youth, to HIV/AIDS testing and counselling. It will also lower the minimum age allowed for HIV testing and counselling to 15 years olds from 18 years.

The Universal Health Care (UHC) Bill was enacted into law in February 2019. This milestone legislation seeks to ensure that all Filipinos have access to quality health care services. This measure will automatically cover all Filipinos under the PhilHealth and will help strengthen the health service delivery system. Health outcomes are expected to improve with the passage of the UHC Act, provided that the government will allot a significant amount of its budget to support the law's full implementation.

### Care at all life stages guaranteed

**Numerous policies, programs, and interventions are being implemented to promote healthy lifestyle.** These include Executive Order (EO) No. 26, s. 2017 that bans smoking in schools, workplaces, sidewalks and public vehicles; various anti-smoking campaigns; smoking cessation program such as DOH Quitline; imposition of higher tax for sweetened beverages under the Tax Reform for Acceleration and Inclusion (TRAIN) Act; among others.

**“Triple burden of disease” remains a serious public health concern.** Some health indicators fell short of targets or even worsened. The leading causes of death in the country were non-communicable diseases (NCDs), particularly cardiovascular diseases (CVD). This could be attributed to risk factors such as unhealthy diet, sedentary lifestyle, tobacco use, and harmful use of alcohol.<sup>6</sup> Mortality due to CVD, cancer, diabetes, and respiratory disease increased in 2016 from 2013. This suggests the need to accelerate efforts to prevent and control NCDs in the country and restore budget for NCD-related programs.

There was also an increase in death rate due to road traffic accidents from 8.9 deaths per 100,000 population in 2014 to 10.9 deaths per 100,000 population in 2016.<sup>7</sup> Such increasing trend in road traffic accidents shows the need to improve efforts on road safety.

Incidence of communicable diseases such as tuberculosis (TB) and HIV/AIDS, has also been increasing. TB incidence increased from 322 per 100,000 population in 2013 to 554 per 100,000 population in 2017. The country failed to meet the 2017 target of reducing TB incidence to 299 per 100,000 population despite efforts to address the problem. The rising number of TB cases may be attributed to the following reasons: those who have TB are not aware they have it; those who are detected with TB do not comply with the treatment regimen; and some patients who have started treatment fail to follow up. The increase in reported TB cases may also be attributed to the intensified case-finding activities and improved method in detecting TB.<sup>8</sup> Prevention and elimination of the disease, however, remains a challenge.

A cause for concern and requiring immediate attention is the rising number of people with HIV. Case finding among vulnerable groups has been intensified which led to improved reporting. In 2018, 11,427

<sup>6</sup> World Health Organization. (2018). *The Philippines Health System Review*, Vol. 8, No. 2

<sup>7</sup> Based on the Civil Registration and Vital Statistics (CRVS) system of the PSA.

<sup>8</sup> GeneXpert, which is proven to be a faster method in detecting drug-resistance TB patients, was utilized. Source: National Tuberculosis Control Program MOP 5th Edition; and DOH Information Brief on GeneXpert (Xpert MTB/Rif) in Multi-Drug Resistant Tuberculosis

newly diagnosed HIV cases<sup>9</sup> were reported. Most of them were males and belonged to 25-34 years of age. The reported predominant transmission of HIV among males was sexual contact among males who have sex with males. Notably, the proportion of HIV cases among younger population (ages 15-24 years) also increased.

Meanwhile, malaria prevalence decreased from 7.74 per 100,000 population in 2015 to 6.45 per 100,000 population in 2016. Fifty provinces in the country were declared as malaria-free. However, malaria remained endemic to some barangays of Palawan, Sultan Kudarat, Maguindanao, Sulu, and Occidental Mindoro.

**Prevalence of malnutrition (in all its forms) remained high.** Based on the 2015 National Nutrition Survey, the prevalence of stunting remained high, affecting about one-third of children under five years. At the same time, the number of overweight and obese among various population age groups was also increasing. The prevalence of stunting, wasting, and overweight was 33.4 percent, 7.1 percent, and 3.9 percent, respectively. Children from the poorest quintile had higher rates of stunting compared to the richer quintile. On the other hand, overweight children were mostly from the richer households.

**National government agencies issued policy measures and guidelines for the integration of programs aimed at combating malnutrition in all its forms to the whole-of-government planning and programming.** The Department of Budget and Management (DBM) included programs and projects under the Philippine Plan of Action for Nutrition (PPAN) 2017-2022 in the 2019 Budget Priorities Framework to intensify the national government's provision of quality nutrition services. The DBM also issued Local Budget Memorandum No. 77<sup>10</sup> to include nutrition programs among the priorities for local budgets. The Department of the Interior and Local Government (DILG) issued a Memorandum Circular (MC)<sup>11</sup> on the guidelines regarding the roles and responsibilities of DILG Field Offices and LGUs in the implementation of PPAN 2017-2022. The MC also enjoins LGUs to formulate local nutrition plans and include applicable PPAN programs in their respective Local Development Plans and Annual Investment Programs.

**Reproductive and family health indicators posted some progress as family planning (FP) services were being delivered.** EO 12, s. 2017, also known as the Attaining and Sustaining Zero Unmet Need for Modern Family Planning and Responsible Parenthood and Reproductive Health (RPRH) Act are strictly implemented. The DOH has been: procuring and distributing FP commodities to DOH regional offices and government health facilities; tracking FP commodity stock status at service delivery points through the FP Hotline; conducting demand generation activities with the Commission on Population and Development and civil society organizations (CSOs); and providing FP Competency-Based Training for health providers.<sup>12</sup>

With these interventions in place, the proportion of birth attended by skilled health personnel increased to 84.4 percent in 2017 from 72.8 percent in 2013. The use of modern contraceptives also increased to 40.4 percent (2017) from 37.6 percent (2013). The proportion of women of reproductive age who have unmet need for modern family planning slightly decreased to 30.6 percent in 2017 from 35 percent in 2013.

Child health outcomes are also slightly improving. Infant mortality ratio declined from 23 per 1,000 live births in 2013 to 21 in 2017, but neonatal mortality rate slightly worsened from 13 per 1,000 live births to 14 over the same period. Under-five mortality rate also decreased, from 31 per 1,000 live births in 2013 to 27 per 1,000 live births in 2017.

**Other health indicators need closer attention.** Adolescent pregnancies in the past three years have been decreasing. Specifically, live births among women ages 15-19 years old decreased from 205,844 in 2015 to

<sup>9</sup> Data from January to December 2018.

<sup>10</sup> DBM Local Budget Memorandum No. 77: FY 2019 Internal Revenue Allotment and Guidelines on the Preparation of the FY 2019 Annual Budget of LGUs.

<sup>11</sup> DILG Memorandum Circular No. 2018-42: Adoption and Implementation of the Philippine Plan of Action for Nutrition 2017-2022.

<sup>12</sup> DOH. (2017). 4th Annual Report of the RPRH Law Implementation.

194,401 in 2017.<sup>13</sup> Meanwhile, based on the 2017 National Demographic and Health Survey, 9 percent of young women aged 15-19 years old have begun childbearing, and incidences of teenage pregnancies are more prevalent in rural areas than in urban (10% vs. 7%).

Coverage of the immunization program decreased. Based on the 2017 DOH-Field Health Service Information System (FHSIS), the percentage of fully immunized children dropped to 67 percent from 70 percent in 2016. Among the possible reasons identified by the DOH were limited local capacities such as inadequate and untrained staff, lack of commitment of some LGUs to the program, limited supervision and monitoring at the frontline, and weak surveillance.<sup>14</sup> Another recent issue that affected the coverage of immunization program was the vaccine hesitancy phenomenon due to Dengvaxia controversy.<sup>15</sup>

There was also weak referral system and no effective gatekeeping at the primary care level. This could contribute to the inefficiencies and increasing cost of care to patients, especially those with simple conditions that can be treated in primary care facilities.

### Access through functional service delivery networks ensured

**Various health system support programs are being implemented by the DOH to continuously improve access to health care service.** Through the DOH Human Resources for Health Deployment Program, health workers such as physicians, nurses, midwives, dentists, public health associates, among others, are deployed to LGUs, especially to far-flung municipalities and geographically isolated and disadvantaged areas. In 2018, 28,517 health professionals have been deployed. To further build up the resource pool, DOH offers pre-service full scholarship program to medical and midwifery students with two years return service for every year of scholarship provided.

The government, through the Health Facilities Enhancement Program (HFEP), constructed 25 barangay health stations, 10 rural health units, and eight (8) LGU hospitals in 2017. There is also ongoing upgrading and/or construction of 1,836 public health facilities (infrastructure and equipment) as of mid-2018.

**Still, health infrastructure and human resources need to be more equitably distributed.** Health facilities and health workers across and within the regions are concentrated mainly in Metro Manila and other major cities given the high population density in these areas. The number of hospital beds is much greater in Metro Manila at 23 per 10,000 population, compared with 8.2 beds in rest of Luzon, 7.8 beds in Visayas, and 8.3 beds in Mindanao.<sup>16</sup> Physical access to doctors is also particularly low in Autonomous Region in Muslim Mindanao, MIMAROPA, and Caraga.

### Health financing sustained

**PhilHealth coverage and benefits were expanded.** In 2018, PhilHealth had covered 98 percent of the population. The remaining non-PhilHealth members could be covered through the Point of Service Program of the Corporation, where PhilHealth benefits could be availed at the time of hospital confinement.

Moreover, PhilHealth issued Circular No. 2018-0017 on Expansion of Primary Care Benefit (PCB) to cover formal economy, lifetime members, and senior citizens in PhilHealth-accredited health facilities<sup>17</sup> (both public and private) (*refer to Chapter 11 for other benefit packages for vulnerable groups*).

<sup>13</sup> Civil Registration and Vital Statistics

<sup>14</sup> DOH FY 2018 Budget Folio

<sup>15</sup> Fatima, K., & Syed, N. I. (2018). *Dengvaxia controversy: Impact on vaccine hesitancy*

<sup>16</sup> *The Philippines Health System Review*, Vol. 8, No. 2, 2018

<sup>17</sup> Prior the issuance of this circular, PCB only covers for the less privileged population.

PhilHealth also launched the Medical Detoxification Package worth PHP10,000 for the treatment of users of illegal drugs. This package is available in all PhilHealth accredited government hospitals and DOH-licensed drug abuse treatment and rehabilitation centers. It covers screening diagnostics, medicines, and professional fees.

**Based on PhilHealth report, compliance of government facilities to the No Balance Billing increased from 73 percent in 2017 to 82 percent in 2018.** But even with the expansion of PhilHealth coverage and benefits, out-of-pocket health expenditure was still high at 54.5 percent in 2017 while PhilHealth's Support Value<sup>18</sup> was at 48 percent. This suggests that the benefit packages should include other essential medicines.

**Health and nutrition information systems were in place but fragmented.** Various health information systems in place— such as the National Telehealth Service Program, Hospital Operations and Management Information System, Clinic Information System, Online National Electronic Injury Surveillance System, Enhanced FHSIS, among others—must be harmonized, integrated, and made interoperable. There is also a need to improve the quality, timeliness, and reliability of health and nutrition survey and administrative data. Data and information from the private healthcare providers need to be gathered to ensure proper decision making on health programs and interventions.

## Ensuring lifelong learning opportunities for all

*Table 10.2 Accomplishments versus Targets in Ensuring Lifelong Learning Opportunities for All*

INDICATOR	BASELINE <sup>a</sup>		TARGETS			
	YEAR	VALUE	2018	2019	2020	ACTUAL 2018
<b>Sector Outcome B: Lifelong learning opportunities for all ensured</b>						
Mean years of schooling increased <sup>b</sup>	2014	8.9	N/A	N/A	N/A	-
Functional Literacy Rate increased (%)	2013	90.3	TBD	N/A	N/A	- (FLEMMS to be administered in 2019)
<b>Subsector Outcome 1: Quality, accessible, relevant, and liberating basic education for all achieved</b>						
Net Enrolment Rate increased (%)						
Kinder	2015	74.65	83.37	86.28	89.19	83.13
Elementary	2015	91.05	92.74	93.31	93.87	95.53
Junior High School	2015	68.15	71.27	72.32	73.36	81.24
Senior High School	TBD	TBD	TBD	TBD	TBD	48.50
Completion Rate increased (%)						
Elementary	2015	83.43	86.25	87.18	88.12	
Junior High School	2015	73.97	77.15	77.48	77.82	
Proportion of students performing at moving towards mastery, closely approximating mastery or mastered increased (%)						
Elementary	2015	64.93	68.41	69.91	71.40	
Junior High School	2015	14.37	16.78	17.59	18.39	
Proportion of students at low mastery reduced (%)						
Junior High School	2015	14.88	11.51	11.31	11.11	

<sup>18</sup> PhilHealth's Support Value is the average PhilHealth benefit payment over average actual hospitalization cost.



INDICATOR	BASELINE <sup>a</sup>		TARGETS			
	YEAR	VALUE	2018	2019	2020	ACTUAL 2018
<b>Subsector Outcome 2.1: Quality of higher education and technical education and research for equity and global competitiveness improved</b>						
Government expenditure for higher education research, development, and innovation as a percentage of GDP increased (%)	2015	0.17	None	None	None	<b>0.10</b>
Certification rate of TVET graduates increased (%) <sup>c</sup>	2016	91.3	85	86	86	<b>92.4</b>
<b>Aggregate Outputs</b>						
Percentage of students awarded scholarships, grants, and other financial assistance increased (%)	2015	5	6.50	7.50	8.50	48.77
Percentage of tertiary graduates in science, engineering, manufacturing and construction increased (%)	2015	26	31	33	35	<b>37.40</b>
Percentage of Expanded Tertiary Education Equivalency and Accreditation Program graduates increased (%)	2015	50	53	55	56	61.33
Number of curricula and programs developed/revised based on multi-disciplinary platforms that foster 21st century competencies increased (cumulative)	2015	72	80	85	90	106
Number of patents, licenses, and royalties issued to HEIs increased (cumulative)	2015	231	320	365	400	for collection from IPO
Number of researchers and scientists increased (cumulative)	2015	841	1,425	1,720	2,013	no submission from DOST yet
Number of graduate education graduates (MA/PhD) engaged in original research of creative work increased	2015	6,500	7,665	8,250	8,830	8,375
Number of innovation hubs established within HEIs increased (cumulative)	2015	81	104	116	127	71
Number of HEIs engaged in local and global partnerships and collaborations increased (cumulative)	2015	44	65	70	80	75

<sup>a</sup> Actual data as of December 2015, or most recent available data. May not necessarily be year-end values

<sup>b</sup> Average number of years of education received by people ages 25 years and older, converted from education attainment levels using official durations of each level (Source: Human Development Report)

<sup>c</sup> According to TESDA, the certification rate was conservatively targeted due to: (a) average growth rate from 1995-2016 is 8.0 percent, while an annual average increase of 1.33 percent was observed during the previous PDP 2011-2016; (b) persons undertaking assessment and certification do not only come from TVET programs but also include those that were assessed following the principle of recognition of prior learning; and (c) a number of new training regulations with the new competency assessment tools are being promulgated in 2017.

**The year 2018 saw the completion of the first batch of K to 12 graduates.** At the start of School Year (SY) 2017-2018, approximately 1.2 million Grade 12 learners were enrolled in Department of Education (DepEd), private, and state universities and colleges (SUC)/local universities or colleges (LUC) Senior High School Programs, of which 61 percent were enrolled in the Academic Track and its various strands, 38 percent in the Technical-Vocational Livelihood (TVL) Track, and the rest in the Sports and the Arts and Design Tracks. Of these Grade 12 enrollees, 97 percent graduated in 2018.<sup>19</sup> This represents a new generation ready to pursue further studies in college, receive higher-level skills training, or enter the labor force. For SY 2018-2019, approximately 1.3 million Grade 12 enrollees are expected to graduate in 2019, with nearly 63 and 36 percent enrolled in the Academic and TVL Tracks, respectively.

<sup>19</sup> Computed using DepEd EBEIS Enrollment data as of November 28, 2017 as reported in 2017 SER

**Table 10.1 Number of Grade 12 Graduates in 2018, by Track**

ACADEMIC	TVL	SPORTS	ARTS AND DESIGN	TOTAL
734,627	462,210	2,089	4,499	1,203,425

Source: DepEd EBEIS, Based on End-of-School-Year Cut-off, 15 June 201820

**Senior high school enrollment as well as *Balik-Aral* enrollees increased.** DepEd data showed a slight increase in the number of total senior high school enrollees for SY 2018-2019 compared to SY 2017-2018, increasing from 2,733,460 to 2,832,811 (3.6% growth or 99,351 additional learners). Despite this increase, interventions must be strengthened in order to address the number of dropouts and to further increase the percentage of graduates.<sup>21</sup>

Nonetheless, since 2016, there has been a marked increase in the number of *Balik-Aral* enrollees—school leavers who have re-entered formal education—owing in part to the potential of the Senior High School Program. In 2018, 251,436 (107,010 in elementary and 144,426 in secondary) learners have returned to school.

**Basic education enrollment targets have mostly been met.** Enrollment rates in basic education continued to increase and mostly exceeded the 2018 targets. The elementary net enrollment rate (NER) was at 95.53 percent compared to the target of 92.74, while junior high school NER was at 81.24 percent compared to the target of 71.27. The NER for kindergarten nearly met the target, with 83.13 percent versus the 83.37 target.

**While the latest available data for basic education show that the sector is on track to achieve end-of-plan targets, perennial difficulties in implementing programs designed to improve the access and quality of basic education programs still need to be addressed.** The implementation of the K to 12 Program has been hampered by the shortage of qualified teachers possessing the needed specializations, as there are mismatches between teacher specialization and subjects they teach. There were also delays in the delivery of basic education facilities, teaching, and learning materials, caused by delays in procurement.

Given the uneven quality of basic education across schools and locations, there is much catching up to do to meet the K-12 standards. In particular, students and teachers have noted that the new curriculum may be “too ambitious” vis-à-vis allotted time and is seemingly designed for advanced learners (e.g., science high school curriculum) in an urban setting.<sup>22</sup> Reforms thus have to be continued and evenly paced out to ensure that learners reap the maximum benefits of the enhanced basic education program.

**Access to tertiary education was expanded.** Free higher education in 112 SUCs and 78 LUCs<sup>23</sup> has been officially implemented in academic year (AY) 2018-2019, taking off from the Free Tuition Policy among SUCs in AY 2017-2018. Tertiary Education Subsidy (TES) for students in higher education was also rolled out in October 2018. As a result, preliminary data from the Commission on Higher Education (CHED) reflected an increase in the percentage of students awarded scholarships, grants, and other financial assistance (from 17.16% in 2017 to 48.77% in 2018).

<sup>20</sup> Preliminary data.

<sup>21</sup> Using the data on cohort graduating in 2018 (2006 Grade 1 entrants), typical cohort progression showed that only 43 of 100 entrants graduated. DepEd's 2016 data (as reported in the 2017 Socioeconomic Report) showed that 1,537,046 learners were enrolled in Grade 11. Of this cohort, only 78.3 percent or 1,203,425 completed Grade 12 in 2018.

<sup>22</sup> Philippine Institute for Development Studies (PIDS). (2018). “Process Evaluation of Senior High School Implementation”

<sup>23</sup> Only 78 out of 107 LUCs were deemed eligible for AY 2018-2019 because only these LUCs have undergone institutional and program evaluation by CHED as of 2017. LUCs are given two years to comply with all other institutional and program requirements to be part of RA 10931. Failure to do so will result in their exclusion from the list of LUCs under RA 10931. In this regard, students who will be enrolling in the 29 ineligible LUCs will be paying for their tuition and other school fees.



In TVET, the number of enrollees and graduates increased (from 2.29 million enrollees and 2.06 million graduates in 2017 to 2.38 million enrollees and 2.25 million graduates in 2018) due to higher budgetary support for scholarships in 2018. Data also show that certification rate of TVET graduates remained high at 92.4 percent in 2018 vis-à-vis its target of 85 percent. While the percentage of the Expanded Tertiary Equivalency Education and Accreditation Program graduates decreased from 66.65 percent in 2017 to 61.33 percent in 2018, it still surpassed its target of 56 percent.

The Tertiary Education Subsidy Program and the Short-term Student Loan Program were both provided under the Universal Access to Quality Tertiary Education Act of 2017 (RA 10931), the Implementing Rules and Regulations for which was issued in February 2018. TES application, however, only opened from September to October 2018, so many prospective beneficiaries had yet to receive the grant. Nonetheless, beneficiaries under the Expanded Student Grants-in-Aid Program for Poverty Alleviation have been automatically subsumed under TES and were already receiving stipends. On the other hand, the guidelines for the Short-term Student Loan Program were still being formulated. The issuance of such guidelines must be fast-tracked so that the program can be implemented as early as possible in 2019, as targeted.

**Support programs for higher education institutions are being continued to boost faculty, research and development, and internationalization.** The Philippine-California Advanced Research Institutes (PCARI) Project has provided support to 170 grantees, 44 research and development (R&D) projects, 480 R&D personnel, and enabled trainings and research collaborations in 25 higher education institutions (HEIs) with five leading research University of California campuses.<sup>24</sup> CHED's five-year K to 12 Transition Program, which started in 2016, has also supported 9,302 faculty scholars for graduate and/or postgraduate studies locally and abroad as of 2017, while the 2018 budget shall fund continuing scholars as well as 543 new grantees. Further, 130 Philippine HEIs have developed 773 institutional linkages with top foreign HEIs as of December 2018.<sup>25</sup> All these are expected to enhance faculty and research capacities of HEIs.

**Learning mobility and labor force competitiveness are being pursued as the country institutionalizes the Philippine Qualifications Framework and reference it with the ASEAN Qualifications Reference Framework (AQRF).** The Philippine Qualifications Framework (PQF) Act (RA 10968) was signed into law in January 2018. The law institutionalizes the PQF, a quality-assured national system which shall describe the levels of educational qualifications and set the standards for qualification outcomes. It also expands the composition of the PQF-National Coordinating Committee to include representatives from the economic and industry sector to ensure alignment of education standards with industry requirements.<sup>26</sup>

The DepEd, CHED, Technical Education and Skills Development Authority (TESDA), Department of Labor and Employment (DOLE), and Professional Regulation Commission (PRC) are currently benchmarking the PQF with the AQRF, the region's common reference framework that allows ASEAN Member States to compare education qualifications with one another. On May 16, 2018, the Philippines submitted draft referencing reports to the AQRF committee for peer-review process.

**Special TVET programs are being continued to cater to the socially excluded, displaced, and marginalized.** Affirmative action programs to target drug-dependent surrenderees, inmates, returning overseas Filipinos (OFs), and poor communities are being provided.

<sup>24</sup> Data are as of November 2018; the 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>25</sup> Breakdown per Region: America- 105 linkages with 16 Philippine HEIs; Europe- 134 Linkages with 18 Philippine HEIs; Middle East & Africa - 13 Linkages with seven Philippine HEIs; ASEAN- 198 Linkages with 59 Philippine HEIs; Asia Pacific- 443 Linkages with 59 Philippine HEIs.

<sup>26</sup> The Implementing Rules and Regulations of the PQF Law have been drafted and have undergone consultations from stakeholders. It will be officially published upon approval of the PQF-National Coordinating Committee.

**Table 10.3 Special TVET programs and number of beneficiaries covered**

PROGRAM	NUMBER OF BENEFICIARIES (CUMULATIVE)	COVERED PERIOD
Skills Training for Drug-Dependent Surrenders	20,550	2016 to October 2018
Skills Training for Inmates and Dependents	23,330	2016 to October 2018
Reintegration Program for OFs	16,431	2017 to September 2018
Onsite Skills Assessment for OFs		2014 to November 2018
Assessed	2,681	
Certified	2,159	
Mobile Training Laboratories	Equipment deployed to identified ten poorest provinces nationwide Of the ten provinces, five have ongoing program implementation	As of October 2018

**Restrictions in the entry of training centers and participation of higher education faculty and trainers in the country have been eased.** The 11<sup>th</sup> Foreign Investment Negative List (FINL), issued through Executive Order No. 65, s. 2018, now allows 100 percent foreign participation in teaching at higher education levels, provided the subject being taught is not a professional subject (i.e., included in a government board or bar examination). Foreigners are now also allowed in training centers that are engaged in short-term high level skills development that do not form part of the formal education system.

## Increasing income-earning ability

Consistent with the country's steady economic performance, the overall employment situation achieved modest gains with respect to achieving the government's annual targets and in meeting the decent work agenda.

**Table 10.3 Accomplishments versus Targets in Increasing Income-earning Ability**

INDICATOR	BASELINE <sup>a</sup>		TARGETS			
	YEAR	VALUE	2018	2019	2020	ACTUAL 2018
<b>Sector Outcome: Income-earning ability increased</b>						
Percentage of youth Not in Education, Employment or Training decreased (% cumulative)	2015	22.7	19.5-21.5	18.5-20.5	17.5-19.5	19.9
<b>Subsector Outcome 1: Employability improved</b>						
Duration of school-to-work transition of college graduates decreased (years)	2008	2	TBD	TBD	TBD	
Duration of school-to-work transition of high school graduates decreased (years)	2008	4	TBD	TBD	TBD	
Percentage of discouraged workers decreased (%)	2014	12.50	12.00	11.50	11.00	11.50
Number of higher education graduates engaged in job collaboration increased (cumulative)	2015	440,000	525,000	570,000	615,000	
Percentage of females with advanced degrees employed increased (% cumulative)	2015	12.7	15	16	18	
Labor force participation rate of women increased (%)	2015	49.3	49.70	50.10	50.50	46.60

INDICATOR	BASELINE <sup>a</sup>		TARGETS			
	YEAR	VALUE	2018	2019	2020	ACTUAL 2018
<b>Subsector Outcome 2: Productivity improved</b>						
Labor productivity in industry sector increased (% growth)	2015	-4.2	3.0-4.0	3.0-4.0	3.0-4.0	0.36

<sup>a</sup> Actual data as of December 2015, or most recent available data. May not necessarily be year-end values

**There have been improvements in the employability of the working age population.** The share of discouraged jobseekers in total unemployment rate continued to decline. Further reflecting the attractiveness of the labor market for jobseekers (both new entrants and incumbent), the proportion of discouraged jobseekers decreased to 11.5 percent of the total unemployed in 2018, although still 0.5 percentage points above the annual Philippine Development Plan target.

The number of unproductive and economically unutilized youths was further reduced in 2018.<sup>27</sup> The target of reducing the share of the youth at-risk was met in 2018. The 19.9 percent share of the youth not in employment nor in education in the total youth population fell within the target range of 19.5-21.5 percent.

Meanwhile, qualified Overseas Filipino Workers (OFWs) benefitted from licensure examinations and orientation seminars. In its annual conduct of Special Professional Licensure Examination (SPLE) in the Middle East and other countries, PRC reported a total of 4,532 examinees who took the exam in August 2018 compared with 4,114 examinees for full-year 2017. The program supports qualified OFWs in enhancing their employability and competitiveness by giving OFWs access to licensure board examinations while residing and working abroad, without having to return to the Philippines.<sup>28</sup> To further ensure the smooth and orderly conduct of the examinations, the Commission issued Resolution No. 2017-1037 fixing the dates and places of the SPLE for OFWs in the Middle East and other countries (Oman, Singapore, Hong Kong and Bangkok, Thailand).

In 2018, 791,948 OFW aspirants participated in mass-based and online pre-employment seminars. Pre-departure orientation seminars were provided to 571,970 OFW aspirants and post-arrival orientation seminars were conducted for 48,986 OFWs. Pre-departure orientation seminars were also held for 21,189 Filipino emigrants and for 7,776 exchange visitor program participants. Orientation seminars targeting specific sectors such as spouses/partners of foreign nationals and the youth are also being carried out. On the other hand, the participation for the Community Education Program, an information campaign on migration, increased to 2,742 for the first nine months of 2018 from 1,214 for full-year 2017. These programs are expected to help Filipinos make informed decisions regarding overseas employment or permanent residence abroad.

**Growth in labor productivity and labor force participation rate (LFPR) remain a challenge.** Labor productivity growth<sup>29</sup> in the industry and services sector slowed down in 2018. Labor productivity in industry registered at 0.36<sup>30</sup> percent, while labor productivity growth in the services sector grew by 3.9 percent. Both fell short of the annual target of raising labor productivity growth rates within the range of 3.0-4.0 percent for the industry sector and 4.0-5.0 percent for services.

The number of economically active persons also fell in 2018. Labor force participation rate in 2018 declined to 60.9 percent from 61.2 percent in 2017. Majority of those who dropped out of the labor force cited schooling, temporary illness or disability, or were awaiting results of previous job application. Meanwhile, the share of female LFPR for the period inched up to 46.6 percent,<sup>31</sup> yet still fell short of the government's annual target of raising labor force participation rate of women to 49.7 percent.

<sup>27</sup> From 21.7 percent in 2017

<sup>28</sup> Executive Order No. 835, s. 2009

<sup>29</sup> Preliminary estimates for full-year 2018 were derived by the NEDA Staff.

<sup>30</sup> Preliminary data; NEDA Staff estimates only.

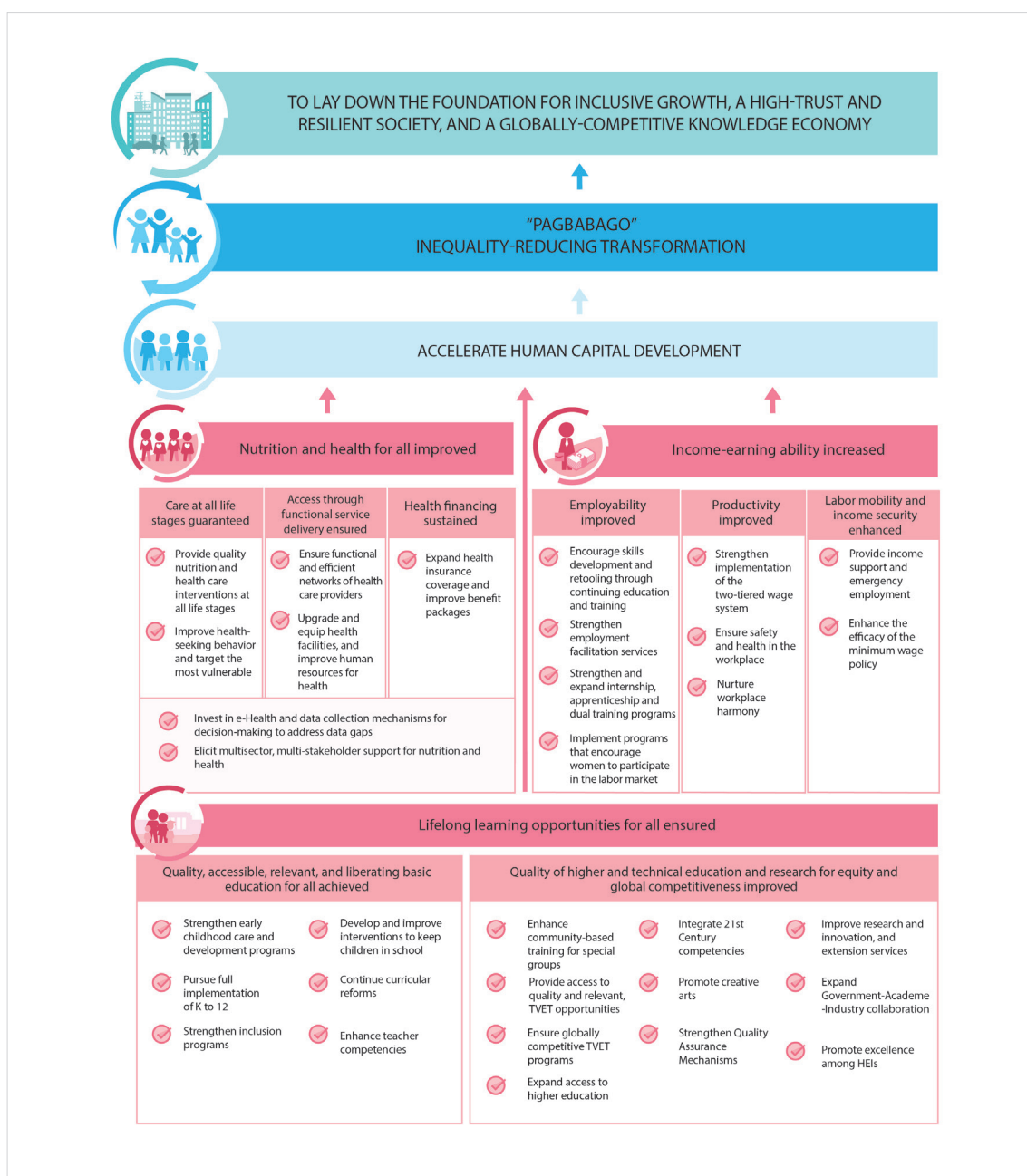
<sup>31</sup> From 46.2 percent in 2017.

# Moving Forward

The overall human capital development landscape in the country is expected to improve given the passage of landmark legislative measures aimed at easing the people's access to various nutrition, health, education, and labor programs of the government.

To sustain the reforms introduced in the previous years, address recurring and new challenges, and lay down the groundwork necessary for the implementation of recently enacted laws, the government will have to rollout strategies designed to facilitate the development of the country's human capital.

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



## To improve nutrition and health for all

**Strive to bring back trust in immunization and increase public awareness of diseases.** The public needs to be educated on the safety of important vaccines through various media to correct misconceptions, overcome the confusion and fear among the public, and regain the trust of the parents in immunization. Awareness is also essential to disease prevention and treatment of communicable and non-communicable diseases. Thus, it is important to strengthen health promotion and education, including integration of such health information in the school curricula and in the activities of the communities.

In addition, there is a need to intensify public engagement in the implementation of existing policies, programs, and activities on prevention and control of communicable and NCDs such as counselling and screening for HIV, TB, and NCDs (CVD, cancer, diabetes, etc.), smoking bans, disease surveillance, among others.

In this regard, health workers and personnel in barangay health stations, rural health units, and other health facilities need to enhance their capacity for health promotion.

**Ensure full implementation of RPRH Law provisions on reducing total fertility rate.** Full implementation and budgetary support to the RPRH Law and EO 12, s. 2017 in order to attain “wanted” fertility levels would boost economic growth.<sup>32</sup> Priority must be given to ensuring the availability of trained and competent FP service providers and FP commodities in service delivery points across the country. Non-government actors must be tapped for the continuous implementation of collaborative interventions, such as You-for-You Teen Trail (communication campaign to prevent early sex among teens), Sexually Healthy and Personally Effective Trainings, and Parent-Teen Talk, to reduce incidence of teenage pregnancy, keep the youth in school or training, and reduce unmet need for family planning. These actions will improve human capital of the youth and encourage women to join the productive labor market.

**Strict implementation of nutrition-related programs and improve planning and monitoring and evaluation (M&E) on nutrition.** To address malnutrition problem in the country, there is a need to: (a) strengthen school health and nutrition programs; (b) improve targeting, coordination, management, and local mobilization and of nutrition-related programs; (c) enhance and streamline the system for planning and M&E of the PPAN 2017-2022, including system for tracking services in the first 1,000 days and monitoring of physical and financial commitments of sector and LGUs; and (d) intensify the implementation of nutrition-specific programs especially in the first 1,000 days of life. Nutrition programs include Infant and Young Child Feeding (IYCF) Integrated Management of Acute Malnutrition, National Dietary Supplementation Program, Micronutrient Supplementation, Mandatory Food Fortification, Nutrition in Emergencies, Overweight and Obesity Management and Prevention Program, and the National Nutrition Promotion Program for Behavior Change that focus on nutrition education programs delivered at the community such as the mothers’ classes under the umbrella of the IYCF: Promote Good Nutrition Program and Family Development Sessions.

**Implement operational improvements in the health care system.** To improve responsiveness, the government needs to (a) strengthen programs like the DOH Human Resources for Health Deployment and the Health Facilities Enhancement programs; (b) streamline and fast-track the procurement process and improve transparency in identifying targets in constructing and rehabilitating health facilities; and (c) efficiently utilize the budget for construction and rehabilitation of public health facilities.

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<sup>32</sup> *Philippine Development Plan 2017-2022 (Chapter 13)*

Moreover, government must ensure that service delivery networks (SDNs) are functional and accessible. To address the issue on weak referral system or no effective gatekeeping at the primary care level, the government must ensure implementation of the UHC Act provision on improving the SDNs, such as granting incentives to functional province-wide or city-wide health systems. This strategy requires the allocation of the needed budget to rollout the components of the law. Management of health facilities should likewise be streamlined to ease the people's access to SDNs.

**Ensure interoperability of various health information system and improve health and nutrition data processing mechanisms.** To address the continued gaps in health and nutrition information system, the following strategies are suggested: (a) strengthen the existing administrative health and nutrition data collection systems, such as DOH's Field Health Services Information System and National Nutrition Council's *Operation Timbang Plus* (see Box Article 10.1 on the Philippine Food and Nutrition Surveillance System); (b) strengthen the capacity of Philippine Statistics Authority in providing technical assistance on processing health and nutrition-related surveys and administrative-based data; and (c) enhance the internal capacity of the DOH in managing health information system and producing high quality health studies and researches that will guide policy and decision making.

**Reform the provider payment system and improve the implementation of the existing programs to reduce out-of-pocket health expenditure** (refer to Chapter 11).

**Ensure effective human resource development and management among health workers and professionals across the country.** The implementation of the Magna Carta for Public Health Workers needs to be revisited to address disparities in salary and benefits among health workers and professionals in national government and in LGUs. Likewise, there is a need to ensure full implementation of UHC Act, particularly the provision on training and scholarship programs for health workers and health-related undergraduate and graduate students, with return service agreement; and on securing permanent employment and competitive salaries for health workers and professionals.

#### Box Article 10.1 Philippine Food and Nutrition Surveillance System

The Philippine Food and Nutrition Surveillance System (PFNSS) is the system that collects and pools data on the nutritional status of population groups and the determinants of—or the factors that influence—the state of nutrition of these groups. The System serves as a tool to generate and analyze data for a comprehensive assessment of the country's nutrition situation; monitor and evaluate the effectiveness and efficiency of nutrition and related programs; and provide early warning on impending food and nutrition problem or crisis. The PFNSS also aims to promote the prompt use of information for a stronger nutrition dimension in macroeconomic and sectoral policies, plans, and programs and to strengthen the institutional capacity of those involved in the system.

The framework looks at nutritional status as a function of food consumption and food utilization. Food consumption is determined by care practices as well as factors related to the availability of safe and nutritious food, food distribution, as well as purchasing power or economic access to food. Food utilization, on the other hand, is determined by health and sanitation. Food availability, distribution, and purchasing power, as well as health and sanitation are further influenced by the socio-economic and political environment. The Early Warning System for Food and Nutrition Security and *Operation Timbang Plus* are some of its components.



## To ensure lifelong learning opportunities for all

**Strengthen the monitoring of senior high school (SHS) implementation** to allow for timely troubleshooting and necessary changes in SHS policy and program design, when warranted. Mechanisms and resources must be made available to ensure compliance to standards in schools. Internal guidelines and procedures should be harmonized and streamlined to facilitate the procurement of facilities, equipment, and teaching and learning materials and ensure timely delivery of such to schools.

**Improve teacher hiring processes and strengthen in-service training.** To improve the supply of teachers in basic education, teacher hiring guidelines must be reviewed to ensure that needed specializations are filled by teachers with corresponding specializations and qualifications. To improve curriculum delivery, there is a need to strengthen in-service training for teachers, particularly senior high school teachers who do not have education degrees and training on classroom management and pedagogical approaches. Teachers with secondary education degrees should also be trained on SHS teaching methodologies. Government may also consider waiving the Training Methodology Certificate qualification and assessment fees to ease the burden on TVL teachers pursuing these qualifications and encourage them to improve their teaching skills.

**Continue the curriculum review at the secondary level.** Review the SHS curriculum, taking into consideration the current perception of teachers and students that the allotted time may not be enough to cover the whole course, especially if it is designed around the capacities of advanced learners. Review of the junior high school curriculum should be undertaken to ensure that Grade 10 completers are prepared for senior high school and to reduce the perception of SHS being too advanced or overloaded. Work immersion program review should be done to ensure that competencies learned in the classroom are adequately applied in actual working conditions, especially for the TVL track. The timing of the National Certificate (NC) II assessment and certification in the TVL Track should also be reviewed with the aim of ensuring that learners are not disincentivized to complete Grade 12 by the early possession of NC certificates.

**Provide more options and opportunities for high school level learners to keep them in school.** The SHS program should be made more affordable, accessible, and more responsive to the needs and demands of learners, communities, and industry. Besides reducing costs to learners, it should be endeavored that all SHS tracks and major strands be fully available at least at the provincial level. Additionally, alternative delivery modes geared to address SHS dropouts and their particular needs should be designed and implemented.

**Ensure harmonization of grants and sustainable design of the long-term student loan program as mandated by the Unified Student Financial Assistance System for Tertiary Education (UniFAST) Law.** As several government agencies provide scholarships and grants-in-aid programs, there is a need to harmonize such for better targeting and allocation of resources to ensure sustainability of the implementation of the Universal Access to Quality Tertiary Education Act. On this note, it is crucial to ensure that the design of the long-term student loan program will factor in affordability, viability, and risk management, especially in setting interest rates and repayment thresholds. Support interventions such as career guidance and financial counseling may also be needed to ensure good scholastic performance of scholars/grantees and high repayment collection of student-loan beneficiaries.

**Strengthen the monitoring and regulation of higher education institutions to ensure the sustainability of implementing the Universal Access to Quality Tertiary Education Act.** As the implementation of the law has just started, its overall impact remains to be seen. Implementation and quality issues will largely depend on the SUCs and LUCs. Adequate monitoring is crucial in ensuring that quality of education will not be sacrificed even as the aim is to expand access to tertiary education. Monitoring should cover the following: (a) tuition and other school fees being charged by SUCs, LUCs, HEIs and TVET institutions (TVIs) to the government; (b) stricter quality assurance in HEIs, especially those enjoying government

subsidies; and (c) per-student normative cost budgeting. A permanent UniFAST secretariat and regional staff who will coordinate these activities will be vital in monitoring the sustainability and effectiveness of the Universal Access to Quality Tertiary Education Act.

In the long-term, a robust tracer and impact evaluation studies will be useful to aid key decision makers not only in planning and budgeting for the subsequent years of implementation of the law, but in coming up with interventions to better address inequities in educational outcomes.

**Upgrade curriculum standards and training regulations in tertiary education.** In view of the full implementation of the K to 12 Program and the Fourth Industrial Revolution (FIRE), there is a need to update the higher education curriculum given the changes in the basic education system and emerging needs of the industry (*see also Box 10.2*). Further, the higher and technical education subsector needs to formulate and upgrade its curricular standards and training offerings to take advantage of lucrative job opportunities created by emerging fields (e.g., Data Science, Nanotechnology, Machine Learning, Green/Renewable Energy Engineering). The TVET sector needs to formulate standards and promote TVET programs (diploma courses) that cultivate higher-order thinking skills.

For TVET, separate and faster mechanisms will be instituted by TESDA to hasten the development of competency standards and training regulations of rapidly-changing jobs.<sup>33</sup> Aside from intensifying involvement of industries in competency assessments, enterprise-based training will continue to be promoted as a dominant mode of TVET delivery as it results to higher employability and productivity.<sup>34</sup>

**Examine the education and TVET sector preparation to take advantage of the rise of frontier technologies.** Career guidance being offered by educational institutions should also be in line with the rapidly evolving demands of the labor market. This will require enhancing quality of career guidance programs considering student's interests, abilities, aptitudes, and preferences, while offering insights on the reality of labor markets. Moreover, there is a need to enhance information dissemination on financial assistance programs for students aiming for post-secondary education.

**Strengthen advocacy for TVET.** Majority of Filipinos consider TVET as a second option, only next to attaining a college degree. There is a need to publicize TVET benefits to society, particularly to parents, acknowledging the latter's primary influence in the educational decision of their children.

**Align the country's TVET standards with international standards.** To improve the perception of TVET, the quality of TVET needs to be upgraded to be at par with international standards. International qualifications referencing and benchmarking will be regularly done to keep the Philippine TVET sector appraised and challenged. Assistance will also be expanded to enable TVIs upgrade their facilities, learning methodologies, course offerings, trainers, and training managers.<sup>35</sup> Further, there is a need to ensure that there are corresponding and efficient equivalencies and recognitions system through the PQF for TVET graduates and TVL SHS graduates, should they pursue higher education through ladderized education.

**Revisit policy and regulatory frameworks on internationalization of tertiary education.** The 11<sup>th</sup> FINL, which enables the entry of international training centers and foreign trainers in the country, entails the need to formulate a TVET internationalization framework, which will subsequently serve as basis of policies and regulations allowing such mobility. Likewise, CHED's internationalization framework may also need to be updated. In particular, equivalencies and recognition systems, and employment visa policies must be efficient enough to attract international training centers, trainers, and higher education faculty in the country.

<sup>33</sup> TESDA. (2018). *National Technical and Education Skills Development Plan (NTESDP) 2018-2022: Vibrant Quality TVET*.

<sup>34</sup> Mapa, D., Almeda, J. and Albis, M. (2016), "Cost-Benefit Study of the Dual Training System (DTS) in the Philippines." School of Statistics, University of the Philippines Diliman.

<sup>35</sup> TESDA. (2018). *National Technical and Education Skills Development Plan (NTESDP) 2018-2022: Vibrant Quality TVET*.



### Box Article 10.2 Preparing the Education System for the Fourth Industrial Revolution

Rapid technological innovation spurred by the Fourth Industrial Revolution (FIR) is transforming and altering industry skill requirements. Particularly, FIR is expected to cause challenges in preparing students for a constantly changing work environment.<sup>36</sup> It is imperative for graduates to possess the necessary competencies not only to address unemployment, underemployment, and job-skills mismatch, but also to ensure that the labor force can keep up with the demands of the industry and thrive in the changing world of work. This entails equipping learners with 21<sup>st</sup> century skills (a combination of foundational literacies,<sup>37</sup> competencies,<sup>38</sup> and character qualities<sup>39</sup>) and the capacity to innovate.

Emerging international evidence suggests that socioemotional skills (soft skills, non-cognitive skills, or behavioral skills) are likewise increasingly becoming crucial to the types of jobs being created by the global economy. Higher levels of socioemotional skills are also correlated with a greater probability of being employed, having completed secondary education and pursuing tertiary education.<sup>40</sup>

At present, the Philippines is on the right track in promoting lifelong learning as one of the key strategies in accelerating human capital development. However, more needs to be done to transform the education system into an environment that will "enable flexibility and modularity to produce learners that can work alongside machines rather than compete with them."<sup>41</sup> The most promising models of education and training systems are when governments focus and invest on preparing children early, reforming continuously, and using data/information for improvement and accountability. For instance, many governments and the development community prioritize the following:<sup>42</sup>

- a. Focusing on basic skills and early childhood development, and measuring and improving early reading;
- b. Providing continuous learning or retooling opportunities to workers to invest in relevant skills that make them benefit from, and remain immune to, possible disruptions spurred by technological advancements; and
- c. Using evidence from labor market returns to education to implement financial innovations that may fund education.

As the Philippines is still at its onset in integrating 21<sup>st</sup> century skills in the education system, the challenges will be on developing appropriate assessment tools, upgrading teaching and learning methods, and building a strong and competitive faculty that would be capable of fostering such competencies among learners.

## To increase income-earning ability

The labor sector is poised to achieve most of its end-of-plan targets, with major gains in improving the quality of employment and reducing the national unemployment rate.

In the next two years, the government needs to invest further in the country's human capital needs to take advantage of opportunities brought by the rise in frontier technologies. In addition, Philippine Green Jobs Act of 2016 (RA 10771) has yet to be fully realized, with the operational and statistical framework needing to be set in place to monitor the generation of green enterprises and green jobs, towards a low-carbon and more resilient economy.

<sup>36</sup> Dadios, E. P., Culaba, A. B., Albert, J. G., Paqueo, V. B., Orbeta, A. C., Serafica, R. B., . . . Bairan, J. C. (2018, August). *Preparing the Philippines for the Fourth Industrial Revolution: A Scoping Study*. PIDS Discussion Paper Series (2018-11). Retrieved from <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps1811.pdf>

<sup>37</sup> Foundational literacies are how students apply core skills to everyday tasks (i.e., literacy, numeracy, scientific literacy, ICT literacy, financial literacy, cultural and civic literacy).

<sup>38</sup> Competencies describe how students approach complex challenges (i.e., critical thinking/problem-solving, creativity, communication, collaboration/teamwork)

<sup>39</sup> Character qualities refer to how students approach their changing environment (i.e., curiosity, initiative, persistence/grit, adaptability, leadership, and social and cultural awareness)

<sup>40</sup> Acosta, Pablo Ariel; Igarashi, Takiko; Hamanaka, Rosechin Olfindo; Rutkowski, Jan Jerzy. 2017. *Developing socioemotional skills for the Philippines' labor market* (English). *Directions in development; human development*. Washington, D.C. : World Bank Group. Retrieved from <http://documents.worldbank.org/curated/en/333521498727263689/Developing-socioemotional-skills-for-the-Philippines-labor-market>

<sup>41</sup> Dadios, E. P., Culaba, A. B., Albert, J. G., Paqueo, V. B., Orbeta, A. C., Serafica, R. B., . . . Bairan, J. C. (2018, August). *Preparing the Philippines for the Fourth Industrial Revolution: A Scoping Study*. PIDS Discussion Paper Series (2018-11). Retrieved from <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidsdps1811.pdf>

<sup>42</sup> Patrinos, H. (2016). *The skills that matter in the race between education and technology*. Prepared for the 2016 Brookings Blum Roundtable.

There are challenges that have been around for some time, which the government would need to gradually address. These include limited economic participation of the elderly, persons with disability, and women; tightening work and migration conditions overseas; and slow pace of growth in real wage vis-a-vis labor productivity growth, all of which have impact on the domestic labor environment. Moreover, with the anticipated passage of the Tax Reform for Attracting Better and Higher Quality Opportunities (TRABAHO) Bill, the government needs to put in place safety nets to ensure that resulting displaced workers will be absorbed by the economy.

In response to the challenges cited, the following strategies to increase the income-earning ability of Filipinos must be implemented in the near term:

**Continue to enhance the policy environment to encourage women to participate in the labor force.** There is a need to examine the root causes of low female labor force participation rate.<sup>43</sup> Supportive institutions and mechanisms that will ease the burden of domestic duties and access to childcare should be considered. Among others, the full implementation of the RPRH Law and the recently enacted Expanded Maternity Leave Act of 2018<sup>44</sup> will significantly contribute to enhanced economic empowerment and increased labor force participation of women (*refer to Chapter 13*).

**Develop a comprehensive policy framework to reduce youth not in employment and not in education.** There is a need for timely and well-targeted programs that will address the concern of economic underutilization of young people in the country. Existing programs and interventions need to be reviewed and intensified to ensure that it captures the low-income youth at risk. It will also require (a) minimizing the drop-out rate through maximizing alternative education delivery modes; (b) restructuring the academic curriculum designed for 21<sup>st</sup> century skills; and (c) strengthening linkages with the private sector to ensure better employment opportunities or providing entrepreneurship training or financing access for the youths with entrepreneurial talents.

**Adopt a whole-of-government approach to improve programs on OF reintegration.** The Comprehensive OFW Reintegration Program and the Assist WELL Program that prepare OFs for reintegration from the start of the migration cycle should be further strengthened. In particular, the government needs to improve access of OFs to employment facilitation services and create a registry for returned OFs (e.g., through PhilJobnet, PESO Employment Information System, and e-registration). Importantly, inter-agency coordination needs to be improved such that OFs are promptly referred to and assisted by the right agency for specific service requirements.

**Expand bilateral and regional ties to diversify and explore prospective destination countries for OFs.** The government should continue to pursue labor agreements with potential partner countries or emerging markets. As of December 2018, nine (9) bilateral labor agreements were signed and 17 draft labor cooperation agreements with countries in Asia, Europe, and Middle East are undergoing review. Labor cooperation agreements for specific category of workers such as household service workers and teachers are also being explored to provide ample protection to OFWs.

**Improve the policy framework for productivity gain-sharing.** Reforming the restrictive provisions of the Productivity Incentives Act is warranted to encourage the private sector to avail of productivity incentives. At the same time, productivity enhancement programs of the Regional Tripartite Wage and Productivity Boards need to be scaled up.

<sup>43</sup> There's an ongoing Re&D-funded study lead by the NEDA entitled, "Determinants of Female Labor Force Participation in the Philippines"

<sup>44</sup> RA 11210 or the 105-Day Expanded Maternity Leave Law was enacted on February 21, 2019.

**Provide assistance for workers who may be adversely affected by the passage of the TRABAHO Bill.** Sufficient resources must be in place to support affected workers through job search assistance and facilitation; skills development and re-training; and basic income support during job transition. The DOLE must strengthen its Job Displacement Monitoring System to keep track of the developments post-passage of the bill and to mitigate its impact effectively.

**Enhance income protection of workers.** The recently enacted Social Security System Act<sup>45</sup> has a provision on unemployment insurance benefits for private sector workers. These benefits are designed to give the displaced workers some financial cushion during episodes of involuntary separation from work. However, a more robust unemployment benefits system needs to be designed.

## Cross-cutting Strategies

**Strengthen Early Childhood Development (ECD) to improve health and education outcomes.** Evidence shows that investments in ECD result in better health and education outcomes for children as they get older, contributing to the decrease in dropout rates, better academic performance, and greater earning potential. Given the number of government agencies currently implementing various interventions for the first 1000 days of life and the beginning of formal schooling at age five (kindergarten), it is imperative that coordination between these agencies be strengthened to reduce overlaps in these programs and address existing gaps in service coverage and resources.

**Identify FIRE skills requirements.** Given rapidly transforming skills demand and labor landscape spurred by FIRE, quickly identifying skills requirements and competencies needed by the industry (especially in advanced science, technology, engineering, arts, and math courses, emerging disciplines, and green economy requirements, among others) will be crucial. For instance, TESDA has partnered with the International Labour Organization to adopt a “skill needs anticipation approach” to meet the FIRE requirements.<sup>46</sup> This will enable the education sector to anticipate and keep up with emerging needs of the economy.

**Strengthen integration of socioemotional skills in the education system.** Studies show that those with the least risk of being automated are: cognitive tasks requiring judgment, problem solving, intuition, persuasion or creativity; and manual tasks requiring a high degree of situational flexibility and human interaction.<sup>47</sup> Given this, there is a need to ensure integration of the 21<sup>st</sup> century competencies<sup>48</sup> and socioemotional skills in the basic education and tertiary education curricula to ensure that graduates will be ready to compete, whether they enter the labor force or pursue further studies. The World Bank’s Human Capital Project and World Development Report 2019 emphasize the urgent need for governments to pursue this thrust as one of the key strategies in human capital development, since frontier skills are rapidly changing, placing premium on higher-order thinking skills.<sup>49</sup>

<sup>45</sup> RA 11199 or the Social Security System Act of 2018 was enacted into law on February 7, 2019.

<sup>46</sup> TESDA. (2018). *National Technical and Education Skills Development Plan 2018-2022: Vibrant Quality TVET*.

<sup>47</sup> UN Department of Economic and Social Affairs. (2017). *Frontier Issues: The impact of the technological revolution on labour markets and income distribution*. Retrieved from <https://www.un.org/development/desa/dpad/publication/frontier-issues-artificial-intelligence-and-other-technologies-will-define-the-future-of-jobs-and-incomes/>

<sup>48</sup> Top ten 21st century skills include: complex problem solving; critical thinking; creativity; people management; coordinating with others; emotional intelligence; judgment and decision making; service orientation; negotiation; and cognitive flexibility. (Source: World Economic Forum. (2016). *Future of Jobs Report*.)

<sup>49</sup> World Bank. (2018). *Investing in People to Build Human Capital*. Retrieved from <https://www.worldbank.org/en/news/immersive-story/2018/08/03/investing-in-people-to-build-human-capital>

**Strengthen government-academe-industry linkages.** To pursue the above-mentioned strategies, collaboration among government, academe, and industry will be critical, specifically in the areas of promoting and refining work immersion programs; enhancing quality of instruction through faculty-industry exposure; and reviewing the education system curricula and implementing necessary reforms to address its responsiveness to emerging developments.

11

Reducing  
Vulnerability of  
Individuals and  
Families



# REDUCING VULNERABILITY OF INDIVIDUALS AND FAMILIES

The government has been strengthening its efforts to reduce the vulnerability of Filipinos and ensure that they have the capacity to manage and respond to shocks, in accordance with the strategies outlined in the Philippine Development Plan (PDP) 2017-2022. These social protection initiatives were designed to address individual, economic, governance and political risks, and help mitigate the effects of natural and human-induced disasters.

The recent enactment of the Social Security System Act and Universal Health Care Act will pave the way for the establishment of an unemployment insurance system and the expansion and improvement of the country's health programs, respectively. Moving forward, the government will conduct a series of consultation activities to ensure that the corresponding implementing rules and regulations are consistent with the objectives of the laws and are responsive to the needs of the people.

## Assessment

In 2018, the government sustained and improved the coverage of its social protection programs. While these interventions have generally eased the access of the Filipinos to various social protection services, particular focus will have to be given to protecting and empowering vulnerable groups such as children, senior citizens and persons with disabilities, and building the resilience of individuals and communities, enabling them to better cope with the impact of natural and human-induced hazards.

**Table 11.1 Accomplishments versus Targets in Reducing Vulnerability of Individuals and Families**

INDICATORS	BASELINE <sup>a</sup>		TARGETS			ACTUAL
	YEAR	VALUE	2018	2019	2020	2018
<b>Sector Outcome: Universal and transformative social protection for all achieved</b>						
<b>Individual Risks</b>						
Percentage of population covered by PhilHealth insurance (cumulative)	2016	91	100	100	100	98%
Percentage of out-of-pocket expenditure over total health expenditure decreased	2016	54.2	None	55.0	None	N/A
Proportion of poor senior citizens covered by social pension (cumulative) <sup>b</sup>	2016	95	70	80	90	57.03% 3,114,064 (as of October 2018)
Number of children aged 5-17 years removed in child labor increased	2011	2,100,000 <sup>c</sup>	100,000	150,000	175,000	116 (DOLE)

INDICATORS	BASELINE <sup>a</sup>		TARGETS			ACTUAL
	YEAR	VALUE	2018	2019	2020	2018
<b>Economic Risks</b>						
Percentage of economically active population contributing to SSS pension scheme increased (cumulative) <sup>d</sup>	2016	34.1	38	39	41	39.69%
Percentage of employed in the government covered by GSIS <sup>e</sup>	2016	100	100	100	100	100% (1,788,090 members)
Number of OFW membership to OWWA increased (cumulative)	2016	1,835,040	1,873,967	1,688,495 <sup>f</sup>	1,892,707	1,283,878
<b>Environmental and Natural Risks</b>						
Zero deaths due to natural and human-induced disasters achieved	2016	431	0	0	0	529
Zero missing persons due to natural and human-induced disasters achieved	2016	47	0	0	0	64
Percentage of families affected by natural and human-induced calamities provided with relief assistance increased <sup>g</sup>	2015	54	100	100	100	100% (895,386 families)
Percentage of emergency shelter assistance provided	2016	163,726 <sup>h</sup>	100	100	100	100% (489,995 households)
<b>Cross-cutting</b>						
Share of total government spending in social protection in GDP increased (%)	2015	1.7	TBD	TBD	TBD	not available
Share of total government spending in social protection in the national budget increased (%)	2015	9.1	TBD	TBD	TBD	not available

*a Actual data as of December 2015, or most recent available data. May not necessarily be year-end value*

*b 2017 target covers poor senior citizens 60 years old and above based on the Philippine Statistics Authority (PSA) 2015 estimated number of poor senior citizens; while 2016 only covers 60 years old and above based on the Department of Social Welfare and Development Administrative Order No. 15, s. 2015 with eligibility for consideration as recipients 1) age, 2) economic status, 3) not receiving pension from the Social Security System (SSS) or Government Service Insurance System (GSIS) and 4) without permanent source of income or regular support from relatives to meet basic needs; indigent senior citizens needed to be covered will expand due to proposed amendment to revise definition of "indigent senior citizens"*

*c Number of working children aged 5 to 17 years old*

*d In the absence of labor force projections in the PSA, proportions were estimated based on the average percentage point increase of actual proportions for the last four years preceding the projection year (i.e., 1.5 percentage points per year).*

*e GSIS coverage is limited to the Implementing Rules and Regulations of the GSIS Act (Republic Act 8291)*

*f Number of OWWA members in 2019 will decrease as an aftermath economic recession in major country destinations, but will eventually pick-up in 2020 and grow steady until 2022.*

*g For 2015, only families in need are provided assistance out of the total families affected by the disaster; for 2017 and succeeding years, the targeted recipient of Department of Social Welfare and Development (DSWD) assistance are based on the request of local government units, or as deemed necessary.*

*h Number of eligible households (as per DSWD Guidelines) provided with DSWD's Emergency Shelter Assistance.*



## Mitigating risk faced by vulnerable groups

The government's social protection programs are primarily aimed at groups with inherent vulnerabilities (i.e., poor, transient poor, children, persons with disability, women, overseas Filipinos and families, and older persons).

**The government has sustained its programs aimed at catering to the needs of the poor.** In particular, poor households were supported with cash grants and livelihood services. As of December 31, 2018, 4,178,828 households received conditional cash transfers (CCT) through the *Pantawid Pamilyang Pilipino* Program (4Ps). Among the covered households, 3.9 million are regular beneficiaries, while 228,973 are beneficiaries of the modified CCT. Moreover, 15 percent of the total beneficiaries are indigenous peoples, while 4.9 percent of all the covered households have at least one person with disability.

Livelihood services were made available to help poor families diversify their income sources. Through the Department of Social Welfare and Development's (DSWD) Sustainable and Livelihood Program (SLP), 1.58 million *Pantawid Pamilya* beneficiaries<sup>1</sup> were trained and provided with livelihood support. Also, 69,766 beneficiaries<sup>2</sup> were provided livelihood assistance through the Department of Labor and Employment's (DOLE) Integrated Livelihood Program.<sup>3</sup>

**The Philippines Health Insurance Corporation (PhilHealth) expanded its coverage and benefits for vulnerable groups.** In 2018, PhilHealth covered 98 percent of the population, which was about 104 million Filipinos. All the 15.7 million indigent members identified through the National Household Targeting System for Poverty Reduction (NHTS-PR), accounting for 29 percent of the total PhilHealth members, were automatically covered under the agency's Indigent Program. About 7.5 million senior citizens were also provided mandatory coverage.

Persons who are financially incapable of paying for their PhilHealth membership fees can likewise avail of PhilHealth benefits through the Point of Service (POS) Program. Under this program, the poor who are not in the NHTS-PR list will be provided with financial risk protection through coverage in social health insurance at the time of hospitalization. In 2018, about PHP3 billion was allotted for the POS Program.

In 2018, PhilHealth developed benefit packages for children with disabilities, particularly those with hearing impairment and visual disabilities. Coverage of these packages includes: professional assessment, diagnostic tests, hearing devices, rehabilitative speech therapy, and electronic and non-electronic optical devices. These packages are available in PhilHealth's contracted facilities with specialized services for the Z benefits for children with disabilities.

Moreover, PhilHealth issued Circular No. 2018-0017 on expanding the Primary Care Benefit (PCB) package<sup>4</sup> to the members of the Formal Economy and to Lifetime and Senior Citizen members. Expanded PCB includes health screening and assessment, diagnostic services, follow-up consultations, and medicines for specific diseases such as acute gastroenteritis, urinary tract infection, low-risk pneumonia, asthma, upper respiratory tract infection, hypertension, and diabetes mellitus Type II. This package can be availed of in both public and private PhilHealth-accredited health facilities.

<sup>1</sup> From January 2011 to September 2018

<sup>2</sup> Data as of September 2018

<sup>3</sup> A flagship program of the DOLE that provides grant assistance for capacity-building on livelihood and entrepreneurial ventures for vulnerable and marginalized workers, except beneficiaries of *Pantawid Pamilya* and government employees. Individual beneficiaries can avail of the Starter Kit or *Negosyo sa Kariton* (Nego-Kart), up to a maximum grant assistance of PHP20,000.00, depending on the project requirement.

<sup>4</sup> Prior the issuance of this circular, PCB only covers for the less privileged population.

**Leave benefits for working mothers were increased.** Female workers face additional vulnerability during pregnancy and maternity. Current maternity leave benefits are not sufficient to ensure that mothers have enough time to rest, recuperate, regain their full health, and adequately breastfeed their newborn. The enactment of Republic Act No. 11210 or the 105-Day Expanded Maternity Leave (EML) Law<sup>5</sup> extends the 60-day paid maternity leave to 105 days of women workers in both government and private sectors, including those in the informal sector, with options to extend for additional 30 days of unpaid leave and share seven (7) of the 105 days to the father<sup>6</sup> of the child, in addition to the existing seven (7) days paternity leave.<sup>7</sup> On the other hand, female solo parents are provided additional 15 days paid maternity leave.

**There is a need to protect young Filipinos from violence.** Eighty percent of children and youth aged 13-24 experienced some form of violence in their lifetime. According to the 2016 National Baseline Study on Violence Against Children of the Council for the Welfare of Children, 3,093 of the 3,866 respondents experienced some form of violence in their lifetime. Boys (51.2%) experienced more violence than girls (48.8%). About three in five children (66.3%) experienced any form of violence during childhood and one in two (54.5%) experienced corporal punishment at home.

**Various interventions to end child labor were rolled out but their impact remains limited.** Regional offices of DOLE tapped Government Internship Program beneficiaries to locate and profile child laborers. Of the 85,582 child laborers who have been profiled by the DOLE as of December 31, 2018, 116 were removed from child labor and 18,651 have been referred to appropriate organizations for the provision of necessary services, such as educational, medical, and livelihood assistance. There were also 7,841 child laborers provided with various assistance, including school supplies and hygiene kits, through DOLE's Project Angel Tree, among other programs; and 2,225 parents of child laborers were provided with livelihood assistance through DOLE Integrated Livelihood and Emergency Employment Program.

The DSWD and the International Labour Organization through their SHIELD Against Child Labor Project and CARING Gold Mining Project, respectively, were also able to profile 823 child laborers, 446 of whom were already provided with assistance and 354 were removed from child labor.

These programs have had limited impact on the government's goal to end child labor. Government needs to rationalize interventions to combat child labor to ensure that the issue is holistically addressed. Focus must not only be on removing children from hazardous work, but also on educating and addressing the needs of families that resort to child labor to sustain themselves.

**Disability-inclusive planning and programming were pursued.** The National Council on Disability Affairs (NCDA) spearheaded several initiatives to ensure that the country's development strategies are responsive to the concerns of persons with disabilities. One, it intensified the collection of disability-related data from national government agencies (NGAs) and made these available in the NCDA website to help inform the planning and programming processes of concerned stakeholders. Two, the council conducted the Convention on Disability Inclusive Local Governance to facilitate knowledge sharing on disability-related initiatives among LGUs and drafting of Provincial Action Plans. Three, the agency also conducted learning sessions on disability-related researches to inform national and local development workers and promote evidence-based planning and programming. Four, NCDA facilitated Disability Sensitivity Training in 13 NGAs, resulting in agency action plans towards disability inclusion in their respective programs and services (e.g., MARINA and DTI drafted their respective disability inclusion manuals).

<sup>5</sup> RA 11210 was signed into law on February 20, 2019.

<sup>6</sup> In the absence of the father, seven days may be shared to an alternate caregiver chosen by the mother who may be a relative or her current partner.

<sup>7</sup> Granted under Republic Act No. 8187 or the Paternity Leave Act of 1996.

**More senior citizens were provided with social pension but the real value of benefits has been eroded.** The social pension program covered 3.4 million indigent senior citizens as of December 2018. There is a need to increase the pension received by senior citizens since the amount they receive (i.e., PHP500 per month) has not increased since 2011 and price inflation has already diminished its purchasing power. There are also ongoing efforts to widen the coverage of the social pension program to also include senior citizens without pension, instead of only focusing on indigent senior citizens.

**Labor agreements and mechanisms were forged to protect Filipino migrant workers.** In 2018, the Philippines signed a Memorandum of Understanding (MOU) on Labor Cooperation with Jordan to regulate the deployment of overseas Filipino workers (OFWs) and promote and protect their welfare. The government also signed agreements on the employment of domestic workers with Jordan,<sup>8</sup> Kuwait, and Saudi Arabia. Following the agreement between the Philippines and Kuwait, the Philippine government endorsed a proposed Harmonized Employment Contract for Domestic Workers<sup>9</sup> to Kuwait's Ministry of Foreign Affairs. Other agreements signed in 2018 include an MOU and joint implementing guidelines with China on the Employment of Filipino Teachers of English Language to China, as well as agreements with Israel on the temporary employment of Filipino home-based caregivers and Filipino hotel workers, with the finalization of standard employment contracts for these workers.

Along with 163 other member states of the United Nations (UN), the Philippines formally signed and adopted the Global Compact for Safe, Orderly, and Regular Migration (GCM) on December 10, 2018. The GCM is the first intergovernmental agreement formulated under the UN covering all dimensions of international migration. Its objectives are to improve migration governance, address issues on migration, and enhance the contribution of migrants and migration to sustainable development.<sup>10</sup> The Philippines has conducted stakeholder conferences, led by the Department of Foreign Affairs, to craft a national implementation plan for the GCM.

**A framework and institutional mechanisms for the reintegration of overseas Filipinos have been established.** The operationalization framework of the Comprehensive OFW Reintegration Program (CORP)<sup>11</sup> was approved by the Overseas Workers Welfare Administration (OWWA) Board in August 2018 and has been incorporated in the Handbook for Reintegration Counsellors. The National Reintegration Center for OFWs (NRCO), together with the International Organization for Migration and OWWA, conducted community-based trainings for Reintegration Counsellors in La Union and Cebu in November 2018 to further capacitate partners and stakeholders in reintegration programs and services. The NRCO has also begun cascading the framework to select regions and has briefed migration-related government agencies through the Sub-Committee on International Migration and Development. The CORP Framework will be completely rolled out in 2019 alongside capacity-building activities. Furthermore, a technical working group to create an implementation plan shall be set up in 2019 to reinforce actions of each stakeholder and player in reintegration and the whole migration experience.

**Medical assistance programs for overseas Filipinos were strengthened.** The continuous implementation of the Inter-Agency Medical Repatriation Assistance Program (IMRAP) led by the Department of Health (DOH) facilitated all requests for medical repatriation in 2018 (160 cases). This is slightly higher than the number of cases coordinated in 2017 (101 cases). To improve the implementation of IMRAP, DOH conducted six batches of training for frontline service providers and desk officers assisting the medical

<sup>8</sup> *The Cooperation Framework on Employment of Domestic Workers is an attachment to the MOU on Labor Cooperation between the Philippines and Jordan.*

<sup>9</sup> *The document is the standard employment contract attached to the Agreement on Employment of Domestic Workers between the Philippines and Kuwait. The proposed contract includes the minimum wage, requirements for termination and repatriation, and obligations of employers and Philippine Recruitment Agencies, among others.*

<sup>10</sup> *International Organization for Migration, "Global Compact for Migration," <https://www.iom.int/global-compact-migration>.*

<sup>11</sup> *The Comprehensive OFW Reintegration Program is a flagship program of OWWA-NRCO which aims to strengthen and harmonize the reintegration programs and services provided by various stakeholders in the public and private sectors, non-government institutions, and the academe.*

repatriation of OFs, with over 200 officers from various agencies trained as of 2018. Meanwhile, OWWA provided supplemental medical assistance to 240 beneficiaries as of October 2018. The PhilHealth also conducted two overseas missions to top OFW destinations and are on track to launch a PhilHealth Office in Hong Kong and awaiting final clearance from Beijing, China.

## Managing economic risks

Economic risks are those that are faced by the working population (both in the formal and informal sector) in relation to the prevailing labor and market conditions. While also identified as a group with inherent vulnerability, overseas Filipinos are also subjected to economic risks, as their employment and source of income are highly susceptible to external shocks (i.e., economic downturns in host countries and protectionist policies).

**Law that strengthens the Social Security System (SSS) and establishes an unemployment insurance mechanism was passed.** RA 11199 or the Social Security System Act was enacted<sup>12</sup> to ensure the long-term viability of the SSS. The law also mandates the agency to set up an unemployment insurance mechanism and to require the compulsory coverage of both land-based and sea-based OFWs below 60 years of age, among others.

**Innovative programs and mechanisms led to the expansion of social insurance coverage for workers.** The percentage of economically active population contributing to SSS slightly increased from 37.33 percent (14.7 million) in 2017 to 37.34 percent (14.9 million).<sup>13</sup> SSS has been implementing several innovative programs to expand its coverage among the working population. The AlkanSSSy Program, which helps workers in the informal sector save for their monthly SSS premium contributions, led to the registration of 107,260 members,<sup>14</sup> while the KaltaSSS-Collect Program, which extends SSS membership to job orders or contractual workers in government, led to the registration of 174,973 members from 1,431 partner agencies.<sup>15</sup>

The reach of these programs has to be further intensified as there are working Filipinos, especially those in the informal sector, who continue to have no social security coverage and remain vulnerable to shocks caused by disability and sickness, among others. Non-coverage may be due to limited information on available social security programs and services, as well as inability of potential members in accessing available services.

Meanwhile, the Government Service Insurance System (GSIS) has granted all emergency loan applications of 295,357 eligible government members and 5,710 pensioners.<sup>16</sup>

**The government has been closely monitoring compliance of organizations to employment standards.** The DOLE implemented a two-pronged approach to address concerns on workers' security of tenure: the Regular Inspection Program which identified 3,567 companies (affecting 234,285 workers) who are engaged, and are suspected to engage in labor-only contracting; and the voluntary compliance of establishments to regularize contractual workers following DOLE's issuance of Department Order 174,<sup>17</sup> which specifies illicit forms of employment arrangement, rights of employees, among others, as part of the agency's anti-endo campaign. These programs led to the regularization of 405,355 workers from 2016 to November 2018. In addition, these inspections ensured that employers adhere to the country's labor standards.

**More overseas Filipino workers were provided access to better social security programs.** As of October 2018, 1,139,785 active OFW members registered with the Home Development Mutual Fund (Pag-IBIG

<sup>12</sup> RA 11199 or the Social Security System Act was enacted into law on February 7, 2019.

<sup>13</sup> As of September 2018

<sup>14</sup> As of October 2018

<sup>15</sup> As of September 2018

<sup>16</sup> As of December 31, 2018

<sup>17</sup> Issued on March 17, 2017 entitled Rules Implementing Articles 106 to 109 of the Labor Code, as Amended

Fund). Savings generated from OFWs from January to October 2018 reached PHP2.3 billion, surpassing the PHP2.1 billion savings generated in 2017. During the ten-month period, short-term loans granted amounted to PHP511.5 million, housing loans granted totaled PHP14.6 billion, while PHP379.8 million was released to OFs and their beneficiaries as proceeds of provident benefit claims.

Meanwhile, 59,442 OFWs<sup>18</sup> are registered as paying members of the SSS. The agency has intensified its information campaigns and outreach activities for its foreign representatives to provide better services to Filipinos abroad.

The number of OFW membership to OWWA, which provides information and guidance, psycho-social counseling, conciliation services, legal assistance, and training to members, reached 1.3 million as of end 2018, lower than 1.7 million registered OFWs at the end of 2017. The decline in membership was due to the shift in membership effectivity from per contract to two years and the mass repatriation of OFWs from the Middle East, among others. Nonetheless, 812 new OFW Family Circles (OFC)<sup>19</sup> with a membership of 17,023 were organized and assisted in 2018, an increase from only 304 new OFCs in 2017. As of December 2018, 3,286 OFCs with a total of 116,725 members are being maintained. These support structures in OFW communities facilitate the access of a number of overseas Filipinos to social protection mechanisms provided by concerned NGAs other than OWWA.

**Support services were provided to repatriated OFWs and displaced workers to help them cope with unemployment.** Under the Assist WELL Program,<sup>20</sup> a total of 716 repatriated overseas Filipinos were provided assistance in 2018. This is lower than in the previous year owing to a higher number of emergency repatriates in 2017. The NRCO facilitated the awarding of 336 teaching positions to OFW teachers<sup>21</sup> under the *Sa Pinas Ikaw ang Ma'am/ Sir* Program, which aims to provide Teacher I positions to qualified OFW teachers. To encourage participation in this program, the agency conducted overseas promotional campaign activities in areas with high concentration of Filipino teachers including Bangkok, Thailand and Dubai, UAE. Under the Enterprise Development and Loan Program,<sup>22</sup> 200 OFWs availed of loans in 2018, up from 125 OFW avalees in 2017. Meanwhile, 26,421 OFWs were provided livelihood assistance under the OWWA's *Balik Pinas, Balik Hanap-Buhay* Program, a training and employment intervention intended to improve the socioeconomic wellbeing of returning OFWs.

In terms of locally displaced workers, DOLE, through its *Tulong Panghanapbuhay Para sa Mga Disadvantaged/Displaced Workers (TUPAD)*<sup>23</sup> Program, provided emergency employment to 152,382 workers.<sup>24</sup> Furthermore, DSWD extended aid to communities affected by the temporary closure of Boracay Island from April to October 2018. As of November 2018, DSWD Field Office in Western Visayas allocated PHP266.89 million for the provision of financial aid under the Assistance to Individuals in Crisis Situation<sup>25</sup> initiative, cash-for-work program, SLP, and family food packs.

<sup>18</sup> As of September 2018

<sup>19</sup> OFCs are organized groups composed of OFWs, OFW returnees, OFW dependents, and families left behind. The groups serve as mechanisms for mutual support for OFWs on-site and serve as conduits and partners of OWWA in the delivery of in-country programs and services.

<sup>20</sup> Assist WELL is a government program for Overseas Filipino Workers (OFWs) who need to go back to the Philippines due to emergency situations such as war, epidemic, and other similar situation.

<sup>21</sup> Primarily from Thailand, Hong Kong, UAE, and Saudi Arabia.

<sup>22</sup> The program helps OFWs and their families in the establishment of viable business enterprises that will provide them with a steady income stream and create employment opportunities in their community.

<sup>23</sup> It is a community-based package assistance that provides emergency employment for displaced workers, the underemployed, and the unemployed poor for a minimum of 10 days but not to exceed 30 days, depending on the nature of work. Eligible projects under the program include: social community projects (repair, maintenance and/or improvement of common public facilities and structures such as schools/health centers, debris clearing, declogging of canals etc.; economic community projects (repair, maintenance and/or rehabilitation of farm-to-market roads, bridges, post-harvest facilities, etc.; and agro-forestry community projects (tree planting, seedling preparation and reforestation).

<sup>24</sup> Data as of September 2018

<sup>25</sup> The program covers the provision of medical, burial, educational, food, and non-food assistance to individuals and families in crisis or difficult situations to enable them to afford food and other immediate needs in the form of outright cash, referral letters and guarantee letters.



## Dealing with natural hazards and human-induced shocks

The frequent incidence of natural hazards and human-induced shocks in many parts of the country make it imperative to implement resiliency-building measures so that damage on people and property is reduced and those affected are able to recover quickly.

**National government agencies developed and implemented policy measures and guidelines for mitigating the impact of disasters.** The National Disaster Risk Reduction and Management Council (NDRRMC) and its member agencies have undertaken various initiatives to help Filipinos manage disasters. Policies and guidelines were issued on the standardization of community-based disaster risk reduction and management, earthquake drills, and the establishment, operationalization, and management of Emergency Operations Center, among others.

The Climate Change Commission, in consultation with various stakeholders, developed a climate risk management framework that will guide climate actions for ensuring human safety and preventing economic losses.<sup>26</sup>

Hazard maps were drawn to aid in local development and contingency planning and be used as reference in creating designs of buildings and infrastructure. As of November 2018, the Philippine Institute of Volcanology and Seismology (PHIVOLCS) has produced the following hazard maps: Active Faults Maps for 37 provinces; Tsunami Hazard Maps for 63 provinces; Liquefaction Hazard Maps, Earthquake-induced Landslide Hazard Maps, and Ground Shaking Hazard Maps for 81 provinces.

To ensure mainstreaming of disaster risk reduction in the development process of LGUs and other stakeholders, PHIVOLCS conducted several training and workshops on the Rapid Earthquake Damage Assessment System (REDAS).<sup>27</sup> As of November 2018, REDAS training and software were provided to 73 provinces, 611 cities/municipalities including 17 government institutions, 32 state universities and colleges, 73 private companies, and 10 non-government organizations. As part of community-based disaster awareness and preparedness, various capacity-building activities such as training on communicating earthquake and tsunami hazards for teachers, and local calibration and training on the use of web-based landslide early warning prototype system<sup>28</sup> for LGUs were also conducted.

Despite these accomplishments, the PDP target of having zero-deaths during disasters was not met. In 2018, the NDRRMC has reported 294 deaths from human-induced disasters such as vehicular accidents, fire incidents, grenade/bomb explosions, armed conflicts; and 235 deaths from natural disasters such as tropical cyclones<sup>29</sup> and landslides. Meanwhile, 64 persons have been reported missing due to disasters (14 from natural disasters, 50 from human-induced disasters).

**Interventions to help LGUs better respond to disasters were implemented.** LGUs were provided access to quick-disbursing payouts. GSIS insured 25 LGUs under the Parametric or Catastrophe Risk Insurance Program, which allowed for the quick response to the needs of LGUs affected by natural calamities. The catastrophe insurance program was tested when severe tropical storm “Vinta” struck the country, particularly in Davao Region in December 2017. In February 2018, the GSIS paid out the amount of PHP83.5 million to the Bureau of the Treasury for post-disaster activities relating to government infrastructure and facilities for the restoration of operations and immediate delivery of basic needs in the region.

<sup>26</sup> RA 10174 and RA 10121 provide the development and institutionalization of a climate risk management framework.

<sup>27</sup> Trainings and workshops on REDAS includes hands-on exercises on seismic hazard assessment risk exposure database, use of Exposure Database Module using Android devices, Severe Wind Risk Module and Flood Risk Module which simulate the conditions of a typhoon-causing severe wind and flooding, physical and economic loss.

<sup>28</sup> An internet-based decision support system not only to automatically show the hazard areas but acts as part of the decision process via information collection to help LGUs/planners/experts judge the tendency of landslides initiation, and be able to disseminate early warning information.

<sup>29</sup> Tropical cyclones include typhoons, tropical depressions, and tropical storms.

Moreover, the Department of the Interior and Local Government (DILG) issued a memorandum enjoining LGUs to prioritize the construction of durable, safe, and properly-designed evacuation facilities; and strengthen institutions to support evacuation operations. The memorandum includes guidelines on the establishment and features of evacuation centers and their operation and maintenance. Furthermore, the memorandum directs LGUs to strengthen its evacuation system by issuing policies on pre-emptive and forced evacuation; putting in place Early Warning and Evacuation Alert Systems; and organizing or creating structures such as Evacuation Committees and Teams, among others.

The effectiveness of this issuance remains to be seen as not all local chief executives prioritize disaster risk reduction and climate change adaptation. In 2018, only 47 percent of LGUs (provinces, cities, and municipalities) submitted local disaster risk reduction management plans for the review and approval of the Office of Civil Defense.

## Addressing governance risks

The government remains steadfast in protecting its citizens against the unintended effects of its policies and regulations.

**Programs to protect vulnerable groups from the transitional effects of broadening the tax base were rolled out.** To help vulnerable Filipinos manage the temporary price movements induced by the Tax Reform for Acceleration and Inclusion (TRAIN) Law, 30 percent of the incremental revenues were allotted to fund several social welfare programs: provision of unconditional cash transfer (UCT), fuel voucher for qualified public utility jeepney franchise holders, and rice subsidies.

First, on UCT, grants for 8,613,989<sup>30</sup> of the 10 million targeted beneficiaries have been uploaded by DSWD to the Land Bank of the Philippines. Of the 8.6 million beneficiaries, 6,013,989 have already claimed their 2018 cash grants. Under the UCT, cash subsidies of PHP200/month were granted in 2018 and PHP300/month will be provided in 2019 and 2020. In particular, household beneficiaries cover 2.6 million households identified as poor in the NHTS-PR, 4.4 million 4Ps households, and 3 million social pensioners under the DSWD Social Pension Program. Second, on fuel vouchers, 69,697 fuel cards (46.3%) have been claimed from the 150,542 cards available for claiming.<sup>31</sup> Third, on rice subsidy, the National Food Authority has served a total of 1,663,641 beneficiaries<sup>32</sup> under its *Tagpuan Day – Rice Response Delivery*.<sup>33</sup>

On minimum wage earners who were already exempted from income taxes and would not benefit from the lower tax rates, the concern is that the purchasing power of their net income would be diminished by the temporary price inflation induced by the TRAIN Law. For this reason, minimum wage earners were specified as among the recipients of fare discounts, subsidized rice, and skills training.<sup>34</sup> Some of them – those who were included in the 2015 *Listahanan* list of poor families – were also qualified to receive the UCT.

<sup>30</sup> As of December 3, 2018.

<sup>31</sup> As of December 12, 2018.

<sup>32</sup> As of October 31, 2018.

<sup>33</sup> This is a distribution strategy which ensures that cheap, good quality NFA rice will be available to the intended poor beneficiaries, such as the marginalized sector – indigenous peoples, resettlement areas of informal settlers, and communities of low wage agricultural farm workers. This was employed as they await the full implementation of the Train Rice Distribution Program.

<sup>34</sup> Per Department of Budget and Management, Department of Finance, and Department of Social Welfare and Development Joint Memo Circular No. 001, s. 2018 – General Guidelines for the Implementation of the Social Welfare and Benefits Programs Under RA 10963 (TRAIN Law), minimum wage earners may avail of the following: fare discount, subsidized NFA Rice, and free skills training.

## Achieving universal social protection

**The Philippine Social Protection (SP) Operational Framework<sup>35</sup> has been refined.** To make the country's SP operational framework more integrative and responsive to the challenges faced by Filipinos, the NEDA-Social Development Committee has recently approved the revised SP Operational Framework, which integrated emerging SP concerns and approaches, among others. The country is now working on the development and adoption of the SP Floor (SPF).<sup>36</sup> The SPF is a means to help ensure that individuals would have access to essential health services and income security throughout their life cycle.

## Moving forward

With the enactment of landmark laws (i.e., Universal Health Care and Social Security System Act) and the recent approval of the SP Operational Framework, the sector is poised to witness further gains in the near term.

The efficient and effective implementation of these policies however lies in the social preparation process. With this, it is imperative to carry out strategies that will lay down the necessary groundwork, address persisting challenges, and lock in reforms to expand and sustain what have been achieved in terms of social protection so that the benefits are felt by Filipinos.

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<sup>35</sup> The SP Operational Framework was approved on February 28, 2019.

<sup>36</sup> SPF is a nationally defined set of basic social security guarantees that should ensure, as a minimum that, over the life cycle, all in need have access to essential health care and basic income security, which together secure effective access to goods and services defined as necessary at the national level.



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



## To mitigate risks faced by vulnerable groups

**Address high out-of-pocket (OOP) health expenditure.** In 2017, about 54.5 percent of total health payment came from Filipinos' own pocket. One of the major contributors of health OOP expenses are medicines and drugs. This can be due to the: shortage of supply of drugs in the government health facilities, lack of PhilHealth coverage of medicines for outpatients, and high cost of drugs and medicines in the country.<sup>37</sup> To improve Filipino's health-seeking behavior and avoid delays in seeking medical care because of the fear of incurring catastrophic health expenditure, there is a need to address the high OOP health spending.

<sup>37</sup> World Health Organization. (2018). *The Philippines Health System Review*. Vol. 8, No. 2, 2018. WHO

Facilitating the access of citizens to lower cost of health services require that the necessary healthcare facilities and services are available in public hospitals and barangay/rural health centers. Acknowledging this, the government will provide sufficient funding and strengthen its logistics systems (e.g., drug procurement process, delivery to facilities, regulations) to ensure the availability of drugs and supplies in government facilities, especially those needed by No Balance Billing (NBB)-eligible patients. This will be supported by pursuing the strategic purchasing of health services by considering population needs, health priorities, and cost-effectiveness of interventions.

The government will boost and improve the social protection services currently provided by PhilHealth. It will update the costing of current case rates to increase the share of PhilHealth's hospitalization assistance, thus reducing the cost for its members. PhilHealth will expand the benefit packages (including dental, mental health, and nutrition packages) to all its members. It will likewise conduct advocacy programs to raise the awareness of its members on the implementation of the expanded PCB to the formal economy, lifetime members, and senior citizens, and subsequently, drive the availment of the program.

An enhanced monitoring and evaluation system (e.g., stricter review of claims to detect and prevent deviations) will be put in place to ensure the proper implementation of the NBB Policy. Apart from this, the government will invest in human resources for health, equipment, and technology to enable the people to maximize the NBB Policy. PhilHealth will also reform its provider payment system through information communications technology by using performance-driven, closed-end, prospective payments based on disease- or diagnosis-related groupings; and payment schemes that give due consideration to service quality, efficiency, and equity.

**Ensure sufficiency of cash assistance.** The *Pantawid Pamilya* cash grants and Senior Citizen Social Pension have remained unchanged for years and their real value has been diminished because of price inflation. Thus, there is a need to increase these cash transfers. In fact, the design of the 4Ps should include an automatic review of the amount of transfers provided, as well as other services, to ensure their effectiveness in meeting the desired objectives of the program.

**Increase the coverage of the Senior Citizen Social Pension.** At present, the government only provides social pension to indigent senior citizens. To ensure that all senior citizens meet their needs, the coverage of the program has to be increased to accommodate all senior citizens without pension. While there is an existing effort to allow for the expansion of its coverage, it will have to be institutionalized to ensure that the program will have the necessary funding for its continued implementation.

**Fast-track the crafting and promulgation of the IRR of the EML Law.** The immediate finalization of the IRR will expedite the implementation of the law which will enable working mothers to continuously participate in the labor market without sacrificing their health and overall wellness as they perform their unique reproductive role. It will likewise provide enabling mechanism for fathers to participate in child-rearing and strengthen policy on, and practice of, shared parenting.

**Address the high prevalence of violence against children.** The government will sustain the implementation of a comprehensive approach to stop violence against children. This includes the conduct of regular surveys on children to identify the extent of child labor, violence against children, and other types of risks; as well as providing family-based interventions (e.g., family development sessions for *Pantawid* households and other seminars) to address violence against children at home.

**Adopt a holistic approach in addressing child labor.** Strategies to combat child labor seem fragmented and their results are very limited. Thus, there is a need to implement a convergent and holistic approach in addressing child labor which includes: profiling of child laborers; providing needed services; and responding to the needs of their families. With this, it is proposed that the National Council Against Child Labor be created through an Executive Order to ensure that efforts of stakeholders are well planned and coordinated.

**Monitor compliance to the Accessibility Law (Batas Pambansa Blg. 344).** To address the persisting inaccessibility of built environment and transportation systems, the government will ensure at the onset that public infrastructure projects conform to the standards set by the Accessibility Law. There is also a need to allocate the necessary resources and capacitate mandated agencies such as the Department of Public Works and Highways to conduct accessibility audits of existing infrastructures.

**Amend the Accessibility Law to include information and communications technology (ICT).** There is a need to amend BP 344 so that it may also cover the accessibility of ICT to persons with disability. This includes ensuring web accessibility, adoption of accessible information formats, and installation of alternative communication technology for persons with visual impairment and learning disability, among others.

**Ensure compliance of LGUs to RA 10070.** To ensure that provinces, cities, and municipalities establish their respective Persons with Disabilities Affairs Office (PDAO), it is proposed that the criteria for the Seal of Good Local Governance include the "presence of functional PDAO or designated focal persons." This should be complemented with the necessary capacity-building programs for persons with disability affairs officers/focal persons to ensure that they can carry out the tasks expected from them and enable them to represent the persons with disability at the LGU level.

## To manage economic risks

**Strengthen DOLE's capacity to enforce the country's labor standards.** The DOLE notes that the number of labor inspectors for monitoring labor-only contracting and compliance to employment standards is insufficient. Thus, there is a need to fast-track the hiring of additional labor inspectors to ensure that all enterprises are complying with labor laws.

**Support and advocate the establishment of formal OF organizations.** The Philippine government should continue to promote the creation of OF organizations as these may serve as channels for OFs seeking support.

**Implement the commitments under the Global Compact for Safe, Orderly, and Regular Migration.** The government should formulate a national implementation plan of the GCM to mainstream the commitments in the respective mandates of migration-related government agencies.

**Fast-track the crafting and promulgation of the Implementing Rules and Regulations (IRR) of the SSS Act.** This will facilitate the timely and efficient implementation of the said law that in turn will pave the way for the strengthening of the pension fund through the rationalization of the functions of the SSS. The same will expedite the setting up of an unemployment insurance system which will enable the SSS to extend assistance to Filipinos who are experiencing temporary loss of employment. It is recommended that the crafting of the IRR be consultative as possible, for its implementation to be responsive to the needs of its members, whilst ensuring that relevant stakeholders will be onboard on its rollout.

**Ensure social security coverage of all working Filipinos.** The government will intensify its advocacy and communication campaigns through traditional and social media to encourage own-account workers, particularly those in the informal sector, to register under the SSS. Following the SSS Act of 2018, the government will implement a compulsory coverage of OFWs. This will be coupled with the establishment of one-stop shops for social protection services and payments in countries where there are high concentration of OFWs.

**Ensure the financial viability of the SSS.** There is pressure on the SSS fund life due to the benefit increases (e.g., SSS Pension) and additional benefits (e.g., unemployment insurance, extended maternity leave) recently introduced through legislation. On an annual basis, viability for SSS requires that member contributions and

investment earnings are at least as large as benefit payments and operating expenses. Given this, SSS will have to impose additional contribution to its members. To support the requirements of the implementation of these laws whilst protecting its existing members, SSS will need to be more aggressive in expanding membership towards increasing potential contribution collection. It will also ensure that the increase in contribution rates and monthly salary credit floor and ceiling are reasonable. Aside from these, SSS will also need to expand and improve its management of the fund's investment base. In particular, it will look into untapped investment opportunities such as opportunities in the government's Build Build Build Program, diversify global investments for better risk-return, and reduce liability down to manageable level.

**Provide more efficient service to SSS members.** To ease members' access to SSS services, the SSS will make use of technological advancements to provide faster services, improve accessibility of programs, and facilitate full implementation of real time transactions on all mission-critical programs (i.e., retirement, sickness, maternity, death, disability, old age, among others). The use of social media and other communication platforms will also be pursued to reach SSS members, including new and potential members, and provide them with regular updates on SSS programs. These initiatives will be complemented with the establishment of easily accessible and comfortable offices with additional payment facilities, service offices, and branches; and the improvement of online services.

Appropriate performance management system and client feedback mechanisms should also be put in place and incentives for SSS personnel should be calibrated to encourage client-orientation and higher service standards among SSS employees.

The government will also fast-track the compliance to documentary requirements set by concerned agencies and banks, upgrade existing facilities of branches, and ensure staff complement in branches to facilitate the full implementation of SSS flagship programs (i.e., Warrant of Distraint, Levy and Garnishment,<sup>38</sup> Real-Time Processing of Contributions,<sup>39</sup> and Account Management System<sup>40</sup>).

## To deal with natural hazards

**Amend the Philippine Disaster Risk Reduction and Management Act (RA 10121).** To help ensure that all LGUs have DRRM plans and programs, RA 10212 should be amended to include strict punitive measures for non-complying local chief executives.

**Conduct capacity-building activities focusing on sectors and communities.** Training programs on how to cope with threats and impacts of hazards should be provided to communities, with particular focus on vulnerable sectors such as indigenous peoples and persons with disability. Accordingly, the allocation to cover for the needed resources to roll out capacity-building programs should be provided.

The government will likewise intensify the conduct of its advocacy campaigns to raise the awareness of and reach more communities on what to do before, during, and after the onslaught of disasters. This will be supported by the documentation and dissemination of indigenous knowledge systems and practices on disaster management and preparedness.

<sup>38</sup> Warrant of Distraint, Levy, and Garnishments is an additional and administrative mode of collection employed to delinquent employers, without prejudice to other legal remedies available to collect due and subsisting obligations. The program subjects the offenders to other punitive actions stipulated in the SSS Law.

<sup>39</sup> The program aims to improve the frontline services of SSS through the real time processing and posting of payments for the convenience and/or comfort of its members.

<sup>40</sup> The Account Management System is a tool that provides employers and members information on their account status. It can be accessed through various platforms such as the Web, mobile phone, and over-the-counter transactions. It likewise facilitates the performance of functions of SSS account officers and legal enforcement officers in managing and monitoring SSS assigned accounts and in enforcing compliance anytime and anywhere they may be.

## To address governance risks

**Create a social registry for social protection programs.** There is a need to create a social registry that will serve as a dynamic platform that can be used in the identification of eligible beneficiaries of social protection programs. The registry will also serve as a gateway in implementing a quick rollout of social assistance such as the UCT. Hence, it should contain sufficient information on geographic identification, demographic characteristics, and socioeconomic profile of households. There is also a need to ensure that the registry is closely tied to existing government efforts to promote financial inclusion, particularly, improving the access of households to financial services.

## To achieve universal and transformative social protection for all

**Institutionalize the SPF.** The SPF is instrumental in guaranteeing the access of the people to social protection services, which responds to the different needs of individuals. Once the SPF has been finalized, a policy directive should be issued to officially adopt and enumerate the components of the SPF and the roles of the concerned agencies, among others.

**Integrate evaluation component at the conceptual design stage of SP programs and projects and allocate resources for program evaluation.** Ensuring that social protection programs and projects yield the intended results and reach the rightful beneficiaries is imperative. To this end, monitoring and evaluation will have to be embedded in the program cycle when designing new and expanding existing development interventions. Doing so will ensure that there are sufficient resources to carry out the program/project evaluation.



# 12 Building Safe and Secure Communities





# BUILDING SAFE AND SECURE COMMUNITIES

The housing sector appears upbeat with strategic policy and program reform measures, such as the legislation creating the Department of Human Settlements and Urban Development to serve as the primary government entity for dealing with pertinent issues and concerns. This responds to the challenge of providing decent and affordable security of tenure for Filipino families amid the confluence of structural, institutional, resource, and environmental factors. To address the bottlenecks in housing supply, regulatory weaknesses in housing finance, and perennial data gaps, the sector rolled out its platform for strengthening partnerships for the Building Affordable, Livable, Adequate, and Inclusive (BALAI) Filipino communities.

## Assessment

**Table 12.1 National Shelter Program Direct Housing Assistance Targets and Accomplishments, 2018 (in households assisted)**

PROGRAM	AGENCY	TARGETS	ACCOMPLISHMENTS*
<b>A. Housing Production<sup>a</sup></b>	<b>NHA</b>	<b>124,874</b>	<b>26,170</b>
Resettlement for ISFs		38,011	5,724
AFP/PNP Housing Program		8,807	631
Settlements Upgrading		1,664	248
Housing Assistance Program for Calamity Victims		73,621	19,567
Permanent Housing		73,621	18,326
HOMA		-	1,241
Others (Vertical Development, Employee's Housing)		2,771	-
Total NHA Without HOMA		124,874	24,929
<b>B. Community-Driven Housing Program</b>	<b>SHFC</b>	<b>49,254</b>	<b>13,901</b>
Community Mortgage Program (CMP)		32,015	13,433
High Density Housing Program (HDHP)		17,239	468
<b>C. Retail and Development Financing</b>	<b>HDMF/Pag-IBIG Fund</b>	<b>77,406</b>	<b>70,561</b>
End-User Financing		77,406	70,561
Socialized Housing (SH)		21,217	21,389
Low-Cost Housing (LC)		54,569	48,369
Medium Cost (MC)		1,160	490
Open Market (OM)		460	313
<b>Total Socialized Housing<sup>b</sup></b>		<b>195,345</b>	<b>60,219</b>
<b>Total Direct Housing Provision (Excluding HOMA)<sup>c</sup></b>		<b>251,534</b>	<b>109,391</b>

Source: HUDCC, NHA, SHFC and HDMF

Notes: \*Accomplishments only cover for Q1 to Q3 2018 except for SHFC, which covered January to December 2018.

<sup>a</sup> In housing units only

<sup>b</sup> Excludes low-cost, medium-cost and open market housing

<sup>c</sup> Sum of Housing Production, Community Driven Housing Program, and Retail and Development Financing

**The country's total housing needs reached 1.034 million in 2018**, majority of which are for upgrading of unacceptable housing such as informal settlements, dilapidated, and doubled-up units<sup>1</sup>. Despite targeting to assist only 251,534<sup>2</sup> households or 24 percent of needs, the government failed to reach even half of its target by Q3 2018 through its direct housing programs. Specifically, the 109,391 units provided were through the Home Development Mutual Fund's (HDMF or Pag-IBIG Fund) End-User Financing (70,561 or 68%), National Housing Authority's (NHA) Housing Production programs (24,929 units or 25%) and Social Housing Finance Corporation's (SHFC) Community-Driven Development (13,901 units or 12.7%). Similar to its performance in 2017, only Pag-IBIG Fund is on-track with its projected annual outputs.

**Construction of temporary shelters under the *Bangon Marawi* Comprehensive Rehabilitation and Recovery Program** started in Q4 2017 to facilitate the transfer of affected families living in evacuation centers. As of November 22, 2018, a total of 1,052 housing units have been completed and turned over to the beneficiaries out of the targeted 4,552 housing units. As part of the Task Force *Bangon Marawi*'s activities to address issues on overlapping land claims in Marawi City, it also conducted a social cartography activity through the *Kambisita* Program where displaced families participated in the enumeration and mapping of individual lots during their brief visit to their homes in the most affected areas.

**Table 12.2 Indirect Housing Assistance Targets and Accomplishments, 2018**

PROGRAM	AGENCY	TARGETS	ACCOMPLISHMENTS
<b>A. New Guaranty Enrollments</b>	<b>HGC</b>	<b>35,001</b>	<b>36,894</b>
i. Socialized Housing*		1,817	121
ii. Low-cost Housing		24,451	31,881
iii. Medium-cost Housing		5,240	3,582
iv. Open Housing		3,493	1,310
<b>B. License to Sell</b>	<b>HLURB</b>	<b>219,168</b>	<b>204,344</b>
<b>C. LGUs provided Comprehensive Land Use Plan (CLUP) Assistance</b>	<b>HLURB</b>	<b>120</b>	<b>239</b>
<b>D. Housing Loan Receivable Purchase Program**</b>	<b>NHMFC</b>	<b>3,400</b>	<b>379</b>

Source: HUDCC, HGC, HLURB, and NHMFC

Notes: \*Socialized Housing Loans and Small Housing Loans

\*\*NHMFC Accomplishment as of November 30, 2018

**Shelter agencies providing indirect housing assistance performed better**, with three of the four programs already exceeding 50 percent of their targets by Q3 2018: Home Guaranty Corporation's (HGC) New Guaranty Enrollments, majority coming from low- and medium-cost housing; Housing and Land Use Regulatory Board's (HLURB) Licenses to Sell (LTS); and its CLUP Assistance to local government units (LGUs). Guaranties issued for socialized housing loans, however, decreased further from its delivery rate of 23 percent in 2017 to only 7 percent in 2018. National Home Mortgage Finance Corporation's (NHMFC) Housing Loan Receivables Purchase Program (HLRPP) also fell short with only 379 loan receivables (11%) of the 3,400 target.

**Overall, total socialized housing provided in 2018 reached 60,219 units, while low-cost housing stands at 48,369 units.** These translate to a low 5.82 percent and 4.68 percent of housing needs for socialized and low-cost housing, respectively. Even with the addition of 35,321 units<sup>3</sup> facilitated by socialized housing

<sup>1</sup> This estimate excludes the remaining 119,709 units (46%) of the 2017 housing sector target, which were not accomplished.

<sup>2</sup> Compared with the Philippine Development Plan 2017-2022 indicative targets, NHA reduced its estimates by 36 percent and 38 percent in 2017 and 2018, respectively.

<sup>3</sup> HLURB reports that of the 204,344 LTS issued, 18,270 units are for Socialized Housing and 17,051 units are through Private Developers' compliance to Republic Act No. 10884 or the Balanced Housing Development Program Amendments Act.

developers and other private developers' compliance to the Balanced Housing Requirement in 2018, these are not enough to reach at least 20 percent of the 1.034 million housing needs for 2018.

**Table 12.3 Accomplishments versus Targets in Building Safe and Secure Communities**

INDICATOR	BASELINE VALUE (YEAR)	ANNUAL PLAN TARGETS		ACCOMPLISHMENTS	
		2017	2018	2017	2018
Proportion of socialized housing targets met to housing needs improved (%)	8.60 (2016)	16.92	17.91	5.97	5.82
Proportion of low-cost housing targets met to housing needs improved (%)	5.27 (2016)	4.79	5.03	3.36	4.68

Source: KSAs and NEDA Staff Calculations

The Department of Budget and Management (DBM) reported that the low absorptive capacity of key shelter agencies (KSAs) continues to be a primary reason for the decline in the budget allocation for the housing sector from PHP11.7 billion in 2017 to PHP6.1 billion in 2018. This translates to only 0.2 percent of the total budget and a further decrease is expected in 2019 at PHP5.5 billion.

**Table 12.4 Housing Sector Budget (in billion PHP)**

	2017	2018	2019 (PROPOSED)
Housing and Community Amenities	11.7	6.1	5.5
Percent to Total Budget	0.35%	0.2%	0.2%

Source: 2017 and 2018 People's Budget and 2019 Proposed People's Budget (DBM)

*Expenditures for housing development and provision of community amenities such as potable water supply and street lighting*

Given the limited allocation, the sector needs to focus its efforts in addressing the following challenges to move forward with its planned targets in the next two years: bottlenecks in housing production; regulatory weaknesses in housing finance; and data gaps in housing.

**Bottlenecks in housing production.** NHA cited internal and external factors for its low accomplishment in 2018, which delayed housing construction.<sup>4</sup> Internal factors included issues related to: a) activities of developers (insufficient manpower and resources, slow implementation, and delayed/non-compliance with Notice of Award requirements); b) resettlement site conditions (presence of informal settler families [ISFs], boundary disputes, need for additional land development); and c) other issues, such as limited budget for LGU implementation and targeting errors.

On the other hand, external factors pointed to: a) LGU functions (refusal of local officials to continue remaining works, slow delivery of materials, slow processing of documentary requirements), b) land availability and related disputes, c) illegal entrants, and d) inclement weather. Similar issues were also reported in the 2017 Commission on Audit (COA) Report.

<sup>4</sup> NHA as the sole housing production agency and accountable for 50 percent of the Direct Housing Provision targets

**Table 12.5 Factors Affecting the Completion of NHA Housing Projects**

COA FINDINGS*	SOURCE
<ul style="list-style-type: none"> <li>• Delay in the release of funds</li> <li>• Lack of suitable sites for housing construction</li> <li>• Lack of materials/manpower/equipment resulting in some contractors incurring negative slippages of at least 15 percent**</li> <li>• Delayed issuance of permits, licenses, clearances, and other documentary requirements</li> </ul>	<p><b>2017 Annual Audit Report on the NHA - Observations and Recommendations</b></p> <p>Item 6, p. 57; Item 14, pp. 75-81</p>

\*Various NHA Programs (Resettlement Program for ISFs in Metro Manila, AFP/PNP/BJMP/BFP Program and Housing Projects for Calamity Victims)

\*\* A violation of Item III.A.2.a of Government Procurement Policy Board (GPPB) Resolution No. 018-2004 which can lead to contract termination

More worrying is the fact that only 17,081 units (13.7%) of the targeted 124,874 units were awarded to beneficiaries, majority of which were from the Resettlement Program. COA findings in 2017 noted the lack of adequate basic facilities, incomplete structural components, and other construction defects as some of the reasons for the low occupancy of NHA housing units. Also, regular NHA personnel are deployed in projects for calamity victims during disasters, causing delayed operations in other on-going projects. Given these recurring problems, the NHA is often on “catch-up mode” to address construction delays of the previous year’s targets, subsequently adding to the annual housing backlog. Findings also indicate that either the agency’s current structure is incapable of coping with the demand or its current housing policies are not the optimal solutions given prevailing conditions (e.g., rapid urbanization, climate change, and human-induced conflicts).

**Regulatory weaknesses in housing finance.** Complex government processes and demand-supply problems of housing financing products led to the limited outputs of SHFC, HGC, and NHMFC in 2018. For SHFC, delays in the issuance of land classification, geohazard clearance, and zoning ordinance from the Department of Agrarian Reform, Department of Environment and Natural Resources, and LGU *Sanggunian*, respectively, hampered the timely processing of CMP loan applications. Similarly, HGC attributed the slowdown in socialized housing guaranties to the decreased issuance of development permits by HLURB due to more stringent processing, following the discovery of developers making multiple claims under the Balanced Housing Requirement.<sup>5</sup>

Meanwhile, NHMFC cited that in 2018, housing inventories of originators<sup>6</sup> enrolled in the program were still in the pre-development and selling phase of their housing projects, hence there were lower HLRPP take-outs. This also reflects the infancy of the secondary mortgage market in the country despite the passage of the Securitization Act in 2004. Volumes of mortgages remain small with mostly government-controlled banks or finance corporations providing securitization services.

**Data gaps in housing.** The lack of valid and reliable housing data remains a challenge and addressing this can fast-track the adoption of needed policy reforms. For instance, there remains a need for a centralized database of all government housing beneficiaries. Absence of this system has led to either delays in turnovers or errors in the awarding of units. KSAs also have a limited platform in monitoring the private sector’s contribution to the housing market. While Republic Act 10884 mandates private developer compliance to the Balanced Housing Requirements, HLURB’s current monitoring system can be strengthened to facilitate timely and complete reporting. Absence of proper accounting can lead to miscalculations of the country’s unmet socialized housing needs, and subsequently, misguided policy interventions.

<sup>5</sup> NHA projects also claimed by private developers

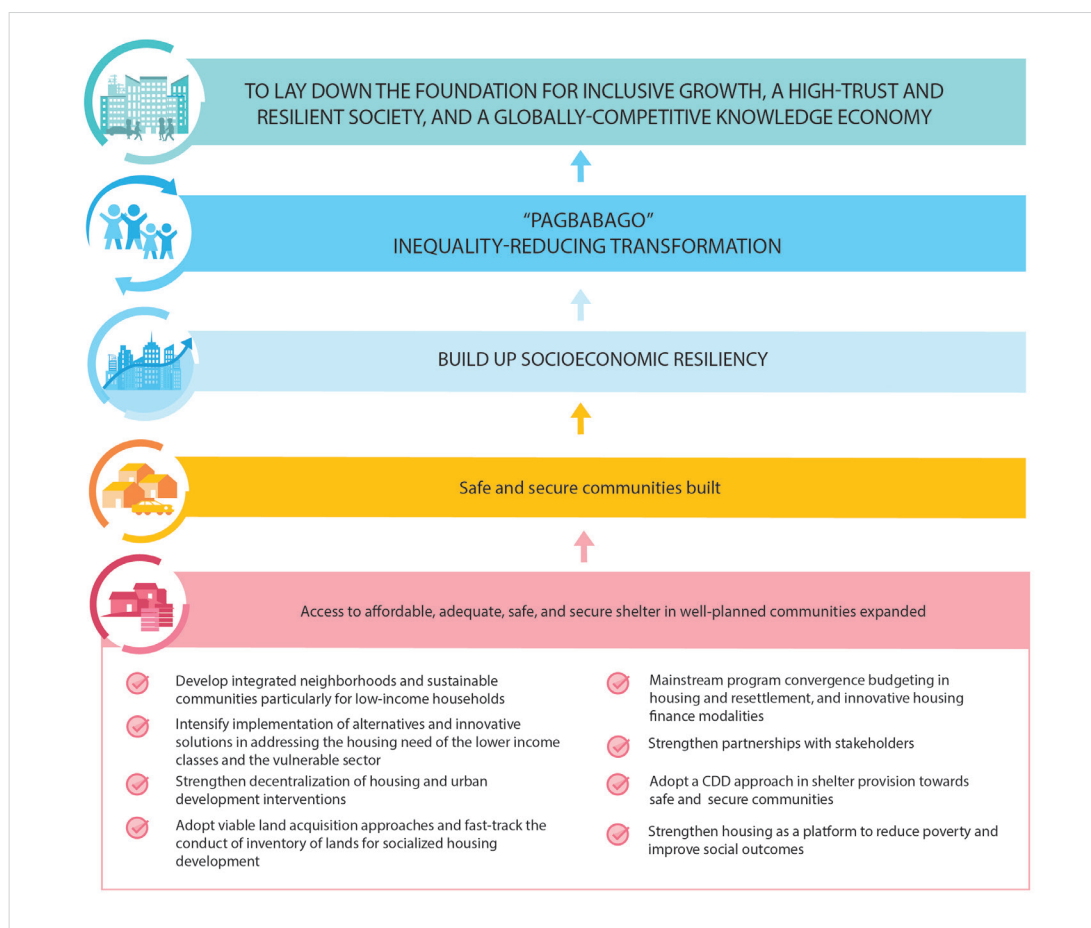
<sup>6</sup> Non-government organizations, cooperatives, microfinance institutions, national government agencies, private corporations, and LGUs involved or would like to be involved in providing a housing program for their employees, constituents, or members

Lastly, operational and standard definitions of key housing terms such as *affordable cost*, *danger areas*, *housing needs*, and *ISFs* are critical to the approval and implementation of needed regulations. Said activities include the regular review of the housing price ceilings, estimation of housing needs, and identification of beneficiaries for proposed direct consumer subsidies through public rental housing and issuance of housing vouchers, once developed and implemented.

## Moving Forward

An opportunity for the sector is the enactment<sup>7</sup> of the Department of Human Settlements and Urban Development Act, which consolidates the Housing and Urban Development Coordinating Council (HUDCC) and HLURB, making it the primary government entity for managing housing, human settlements, and urban development through planning, policy-making, regulation, coordination, and monitoring. The law also reconstitutes the HLURB into the Human Settlements Adjudication Commission to resolve cases within the said areas. Other pertinent sections of the Act include the: a) development and maintenance of a shelter and urban development monitoring information system with datasets on idle lands, housing stocks, and beneficiary list; b) creation of a National Human Settlements Board; c) establishment of Housing One-Stop Processing Centers; and d) identification and designation of lands for housing and urban and rural development.

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



<sup>7</sup> RA 11201 has been signed into law by the President on February 14, 2019.

**On bottlenecks in housing production.** Short-term solutions include the implementation of NHA policies approved in 2018 that aim to fast-track bidding and processing of documentary requirements needed for construction. These include the NHA Memorandum Circular No. 2018-030 or the Updated Guidelines for the Implementation of the Resettlement Assistance Program for Local Government Units and creation of the Regional Offices Bids and Awards Committees or Infrastructure/Goods and Services. The National Economic and Development Authority will also develop a framework in ensuring the restoration of income and livelihood opportunities in resettlement sites.

To increase its output efficiency, UP PLANADES<sup>8</sup> recommends NHA to capacitate homeowners' associations on estate management so that NHA can focus on housing production instead. NHA can also hire additional personnel for deployment during periods of disaster to ensure the continuity of regular operations. Improving the livability of shelter projects can also be initiated through the completion of the review of standards and guidelines under *Batas Pambansa* 220.<sup>9</sup>

**On regulatory weaknesses in housing finance.** An immediate strategy is to conduct a Regulatory Impact Assessment of the operations related to subsidized state-sponsored housing institutions such as the NHA, Pag-IBIG Fund, HGC, NHMFC, and SHFC.<sup>10</sup> This also follows from the Department of Finance's discussion that instead of producer subsidies (e.g., VAT exemption), targeted consumer subsidies in the form of vouchers, cash, or lower borrowing terms can better help the poor avail of housing, and are more cost-effective and better targeted than the current system, which has substantial leakages. Partner institutions can be consulted on the feasibility of granting consumer subsidies instead (i.e., public rental and housing voucher system) for socialized housing.

**On data gaps in housing.** More collaborative partnerships can also provide venues to improve the statistical database for the housing sector. With HUDCC as lead, KSAs can tap the private sector (e.g., socialized housing developers) and the academe in their discussions on addressing data gaps, particularly in strengthening the reporting of balanced housing requirements. Another area that can be looked into is the shifting towards innovative housing solutions, such as compliance with the Green Building Code Technology, adoption of Accreditation of Innovative Technologies for Housing (AITECH) solutions, and expanding the Countryside Housing Initiative, among others. In addition, pursuing the activities stipulated under the Philippine Statistical Development Plan 2018-2023 on formulating the operational definitions of *informal settlers* and other housing terms can complement these regular consultations. Approval of a related bill in Congress can also further policy interventions, as well as the monitoring and evaluation of the sector's programs.

Monitoring systems can also be improved through the adoption of *Occupancy Rate*, *Completion Rate of Community Facilities*, and *Communities Resettled* as indicators in the PDP Results Matrices; implementation of HLURB MC No. 09. s. 2018 on the monitoring of the Balanced Housing Requirements; and rolling out of the BALAI Seal of Compliance for developers meeting socialized housing standards. Including these indicators can better assess if government has helped low-income households and ISFs gain access to safe and secure shelter.

<sup>8</sup> 2018. *Impact Assessment of the National Shelter Program*.

<sup>9</sup> An Act Authorizing the Ministry of Human Settlements to Establish and Promulgate Different Levels of Standards and Technical Requirements for Economic and Socialized Housing Projects in Urban and Rural Areas from those Provided Under Presidential Decrees Numbered 957, 1216, 1096, and 1185.

<sup>10</sup> Discussed in the 2016 Housing Policy Paper on Closing the Gap In Affordable Housing In The Philippines: Policy Paper For The National Summit On Housing And Urban Development. World Bank with Australian Aid and Congress of the Philippines

# 13

Reaching  
for the  
Demographic  
Dividend





# REACHING FOR THE DEMOGRAPHIC DIVIDEND

The country is still at the first stage of the demographic transition yet the decrease in total fertility and increase in use of contraceptives reveal the country is on the right track. While appropriate policies and programs are already in place (e.g., Executive Order No. 12, s. 2017 or “Zero Unmet Need For Family Planning” and Philippine Population and Management Program), and legal impediments to the full implementation of the Responsible Parenthood and Reproductive Health (RPRH) Law have been addressed, much stronger efforts to meet extant demand for family planning services—with readily available supply—are called for especially at the local level in outlying regions.

There has also been progress made in improving the quality of human capital, particularly in terms of health and education. But stunting among children, poor utilization and limited access to health services, and inadequate preparation of graduates for employment or further studies persist in these sectors.

Hence, to accelerate the transition to reap the demographic dividend, reduction of mortality and fertility remain key priorities. The quality of human capital must likewise be improved and the youth better prepared for the workforce, thereby contributing to higher overall incomes and savings. Which in turn can be translated into investments, higher incomes, savings, and so on as in a virtuous cycle. In this manner, the dividend can become a longer-term demographic-economic payoff.

## Assessment

Many of the target outcomes could not be assessed because of the absence of 2018 data; though the trend could be inferred using the 2017 data, if available. In most instances, the outcomes have improved though mostly short of the target.

*Table 13.1 Accomplishments versus Targets in Reaching for the Demographic Dividend*

INDICATOR	BASELINE		ANNUAL PLAN TARGET			2018 (ACTUAL)
	YEAR	VALUE	2018	2019	2020	
Accelerate demographic transition						
Crude death rate reduced (per 1,000 population)	2014	6.0	N/A	N/A	N/A	6.0 (Latest available data, 2016)
Total fertility rate reduced	2013	3.0	None	None	2.1	2.7 (Latest available data, 2017)
Adolescent birth rate (aged 15-19 years) decreased (number of births per 1,000 women in that age group)	2013	57.1	None	47	None	47.0 (Latest available data, 2017)
Modern contraceptive prevalence rate (%) increased	2013	37.6	None	None	None	40.4 (Latest available data, 2017)

INDICATOR	BASELINE		ANNUAL PLAN TARGET			2018 (ACTUAL)
	YEAR	VALUE	2018	2019	2020	
Maximize gains from the demographic dividend						
Maternal mortality ratio decreased (number of deaths per 100,000 live births) (See Chapter 10)	2011	221 (FHS)	None	100	None	Not available
Under-5 mortality rate decreased (number of deaths per 1,000 live births) (See Chapter 10)	2013	31.0	None	25	None	27.0 (Latest available data, 2017)
Prevalence of stunting among children under 5 decreased (%) (See Chapter 10)	2015	33.4	None	26.7	None	N/A
Mean years of schooling	2014	8.9	N/A	N/A	N/A	9.3 (Latest available data, 2017)
Percentage of youth Not in Education, Employment or Training (NEET) decreased (% cumulative)	2015	22.7	19.5-21.5	18.5-20.5	17.5-19.5	19.9

## Accelerating the demographic transition

**There was a slight increase in the incidence of deaths in the country.** Crude death rate<sup>1</sup> slightly increased from 5.5 per 1,000 population in 2015 to 5.6 in 2016. More deaths occurred among older persons (65 years old and above). Top causes of death are ischemic heart diseases,<sup>2</sup> pneumonia, and assault. Deaths due by ischemic heart disease and pneumonia are predominant among older persons.

**Total fertility and teenage pregnancies slightly declined.** The 2017 National Demographic and Health Survey (NDHS) reported a decline in the total fertility rate from 3.0 births per woman in 2013 to 2.7 in 2017. Fertility is slightly higher in rural areas at 2.9 children per woman compared to urban areas at 2.6 children per woman. Across regions, fertility is highest in Zamboanga Peninsula at 3.6 children per woman and lowest in the National Capital Region at 1.9 births, already below the replacement level<sup>3</sup> of 2.1 births.

Adolescent pregnancy remains an alarming problem in the country. There are pregnant girls as young as nine (9) years and others may already have multiple births before 24 years old. But recent data show that adolescent pregnancies have been decreasing in the past three (3) years. Specifically, live births among women ages 15-19 years old decreased from 205,844 in 2015 to 109,401 in 2017.<sup>4</sup> Meanwhile, the 2017 NDHS also showed a decrease in adolescent birth rate<sup>5</sup> to 47 births from 57 in 2013. While the number of adolescent pregnancies is decreasing, efforts have been exerted to ensure that the situation will further improve. For instance, the Department of Education (DepEd) issued Department Order (DO) No. 31 s. 2018 that provided the “Policy Guidelines on the Implementation of the Comprehensive Sexuality Education” in all public and private

<sup>1</sup> The ratio of the number of deaths occurring within one year to 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 the risk of dying at particular ages. (PSA Board Resolution No 01, Series of 2017 – 122)

<sup>2</sup> Ischemic means that an organ (e.g., the heart) is not getting enough blood and oxygen. Ischemic heart disease, also called coronary heart disease (CHD) or coronary artery disease, is the term given to heart problems caused by narrowed heart (coronary) arteries that supply blood to the heart muscle. Retrieved from <https://www.ncbi.nlm.nih.gov/books/NBK209964/>

<sup>3</sup> This value represents the average number of children a woman would need to have to reproduce herself by bearing a daughter who survives to childbearing age. If replacement level fertility is sustained over a sufficiently long period, each generation will exactly replace itself without any need for the country to balance the population by international migration. (WHO, Retrieved from [http://www.searo.who.int/entity/health\\_situation\\_trends/data/chi/TFR/en/](http://www.searo.who.int/entity/health_situation_trends/data/chi/TFR/en/))

<sup>4</sup> Civil Registration and Vital Statistics

<sup>5</sup> The number of births to women ages 15–19 per 1,000 women in that age group per year (WHO 2010). This is a subset of Age Specific Fertility Rates. Retrieved from [https://www.measurevaluation.org/prh/rh\\_indicators/womens-health/arh/adolescent-birth-rate](https://www.measurevaluation.org/prh/rh_indicators/womens-health/arh/adolescent-birth-rate)

schools.<sup>6</sup> The basic education curriculum needs to be aligned with the comprehensive sexuality education standards introduced under DO No. 31. Teachers also need to be trained on the implementation of the new curriculum, which is expected to be rolled-out by the next school year (June 2019).

**The increase in the use of modern contraceptive methods led to the decline of unmet need for modern family planning from 17.5 percent of women in reproductive age (15-49 years old) in 2013 to 16.7 percent in 2017.** However, this is still far from the target set in Executive Order (EO) No. 12, s. 2017 on achieving zero unmet need for modern family planning by 2022 especially among the poor.

The proportion of women of reproductive age using modern contraceptives increased to 40.4 percent in 2017 from 37.6 percent in 2013. The most common method used was the pill (20.9%), while female sterilization (7.4%), and injectables (5.0%) recorded fair levels of use. It was also observed that the use of modern contraception is higher in rural areas at 42.2 percent compared to 38.1 percent in urban areas. The higher contraceptive rate among rural areas may be partly attributed to the higher coverage of the *Pantawid Pamilya* Program in these areas.<sup>7</sup> Part of the conditionality for availing of program benefits is attendance to Family Development Sessions (FDS) that integrate modules on responsible parenthood and family planning.<sup>8</sup> The households' attitudes and practices toward reproductive health may have been influenced by the FDS that were attended by *Pantawid* grantees (Bautista and Yap, 2017).<sup>9</sup> Results of a study show that the program encourages women to try modern family planning methods at least once but there is no evidence of sustained use of these methods.

## Maximizing the gains from the demographic dividend

**The quality of human capital in terms of health and education improved, but may be threatened.** Among health outcomes, maternal and under-five mortalities decreased. Maternal mortality ratio decreased from 98.6 deaths per 100,000 livebirths in 2015 to 85.7 deaths in 2016.<sup>10</sup> Similarly, under-five deaths has decreased in the past years from 31 deaths per 1,000 livebirths in 2013 to 27 deaths in 2017.<sup>11</sup>

For education outcomes, reports show that Filipino students spent more years in schools or training in 2017 (9.3) than in 2014 (8.9) (Human Development Report). However, future quality of human capital may be threatened as stunting among children is high, which, may increase the risk of nutrition-related chronic diseases such as diabetes and hypertension, and diminish mental ability and learning capacity.<sup>12</sup> Moreover, immunization coverage among children under-five years old decreased from 2016 to 2017. This may increase the risk of disease among the age cohort and result to a rise in infant and under-five mortalities. (Refer to Chapter 10)

**Proportion of idle youth decreased.** Youth not in education or employment (NEE) decreased from 21.7 percent in 2017 to 19.9 percent in 2018.<sup>13</sup> (Refer to Chapter 10)

<sup>6</sup> The policy applies to all elementary, junior, and senior high school learners and students; and those that are under the special education and alternative learning systems and laboratory schools of State and Local Universities and Colleges. It is also integrated in the Indigenous Learning System and Madrasah Education Program.

<sup>7</sup> As of last quarter of 2018, 2.8M rural households enrolled in the *Pantawid Pamilya* Program compared to 1.09M in urban areas.

<sup>8</sup> Centered on the four (4) topics of (a) Starting and Building a Family; (b) Safe Motherhood; (c) Infant and Child Care; and (d) Early Childhood Care and Development

<sup>9</sup> Ginson-Bautista, Maria Cristina Ginson-Bautista, and Maria Eufemia Yap (2017) "A Study on the Enabling Factors and Challenges in the Utilisation of Maternal Health Care and Family Planning Services of *Pantawid Pamilya* Beneficiaries".

<sup>10</sup> Philippine Statistics Authority. (2018). Civil Registry and Vital Statistics. Please note that data may be understated as death registration in the country is not 100 percent.

<sup>11</sup> These mortality rates cover a three-year period, 2017 rates cover 2013 to 2016.

<sup>12</sup> UNICEF, Retrieved from <http://unicef.in/Whatwedo/10/Stunting>

<sup>13</sup> Preliminary data as of October 2018

**The incidence of savings increased.** Almost half (48%) of the total adult population had savings as of 2017.<sup>14</sup> This is higher than the recorded 43 percent in 2015. This was accompanied by an increase in the use of microfinance non-government organizations, group savings and savings at home. The incidence of savings are significantly higher among: a) higher income levels; b) residents of Metro Manila; c) married; d) college graduates; e) working; and d) females.<sup>15</sup>

**The National Plan of Action for Reaching the Demographic Dividend was finalized in 2018 and will be disseminated in 2019.** The Plan highlights specific strategies and interventions to fast-track the country's demographic transition. The Commission on Population (POPCOM) also conducted four (4) regional consultations to identify priority strategies to fast-track the country's demographic transition.

**New migration data collection mechanisms to be used in development planning and programming were implemented.** The Philippine Statistics Authority (PSA) conducted the first National Migration Survey to generate baseline data on internal and international migration.<sup>16</sup> Data is currently being processed and will be publicly disseminated by May 2019.

In addition, POPCOM, through their Local Internal Migration System, gathered data and information on population movement at the barangay level in 30 municipalities and cities. Local chief executives and planners were trained on the collection of data and conduct of censuses that may serve as inputs to policy and program formulation.

**Integration of population and development in national planning and programming was strengthened.** EO No. 71, s. 2018 reverted POPCOM's attachment to the NEDA. This transfer will allow for stronger development and implementation of population-related plans, policies, and programs in pursuit of socioeconomic development reforms and programs.

## Moving Forward

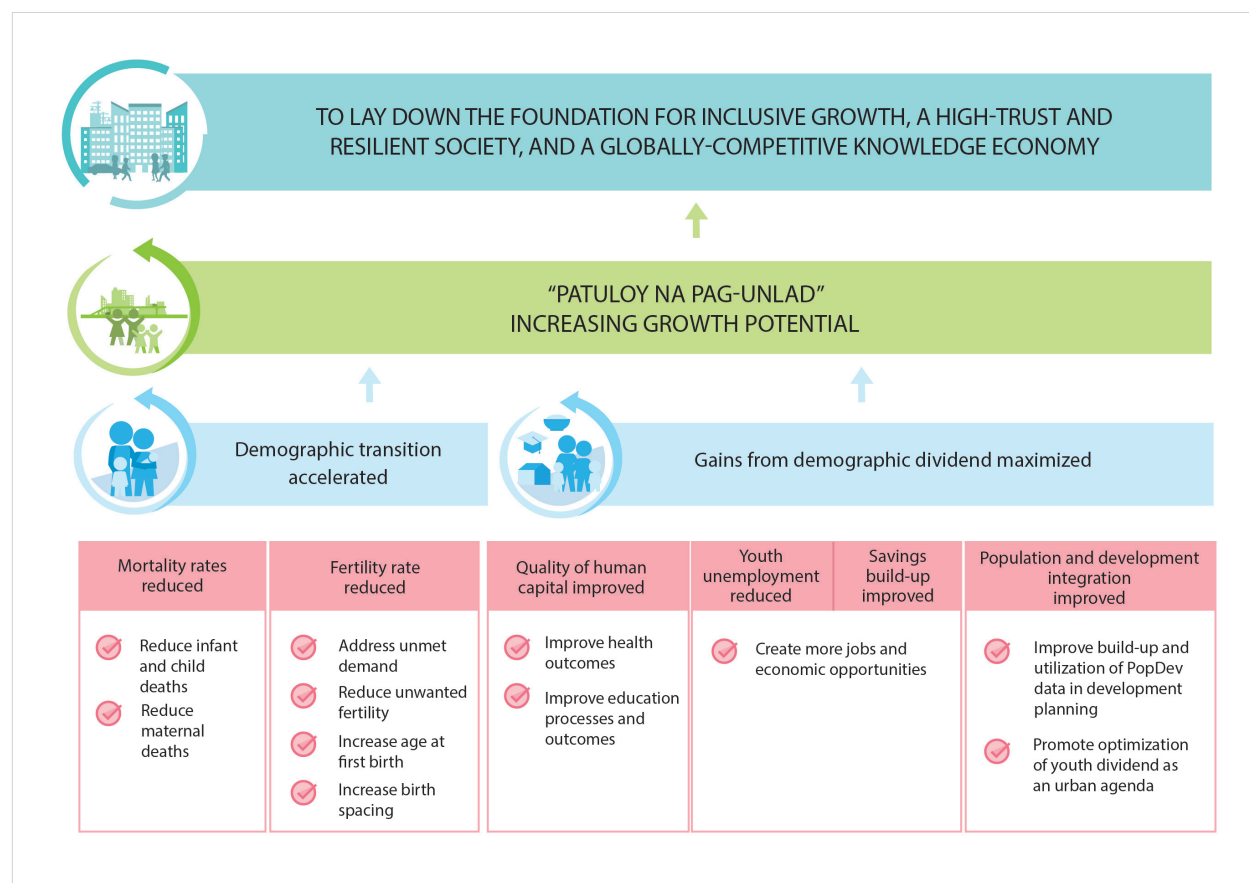
Steady, albeit small, gains have been achieved in reaching for the country's demographic dividend. To sustain these, efforts in implementing existing policies and programs need to be appreciably strengthened. These include the intensified implementation of the RPRH Law, particularly the National Population and Family Planning Program, and strategies for improved health and education outcomes, such as increased capacity and employment of the youth. These initiatives are needed to fast-track the transition towards the demographic dividend.

<sup>14</sup> Based on the 2017 Financial Inclusion Survey of the Bangko Sentral ng Pilipinas.

<sup>15</sup> 75 percent for adults in Classes ABC, 56 percent are married, 56 percent are working, and 55 are females

<sup>16</sup> Its specific objectives include: (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)

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



## To accelerate demographic transition

**Institute a comprehensive Adolescent Sexual and Reproductive Health (ASRH) Program and fast-track the implementation of the comprehensive sexuality education in schools to ensure continued decline in teenage pregnancies and unmet need for modern family planning.** An initial review<sup>17</sup> of the ASRH component of the RPRH Law found that even though there are ongoing inter-agency collaborations that implement ASRH programs, these can still get lost in broader strategies that govern wider themes (e.g., education, health, health rights, gender, participation, the right to information). Hence, increasing coherence and collaboration among agencies and other development partners that implement ASRH programs is needed.

<sup>17</sup> Review made by the Philippine Legislators' Committee on Population and Development Foundation, Inc, a non-stock, non-profit foundation dedicated to the formulation of viable public policies requiring legislation on population management and socioeconomic development.

**Strengthen RPRH Regional Implementation Teams and improve reproductive health service delivery, especially at the local level.** There are still gaps in the implementation of the RPRH Law and other related policies and guidelines, especially at the local level as a result of: a) varying interpretations that may lead to inconsistent and uneven implementation; b) lack of capacity of service providers both in the public and private sector; c) lack of community mobilization and education; d) mismanagement in the procurement and distribution of family planning commodities; and e) limited reach to special population groups such as persons with disability.<sup>18</sup> To address these, it is necessary for the Department of Health to extend assistance to local government units (LGUs) in implementing the law; and establish and operationalize family planning Service Delivery Networks at the local level. These may include providing incentive mechanisms and technical assistance to LGUs, particularly in areas with high unmet need for family planning.

The RPRH National Implementation Team should also provide guidance to the Regional Implementation Teams to ensure coordination of actions among regional agencies and monitoring of the implementation of the law across regions.

## To maximize gains from demographic dividend

**Strengthen health promotion campaign on immunization programs and strictly implement nutrition-related programs.** Educating the public on the importance of vaccines through various media is necessary to correct misconceptions and overcome public confusion and fear, especially among parents. Moreover, strategies to address malnutrition should include: a) strengthening school health and nutrition programs; b) improving targeting, coordination, management, and local mobilization of nutrition-related programs; and c) enhancing and streamlining the system for planning, and monitoring and evaluation of the Philippine Plan of Action for Nutrition 2017-2022, including a system for tracking services in the first 1,000 days of a child's life and monitoring of physical and financial commitments of sectors and LGUs, among others. *(Refer to Chapter 10)*

**Develop a comprehensive policy framework to address high youth unemployment rate and modest improvement in youth NEE.** To sustain the decrease in youth NEE, existing programs and interventions need to be reviewed and intensified. *(Refer to Chapter 10)*

**Promote knowledge on the demographic dividend especially among local chief executives.** Recent regional consultations revealed that there is still low level of understanding and appreciation of the demographic dividend among regional planners, especially among local chief executives. POPCOM should take the lead in intensifying the dissemination of demographic concepts and promote LGU appreciation of its significance in attaining development at the national and local levels. A roadmap should also be crafted and technical assistance should be provided for the LGUs to fast-track their demographic transition.

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<sup>18</sup> Findings from the National Brainstorming Workshop on Strategic Action for Key Family Planning Players held last January 2018 from the RPRH Law NIT 60th Regular Meeting Minutes.

14

Vigorously  
Advancing  
Science,  
Technology,  
and Innovation





# VIGOROUSLY ADVANCING SCIENCE, TECHNOLOGY, AND INNOVATION

Advancing science, technology and innovation (STI) will significantly raise the productivity of Filipinos, create quality and better-paying jobs, aid the country to become globally competitive, and foster long-run inclusive development. To this end, ample and vigorous support will be required from the government and the private sector, along with the active cooperation of universities and academe in general. This should result in the establishment of an STI ecosystem that will be self-sustaining.

While some gains have been achieved in this direction, more reforms are required to link the STI sector to various economic development efforts. Meanwhile, there remains a great need for government and the private sector to invest in students to pursue advanced degrees in science, technology, engineering, and mathematics (STEM) towards building a dynamic STI ecosystem. This will have to be a long-term undertaking for the country to be in step with the developments under the Fourth Industrial Revolution (Industry 4.0).

## Assessment

The country's performance in achieving the desired outcomes for the STI sector has remained modest. Latest available data indicate that only five (5) out of 10 targets with available data have been surpassed.<sup>1</sup> These are the numbers of Filipino utility models and industrial designs registered; innovation hubs; science, technology, engineering, and mathematics (STEM) enrollees in higher education institutions (HEIs); and STI-related international cooperation of HEIs. On the other hand, the targets that were not met are the number of Filipino patents granted, Global Innovation Index (GII) - Investment percentile rank, GII - Knowledge and Technology Outputs (KTO) percentile rank, and the number of *Balik* Scientists engaged.

**Table 14.1 Accomplishments versus Targets in Advancing Science, Technology, and Innovation**

INDICATOR	BASELINE*		ANNUAL PLAN TARGETS				ACTUAL
	YEAR	VALUE	2017	2018	2019	2020	2018
<b>Sector Outcome 1: Technology adoption promoted and accelerated</b>							
<b>Subsector Outcome: STI utilization in agriculture, industry and services sectors increased</b>							
Number of Filipino patents granted increased (incremental)	2016	31	33	34	36	38	29
Number of Filipino utility models registered increased (incremental)	2016	555	594	635	680	727	1,044
Number of Filipino industrial designs registered increased (incremental)	2016	516	542	569	597	627	962
<b>Subsector Outcome: Investments in STI-based start-ups, enterprises, and spin-offs increased</b>							
Global Innovation Index (GII) – Investment Index percentile rank improved	2016	17	18	19	20	22	6

<sup>1</sup> Only 10 out of 26 indicators for Chapter 14 Results Matrices (RMs) have available data.

INDICATOR	BASELINE <sup>a</sup>		ANNUAL PLAN TARGETS				ACTUAL
	YEAR	VALUE	2017	2018	2019	2020	2018
Number of technology business incubators (TBIs) graduates increased (i.e. enterprises and spin-offs)	2016	41	TBD	TBD	TBD	TBD	82
Number of innovation hubs increased (e.g. TBIs, innovation centers, niche centers, etc.) (incremental)	2016	23	33	43	53	63	45
<b>Sector Outcome 2: Innovation Stimulated</b>							
<b>Subsector Outcome: Creative capacity for knowledge and technology generation, acquisition, and adoptions enhanced</b>							
GII – Knowledge and Technology Outputs percentile rank improved	2016	66	Top 34%	Top 34%	Top 33%	Top 33%	Top 40% (60)
Research and development expenditure as a proportion of GDP increased (in percent, incremental) <sup>b</sup>	2015	0.14	0.20	0.25	0.30	0.35	
Number of researchers, scientists, and engineers (RSEs) per million population increased (cumulative) <sup>b</sup>	2015	190	275	280	285	290	
Number of STEM enrollees in higher education institutes (HEIs) increased (in million, incremental) <sup>c</sup>	AY 2015/2016	1.29	1	0.94	1.09	1.25	1.02 (AY 2017/2018)
Number of Balik Scientists engaged increased (incremental)	2016	26	39	41	44	46	28
<b>Subsector Outcome: Open collaboration among actors in the STI ecosystem strengthened</b>							
World Economic Forum (WEF) University-Industry Collaboration percentile rank improved	2016	52.5	Top 50%	Top 50%	Top 50%	Top 49%	N.A.
Number of STI-related international cooperation agreements of HEIs increased (incremental)	2015	40	50	60	70	80	78

**Notes:**

a/ Actual data as of December 2015, or latest available data. May not necessarily be year-end values.

b/ The PSA and DOST are requested to produce this data annually instead of every two (2) years. Data from 2016 to 2022 may be needed to better monitor the indicator.

c/ The implementation of K-12 has resulted in the decline of freshmen higher education enrollment in 2016 and is seen to continue in 2017. In anticipation of this, the 2017 target was lowered than the actual number of STEM enrollees in 2016. On the other hand, the first batch of the K-12 enrollees will start to increase in 2018.

## Promoting and accelerating technology adoption

**STI-related investments remained low. However, more innovation hubs were established and the number of technology business incubators (TBIs) graduates grew.** The country's percentile ranking in the GII – Investment Index declined to six (6) in 2018 from 12 in 2017. This is primarily driven by the lower country score and ranking in the sub-indicator on protecting minority investors.<sup>2</sup> The country also continued to underinvest in research and development (R&D). Latest available data reveal that the Philippines' overall R&D expenditure<sup>3</sup> remained at 0.14 percent of gross domestic product (GDP) in 2015,<sup>4</sup> reflecting low public and private sector R&D expenditure relative to its ASEAN peers. This can also be gleaned from the WEF Readiness for the Future of Production Report 2018.<sup>5</sup>

<sup>2</sup> The country score on sub-indicator "protecting minority investors" dropped from 41.7 in 2017 to 40.0 in 2018. This indicator measures the strength of minority shareholder protections against misuse of corporate assets by directors for their personal gain as well as shareholder rights, governance safeguards, and corporate transparency requirements that reduce the risk of abuse.

<sup>3</sup> As defined by the Organisation for Economic Co-operation Development, gross domestic spending on R&D is defined as the total expenditure (current and capital) on R&D carried out by all resident companies, research institutes, university and government laboratories, etc., in a country.

<sup>4</sup> Latest available data based on the preliminary estimates of the DOST - Planning and Evaluation Service, as of January 2019.

<sup>5</sup> In terms of R&D expenditure as a percentage of GDP, the front runners are Korea (4.3%), Japan (3.6%), Israel (2.2%), China (2.1%), and Singapore (2.2%). Our neighbors Thailand (0.5%) and Vietnam (0.2%) also invest more in R&D compared to the Philippines.

To improve public sector R&D investment, the government supported efforts to augment R&D activities in the country through the Niche Centers in the Regions for R&D (NICER)<sup>6</sup> and R&D Leadership (RDLead)<sup>7</sup> Programs. In addition, the government has also instituted 45 new innovation hubs throughout the country in 2018, exceeding the target of 43 for the year. These innovation hubs offer support structures to STI-based start-ups, enterprises, and spin-offs by providing facilities, services, and opportunities to collaborate with other tech start-ups. Moreover, there were 82 TBI graduates in 2018, higher than the 56 graduates in the previous year.

**The country did well in improving existing technologies, but lagged in creating new ones.** In 2018, there were 1,044 new utility models and 962 new industrial designs registered, exceeding well the targets of 635 and 569, respectively. Meanwhile, patents granted increased to 29, higher than the 19 patents recorded in 2017, but lower than the 34 patents targeted in 2018.

As support to the creation of relevant technologies in the country, the government strengthened the implementation of programs that assist individuals and enterprises in obtaining intellectual properties, among others, to help commercialize technologies (e.g., Technology for Innovation and Commercialization,<sup>8</sup> Mind to Market,<sup>9</sup> and Intellectual Property Hubs and Spokes<sup>10</sup>).

## Stimulating Innovation

**Collaboration among STI actors improved.** The University – Industry Collaboration percentile rank of the country in the Global Innovation Index Report remained at the top 48 percent in 2018, higher than the target of top 50 percent. There were 78 STI-related international cooperation of HEIs as of November 2018, which is 30 percent higher than the year's target.

**Philippine ranking in the GII – Knowledge and Technology Outputs (KTO) Index dropped and less “*balik* scientists” were engaged.** The country's rank in the GII – KTO Index dropped to top 40 percent in 2018 from top 34 percent in 2017. This is due to the lower country scores and rankings in the two pillars – knowledge impact<sup>11</sup> and knowledge diffusion,<sup>12</sup> which were more specifically pulled down by the sub-indicators on labor productivity, computer software spending, and foreign direct investment (FDI) net outflows. As of November 2018, the government engaged 28 “*balik* scientists” which is 31.7 percent less than the 2018 target. However, the enhanced benefits and incentives under the *Balik Scientist Act* is expected to engage more “*balik* scientists” in the ensuing years.<sup>13</sup>

<sup>6</sup> Capacitates 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.

<sup>7</sup> Engages experts with strong leadership, management, and innovative policy-making proficiency to strengthen research capabilities of HEIs and RDIs.

<sup>8</sup> TECHNICOM provides development support to interested proponents with commercially-viable projects. Through financial and technical assistance, the program aims to fast track the transfer and commercialization of research results. Retrieved from <http://tapi.dost.gov.ph/programs-and-services>

<sup>9</sup> Mind-to-Market is a program of the Intellectual Property Office of the Philippines that assists universities in connecting with businesses for commercialization of their intellectual properties. Retrieved from <https://www.ipophil.gov.ph/releases/archive-2016/486-ipophil-supports-hei-s-innovation-through-ip-protection>.

<sup>10</sup> The Intellectual Property Hub and Spokes system will also be promoted to provide intellectual property infrastructure, enable linkages, and facilitate transactions among partners.

<sup>11</sup> Under the knowledge impact pillar, the country registered lower scores and rankings on the sub-indicators labor productivity and computer software spending as a proportion of GDP.

<sup>12</sup> Under the knowledge diffusion pillar, the country's score was pulled down by the sub-indicator FDI net outflows as a percentage of GDP.

<sup>13</sup> The Implementing Rules and Regulations of the *Balik Scientist Act* (RA11035) took effect in October 2018 and provides for enhanced benefits and incentives. While waiting for the IRR, many applicants backed out of the program in 2018 and opted to avail of the better perks in the succeeding years (e.g. accident/travel insurance with PHP3 million coverage, tax exempt daily allowance of USD200, PHP500,000 incentive to be given after the completion of the engagement, PHP40,000 monthly housing or accommodation allowance, PHP5,000 monthly transportation allowance, among others).

**Targeted STEM enrolment was met although lower than 2017 figures.** For Academic Year 2017-2018, the number of STEM enrollees in HEIs reached 1.02 million. Though this is slightly lower than the 1.27 million STEM enrollees in 2017, it is higher than the target of 940,000 enrollees in 2018.<sup>14</sup> To encourage more students to pursue STI courses, the government implemented and intensified its various scholarship<sup>15</sup> programs, including the Department of Science and Technology's (DOST) Human Resource Development Program.<sup>16</sup>

## Moving Forward

Incentives under the *Balik Scientist Act* are expected to help ease the shortage of experts on specialized areas and emerging potential sectors of the economy. The recent initiatives to mobilize linkages among players in the STI ecosystem are also expected to drive its strategic directions and cohesion. On the other hand, the number of registered utility models and industrial designs is likely to remain way above target as areas for expansion remain huge. The demand for TBIs is seen to continuously increase due to the growth of service-oriented microenterprises<sup>17</sup> heavily relying on the use of digital and online platforms, along with active government efforts to raise TBI program awareness. With the stronger concerted efforts to collect STI statistics and the constant need for the public sector to create greater positive externalities, R&D expenditure as a proportion of GDP will likely increase.

Despite these foreseen gains, the need to address the risks and challenges of the STI sector remains crucial for it to fully harness its potential for growth, inclusivity, and long-term sustainability. Hence, the implementation of the following strategies is recommended.

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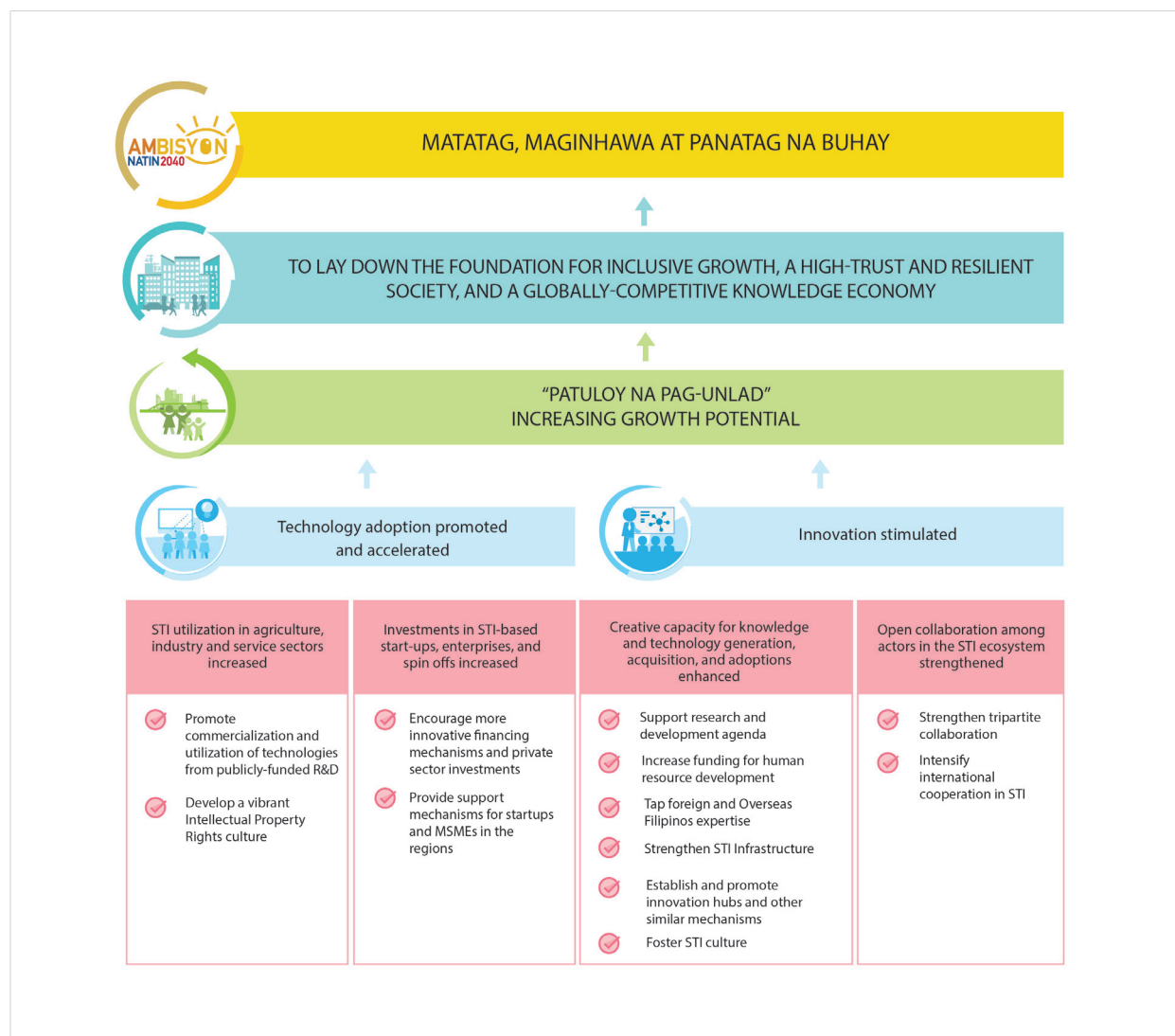
<sup>14</sup> The implementation of K-12 has resulted in the decline of freshmen higher education enrollment in 2017 and 2018.

<sup>15</sup> Includes the Expanded Specialized Science Secondary Education Scholarship, Expanded Undergraduate S&T Scholarships for Inclusive Development, Expanded S&T Graduate (Masters/PhD) Scholarships, etc.

<sup>16</sup> The DOST Human Resource Development Program (HRDP) will cover scholarships and training opportunities in the priority fields identified by the DOST HRDP Committee. It will also include an incentive program for self-financed graduates of Doctorate and Master's degrees.

<sup>17</sup> Various areas of microenterprises in this regard include those in: (a) wholesale and retail trade; (b) food business; (c) online/web-based businesses; (d) graphic design; (e) professional services; (f) transportation; and (g) education services, etc.

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



## To strengthen collaboration among actors in the STI ecosystem

**Enhance collaboration among the players in the STI ecosystem.** Congress has passed the "The Philippine Innovation Act"<sup>18</sup> and is now awaiting the signature of the President. The proposed law shall establish the Innovation Council that will adopt a "whole-of-government approach" (similar to that in Singapore and Malaysia), that will steer the direction of STI development in the country. This will also address the current fragmentation in the governance framework of the STI sector leading to the lack of coherence in the policies, plans, and programs. Moreover, the Collaborative R&D to Leverage Philippine Economy (CRADLE) Program should be intensified to further increase the collaboration between the government and academe.

<sup>18</sup> The bill establishes the National Innovation Council which will develop the country's innovation goals, priorities, and long-term national strategy. Said Council will also formulate a National Innovation Agenda and Strategy Document that establishes the country's vision and long-term goals for innovation and provides a roadmap and the strategies for improving innovation governance through clear-cut delineation and complementation of innovation efforts across agencies, deepening and accelerating innovation efforts, and integrating and fostering public-private partnerships, among others.

The formulation and implementation of the Inclusive Filipinnovation and Entrepreneurship Roadmap<sup>19</sup> which will push for the establishment of Regional Inclusive Innovation Centers, among others, should also be facilitated.

**Boost efforts to produce relevant and up-to-date STI statistics.** To determine the constraints in generating STI statistics and provide recommendations on how to address these constraints, a scoping study is being conducted. The results of the study will feed into the work of the Inter-Agency Committee on STI Statistics, the body that identifies and resolves issues and concerns being encountered by various government agencies in producing STI statistics.

## To enhance capacity for knowledge and technology generation, acquisition, and adoption

**Promote the enhanced benefits and incentives of the “*balik scientists*” under the *Balik Scientist Act* (Republic Act No. 11035).** To help lessen the adverse impacts of the decrease in the number of science and technology (S&T) personnel in the country, the government should strongly promote the enhanced benefits and incentives of the “*balik scientists*” under the *Balik Scientist Act*, particularly in sectors and areas where expertise is lacking.

Additionally, the government will support the passage of the act amending RA 8439, otherwise known as the “Magna Carta for Scientists, Engineers, Researchers and Other Science and Technology Personnel in the Government.” Said bill would: prohibit the government from imposing limits on the amount of additional honoraria from externally funded grants that may be received by S&T personnel; allow non-DOST personnel who are involved in S&T activities to also receive benefits under RA 8439; and authorize the extension of services of scientists who are due for compulsory retirement, among others.

**Accelerate efforts to prepare/respond to the emerging Fourth Industrial Revolution (FIR) landscape.** According to the WEF Readiness for the Future of Production Report 2018, the Philippines is not yet prepared to manage the FIR. This is particularly true in terms of production, where the country has exhibited low level of readiness as manifested in its weak performances in terms of technology and innovation, human capital, and institutional framework, among others.<sup>20</sup>

In response to the emerging FIR landscape, the government should identify the priority frontier technologies<sup>21</sup> and formulate the roadmaps<sup>22</sup> on how to harness these technologies. The changing/updating of the STEM curriculum must be implemented<sup>23</sup> to respond to the needs of the FIR (*refer to Chapter 10 Box Article 10.2 for complete details*).

<sup>19</sup> This roadmap seeks to activate innovation and entrepreneurship as the main levers to reduce, if not completely eliminate, poverty in the country. The roadmap will institutionalize a policy framework and implement innovation-centered strategies and programs through strong government-academe-industry collaboration, to address the challenges and take advantage of market opportunities arising from Industry 4.0 technologies, and serve as an engine for sustainable growth, job creation, and poverty reduction.

<sup>20</sup> As the study defined, “production” involves a broad spectrum of economic activity related to manufacturing products and goods. A full end-to-end appraisal of what it entails reveals the following sequence: Design-Source-Manufacture-Assemble-Distribute-Service-End of use-cycle. On the other hand, “readiness” is generally regarded as the ability to capitalize on future production opportunities, mitigate risks and challenges, and be resilient and agile in responding to unknown future shocks.

<sup>21</sup> There is no universally agreed definition for frontier technology. However, there is a recurring common feature across the different technological advances and that they all “have the potential to disrupt the status quo, alter the way people live and work, rearrange value pools, and lead to entirely new products and services. (Frontier Technologies for Sustainable Development in Asia and the Pacific. 2018. United Nations Economic and Social Commission for Asia and the Pacific). Some examples of frontier technologies are nanotechnology, artificial intelligence, internet-of-things, bioprinting, big data, blockchain, robotics, neurotechnology, synthetic biology and others.

<sup>22</sup> The DOST and the Department of Trade and Industry will lead the formulation of the roadmaps.

<sup>23</sup> The Commission on Higher Education will lead the updating of the curriculum.



Furthermore, the government should support and pursue initiatives to remove restrictions on the practice of profession by foreign experts (e.g., engineers) listed in the Regular Foreign Investment Negative List (*refer to Chapter 9*).

**Increase STI-related human capital investments.** Investing in people is essential in deepening and expanding STI efforts. Thus, the government should sustain its Young Innovators Program (YIP)<sup>24</sup> to complement the STI efforts in the educational system (*refer to Chapter 10 for more details*). Moreover, the country should be able to create and maintain a critical mass of researchers, scientist, and engineers necessary to raise the quality of products and services in the market.

**Advocate the passage of the “National Quality Infrastructure (NQI) Act.”** The government should support the enactment of the bill to develop an NQI system that will integrate and coordinate policies and programs involving standardization, accreditation, and metrology to meet local and international quality requirements for products and services of enterprises. This will promote a culture of quality, innovation, competitiveness, sustainable development, and compliance with international commitments, and also help address the lack of STI ecosystem in the country (*refer to Chapter 9 for complete details*).

## To increase STI utilization in agriculture, industry, and services sectors

Advance and monitor the commercialization and utilization of STI outputs. To increase the STI utilization in the agriculture, industry, and services sectors, the government must actively use the *Negosyo* Centers, entrepreneurial organizations, and state universities and colleges (SUCs) and HEIs offering business/entrepreneurial courses as venues to introduce research outputs of the government and the academe that are ready for adoption.

R&D funding should be prioritized based on the commercial viability and marketability of the R&D outputs of HEIs and government agencies. To improve the academe’s capabilities to commercialize technologies, the establishment of technology licensing offices (TLOs) in SUCs and research and development institutes (RDIs) should be continued. The Intellectual Property Office of the Philippines, in collaboration with the Commission on Higher Education, will undertake awareness programs/campaigns in SUCs on the importance of TLOs.

A good example of technology that will be commercialized and eventually be utilized is the Hybrid Electric Train (HET).<sup>25</sup> The HET is intended to address the heavy traffic congestion in many parts of the country. Moreover, the adoption and widespread commercialization of the HET technology will also provide opportunities for the local manufacturing industry (e.g., manufacturing of train parts).

<sup>24</sup> The YIP provides financing to promising scientists and engineers and innovation-oriented researchers leading to quality research paper, publication, or product/invention. It will attract young and talented researchers to continuously invigorate the dynamism of the scientific environment.

<sup>25</sup> The HET is the first Philippine-made hybrid train powered by batteries and a generator which makes it environment-friendly. The train, developed by 10 Filipino engineers, has five (5) coaches with a maximum capacity of 880 passengers.

**Increase public awareness on R&D activities.** The government should ensure that access to physical and digital S&T information and research data is available for all. It should also aggressively promote the research areas under the Harmonized National Research and Development Agenda 2017-2022 while ensuring the coherence and clarity of its developmental objectives.

The establishment of the Filipinnovation Portal<sup>26</sup> and the conduct of more STI exhibits and expositions could help increase the appreciation, acceptance, and participation of the general public in R&D and innovation.

## To increase investments in STI-based start-ups, enterprises, and spin-offs

**Create an enabling environment for STI investments.** The government should support the passage of the draft bill institutionalizing the Science for Change Program (S4CP) which is intended to be a game changer for STI investments. The S4CP seeks to establish and expand STI programs along with the accelerated R&D thrusts under NICER and RDLead. It is also expected to ramp up industrial competitiveness through the CRADLE<sup>27</sup> and Business Innovation through S&T (BIST) Programs.<sup>28</sup> Another boost for STI investments will be the passage of the Innovative Start-up Act that will provide operational and monetary support to innovative and tech start-ups. The enactment of the Philippine Space Act is also expected to increase investments given the extensive application of space technologies on agribusiness, environmental conservation, national security, urban planning, transportation and communication, and disaster management.

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<sup>26</sup> The preparation of the Innovation Portal is being supported by the Global Innovation Policy Accelerator. The Global Policy Accelerator Program is funded through the United Kingdom government's Newton Fund and delivers executive development to national cohorts of senior policymakers from the main innovation institutions, while strengthening the implementation capabilities of their teams. (Source: <https://www.nesta.org.uk/project/global-innovation-policy-accelerator/>)

<sup>27</sup> Under the CRADLE Program, the private sector industry will identify the problem; and the HEI or RDI will undertake the research and development. CRADLE funding will only be given to HEIs or RDIs.

<sup>28</sup> The BIST aims to facilitate the acquisition of strategic and relevant technologies by Filipino companies for immediate incorporation in their R&D activities. This program will contribute to the technology development value chain as it provides the means for the industry to undertake R&D and acquire advanced technology for global competitiveness.



15

Ensuring Sound  
Macroeconomic  
Policy



# ENSURING SOUND MACROECONOMIC POLICY

Despite the slowdown in the Philippine economy's growth in 2018, it sustained above 6.0 percent growth for the seventh consecutive year. Such growth was made possible by robust government spending, supported by improved revenue performance in the first year of the Tax Reform for Acceleration and Inclusion (TRAIN) implementation.

Prompt and effective monetary policy decisions helped anchor inflation expectations, while non-monetary measures helped ease upward pressures on prices. Significant financial inclusion initiatives were also undertaken to further reach the underbanked.

The passage of the New Central Bank Act will strengthen the Bangko Sentral ng Pilipinas (BSP) to keep prices stable and the Philippines' financial system robust amidst a fast-evolving market.

However, much remains to be done to sustain growth momentum and ensure inclusivity. Various domestic and external factors exert pressure on the country's fiscal position, not to mention funding requirements of measures pushed under the Philippine Development Plan (PDP), hence the need to achieve revenue targets. Players in the financial sector must adapt to the rapid technological advancements that change the way of doing business to remain competitive, while financial authorities need to strike a balance between encouraging innovation and ensuring financial stability.

## Assessment

INDICATOR	BASELINE		TARGET			ACTUAL 2018 (Full year, otherwise indicated)
	YEAR	VALUE	2018	2019	2020	
Sector Outcome: Stable, sound, and supportive macroeconomic environment achieved						
Subsector Outcome 1: Responsible, strategic and supportive fiscal sector achieved						
Government revenue-to-GDP ratio improved (%) <sup>e</sup>	2016	15.2	16.6	16.9	17.0	16.4
Tax revenue to GDP ratio improved (%) <sup>e</sup>	2016	13.7	15.7	16.1	16.2	14.7
Primary expenditure to GDP ratio improved (%) <sup>e</sup>	2016	15.5	17.7	18.0	18.1	17.6
Percentage share of interest payments in the total disbursements declined (%) <sup>e</sup>	2016	11.9	10.1	10.0	9.7	10.2
Ratio of discretionary spending to total budget increased (%) <sup>f</sup>	2016	42.7	47.5	48.1	48.6	49.1 (as of Sept)
NG fiscal deficit to GDP ratio maintained (%) <sup>e</sup>	2016	2.4	3.0	3.0	3.0	3.2
Percentage share of Outstanding NG debt stock to GDP reduced (%) <sup>e</sup>	2016	42.1	38.9	37.4	36.8	41.9
Manageable consolidated public sector balance as a share of GDP maintained (%)	2016	-0.1	-0.9	-0.8	-1	1.2 (as of Sept)

INDICATOR	BASELINE		TARGET			ACTUAL 2018 (Full year, otherwise indicated)
	YEAR	VALUE	2018	2019	2020	
Investment grade credit rating improved	2016 <sup>a</sup>	Moody's: Baa2/Stable Fitch: BBB-/Positive S&P: BBB/A-2/Stable	At least Stable/Positive	At least Stable/Positive	At least Stable/Positive	Stable (as of June)/Positive (as of June)
Ratio of local source of LGU income to total current operating income increased (%)	2016	33.0	34.4	35.2	36.2	35.7 (as of Sept)
Subsector Outcome 1.2 Resilient and inclusive monetary and financial sector achieved						
Low and stable inflation rate achieved (%) <sup>a</sup>	2016	1.3 (2012=100)	2.00 - 4.00	2.00 - 4.00	2.00 - 4.00	5.20
Growth of financial system's total assets increased (%) <sup>b</sup>	2016	11.3	>10.0	>10.0	>10.0	8.9 (as of November)
Gross National Savings to GNI Ratio sustained (%)	2016	30.0	>30.0	>30.0	>30.0	not yet available
Number of deposit accounts maintained above 50 million (cumulative)	2016	53.3	>50	>50	>50	59.6 (as of June)
Annual value of microfinance services delivery maintained above PHP10 billion (PHP billion) <sup>c</sup>	2016	13.7	>10	>10.0	>10.0	18.5 (as of June)
Number of access points per 10,000 adults increased (cumulative) <sup>d</sup>	2016	10.1	>10	>10	>10	13.7 (as of Sept)
Remittance costs as a proportion of the amount remitted reduced (%) <sup>e</sup>	2016 (as of Q4)	4.7	<5.0	<4.5	<4.0	4.5 (as of Q4)
Percentage of adults with formal account (as a share to total adult population)	2015	22.0	>22	>22	>22	22.6 (2017)
Microinsurance penetration or density expanded (as % of total population, cumulative)	2016	30	32.0	33.0	34.0	36.1 (as of Sept)
Subsector Outcome 3: Strategic external trade policy regime achieved						
Exports of goods increased (US\$ billion, cumulative) <sup>f</sup>	2016	43.4	47.8-48.8	51.2-52.7	54.8-56.9	51.7
Exports of services increased (US\$ billion, cumulative) <sup>f</sup>	2016	31.3	38.3-39.0	42.6-43.7	47.2-49.0	37.5
Sustainable current account balance to GDP ratio achieved <sup>g</sup>	2016	-0.4	0.02	0.01	0.01	-2.4

<sup>a</sup> Headline inflation targets are only until 2020. Figures for 2021 and 2022 are inflation assumptions.

<sup>b</sup> The Philippine Financial System is composed largely of the banking system which includes universal and commercial banks, thrift banks, rural banks, and cooperative banks. In addition, the country's financial system accounts for Non-Bank Financial Institutions with Quasi-Banking Functions and non-stock savings and loan associations. This indicator excludes assets of the Bangko Sentral ng Pilipinas but includes the total assets of all BSP-supervised financial institutions including those under special laws such as pawnshops, non-stock savings, and loan association. This also includes the asset of private and government insurance companies i.e., Social Security System (SSS) and Government Service Insurance System (GSIS) (Source: Bangko Sentral ng Pilipinas).

<sup>c</sup> Data refer to microfinance services delivery by the banking sector. Data from the cooperative and microfinance non-government organization sectors are not yet included. No numerical target but value should be increasing over time.

<sup>d</sup> This includes deposit accounts and e-money accounts. There is no numerical target but the ratio should be increasing over time. The BSP will monitor improvements based on results of a biennial demand-side survey.

<sup>e</sup> Proxy indicator: cost (in %) of sending USD 200 from the United States to the Philippines

<sup>f</sup> Baseline figures for goods and services exports are based on BOP (BPM6) data. Figures for 2017-2022 were estimated based on annualized 2016 BPM6 levels and latest DBCC assumptions on growth rates for exports of goods and services approved on December 20, 2016.

<sup>g</sup> Targets were based on the medium-term projections as approved by the Monetary Board on December 23, 2016

## Fiscal

**Tax revenues improved but remained below target.** Tax effort improved in 2018 to 14.7 percent of the gross domestic product (GDP) from 14.2 percent in 2017. However, this fell short of the 15.7 percent target in 2018. This was partly because the TRAIN Law enacted in 2017 had a lower expected revenue yield than the original version proposed by the executive branch. This may be due to the delay in the implementation of some administrative measures, notably fuel marking and the Electronic Receipt and Invoicing System (ERIS). The boost from the better-than-expected non-tax revenues, mainly driven by privatization, was not able to fully offset the shortfall in tax revenues. Consequently, the total revenue effort of 16.4 percent, while higher than the 15.6 percent effort in 2017, remained lower than the target of 16.6 percent. There was also no significant improvement in the revenue self-reliance of local government units (LGU).

**National government (NG) spending accelerated as “Build, Build, Build” gains traction.** Primary spending improved to 17.6 percent of GDP in 2018, significantly higher than the 15.9 percent recorded in 2017. However, it marginally missed the target of 17.7 percent of GDP for 2018. Spending on infrastructure and other capital outlay was up by 41.3 percent in 2018, a significant improvement from the 15.4 percent year-on-year growth in 2017. Given the revenue shortfall and despite the decline in the share of interest payments to total disbursements to 10.2 percent, the budget deficit exceeded the target of 3.0 percent of GDP by 0.2 percentage points.

**NG debt remained sustainable despite increased borrowing.** With a larger deficit and higher interest rates, the financing program for 2018 was revised upwards. The NG debt-to-GDP ratio increased to 41.9 percent, higher than the 38.9 percent full-year PDP target for 2018. Most of the additional financing was sourced from international borrowing in anticipation of tighter global financing conditions. Consequently, the share of foreign borrowing in the financing mix increased to 32 percent in 2018.

## Monetary and Financial

**Inflation exceeded the government’s target due to elevated food and oil prices.** Inflation averaged 5.2 percent in 2018, higher than the 2.9 percent recorded in 2017. The uptick was driven by elevated prices of food, mainly rice, fish, meat, and vegetables, along with oil and other energy-related commodities during the review period. To rein in inflation expectations and to forestall supply-side price pressures from the second-round effects, the Bangko Sentral ng Pilipinas raised its policy rates five times in 2018 with a cumulative increase of 175 basis points. The government likewise issued Administrative Order No. 13 to ease administrative rules affecting food imports. In late 2018, the Congress passed the Rice Tariffication Bill, removing the quantitative restrictions on rice imports and abolishing the rice import monopoly of the National Food Authority. This was enacted into law in early 2019.

**More people and enterprises have been gaining access to better and more responsive financial services through financial inclusion initiatives.** The value of microfinance services rose by 32.0 percent to PHP18.5 billion in June 2018, well above the full-year target. As of Q3 2018, both microinsurance penetration as a percentage of total population (36.1%) and the number of access points (13.7 per 10,000 adults) also exceeded targets. The Monetary Board approved the framework for banks to offer Basic Deposit Accounts that feature simplified customer identity requirements and “no minimum maintaining balance,” among others. This will also encourage participation of the unbanked in the digital payment ecosystem. The eventual introduction of a national ID under the recently enacted Philippine ID System (PhilSys) Law will further simplify customer identification and secure electronic fund transfers with the use of unique PhilSys numbers as identifiers. Moreover, the enactment of the Personal Property Security Law will allow the use of non-traditional or movable collaterals such as accounts receivables, inventory, crops, livestock, machinery, and warehouse receipts in accessing credit.

**Key reforms were implemented to further increase the breadth and depth of the capital market.** In the equities market, the increase in Minimum Public Ownership of companies applying for initial public offering<sup>1</sup> will expand current public ownership level of Philippine publicly listed companies. In the bonds market, the Guidelines on the Issuance of Green Bonds under the ASEAN Green Bonds Standards will primarily govern the issuance of these bonds where proceeds will be exclusively applied to finance or refinance eligible Green Projects; while the Rules on the Administration of Government Securities Benchmarks will govern the administration of the Philippine Peso-denominated government securities benchmarks and ensure protection of investors. To facilitate cross-border movement of investment advisers, a Memorandum of Understanding on the ASEAN Capital Markets Forum Pass was signed, allowing licensed professionals to provide advisory services within participating ASEAN jurisdictions, with fast-track registration and no additional licensing requirements. Meanwhile, the Securities and Exchange Commission (SEC) issued the Implementing Rules and Regulations of the Investment Company Act or ICA Rules to align with global standards and practices, as well as enable the investment companies to compete in international cross-border transactions.

In addition to the above reforms, the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange was amended to increase the maximum subscription of local small investors to equity securities from PHP25,000 to PHP100,000, thereby increasing investor base. Further to improving liquidity in the equity market, the guidelines for short selling in the Philippine Stock Exchange was approved.

**Financial system growth remained broadly steady, while reforms to enhance payment systems were introduced.** The growth of the financial system's asset eased to 8.9 percent as of November 2018 amid rising policy rates, but remained broadly in line with the growth of the economy. The total assets of the Philippine Banking system, which comprised more than three-fourths of the total financial resources, contributed heavily to the growth, averaging 11.1 percent from 2014 to 2017. Asset expansion was mainly driven by loans which grew by 15.0 percent as of end-November 2018. On the other hand, the enactment of the National Payments System Law will further empower the BSP to oversee and supervise payment systems, including financial technology (FinTech) companies that provide payment services, to ensure the stability and effectiveness of the monetary and financial system. Moreover, InstaPay, the latest automated clearing house under the National Retail Payment System, was launched to enable real-time, low value (up to PHP50,000) electronic fund transfers.

**The cost of sending overseas Filipinos' remittances fell but fewer overseas Filipino worker (OFW) households channeled remittances to savings and investments.** The BSP redesigned its approach to financial education in 2018 through broadening strategic partnerships with the Overseas Workers Welfare Administration and other agencies to ensure sustainability and reach. As of Q3 2018, the cost of sending remittances as a proportion of the amount remitted fell to 4.2 percent from 5.2 percent in 2017. However, the percentage of OFW households in the Philippines that uses remittances for savings and investments has decreased in the last quarter of 2018 compared to the previous year.<sup>2</sup>

## External Trade

**Exports of goods exceeded the annual target for 2018.** Merchandise exports was 6.0 percent higher than the upper bound target for 2018. The increase was on account of higher exports of fruits and vegetables (7.0%), forest products (48.5%), petroleum products (24.9%), and electronic products (4.5%) which allowed the sector to post higher than expected levels. In terms of markets, exports to the United States and China contributed most to the improvement as exports to these countries grew by 10.1 percent and 10.0 percent, respectively, during the year.

<sup>1</sup> SEC Memorandum Circular No. 12, s. 2018

<sup>2</sup> Based on the BSP's Consumer Expectations Surveys.

**Services exports came close to reaching the 2018 target.** The services sector grew by 7.8 percent from 2017 levels, buoyed by higher export receipts from other business services (6.9%), technical, trade-related and other services (6.5%), besides manufacturing services (16.2%). This, however, slightly fell short of the target for 2018 by USD800 million. The faster pace of the growth of imports in relation to that of exports widened the current account deficit to 2.4 percent of GDP for 2018. This, however, is an improvement from the current account to GDP deficit of 2.7 percent for the first three quarters of 2018.

**The number of exporters supported and export products certified as *Halal* continued to exceed targets.** The number of Department of Trade and Industry (DTI)-assisted technology-enabled and technology-based exporters reached 170 in the first ten months of 2018, exceeding the 2018 target of 150. In the same period, the number of new export products certified as *Halal* was more than double the 2018 target of 100. Likewise, the number of enrollees who were able to export under the Regional Interactive Platform for Philippine Exporters Plus Program reached 170 in the first ten months of 2018, so it is highly likely that the 2018 target of 200 would be reached.

## Moving Forward

### Outlook

#### Fiscal Sector

The fiscal sector remains supportive of the country's growth targets. Additional revenues are expected to come from recently enacted measures, such as the Tax Amnesty Act. Higher revenues are estimated to be generated from TRAIN with the implementation of the second tranche of the excise tax on fuel products and the roll out of fuel marking system.

On the other hand, fiscal pressure could arise from the passage of several reforms and legislative measures that are crucial in attaining the PDP targets. Among these reforms are the Universal Health Care Act and the transition to Bangsamoro Autonomous Region in Muslim Mindanao. In addition, the potentially larger allotment to local governments following the Supreme Court ruling on the Mandanas Case will also require considerable funding.

The delay in the passage of the 2019 budget and election ban on spending may slow down the implementation of some infrastructure projects in the first half of the year. Capacity deficiencies in the operationalization of procurement reforms may also obstruct the execution of projects. Moreover, the shift to cash-based budgeting may pose adjustment difficulties among the implementing agencies.

#### Monetary and Financial

The Philippine financial system is expected to remain robust moving forward, anchored on strong economic growth and stable macroeconomic fundamentals. Headline inflation is expected to further ease in the near term with the declining global oil prices vis-à-vis 2018 and the passage of the Rice Tariffication Act. The Bangko Sentral ng Pilipinas is projecting inflation to settle between the government's target in 2019 and 2020.

Innovations in financial technology will continue to shape the delivery of, and access to, financial services. The recent passage of the New Central Bank Act empowers BSP to adapt to this rapidly changing market landscape, and similarly, empowers the central bank to promote the stability of prices and financial system.

## External Trade

Ongoing trade tensions between the world's major economies may continue to pose downside risks to exports. At the same time, imports are expected to remain robust given the increasing demand for raw materials and capital equipment to support the expanding economy.

Given the risk of a further expansion in the trade deficit, the government must intensify its efforts in promoting and developing Philippine exports through the strategies outlined in the latter portion of this chapter.

## Strategies

Given this outlook, the government will implement strategic activities to leverage available opportunities for the sector and ensure that it continues to support the country's growth and poverty targets.

### Fiscal

**Accelerate revenue-yielding measures.** Tax administration measures such as the ERIS and the fuel marking under TRAIN, as well as the establishment of the tax database as provided under the recently approved Tax Amnesty Bill, need to be implemented swiftly. These will boost confidence in, and support for, the remaining tax reform packages, particularly those that can yield net positive revenue, such as the Motor Vehicle Users Charge under Package 1B, Alcohol and Tobacco Taxation, as well as Mining Taxation under Package 2+, and Property Valuation and Taxation under Package 3.

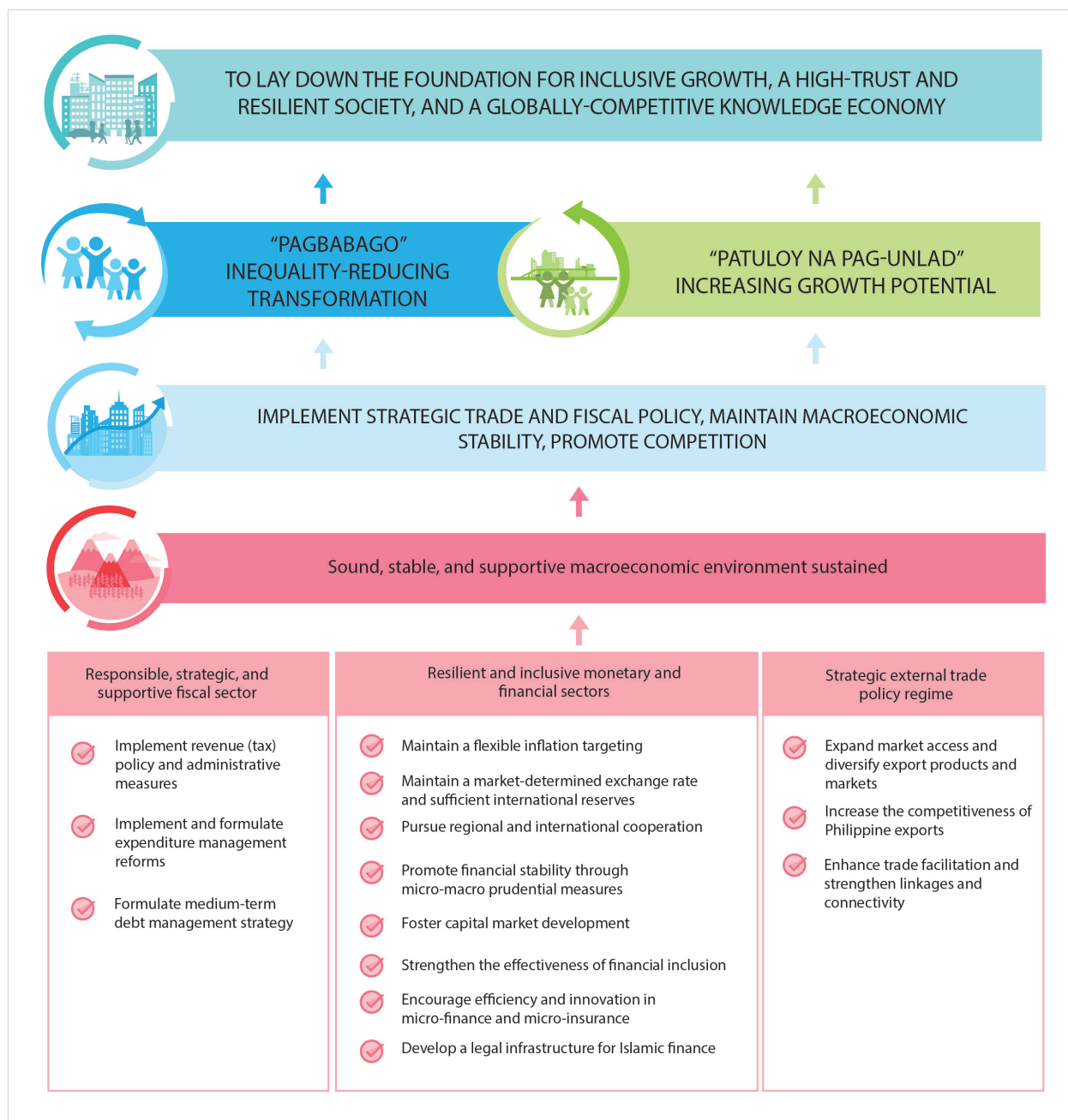
**Enable LGUs to fully carry out devolved functions.** Alongside efforts to mobilize local sources of revenue, enabling LGUs to competently carry out devolved functions as provided under the Local Government Code could ease the pressure on NG fiscal position.

**Assist implementing agencies in adopting budget reforms.** To address difficulties in adjusting to budget reforms, timely dissemination of clear guidelines, complemented by the continuous conduct of Cash Management Advisory Support, is essential. In addition, the Medium-Term Expenditure Plan must be rolled out to further strengthen the linkage between operational planning, costing, and budgeting. This will particularly aid big-spending agencies in expediting flagship projects.

**Pursue strategic financing program.** Normalization of monetary policy in advanced economies will put pressure on interest rates and foreign exchange, leading to higher financing costs. Given these external pressures, the government needs to balance risks and minimize cost by widening its securities investor base and diversifying foreign borrowings by exploring other third currency denominations, among others.



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



## Monetary and Financial

**Speed up measures<sup>3</sup> and initiatives that address weaknesses in the agricultural sector, and continuously undertake operational refinements to monetary policy instruments to maintain price stability.** Facilitating access to modern farming technologies and promoting a shift to high-value crops will be important in stabilizing food supply in the medium term (*refer to Chapter 8*). Continual operational refinements to the Term Deposit Facility, BSP's primary liquidity tool, can better guide short-term market interest rates toward the policy rate that will help achieve low and stable inflation. Maintaining sufficient international reserves can help manage peso volatility, while introducing a code of conduct governing trades in peso can help discourage speculative activities.

**Support regulations that encourage innovation and minimize risks in the financial sector.** The proposed regulatory framework on the use of FinTech applications recognizes new ways of delivering financial services (such as crowdfunding and initial coin offerings) while managing the associated risks. Similarly, the proposed Regulatory Framework for Futures Contract Market will govern how such derivatives are traded in an electronic trading system. The approval of Corporate Governance Code for investment companies and for small and medium enterprises—both of which play a vital role in the financial sector—will ensure that they are properly managed. On the other hand, the Capital Market Development Blueprint that will be crafted for 2019-2022 will further develop the Philippine capital market to match international standards in terms of efficiency and capital-raising capabilities.

**Support legislation aimed at improving financial inclusion and consumer protection.** The overhauling of the Warehouse Receipts Law will improve credit access of farmers as it allows a computerized central registry for receipts, which can be used as collateral. Similarly, the passage of an Islamic Banking Law aims to address, among others, tax and regulatory disparities that hinder the development of Islamic Banking. Meanwhile, the enactment of a Collective Investment Schemes Law will rationalize governance and lay the legal framework for new investment instruments. On the other hand, the passage of a Financial Consumer Protection law will grant financial regulators<sup>4</sup> the power to make and enforce rules to protect consumers of financial products and services.

**Replicate the Overseas Filipino Remittances for Development (OF-RED) model in other LGUs while exploring other investment instruments.** The OF-RED project<sup>5</sup> built up a collective fund for investment in select local development projects. The remittances invested in the fund were also matched by the international partners and the LGUs. In line with this, the Commission on Filipinos Overseas is targeting *BaLinkBayan* LGUs as a site for the replication of the project (*refer to Chapter 5*). At the same time, other saving and investment instruments, such as diaspora bonds, remittance bonds, provident fund, for overseas Filipinos should be explored.

**Expand financial literacy programs for OFWs to include financial planning and management.** With financial instruments that tap into remittances and savings being limited, the potential of earnings from Filipino migrants are not fully maximized despite a large inflow of remittances into the Philippines. In response, the BSP will have a Memorandum of Agreement with the Overseas Workers Welfare Administration<sup>6</sup> to implement the financial literacy campaign branded as “PiTaKa” or *Pinansyal na Talino at Kaalaman* for OFWs and their families. This will use more engaging learning tools and sessions during the pre-departure and post-arrival orientation seminars attended by OFWs. *PiTaKa* will include modules on financial planning and management as well as general orientation sessions for OFW families. The program is set to be launched on February 18, 2019.

<sup>3</sup> As identified in Administrative Order No. 13

<sup>4</sup> Such as Securities and Exchange Commission, Insurance Commission, Cooperative Development Authority, and Bangko Sentral ng Pilipinas.

<sup>5</sup> Launched by the United Nations Development Programme and the Western Union Foundation and implemented by CFO.

<sup>6</sup> As well as the BDO Foundation.

## External Trade

**Intensify alternative trade promotion activities and utilize trade agreements.** Exporters and enterprises must devise more resource-efficient and innovative promotion activities that include setting up highly visible pop-up stores in areas with high foot traffic and harnessing various social media platforms to help the country's export products penetrate more export markets. Furthermore, exporters and importers should be encouraged to utilize free trade agreements (FTAs), such as the European Free Trade Association-Philippines and the upcoming ASEAN-Hong Kong, China FTA in 2019 to enable them to offer more competitive prices to export markets and source raw materials at lower prices. Utilizing FTAs to source basic commodities would also reduce pressure on domestic supply and lower prices in the domestic market.

**Partner with existing e-commerce platforms<sup>7</sup> and establish a uniform system in resolving e-commerce transactions disputes.** Exporters should partner with e-commerce platforms to expand their market overseas, attract buyers, and entice more people to patronize Philippine export products. In line with this, improving cooperation between domestic courier and logistics service providers and foreign counterparts in export markets is a must to ensure seamless conduct of e-commerce transactions. On the other hand, despite the growing interest in e-commerce, the risk of encountering fraudulent transactions remains unchecked due to the lack of a uniform system governing the resolution of disputes. Hence, a uniform system for resolving disputes must be integrated in all e-commerce platforms to promote continued usage of the said technology and ensure consumer satisfaction. (*See Chapter 9 for more details*).

**Strengthen the existing governance structure on negotiations for international trade agreements.** The Philippines' increasing engagement with trade partners brings to light the importance of strengthening the coordination among different inter-agency bodies tasked with formulating and recommending the country's position in international trade agreements. A harmonized approach will ensure a cohesive and consistent national strategic trade policy for existing and future trade agreements, aligning them to the goal of improving the competitiveness of domestic sectors in the international market. This approach shall also incorporate a uniform monitoring and assessment mechanism of the different trade engagements, which will allow the country to gauge gains and challenges arising from trade agreements. Continued capacity building for Philippine negotiators should also be undertaken to ensure the availability and readiness of a continuing pool of negotiators.

**Establish a centralized portal for trade-related information and integrate alternative sources to obtain market trends in the system.** The lack of a centralized source of trade-related information makes it difficult for exporters and enterprises to acquire all relevant data for their transactions. Platform developers must be actively engaged to work towards a centralized portal for sharing trade-related information that would make it easy for exporters and enterprises to fully take advantage of market access opportunities and utilize free trade agreements. The portal should be user-friendly and must include pertinent materials on export products of the Philippines, the producers and their contact details, and, if the products exported to FTA partners are applied preferential rates, how to utilize the applicable FTA. This portal could bring together the Philippine National Trade Repository; Tradeline Philippines; Micro, Small, and Medium Enterprise Marketplace; Bureau of Investments One Window Network; Standards and Conformance Portal of the Bureau of Product Standards, and other sources of information that would aid exporters and enterprises in marketing and selling its products in overseas markets. The DTI can also partner with the Department of Information and Communications Technology to help improve the portal's cybersecurity.

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<sup>7</sup> Such as Alibaba and Shopee.

Additionally, to allow exporters to be attuned to market demands and abreast with the latest trends, alternative sources must be utilized to obtain information on trends and consumer preferences from export markets. Tapping specialized outfits that process market information and prepare insights on export markets and making these available in the portal will assist exporters and enterprises to develop products tailored to the export markets and will further establish the presence of Philippine export products to more export markets.

**Issue an Executive Order (EO) that will connect all trade regulatory government agencies to the TradeNet under the Inter-Agency Business Process Interoperability Project.** To enhance the competitiveness of Philippine export products, the government must address the continuing issue of long processing times and high trading costs through the issuance of an EO that will adopt TradeNet as the National Single Window to facilitate and streamline trade transactions. This will lower the cost of doing business and increase competitiveness of enterprises.

**Upgrade skills to better engage in higher value services and to keep up with frontier technologies such as automation and artificial intelligence.** Data show a decelerating growth trend in the information technology and business process management's revenue in recent years, and the sector estimates an even lower compound annual growth rate in revenue for 2016 to 2022. This decline signals that the sector needs to invest in higher value services to sustain its growth. Sustaining the growth of services exports hinges on developing sectors that generate direct and indirect employment, such as tourism. *(See Chapter 9 for strategies to improve the growth potential of the services sector).*

**Develop more programs that champion innovation and collaboration among the academe, research institutions, private sector, and government agencies to help exporters design and craft new products.** Government needs to assist exporters and enterprises in developing new products that comply with product standards and technical requirements. *(See Chapter 9 for strategies in fostering innovation and complying with product standards).*

**Improve efficiency and competitiveness in the manufacturing sector to entice more investments and reduce vulnerability to fluctuations in international supply.** Adequate infrastructure and policy reforms to lower production costs can maximize the investment potential of the country. These will enable domestic industries to reduce their dependence on imported raw materials and intermediate goods and improve their capacity to supply to the local market. *(See Chapter 9 for more details)*

16

Leveling the  
Playing Field  
through a  
National  
Competition  
Policy



# LEVELING THE PLAYING FIELD THROUGH A NATIONAL COMPETITION POLICY

The recent enactment of the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 is expected to improve the country's business environment towards greater competition. It will also be guided by the National Competition Policy, the country's competition policy framework, which is critical in implementing reforms for inclusive growth.

A number of challenges, however, still confront the sector. An in-depth analysis of the market structure of the Philippines shows it is more concentrated than other economies in the region, with a higher proportion of monopoly, duopoly, and oligopoly markets. Also, current trends, especially in the face of innovative technologies that have disruptive effects on the domestic and international markets, make the competition agenda even more challenging.

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





## Assessment

**While the Philippines' overall Global Competitiveness Index ranking improved marginally, rankings in key competition pillars have suffered a decline.** The overall World Economic Forum (WEF) - Global Competitiveness Index (GCI) ranking of the Philippines improved, albeit slightly, from 56<sup>th</sup> in 2017 out of 137 countries (Top 41%) to 56<sup>th</sup> in 2018, placing the country in the top 40 percent of 140 countries. This was driven mainly by improvements in infrastructure, technological readiness, and market size.

The marginal improvement in the WEF-GCI overall ranking was accompanied by restrictiveness in the Philippine markets, higher than those in comparator countries, as reported in the Organisation for Economic Co-operation Development-World Bank Report on Product Market Regulation (PMR). Public ownership, administrative burdens to start-ups, and non-explicit barriers to trade and investment are three areas where PMR in the Philippines seems to create the most significant restrictions to competition.

It is noted that in 2018, the WEF-GCI modified its set of indicators incorporating new benchmarks to level the playing field for all economies. For this reason, this Report will only reflect modifications in the overall ranking. This Report will not reflect the 2018 achievements in business dynamism, goods market efficiency, and market size. The new GCI-WEF measures are planned to be incorporated in the Socioeconomic Report 2019 to provide a comparable annual assessment.

**Table 16.1 Accomplishments vs. Targets in Leveling the Playing Field through a National Competition Policy**

INDICATOR	BASELINE /VALUE	PLAN TARGETS						ACTUAL 2017	ACTUAL 2018
		2017	2018	2019	2020	2021	2022		
<b>Global Competitiveness Index (GCI) ranking improved</b>	Top 40% (2016)			Top 38%			Top 35%	<b>Top 41%</b>	<b>Top 40%</b>
<b>Business Dynamisma</b>	Top 60% (2016)			Top 50%			Top 40%	---	---
<b>Goods Market Efficiency Improved</b>	Top 72% (2016)			Top 69%			Top 65%	<b>Top 75%</b>	---
<b>Market size expanded</b>	Top 22% (2016)			Top 20%			Top 20%	<b>Top 20%</b>	---
<b>Product Market Regulation (PMR) scoreb improved</b>	2.36					2.16		<b>Not available</b>	<b>2.36</b>
<b>Regulatory compliance costs incurred by firms reducedc</b>	2018					TBD		<b>No data</b>	<b>No data</b>

<sup>a</sup> No data on business dynamism in the GCI Report for 2017

<sup>b</sup> Release of the Report by the WB-OECD for Philippines' score is indefinite

<sup>c</sup> Methodology for this indicator is still being developed by the DTI

## Diminishing anti-competitive practices

**The Philippine Competition Commission (PCC) has progressively pursued its mandate as a competition regulator but faces challenges in implementing the Philippine Competition Act (PCA) and increasing people's level of awareness on competition.** In 2018, the PCC received a total of 168 applications for mergers and acquisitions, cumulatively worth PHP2.6 trillion. PCC approved 159 (94.6%) of these transactions. The PCC exercised its power to review voluntary commitments and imposed remedies on various transactions deemed to have a negative impact on competition. The PCC imposed fines on entities found to have violated the compulsory notification requirement, as in the case of Chelsea Logistics Holdings Corporation's acquisition of Trans-Asia Shipping Lines, Inc. Meanwhile, the PCC also subjected Grab's acquisition of Uber to pricing and quality standards.

Since July 2018, in partnership with the Public-Private Partnership (PPP) Center, the PCC has been reviewing various projects in the country to flag anti-competitive schemes at the early stages of the bidding process. In the case of public-private partnership projects, the PCC can come in to ensure that certain services are not monopolized by a proponent and that services rendered by the government are low-cost but still of good quality.

The PCC has also been keeping a close watch on various priority industries in the local manufacturing sector for possible anti-competitive practices. The Commission has conducted a scoping study to provide an overview of trends related to competition in manufacturing. It has also formulated a prioritization matrix to serve as a basis in its advocacy initiatives and selection of sectors for in-depth market studies.

To strengthen the enforcement of the PCA, the conduct of economic research should be expanded to support findings on anti-competitive behaviors and practices. This will be complemented by a capability building program within the PCC and other competition-related agencies.

Low awareness of the PCA was observed based on the result of the survey<sup>1</sup> conducted by the PCC among households. Limited understanding of the law is a major issue, restraining government agencies from contributing to the improvement of competition in the market and conducting economic research on their respective functions in relation to the PCA.

**The mandate of the Department of Justice - Office for Competition (DOJ-OFC) has been refocused and strengthened.** The PCC and the DOJ-OFC successfully inked a Memorandum of Agreement, which detailed the level of cooperation and coordination in the handling of competition cases, admission into the Witness Protection Program, and grant of leniency or immunity from suit. The Leniency Program aims to speed up preliminary inquiries and investigations on cartels, under which the PCC shall offer whistle-blowers immunity from suit or reduction in fines as long as they provide information and sufficient evidence about the reported anti-competitive agreements.

To facilitate a more streamlined procedure in the prosecution of cases, an Inter-Agency Technical Working Group was created to draft the appropriate guidelines in implementing the criminal provisions of the PCA, which include, among others, the rules on the implementation of criminal leniency. This endeavor will supplement the Leniency Program of the PCC on administrative competition cases.

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<sup>1</sup> The survey on perception and awareness of household on Market Competition was conducted by the PCC in partnership with the Philippine Survey and Research Center (PSRC) in February 2017 to gather baseline information on the extent of knowledge, perception, and attitudes of households on market competition in the Philippines, laws and regulations governing business competition and the level of awareness of the PCA, as well as familiarity with PCC and its responsibilities. Result showed that only .4% of the respondents correctly understand Market Competition contrary to the 1% target of the PCC.

## Reducing barriers to entry and limits to entrepreneurship

**The National Competition Policy (NCP), which outlines competition strategies in harmony with the medium-term plan, has been submitted to the Economic Development Cluster (EDC).** Pursuant to the PCA, the NEDA has led the formulation of the NCP to steer regulations and procedures toward promoting competition, strengthening the enforcement of anti-trust laws, and ensuring competitive neutrality. The NEDA submitted the NCP, in the form of an Executive Order (EO), to the EDC for endorsement to the President.

The NCP directs all national government agencies, offices and instrumentalities, government-owned or controlled corporations (GOCCs), and local government units (LGUs) to adopt the three pillars or elements of competition: (a) pro-competition regulations, policies, and government interventions; (b) competitive neutrality and non-distortive public aid support; and (c) effective competition law and anti-trust enforcement.

Pro-competition regulations, policies, and government interventions promote market efficiency and enhance consumer welfare. These do not distort competition by creating barriers to entry, promoting collusive market outcomes, or restricting trade, except when restrictions are proven consistent with the promotion of consumer welfare, or when the benefits to the community outweigh the costs.

Competitive neutrality and non-distortive public aid support ensure that GOCCs and private sector businesses compete on a level playing field. It ensures that GOCCs do not enjoy net competitive advantages or disadvantages over private sector businesses simply due to public sector ownership, unless it can be clearly demonstrated that the greater public interest will be served and the undertaking lacks commercial viability.

The first two pillars complement the last pillar on competition law and anti-trust enforcement. These will address abuse of dominant position by firms, anti-competitive mergers and acquisitions, and other anti-competitive behaviors.

The NCP mandates the said government institutions to amend or repeal anti-competitive laws and regulations and factor in market competition in the formulation of new policies and regulations. It likewise directs the same institutions to assist the PCC in the enforcement of the PCA.

**The Ease of Doing Business and Efficient Government Service Delivery Act of 2018 (Republic Act No. 11032) has been signed into law.** The EODB and EGSD Act of 2018 amending the Anti-Red Tape Act of 2007, which was signed into law on May 28, 2018, aims to enhance business competitiveness by reducing unnecessary regulatory burdens, correcting usual bureaucratic problems in government institutions, and reducing opportunities for corruption. It provides and standardizes procedures and timelines in the processing of all types of business and non-business government transactions that would make doing business in the Philippines easier. Furthermore, the law institutionalized among government agencies the undertaking of regulatory impact assessment (RIA) for all proposed regulations, as well as the conduct of compliance cost analysis and time and motion studies. Interventions to ease doing business and address barriers to entry of businesses in the country will enhance competition in the market; which in turn will boost business innovation and productivity and provide wider product options for the public. (*Refer to Chapter 5 regarding Ease of Doing Business to address bureaucratic problems in government institutions and reducing opportunities for corruption*).

**Restrictions on foreign participation in selected sectors have been eased.** The President issued EO 65 on October 29, 2018, providing for the 11th Regular Foreign Investment Negative List (RFINL). This is consistent with the policy to ease restrictions on foreign participation in certain investment areas and activities. The 11th RFINL facilitates opening up of the market and reducing barriers to entry of businesses, thus, promoting market competition.

The major changes from the previous RFINL pertain to allowing 100 percent foreign participation in the following areas:

- a. Internet businesses, which has been excluded from mass media;
- b. Teaching at higher education levels, provided the subject being taught is not a professional subject (i.e., included in a government board or bar examination);
- c. Training centers that are engaged in short-term high-level skills development that do not form part of the formal education system;
- d. Adjustment companies, lending companies, financing companies, and investment houses; and
- e. Wellness centers.

In addition, it allows up to 40 percent foreign equity in contracts for the construction and repair of locally-funded public works. However, this is subject to applicable regulatory frameworks and does not cover infrastructure or development projects under RA 7718, as well as projects which are foreign-funded or assisted and required to undergo international competitive bidding.

**Agencies have shown continued commitment to review existing regulations under Project Repeal.** The Competitiveness Bureau of the Department of Trade Industry (DTI), as the temporary secretariat of the Anti-Red Tape Authority (ARTA) spearheaded Project Repeal in 2018. The project aims to review irrelevant, burdensome, and unnecessary laws and issuances imposed on businesses and citizens, including those that affect the country's global competitiveness ranking and investment climate.

The repeal of various rules and regulations that are no longer responsive to technological advancements and prescribe unnecessary requirements for businesses or consumers have been recommended to address the challenge of limited number or range of suppliers of products and services. Project Repeal also conducts a review of existing regulations to stimulate innovation and improve product quality. This, thereby, enhances the ability of suppliers or service providers to compete in the market.

**Initiatives have been undertaken to foster competitive neutrality of GOCCs.** As of December 31, 2018, the Governance Commission for GOCCs (GCG) reviewed the mandates of 40 out of 120 GOCCs under its jurisdiction for competitive neutrality issues. Recommendations resulting from the review of 28 GOCCs conducted in 2018 will be made available in 2019 and may be re-evaluated for corrective actions. Of note is the recommendation to the President on the decoupling of the commercial and regulatory functions of Philippine Amusement and Gaming Corporation to address conflict of interest.

Relatedly, the PCC also conducted scoping studies in 2018 on manufacturing, rice, pharmaceuticals, and air transport to analyze competition issues in priority sectors.

**Non-tariff barriers persist in the economy.** Based on the GCI, the country's ranking dropped from 60th (top 43%) in 2017 to 64th (top 47%) in 2018. Non-tariff barriers, which include health and product standards, technical and labeling requirements, may limit the ability of imported goods to compete in the domestic market. While non-tariff barriers persist, some barriers have been removed particularly in the agriculture sector by virtue of Administrative Order No. 13.

## Moving Forward

To address the above-mentioned challenges, the following actions are recommended for implementation in the remaining years of the Plan period:

**Issue and implement the EO on NCP.** To complement the PCA in creating a culture of competition, the issuance and implementation of the NCP is vital in directing all government agencies, instrumentalities, GOCCs, and LGUs to assess existing policies, as well as identify and issue alternative policies to promote market competition. Its implementation will address fragmented competition policies, anti-monopoly practices, anti-competitive laws, and non-tariff barriers.

**Implement the Leniency Program, Rules on Forbearance, and Rules on Inspection Orders.** To improve the enforcement of the PCA and hasten investigations on anti-competitive behaviors and practices beginning 2019, the PCC is set to implement the Leniency Program to speed up preliminary inquiries and investigations on cartels. Under this program, the competition body offers the whistle-blowers immunity from suit or reduction in fines as long as they provide information and evidence about the reported anti-competitive agreements.

In addition to this, the PCC will also start implementing Rules on Forbearance and Rules on Inspection Orders to strengthen and complete its enforcement framework. The Rules on Forbearance provides the Commission the authority to forbear from applying PCA provisions for a limited time on an entity or group of entities that have met certain conditions. The Rules on Inspection authorizes the PCC to search business premises and other offices where it reasonably suspects that documents or records related to investigations are being kept. These rules, which will be for Supreme Court's consideration and adoption, aim to hasten investigations on anti-competitive practices and abuse of dominant position by firms.

**Improve the regulatory environment by reducing restrictiveness in key areas.** Reforms aimed at eliminating restrictions on foreign investors, streamlining burdensome administrative processes for business to facilitate market entry, reducing state involvement in state-owned enterprises, and ensuring competitive neutrality should be continuously pursued.

While the PCA provides for the general principles of market competition, this mainly focuses on the PCC's regulation of anti-competition behavior of the private sector. To address this gap, the NCP covers competitive neutrality issues to ensure that all enterprises, whether state-owned or private, are competing on equal terms.

The GCG is set to complete the review of the mandates of all 120 GOCCs under its jurisdiction and recommend appropriate actions to be undertaken for those with identified competitive neutrality issues, particularly on the grant of subsidies that distort competition. This will be done in close coordination with the PCC, DOJ-OFC, DTI, and the National Economic and Development Authority. In the review, the GCG also intends to recommend and initiate privatization or transfer of regulatory functions to the appropriate government agency.

In implementing the Ease of Doing Business Act, which also institutionalizes the RIA among government agencies and instrumentalities, the use of a regulatory sandbox may also be explored to address the proliferation of innovative yet disruptive technologies. With this mechanism, novel products, technologies, and business models, such as the use of financial technology mechanisms and cellular phone applications, can be tested under a set of rules, supervision requirements, and appropriate safeguards.<sup>2</sup> In a study by the United Nations, a regulatory sandbox lowers the cost of innovation, reduces barriers to entry, and allows regulators to collect important information before deciding if further regulatory action is necessary.

**Establish a National Quality Infrastructure (NQI) in the country.** The DTI, through the European Union-Philippines Trade Related Technical Assistance (TRTA) Project 3, spearheads the country's drive towards a Philippines' NQI. NQI is a unified national system of quality infrastructure that will set strategy for companies to implement recognized best practices, access foreign markets, develop ways of cost-effective production, and improve overall standard of quality. NQI aims to improve competition ability of goods in the domestic market and at the same time provide proper protection for products and services produced in the Philippines. This is a significant step to address the declining ranking in the sub-index on the prevalence of non-tariff barriers. Hence, the government should push for NQI to integrate and coordinate activities such as standardization, testing, accreditation, and certification, among others.

**Expand the understanding and awareness of market competition and the PCA.** Competition agencies are encouraged to conduct advocacy initiatives in the regions to deepen awareness of the PCA and NCP throughout the country among the micro, small, and medium enterprises, large firms, and consumers. The PCC should also provide guidance to concerned agencies on PCA enforcement.

**Enhance the existing curriculum on economics and related degrees to include competition and market regulation.** To enhance capability-building initiatives of the government and to properly equip existing and future workforce for the competition agencies, the government should enhance the existing curriculum on economics, competition, and market regulation. This will also help expand awareness of PCA as one of the goals of the government.

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<sup>2</sup> United Nations – Stakeholder Group on Ageing, 2017.

# 17

## Attaining Just and Lasting Peace





# ATTAINING JUST AND LASTING PEACE

This year saw the milestone passage of the Republic Act No. 11054 entitled the Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao (also known as the Bangsamoro Organic Law or BOL), which will advance peace and development in the southern Philippines. The gains of the peace process, including those with other peace tables will be further pursued and sustained by enabling conflict-affected and conflict-vulnerable communities to participate in the implementation of the peace-promoting programs.

While significant strides have been achieved to attain just and lasting peace in the country, there are remaining gaps and challenges that need to be addressed such as the need for smooth transition to Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). Effective implementation of programs, activities, and projects must be ensured to sustain the gains of the peace process.

## Assessment

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

**The signing of the BOL was a significant achievement towards a just and lasting peace in Mindanao, but there is a need to enable a smooth transition into the BARMM.** The signing of RA 11054 in July 2018 marked a defining moment in the decades-long struggle for meaningful autonomy and self-determination by the Bangsamoro people. The BOL strengthens and expands the current set-up of the ARMM by giving its regional government more control over its political, social, and economic affairs. Among the law's salient provisions include the establishment of a parliamentary form of government, creation of intergovernmental relations bodies for effective cooperation and coordination with the national government, and improved financial resources and greater fiscal autonomy.

The BOL mandates that following its ratification, the Bangsamoro Transition Authority (BTA) will be established and intergovernmental relations bodies will be organized. The transition period from the ARMM to the BARMM is critical to ensure the continuous delivery of services and effective functioning of the government in the Bangsamoro Region.

There are remaining commitments under the peace agreements with the Moro Islamic Liberation Front (MILF) that still need to be implemented. The Independent Decommissioning Body (IDB)<sup>1</sup> has intensified its preparatory work for the second phase of decommissioning of MILF forces and weapons. This includes planning workshops on the concept of operations, survey of potential verification sites, development of IDB database, consultation meetings on the decommissioning process, engagement with key stakeholders, capacity building on verification and decommissioning, among others. The Task Force for Decommissioned Combatants and their Communities continued the delivery of the remaining socioeconomic interventions

<sup>1</sup> The IDB oversees the process of decommissioning of MILF forces and weapons, including inventory, verification, and validation. The IDB is composed of three (3) international experts (from Turkey, Norway, and Brunei), and four (4) local experts jointly nominated by the Parties.

for the 139<sup>2</sup> decommissioned combatants, including livelihood assistance. The Joint Task Forces on Camps Transformation has fully validated and produced the necessary documents such as detailed engineering designs and program of works for small-scale infrastructure to be built in the six previously-acknowledged MILF camps. Capacity enhancement programs for people's organizations on project management and participatory area development were also undertaken.

**A more pragmatic approach has been adopted to address communist insurgency even as formal talks with the Communist Party of the Philippines/New People's Army/National Democratic Front of the Philippines (CPP/NPA/NDFP) have not resumed.** Following the issuance of Proclamation No. 360 in November 2017,<sup>3</sup> the President gave the Office of the Presidential Adviser on the Peace Process/Government of the Republic of the Philippines (OPAPP/GRP) clear instructions on forging a ceasefire agreement to stop mutual attacks while talks are underway. Backchannel efforts have also been intensified to discuss the President's requirements for the resumption of the talks, as follows: (a) a coalition government will not be established; (b) the collection of "revolutionary tax" will be stopped; (c) the venue of the talks will be in the Philippines; (d) a ceasefire agreement will be signed; (e) and armed NPA members will be encamped in designated areas. A bigger peace table involving the general public and other sectors in government was also engaged to ensure that all consensus points and agreements have palpable support. Despite these efforts to advance the peace negotiations, successful results are yet to be attained.

Meanwhile, the government continued its social and development programs in conflict-affected and conflict-vulnerable communities and to former rebels. The President signed Administrative Order (AO) No. 10 in April 2018, creating the Task Force *Balik-Loob* to centralize all government efforts for the reintegration of former rebels from the CPP/NPA/NDFP. These former rebels and their immediate family members are provided with a complete package of assistance through the Enhanced Comprehensive Local Integration Program (E-CLIP). The President also issued Executive Order (EO) No. 70 in December 2018 creating the National Task Force to End Local Communist Armed Conflict under the Office of the President. The EO institutionalizes a whole-of-nation approach in prioritizing and harmonizing the delivery of services and provision of social development assistance to conflict-affected and conflict-vulnerable areas.

**Efforts to finalize and complete the implementation of peace agreements with other internal armed groups were also actively pursued.** These include the 1996 Final Peace Agreement (FPA) with the Moro National Liberation Front (MNLF); the Cordillera Bodong Administration – Cordillera People's Liberation Army (CBA-CPLA); and the *Rebolusyonaryong Partido ng Manggagawa- Pilipinas*/Revolutionary Proletarian Army/Alex Boncayao Brigade (RPM-P/RPA/ABB).

### Completion of the implementation of the remaining commitments under the 1996 FPA with the MNLF

The remaining commitments relative to the convergence of the 1996 Final Peace Agreement and the 2014 Comprehensive Agreement on the Bangsamoro has been complied with through the participation of the MNLF in the Bangsamoro Transition Commission and in the appointment of some of their members to the Bangsamoro Transition Authority. Further, the issue on co-management of strategic minerals has been resolved with the inclusion of the provisions on Article XII on fiscal autonomy and Article XIII on regional economy and patrimony of the BOL. Information and education campaigns were also conducted to support the ratification of the BOL, including the conduct of MNLF assemblies in Maguindanao, Lanao del Sur, North Cotabato, Sulu, Basilan, and Tawi-Tawi.

In December 2018, the MNLF released a resolution accepting the BOL as the appropriate political solution to the Bangsamoro issues and committing to rally their people to ratify the BOL.

<sup>2</sup> The number of decommissioned combatants was decreased from 145 to 139, as five (5) are now deceased and one (1) is working abroad.

<sup>3</sup> Declaring the Termination of Peace Negotiations with the NDFP-CPP-NPA

## Immediate Conclusion of the Peace Process with the CBA-CPLA and the RPM-P/RPA/ABB

**On the CBA-CPLA.** The completion strategy focused on the implementation and sustainability of socioeconomic reintegration programs for former CPLA members and their families and communities. Various programs were also sustained such as the renewal of 508 forest guards under the Department of Environment and Natural Resources (DENR)-OPAPP Forest Guard Program; provision of training and funding of livelihood projects for ten people's organizations composed of 887 former CPLA members; and completion of 76 community development projects. Support from various fronts was provided for Cordillera's aspiration towards autonomy. All CBA-CPLA groups (Balao-as, Suggiyao, Humding-Bahatan-Ganggangan, Molina) also signified their unified support for regional autonomy through a resolution signed in May 2018. On the side of the government, the passage of House Bill 5343 (An Act Establishing the Autonomous Region of the Cordillera) and various Senate bills<sup>4</sup> on the Cordillera autonomy has been actively pursued through various advocacy fora and events.

**On the RPM-P/RPA/ABB.** The Clarificatory Implementing Document (CID) to the 2000 Peace Agreement is being finalized by leaders from the GRP and RPM-P/RPA/ABB. The CID has the following components: disposition of arms and forces and security arrangements; social and economic reintegration; release of remaining alleged political offenders (APO); transformation of the RPM-P/RPA/ABB-Tabara Paduano Group (TPG) into a civilian organization; and community peace dividends.

Pending the signing of the CID, various programs and activities are already underway. Validation of inventoried firearms, ammunitions, and explosives were conducted, including 78 assorted light weapons, 4,378 ammunitions, and 53 explosives in the provinces of Bukidnon, Negros Oriental, and Aklan.

Socioeconomic programs were also provided, including employment of 128 profiled TPG members as forest guards under the DENR Forest Guard Program, enrolment of 9,262 individuals as beneficiaries under the *Payapa at Masaganang Pamayanan* – Philippine Health Insurance Corporation (PAMANA-Philhealth) sponsored program, and inclusion of 75 grantees (next-of-kin of RPA-TPG members) under the OPAPP/PAMANA-Commission on Higher Education (CHED) Study Grant Program. All 100 Sustainable Livelihood Program peoples associations from the RPA-TPG-identified barangays under the Community Peace Dividends Program have been accredited and were each awarded a seed capital amounting to PHP500,000.00.

Case files for the release of the remaining APOs are also being organized and reviewed. The framework for the full transformation of the RPM-P/RPA/ABB-TPG into a civilian organization is likewise being developed.

## Protecting and developing communities in conflict-affected and conflict-vulnerable areas

**Efforts were pursued to strengthen the reintegration programs for former rebels, their families, and communities.** The issuance of AO 10, s. 2018 will strengthen the complementation between PAMANA and E-CLIP programs to maximize their socioeconomic impact through effective and efficient implementation and coordination. Task Force *Balik-Loob* serves as the central coordinating body which supervises reintegration efforts, and is composed of representatives from the Department of National Defense, Department of the Interior and Local Government, Office of the President, National Housing Authority, and OPAPP.

Under the PAMANA Program, various socioeconomic development programs and projects were sustained including education and health assistance, livelihood support, housing and infrastructure projects, and capacity-building activities for peacebuilding. The conflict-sensitivity and peace-promoting approach

<sup>4</sup> Senate Bills 1678, 1923, and 1930, all entitled, "An Act Establishing the Autonomous Region of the Cordillera"

of PAMANA has ensured that governance processes and structures enhance social cohesion, strengthen community resilience, and build peace.

**Communities were empowered by increasing their capacity to address conflict and reduce their vulnerabilities.** People's Peace Tables are continuously convened to serve as the government's platform to ensure people's participation in the peace process. It provides a democratic space not only for continuing dialogues between the government and community stakeholders to surface, discuss and clarify issues and concerns that are at the root of, resulting from, or affecting the peace process, but also to gather recommendations and strategies to address these concerns. These include the Indigenous People (IP) Peace Panel, which is considered as the government's first concrete measure in response to the clamor for IP representation in the peace process. There are consultations being conducted with IPs regarding their concerns, inputs, and recommendations along the different peace process tracks. A Youth Peace Panel was also created to gather young peace advocates from school- and non-school organizations and various ethnolinguistic groups, to further explore their capacities in building a culture of peace and conflict-sensitivity.

The National Action Plan on Women, Peace, and Security is continuously being implemented and localized to ensure the protection of women's rights in conflict situations. Various activities in support of women's greater participation in the peace process were conducted, including consultations on indigenous women's rights, the Second Bangsamoro Women's Summit that was held in March 2018, and the drafting of Agency Strategic Action Plans of member-agencies of the National Steering Committee on Women, Peace, and Security.

With regard to mainstreaming conflict-sensitive and peace-promoting (CSPP) practices, 24 regional line agencies; four (4) security sector agencies; 18 other national government and attached agencies; 67 local government units (LGUs); six (6) civil society organizations; and one (1) academe in 12 regions were capacitated on CSPP approaches. The Guidebook and Facilitator's Manual on CSPP were developed as part of the Comprehensive Development Plans for LGUs in conflict-affected areas to serve as a reference guide and practical tool kit in adopting a conflict-sensitive and peace-promoting framework in local development planning.

The Humanitarian and Development Assistance Program (HDAP) of the ARMM established a coordinated and systematic mechanism to address and mitigate the effects of both human-induced and natural calamities. The emergency response component of the HDAP, implemented through the ARMM Humanitarian Emergency Action Response Team (ARMM-HEART), includes the provision of relief and medical missions for internally displaced persons (IDPs); and capacity-building programs on Incident Command System and Rapid Damage Assessment and Needs Analysis for the affected communities. As of December 2018, the ARMM-HEART provided humanitarian assistance to more than 175,000 IDPs. On the other hand, the development component of the HDAP involves the provision of socioeconomic and peace and development projects, such as livelihood assistance and training projects; construction of various health facilities, roads, integrated potable water systems, and community peace and development centers; and education and skills training programs.

The formulation of the *Bangon Marawi Comprehensive Rehabilitation and Recovery Program (BMCRRP)* was completed and subsequently turned over to the Task Force *Bangon Marawi (TFBM)* for implementation.<sup>5</sup> TFBM is the inter-agency body mandated to oversee the government's rehabilitation efforts in Marawi City and other affected localities, particularly Butig and Piagapo. The BMCRRP includes strategic interventions on infrastructure, shelter, business and livelihood, social services, local governance and peace building, and land resource management.

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<sup>5</sup> NEDA spearheaded the formulation of the BMCRRP together with various government agencies and LGUs.

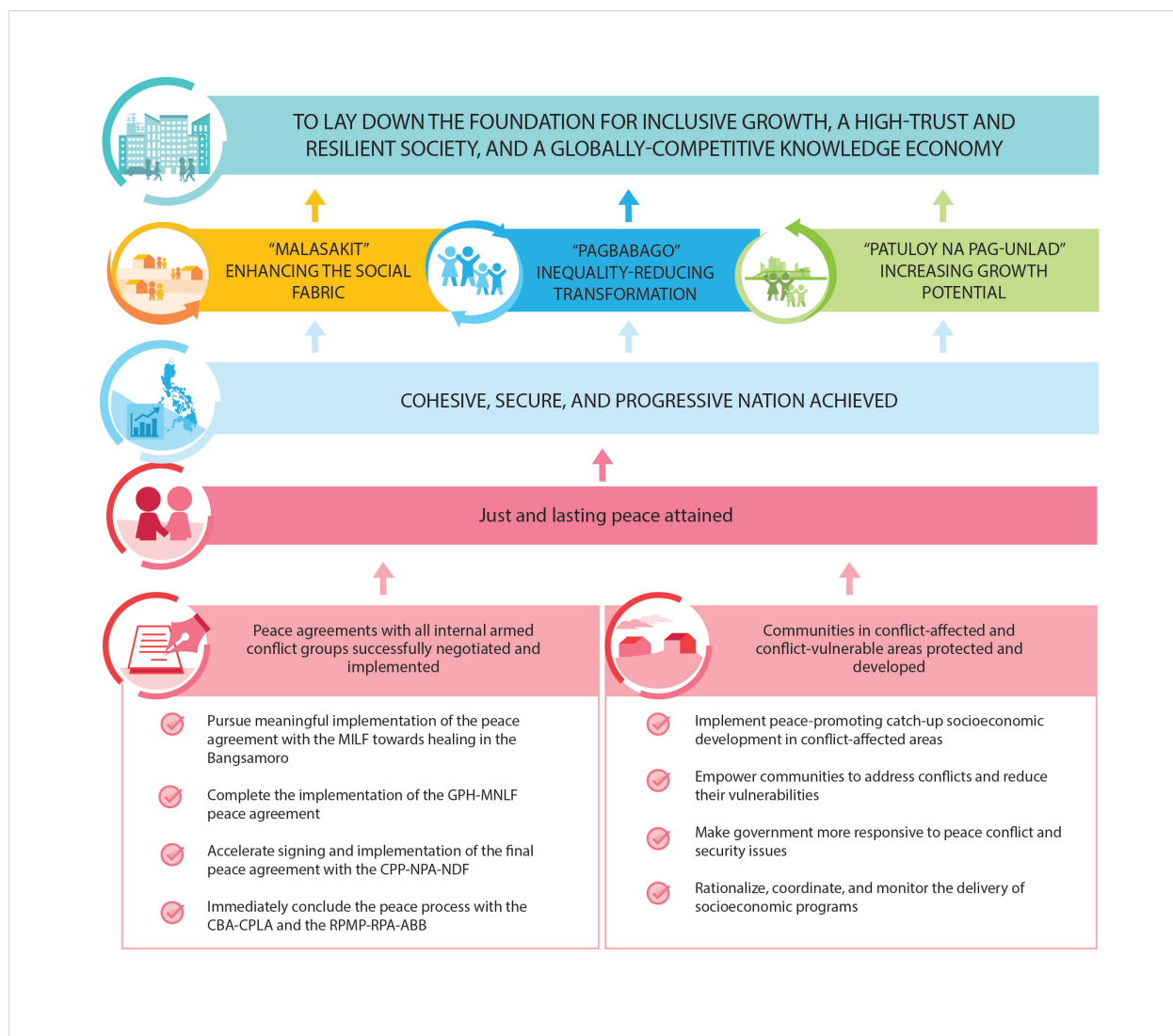
Even prior to the preparation of the BMCRRP, early recovery activities have already been undertaken in the aftermath of the siege. These include immediate assistance to affected families such as the construction of transitory shelters and the provision of cash assistance or starter kits for livelihood programs, continuing education, health services, and psychosocial support to the internally displaced families. Families from the Most Affected Areas whose homes were damaged by the conflict were able to briefly go back to their communities during the *Kambisita* Program. They also participated in a social cartography activity involving the enumeration and mapping of individual structures and lots. Several multi-stakeholder meetings and dialogues were held among IDPs to discuss specific issues and to help in the healing process. Moreover, the Social Healing and Peacebuilding Program was launched to enhance social cohesion, promote peacebuilding, and contribute to the peace and security environment in Marawi City. It has three major components namely (a) Mainstreaming of Conflict Sensitivity Approaches in Local Development Planning; (b) Welfare Assistance to Vulnerable Entities; and (c) College Educational Assistance Program.

## Moving Forward

The prospects for the attainment of peace and development particularly in Mindanao will heavily rely on the ability of the BTA to govern effectively until the Bangsamoro regional government is established. Technical support from the national government is also expected to strengthen the capacity of the BTA as interim government to carry out their mandated functions and eventually transition into the BARMM. In the long run, increased fiscal autonomy and self-governance will likely result in more economic activities and socioeconomic interventions. Improved public financial management and seamless delivery of public services in the region will provide the environment for new investments that will spur growth in the area.

Commitment from the government and parties involved in other peace tables will be critical in moving peace agreements forward. Except for the peace agreement with the CPP/NPA/NDF, the outlook for other peace tables generally remains positive, particularly with regard to the delivery of socioeconomic interventions and reintegration programs for former CBA/CPLA and RPM-P/RPA/ABB combatants. The completion process for these agreements is expected to reduce conflicts and enable former rebels, their families, and communities to eventually be fully reintegrated into society.

Figure 17.1 Strategic Framework to Attain Just and Lasting Peace



## To negotiate and implement peace agreements with all internal armed conflict groups

**Enable a smooth transition into the BARMM.** As the ratification of the BOL provided a fresh mandate to the Bangsamoro, continuous implementation of the normalization program, particularly on security, socioeconomic development, confidence-building, and transitional justice are necessary to ensure that the Bangsamoro peoples are able to achieve their desired quality of life while ensuring human security and freedom from fear and violence. The passage of the Bill (currently pending at the House of Representatives) creating the National Transitional Justice and Reconciliation Commission for the Bangsamoro will address human rights violations, marginalization, and legitimate grievances of the Bangsamoro peoples.

During the transition period until the 2022 national elections, the BTA shall serve as the interim government of the Bangsamoro. To ensure smooth transition from ARMM to the Bangsamoro, the government of the Philippines (GPH) and the MILF created the Coordination Team for the Transition (CT4T) to the BTA



in 2014 and was reactivated in 2018. The CT4T shall serve as the primary mechanism for coordination between the parties to undertake the necessary and appropriate steps in the transition process leading to the installation of the BTA. Composed of representatives from the GPH (including the ARMM Regional Government) and the MILF, the CT4T is currently preparing the transition plan for consideration of the BTA.

**Pursue complementary efforts to resolve armed conflicts with communist insurgency groups.** Local or traditional conflict resolution and management mechanisms, and formal and informal avenues for dialogue should be pursued. Humanitarian concerns resulting from internal armed conflicts should also be addressed through the integration of disaster risk reduction and management practices into the peace process. Implementation of peace and development projects in areas covered by the peace agreements should also be accelerated.

**Complete the peace process with the CBA-CPLA.** The completion strategy for the peace process with the CBA-CPLA will focus on the sustainability of the socioeconomic interventions and on strengthening mechanisms for inter-agency participation in planning and implementing peace and development interventions. In support of Cordillera's aspirations for autonomy, information, education, and advocacy activities will be conducted to support the passage of HB 5343.

## To protect and develop communities in conflict-affected and conflict-vulnerable areas

**Rationalize, coordinate, and monitor the delivery of socioeconomic programs in conflict-affected areas, especially in Mindanao.** This includes strengthening the coordination and convergence among the various inter-agency bodies and committees tasked to implement and harmonize the socioeconomic development programs for individuals and communities in conflict-affected and conflict-vulnerable areas.

**Promote the culture of peace especially to the youth, communities, government, and development workers to counter radicalism and violent extremism.** Various socioeconomic and structural issues such as poverty, poor access to education, inadequate financial and economic opportunities, social exclusion, and limited access to basic services make the youth vulnerable to and at risk of radicalisation and violent extremism.

A holistic and whole-of-nation approach is necessary to address these issues and other deeply-rooted sources of conflict. Mainstreaming peace education programs and promoting a culture of peace and non-violence in both formal and non-formal settings also need to be continued and expanded. Effective collaboration with education agencies will be continued to operationalize this mainstreaming agenda, in partnership with local stakeholders, teachers, and *madaris*. Social media and other non-traditional approaches will be utilized to increase cultural awareness and sensitivity, and to facilitate dialogue. The conduct of Peoples Peace Tables will be continued as a venue to organize multi-stakeholder consultations. The finalization and implementation of the National Action Plan on Preventing and Countering Violent Extremism will also require a comprehensive and collaborative approach in addressing the factors that drive individuals to violent extremism, radicalization, and terrorism. A conflict-sensitive, peace-promoting, and inclusive rehabilitation and recovery program will be implemented to rebuild Marawi City.





# 18

Ensuring  
Security, Public  
Order, and  
Safety



# ENSURING SECURITY, PUBLIC ORDER, AND SAFETY

In 2018, the government expanded its diplomatic engagements to uphold and protect the country's territorial integrity and sovereignty, and continued its efforts at reducing all forms of criminality and drugs and ensuring public safety. Moving forward, the capacities of the security sector should be built and enhanced to respond to external and internal threats to secure the safety of the public. Key to achieving these are the efficient and timely implementation of priority programs and projects and the passage of legislative measures geared towards the institutionalization of reforms in the sector.

## Assessment

### Upholding and protecting territorial integrity and sovereignty

**The Association of Southeast Asian Nations (ASEAN) and China have agreed on a Single Draft South China Sea Code of Conduct Negotiating Text (SDNT).** The SDNT will guide the formulation of the draft ASEAN-China Code of Conduct in the South China Sea. The SDNT focuses on the prevention, management, and settlement of disputes in the South China Sea among parties. It states that signatories have a duty to cooperate in the protection of the marine environment. The current SDNT is “a living document” and will go through at least three readings towards the formulation of the Code of Conduct in the South China Sea.

**Diplomatic engagements with both traditional and non-traditional allies have been expanded and enhanced.** The Philippines has signed defense cooperation agreements with Turkey, Jordan, and Israel. Further, the recent visit of Chinese President Xi Jinping resulted in a number of bilateral agreements between the country and China. Likewise, the Philippines strengthened its existing defense agreements with the United States.

**Allocation for the defense sector has been increased.** The allocation for the defense sector increased by 4 percent in 2018. This increase in the budget was used to sustain the Modernization Programs of the Armed Forces of the Philippines (AFP) and the Philippine Coast Guard (PCG). Another PHP1.6 billion was allocated for the AFP/PNP Housing Program to provide adequate and affordable housing to military and police personnel.

The Department of National Defense (DND) has also been pursuing measures to improve the AFP's ability to monitor Philippine air and maritime domains. To complement DND's efforts, the PCG is also establishing a Vessel Traffic Management System, including radar stations, to enhance marine traffic monitoring system, navigational safety, and domain awareness.

## Reducing all forms of criminality and illegal drugs

**Success in reducing all forms of criminality has been sustained.** The Philippine National Police (PNP) was able to sustain its efforts against criminality, further reducing index and non-index crime rates in the country. On top of this, crime solution efficiency and crime clearance efficiency improved significantly. Amidst its success, the PNP will still pursue the expansion of its presence in the communities through the establishment of police stations in strategic locations.

**The administration continues to strengthen its commitment to the anti-illegal drugs campaign.** The Philippine Drug Enforcement Agency's (PDEA) barangay drug-clearing program is on track in meeting its targets on reducing the level of barangay drug-affectation and the number of drug personalities. To further strengthen the government's efforts against illegal drugs, the President issued Executive Order (EO) No. 66, s. 2018 institutionalizing the Philippine Anti-Illegal Drugs Strategy (PADS). The PADS serves as a roadmap for national collaboration to harmonize the government's efforts against illegal drugs and help pave the way for a drug-free Philippines. It features a balanced and holistic strategy aligned with international frameworks on drug prevention and control. The EO tasks the Dangerous Drugs Board (DDB) to spearhead the implementation of the PADS.

Many of the country's barangays remain affected by illegal drugs and a huge number of drug personalities still remain at large. There is a need to sustain interventions on enhancing the capability of law enforcement agencies to address the pervasiveness of illegal drugs and criminality.

**The government has strengthened its commitment to countering violent extremism.** Several policies<sup>1</sup> were enacted to ensure that efforts made in combating and deterring the spread of violent extremism and terrorism are sustained and strengthened, as well as to promote the overall security, and the peace and order situation in the country. These policies are also aimed towards fostering a holistic and whole-of-nation approach in countering violent extremism and terrorism by addressing broader social, economic, and historical problems.

**Government is investing in vital infrastructure projects and providing basic social services in conflict-affected communities even though these were being targeted by various armed and lawless groups.** The implementation of vital infrastructure projects, as well as the delivery of basic social services in conflict-afflicted and conflict-vulnerable areas remain a great challenge due to threats of attacks by armed groups. Nonetheless, the government firmly believes that it is essential that basic social services be afforded to these communities to lessen their vulnerability to insurgents and radicals.

## Ensuring public safety

**Efforts to strengthen the capacity of the Bureau of Fire Protection (BFP) have been effective.** Through the implementation of the BFP Service Upgrading and Modernization Program and the intensified efforts of the BFP, there has been a 40 percent decrease in the amount of damage due to fire incidents, and number of casualties related to fire incidents resulting to deaths from 305 in 2017 to 260 in 2018.

**Non-traditional security threats such as transnational crimes and cybercrimes still persist.** Our porous borders exacerbates the country's vulnerability to both local and transnational criminal activities and groups. Additionally, the increasing complexity and diversity of cybercrimes continue to threaten the integrity of data and the information and communications technology (ICT) infrastructure of both the public and private sectors.

<sup>1</sup> Extension of Proclamation No. 216, s. 2017 declaring the State of Martial Law in Mindanao; and signing of EO 70, s. 2018 creating a National Task Force to end Local Communist Armed Conflict and Adopting a National Peace Framework.

**Compliance with local and international human rights laws needs to be intensified.** The number of reported human rights violations increased in 2018 from the previous year, and its annual target was not met.

## Ensuring security and safety of overseas Filipinos

**The government intensified its programs aimed at assisting and providing services to OFs.** The Department of Foreign Affairs (DFA) prioritized the provision of Assistance-to-Nationals (ATN) services, which covers legal, medical, psychological and welfare assistance, and the repatriation for OFs. DFA increased the number of serviced assistance-to-nationals cases by almost four times, from 27,871 cases serviced in 2017 to 87,097 in 2018. Similarly, DFA was able to considerably increase its provision of assistance to human trafficking victims (1,476 in 2017 to 2,472 in 2018), illegal migration cases abroad (9,595 in 2017 to 12,092 in 2018), and legal assistance cases (44 in 2017 to 2,790 in 2018). DFA was also able to repatriate 14,010 OFs, including undocumented OFs, and another 98 OFs repatriated due to medical reasons.

From January to October 2018, the OFW Command Center (OCC) and the Assistance to Migrants and their Families Desk (AMD) of the Department of Labor and Employment's International Labor Affairs Bureau, assisted 12,585 requests and resolved 1,081 cases. The AMD has functioned under the OCC since the latter's inauguration in February 2018 (*see also Chapter 5*).

In addition to the Overseas Workers Welfare Administration's (OWWA) 24/7 Operations Center and the Philippine Overseas Employment Administration's (POEA) 24/7 hotlines, the DFA has been implementing its 888 Hotline for ATN queries, and Facebook page for legal aid, guidance, and counselling to migrants.

**The Philippines has adopted the Global Compact for Safe, Orderly, and Regular Migration (GCM).** Along with 163 other member states of the United Nations, the Philippines formally signed and adopted the GCM on December 10, 2018. The GCM is an intergovernmental agreement which covers all dimensions of international migration (*see Chapter 11 for a detailed discussion on GCM*).

## Moving Forward

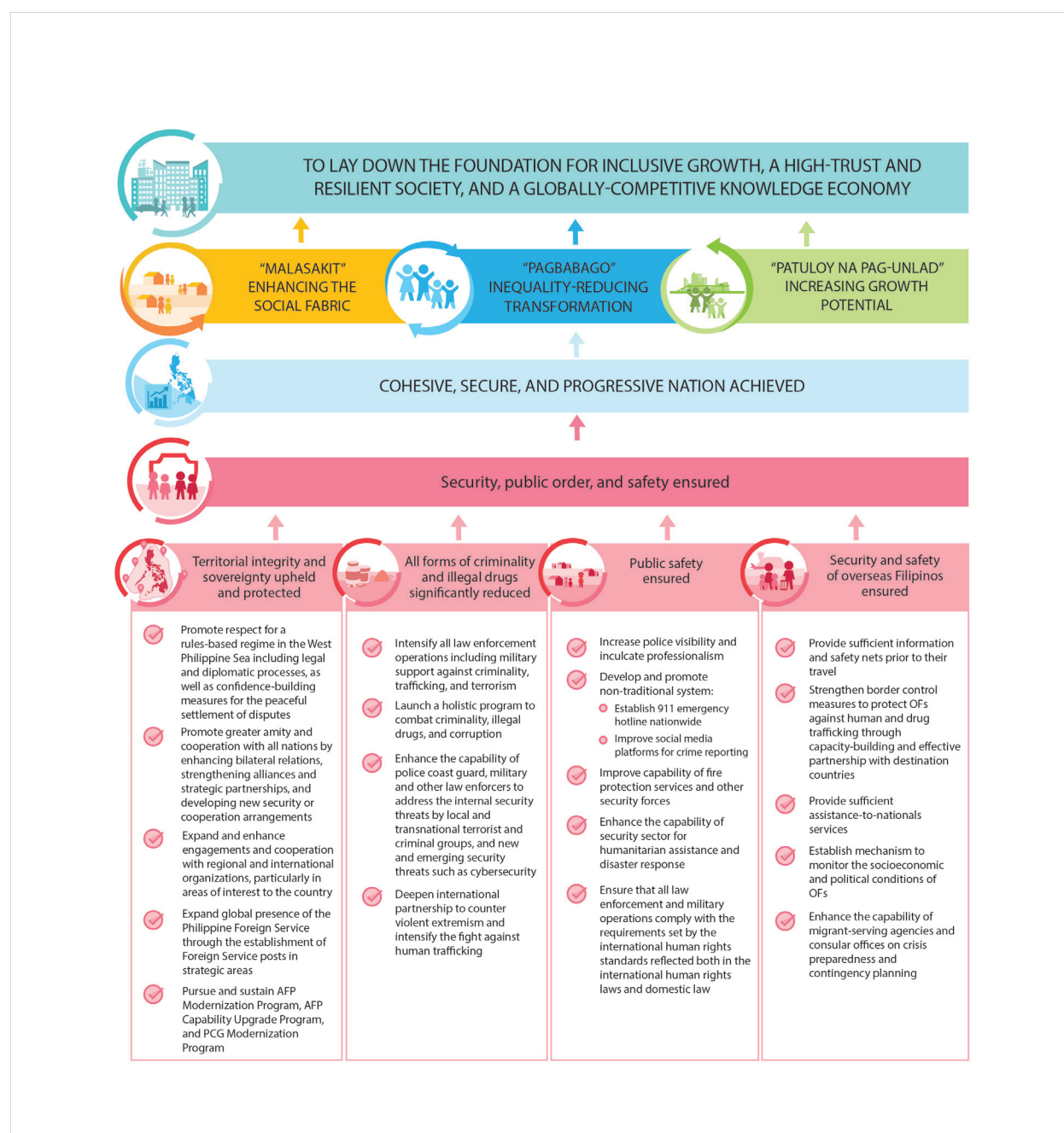
Successful negotiations for an ASEAN-China Code of Conduct will be instrumental in boosting the country's efforts in promoting respect for a rules-based regime in the West Philippine Sea towards upholding and protecting the country's territory and sovereignty. With the sustained pursuit of diplomatic engagements, the Philippines is bound to further strengthen its bilateral, regional, and international cooperation with ASEAN and other countries. This shall complement the government's efforts towards establishing a credible defense posture.

Efforts to eradicate criminality and illegal drugs will be relentlessly pursued, as it remains to be one of the major thrusts of this administration.

The passage of the Disaster Resiliency Bill shall strengthen the capacity of the security sector to respond to and provide humanitarian assistance during disaster events. Similarly, the continued implementation of the DFA's Assistance-to-Nationals Program shall ensure the security and safety of overseas Filipinos.

Given this outlook, the following strategies shall be pursued to address the challenges besetting the sector and sustain the momentum it gained in the first two years of Plan implementation.

Figure 18.1 Strategic Framework to Ensure Security, Public Order, and Safety



## To uphold and protect territorial integrity and sovereignty

**Negotiate an effective and transparent ASEAN-China Code of Conduct in the South China Sea.** The defense of the country's territorial integrity and sovereignty in the West Philippine Sea remains a formidable challenge. Notwithstanding the initial success in the negotiations for an ASEAN-China Code of Conduct in the South China Sea, the presence and activities of South China Sea claimant states may continue to threaten the Philippines' exercise of sovereignty, sovereign rights, and jurisdiction in its territory. The risks of inadvertent escalation of hostilities persists without a substantive and effective Code of Conduct. The

Philippines, being the new country coordinator of ASEAN-China Dialogue Relations starting August 2018, is an advantage that should be maximized to expedite the conclusion of negotiations for a code of conduct.

In support to the government's push for an effective and transparent ASEAN-China Code of Conduct in the South China Sea, it shall promote respect for legal and diplomatic processes through confidence-building measures. It shall enhance existing bilateral relations and strengthen alliances and strategic partnerships, while pursuing new defense and security cooperation agreements. The government shall also expand and strengthen diplomatic engagements and cooperation in regional and international fora.

**Define the extent of the country's maritime territory.** The enactment of the Philippine Maritime Zones Bill and the Philippine Archipelagic Sea Lanes Bill shall strengthen our position during the negotiations for the ASEAN-China Code of Conduct in the South China Sea. These laws seek to establish our maritime zones and delineate the country's archipelagic baselines and sea lanes. This shall support efforts in reducing tensions and avoiding disputes with foreign vessels entering Philippine maritime territory.

The enactment of these laws will be complemented with efforts to raise Filipino's national consciousness on maritime and archipelagic issues and policies. To this end, the National Security Council shall develop a program on national awareness on maritime protected areas, including the West Philippine Sea and the Philippine Rise.

## To reduce all forms of criminality and illegal drugs

**Intensify efforts in reducing criminality.** The government shall pursue efforts to intensify law enforcement operations against criminality, trafficking, terrorism, and other non-traditional threats such as cybercrime and transnational crimes. The enactment of the PNP Reorganization and Modernization Act shall accelerate the capacity building for the PNP's personnel, and improvement in infrastructure, facilities, and equipment. Additionally, the conduct of a Crime Victimization Survey shall greatly complement the government's efforts in combating criminality by enabling the PNP to capture the number and types of unreported crimes, and the perception of victimization of Filipinos.

To safeguard the public against cybercrimes, the necessary resources for the implementation of the National Cybersecurity Plan 2022 must be secured. Additionally, measures to ensure data privacy compliance and to upgrade the country's ICT infrastructures will be pursued.

**Strengthen border security to protect the country's porous borders against trafficking and transnational crimes.** Efforts to strengthen regional and international cooperation to combat human trafficking, transnational crimes, and cybercrime shall be implemented. Border security forces need to be equipped to ensure maritime and airspace security. To ensure vessel security and freedom of navigation, the PCG shall establish a Vessel Traffic Management System which will use radar and automatic identification systems to keep track of vessel movements and provide navigational safety and security, and maritime domain awareness. Amendments to the Philippine Immigration Act shall also be pursued to allow for the creation of additional plantilla positions for immigration officers.

**Strengthen the campaign against the prevalence of illegal drugs.** Central to the government's campaign against illegal drugs is the implementation of EO 66, s. 2018 "Institutionalizing the Philippine Anti-Illegal Drugs Strategy". To ensure its success, the necessary budgetary requirement must be allocated for the full implementation of the PADS. Moreover, the DDB, as the lead agency for the PADS, shall launch an advocacy campaign to secure the buy-in for the whole-of-government approach against illegal drugs. This will include strategies to reduce the demand for illegal drugs through education campaigns, sports and cultural programs involving the youth, family- and community-building activities, and the like.

To further intensify its efforts against illegal drugs, the PDEA shall expand its presence nationally through establishing provincial offices. The PDEA shall also enhance its ability to control the entry of illegal drugs through the operationalization of interdiction units and operations center in various airports and seaports in the country.

The PDEA shall also push for the amendment of the Comprehensive Dangerous Drugs Act of 2002 (Republic Act No. 9165). The proposed amendments include the provision for a legal presumption of who can be considered as the importer, financier, and protector or coddler of illegal drugs. Additionally, it amends and expands the definition of drug trafficking. It also seeks to penalize the exportation of illegal drugs and the negligent leasing of properties used as covert laboratories.

## To ensure public safety

**Strengthen coordination among agencies and enhance capability of the security sector in providing humanitarian assistance and disaster response.** Central to this strategy is the passage into law of the Disaster Resiliency Bill which will provide for the establishment of the Department of Disaster Resilience. Additionally, capacity-building measures for humanitarian assistance and disaster response such as incident command system, Chemical, Biological, Radiological, Nuclear and Explosives (CBRNE) response and earthquake drills will be provided to relevant security actors. The capacity of the BFP to respond to fire incidents shall also be strengthened.

The implementation of the Mandatory Reserve Officers' Training Corps Program shall also enhance the capacity of the public to respond to disaster incidents. To ensure the continuity of public service during times of disasters, government agencies shall formulate and implement their respective Public Service Continuity Plans.

**Safeguard the implementation of vital government socioeconomic programs.** To ensure the timely and efficient implementation of vital infrastructure and delivery of basic social services to conflict-afflicted and conflict-vulnerable areas, implementing agencies shall tap the AFP in the monitoring of projects with certain security concerns.

**Strengthen efforts to comply with the local and international human rights law in law enforcement and military operations.** The AFP, PNP, and other law enforcement agencies shall strengthen the implementation of policies in compliance with local and international human rights laws during law enforcement and military operations such as the Child Protection during Armed-Conflict Situations, Prohibition on Red-Tagging, and the Doctrine Publication on the Law of Armed Conflict. The integration of human rights and International Humanitarian Law modules in the AFP's Professional Military Education shall also be sustained. Complementary to such efforts, the Commission on Human Rights shall also strengthen its monitoring of reported cases of human rights violations.



## To ensure security and safety of overseas Filipinos

**Complete the establishment of foreign service posts, especially in high-risk countries and those with high levels of undocumented OFs.** Safety and welfare of OFs must be always ensured, especially during time of emergencies. DFA will ensure that its foreign posts<sup>2</sup> have the necessary budgetary requirement and are adequately staffed to timely address the needs of OFs, especially with heightened reports on the extent of violence and exploitation that OFs are exposed to. This will be coupled with enhancing the capabilities of consular officers in terms of crisis preparedness and contingency planning. The government shall likewise strengthen its efforts in establishing mechanisms to monitor the socioeconomic and political conditions of OFs through the ATN Mapping Program.

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<sup>2</sup> Particular focus will be given to the following foreign posts: Philippine Embassies in Ireland, Cuba, Sweden, Ethiopia, Palau, Kazakhstan, Morocco, Colombia; Philippine Consulate General in Spain, Japan, Australia, Turkey, Kazakhstan; and a Philippine Mission to the International Maritime Organization.



19

Accelerating  
Infrastructure  
Development



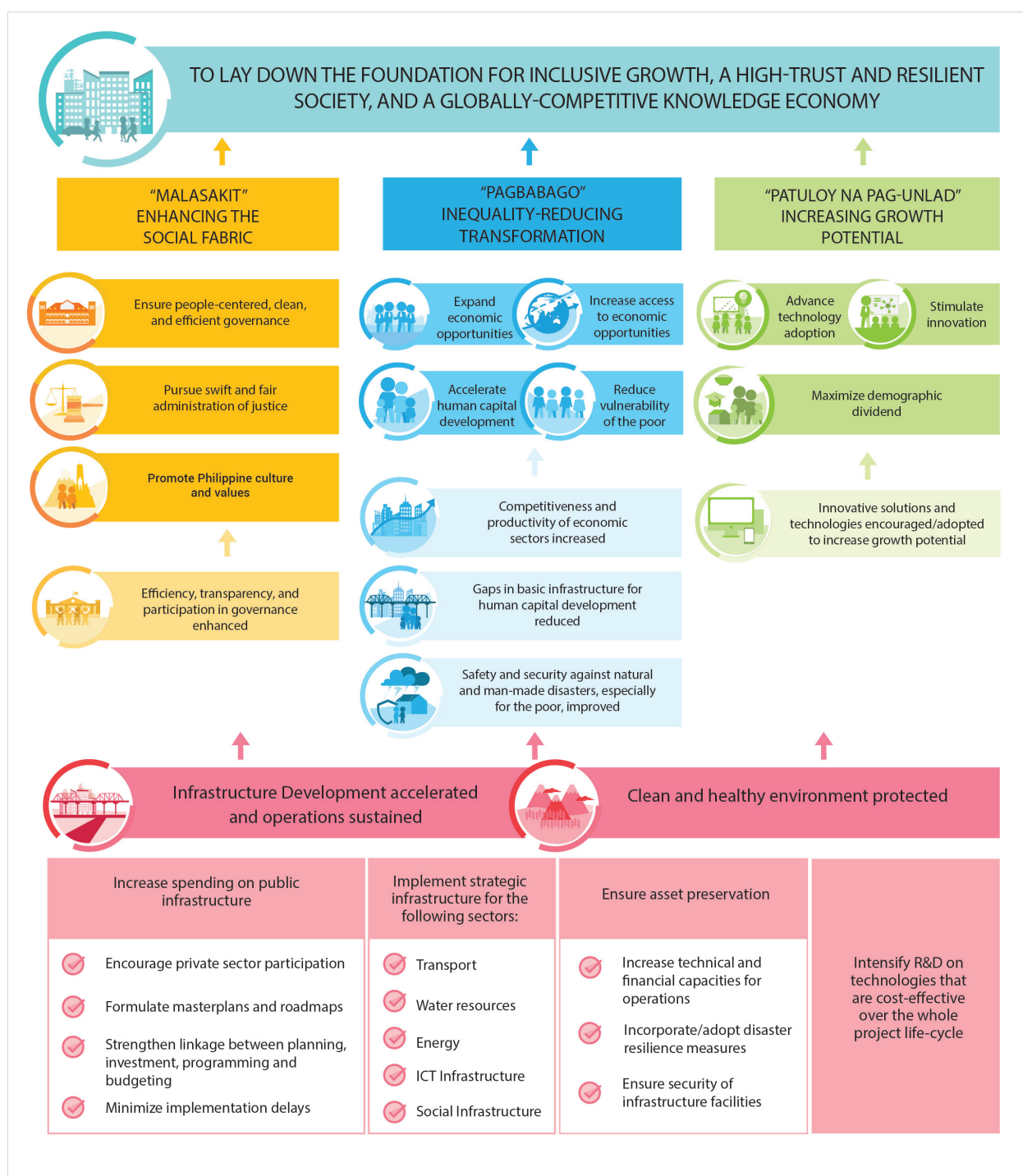
# ACCELERATING INFRASTRUCTURE DEVELOPMENT

Under the “Build Build Build” agenda, the government continues to advance infrastructure development in the country and hasten the pace of implementation of big-ticket projects. The country’s strong infrastructure spending, which exceeded the target for 2017, reflects the rollout of programs and projects, particularly the administration’s Infrastructure Flagship Projects (IFPs). Majority of the IFPs have started moving forward and, once completed, would raise the country’s economic output and productivity over time.

The past years have also seen the ongoing shift towards a people-oriented and inclusive transportation system with the establishment of various mass transit projects, implementation of new road networks, and operationalization of the National Transport Policy (NTP). In other infrastructure sectors, notable improvements were observed and many of the targets for 2018 were met.

The government also exerted vigorous efforts to address implementation issues and bottlenecks that hampered past initiatives. Key reforms through legislative actions, such as strengthening water resource management and economic regulation of water supply and sanitation service providers, separating the regulation and operation functions of agencies in the railway and maritime transport sectors, ensuring transport security, and amending the Build-Operate-Transfer Law, remain state priorities.

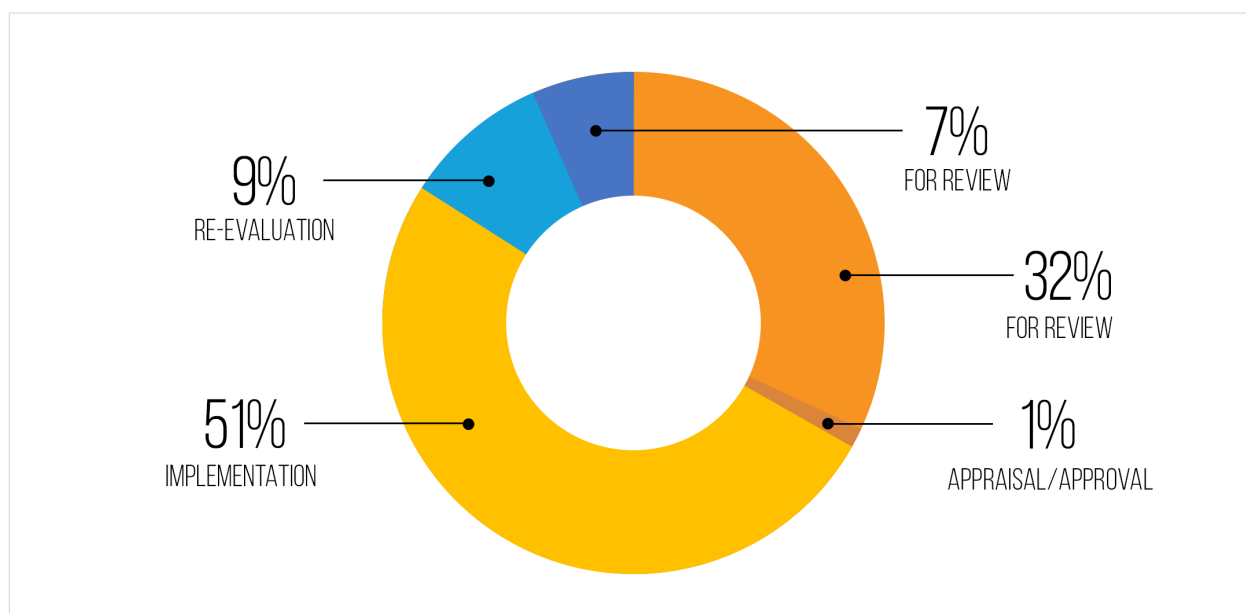
Figure 19.1 Strategic Framework to Accelerate Infrastructure Development



## Assessment

Most of the 75 high-impact infrastructure flagship projects (IFPs), which the NEDA Board approved for adoption in June 2017, are gaining ground. These projects represent major undertakings that the government has pledged to implement within the medium-term. As of December 2018, 36 of the 75 projects amounting to PHP1.54 trillion have been approved by the National Economic and Development Authority (NEDA) Board, of which 11 were approved in 2018. Thirty-six are undergoing various stages of implementation and two<sup>1</sup> of the IFPs have already seen completion.

*Figure 19.2 Status of 75 Infrastructure Flagship Projects*



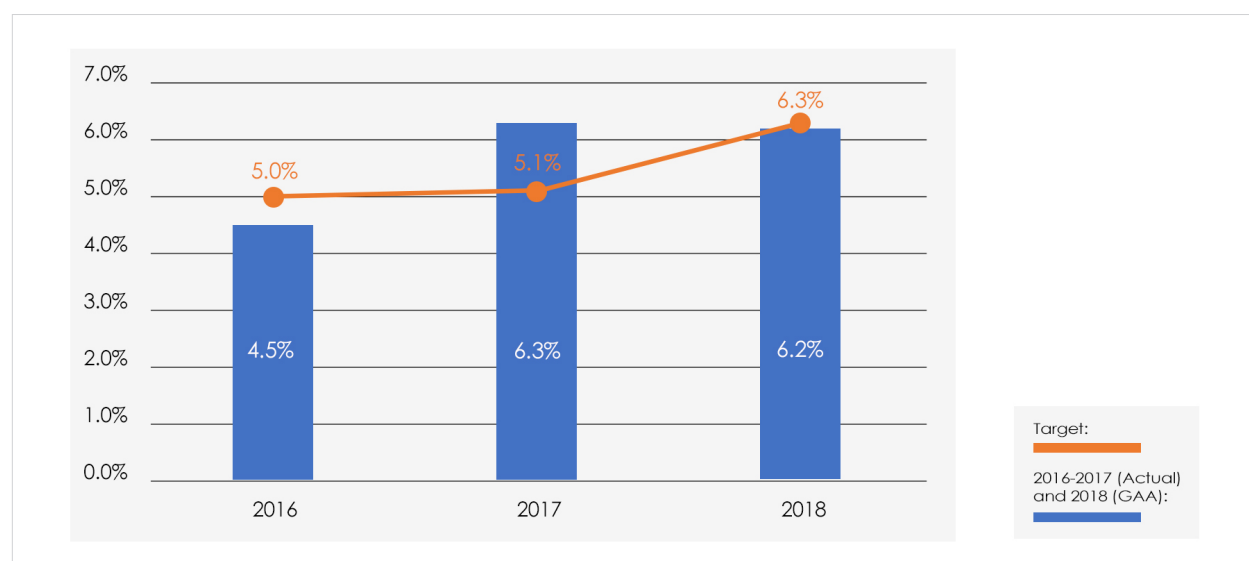
*Note: Stages of implementation are budgeting and financing, detailed engineering design and procurement, and actual construction.*

## Increasing spending on public infrastructure

**The government exceeded its infrastructure spending targets in 2017, making up for the lag in 2016.** The share of infrastructure spending to the country's gross domestic product (GDP) in 2017 was 6.3 percent, higher than the 5.1 percent target. This demonstrates that the government remains committed to increasing public infrastructure spending to address gaps that hinder the provision of quality services and adequate support for the projected expansion of the economy.

<sup>1</sup> Pulangi 4 Selective Dredging Phase 3; Improvement of Remaining Sections Along Pasig River from Delpan Bridge to Napindan Channel

**Figure 19.3 Obligation-based Public Spending on Infrastructure, in Percent of the GDP (2016-2018)**



The government continues to implement measures to ensure the development of a robust pipeline of strategic programs, activities, and projects (PAPs). Ongoing initiatives include 13 projects<sup>2</sup> under development using the Project Development and Monitoring Fund, Infrastructure Preparation and Innovation Facility, and Project Development and Other Related Studies Fund.

Infrastructure-related master plans and roadmaps, which are aimed at harmonizing and coordinating programs and projects, continue to be formulated.

**Table 19.1 Completed and ongoing master plans and roadmaps**

MASTER PLAN	DESCRIPTION	STATUS
Philippine Water Supply and Sanitation Master Plan (PWSSMP)	This will set the sector's direction in attaining the water supply and sanitation subsector targets through strategies, policy reforms, and priority programs and projects.	Completed
Davao City Infrastructure Development Plan and Capacity Building Project	The project is aimed at formulating an urban development plan to improve the competitiveness, safety/disaster-response, and general urban conditions of Davao City, and enhancing the capacity of NEDA, the city government of Davao, and other relevant government agencies in planning, budgeting, and managing proposed urban development plan.	Completed
Master Plan Study and Institutional Development on Urban Transport System in Metro Cebu	This will be the foundation for Metro Cebu in realizing transport projects with strategic long-term viewpoint, thereby contributing to the sustainable development of Metro Cebu.	Completed
Philippine Transportation System Master Plan (PTSMP)	This will guide the rational development of an intermodal transport network in the country and promote sub-regional economic cooperation or agglomeration and utilization of multimodal transport system for more efficient connectivity.	Ongoing

<sup>2</sup> Paranaque Integrated Terminal Exchange (ITX) Project, Taguig ITX Project, ITS North Terminal; Road Transport Information Technology Infrastructure, Phase II; San Ramon Newport Project; Independent Consultant for the Civil Registry System – Information Technology Project; Independent Consultant for the Clark International Airport Expansion Project – EPC; New Centennial Water Source; Rehabilitation, Operations and Maintenance (O&M) of Angat Hydro-electric Power Plant Auxiliary Turbines #4 and #5; O&M of Laguindingan Airport Development; O&M of Iloilo, Davao, and Bacolod Airport; New Bohol (Panglao) Airport Development; Regional Prison Facilities through PPP; Batangas-Manila (BatMan) 1 Natural Gas Pipeline; and NAIA Development



MASTER PLAN	DESCRIPTION	STATUS
Follow-up Survey on the Roadmap for Transport Infrastructure Development for the Greater Capital Region	This will update the <i>Roadmap for Transport Infrastructure Development for Metro Manila and Its Surrounding Areas</i> , which was approved by the NEDA Board in 2014.	Ongoing
Manila Bay Sustainable Development Master Plan (MBSDMP)	The MBSDMP will provide a comprehensive and supporting institutional framework for the sustainable development of the entire Manila Bay area. Further, it shall guide future decisions on programs or projects (e.g., coastal protection works, solid waste and water resources management, transport, reclamation activities) to be undertaken within the bay area.	Ongoing
National Irrigation Master Plan	This involves the updating and enhancing of the current draft of the 10-year NIA Irrigation Master Plan (2017-2026), including the investment program of new projects for the medium- and long-term. It is also envisioned to update the irrigation development baseline data and information.	Ongoing
Masterplans for Sustainable Infrastructure Development in Urban Areas <sup>3</sup>	This intends to develop strategic corridors and network of urban centers in view of the challenges faced by those living in highly urbanized cities and emerging growth centers.	Ongoing

### Box Article 19.1. New Clark City - Master Plan

The New Clark City is envisioned as a new urban core north of Manila that will host businesses engaged in domestic and/or international commerce, schools and hospitals, and research and development entities. The proposed development is seen as a solution to decongest Metro Manila and spur economic development in regions outside the metropolis.

Key projects include:

- Expansion of Clark International Airport
- National Government Administrative Center Phase 1A
- Mixed-Use Industrial Real Estate Development
- New Clark City High-Performance Gymnasium and Sports Museum
- Food Processing Terminal and International Food Market

**The Project Facilitation, Monitoring, and Innovation (PFMI) Task Force and the Infrastructure Cluster (IC) were mobilized to facilitate and ensure the timely implementation of IFPs and other priority infrastructure projects.** Since it was created, the PFMI has developed mechanisms to enhance identification of issues and bottlenecks in the project cycle of IFPs. For priority projects not included in the IFPs, the IC Performance and Programs Roadmap (IC-PPR) was launched in 2018 to complement the efforts of the PFMI.

**Measures to improve the regulatory framework for public-private partnership in the infrastructure sector are being pursued.** Amendments to the Build-Operate-Transfer (BOT) Law were initiated to consolidate all legal issuances pertaining to and/or related to public-private partnership (PPP) (including joint ventures) and address various issues and challenges that have hampered effective implementation of projects and programs.

<sup>3</sup> Metro Cagayan de Oro, Baguio City-La Trinidad-Itogon-Sablan-Tuba-Tublay Growth Center, Calapan City, Vigan City, Pagadian City, Butuan City, Metro Ormoc, Metro Iloilo, Metro Bacolod, Metropolitan Tuguegarao, and General Santos City

# Implementing strategic infrastructure

## Transportation Sector

**The Implementing Rules and Regulations (IRR) of the National Transport Policy (NTP) have communicated the vision for the sector that will then guide the intended reforms in the transportation sector.** Through the NTP, which was approved on June 27, 2017, the government aims to synchronize decisions and investments of all transport-related agencies as guided by the country's Transport Vision of “a safe, secure, reliable, efficient, integrated, intermodal, affordable, cost-effective, environmentally sustainable, and people-oriented national transport system that ensures improved quality of life of the people.”

**Improvements in the transport sector resulted in reduced travel time and greater mobility.** The Department of Public Works and Highways (DPWH) and the Department of the Interior and Local Government (DILG) have undertaken continuous improvements of the national and local road network with primary focus on calamity-stricken and conflict-affected areas, as well as new growth corridors. As an addition to the country's highway network, the Binalonan to Pozorrubio Section of Tarlac-Pangasinan-La Union Expressway (TPLEX) has been opened to the public, cutting down the travel time from Tarlac to Pozorrubio from 150 minutes to 45 minutes. The North Luzon Expressway (NLEX) Segment 10, the 2.6-kilometer section between C3 Road, Caloocan City and R10, Navotas City, is nearing completion. This segment will reduce the travel time from NLEX Valenzuela to R10 from 23 to 11 minutes via Balintawak-EDSA Monumento, and from 26 to 13 minutes via Balintawak-A. Bonifacio/C3. Implementation of road projects to ease travel to provinces located south of Metro Manila is also being undertaken. These are crucial parts of the government's bid to strengthen the north-south backbone of Metro Manila.

Other road-based projects, such as the newly opened Parañaque Integrated Terminal Exchange Terminal, will help decongest Metro Manila and provide intermodal access for passengers coming from Cavite and other nearby provinces in South Luzon.

Additionally, Point-to-Point (P2P) bus services were expanded to the nearby provinces (i.e., Cavite, Laguna, Antipolo, Clark, and Bulacan) so that public commuters will have a more comfortable and faster riding experience.

Eleven road projects expected to expand the road network and enhance delivery of road-based transport services are ongoing. Five more game-changing road projects have secured NEDA Board approval.

ONGOING PROJECTS	DESCRIPTION
Davao City Bypass Construction Project	The Project involves the construction of a 45.2-km four-lane bypass road, including a 2.3-km tunnel in Davao City.
Panguil Bay Bridge Project	The project involves the construction of a 3.77 km bridge across Panguil Bay connecting the City of Tangub in Misamis Occidental and the Municipality of Tubod in Lanao del Norte.
Plaridel Bypass Road (Arterial Road Bypass Project, Phase III)	An arterial road of 24.61 km that will link NLEX in Balagtas, Bulacan, with the Maharlika Highway in San Rafael, Bulacan.
SLEX Toll Road 4	Four-lane toll road spanning 56.87 kilometers from Sto. Tomas, Batangas to Tayabas/Lucena City in Quezon, which will reduce travel time between Sto. Tomas and Lucena from 4 hours to 1 hour.
C5 South Link Expressway	Three-lane expressway that will connect major business districts in Makati/Taguig area to Cavite/Parañaque/Las Piñas.

ONGOING PROJECTS	DESCRIPTION
Cavite-Laguna Expressway	Four-lane closed-system tolled expressway connecting CAVITEX and SLEX, 45.29 km. long.
NLEX-SLEX Connector Road	An eight-kilometer all elevated four-lane toll expressway extending the NLEX southward from the end of Segment 10 to PUP Sta. Mesa, Manila and connecting to the Skyway Stage 3. It is expected to reduce travel time between SLEX and NLEX from two hours to 10-15 minutes.
Skyway Stage 3	Six-lane elevated expressway spanning 14.8 km from Buendia to Balintawak which cuts down travel time to 10 minutes
Taguig Integrated Terminal Exchange Project (ITX)	The project will include passenger terminal buildings, arrival and departure bays, public information systems, ticketing and baggage handling facilities, and park-ride facilities.
Implementation PUV Modernization Program in Metro Manila, General Santos City, Tacloban City, Davao City, Cebu City, and Cagayan De Oro City	The Program is designed to make public utility vehicles safer, more convenient, more comfortable, and environment-friendly.
Implementation of a Unified/Interoperable Toll Collection System between NLEX and SLEX	Integration of toll collection system of NLEX and SLEX to reduce travel time of motorists.

*Table 19.3 Projects for implementation with NEDA Board approval*

NEDA BOARD-APPROVED PROJECTS	DESCRIPTION
Improving Growth Corridors in Mindanao Road Sector Project	Improvement of 280 km of national primary, secondary, and tertiary roads in Mindanao.
Pasig-Marikina River and Manggahan Floodway Priority Bridges	Construction of 12 bridges crossing the Pasig-Marikina River and Manggahan Floodway
Bridge Construction Acceleration Project for Socioeconomic Development	Construction of 30 bridges with total length of 2,848 lineal meters (lm) of permanent steel bridges. It consists of 25 truss bridges (1,255 lm) and five four-lane iconic design bridges (1,593 lm).
Reconstruction and Development Plan for a Greater Marawi – Stage 2 Project	Overall development plan for the rebuilding of Marawi City
Road Network Development Project in Conflict-Affected Areas in Mindanao	Development and upgrade of primary and access roads connecting the Autonomous Region in Muslim Mindanao and other regions in Mindanao

**The government continues to support the efficient movement of people and goods by implementing mass transit projects.** The Philippine National Railways (PNR) launched its Malabon-Taguig train line with the opening of the General Pascual Station. This project will facilitate faster and easier commuting for Caloocan-Malabon-Navotas-Valenzuela (CAMANAVA) residents. The travel time from end to end through the new Malabon-Taguig line is expected to span 58 minutes.

In line with the NTP's thrust to prioritize the movement of people and goods over vehicles, 10 mass transit projects are currently being implemented. Another two projects have secured NEDA Board approval but have yet to be implemented.

**Table 19.4 Ongoing Mass Transit Projects with NEDA Board Approval**

ONGOING PROJECTS	DESCRIPTION
MRT Line 7	Construction of a 23-km elevated railway line with 14 stations from San Jose Del Monte, Bulacan, to MRT 3-North Avenue in Quezon City and a 22-kilometer asphalt road from Bocaue Interchange of the NLEX to the intermodal terminal in Tala.
LRT Line 2 East Extension	Construction of a 3.9-km extension of the LRT Line 2 from Santolan Station to Masinag.
LRT Line 1 Cavite Extension	Construction 11.7-km extension from its existing Baclaran Station to the future Niyog Station in Bacoor, Cavite.
Metro Manila Subway Project Phase I A	Construction of a 25.3-km underground rail from Quezon City to Taguig, with an extension to the Ninoy Aquino International Airport (NAIA).
MRT-LRT Common Station Project	Connecting the LRT Line 1 North Extension, MRT 3, and MRT 7 on the corner of North Avenue and EDSA.
MRT 3 Rehabilitation Project	Rehabilitation and upgrade of MRT Line 3 to its original state with provision for capacity expansion in the future.
Cebu Bus Rapid Transit (BRT) System	A BRT system over a 23-km corridor will traverse through Cebu City's central business district, from Bulacao in the South West and Talamban in the North East. It will provide improved mobility for people in Cebu City and provide safer and environment friendly mode of travel.
North-South Commuter Railway (NSCR) Extension Project: · PNR South Commuter Railway (Manila - Calamba); and, · Malolos Clark Railway Project (Malolos - Clark).	PNR South Commuter Railway (Manila - Calamba) - Approximately 56.5km from Solis (Tutuban) to Los Baños Station with 22 stations and 1 depot.  Malolos Clark Railway Project (Malolos - Clark) - Construction of a 69.5-km commuter line and an airport express railway between Malolos and Clark Green City.
NSCR, Phase I (Malolos-Tutuban)	Construction of a 36.7-km elevated commuter railway from Malolos to Tutuban using the PNR Right of Way (ROW).
Mindanao Railway Project (Tagum-Davao-Digos)	Construction of 102-km, non-electrified, single-track rail running through Digos, Davao City and Tagum in Region 11.

**Table 19.5 Rail projects with NEDA Board approval**

NEDA BOARD-APPROVED PROJECTS	DESCRIPTION
Subic-Clark Railway Project	Construction of 71.13-km rail located in the western section of Central Luzon running on an exclusive ROW parallel to the Subic Clark Tarlac Expressway with some sections adjacent to it.
PNR South Long Haul Project (Manila - Legazpi, Matnog, Batangas)	Construction of a 639-km railway traversing the following sites: (a) Manila, (b) Los Baños, Laguna (c) Lucena, Quezon (d) Gumaca, Quezon, (e) Naga, Camarines Sur, (f) Legaspi, Albay, (g) Sorsogon City, Sorsogon, (h) Matnog, Sorsogon, and (i) Batangas City, Batangas.

**Notable improvements in the performance of the aviation sector have been observed.** NAIA ranked 10<sup>th</sup> in the list of most improved airport in the world in 2018 as a result of improvements undertaken, such as the restriction of general aviation flights during peak hours to give priority to commercial flights; strict implementation of the five-minute rule on queuing; creation of a central desk that connects to all departments for immediate response; and the construction of rapid exit taxiway to allow aircraft to leave the runway at higher speeds. According to Manila International Airport Authority's report, the total count of flights grew from 258,366 in 2017 to 263,564 in 2018, an increase of 2.01 percent.

In the 2018 On-Time Performance (OTP) Ratings<sup>4</sup> of Official Aviation Guide (OAG), Clark International Airport (CRK) got a 2-star rating while eight other Philippine airports<sup>5</sup> managed by Civil Aviation Authority of the Philippines (CAAP) were rated 1-star. These were significant developments considering that there weren't any Philippine airports that made it to the list in 2017. CRK has also been drawing more flights and passengers with 39 inbound and outbound flights added.

Meanwhile, 19 out of 42 regional airports are now capable of accommodating night flights,<sup>6</sup> while eight (8) more are in the process of getting night-rating<sup>7</sup> capabilities.

For enhanced passenger experience, facilities including toilets, wi-fi access, and waiting areas for passengers and well-wishers were improved and premium airport buses started servicing all NAIA terminals. At CRK, a one-stop shop center for overseas Filipino workers was set up to enhance efficiency and convenience of processing of pre-departure requirements.

Further, the government inaugurated the New Bohol (Panglao) International Airport, as the country's first "eco-airport". The new airport features environmentally sustainable structures and green technology (e.g., water treatment facilities, rain water collection system, and solar panels). It will address the problem of growing traffic congestion and accelerate economic activities in the region.

Other noteworthy accomplishments in the aviation sector include completion or ongoing implementation of projects listed in Table 19.6 and 19.7.

**Table 19.6 Completed and ongoing projects in the aviation sector**

ONGOING PROJECTS	DESCRIPTION
Mactan-Cebu Airport	Opening of Terminal 1 and ongoing construction of Terminal 2 which will add 8 million passengers per annum (mppa) to its capacity.
Cagayan North International Airport	Opening of the airport as Category 4-C servicing both international and domestic flights.
Bicol International Airport Development Project	Development of an airport in Daraga to replace the existing Legazpi Airport, which can accommodate bigger aircrafts and service the growing volume of passengers in the Bicol region.
New Clark Passenger Terminal Building	The construction of the new terminal building will increase the capacity to 12 mppa.

**Table 19.7 NEDA Board-approved aviation projects**

NEDA BOARD-APPROVED PROJECTS	DESCRIPTION
Bulacan International Airport	This involves the construction, operation, and maintenance of the Bulacan International Airport located in Bulacan, Bulacan, North of Manila Bay. Airport development consists of construction of a passenger terminal building, airside and landside facilities, and an 8.4-kilometer tollway to serve as airport access connecting to NLEX at Marilao, Bulacan. The airport will have a capacity of 100 mppa at opening year.
Clark Airport Operations and Maintenance (O&M) PPP Project	Engagement of a qualified operator to undertake the necessary internal fit-out and provision of the necessary equipment and systems to complete, commission, operate, and maintain the new CIA Terminal. The concession will also include the turnover of the operations and management of the existing terminal to the same qualified concessionaire.

<sup>4</sup> OTP Rating is achieved when an airport meets the following criteria: i) a minimum of 600 operations a month (minimum of 2.5 million departed seats); and ii) OAG must receive flight status information for no less than 80 percent of scheduled flights within a 12-month period. Source: <https://www.oag.com/on-time-performance-star-ratings-2018>

<sup>5</sup> Ibid. These eight airports are: 1. Iloilo International Airport; 2. NAIA; 3. Bacolod-Silay International Airport; 4. Davao International Airport; 5. Tacloban Airport; 6. Laguindingan International Airport; 7. Kalibo International Airport; and 8. Puerto Princesa International Airport.

<sup>6</sup> Defined by International Civil Aviation Organization as one (1) hour after sunset and one (1) hour before sunrise.

<sup>7</sup> Night rated airports are airports capable of operations at night.

**There have been efficiency improvements and capacity expansion in the maritime transport sector.**

Cargo traffic increased by 2.0 percent in January to September 2018 from 190.71 million metric tons (MMT) in the same period in 2017 to 194.58 MMT. Passenger traffic also continues to grow from 54.67 million in Q3 2017 to 58.09 million in Q3 2018 (equivalent to 6.2 percent increase), mainly due to ecotourism programs promoting inter-island Roll On-Roll Off (RoRo) travel to tourist destinations such as Siargao, Puerto Galera, and Bohol.

The opening of the Davao-General Santos-Bitung ASEAN RoRo in April 2017 further expanded the RoRo network in the country. This is part of the country's commitment to implement the Master Plan on ASEAN Connectivity 2025.

Meanwhile, the inauguration of Cavite Gateway Terminal will promote inter-regional trade and development, provide greater access to South Luzon, and spur the growth of its thriving industries. The project is also expected to result in 140,000 fewer truck trips per year which may help to decongest roads and address the long queue of trucks in the Port of Manila.

Procurement activities for the rehabilitation and improvement of regional fish ports in Sual, Iloilo, Lucena, Camaligan, Davao, and Zamboanga have already been undertaken by the DA-PFDA while the upgrading of the Navotas Fish Port Complex was recently approved by the Investment Coordination Committee (ICC).

To provide a general framework and execution plan in the maritime sector, the Maritime Industry Authority (MARINA) formulated the 10-year Maritime Industry Development Plan, which is expected to accelerate the achievement of nationally integrated and globally competitive maritime industry through developing and supporting an organizational culture and practice of leading in maritime education, innovation, technology, and sustainability.

Port operations modernization for increased efficiency commenced with the adoption of e-payments and internet-based Port Operations Receipting for Terminals (iPorts).

**Transport safety and security remain top priorities in the sector.** The rising demand for reliable and resilient transport infrastructure comes with the need to make it safe and secure. As part of the government's efforts to improve transport safety and security, the following have been accomplished:

- Philippine airports passed the Global Safety Audit administered by the International Civil Aviation Organization Coordinated Validation Mission;
- Programs and capacity-building activities launched on road safety processes via the Philippine Road Safety Action Plan;
- Traffic laws, ordinances, and penalties of local government units in Metro Manila, particularly on apprehending colorum vehicles, illegal parking, and illegal sidewalk vendors harmonized through the efforts of the Inter-Agency Council on Traffic (I-ACT);
- Deployment of Philippine Coast Guard in Davao for the Davao-General Santos-Bitung Route; and
- Implementation of the Safety, Security, and Environmental Numbering System.

## Water Resources Sector

**Efforts to implement the agreed institutional agenda were sustained.** Consistent with the government's strategies to address the sector's fragmented structure and improve regulation in the water supply and sanitation sector, draft bills on the creation of the Department of Water Resources, an apex body that would oversee overall planning, programming, policy formulation, and management of the water resources sector, and the Water Regulatory Commission, an independent body for economic regulation, have been prepared and pursued for legislative action.

**The number of households with access to safe water supply increased and remained on target. The coverage of improved sanitation, however, did not meet the expected level.** As of the latest available data,<sup>8</sup> 89.9 percent of households in the country have access to developed water supply, which is slightly higher than the updated target for 2017 of 89.1 percent. Around 10.1 percent of households, however, access water through unprotected wells, tanker trucks, and natural sources such as rivers, streams, pond, lake, and rainwater. In terms of sanitation, 89.0 percent of households use improved facilities, of which 74.0 percent use improved sanitation facility that is not shared with other households and 15.0 percent use shared improved sanitation facility. The total is lower than the revised target of 92.58 percent for 2017.

**Development of new irrigation areas was on pace but asset management needs to be improved.** Irrigation service to support agricultural production stood at approximately 61.33 percent of the relevant potential irrigable area in 2018, which is higher than the target of 60.43 percent for the said year. Nonetheless, efforts should be sustained in order to meet the 61.72 target for 2019, especially with the implementation of Republic Act No. 10969, otherwise known as the Free Irrigation Service Act .

Moreover, the maintenance of irrigation structures and facilities remains a major challenge. The formulation of the National Irrigation Master Plan, which aims to update and enhance the 10-year Irrigation Master Plan (2017-2026), started in 2018 to map out the strategies in improving the organizational and institutional aspects of the sector as well as the detailed program of projects including the appropriate mix of new development and rehabilitation.

**Efforts to make flood management more strategic and adaptive were continued but the lack of data remained a constraint.** In 2018, the government pursued the updating of flood control and drainage master plans and feasibility studies of projects in major river basins and principal rivers. In this regard, flood and drainage master plans for six major river basins are being formulated.

Among the big-ticket projects in the sector, which have secured the approval of the NEDA Board in 2018, are the Ambal-Simuay River and Rio Grande de Mindanao Flood Control Projects and the Pasig-Marikina River Channel Improvement Project Phase IV.

Flood management is becoming more challenging due to climate change and the growing need to adopt the Integrated Water Resources Management (IRWM) approach, which promotes the coordinated development and management of water, land, and related resources. The lack of comprehensive sector data for planning and monitoring, along with the need to coordinate efforts with solid waste management and housing, also poses a big challenge. Watershed protection also needs to be considered.

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<sup>8</sup> Source: Philippine Statistics Authority - Annual Poverty Indicators Survey 2017 Final Report



## Energy Sector

**Total dependable capacity remained adequate to meet the highest peak demand in all three main grids.** As of mid-2018, the total grid installed capacity of the Philippines is 23,169 megawatt (MW) with 91.73 percent being dependable. The dependable capacity in each grid was able to address the highest peak demand, thus, resulting in a secure and reliable grid. This is notwithstanding the DOE's assessment in its Power Demand-Supply Outlook 2016-2040 that the Philippines will need an additional 5,357 MW by 2022 to sustain economic growth as the demand for electricity is expected to increase to 18,173 MW by 2022. Committed and indicative capacities, as of end-October 2018, are estimated at 6,408MW and 37,975MW, respectively. The completion of these projects is necessary to ensure energy security.

**Table 19.8 Capacity vs Demand per Grid**

GRID	INSTALLED CAPACITY (MW)	DEPENDABLE CAPACITY (MW)	PEAK DEMAND (MW)
Luzon	16,133	15,028	10,876
Visayas	3,367	2,981	2,053
Mindanao	3,670	3,244	1,847
Total	23,169	21,253	

Source: Department of Energy (as of June 30, 2018)

**Institutional policy and reforms were established in support of energy security and independence.** To further boost investments in the sector, the Energy Investment Coordinating Council (EICC) was created through Executive Order No. 30 in 2017. The formulation of its IRR followed in 2018.<sup>9</sup> The EICC is mandated to streamline the regulatory procedures affecting energy projects. The DOE issued Department Circular No. 2017-12-0017 adopting the Philippine Conventional Energy Contracting Program for awarding petroleum service contracts.

To institutionalize disaster resiliency efforts, the Department of Energy (DOE) issued the Energy Resiliency Policy. This aims to strengthen energy systems and facilities to quickly restore and provide alternative sources of energy in times of emergencies. A Memorandum of Understanding between the DOE and the Philippine Disaster Resiliency Foundation, Inc. was signed to develop activities towards energy resiliency, conduct joint exercise to test disaster response protocols, and engage stakeholders in disaster-risk reduction and climate change adaptation.

**Development of indigenous energy pursued to decrease dependence on imported sources.** In pursuit of energy security, the DOE has awarded a total of 915 renewable energy (RE) projects with a potential capacity of 31,908 MW and installed capacity of 2,901 MW since the issuance of the Renewable Energy Act in 2008. To further encourage RE investment, the guidelines<sup>10</sup> governing the establishment of the Green Energy Option Program (GEOP) were promulgated. GEOP empowers end-users to choose renewable energy resources as their sources of energy through distribution utilities. On the other hand, the Renewable Portfolio Standard Rules for missionary and off-grid areas mandated electric power industry participants to source or produce a specified portion of their electricity requirements from eligible RE resources.

<sup>9</sup> Certificates of Energy Project of National Significance were issued to the following projects: Mindanao-Visayas Interconnection Project, Kalinga Geothermal Project, 151.2 MW Talim Wind Project, 2 x 600 MW Atimonan Coal-Fired Power Plant, PNOC-Exploration Corporation's COC 185 and 186, and 500 MW Kibungan Badeo Pumped Storage Project.

<sup>10</sup> Department Circular No. 2018-07-0019 - DOE. Promulgating the Rules and Guidelines Governing the Establishment of the Green Energy Option Program Pursuant to the Renewable Energy Act of 2008. <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2018-07-0019.PDF>



For 2018, capacity from hydropower energy increased by 78.9 MW from 8.5 MW in 2017. In addition, installed capacity from geothermal production is 12 MW while biomass' production added 41.735 MW of installed capacity.

A new oil field, with an estimated 27.93 million barrels (MMB) of oil and a possible production recovery of 3.35 MMB, was discovered. The field has natural gas reserves of about 9.42 billion cubic feet (BCF), with the recoverable resource estimated at 6.6 BCF.

On alternative fuels and technologies, the DOE pushed for a smaller scale of the E-Trike Project from the original 100,000 units to just 3,000 units. Of the 3,000 units of E-Trike, 900 units will be donated to the local governments of Las Piñas, Valenzuela, Muntinlupa, and Pateros, 200 units were donated to the local government of Marawi through the Task Force Bangon Marawi, while the remaining 1,900 units will be rolled out in the succeeding years.

**Efforts to implement demand-side management plans were sustained.** Under the Government Energy Management Program pursuant to Administrative Order No. 126, some 39 agencies saved energy of 5,689,092 kilowatt hour (kWh), or energy savings worth PHP47.88 million. Due to heightened efforts in energy efficiency and increased awareness on energy conservation measure across all economic sectors, energy intensity level continue to decrease from 6.7 tonnes of oil equivalent per million pesos of real GDP (TOE/MPhP) in 2016 to 6.4 TOE/MPhP in 2018.

**With a goal of 100 percent electrification by 2022, the government continued to provide electricity for unserved or underserved households.** Household electrification for 2018 was around 20.94 million (or 88.3 percent) out of the potential 23.72 million households (HHs) in the country. In addition, the DOE created Task Force E-Power Mo to oversee the government's Total Electrification Program. It is likewise pushing ahead with the energization of off-grid communities through the *Access to Sustainable Energy Programme (ASEP)*, which will benefit about 100,000 HHs, especially in the Bangsamoro Region. Under ASEP's Photovoltaic Mainstreaming Program, about 40,500 solar home systems, each with a 50-watt peak capacity, will be installed in remote off-grid communities in various provinces in Mindanao.

## Information and Communications Technology Sector

**The country's digital connectivity has improved with the continuous expansion of private sector's data networks.** According to Speedtest Global Index, the country's Internet speed has notably increased with average download speed at 19.03 Mbps for fixed broadband (from 15.13 Mbps) and 15.05 megabits per second (Mbps) for mobile broadband (from 13.45 Mbps).<sup>11</sup> There is, however, much room for improvement as the broadband speed is still considerably below the global average of 54.33 Mbps for fixed broadband and 25.08 Mbps for mobile broadband.

**To complement private sector efforts, the government has pursued various initiatives to provide connection to more underserved areas and improve access to e-government services.** In particular, the Department of Information and Communications Technology (DICT) has prioritized the implementation of the following: (a) the National Broadband Plan (NBP); (b) the Free Wi-Fi in public places; and (c) the National Government Portal (NGP).

The preparatory works for the implementation of the NBP have been undertaken. For the National Fiber Backbone component of the NBP, the Tripartite Agreement between DICT, National Grid Corporation of the Philippines (NGCP), and TransCo was signed in 2018, while the testing and survey of NGCP's dark fiber in prioritized areas has started.

<sup>11</sup> Ookla speedtest: Global Index as of December 2018. <https://www.speedtest.net/global-index/philippines#fixed>

An important component of the NBP is the proposed Luzon Bypass Infrastructure, which aims to provide a high-speed information highway for broadband connection. The pre-acceptance of fronthaul facilities in La Union and Baler for the Luzon Bypass is ongoing. Further, the construction of information technology (IT) facilities is also ongoing and expected to be completed by the second quarter of 2019.

To increase access points in the countryside, the government continued providing Free Wi-Fi under its new name “*Pipol Konek*” project. In 2018, the established Wi-Fi sites increased by 28.44 percent from 805 Wi-Fi sites in 2017. As of December 2018, some 2,163 installed sites across 582 cities and municipalities have been benefitting 3.19 million users.

To improve e-government services and provide citizens with easier access to information, the NGP was established. It serves as a single window access to government e-services and information. This portal may now be accessed via <https://www.gov.ph/>.

In the latter part of 2018, the government selected a new major player in the telecommunications industry. The entry of a new major player is expected to improve overall market competition and provision of information and communications technology (ICT) services in the country.

## Social Infrastructure Sector

**Poor planning and implementation of basic education facilities have resulted in weak performance of the education sector.** To address the need for new school buildings, classrooms, and other basic facilities (e.g., water and sanitation facilities and electrification), the government continued to prioritize allocation of resources for the Basic Education Facilities Fund (BEFF) Program. However, the perennially low disbursement rates<sup>12</sup> for the BEFF Program translated to low service delivery of education facilities. As of Q3 quarter of 2018, only 22, 655 (44.95%) of the physical target for the same period (50,405) have been completed.

To avoid disruption of classes and school operations due to the use of schools as evacuation centers during calamities, the Department of Budget and Management and DILG issued guidelines for local government units (LGUs) on the use of the Local Government Support Fund- Financial Assistance and Local Disaster Risk Reduction and Management Fund LDRRMF, respectively, for the construction of evacuation centers.

**Implementation delays of the Health Facilities Enhancement Program (HFEP) have continued to hamper the construction and upgrading of health facilities affecting the timely delivery of critical health facilities.** To promote and provide adequate healthcare services, PHP30.27 billion was allocated in 2018 under the HFEP. However, spending performance of the Department of Health (DOH) in the implementation of the program has been dismal. Only 30.0 percent of the 2018 HFEP allocation was obligated while only about 6.8 percent was disbursed. Among the recurring implementation gaps include limited absorptive capacity and poor compliance of DOH with the HFEP Availment Guidelines, lack of available sites, absence of continuous monitoring, and incomplete reporting on implementation status of projects under HFEP.

**Compliance to the submission of Solid Waste Management (SWM) Plans improved, yet progress in plan implementation has been slow.** According to the Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) and the National Solid Waste Management Commission (NSWMC),<sup>13</sup> 1,513 out of 1,634 LGUs (93.0%) have submitted 10-year Solid Waste Management Plans. The Commission has approved only 396 (26.0%) of these plans while 1,117 (74.0%) are under evaluation.

<sup>12</sup> From 2015 to 2017, the disbursement rate of the BEFF was a low weighted average of 12.8 percent. Source: <https://www.dbm.gov.ph/secretary-corner/press-releases/list-of-press-releases/1153-beff-2019-budget-explained>. Accessed 01 February 2019.

<sup>13</sup> LGU Compliance Updates to RA No. 9003. Source: [http://nswmc.emb.gov.ph/wp-content/uploads/2018/10/swm\\_udpates\\_sept1.pdf](http://nswmc.emb.gov.ph/wp-content/uploads/2018/10/swm_udpates_sept1.pdf). Accessed on 10 December 2018.

Moreover, since the enactment of the Ecological Solid Waste Management Act (ESWMA) in 2001, access of local government units (LGUs) to SWM facilities, such as sanitary landfills (SLFs) or material recovery facilities, has remained low due to lack of technical and financial capacity of the LGUs to implement their respective SWM plans and to cope with the high capital and maintenance costs required to establish and operate SWM facilities. As of August 2018, only 21.0 percent of LGUs (337) have access to 145 operational SLFs in the country, while 32.0 percent (13,324) of barangays have access to MRFs.<sup>14</sup>

## Moving Forward

### To increase spending on public infrastructure

**Shift from obligation-based to cash-based appropriations.** The national government is preparing for a shift from obligation-based to cash-based appropriations to improve fiscal discipline, efficiency, and sustainability amongst government agencies. This is expected to expedite the delivery of infrastructure facilities and services. Similarly, the Development Budget Coordination Committee (DBCC) approved the national government (NG) infrastructure disbursement targets of 4.8 percent of the GDP in 2019 to 6.9 percent of GDP in 2022 (in terms of the annual cash-based appropriations).

*Table 19.9 Cash-Based Public Spending on Infrastructure, in Percent of the GDP (2019-2022)*

PARTICULARS	PROPOSED (IN PHP BILLION)	PROJECTIONS (IN PHP BILLION)		
	2019	2020	2021	2022
Infrastructure Program, Targets	930.37	1,285.84	1,524.93	1,797.56
% of GDP	4.8%	6.0%	6.4%	6.9%
NG Infrastructure	735.66	1,082.44	1,305.59	1,560.33
Infrastructure Subsidy	51.30	44.39	43.54	43.54
Infrastructure Equity	1.05	3.52	0.79	0.79
Infrastructure Transfers to LGUs	142.37	155.50	175.01	192.89

Source: DBCC during its 174th Meeting in October 2018

**Ensure programs and projects are guided by major infrastructure-related master plans and roadmaps.** Critical master plans and roadmaps for the infrastructure sector will be formulated and completed to guide the government in ensuring that future project investment decisions are harmonized, well-coordinated with the core organizational outputs and outcomes, and undertaken within the context of sustainable development.

Reclamation, in this regard, will be undertaken in a holistic manner. Technical evaluation of reclamation proposals will consider the environmental, social, and economic impacts of the proposed reclamation activities.

**Amend regulatory frameworks to expand private sector participation in infrastructure projects.** As PPP remains a viable strategy for critical infrastructure programs and projects, amendments to the BOT Law continues to be a priority. The NEDA Board's Committee on Infrastructure (INFRACOM) will finalize

<sup>14</sup> Data as of 2017, accessed from: [http://nswmc.emb.gov.ph/wp-content/uploads/2018/10/swm\\_updates\\_sept1.pdf](http://nswmc.emb.gov.ph/wp-content/uploads/2018/10/swm_updates_sept1.pdf).

the draft “Public-Private Partnership Act of the Philippines” for endorsement to Congress. In the interim, other initiatives such as amendments to the Joint Venture (JV) Guidelines will be formulated by NEDA in coordination with relevant stakeholders to address issues relative to JV undertakings of government entities.

Pending amendments to the JV Guidelines or the BOT Law, an appropriate issuance will further clarify the existing JV Guidelines with the purpose of fostering transparency and competitiveness in the processing and approval of JV undertakings. This will differentiate JVs from concessions and privatization, as well as clarify provisions relative to the sale of bidding documents, the minimum designs and performance standards and specifications, third-party independent valuation for JV government contribution, and the imposition of value added tax, franchise tax, and other tax obligations.

## To implement strategic infrastructure

### Transportation Sector

**Harmonize roadmaps, masterplans, and transportation projects and programs to be in sync with the National Transport Policy.** The government will ensure that the planning, programming, implementation, and O&M of transport projects, along with strategies and policy reforms, adhere to the NTP.

The PTSMP, which is anchored on the NTP, along with the investment programs in the short and medium term, will provide the basis for the preparation and implementation of projects, programs, and policy reforms in the transport sector.

Other programs and practices will facilitate the movement of people and goods. Infrastructure convergence programs<sup>15</sup> with other economic sectors will continue to be pursued to ensure that seamless and intermodal transport networks for tourism, agro-industry, trade, and logistics are established. Globally accepted infrastructure development practices such as transit-oriented development, which creates compact, walkable, pedestrian-oriented, mixed-use communities centered around high-quality train systems, and land value capture, a method of funding infrastructure improvements, will be considered. Inclusive mobility and universal access through non-motorized means will continue to be integrated in the design and operation of road-based transport facilities.

As stated in the NTP, public mass transportation in urban areas is given priority over private transport. Thus, completed and ongoing mass transit projects will support the desired shift from vehicle-oriented to people-oriented transport initiatives.

To alleviate the worsening traffic congestion in Metro Manila and other metropolitan areas, the operations of the I-ACT will be further intensified. The Department of Transportation (DOTr) and the Metro Manila Development Authority (MMDA) will continue to implement Intelligent Transport System projects for traffic management (e.g., establishment of a dedicated traffic control center, installation of IT-based traffic signaling and surveillance systems, no contact apprehension for violators, traveler advisory and information dissemination, etc.). Route rationalization, integrated land use and transport planning, and the consolidation and harmonization of traffic rules, including those that are being imposed by LGUs, will be pursued in accordance with the NTP and its IRR.

To support growth in cruise tourism, the Department of Tourism (DOT) and the Tourism Infrastructure and Enterprise Zone Authority will explore the development of a dedicated home port and several destination ports across the country.

<sup>15</sup> Department of Trade and Industry-DPWH: Road Connectivity for Industry and Trade Development Roads Leveraging for Industry and Trade (ROLL IT) Program; Department of Agriculture-DPWH: Farm-to-Market Roads; DOT-DOTr: Airport Development for Tourism.

**Pursue administrative and legislative reforms to address overlapping and conflicting functions of concerned agencies.** The government will continue to pursue administrative and legislative reforms to address overlapping, conflicting, and redundant functions of some transport agencies and government units.

While the creation of an independent body for transport safety and security is still being pushed, in the interim, implementing agencies and LGUs will define the level of service and performance standards in their respective operating guidelines for transport facilities and services, and establish safety units to implement such standards. DOTr and DILG will ensure that their respective attached agencies (i.e., Office of Transportation Security, Civil Aeronautics Board, Philippine National Police, CAAP, PCG, MARINA) continue to strictly enforce safety and security measures as mandated by the law. Regular reporting of the accomplishments and outcomes in this aspect will be incorporated into the transport sector database.

**Establish a free flow of transport-related information.** To address data gaps and assist policy makers, DOTr will establish and maintain a database system for transport-related data from those involved in its collection and management. To this effect, the transport sector database, consolidated under the PTSMP, will be initially managed and updated under the purview of the Inter-Agency Technical Committee on Transport Planning. For DILG and DPWH, GIS-based mapping techniques will continue to be utilized for enhanced data collection and management for planning, programming, and monitoring of road projects.

## Water Resources Sector

**Continue to push for the creation of a national apex body for the water sector.** The creation of an apex body to oversee the management of the country's water resources remains an important part of the reforms in the sector. The Executive branch will continue to engage Congress for the swift passage of the bill creating an apex body for water resources. As a short-term strategy, NEDA will work on drafting an executive issuance that will strengthen the National Water Resources Board, mainly by augmenting its resources and workforce and boosting its regional presence in the country.

**Accelerate provision of water supply and sanitation through institutional reforms.** Following the general principles of the Unified Financing Framework (UFF),<sup>16</sup> the national government must increase the budget allocation for water supply and sanitation projects across the country, including the conduct of project preparation and development activities, as well as capacity building on the operation and maintenance of facilities. In relation to this, the PWSSMP will serve as the guiding document in developing the water supply and sanitation sector.

The creation of the Water Regulatory Commission for the water supply and sanitation subsector, which will serve as an independent economic regulatory body, remains a major institutional strategy to be undertaken.

Pursuant to the Clean Water Act, expansion or restructuring of the NSSMP shall be explored to cater to more beneficiaries other than sewerage or septage management systems in highly urbanized cities and first class cities or municipalities.

**Optimize use of funds and improve the technical capacity for irrigation development and maintenance of facilities.** In light of the recently enacted Free Irrigation Service Act, funds for irrigation development, including rehabilitation of existing systems, need to be optimized through the integration of water-efficient technologies and the right mix of irrigation projects based on economic return, among other criteria. Such will be laid out under the National Irrigation Master Plan, which is being formulated. Other developments

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<sup>16</sup> The UFF aims to address the inequitable delivery of basic WSS infrastructure caused by inadequate financing, low technical capacities of small service providers, and institutional challenges, through the development of a structure for rationally allocating available resources towards expediting the improvement and expansion of WSS services.

and factors such as rice tariffication, support for diversified, non-traditional, and high-value crop farming, and climate change will also be considered.

The technical capacity and workforce of the National Irrigation Authority and Irrigators' Associations will be enhanced towards more effective operations and maintenance of irrigation facilities.

**Improve coordination between flood management efforts and undertakings in other sectors and establish a comprehensive database.** Coordination between flood management efforts and undertakings in other sectors, such as solid waste management, reforestation and housing, among others, under the general framework of IWRM, as well as river-basin and land-use planning, should be intensified. Timely financial support for the full implementation and maintenance of flood management and mitigation measures under the flood management master plans for major river basins should be provided. A comprehensive database of all water-related data, including flood-related information, will be established and regularly updated.

## Energy Sector

**Streamline business processes through technology.** To improve access to secure and reliable energy, the government will continue to streamline business processes in the energy sector with the aid of technology. To encourage greater participation of all electric power industry stakeholders, DOE's National Strategy for the Smart Grid for the period until 2040 will be pursued to promote technology innovation, business growth, and job-creation.

**Advance RE development efforts.** In particular, the implementation of the Renewable Energy Market and Off-Grid Renewable Energy Development will continue to be pursued. These will aid in identifying the Philippines' Nationally Determined Contribution.

**Fast-track the establishment of a liquefied natural gas facility.** In the midst of Malampaya's forthcoming depletion, DOE will fast-track the establishment of a liquefied natural gas (LNG) facility. DOE will also conduct specific research activities to provide broader and in-depth understanding of the LNG industry and other relevant policies.

**Formulate a National Unified Strategy for Total Electrification.** All electrification master plans of distribution utilities and electric cooperatives will be consolidated to come up with: a) an inventory of unserved and underserved areas; b) a list of ongoing electrification programs and projects including the intended beneficiaries; c) a list of proposed electrification programs and projects for unserved and underserved areas; d) recommendations on addressing issues that will be encountered in the implementation of electrification projects; and e) a list of potential partners who will be involved in the electrification of unserved/underserved areas.

**Promote smarter energy use to the public.** On energy efficiency and conservation, the DOE, in coordination with Presidential Communications Operations Office and Philippine Information Agency, will further strengthen its multimedia information campaigns to empower and educate consumers on their options for a wiser and more intelligent utilization of energy resources.

## Information and Communications Technology Sector

**Ensure the timely rollout of the NBP and leverage existing government assets towards improving the quality of digital connection.** The preparatory works for the rollout of the National Fiber Backbone component of the NBP will be fast-tracked to address the gaps in the available backbone and middle-mile segments and thus, increase the country's overall bandwidth capacity. This entails ensuring the timely completion of the IT facilities and terrestrial network for the Luzon Bypass Infrastructure that is expected



to bring in an additional 2,000,000 Mbps of data capacity. With the intended development of the national backbone infrastructure, the gaps in the last-mile segments need to be addressed. For this, the development of a Tower Sharing Policy and the completion of the feasibility study for the “Accelerated Tower Build” components of the NBP will be undertaken. In addition, more internet access points are expected to be available with the expanded rollout of free public Wi-Fi throughout the country.

**Boost telecommunications policy reforms.** With the entry of a new major player in the telecommunications industry, the government will intensify proposed telecommunications policy reforms, such as the Open Access Policy<sup>17</sup> for the ICT industry. These reforms aims to facilitate and level the playing field in the sector.

## Social Infrastructure Sector

### Continue addressing gaps in the social infrastructure sector.

*Education.* To minimize delays in the construction of new school buildings and classrooms, the Department of Education (DepEd) shall adopt measures to strengthen its capacity to identify gaps and needs to better allocate resources for classrooms and other facilities including the necessary human resources. Further, DepEd and DPWH will jointly enforce policies and guidelines on the implementation of the BEFF and strengthen coordination to ensure school buildings and classrooms built are consistent with existing standards. In addition, funding support to LGUs for the construction of evacuation centers will be continued to avoid the use of schools as evacuation centers during calamities and the consequent displacement of students and disruption of classes.

*Health.* The DOH will sustain the implementation of Philippine Health Facilities Development Plan 2017-2022, which includes the delivery of affordable, accessible and quality health care services for the public. Based on the IC-PPR, the following targets of the DOH will be achieved by the end of 2022: 2,424 regional health units and urban health centers, 15,988 barangay health stations, and 13,378 general hospital beds. To address recurring gaps and bottlenecks in the implementation of HFEP, the DOH, in coordination with concerned national government agencies and LGUs, will continue to develop policies and strategies that will ensure the functionality and sustainability of health facilities and the satisfaction of human resource requirements. Likewise, project monitoring and reporting of DOH shall be enhanced to ensure timely implementation of HFEP projects.

*Solid Waste Management.* To ensure LGUs’ compliance with RA No. 9003, necessary financial support will be provided to effectively manage SWM facilities and services. The SWM Fund must be operationalized pursuant to Section 46 of RA No. 9003. The government should also study the re-institutionalization of the NG-LGU cost-sharing scheme for SWM programs. On addressing the increasing volume of wastes brought upon by rapid urbanization, DENR-EMB, in coordination with the NSWMC, will mainstream the establishment and operation of alternative technologies, including waste-to-energy technologies.

In the medium term, DENR and DILG will enjoin LGUs to adhere to the provisions of the ESWMA and increase the coverage of barangays with access to SWM facilities. To this end, clustering of LGUs for common SWM facilities will be encouraged to take advantage of economies of scale to cope with the high upfront cost of building and operating such facilities. Furthermore, national ecology centers will be fully utilized to facilitate training and education of staff members of LGUs on integrated ecological SWM.

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<sup>17</sup> House Bill No. 6557 and Senate Bill No. 1763 or “An Act Promoting Open Access in Data Transmission, Providing Additional Powers to the National Telecommunications Commission.”





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Ensuring  
Ecological  
Integrity, Clean  
and Healthy  
Environment



# ENSURING ECOLOGICAL INTEGRITY, CLEAN AND HEALTHY ENVIRONMENT

Recognizing the vital role and contribution of the natural environment in sustaining economic growth and empowering local communities, the government continues to implement initiatives for ensuring ecological integrity and a clean and healthy environment in the midst of a changing climate and intensifying disaster risks.

The country is beginning to reap the results of investments in the environment and natural resources (ENR) sector, particularly on enhancing the management of forests, inland wetlands, and caves; rehabilitating priority abandoned mines; and formulating local plans for climate change and disaster risk reduction and management. This is evident in the livelihood generated from ecotourism and sustainable resource-based industries, which further encouraged the conservation of natural ecosystems. However, the lack of standards and limited resources and capacities to effectively monitor and evaluate the sector's performance are preventing the proper accounting of its contribution to local and national development. Opportunities arising from the implementation of sustainable tourism and sustainable consumption and production nationwide should be optimized to promote resource and energy efficiency across sectors and foster a better quality of life without causing irreversible damage to the environment. The policies and plans already in place to enhance the country's adaptive capacity against the risks of a changing climate should be translated into concrete actions and implemented through fully-capacitated and empowered institutions.

## Assessment

### Sustaining biodiversity and functioning of ecosystem services

**Continuing efforts on forest and watershed management reduced the area of denuded and degraded forestlands, while initiatives on the delineation of production and protection forests and other water assessment encountered setbacks.** Based on the recent land cover data reported by the National Mapping and Resource Information Authority (NAMRIA), forest cover has increased from 6.8 million hectares in 2010 to 7.03 million hectares in 2018. This is due to the National Greening Program (NGP) that began in 2011, which was later expanded (Expanded NGP or ENGP) and will be sustained until 2028. It covers all the remaining unproductive, denuded, and degraded forestlands. The existing forest and reforested areas are under protection through the issuance of appropriate management agreements/arrangements, such as Community-based Forest Management Agreements and Protected Area Community-based Resource Management Agreements. All of these efforts led to the increase in areas of forestlands under effective management from 8.2 million hectares in 2017 to 8.51 million hectares in 2018. Moreover, there were 5,749,000 mangrove propagules planted in 2018 covering 1,916 hectares, intended to contribute in the rehabilitation of the abandoned, underutilized, and undeveloped fishponds through the National Aquasilviculture Program. These initiatives are expected to contribute to increasing the country's forest cover.

However, in order to further institutionalize and continuously increase forest cover as well as secure the livelihood of resource-dependent communities, the delineation of protection and production forests needs to be completed. In 2018, forest delineation fell short of the target due to conflicting land claims (e.g., existence of pending applications for Certificates of Ancestral Domain Titles and /Certificates of Ancestral Land Titles) within forestlands. While comprehensive water assessment for Jalaur River Basin was completed in 2018, the formulation of groundwater management plans and establishment of monitoring wells in two groundwater critical areas remain constrained by issues in procurement of qualified experts and availability of data (e.g., hydrological data).

**Granting of Certificate of Ancestral Domain Titles exceeded the target, while issuance of residential free patents remained low.** Land titling plays an important role in fostering responsible management of land resources by indigenous peoples and private individuals. In 2018, there were 14 Certificates of Ancestral Domain Titles (CADTs) issued by the National Commission on Indigenous Peoples (NCIP), exceeding the target of six CADTs. This accomplishment was facilitated through the titling component activities of government programs, such as the Cordillera Highland Agricultural Resource Management Project<sup>2</sup> Scale-up Project and the *Payapa at Masaganang Pamayanan* (PAMANA). Increased budget coming from the 2018 General Appropriations Act also enabled the NCIP to provide assistance in the formulation of nine Ancestral Domain Sustainable Development and Protection Plans under the Ancestral Domain/Land Security and Development Program, surpassing the six plans targeted for 2018.

However, the target of 45,000 residential free patents (RFPs) was not achieved, with only 28,283 RFPs (63%) issued in 2018. The lower accomplishment is due to the lesser number of applicants interested to secure RFPs, perhaps due to the tedious process and absence of zoning in some local government units (LGUs). Limited funds for conducting on-ground Rapid Land Tenure Appraisals that determine potential lots for titling also contributed to the low issuance of RFPs. Some LGUs were also unable to provide the manpower counterpart and thus, could not participate in the Department of Environment and Natural Resources (DENR)-LGU Partnership on Land Titling. Despite these, the end-of-plan target of 360,000 RFPs is still expected to be achieved with the implementation of the computerized verification and approval of surveys and land transaction tracking system, which would enhance efficiency in the management of land records information.

**Programs to manage protected areas are being implemented. However, measuring their effectiveness in improving the condition of ecosystems remains a challenge.** The effective management of protected areas is critical given these areas' crucial role in sustaining biodiversity and functioning of ecosystem services. The implementation of the Protected Area Development and Management Program, which includes the operationalization of the Protected Area Management Boards and implementation of Protected Area Management Plans, ecotourism development, cave management, and wetland conservation activities, are continuously being carried out. Moreover, the legislation of additional 94 marine and terrestrial protected areas covering an area of 3.1 million hectares, through the passage of the Expanded National Integrated Protected Areas System Act<sup>1</sup> in 2018, is expected to facilitate mechanisms to sustainably manage the protected areas in the country.

In addition, the declaration of a portion of Philippine Rise as a Marine Resource Reserve<sup>2</sup> contributed to the increase in coverage of marine protected areas (MPAs) with respect to the country's total marine area (220 million hectares), from the baseline of 0.64 percent to 1.4 percent in 2018, exceeding the end-of-plan target of 0.76 percent. Noting this, a review and recalibration of end-of-plan target is deemed necessary

<sup>1</sup> Republic Act No. 11038: An Act Declaring Protected Areas and Providing for their management, amending for this purpose RA 7586 otherwise known as the "National Integrated Protected Areas System Act of 1992" and for other purposes

<sup>2</sup> Presidential Proclamation No. 489: Declaring a Portion of the Philippine Rise Situated within the Exclusive Economic Zone of the Philippine Sea, North Eastern Coast of Luzon Island as Marine Resource Reserve Pursuant to Republic Act No. 7586, or the National Integrated Protected Areas System Act of 1992, to be known as the Philippine Rise Marine Resource Reserve

considering the potential to further expand the coverage of MPAs through legal and executive issuances. However, while there is notable expansion in terms of coverage of our terrestrial and MPAs, continuous support initiatives to improve their management should be prioritized given their vital role in maintaining and generating goods and services for different sectors.

In terms of managing priority inland wetlands, around 79,492.37 hectares improved from “poor” to “fair”<sup>3</sup> management, while another 49,679.78 hectares improved to “satisfactory”<sup>4</sup> in 2018. On the management of caves with high conservation value, 11 out of 20 caves already improved from “poor” to “fair” management, while three caves are already reported to have “good”<sup>5</sup> management from being poorly managed. The improved management of these ecosystems may be attributed to the implementation of wetland and cave management plans, and capacity building of DENR field units.

There remains a challenge, however, to harmonize and standardize various methodologies available to assess effectiveness of managing the country’s ecosystems and evaluate the overall condition of ecosystems for regular monitoring. As of December 2018, an updated assessment of the quality of coastal and marine habitats (e.g., coral reefs) is yet to be completed. Opportunities to address this include the continuing implementation of the Coastal and Marine Ecosystems Management Program, which will update and complete the assessment of the condition of the country’s coral reefs and other habitats.

**Resource-based industries, including ecotourism, continue to support the livelihood of resource-dependent communities.** The implementation of the ENGP and Community-Based Forest Management generated a total of 393,903 jobs, equivalent to 62,375 persons employed in reforestation and non-timber/agroforestry enterprises. In addition, there were 2,943 persons employed in ecotourism activities within protected areas (e.g., tour guiding, transport, souvenir making, etc.) and other sustainable resource-based enterprises. However, there is still no standard guideline across reporting agencies (e.g., DENR, Department of Tourism, Department of Trade and Industry) to fully account the livelihood generated from sustainable resource-based industries and biodiversity-friendly enterprises.

The delineation of municipal waters that will help ensure preferential access of municipal fisherfolk to resources as well as the establishment and operationalization of Community Fish Landing Centers (CFLCs) to reduce post-harvest losses are yet to be completed to optimize and sustain livelihood opportunities. In 2018, the delineation of the 80 target coastal cities/municipalities was completed by NAMRIA, while 160 out of the existing 525 CFLCs were made operational by Department of Agriculture-Bureau of Fisheries and Aquatic Resources. However, only 182 additional CFLCs were established in the same period, falling short of the target 200 additional CFLC units. Constraining factors include the difficulty in identifying available and suitable sites and challenges in the development of land prior to construction.

## Improving environmental quality

**Implementation of air and water policies and programs was sustained, but quality assessments were persistently hounded by recurrent malfunctioning of monitoring stations and equipment.** With the continuing compliance of stationary sources (e.g., factories, establishments) with regulatory policies and programs, the ambient air quality in 20 out of the 21<sup>6</sup> assessed highly-urbanized and other major urban centers passed the PM<sub>10</sub> standard. Meanwhile, air pollutants from mobile sources were being managed through the implementation of various programs such as the Transport Modernization Program, Vehicle

<sup>3</sup> Fair management indicates that a site has a management plan and body established. Biophysical and socioeconomic assessment has also been conducted.

<sup>4</sup> Satisfactory management indicates that a site has a management plan and body established, biophysical and socioeconomic assessment has been conducted, and effective communication and enforcement of policies are being observed.

<sup>5</sup> Good management indicates that a site has adequate and sustainable human and financial resources.

<sup>6</sup> Pasay City failed the ambient quality standard for PM10.

Emission Limits for Euro IV and In-Use Vehicle Emission Standards, and Biofuels Act of 2006. Unfortunately, the notable increase in the number of vehicles is expected to affect the ambient air quality in areas. However, other areas have no complete data to assess the quality of ambient air due to lack of technical personnel to monitor and interpret the data, and poor maintenance of the monitoring stations and equipment.

All assessed priority water bodies passed the guidelines for dissolved oxygen (DO) and phosphate, while more than 80 percent passed the standards for pH, biochemical oxygen demand (BOD), nitrate, and temperature. However, only 29 percent of the assessed priority water bodies passed the standard for fecal coliform.

**Table. 20.1 Water Quality Parameters and Assessed Priority Water Bodies within Standards (in percent)**

WATER QUALITY PARAMETERS	ASSESSED PRIORITY WATER BODIES WITHIN STANDARDS (IN PERCENT)
DO	100%
Phosphate	100%
pH	95%
BOD	92%
Nitrate	90%
Temperature	83%
Fecal coliform	29%

Ideally, standards for the seven parameters have to be passed in each priority water body to be rated as good quality. Unfortunately, the quality of some priority water bodies deteriorated due to pollutants from point (e.g., domestic and industrial wastes) and nonpoint sources (e.g., agricultural runoff). These pollutants reached water bodies due to lack of proper sewerage systems for domestic and industrial wastes, waste water treatment facilities, and) programs to address nonpoint pollution sources from urban and agricultural runoff that directly discharge wastewater or effluents to drainage systems. Moreover, accurate assessment to conclude the overall quality of each water body is still lacking. The more advanced (i.e., automatically operated) monitoring equipment and stations were not properly maintained, while the manually operated ones were not regularly used in all areas.

**Compliance with land and waste management policies has improved.** The target decrease in the area of land degradation hotspots has been achieved (2,027,893 hectares) as against the 2,200,000 hectare-target for 2018. This was done through the implementation of the: (a) National Organic Agriculture Program, which implements activities that contribute to enhancing soil fertility and farm biodiversity and reducing pollution; (b) Program on Sustainable Corn Production in Sloping Areas, which introduces conservation approaches and technologies applicable in sloping areas cultivated with corn; and (c) Integrated Upland Conservation Guided Farm, which aims to promote sustainable land management in order to provide agricultural livelihoods while maintaining environmental sustainability in the upland areas of the country, among others.

A total of 1,589 provinces, cities, and municipalities have already submitted their 10-year Solid Waste Management Plan in compliance with the Ecological Solid Waste Management Act of 2000 (RA 9003). From the submission and implementation of plans, the DENR-Environmental Management Bureau estimated that in areas outside Metro Manila, the solid waste diversion rate (SWDR)<sup>7</sup> is at 62 percent, exceeding its annual target of 60 percent. While the monitoring and reporting scheme to determine the actual SWDR

<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).

outside Metro Manila is yet to be realized, there is an increase in the number of materials recovery facilities (MRFs), and the access to sanitary landfills has improved. On the other hand, based on actual monitoring by Metro Manila Development Authority, only 41 percent of wastes in Metro Manila<sup>8</sup> cities were actually diverted for reuse and recycling. This was attributed to insufficient garbage collection facilities, sanitary landfills, and MRFs.

**Interim rehabilitation of priority abandoned mines has been progressing.** The interim rehabilitation in three (Palawan Quicksilver Mines, Inc., Romblon Marble Mines, and Silica Sand Mines) out of the four priority abandoned mines are within the annual target. The Bagacay Mines rehabilitation contract has been officially terminated due to unsettled management issues with the Department of Finance-Privatization Management Office. In view of this, the budget allocated for Bagacay Mines will be transferred to complete the rehabilitation of Palawan Quicksilver Mines, Inc. The government has also adopted an evidence-based approach in reinventing the country's mining industry operations to ensure more responsible and sustainable practices.

**Efforts to change consumption and production patterns are underway.** The government initiative to promote green procurement paved the way for increased awareness and intent of companies to be certified through the National Ecolabelling Program -Green Choice Philippines. While no Seal of Approval for green products was granted in 2018, 12 companies signified interest to be certified and two (2) companies have already submitted requirements. However, the voluntary and demand-driven nature of the certification process and pending criteria development for particular product categories pose a challenge to the wider uptake of the initiative. On the other hand, continuing implementation of policies and programs (e.g., Government Energy Management Program) to promote energy efficiency among government agencies resulted in accumulated savings of approximately PHP82.2 million in 2018.

Despite current efforts to promote sustainable consumption and production (SCP), irresponsible and unsustainable consumption and production practices that undermine the capacity of our environment to assimilate wastes persist. This exacerbates air and water pollution, affecting the health of the immediate host community. For instance, unregulated tourism developments coupled with an influx of tourists commonly generates a large volume of solid waste. The improper disposal of these wastes due to the absence of appropriate sewerage systems often cause water pollution, thereby compromising the proper function of ecosystems.

## Increasing adaptive capacity and resilience of ecosystems

**Preparatory efforts to increase adaptive capacity against climate change and disaster risks have been strengthened.** A total of 807 local disaster risk reduction and management plans (LDRRMPs) of provinces, cities, and municipalities have been reviewed in 2018, while 1,073 LGUs have submitted their local climate change action plans (LCCAPs) for evaluation. Additionally, 196 Comprehensive Land Use Plans have been reviewed in terms of their climate change adaptation (CCA) and disaster risk reduction (DRR)-responsiveness. The government has been preparing and enhancing existing tools to review the CCA and DRR-responsiveness of local plans, including standardization of the content of LDRRMPs, and development of the quality assurance tool for LCCAPs. While a monitoring tool is already in place to ascertain the number of LGUs with risk-informed Comprehensive Development Plans (CDPs),<sup>9</sup> the mechanism to validate these is yet to be institutionalized. The Seal of Good Local Governance introduced a more stringent standard on the establishment of disaster risk reduction and management (DRRM) operations centers and early warning

<sup>8</sup> Excluding Pateros because it had not submitted data on SWDR monitoring.

<sup>9</sup> Based on the Department of the Interior and Local Government's records, a total of 78 LGUs have risk-informed CDPs as of December 2018. It should be clarified, however, the determination whether a CDP is risk-informed or not rests with the LGU.

systems, which were adhered to in 1,406 and 1,292 LGUs, respectively. A new methodology to measure disaster resilience at the regional level is also being developed. The tool may be expanded and enhanced to cover climate risk parameters and more updated socioeconomic data.

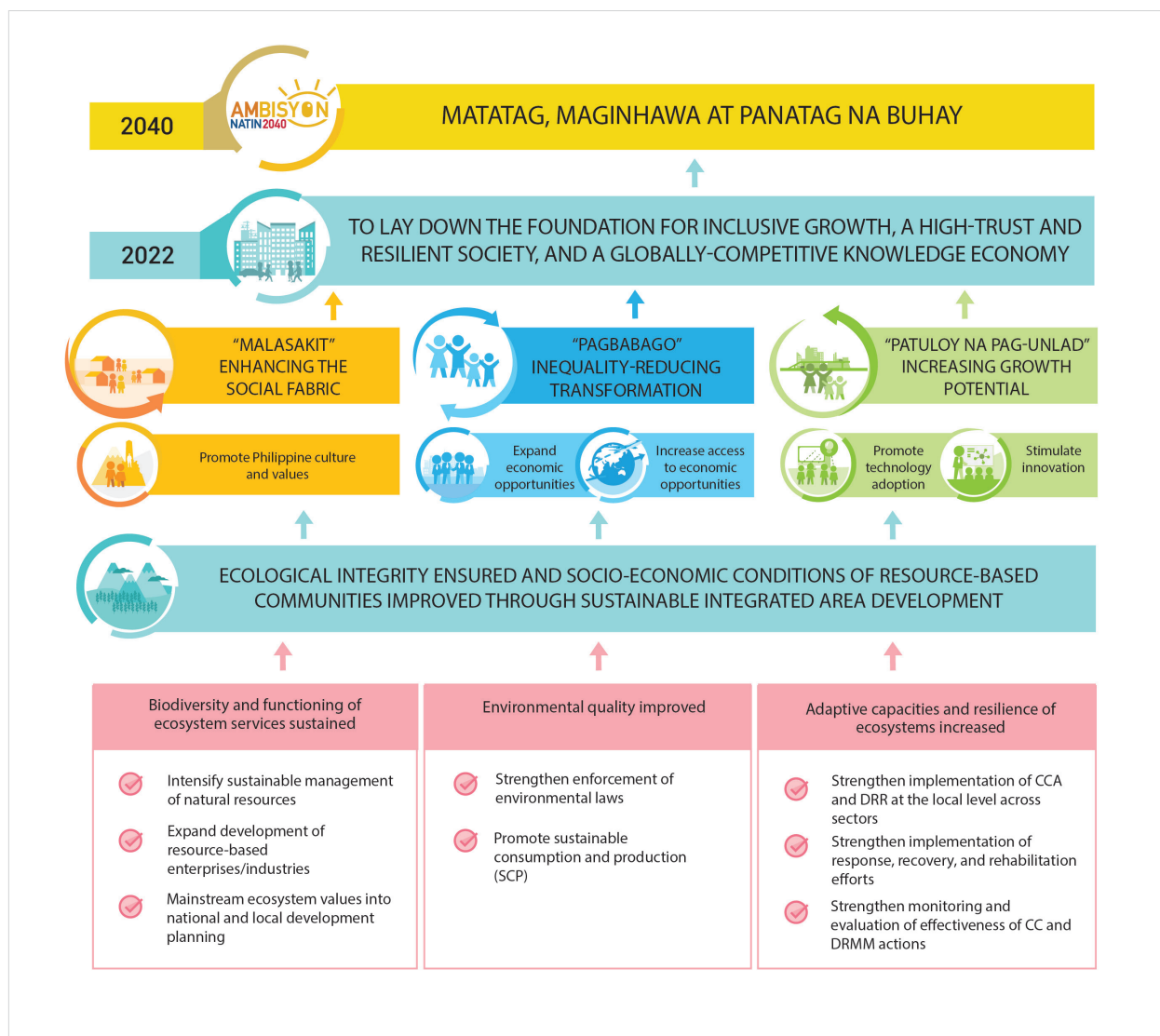
However, limited technical and absorptive capacity of national and local governments and private institutions and difficulty in accessing available financial resources continue to impede the effective implementation of climate change adaptation and mitigation (CCAM) and DRRM activities. Despite the existence of policies and plans necessary to operationalize the country's disaster and climate resilience agenda, translating such directives into actions and activities on the ground is yet to be fully realized. For instance, many LGUs still prioritize response measures instead of disaster mitigation, prevention, and preparedness in dealing with disasters. This is evident in the poor allocation and utilization of their budgets for resilience-building, including local DRRM funds. Moreover, many LGUs lack appreciation of risk data and information needed for local planning and programming. Communities need to implement more proactive actions, based on up-to-date data and information and using available technology in response to the increasing risks of disasters and climate change.

## Moving forward

To facilitate the conservation of ecosystems and realize improvements in environmental quality and resilience of communities and ecosystems, the following are the empowering strategies that need to be implemented in the near- to medium-term.



**Figure 20.1 Strategic Framework to Ensure Ecological Integrity, Clean and Healthy Environment**



***Increase investment in innovative technologies and harmonize and adopt standards to enhance ENR management and monitoring.*** Available technologies could be tapped, where appropriate, for environmental management and monitoring. In particular, increasing investments to acquire innovative technologies (e.g., environmental sensors, satellite imagery, unmanned aerial vehicles) to monitor air, land, and water quality and condition of critical habitats will help facilitate timely and accurate provision of environmental data/information. To complement these technologies, there is a need to: (a) review, harmonize, and adopt standards to assess the quality of terrestrial, coastal, and marine ecosystems, and account economic gains from ecosystem services, such as employment from ecotourism and sustainable resource-based industries; (b) ensure proper maintenance and upgrading of existing monitoring stations and equipment; and (c) regularly review and build competencies of national and local governments on data analysis and handling of monitoring equipment and other relevant technologies for monitoring and evaluation of the state of ENR. These strategies are expected to facilitate consistency and robustness of ENR-related data and information to effectively inform management of the sector with due consideration of existing financial and absorptive capacities.

**Enact the Final Forest Limits Bill.** Overall performance of the ENR sector remains constrained by competing and conflicting land requirements of various sectors. The absence of an enabling policy that defines the actual boundaries of forests has resulted in inappropriate land use and management, as well as boundary conflicts and encroachment. The delineation of the specific limits of forest lands will provide the government a clear and solid basis to execute its mandate on proper management, development, supervision, and protection of the country's remaining forests and forest resources. This will also facilitate conflict resolution among competing uses of forest lands, agricultural lands, and national parks, and provide security of tenure to upland dwellers or actual tillers of forest lands or agricultural lands. Defining the exact scope and location of forests will provide a more stable policy environment that would encourage private sector participation in production forest development. However, pending enactment of the final forest limit and other land use bills (e.g., land use, land administration reform), issuance of an executive policy is deemed necessary to strengthen land governance among relevant agencies (e.g., DENR, DA, NCIP, and Department of Agrarian Reform) and provide guidance to LGUs on land use planning and management within their territorial jurisdictions.

**Finalize action plan on sustainable consumption and production.** Promotion of sustainable consumption and production will be intensified to achieve economic growth within environmental limits, minimize damage to the natural environment, and make use of natural resources in a sustainable way. To ensure more cohesive implementation of SCP in the country, an overarching framework and action plan on SCP implementation is currently being developed. Concrete strategies and mechanisms to promote resource conservation and efficiency, sustainable business and lifestyles, and waste and chemicals management, among others, as well as their means of implementation (e.g., financing, capacity building, and partnership, among others), including monitoring framework are being identified. The government is also expected to scale up its policies, programs, and projects on SCP (e.g., National Eco-labelling Program-Green Choice Philippines, Green Public Procurement, and Sustainability Reporting of Private Companies, among others) to facilitate transformative reforms and interventions, and enabling mechanisms for the business sector to integrate the greening of their business processes and products.

**Conduct carrying capacity studies to ensure sustainable tourism.** To ensure that beaches, mountains, and other ecotourism sites meet the needs of tourists and host regions while protecting the rights and opportunities of future generations, carrying capacity studies (e.g., physical, population, ecological, economic) should be undertaken to inform sustainable tourism development planning. Results of carrying capacity studies should be translated to appropriate interventions and legal instruments to manage tourism areas, such as on zoning, infrastructure development, fees or penalties, and allowable activities and enterprises.

### Box 20.1 Boracay Island Rehabilitation

Boracay Island is one of the country's top tourist destinations. It has a rich ecosystem covering mangroves, coral reefs, marshlands, wetlands, lagoons, forestland, and caves. However, the influx of foreign and domestic tourists and unregulated increase in business establishments and vehicles worsened the condition of the Islands' ecosystems, as manifested in the: high concentration of fecal coliform in the Bulabog beaches; degradation of coral reefs and the decline in coral cover of Boracay; magnitude of uncollected wastes in the Island, damaged or destroyed natural habitats of Puka shells that serve as the nesting grounds of marine turtles and roosting grounds of flying foxes or fruit bats; and loss of wetlands that serve as natural water catchment areas, thus aggravating the flooding problem. Hence, through Proclamation No. 475, issued on April 26, 2018, the President placed Boracay Island under a State of Calamity and subsequently ordered its temporary closure to tourists from April 26 to October 26, 2018.

To ensure that the re-opening of the Island to tourism activities will not compromise the state of its ecosystem, the government strictly enforced national laws and local ordinances, particularly on wastewater treatment, solid waste management, and easement areas. The DENR spearheaded the conduct of a carrying capacity study, which identified Boracay Island's thresholds and limitations and guided the formulation of the Boracay Action Plan.

The study revealed that the resulting population carrying capacity of the Island is 55,000 people, including both tourists and residents. This implies an exceedance of approximately 15,000 persons, based on Boracay's 2017 total population. The recommendations of the study include the promotion of wetlands utilization for filtering out wastes, improvement of wastewater treatment facilities to account for all wastes generated, stopping/minimizing point-source pollution, and development of information and education communication materials to improve waste management and address coastal erosion, among others. The carrying capacity study is intended to be reviewed periodically to take into account changing socioeconomic and environmental conditions and ensure sustainable development of the Island.

***Strengthen capacities and structures of agencies addressing climate change adaptation and mitigation and disaster risk reduction and management.*** National and local efforts to implement CCAM and DRR-related policies and plans need to be harmonized and unified. Agencies concerned should be further capacitated and empowered to carry out rapid and efficient implementation of the country's disaster and climate resiliency priorities. The creation of a full-fledged government line agency is necessary to ensure a holistic, comprehensive, and integrated approach to CCAM and DRRM. Moreover, LGUs should be continuously capacitated in accessing and employing accurate relevant information and data on the development, updating, and implementation of their respective LCCAP and LDRRMP; and in preparing project proposals and other necessary requirements to make use of available financing facilities (i.e., People's Survival Fund, Official Development Assistance). Furthermore, to optimize the growing interest of various institutions in providing support on national and local CCAM and DRRM-related initiatives, a framework/guideline on Green Finance Policy should be developed and implemented.

The programs and projects (PAPs) listed under the Public Investment Program 2017-2022 shall continue to be pursued to achieve the targets for the sector. In addition, policies and PAPs that will directly contribute to the attainment of the Sustainable Development Goals shall also be prioritized.



21

Plan  
Implementation  
and Monitoring



# PLAN IMPLEMENTATION AND MONITORING

The National Economic and Development Authority (NEDA), mandated to shepherd the country's development agenda, ensures that the whole of government, the private sector, civil society, development partners, and other stakeholders, work together to effectively implement and sustain programs, activities, and projects to effect a strongly rooted, comfortable, and secure life for all Filipinos. To this end, this Socioeconomic Report (SER) seeks to steer the government's planning, programming, and budgeting mechanisms toward addressing the country's reform and development challenges and ensuring that these remain responsive to AmBisyon Natin 2040 and the Philippine Development Plan (PDP) 2017-2022.

In November 2018, NEDA and the Department of the Interior and Local Government issued Joint Memorandum Circular No. 01, s. 2018, on the localization of the PDP 2017-2022 Results Matrices (RMs) and the Sustainable Development Goals (SDGs). Localization activities were conducted to ensure national-local convergence, complementation, and harmonization of priorities and programs, to achieve the targets under the PDP and the SDGs. In line with this, provincial RMs were formulated to enjoin provinces to commit their contributions in the attainment of the PDP, the regional development plans, and the SDG targets.

Upon the implementation of the PDP, the RMs shift from a planning tool to a performance assessment tool, which will be used in assessing the achievement of the PDP outcomes. To make the RMs a more robust and reliable tool, NEDA revisited the RMs in 2018 to update the baseline data and targets for each indicator, as may be necessary.

NEDA also undertook the updating of the Public Investment Program (PIP) which contains the national government's medium-term priority programs and projects (PAPs).<sup>1</sup> The PIP, as an input to budget preparation, serves as a mechanism to ensure that PAPs which contribute to the achievement of the Plan and RMs targets are prioritized during budget preparation and provided with the required funding allocation.

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<sup>1</sup> The PAPs included in the PIP should be prioritized in the allocation of resources or submitted for inclusion in the National Expenditure Program and/or funded under the General Appropriations Act.

**Table 21.1 PDP Coordination Mechanism for Implementation and Monitoring**

PDP CHAPTER	COORDINATION MECHANISM	NEDA SECRETARIAT
<b>Chapter 3:</b> Overlay of Economic Growth, Demographic Trends, and Physical Characteristics	NEDA Board-National Land Use Committee	Regional Development Staff
<b>Chapter 4:</b> PDP Framework and Headline Targets	NEDA Board	National Development Office on Policy and Planning
<b>Chapter 5:</b> Ensuring People-Centered, Clean, and Efficient Governance	Inter-Agency on Good Governance and Cabinet Cluster on Participatory Governance	Governance Staff
<b>Chapter 6:</b> Pursuing Swift and Fair Administration of Justice	Justice Sector Coordinating Council	Governance Staff
<b>Chapter 7:</b> Promoting Philippine Culture and Values	NEDA Board-Social Development Committee	Governance Staff
<b>Chapter 8:</b> Expanding Economic Opportunities in Agriculture, Forestry, and Fisheries	Economic Development Cluster	Agriculture, Natural Resources, and Environment Staff
<b>Chapter 9:</b> Expanding Economic Opportunities in Industry and Services through Trabaho at Negosyo	Economic Development Cluster	Trade, Services, and Industry Staff
<b>Chapter 10:</b> Accelerating Human Capital Development	NEDA Board-Social Development Committee	Social Development Staff
<b>Chapter 11:</b> Reducing Vulnerability of Individuals and Families	NEDA Board-Social Development Committee	Social Development Staff
<b>Chapter 12:</b> Building Safe and Secure Communities	NEDA Board-Social Development Committee	Social Development Staff
<b>Chapter 13:</b> Reaching for the Demographic Dividend	NEDA Board-Social Development Committee	Social Development Staff
<b>Chapter 14:</b> Vigorously Advancing Science, Technology, and Innovation	Science and Technology Coordinating Council	Trade, Services, and Industry Staff
<b>Chapter 15:</b> Ensuring Sound Macroeconomic Policy	NEDA Board-Development Budget Coordination Committee	National Policy and Planning Staff
<b>Chapter 16:</b> Leveling the Playing Field through a National Competition Policy	Economic Development Cluster	Governance Staff
<b>Chapter 17:</b> Attaining Just and Lasting Peace	Cabinet Cluster on Security, Justice and Peace	Regional Development Staff
<b>Chapter 18:</b> Ensuring Security, Public Order, and Safety	Cabinet Cluster on Security, Justice and Peace	Regional Development Staff
<b>Chapter 19:</b> Accelerating Infrastructure Development	NEDA Board-Infrastructure Committee	Infrastructure Staff
<b>Chapter 20:</b> Ensuring Ecological Integrity, Clean and Healthy Environment	Cabinet Cluster on Climate Change Adaptation, Mitigation, and Disaster Risk Reduction	Agriculture, Natural Resources, and Environment Staff









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