



# Philippine Development Plan 2011-2016

## **MIDTERM UPDATE**

*With Revalidated Results Matrices*





# Table of Contents

<b>List of Acronyms</b> .....	<b>vi</b>
<b>Chapter 1. A roadmap to inclusive growth</b> .....	<b>1</b>
UNFINISHED BUSINESS .....	1
STRATEGIC FRAMEWORK .....	4
PDP: 2011-2016 MIDTERM UPDATE TARGETS .....	5
Economic growth.....	5
Employment .....	6
Poverty incidence .....	6
SECTORAL STRATEGIES .....	7
Industry and services .....	7
Agriculture .....	8
SPATIAL CONSIDERATIONS .....	9
Category 1 provinces .....	9
Category 2 provinces .....	10
Category 3 provinces .....	10
CROSSCUTTING STRATEGIES .....	12
Social development.....	12
Social protection .....	13
Infrastructure development.....	13
Environment and natural resources.....	15
Macroeconomic stability.....	15
Financial inclusion.....	16
Good governance.....	17
Stable national security .....	18
PLAN IMPLEMENTATION.....	18
<b>Chapter 2. Macroeconomic policy</b> .....	<b>21</b>
I. INTRODUCTION.....	21
II. ACCOMPLISHMENT AND CHALLENGES .....	22
Sustainable fiscal sector .....	22
Resilient monetary and external sectors .....	25
III. UPDATED PDP TARGETS .....	28
Fiscal sector.....	28
Monetary and external sectors.....	29
IV. STRATEGIC FRAMEWORK .....	29
Subsector outcome A: Sustainable fiscal sector achieved .....	29
Subsector outcomes B and C: Resilient external sector maintained; monetary and financial sector made resilient and inclusive .....	32
V. PLAN IMPLEMENTATION .....	33
<b>Chapter 3. Competitive and innovative industry and services sectors</b> .....	<b>35</b>
I. INTRODUCTION.....	35
II. ASSESSMENT AND CHALLENGES .....	36
Contribution to rapid growth .....	36
Contribution to inclusive growth .....	36
Investments .....	36
Business climate .....	37
Productivity and innovative capacity .....	38
Consumer welfare.....	39
Market access .....	39

III. UPDATED PDP TARGETS .....	39
IV. STRATEGIC FRAMEWORK .....	41
Key sectors and locations.....	41
Subsector outcome A: Business climate improved.....	43
Subsector outcome B: Productivity and innovative capacity increased .....	45
Subsector outcome C: Consumer welfare enhanced .....	46
Subsector outcome D: Market access expanded.....	48
V. PLAN IMPLEMENTATION.....	48
<b>Chapter 4. Competitive and sustainable agriculture and fisheries sector ...</b>	<b>51</b>
I. INTRODUCTION.....	51
II. ASSESSMENT AND CHALLENGES.....	52
Assessment.....	52
Challenges.....	56
III. UPDATED TARGETS.....	60
IV. STRATEGIC FRAMEWORK .....	62
Sector outcome A: Productivity in A&F sector increased.....	62
Sector outcome B: Forward linkage with the I&S sectors increased .....	64
Sector outcome C: Sector resilience to climate change risks .....	65
Crosscutting strategies .....	66
V. PLAN IMPLEMENTATION.....	69
<b>Chapter 5. Resilient and inclusive financial system .....</b>	<b>73</b>
I. INTRODUCTION.....	73
II. ACCOMPLISHMENT AND CHALLENGES .....	74
Managing external capital flows.....	74
Facilitating financial inclusion .....	75
III. UPDATED PDP TARGETS IN THE PHILIPPINE FINANCIAL SYSTEM .....	78
IV. STRATEGIC FRAMEWORK .....	79
Strategy 1: Manage the capital inflows towards investments in the productive sector .....	79
Strategy 2: Build the needed financial market infrastructure .....	80
Strategy 3: Pursue the financial inclusion agenda .....	81
Policy and regulatory instruments .....	81
Legislative agenda.....	82
V. PLAN IMPLEMENTATION.....	82
<b>Chapter 6. Social development .....</b>	<b>85</b>
I. INTRODUCTION.....	85
II. CHALLENGES, OPPORTUNITIES AND STRATEGIES .....	86
Sector outcome: Human capabilities improved .....	86
Subsector outcome A: Health and nutrition status improved .....	87
Subsector outcome B: Knowledge and skills enhanced .....	89
Sector outcome: Vulnerabilities reduced .....	94
Subsector outcome C: Social protection expanded.....	95
Subsector outcome D: Access to secure shelter expanded .....	98
III. PLAN IMPLEMENTATION.....	101
<b>Chapter 7. Good governance and the rule of law .....</b>	<b>105</b>
I. INTRODUCTION.....	105
II. ASSESSMENT.....	105
III. UPDATED PDP TARGETS .....	107
IV. STRATEGIC FRAMEWORK .....	107
Subsector outcome A: Transparency, citizen's participation and accountability increased .....	108
Subsector outcome B: Rule of law strengthened .....	117
V. PLAN IMPLEMENTATION.....	121

<b>Chapter 8. Peace and security .....</b>	<b>125</b>
I. INTRODUCTION.....	125
II. ASSESSMENT, CHALLENGES AND OPPORTUNITIES .....	126
Winning the peace .....	126
Ensuring national security.....	128
III. STRATEGIC FRAMEWORK .....	131
Strategies on subsector outcome A: Winning the peace.....	131
Strategies on subsector outcome B: Ensuring national security .....	135
Legislative agenda .....	137
IV. PLAN IMPLEMENTATION.....	138
<b>Chapter 9. Sustainable and climate-resilient environment and natural resources.....</b>	<b>143</b>
I. INTRODUCTION.....	143
II. ASSESSMENT, CHALLENGES AND OPPORTUNITIES .....	144
Vulnerability to climate change and natural disasters.....	144
Sustainable management of natural resources .....	146
Environmental quality.....	147
Challenges in the ENR sector .....	149
III. STRATEGIC FRAMEWORK AND UPDATED PLAN TARGETS.....	151
Subsector outcome A: Adaptive capacities of human communities improved .....	151
Subsector outcome B: Sustainably managed natural resources achieved .....	154
Subsector outcome C: Environmental quality improved for cleaner and healthier environment .....	157
Crosscutting strategies .....	159
Priority ENR legislations .....	160
IV. PLAN IMPLEMENTATION.....	162
<b>Chapter 10. Accelerating infrastructure development.....</b>	<b>165</b>
I. INTRODUCTION.....	165
II. ASSESSMENT, CHALLENGES AND OPPORTUNITIES .....	165
Increasing competitiveness and productivity of the industry, services and agriculture sectors .....	167
Equalizing development opportunities.....	168
Making governance effective and efficient .....	169
Stabilizing national security .....	169
Improving sustainability and climate-resiliency of the environment .....	170
III. STRATEGIC FRAMEWORK .....	170
Overall strategy .....	170
Intermediate outcome A: Competitiveness enhanced and productivity increased in the industry, services and agriculture sectors .....	171
Intermediate outcome B: Adequacy and accessibility of basic infrastructure services enhanced, and infrastructure gaps in far-flung areas reduced .....	178
Intermediate outcome C: Governance improved .....	181
Intermediate outcome D: Safer and more secured environment created and sustained.....	183
Intermediate outcome E. Environmental quality improved .....	184
IV. PLAN IMPLEMENTATION.....	187
<b>References .....</b>	<b>194</b>

# List of Acronyms

A&D	Alienable and Disposable
A&F	Agriculture and Fisheries
AARNR	Agriculture, Agrarian Reform and Natural Resources
ACPC	Agricultural Credit and Policy Council
ADB	Asian Development Bank
ADBP	Average Daily Basic Pay
ADDSP	Angat Dam and Dyke Strengthening Project
ADR	Alternative Dispute Resolution
ADSDPP	Ancestral Domain Sustainable Development and Protection Plans
AEC	ASEAN Economic Community
AFAB	Authority of the Freeport Area of Bataan
AFI	Alliance for Financial Inclusion
AFMA	Agriculture and Fisheries Modernization Act
AFP	Armed Forces of the Philippines
AFP IPSP	AFP Internal Peace and Security Plan
AGT	Automatic Gateway Transit
AHEPP	Angat Hydro Electric Power Plant
AHFF	agriculture, hunting, forestry and fishing
AI	Avian Influenza
AIDS	Acquired Immune Deficiency Syndrome
ALDA	ARC Level of Development Assessment
ALI	Agrarian Legal Implementation
AMCFP	Agro-Industry Modernization Credit and Financing Program
AO	Administrative Order
AONCR	Areas Outside National Capital Region
APIS	Annual Poverty Indicators Survey
ARB	Agrarian Reform Beneficiary
ARC	Agrarian Reform Communities
ARMM	Autonomous Region in Muslim Mindanao
ARTA	Anti-Red Tape Act

ARTP	Anti-Red Tape Program
ASEAN	Association of Southeast Asian Nations
ASTHRDP	Accelerated Science and Technology Human Resource Development Program
ASTI	Advanced Science and Technology Institute
ATMs	Automated Teller Machines
BAI	Bureau of Animal Industry
Bangkoop	Cooperative Bank Federation of the Philippines
BAP	Bankers Association of the Philippines
BAS	Bureau of Agricultural Statistics
BEIS	Basic Education Information System
BESF	Budget of Expenditures and Sources of Financing
BFAR	Bureau of Fisheries and Aquatic Resources
BFP	Bureau of Fire Protection
BHS	Barangay Health Station
BI	Bureau of Immigration
BIR	Bureau of Internal Revenue
BLGF	Bureau of Local Government and Finance
BOC	Bureau of Customs
BOD	Biochemical Oxygen Demand
BOI	Board of Investments
BOP	Balance of Payments
BOT	Build–Operate–Transfer
BPAs	Budget Partnership Agreements
BPI	Bureau of Plant and Industry
BPLS	Business Permits and Licensing System
BPM	Balance of Payments Manual
BPM5	Balance of Payments Manual 5
BPO	Business Process Outsourcing
BSP	Bangko Sentral ng Pilipinas
BTr	Bureau of the Treasury
CADT	Certificate of Ancestral Domain Title
CALABARZON	Region IV-A (Cavite, Laguna, Batangas, Rizal and Quezon)

CALAX	Cavite-Laguna Expressway
CALT	Certificate of Ancestral Land Title
CAMANAVA	Caloocan City, Malabon City, Navotas City, Valenzuela City
CAP	Country Action Plan
CAR	Cordillera Administrative Region
CARAGA	Region XIII (Agusan del Norte, Agusan del Sur, Dinagat Island, Surigao del Norte, Surigao del Sur)
CARP	Comprehensive Agrarian Reform Program
CARPER	Comprehensive Agrarian Reform Program - Extension with Reforms
CAS	Cabinet Assistance System
CBA/CPLA	Cordillera Bodong Administration/Cordillera People's Liberation Army
CBEP	Community-Based Employment Program
CCA/M	Climate Change Adaptation/Mitigation
CCAMC	Climate Change Adaptation and Mitigation Cluster
CCB	Contact Center ng Bayan
CCC	Climate Change Commission
CCs	Citizen's Charters or Cabinet Clusters
CCT	Conditional Cash Transfer
CDC	Clark Development Corporation
CeC	Community e-Center
CESDP	Career Executive Service Development Program
CESO	Career Executive Service Officer
CEZA	Cagayan Economic Zone Authority
CFL	Compact Fluorescent Lamps
CGAC	Coast Guard Action Center
CHED	Commission on Higher Education
CIA	Clark International Airport
CISL	Collective Investment Schemes Law
CLLEX	Central Luzon Link Expressway
CLOA	Certificate of Land Ownership Award
CLUP	Comprehensive Land Use Plan
CMP	Community Mortgage Program
CMTA	Customs Modernization and Tariff Act



CMTS	Cellular mobile telephone service
CNFIDP	Comprehensive National Fisheries Industry Development Plan
CNIS	Comprehensive National Industrial Strategy
COA	Commission on Audit
COD	Centers of Development
COE	Centers of Excellence
COMELEC	Commission on Elections
CompR	Completion Rate
CONVERGE	Convergence on National Value-Chain Enhancement for Rural Growth & Empowerment
CPA	Citizens' Participatory Audit
CPEIR	Climate Public Expenditure and Institutional Review
CPP/NPA/NDF	Communist Party of the Philippines/New People's Army/National Democratic Front
CPSD	Consolidated Public Sector Deficit
CSC	Civil Service Commission
CSCSE	Citizen's Satisfaction Center Seal of Excellence
CSFs	Credit Surety Funds
CSIS	Citizens' Satisfaction Index System
CSOs	Civil Society Organizations
CSR	Cohort Survival Rate
CTAs	Court of Tax Appeals
CTB	Chamber of Thrift banks
CTI	Coral Triangle Initiative
CY	Crop year
DA	Department of Agriculture
DAP	Development Academy of the Philippines
DAR	Department of Agrarian Reform
DBCC	Development Budget Coordination Committee
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DBR	Doing Business Report
DENR	Department of Environment and Natural Resources
DepEd	Department of Education

DFA	Department of Foreign Affairs
DHUD	Department of Housing and Urban Development
DILG	Department of Interior and Local Government
DILG	Department of the Interior and Local Government
DOE	Department of Energy
DOF	Department of Finance
DOH	Department of Health
DOJ	Department of Justice
DOLE	Department of Labor and Employment
DOLE BLES	Department of Labor and Employment - Bureau of Labor and Employment Statistics
DOST	Department of Science and Technology
DOST PAGASA	Department of Science and Technology- Philippine Atmospheric, Geophysical & Astronomical Services Administration
DOT	Department of Tourism
DOTC	Department of Transportation and Communications
DPWH	Department of Public Works and Highways
DRRM	Disaster Risk Reduction and Management
DSR	Debt Service Ratio
DSS	Decision Support System
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
DU	Distribution Utility
E2M	electronic-to-mobile
EBNRS	Enhanced Business Name Registration System
EBT	Enterprise-Based Training
Econ Cluster	Economic Development Cluster
e-Courts	Electronic Court System Project
EDC	Export Development Council
EFCOS	Equipment of the Effective Flood Control Operation System
e-GMP	Electronic Government Master Plan
EISP	Enterprise Information Systems Plan
EITI	Extractive Industries Transparency Initiative
EMB	Environmental Management Bureau

EMEAP	Executives' Meeting of East Asia-Pacific Central Banks
ENR	Environment and Natural Resources
EO	Executive Order
EODB	Ease of Doing Business
EOP	End-of-Plan (Target)
EPI	Environmental Performance Index
ERC	Energy Regulatory Commission
ERDT	Engineering R&D and Technology
ESWM	Ecological Solid Waste Management
e-TAILS	Electronic Transparency and Accountability Initiative for Lump Sum Funds
FAB	Framework Agreement on Bangsamoro
FAOSTAT	Food and Agriculture Organization Statistical Databases
FDA	Food and Drug Administration
FDI	Foreign Direct Investments
FDP	Full Disclosure Policy
FHS	Family Health Survey
FHSIS	Field Health Service Information System
FiT	Feed-in-Tariff
FLEMMS	Functional, Literacy, Education and Mass Media Survey
FMD	Foot and Mouth Disease
FMR	Farm to Market Roads
FNRI	Food and Nutrition Research Institute
FOB	Freight on Board
FRIMP	Flood Risk Management Project
FRM	Flood Risk Management
FRS	Fiscal Risk Statement
FSAA	Flag State Administration Advisory
FSCC	Financial Sector Coordinating Council
FSF	Financial Sector Forum
FSSP	Food Staples Self-Sufficiency Plan
FTA	Free Trade Agreement
FTAA	Financial or Technical Assistance Agreement

FTP	Financial Transactions Plan
GAA	General Appropriations Act
GCG	Governance Commission on GOCCs
GCI	Global Competitiveness Index
GCR	Global Competitiveness Report
GDP	Gross Domestic Product
GFI	Government Financial Institutions
GGACC	Good Governance and Anti-Corruption Cluster
GGI	Good Governance Index
GHRIS	Government Human Resource Information System
GIFMIS	Government Integrated Financial Management Information System
GIR	Gross International Reserves
GMP	Good Manufacturing Practice
GOCCs	Government-Owned and Controlled Corporations
GPBP	Grassroots Participatory Budgeting Process
GQMC	Government Quality Management Committee
GQMP	Government Quality Management Program
GROWTH	Gearing Rural Organizations for Wealth Creation Towards Household Income Improvement Project
GSIS	Government Service Insurance System
GVA	Gross Value Added
H1	First half of the year
HACCP	Hazard Analysis Critical Control Point
HDMF	Home Development Mutual Fund
HDPRC	Human Development and Poverty Reduction Cabinet Cluster
HEDP	Household Electrification Development Plan
HEI	Higher Education Institution
HGC	Home Guaranty Corporation
HIV	Human immunodeficiency virus
HLURB	Housing and Land use Regulatory Board
HOJs	Halls of Justice
HRDP	Human Resources Development Program
HUC	Highly Urbanized Cities

HUDCC	Housing and Urban Development Coordinating Council
HVCDP	High Value Crops Development Program
I&S	Industry and Services
IATF	Interagency Task Force
IBP	International Budget Partnership
IC	Insurance Commission
ICC	Indigenous Cultural Communities
ICCA	Indigenous Community Conserved Areas
ICM	Integrated Coastal Management
ICT	Information and Communications Technology
ICTO	Information and Communications Technology Office
IDPs	Internally-Displaced Persons
IEC	Information, Education and Communication
IFC	International Finance Corporation
IFMA	Integrated Forest Management Agreement
IFRS	International Financial Reporting Standards
iGovPhil	Integrated Government Philippines
ILO	International Labour Organization
ILP	Interruptible Load Program
ILT	Idle Land Tax
IMF	International Monetary Fund
INFRACOM	NEDA Board-Infrastructure Committee
IP	Indigenous People
IPA	Investment Promotion Agency
IPCR	Individual Performance Commitment and Review
IPP	Individually Paying Program
IPs	Indigenous Peoples
IPSAS	International Public Sector Accounting Standards
IRA	Internal Revenue Allotment
IRBM	Integrated River Basin Management
IRR	Implementing Rules and Regulations
IRRBAAS	Integrated Results and Risk-Based Auditing Approach System

ISF	Informal Settler Families
ISO	International Organization for Standardization
ISP	Investment Support Program
IT-BPM	Information Technology - Business Process Management
ITP-PGS	Integrated Transformation Program- Performance Governance System
ITR	Income Tax Return
ITU	International Telecommunication Union
IWRM	Integrated Water Resources Management
JICA	Japan International Cooperation Agency
JPSCC	Joint Peace and Security Coordinating Committee
JRC	Justice Research Center
JSCC	Justice Sector Coordinating Council
KG	Kilogram
KM	Knowledge Management
KP	Kalusugan Pangkalahatan
KRA	Key Result Area
KTOE	kilo tons oil equivalent
LAD	Land Acquisition and Distribution
LBP	Landbank of the Philippines
LCA	Local Conservation Area
LCC	Low Cost Carrier
LDC	Livestock Development Council
LFS	Labor Force Survey
LGC	Local Government Code
LGU(s)	Local Government Unit(s)
LLDA	Laguna Lake Development Authority
LMS	Land Management Sector
LPRAPs	Local Poverty Reduction Action Plans
LRA	Land Registration Authority
LRT	Light Rail Transit
LSBs	Local Special Bodies
LSDF	Land Sector Development Framework

MA	Master's Degree
MAPALLA	Manila Bay-Pasig/Marikina River-Laguna Lake
MARINA	Maritime Industry Authority
MARP	Most-at-risk population
MBOs	Micro Banking Offices
Mbps	Million bits per second
MC	Memorandum Circular
MCAP	Market Capitalization
MDG(s)	Millenium Development Goal(s)
MDGF	Millennium Development Goal Fund
MDGF	Millennium Development Goal Achievement Fund
MFIs	Microfinance Institutions
MICC	Mining Industry Coordinating Council
MICE	Meetings, Incentive Travel, Conventions, Exhibitions/Events
MILF	Moro Islamic Liberation Front
MIMAROPA	Mindoro Occidental, Mindoro Oriental, Marinduque, Romblon, Palawan
MITHI	Medium-Term Information and Communication Technology Harmonization Initiative
MITHI	Medium-term ICT Harmonization Initiative
MMDA	Metropolitan Manila Development Authority
MMR	Maternal Mortality Ratio
MNLF	Moro National Liberation Front
MPA	Marine Protected Area
MPS	Mean Percentage Score
MRF(s)	Materials Recovery Facility(ies)
MRP	Manufacturing Revival Program
MRRS	Monitoring, Reporting and Response System
MRT	Metro Rail Transit
MSME	Micro, Small and Medium Enterprises
MT	Metric tons
MW	Megawatts
NAB	New Arrangements to Borrow
NAMRIA	National Mapping and Resource Information Authority

NAP	National Action Plan on Women, Peace and Security
NAPC	National Anti-Poverty Commission
NAT	National Achievement Test
NBI	National Bureau of Investigation
NCC	National Competitiveness Council
NCIP	National Commission on Indigenous Peoples
NCR	National Capital Region
NDRRMC	National Disaster Risk Reduction and Management Council
NDRRMF	National Disaster Risk Reduction and Management Fund
NEA	National Electrification Administration
NEDA	National Economic and Development Authority
NEECP	National Energy Efficiency and Conservation Program
NER	Net Enrolment Rate
NEST	National Environmentally Sustainable Transport
NETRC	National Education Testing and Research Center (NETRC)
NFA	National Food Authority
NG	National Government
NGAs	National Government Agencies
NGO(s)	Non-Governmental Organization(s)
NGP	National Greening Program
NHA	National Housing Authority
NHIP	National Health Insurance Program
NHMFC	National Home Mortgage Finance Corporation
NHTS-PR	National Household Targeting System for Poverty Reduction
NIA	National Income Accounts
NICCEP	National Industry Cluster Capacity Enhancement Project
NIPAS	National Integrated Protected Areas System
NJIS	National Justice Information System
NLA	National Leadership's Agenda
NLUC	National Land Use Committee
NNS	National Nutrition Survey
NOAH	Nationwide Operational Assessment of Hazards



NPC	National Power Corporation
NPS	National Payroll System
NQI	National Quality Infrastructure
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
NSP	National Shelter Program
NSSMP	National Sewerage and Septage Management Program
NSWMC	National Solid Waste Management Commission
NTC	National Telecommunications Commission
NTDP	National Tourism Development Plan
NTESDP	National Technical Education and Skills Development Plan
NWRB	National Water Resources Board
OADR	Office for Alternative Dispute Resolution
OBI	Open Budget Index
OC	Office for Competition
ODA	Official Development Assistance
ODP	Open Data Portal
OECD	Organization for Economic Cooperation and Development
OFs	Overseas Filipinos
OFWs	Overseas Filipino Workers
OGP	Open Government Partnership
OMB	Optical Media Board
OMB	Office of the Ombudsman
OPCR	Office Performance Commitment and Review
OPIF	Organizational Performance Indicator Framework
OPSD	Outstanding Public Sector Debt
OTS	Office of Transport Security
PAGASA	Philippine Atmospheric, Geophysical and Astronomical Services Administration
Pag-IBIG	Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno (Home Development Mutual Fund)
PAMANA	Payapa at Masaganang Pamayanan
PAP	Programs, Activities and Projects
PAs	Protected Areas

PAWB	Protected Areas and Wildlife Bureau
PBB	Performance-Based Bonus
PBIS	Performance-Based Incentives System
PBR	Philippine Business Registry
PCA	Philippine Coconut Authority
PCF	Performance Challenge Fund
PCFC	People's Credit and Finance Corporation
PCG	Philippine Coast Guard
PCIC	Philippine Crop Insurance Corporation
PCM	provinces, cities and municipalities
PCOS	Precint Count Optical Scan
PD	Presidential Decree
PDEA	Philippine Drug Enforcement Agency
PDF	Philippine Development Forum
PDIC	Philippine Deposit Insurance Corporation
PDP	Philippine Development Plan
PEDP	Philippine Export Development Plan
PEI	Productivity Enhancement Incentive
PESOs	Public Employment Service Offices
PEZA	Philippine Economic Zone Authority
PFM	Public Financial Management
PH or PHL	Republic of the Philippines (DFA Protocol)
PhD	Doctor of Philosophy
PhilGEPS	Philippine Government Electronic Procurement System
PhilHealth	Philippine Health Insurance Corporation
Philmech	Philippine Center for Postharvest Development and Mechanization
PhP	Philippine Peso
PIDS	Philippine Institute for Development Studies
PM	Particulate Matter
PMC	Philippine Mediation Center
PMDP	Public Management Development Program
PNP	Philippine National Police

PNP-FED	Philippine National Police-Firearms Explosive Division
PPP	Public-Private Partnership
PPSAS	Philippine Public Sector Accounting Standards
PQA	Philippine Quality Awards
PQF	Philippine Qualifications Framework
PRC	Professional Regulation Commission
PRMF	Provincial Road Management Facility
Project SHINE	Strengthening High-level commitment for Integrity initiatives and Nurturing collective action of Enterprise Project
PSA	Philippine Statistics Authority
PSE	Philippine Stock Exchange
PSF	People's Survival Fund
PSHS	Philippine Science High School
PSIP	PPP for School Infrastructure Project
PWD	Persons with disability
Q1	First quarter of the year
QC	Quezon City
QMS	Quality Management Systems
QMSC	Quality Management Systems Certifications
R&D	Research and Development
RA	Republic Act
RA	Republic Act
RASCALD	Rapid Assessment and Seminar on Case Analysis and Legal Draftsmanship
RATE	Run After Tax Evaders
RATS	Run After The Smugglers
RBAP	Rural Bankers Association of the Philippines
RBPMS	Results-Based Performance Management System
RCP	Rules on Civil Procedure
RCS	Report Card Survey
RD&E	Research Development and Extension
RDCs	Regional Development Councils
RE	Renewable Energy
REDD	Reducing Emissions from Deforestation and Forest Degradation

REIT	Amendments to the Real Estate Investment Trust Law	
RHU	Rural Health Unit	
RIPS	Revenue Integrity Protection Service	
RM	Results Matrix	
RORO	Roll-On/Roll-Off	
RPM-P/RPA/ABB	RebolusyonaryongPartidongManggagawangPilipinas/Revolutionary Army/Alex Boncayao Brigade	Proletarian
RSBSA	Registry System for Basic Sectors in Agriculture	
SALINTUBIG	Sagana at Ligtas na Tubig sa Lahat	
SBMA	Subic Bay Metropolitan Authority	
SC	Supreme Court	
SCMB	Subic-Clark-Manila-Batangas	
SDC	Social Development Committee	
SDEP	Service Delivery Excellence Program	
SDP	Stimulus Development Plan	
SEA-K	Self-Employment Assistance for Kaunlaran	
SEC	Securities and Exchange Commission	
SEnA	Single Entry Approach Program	
SETUP	Small Enterprise Technology Upgrading Program	
SGH	Seal of Good Housekeeping	
SGISM	Shared Government Information System on Migration	
SGLG	Seal of Good Local Governance (formerly SGH)	
SHFC	Social Housing Finance Corporation	
SJPC	Security, Justice and Peace Cluster	
SLF	Sanitary Landfills	
SLM	Sustainable Land Management	
SME	Small and Medium Enterprises	
SOCCSKSARGEN	South Cotabato, Cotabato, Sultan Kudarat, Sarangani, General Santos City	
SP	Social Protection	
SPMS	Strategic Performance Management System	
SPUG	Small Power Utilities Group	
SRA	Sugar Regulatory Administration	
SRS	Skills Registry System	

SSF	Shared Service Facility
SSS	Social Security System
STCW	Standards of Training, Certification & Watchkeeping
STI	Science Technology and Innovation
SUC(s)	State Universities and College(s)
SUCs	State Universities and Colleges
SWM	Solid Waste Management
SWS	Social Weather Station
TA	Technical Assistance
TB	Tuberculosis
TESDA	Technical Education and Skills Development Authority
TPA	Terrestrial Protected Areas
TSA	Treasury Single Account
TSP	Total Suspended Particulates
TVET	Technical Vocational Education and Training
TVI	Technical Vocational Institutions
TVWS	Television White Space
UACS	Unified Account Code Structures
UHC	Universal Health Care
ULAP	Union of Local Authorities in the Philippines
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNCLOS	UN Convention on the Law of the Sea
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
VA	Vulnerability Assessment
VE/VA	Value Engineering/Value Analysis
WatSan	Water and Sanitation
WAVES	Wealth Accounting and Valuation of Ecosystem Services
WB	World Bank
WB-IFC	World Bank-International Finance Corporation
WC-FSL	Working Committee on Financial Services-Liberalization

WCMC	World Commission Monitoring Center
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WSS	Water Supply and Sanitation
WTO	World Trade Organization
ZamBaSulTa	Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay, Basilan, Sulu and Tawi-Tawi
ZBB	Zero Based Budgeting

## Chapter 1

# A roadmap to inclusive growth

*“Undeniable is the fact that some hopeful conditions have emerged, and that economic and political opportunities now exist for a real change...”*

Philippine Development Plan 2011-2016 (2011, p. 32)

Since the unveiling of the Philippine Development Plan 2011-2016 (PDP) three years ago, the conditions favoring a departure from the country’s perennial situation of poverty, inequity, and lagging development have continued to hold, if not gotten better.

First, evidence of robust economic performance is strong halfway into the current Plan period. The country has achieved remarkable progress in sustaining its growth momentum, even exceeding Plan growth targets. Unperturbed by the slump in the major economies in the western hemisphere, the economy grew robustly in 2012 to 2013 supported by low and stable inflation, a sound financial system, and a sustainable fiscal and external position. With at least 7 percent gross domestic product (GDP) growth for five consecutive quarters the Philippines has emerged as one of the best performers among Asian economies in the current period.

Second, the government has considerable fiscal space to finance new initiatives and expand existing ones on account of recent reforms in tax collection, revenue administration, and expenditure management. While economic managers will have to continue exercising prudence in public spending, government has ample elbow room for making investments to catalyze private ventures, provide public goods and fund social programs.

Third, the country enjoys an unprecedented level of confidence among the international business community. The investment grade status accorded by the three major credit rating agencies (Fitch, Standard and Poors, and Moody’s) in 2013 and the improved rankings recently obtained by the country in several global competitiveness reports<sup>1</sup> reflect the renewed business confidence and only reinforce the increasing attractiveness of the Philippines as an investment destination.

Finally, with its legitimacy never in doubt, the present government is in a position to institute wide-ranging economic and social reforms in pursuit of inclusive development. The passage of two important pieces of long-pending legislation—one restructuring taxes on tobacco and alcohol and the other providing mechanisms for households to manage family size—attest to the political capital of the current administration, which can be harnessed to advance fundamental, even if politically controversial, reforms. Despite persistent challenges, the administration’s commitment to good governance has restored credibility in government institutions with the President as Chief Executive continuing to enjoy a high satisfaction rating among the general public.

## UNFINISHED BUSINESS

Notwithstanding gains achieved in the areas of economy and governance, there is a growing sense among the public that progress has been too slow even in relation to the government’s own pronouncements. Witness only the critical commentaries aired in various fora pertaining to delays in the implementation of vital infrastructure projects, or the incessant complaints regarding the stubbornly high cost of doing business in the country. Still, a more serious criticism is that the benefits of growth have not been broadly shared among the population. Of the country’s 17 regions, three account for close to two-thirds of GDP. Poverty incidence has declined only marginally between 2009 and 2012, with about a quarter of the

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<sup>1</sup> These include the International Finance Corporation’s (IFC) Ease of Doing Business Report, Institute of Management Development’s (IMD) World Competitiveness Report, Transparency International’s Corruption Perceptions Index, The Heritage Foundation’s Economic Freedom Index, The World Economic Forum’s (WEF) Global Competitiveness Index and Travel and Tourism Report, and the World Intellectual Property Organization’s Global Innovation Index (Source: National Competitiveness Council).

population considered income poor. Employment has not grown fast enough and nearly a fifth of the employed want additional work. And agrarian reform, still the country's boldest attempt at asset reform, remains to be completed. Thus, when viewed against the promise of inclusive growth, the achievements do not seem to amount to much. Simply stated, the gains have yet to materialize into actual, tangible improvements in the lives of the majority of the people.

Table 1.1. PDP 2011-2016 targets vs. accomplishments

Indicators	Target	2012-2013 Accomplishment
Real gross domestic product (GDP) annual growth rate	7-8%	<b>7.2%</b> (2013) <b>6.8%</b> (2012)
Investment-to-GDP ratio	22%	<b>21.1%</b> (2013) <b>20.3%</b> (2012)
Unemployment rate	6.8-7.2%	<b>7.1%</b> (2013)* <b>7.0 %</b> (2012)
Poverty incidence based on population	16.6%	<b>25.2%</b> (2012)

\* Average from January, July, April and October 2013 Labor Force Survey (LFS) rounds. The October 2013 round excludes Leyte because of loss of data due to typhoon Yolanda. The rates shown however are still comparable.

To be sure, poverty reduction is a long-term program that requires uninterrupted growth over a reasonable length of time. The experiences of other countries clearly demonstrate that rapid and sustained growth over a period of eight to 10 years is necessary in order to make a significant dent on poverty. This has not been the case for the Philippines whose past growth has been characterized by alternating episodes of boom and bust. But it is not just the short period of relatively high growth experienced thus far that explains why “not all boats have been lifted by the rising tide.” It is also the consumption-driven nature of the growth that has tended to limit its beneficial impact, primarily on employment and incomes. Thus, a re-balancing of the economy towards greater investments is in order even as the growth momentum must be sustained.

Concomitant with sustained economic growth is the need to continually nurture credible and effective institutions to enforce the rule of law and guarantee a stable and predictable investment climate. Transparency and accountability in government transactions cement public trust in the state bureaucracy and in the seriousness of government's efforts to address long-standing problems of poverty and inequity. In contrast, bad governance inhibits investment and constrains growth; corruption exacerbates poverty and inequality, undermines the social fabric, and leads to political instability which makes poor economic performance and poverty mutually reinforcing. Indeed, an important lesson derived from the first three years of Plan implementation is that good governance is an effective platform for implementing development strategies.

The problem is that both economic growth and good governance cannot by themselves reduce poverty, let alone provide immediate relief from it. That is, while strategically necessary for poverty reduction, they are not sufficient. As the example of India shows, even two decades of rapid growth will not guarantee a significant decline in poverty incidence. Other factors must be present that will increase the likelihood of more people partaking of the benefits of growth *sooner rather than later* through improved access to the available opportunities.

Access, however, has a spatial dimension, and the degree to which people can benefit from the opportunities allowed by economic progress depends upon how the limits imposed by geography can be overcome. This does not imply the tried-tested-and-failed policy of uniformly dispersing production across space in the mistaken belief that growth will be more evenly distributed and thus more equitable. On the contrary, spatially uneven and unbalanced growth need not be an impediment to the equalization of opportunities across space (Philippine Human Development Report [PHDR], 2013). Lagging areas can be linked with leading ones through connective infrastructure and human capital investments. Small agricultural producers in rural communities can be encouraged to engage in higher value-adding activities by linking them to the supply chain of major economic players in urban or national markets who have access to capital, technology, and market information.

By lowering mobility costs for goods and people, infrastructure investments reduce the distance between people and economic opportunities. Likewise investments in education and health that build human capabilities regardless of location allow people to easily move to wherever the opportunities might be. National and local governments, as well as civil society and people's organizations, can play a facilitative



role in linking small producers with major market players that are connected to the larger end-user market, whether domestic or overseas.

An important implication of considering space is the necessity to change mind-sets from a one-size-fits-all approach to planning and programming to one that is more sensitive to diverse local conditions and needs. This requires discarding “business as usual” where interdependent interventions are carried out as disparate, parallel activities by several national line agencies, or programs within a line agency. (PHDR, 2013)

Spatial consideration in planning moreover requires geographical convergence of plans, programs and activities among national government agencies and between national government agencies and local government units (LGUs) to maximize effectiveness. This is already happening to some extent but considerable scope remains for replication in various contexts. For example, with the Department of Agrarian Reform’s (DAR) program for agrarian reform communities (ARCs), the Departments of Agriculture (DA), Environment and Natural Resources (DENR) and LGUs respectively contribute for the roads and irrigation, watershed protection services, and extension services to make the land productive, while DAR and, subsequently, government financial institutions support the farmers’ organizations in financing the requirements for their enterprises. In addition, the DAR and Department of Trade and Industry (DTI) bring together ARCs, often from contiguous towns, to negotiate supply contracts with businesses downstream, in the process reducing transaction costs and facilitating commerce.

The challenge for the remainder of the Plan period, therefore, is to ensure that economic growth will be sustained, and that, moreover, it is inclusive; that is, it will result in greater job creation of the productive and remunerative kind and lead to the reduction of poverty in its multiple dimensions (Box 1.1). As in the original Plan, the *PDP: 2011-2016 Midterm Update* (also referred to as the Plan) will continue to give priority to addressing the infrastructure backlog and investing in human capital. But for the Plan to have an immediate and palpable impact on the population, key growth strategies will need to be informed by geographical and sectoral specificities, as different sectors or groups of the population are differently situated and respond differently to interventions based on their geography, which in the Philippines is unusually diverse, fragmented, and hazard-prone (PHDR, 2013).

#### **Box 1.1. Measuring multidimensional poverty**

Poverty is a state of being deprived of goods and services necessary for basic functioning. This is manifested in several dimensions: lack of education, insufficient nutrition and poor health, inadequate living standard (e.g. no access to clean water and sanitation, facilities, electricity, poor quality of housing, etc), lack of income, social exclusion, disempowerment, unstable and poor quality of work/employment, and threat of violence.

In the Philippines, the state of being poor is proxied by current income. But given the inherent shortcomings of income measurement and the imperfections in the financial market, current income is not a sufficient indicator of the state of poverty. The Oxford Poverty and Human Development Initiative (2013) also observed that while this method is very simple and easier to analyze, it does not provide an incentive to reduce the deprivations of the poorest of the poor, nor can it be broken down by dimensions to show how people are poor.

A multidimensional measure involving several information/indicators to capture the complexity of poverty can better inform policies to effectively formulate a poverty reduction strategy. In 2007, a new method called Alkire Foster (AF) was devised to measure multidimensional poverty. It still uses a counting approach to distinguish the poor households but now considers several factors that show poor people’s experience of deprivation. The new approach shows societal poverty in a way that can be broken down by dimension and is able to identify how people are poor.

Balisacan (2011) applies the AF methodology in the Philippines and estimates the incidence of multidimensional poverty in 2008 using the Annual Poverty Indicator Survey at 28.2 percent. Disaggregating this number into specific deprivation, the study finds that deprivation in amenities characterizes this deprivation, followed by deprivation in health.

## STRATEGIC FRAMEWORK

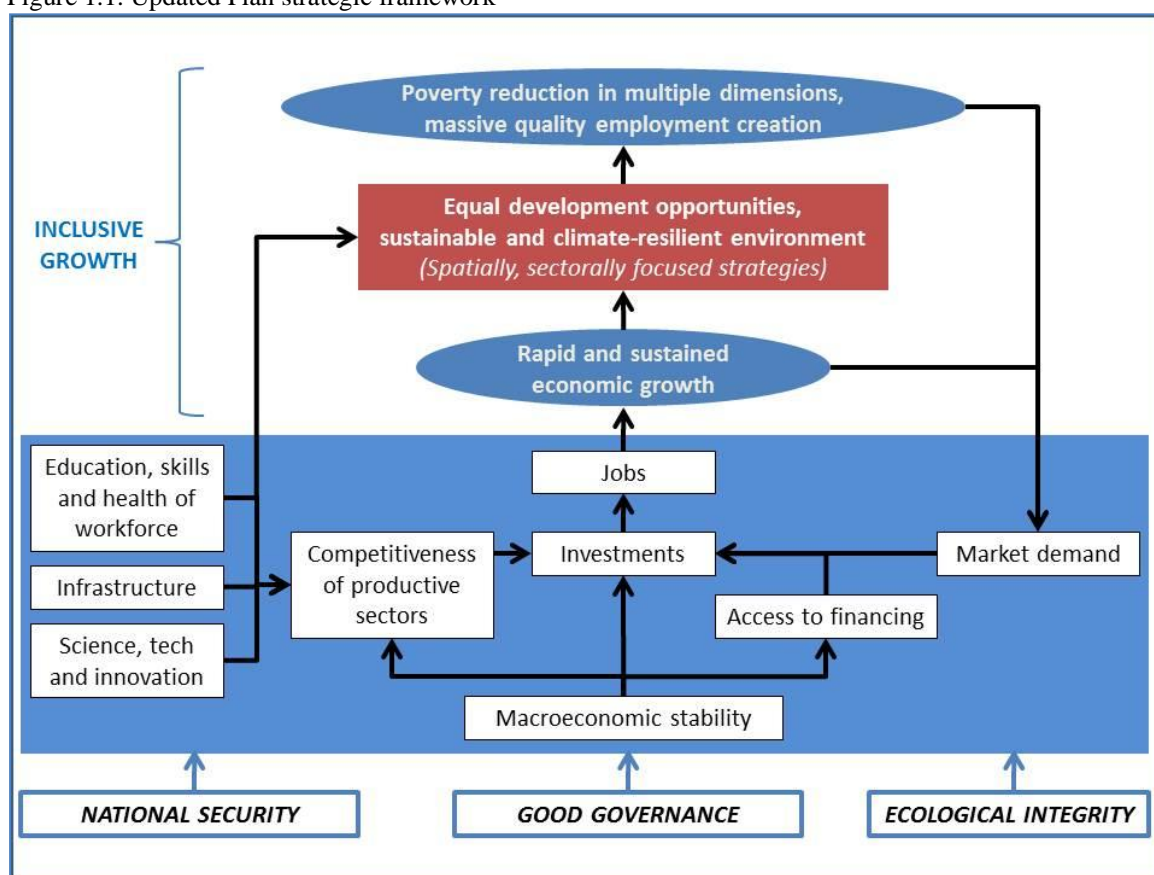
Figure 1.1 shows the overarching strategic framework of the Updated Plan, with inclusive growth—defined as poverty reduction in multiple dimensions and massive creation of quality employment—as the desired outcome.

For job creation, capital accumulation is necessary. Investment must continually rise for the economy to grow and absorb labor into productive jobs. Being a bet on the future, investment requires a stable and predictable market environment. Macroeconomic stability, supported by sound monetary and fiscal policy, a strong financial system, and healthy external sector, is thus essential to maintaining positive consumer and business expectations about the future. Financial markets also tend to look more favorably at countries whose macroeconomic house is in order.

The performance of the production sectors (i.e. agriculture, industry, and services) is, of course, a critical determinant of the economy’s growth potential and its ability to create jobs. In part this is influenced by macroeconomic policy, but sector-specific policies (e.g. fiscal incentives, credit subsidies) and other crosscutting measures (e.g. labor market regulations and policies towards foreign direct investments) also affect competitiveness. Of special importance in raising productivity and expanding the range of products and services produced in the economy is private investment in research and development (R&D), which government can influence through its science and technology policy. The state of the country’s infrastructure (roads, ports, airports, telecommunications, transportation, etc.) and the availability of a healthy, highly trainable and skilled labor force are similarly important factors bearing on the cost of doing business.

Circumscribing the above are the quality of governance, the natural environment, and national security, all of which exert a profound influence on the economy’s productive potential.

Figure 1.1. Updated Plan strategic framework



However, getting all the prerequisites for rapid and sustained growth right is not sufficient for growth to be inclusive. Some individuals may be able to benefit neither immediately nor at all from economic growth because of sickness, physical disability, age, lack of education, location, or some natural or social barriers. In these instances, inclusivity calls for more deliberate state action so that any disadvantage owing to circumstance does not hinder a person from gaining access to available opportunities to improve his or her lot. It is in this sense that inclusive growth is about equalizing opportunities, rather than outcomes.

## PDP: 2011-2016 MIDTERM UPDATE TARGETS

The economy is targeted to track a higher growth path during the period 2014 to 2016. Employment rate is expected to increase to 93.3-93.5 percent and incidence of income poverty to be reduced to 18.0-20 percent. The updated Plan also includes as desired outcome the reduction of multi-dimensional poverty incidence, from 15 percent in 2009 to 8-10 percent by 2016. This demonstrates the commitment of the Aquino administration not just to reduce current income poverty, but also to address the deprivation that could result in future income poverty.

### Economic growth

GDP is targeted to grow by 6.5 to 7.5 percent in 2014, 7 to 8 percent in 2015, and 7.5 to 8.5 percent in 2016.

Industry is projected to grow the fastest, led by construction and manufacturing. Public construction is expected to pick up in 2014, as government spearheads reconstruction efforts in the areas affected by typhoon Yolanda and further addresses infrastructure bottlenecks elsewhere. Private construction and manufacturing (in support of construction and new dwellings) are expected to gain momentum beginning late 2014 up until the end of the Plan period.

Table 1.2. GDP and sectoral growth rate targets, 2014-2016 (in %)

Indicators	Baseline (2012)	Annual Plan targets		
		2014	2015	2016
GDP	6.8	6.5-7.5	7.0-8.0	7.5-8.5
<i>Gross value added (GVA) in agriculture, hunting, fishery and forestry</i>	2.8	(0.9)-0.1	2.0-3.0	2.5-3.5
<i>GVA in industry</i>	6.8	9.8-11.0	8.6-9.7	9.3-10.3
<i>GVA in services</i>	7.6	6.0-6.9	6.8-7.8	7.2-8.1

The service sector is expected to remain robust during the Plan period. Real estate, renting and business activities, which include the information technology-business process management (IT-BPM) sector, are targeted to grow by an average of 9 percent beginning 2015, together with the expected economic recovery in developed countries. Similarly, tourism is also expected to recover around the same time, growing by an average of 7.5 percent from 2015 to 2016.

The higher growth path is expected to manifest in all regions, as targeted by the corresponding Regional Development Councils. The bullish regions are Central Visayas, CARAGA and the National Capital Region. It should also be noted that Eastern Visayas is targeting a turnaround beginning 2014 even coming from the heels of typhoon Yolanda.

Table 1.3. Gross regional development product (GRDP) growth targets, 2014-2016 (in %)

Regions	Baseline (2012)	Annual Plan targets		
		2014	2015	2016
National Capital Region*	7.3	6.9-7.7	7.4-8.1	7.9-8.6
Cordillera Administrative Region	1.0	4.5-5.5	5.5-6.5	5.5-6.5
Region I: Ilocos	5.2	6.8-7.8	7.3-8.3	8.2-9.2
Region II: Cagayan Valley	8.2	4.1-5.1	4.4-5.4	4.7-5.7
Region III: Central Luzon	6.3	5.1-6.1	6.1-7.1	7.0-8.0
Region IV-A: CALABARZON	7.0	5.7-6.7	6.2-7.2	6.6-7.6
Region IV-B: MIMAROPA	4.2	3.2-4.2	4.2-5.2	5.2-6.2
Region V: Bicol*	7.1	7.1-7.6	7.0-7.8	7.0-8.0
Region VI: Western Visayas	7.5	6.1-7.5	6.6-8.1	7.3-8.8
Region VII: Central Visayas	9.3	9.9-12.2	9.9-12.2	9.9-12.2
Region VIII: Eastern Visayas	(6.2)	4.5-5.5	4.5-5.5	4.6-5.6
Region IX: Western Mindanao	12.4	5.5-7.5	5.5-7.5	5.5-7.5
Region X: Northern Mindanao	7.4	8.0-9.0	8.5-9.5	8.5-9.5
Region XI: Davao Region	7.4	6.0-7.0	6.5-7.5	7.7-8.7
Region XII: SOCCSKSARGEN	8.1	8.2-9.2	8.3-9.3	9.1-10.1
Region XIII: CARAGA	10.6	8.2-9.0	9.3-10.1	9.9-10.8
ARMM*	1.2	1.6-2.6	1.9-2.9	2.4-3.4

\* Estimated by NEDA-National Policy and Planning Staff

## Employment

The unemployment rate is expected to decrease from 7 percent in 2012 to 6.5 to 6.7 percent by 2016. Assuming a labor force growth rate of between 1.7 to 1.9 percent,<sup>2</sup> these targets translate to an additional 740,000 employed persons per year.

The quality of employment is another indicator that will be monitored during the remaining Plan period. The target is to reduce the underemployment rate from the current 20 percent to 17 percent by 2016.

Table 1.4. Employment targets, 2014-2016

Indicators	Baseline (2012)	Annual Plan targets		
		2014	2015	2016
Unemployment rate (in %)	7.0	6.7-6.9	6.6-6.8	6.5-6.7
Employment generated (in '000)	414	689-776	753-814	664-753
Underemployment rate(% of employed)	20.0	19.0	18.0	17.0

## Poverty incidence

The target is to decrease the incidence of poor individuals to 18.0 to 20.0 percent by 2016, which, admittedly, will fall short of the Millennium Development Goals (MDGs) target of 16.6 percent by 2015. This new target takes into consideration the slow response of poverty to economic growth beginning 2006 and the setback in 2013 due to the wide-scale destruction resulting from natural and man-made disasters.

In the Philippines, an individual is considered poor if the income of his family falls below the poverty threshold. However, this measure is just a convenient simplification. In reality, poverty is a state of deprivation in multiple dimensions – health and nutrition, education, living standards (water and sanitation facilities, electricity, quality of housing, etc.). Consideration of the multiple dimensions of poverty then brings to the fore the issue of quality of life.

A study by Balisacan (2011) provides the baseline for the incidence of multi-dimensional poverty incidence. The target is to bring down this incidence from 28.2 percent in 2008 to between 16.0 and 18.0 percent in 2016.

<sup>2</sup> The lower labor force growth rate is due to the implementation of the K+12 program.

The strategies in the PDP Midterm Update are directed at improving the responsiveness of poverty to growth (which implies higher incomes), enhancing the provision of basic services (so that quality of life is improved) and increasing resilience to disasters (so that improved quality of life is maintained). These strategies are discussed in the succeeding sections.

Table 1.4. Poverty incidence target, 2014-2016 (in % of population)

Indicator	Baseline	Annual Plan targets		
		2014	2015	2016
Poverty incidence	25.2 (2012)	23.0-25.0	20.0-23.0	18.0-20.0
Multidimensional poverty	28.2 (2008)	20.0-22.0	18.0-20.0	16.0-18.0

## SECTORAL STRATEGIES

How the production sectors (i.e. industry, services, and agriculture) perform will largely determine the economy's growth trajectory in the next three years as well as the potential for greater employment creation and poverty reduction.

### Industry and services

Over the next three years, growth will be mainly driven by the industry and services sectors (Chapter 3). These sectors are targeted to grow by 7.0 to 8.0 percent in 2014, 7.5 to 8.5 percent in 2015 and 8.0 to 9.0 percent in 2016, resulting in additional employment in said sectors, averaging 887,000 to 921,000 per year from 2014 to 2016. For this to happen, investments in the sectors need to increase, which will raise the demand for labor. Investments<sup>3</sup> are targeted to increase by 36 percent between 2012 and 2016.

To achieve the above goals, specific interventions need to be undertaken to improve business climate, increase productivity and improve innovative capacity. At the same time, government will continue to promote the country as a desirable investment destination.

Improving the business climate means reducing the cost of doing business, or costs associated with the administrative procedures from starting a business to closing one, labor market rigidities, and overhead and logistics.

Going forward, government will continue to promote transparent and predictable policies and further streamline bureaucratic procedures to encourage investments. By 2016, the government aims to have all LGUs adopt and streamline the business permit licensing system. The government will likewise continue to undertake measures to link the Philippine Business Registry with LGUs to ensure that businesses in local communities enjoy the benefits of easier registration. The linkage of the National Single Window to the Electronic to Mobile (E2M) system will be pursued to facilitate trade and reduce cost of transactions for businesses.

Equally important are adequate and good quality infrastructure, such as intermodal transport (air, sea, and land), power supply facilities, and logistics, among others. Government will continue to invest in infrastructure development, with government capital outlay increasing to 5 percent of GDP by 2016.

The government will continue to push for Voluntary Codes of Good Practices in industries to maintain industrial peace. Mutually agreed-upon work arrangements, which increase efficiency, simplify operations, and are consistent with the promotion of employment and protection of basic rights of workers, will be supported.

The following subsectors will be encouraged in view of their potential to contribute to employment generation as well as rapid and sustained growth: (a) **agro-industry** (related to coconut coffee, cacao, fisheries and forestry); (b) **manufacturing**, especially food manufacturing, garments, wood furniture and fixtures, and **halal** food industry; (c) **tourism**; (d) information technology – business process management (**IT-BPM**); (e) **construction**; and (f) **logistics**.

<sup>3</sup> Investments approved by the different investment promotion agencies.

Concerning the key sectors identified above, government will provide comprehensive business intelligence to enable businesses to make informed decisions. The government will also invest in the needed product quality monitoring infrastructure to ensure that the country's products meet international standards to penetrate export markets.

The industry clustering program will be expanded. Under this program, industries prepare sectoral roadmaps that show linkage with primary sectors as suppliers and/or markets; and continuously upgrade their technologies and facilities with government's proactive support through the establishment of technology business incubation centers, shared service facilities that provide testing laboratories for safety and quality standards, agro-industrial hubs and central storage.

Innovation and product development will be supported. The country will make full use of existing technologies to make local industries competitive and innovative while building local R&D capacity to address local problems, including green technologies. The government will also ensure that even MSMEs have access to these technologies.

Importantly, the subsectors identified above may be located in provinces where large numbers of poor families are found. Enabling the poor to provide goods and services for these subsectors can unleash the growth potentials of these industries while also increasing remunerative employment opportunities for the poor. In line with this, government will facilitate enhancement of the human capital of the present and potential workforce to ensure that they have the knowledge and skills that are relevant to the needs of industry and services, particularly these key sectors. Firms will be encouraged to provide inputs to the design of technical-vocational education and training (TVET) and higher education institution (HEI) programs. This will enable the poorer segments of the labor force to actively participate in the growth process in these key sectors.

Moreover, the government will intensify advocacy programs that will encourage businesses to take advantage of benefits offered by Philippine participation in free trade agreements and the ASEAN Economic Community 2015. Investment promotion activities will be undertaken not only in the traditional investor countries (US, Japan, European Union), but also in member countries of economic groups to which the Philippines belongs. Related to this, the government will aggressively promote unified country branding that will bring home the message that the Philippines is a producer and supplier of high quality, ethical, sustainable and world-class products and services which are valued worldwide.

## Agriculture

The agriculture and fisheries sector is central to addressing the country's employment and poverty problems. Nearly a third of the country's labor force is employed in agriculture, and 60 percent of them are considered vulnerable. Moreover, the sector has been observed to be shedding jobs too quickly, more than can be explained by productivity increases, and certainly more than can be absorbed by the growing industry and services sectors.

For the remaining Plan period, the PDP strategies for agriculture and fisheries sector (Chapter 4) will aim to (a) increase productivity in the sector; (b) increase forward linkage with the industry and services sectors; and (c) improve sector resilience to risks, including climate change.

Interventions will be directed towards increasing the productivity of key commodities, such as palay, corn, sugarcane, pineapple, coconut, coffee, banana, mango, livestock and poultry and fisheries, among others. Productivity in these commodities is targeted to increase by 19 percent from 2012 to 2016. Investments in R&D and extension will be increased to generate appropriate technologies and to strengthen the capacities of farmers and fisherfolk. Agrarian reform will be fast-tracked; in particular, the distribution of individual land titles will be accelerated to provide greater security of tenure and access to finance for agrarian reform beneficiaries.

In order to facilitate the linkage of agriculture to the industry and services sectors, farmers and fisherfolk will be trained in value-adding, agri-business development and value chain management activities. Farmers and fisherfolk groups and cooperatives will be strengthened and, where possible, transformed into micro, small and medium enterprises (MSMEs) that can transact with other MSMEs in industry and services.



Rural infrastructure will be enhanced by focusing on connectivity between production areas and markets, as well as facilities that provide production and technology choices to farmers and fisherfolk. Public-private sector partnerships will be explored to finance certain postharvest facilities and other rural infrastructure.

One project that has the potential for greater value-adding and linking with downstream end-users and consumers is the Integrated Coconut Industry Development and Poverty Reduction Project. This project is planned for implementation in most provinces where the incidence of poverty is high (Category 2). The implementation of this project will be continuously monitored for possible replication to cover other areas producing coconuts and/or other commodities.

Meanwhile, to increase resilience, households engaged in agriculture and fisheries will be encouraged to diversify production and livelihood sources. The insurance system for the sector will also be strengthened. Moreover, the Community-based Employment Program (CBEP) will be re-designed to function as a social protection mechanism.

## **SPATIAL CONSIDERATIONS**

Geography is an important determinant of the quality of human life because it facilitates or obstructs access to opportunities for improving one's conditions, whether these are economic, social, or political. (PHDR, 2013) The easiest way to think of the effect of geography on access to opportunity is in terms of distance, where the two are inversely related. However, access may also be determined by other initial conditions apart from distance; say, the quality of one's natural environment (that causes one to be healthy or sickly, less or more vulnerable to disasters), or the quality of institutions (that may encourage or stifle private initiative). But these, too, take place in space. Hence, provinces along the Philippines' eastern coastline that are perennially visited by typhoons tend to be poorer on average than the rest of the country. So, too, are those provinces in the conflict-affected areas of Mindanao, where the risk to life and property is relatively high. To talk about inclusive growth without regard for location is to entirely miss the point.

Economic growth by its nature generates unevenness as economic activity tends to concentrate in space to take advantage of agglomeration economies. These refer to the increasing returns from being closer to markets for inputs and products, as a result of which economic activity becomes more concentrated and magnifies the spatial disparities. Hence, some regions lead while others lag. Sixty-two percent of the Philippines' GDP, for example, is accounted for by the National Capital Region, and its two adjacent regions, CALABARZON to the south and Central Luzon to the north. Not surprisingly, these regions host the provinces with the lowest incidence of poverty (National Statistics Office-Family Income and Expenditure Survey, 2012). Clearly, more deliberate state action is needed to ensure that growth is truly inclusive.

In order for growth to result in more opportunities, and thereby accelerate poverty reduction, the Updated Plan will focus government interventions on a number of provinces chosen on the basis of some criteria. These are (a) number or magnitude of poor households in the province; (b) the provincial poverty incidence, or the proportion of poor individuals to the provincial population; (c) the province's vulnerability to natural disasters (floods and landslides, in particular).

Table 1.6 (Category 1) shows the 10 poorest provinces in 2010 according to the number of poor families, while Table 1.7 (Category 2) presents the 10 provinces with the highest percentage of families considered poor. Except for Pangasinan, Quezon, Masbate, and Apayao, all provinces in the two categories are located in the Visayas and Mindanao.

### **Category 1 provinces**

These areas, which have the highest number of poor families, are not necessarily the poorest provinces. In fact, for a number of the provinces in this category, namely Cebu, Pangasinan, and Iloilo, development opportunities clearly exist. However, pockets of poverty also exist in these provinces to the extent that opportunities may be limited and certain segments of the population are unable to readily participate in the growth process. In-migration may also be a factor to the extent that the provinces tend to attract the poor from other places but opportunities for gainful employment are limited given existing skill sets.

Table 1.6. Category 1: Ten provinces with highest magnitude of poor households, 2010

Province	Region	Number of poor households
Zamboanga del Sur	Region IX: Western Mindanao	170,181
Cebu	Region VII: Central Visayas	151,425
Pangasinan	Region I: Ilocos Region	148,601
Negros Occidental	Region VI: Western Visayas	138,664
Camarines Sur	Region V: Bicol	136,208
Leyte	Region VIII: Eastern Visayas	132,377
Iloilo	Region VI: Western Visayas	122,770
Sulu	ARMM	122,218
Quezon	Region IV-A: CALABARZON	122,139
Davao del Sur	Region XI: Davao Region	111,655

Source: National Household Targeting System for Poverty Reduction (DSWD, 2010)

### Category 2 provinces

Provinces in this category are mostly in Eastern Visayas, Autonomous Region in Muslim Mindanao (ARMM) and SOCCSKSARGEN (Central Mindanao). These provinces are generally characterized as having limited opportunities for development. They have small populations, are less dense, or are located in remote areas. For the provinces in this category, weather-related events and armed conflict have been additional factors to contend with.

Table 1.7. Category 2: Ten provinces with highest poverty incidence based on population, 2012 (in %)

Province	Region	Poverty Incidence (%)
Lanao del Sur	Autonomous Region in Muslim Mindanao	73.8
Maguindanao	Autonomous Region in Muslim Mindanao	63.7
Eastern Samar	Region VIII: Eastern Visayas	63.7
Apayao	Cordillera Administrative Region	61.4
Zamboanga del Norte	Region IX: Western Mindanao	54.4
Camiguin	Region X: Northern Mindanao	53.6
Sarangani	Region XII: SOCCSKSARGEN	53.2
North Cotabato	Region XII: SOCCSKSARGEN	52.4
Masbate	Region V: Bicol	51.3
Northern Samar	Region VIII: Eastern Visayas	50.2

Source: National Statistical Coordination Board (2012)

Note: National average of poverty incidence is at 25.2 percent.

### Category 3 provinces

Meanwhile, certain geographic characteristics also make provinces exposed and prone to multiple hazards, such as landslides and flooding. When these disasters occur, the marginally non-poor in these provinces can slide into poverty relatively quickly. These provinces are presented in Table 1.8. Most of them are included in the Hazards Mapping and Assessment for Effective Community-Based Disaster Risk Management (READY) Project, and they generally traverse the country's eastern seaboard facing the Pacific Ocean (see Figure 1.3).

Notable in the list are the provinces hit by major weather-related disasters in 2013—the earthquake in Bohol and super typhoon Yolanda. The latter caused 12.2 million Filipinos to lose family members, their homes and/or properties, as well as their sources of livelihood and employment. It is estimated to have increased national poverty incidence by about 2 percentage points and slashed economic growth rate by 0.3 percentage point in 2013.

Differences in the characteristics owing to location and initial endowments across the provinces included in the three categories described above imply different constraints to growth—and opportunities to participate in growth—for the populations, especially the poorer segments of the populations, in these provinces. Hence, different responses are required.

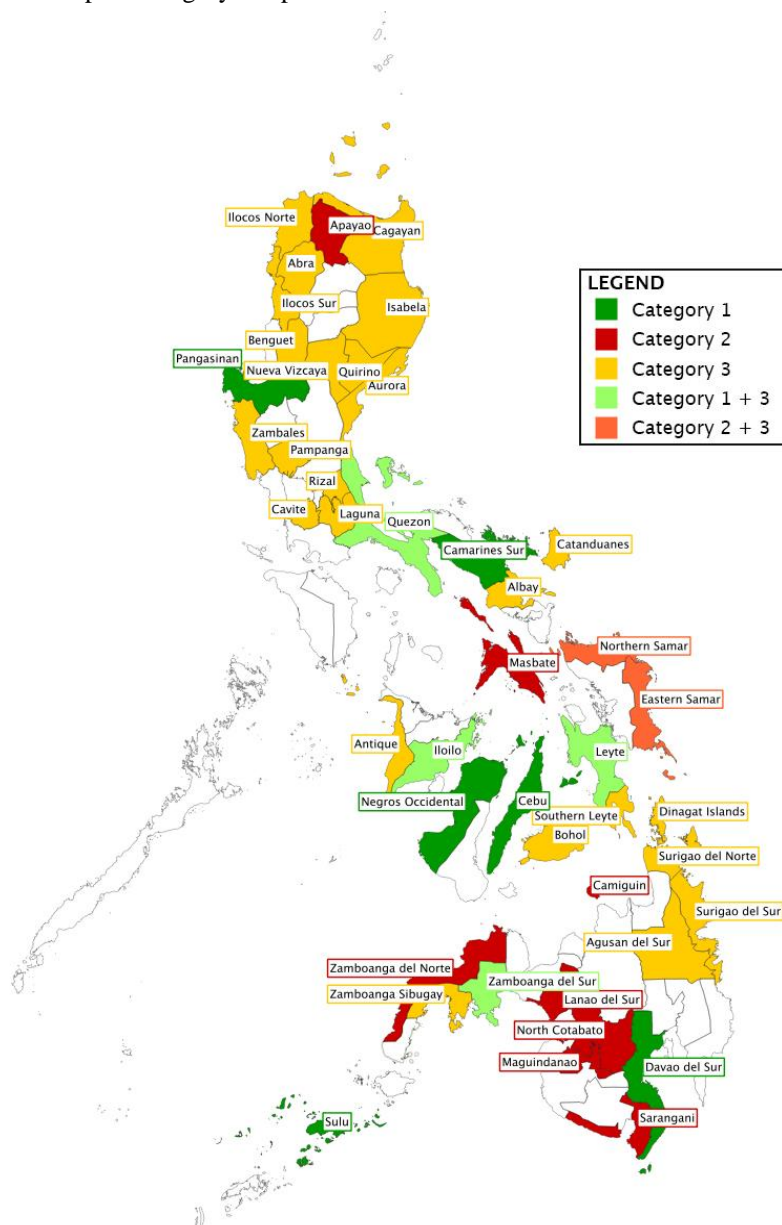


Table 1.8. Category 3: Provinces exposed to multiple hazards, by region

Region	Province	Region	Province
Region I: Ilocos	Ilocos Norte	Region V: Bicol	Albay
Region I: Ilocos	Ilocos Sur	Region V: Bicol	Catanduanes
Cordillera Administrative Region	Abra	Region VI: Western Visayas	Antique
Cordillera	Benguet	Region VI: Western Visayas	Iloilo
Region II: Cagayan Valley	Cagayan	Region VII: Central Visayas	Bohol
Region II: Cagayan Valley	Quirino	Region VIII: Eastern Visayas	Eastern Samar
Region II: Cagayan Valley	Isabela	Region VIII: Eastern Visayas	Leyte
Region II: Cagayan Valley	Nueva Vizcaya	Region VIII: Eastern Visayas	Northern Samar
Region III: Central Luzon	Zambales	Region VIII: Eastern Visayas	Southern Leyte
Region III: Central Luzon	Pampanga	Region IX: Western Mindanao	Zamboanga del Sur
Region III: Central Luzon	Aurora	Region IX: Western Mindanao	Zamboanga Sibugay
Region IV-A: CALABARZON	Cavite	Region XIII: Caraga	Dinagat Islands
Region IV-A: CALABARZON	Laguna	Region XIII: Caraga	Agusan del Sur
Region IV-A: CALABARZON	Rizal	Region XIII: Caraga	Surigao del Norte
Region IV-A: CALABARZON	Quezon	Region XIII: Caraga	Surigao del Sur

Sources: Department of Science and Technology and Department of Environment and Natural Resources (2012)

Figure 1.3. Map of Category 1-3 provinces



For provinces in Category 1 where development opportunities exist, interventions should be aimed at increasing investments to create more employment opportunities. Improving physical infrastructure to enhance trade and labor mobility are critical interventions. Depending on their comparative advantage, the potential for creating new growth drivers in agro-industry, food manufacturing, and logistics in some of the provinces should be exploited. Meantime, current sources of growth such as IT-BPM, and tourism can be expanded. In addition, improving human capital through investments in education and training (e.g. TVET) should be continuously encouraged to increase the employability of the work force. Providing training on entrepreneurship alongside introducing flexibilities in work arrangements may also be warranted. In the relatively more developed and urbanized areas, (e.g. Cebu) social services need to be continually upgraded to prevent congestion as a result of in-migration from other areas that may not be as well-endowed.

In the provinces falling under Category 2, the imperative is to ensure that basic social services in the form of health services, basic education, water and sanitation are available. These “spatially blind” investments promote economic and physical mobility making it possible for people in these areas to out-migrate, if necessary, to gain access to opportunities wherever these may be while economic opportunities in the area are still being created. Small agriculture-based enterprises linked to the supply chain of product or service providers in the more developed areas of the region should be encouraged as a way of increasing employment and ensuring incomes. In areas where human security is particularly at risk because of violence or armed conflict, peace-building efforts should be earnestly pursued by addressing the fundamental bases of the conflicts.

The strategies to be implemented in the vulnerable areas belonging to Category 3 should focus on disaster-risk reduction and mitigation, social insurance and social protection, and income diversification. Albay (Bicol) and Quezon (CALABARZON) are way ahead of the pack, with geohazard maps and institutional mechanisms for disaster-risk management already in place. These should be further studied for possible replication.

## CROSSCUTTING STRATEGIES

The above strategies will be supported by a menu of interventions to improve the quality of human and physical capital. These will be implemented in a setting of macroeconomic stability and good governance.

### Social development

Some individuals have not been able to take advantage of growth opportunities for reasons of ill-health or inadequate education—two of several dimensions of poverty.

The Updated PDP envisions equalizing opportunities for people to get themselves employed, acquire assets, and improve their quality of life (Chapter 6). Under the Plan, social development interventions will directly reduce poverty in its multiple dimensions by increasing the poor’s access to social services and basic facilities.

The MDGs present a framework for defining “quality of life,” to which the Philippines has committed at the turn of the millennium together with the rest of the world.

There is medium to high probability that the country will achieve most of its MDG targets by 2015. Of the health-related MDGs, the target indicators that will require more aggressive programs are on (a) reducing maternal mortality ratio, (b) achieving universal access to reproductive health, and (c) halting and reversing the spread of HIV.

The Updated Plan commits to achieving these unmet targets by improving the delivery of health services. The major challenge is to ensure a defined minimum set of clinical competencies in family planning and maternal and childcare services among existing staff, especially at the level of rural health units and barangay health stations. At the same time, government will intensify programs to hire and train additional skilled health and nutrition workers especially in disadvantaged areas to deliver the required public health care services for poor families.

Investment in education will be increased and the quality of public investments will be improved. Providing access to education and training for life skills and the capacity to pursue economic opportunities helps

achieve inclusive development. Moreover, this is part of government's commitment to the MDGs, of which five are education-related.

The K to 12 program represents the government's commitment to investing in education. More than adding two years to basic education, in line with the rest of the world, the K to 12 program is about enhancing the curriculum, making it learner-centered and ensuring that teachers are retooled and adequate instructional materials and educational facilities are provided. These will be accompanied by the proper targeting of areas, prioritizing those with severe shortages to ensure equitable distribution of resources. The program will also address low performance in terms of education indicators among regions, divisions and schools.

There is also a need to develop competencies and life skills for the current and would-be members of the labor force to enable them to pursue economic opportunities. Strategies consist of expanding access to quality TVET and developing workforce competencies required in key growth areas, as well as in leadership, management and innovation. The same goes for HEIs. As a proxy for quality, the Updated Plan will focus on improving the performance of higher education students in licensure examinations across disciplines.

### **Social protection**

Importantly, social protection from catastrophic situations will be designed to prevent the poor from falling deeper into poverty and the near-poor from joining the ranks of the poor. Chapter 6 provides, among others, a menu of social protection programs that will be developed to address different types of hazards faced by different localities.

Increasing Philippine Health Insurance (PhilHealth) coverage and benefits is a major social protection program. The challenge is to seek out and cover the poor who have not been surveyed by the National Household Targeting System for Poverty Reduction (NHTS-PR) nor by LGUs (e.g. indigenous people, street children, children from orphanages, persons with disability, internal migrants, etc.). The coverage of the Individually Paying Program will also be increased. One strategy is to cover them at the point of care. Close collaboration with LGUs and other government agencies as service points is also necessary.

The CBEP will also be re-designed to function as a social protection mechanism that replaces lost income in times of crises or disasters. The program represents all projects of government that employ unskilled workers like maintenance of farm-to-market roads and other community infrastructure, re-greening and reforestation programs, coastal resource management program and the like (Chapter 9). The implementation of these projects can be timed to coincide with the lean months in agriculture or after the onset of disasters or other shocks, thus smoothing income streams.

Informal tenure of shelter is also associated with vulnerability and also needs to be addressed. Owing to poverty, informal settlers live in shelters to which they have no legal right to occupy or in areas prone to disasters just to survive until they find decent and more regular employment. Having no secure shelter or properties, they face risks of being evicted or of falling victims to natural and man-made disasters.

For the remaining Plan period, the target is to deliver 510,683 units of housing assistance focusing on vulnerable households. A menu of housing options/assistance based on the needs and affordability of intended housing beneficiaries will also be developed. The beneficiaries include informal settler families, victims of calamities such as typhoons, earthquakes, fire, and armed conflict, and low-salaried employees.

For 2014 to 2016, the Housing and Land Use Regulatory Board will continue to extend technical assistance to LGUs in the formulation and/or updating of comprehensive land use plans. The objective is to provide a holistic approach to sustainable development, even sustainable urban development.

### **Infrastructure development**

Infrastructure development will be accelerated to support rapid and sustained growth and promote inclusivity (Chapter 10). As earlier mentioned, public infrastructure spending will be increased to at least five percent of the GDP by 2016. In addition, private sector investments are expected to supplement this amount through public-private partnerships.

Infrastructure development is necessary to catalyze development in the key sectors listed above.

In agriculture, the objectives are to increase agricultural productivity and linkage with industry and services. Adequate irrigation facilities will be provided, including small irrigation facilities, to increase crop productivity and enable farmers to have greater control over their production patterns. In addition, farm-to-market roads will be constructed or rehabilitated to strategically connect rural and agricultural areas to market towns and destinations.

In industry and services, infrastructure development will focus on improving the connectivity between urban centers and regional growth hubs, between airport and ports and economic/industrial zones; and between airport and ports and tourism destinations. Box 1.2 lists the major infrastructure projects designed to improve connectivity.

**Box 1.2. Major infrastructure projects to improve connectivity  
between urban centers and regional growth hubs**

**Airports**

- Bicol International Airport Development
- Puerto Princesa Airport
- New Bohol (Panglao) Airport Development Project
- Clark International Airport Construction of a Budget/Low Cost Carrier (LCC) Terminal
- Mactan Cebu International Airport  
Construction of the New Passenger International Terminal
- Tacloban Airport Redevelopment Project
- NAIA 3 Completion
- NAIA 1 Retrofitting/Renovation

**Road-RORO Terminal System**

- Central Spine RORO Development

**Expressways**

- Central Luzon Link Expressway (CLLEX), Phase I
- Cavite-Laguna Expressway (CALAX)
- Tarlac-Pangasinan-La Union Expressway
- Skyway- FTI-C5 Connector
- NAIA Expressway Phase 2
- Skyway Stage 3 & NLEX-SLEX Connector

**Roads**

- Samar Pacific Coastal Road Project
- Albay West Coast Road
- Panay East-West Road
- Cebu City-San Remigio Road
- Mindanao East-West Lateral Road
- Bayugan-San Luis-Talacogon-La Paz-Loreto-Veruela-Sta. Josefa Road
- Basilan Circumferential Road

**Urban Transport System**

- LRT Line 1 and Line 2 System Rehabilitation
- Common Station for LRT 1, MRT 3 and MRT 7
- MRT 3 Capacity Expansion
- MRT 7

To promote the IT-BPM sector, government will provide the overall development framework on the deployment of new technologies and improvement of the country's digital connectivity.

Energy security will also be pursued by increasing energy generating capacity, encouraging efficient use of energy and implementing various transmission projects.

Provision of adequate infrastructure also addresses inequalities in opportunities. For the remaining Plan period, the government will massively construct, rehabilitate and upgrade basic health care hospitals and facilities, close the student-classroom gap, provide water supply and sanitation facilities in rural and hard-to-reach areas, and provide housing units to over 500,000 households.

The government will continue providing infrastructure support to conflict-affected and impoverished areas

through the Investment Support Program (ISP) for the ARMM and the *Payapa at Masaganang Pamayanan* or PAMANA Program.

Infrastructure sector strategies will be implemented to ensure a livable and safe environment. The Master Plan for Flood Management in Metro Manila and Surrounding Areas will be implemented to protect lives, property and livelihood from floods and related environmental risks. Flood management structures in highly vulnerable areas based on river basin master plans will be constructed.

The government will strengthen the coordination among the National Disaster Risk Reduction and Management Council (NDRRMC), Advanced Science and Technology Institute (ASTI), Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA), Department of Public Works and Highways (DPWH), Metro Manila Development Authority and LGUs to improve existing flood forecasting and warning systems, particularly in provinces vulnerable to flooding.

Good governance will also be promoted with the use of proper infrastructure. The e-Government Master Plan 2013-2016 will serve as a blueprint for introducing innovations within government work processes, enhancing administrative productivity and allowing more citizen participation.

### **Environment and natural resources**

The country's environment and natural resources (ENR) are a means and an end in achieving inclusive growth. As a means, they provide the needed inputs and ecosystem services to sustain resource dependent communities, agriculture, industries, water supply and the energy sector, among others. As an end, the ENR sector bears both the positive and negative impacts of activities intended to accelerate economic growth.

For the remaining years of the PDP, focused interventions are geared towards (a) increasing adaptive capacities of communities, (b) effectively managing ENR for sustainability and (c) improving environmental quality. These are key towards achieving a sustainable and climate-resilient environment, which is the sector's contribution to inclusive growth.

Increasing adaptive capacities of communities requires more climate change adaptation and disaster risk reduction activities being mainstreamed into local development plans. As outlined in Chapter 9, this Updated Plan aims for an annual increase in the level of investments for climate change adaptation and mitigation (CCA/M) and disaster risk reduction and management (DRRM). It will entail promotion of climate/disaster resilient infrastructure for which innovative financing will have to be designed. The government is also set to invest in developing and adopting more effective vulnerability assessment tools to identify highly susceptible communities and prevent and mitigate potential disaster impacts.

To sustain the country's ecosystem services, effective management of natural resources will require strengthening the conservation, protection and rehabilitation of forest and watershed, coastal and marine life, land and mineral resources, and the entire biodiversity.

The quality of air, land and water should meet minimum quality standards to provide communities with a healthier environment. It is imperative for the ENR sector in the next midterm to encourage research, development and extension, sustain financing, improve law enforcement and strengthen coordination and institutional mechanisms.

### **Macroeconomic stability**

The strategies enumerated in the Plan will be implemented without sacrificing macroeconomic stability (Chapter 2).

The NG aims to increase the revenue effort to 17.1 percent of GDP by 2016. The tax effort is targeted to increase to 16.1 percent in 2016 from 13.4 percent in 2013. This will be due to heightened tax collection efforts of the BIR and the more aggressive campaign of the BOC to curb smuggling. Moreover, the granting of fiscal incentives shall be rationalized to minimize duplication while encouraging investments that have high backward and forward linkages and generate quality employment.

At the subnational level, the BLGF projects local sources of income to grow by 6.3 percent in 2013, and by 5.7 percent in 2014 and 2015. This will grant greater autonomy to LGUs and provide more financing for local development.

The efficiency of public spending also needs to be improved. The slow absorption of funds of government agencies needs to be addressed and the revenue leakages plugged. Moreover, spending on infrastructure and social services needs to increase. Quality infrastructure increases macro-level competitiveness and encourages investments, while government spending on social services serves to equalize opportunities and leads to sustainable poverty reduction.

The inflation rate is expected to fall within the 3.0-5.0 percent band in 2014 while a lower inflation band of 2.0 to 4.0 percent is targeted for both 2015 and 2016.

On the external sector, the aim is to maintain a positive current account balance-to-GDP ratio, reaching 1.2 percent by end-2016.

The big challenge to macroeconomic stability is the volatility of international capital flows. This complicates liquidity management, creates pressures for the currency to appreciate and leads to financial systemic stresses. On the other hand, capital inflows could be beneficial because they provide funding for much-needed investment.

A high proportion of external flows is due to remittances which have proven to be quite robust even during times of economic crises elsewhere in the world. A big portion of these remittances finances the consumption needs of families left behind. But there may be a substantial portion that is investible. What is needed is a financial instrument that matches the risk-return profile of overseas Filipinos and overseas Filipino workers so that this resource can be channeled to investments that would lead to job creation in the country.

## Financial inclusion

The efficient mobilization and management of resources to finance the country's economic development requires a responsive, development-oriented, and inclusive financial system. For the next three years, the objective is to maintain a resilient and inclusive financial system underpinned by the discipline of credit standards. This means that the asset base of the financial system needs to increase to service the needs of a growing economy. At the same time, service coverage should also expand (Chapter 5). Achieving this objective calls for: (a) managing capital inflows towards real sector investment; (b) building the needed financial market infrastructure; and (c) pursuing the financial inclusion agenda.

By the end of the Plan period, the above strategies are expected to (a) raise the total assets of the financial system by more than 10 percent from the 2012 level; (b) improve the national saving rate (gross national saving to GDP ratio) from 23 percent in 2012 to higher than 30 percent; (c) increase the number of deposit accounts per 1,000 Filipino adults from 454 in 2012 to 750; (d) improve microfinance services delivery from PhP8.4 billion in 2012 to more than PhP10 billion; and (e) increase the number of bank access points per 10,000 population to 6 from 5 in 2012.

Channeling the capital inflows from portfolio capital and overseas Filipino remittances towards investments in the real sector remains a challenge. But if the appropriate match between financial instruments and risk-return profiles of the relevant group can be struck, then the potential for expanding investment and creating employment can be realized.

In connection with financial inclusion, the following strategies already identified in the original PDP will be continued: (a) establishment of a regulatory environment that balances financial inclusion objectives with financial stability goals; (b) promotion of use of alternative products and delivery of financial services in underserved and unserved areas of the country; (c) promotion of financial literacy and consumer education; and (d) encouraging the continuing development of new loan products and other banking services aimed to address the special needs of the poor, women and persons with disability.

Among the programs and activities in support of inclusive finance are: (a) the Economic and Financial Learning Program of the Bangko Sentral ng Pilipinas (BSP) to promote greater public awareness of economic and financial issues and provide information to enable households and businesses to make well-informed economic and financial decisions; and (b) the BSP's Credit Surety Program, which creates a trust



fund from the contributions of a provincial government and a cooperative in the same province to encourage financial institutions to lend to MSMEs in the province using the surety cover as a collateral substitute.

A system that will encourage financial institutions to accept other than real property assets as security for lending to MSMEs is also being established, with its framework being finalized in June 2013. This is expected to enhance and simplify the processes of taking movable and intangible assets as collateral.

Finally, measures to strengthen the regulatory and supervisory framework and enhance the risk management capability of banks will be sustained to ensure the stability of the system. Macroeconomic and financial sector policies will be closely coordinated through the government's Financial Sector Forum.

## Good governance

In the Updated PDP, as in the original PDP, the need for good governance is made clear. Chapter 7 discusses the need for institutions to transform themselves to meet the demands of a more complex economy and a better informed, more sophisticated citizenry. Capable and credible institutions will ensure that critical reforms introduced and implemented are well-designed, enforceable, and durable.

The Plan aims for effective and efficient governance by empowering citizens with access to information and venues for participation, as well as by providing high-quality public services where service providers are held accountable for the quality and efficiency of services delivered. Intensifying anti-corruption efforts will continue to be a key strategy. Improving administration of justice will form an important part of efforts to restore the credibility of the justice system and to earn citizens' trust. Moreover, as economic opportunities are expanded, the Updated PDP emphasizes the need for efficiency of regulation such that broader interests are served and economic justice is achieved without going through tedious processes.

To improve transparency, citizens' participation and accountability, strategies will aim to deepen participatory planning and budgeting, monitoring and evaluation (M&E), support community and civil society organization participation; and enhance voter's education. Anti-corruption efforts will be further intensified by strengthening internal control systems in relation to the generation and allocation of government funds; and the enforcement of penalties against those found guilty of corrupt practices.

In terms of strengthening rule of law, the PDP targets to improve the Philippines' percentile rank in Worldwide Governance Indicators (WGI) Rule of Law from 33.65 in 2010 to at least 60 by 2016. Backlogs in investigations/cases will be significantly reduced. By 2016, the percentage of investigations/cases beyond the maximum prescribed periods will have been reduced from 27 percent in 2011 to 15 percent at the National Bureau of Investigation and from 60 percent in 2010 at the DOJ Prosecutor's Investigation. Phase I of the National Justice Information System will have been 100 percent completed by 2016.

Strategies to improve administration of justice include reducing backlogs and decongesting case dockets; instituting good governance in the justice system, including performance and integrity management systems and computerization of processes and services; streamlining criminal investigation; addressing fragmentation in the justice system; promoting and maximizing Alternative Dispute Resolution; enhancing access to justice by the poor and other vulnerable sectors through the implementation of the Recognizance Act of 2012 (RA 10389); and ensuring consistency and stability of jurisprudence.

Furthermore, enhancing economic justice entails enacting a unified competition/anti-trust law and intensifying enforcement efforts, in partnership with sector regulators and other stakeholders; addressing efficiency concerns on commercial dispute resolution and intensifying tax enforcement through the Run After Tax Evaders (RATE) and Run After The Smugglers (RATS) programs. .

As before, the accomplishments on good governance will be judged by how well the country performs in international rankings. The PDP targets to improve the country's Open Budget Index score from 48 in 2012 to 60 by 2016; the country's percentile rank in the WGI-Voice and Accountability from 48.34 in 2010 to at least 50; in WGI-Government Effectiveness from 55.5 in 2010 to at least 70; and in WGI-Control of Corruption from 22.38 in 2010 to at least 60 by the end of the Plan period. Furthermore, the PDP targets to improve the country's percentile rank in WGI-Regulatory Quality from 44.98 in 2010 to at least 70 by the end of the Plan period.

## Stable national security

A politically stable and secure nation is necessary to achieve development and improve the collective welfare of the people. Chapter 8 presents the government's twin goals of attaining peace and security. .

Building on the positive results in peace tables, particularly with the Moro Islamic Liberation Front (MILF), Cordillera Bodong Administration/Cordillera People's Liberation Army (CBA/CPLA), and the Rebolusyonaryong Partidong Manggagawang Pilipinas/Revolutionary Proletarian Army/Alex Boncayao Brigade (RPM-P/RPA/ABB), the government will continue to pursue negotiated political settlement of internal armed conflict. The *Payapa at Masaganang Pamayanan* (PAMANA) will remain as the flagship development program that aims to bring back the government's presence in conflict-affected communities through improved access to basic social services, strengthening of institutions, and protection of children's and women's rights, as well as ensuring their participation in peace building and development efforts. The government targets to significantly increase the number of communities in conflict-affected areas that are able to return to conditions where they can achieve their desired quality of life within a peaceful society.

The government also aims to significantly reduce criminality, uphold sovereignty, and ensure protection of its people and create a safer and more secure environment conducive to national development. The police and other law enforcement agencies will intensify their operations against criminality, armed violence and transnational security issues such as terrorism, trafficking in persons, illegal arms and drugs smuggling, and the emerging concerns on cybercrime.

The government will also exert all efforts to ensure the country's sovereignty over its territories by pursuing a rules-based collective security framework in international relations. Moreover, given the increasing occurrences of extreme natural hazard events, the government will increase its capability in preparedness against natural as well as human-induced disasters and emergencies to protect lives and properties of its citizens.

## PLAN IMPLEMENTATION

It is acknowledged that the overall development of the country is ultimately a product of the dynamism of the private sector. The role of government is to set the necessary policy and regulatory framework and provide public goods and services to catalyze private initiative and encourage efficiency improvements.

The Plan emphasizes the government's facilitative role in promoting competition and making it easy for firms and entrepreneurs, regardless of size, to do business in the country. But at the same time, government will intervene strategically where the private sector cannot be relied upon to deliver the goods, services and facilities needed by the poor and marginalized. In this regard, the plan recognizes the need for public investment and sound, credible, and effective regulation.

PDP implementation calls for convergence of agency programs and coordination among agencies at different levels as well as the private sector and development partners to be able to make a significant impact. The different programs and strategies to be undertaken by government are described in the subsequent chapters. During the implementation period, the efficiency and effectiveness of these strategies will be monitored alongside implementation progress. In general, the measure of efficiency is the extent to which private effort has been steered towards the direction laid out in the Plan; effectiveness is the extent to which the well-being of Filipinos has been improved.

The different Planning Committees (PC), constituted to update the Plan, will be responsible for monitoring welfare outcomes and implementation progress as indicated in their corresponding Results Matrix. The outcomes and progress will then be reported by the PC Chair before an appropriate interagency committee of the National Economic and Development Authority (NEDA) Board or Cabinet Cluster, as shown in Table 1.9.

The NEDA Secretariat will also prepare an annual Socioeconomic Report (SER), where each SER presents the accomplishment in terms of output and desired outcomes, identifies key challenges and recommends solutions going forward.



Table 1.9. Coordination mechanism of Planning Committees

<b>Planning Committee</b>	<b>Coordination mechanism</b>
Macroeconomic policy	NEDA Board–Development Budget Coordination Committee
Infrastructure development	NEDA Board–Infrastructure Committee
Peace and security	Security, Justice and Peace Cluster
Governance and the rule of law	Good Governance and Anti-Corruption Cluster
Social development	NEDA Board–Social Development Committee
Environment	NEDA Board–National Land Use Committee



# Macroeconomic policy

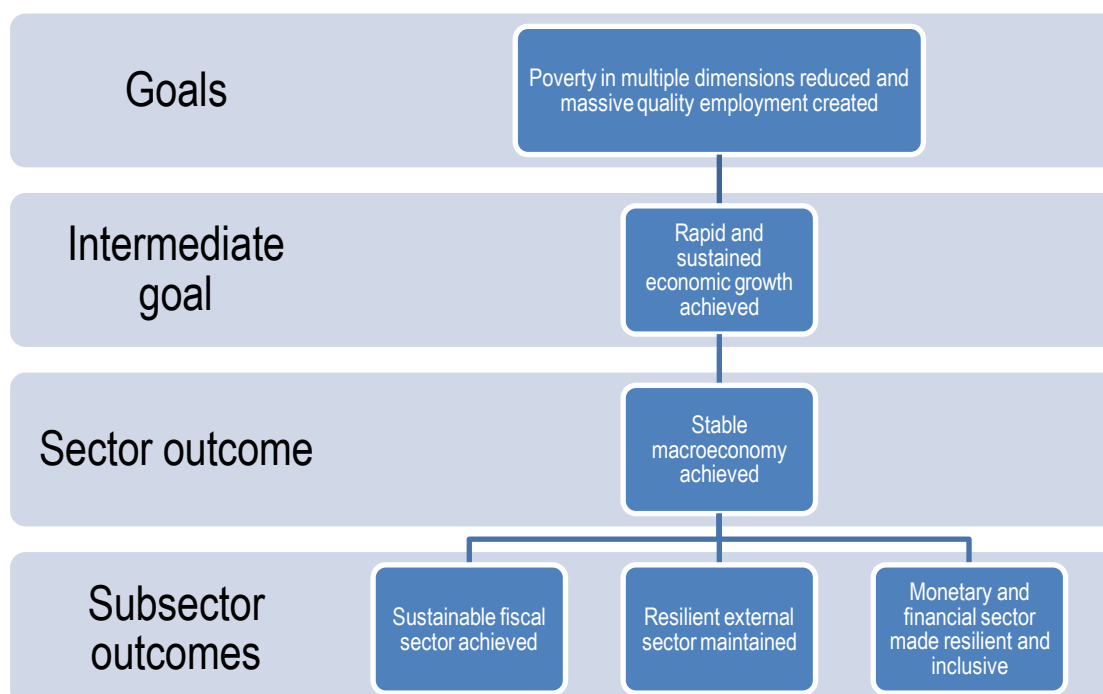
## I. INTRODUCTION

A stable macroeconomy fuels positive expectations that encourage investments and increase opportunities for quality employment and higher incomes. This is characterized by sound fiscal, monetary and financial environments, and a robust external position.

For the remaining period of the Philippine Development Plan (PDP), the challenge that faces macroeconomic stability is the volatility of international capital flows. Capital inflows could be beneficial to recipient countries because they provide funding for much-needed investment. However, the sustained surge of foreign capital could complicate liquidity management, create pressures for currencies to appreciate and lead to financial systemic stresses. The risks become starker because of the possibility of sudden stops and capital flow reversals, as global shifts in sentiment can cause significant volatility even in countries that have strong fundamentals.

At the same time, the efficiency of public spending and revenue collection needs to be improved. The slow absorption of funds by government agencies needs to be addressed and the revenue leakages plugged. Given the uncertainty in the global economy and the physical environment, it is important to have ample fiscal space to be able to respond, as necessary, in a timely and effective manner.

Figure 2.1. Results framework on macroeconomic policy



## II. ACCOMPLISHMENT AND CHALLENGES

Owing to improving fiscal conditions, a resilient economy, moderate inflation, and a potential for further growth, the Philippines has received successive investment-grade ratings from major credit rating agencies beginning March 2013. The first was awarded by Fitch Ratings on 27 March 2013. This was followed by Standard and Poor's which also gave the Philippines an investment grade on 2 May 2013, the Japan Credit Rating agency on 7 May 2013, and Moody's on 3 October 2013.

These successive recognitions of the country's elevation to investment-grade territory have undoubtedly cemented the status of the Philippine economy as one of the brightest globally. The Philippine government is the primary beneficiary of these ratings. An investment grade indicates that the Philippines is a preferred borrower and would allow the government to borrow at a lower rate from international or domestic financial markets. Low borrowing rates for the government would lead to lower borrowing costs for the business sector. The savings that may be earned with lower borrowing costs could be channeled to development programs and provision of basic services.

Prudent and responsible monetary and external policies that support a low and stable inflation ensure that wage goods remain affordable. This, in turn, decreases uncertainty in operating businesses in the country and improves household and business confidence. At the same time, a stable financial sector helps ensure that markets are well-functioning and that credit conditions are appropriate to support economic expansion, thereby creating opportunities for additional demand for labor.

### Sustainable fiscal sector

Government expenditure is needed to finance programs and projects critical to inclusive growth. These empower the poor and marginalized sectors by enabling them to participate in the mainstream economy. However, the spending must be supported by an appropriate level of revenues and a manageable public debt in order to promote macroeconomic stability. At the same time, prudent fiscal management allows the economy to be more resilient against shocks.

### Expenditure

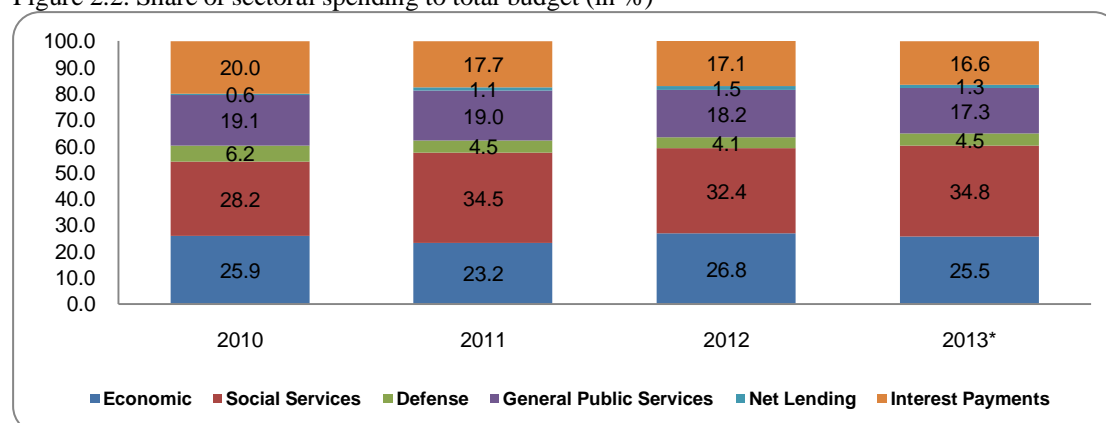
The higher fiscal space provided the government with enough flexibility to sustain the momentum of increased spending in 2013. As of the first semester of 2013, total disbursements of the national government (NG) reached PhP890.8 billion. This is higher by P95.4 billion or 12.0 percent than the same period level in 2012. In 2012, total government spending reached PhP1.7778 trillion, registering a 14.1-percent growth from 2011. This is the highest growth seen in more than a decade, and a significant rebound from the 2.3-percent growth recorded in 2011. The biggest increase is noted in infrastructure and other capital outlays, which grew by 57.7 percent.<sup>4</sup> These infrastructure outlays were for projects consisting of rehabilitation/construction of roads and bridges, enhancement of tourism access, and irrigation to support the agriculture sector.

By sectoral allocation, worth noting is the increasing amount intended for social services, which grew by 1.0 percent in 2010, 31.0 percent in 2011 and 8.7 percent in 2012. Furthermore, the share of social services to total budget increased from 28.2 percent in 2010 to 34.5 percent in 2011 in line with the government's commitment to enhance the capabilities of the poor to participate in the growth process. For 2013, its share is programmed to reach 34.8 percent from 32.4 percent in 2012 (Figure 2.2).

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<sup>4</sup> Based on the Department of Budget and Management's (DBM) Assessment of National Government Disbursements Performance Report for January to December 2012

Figure 2.2. Share of sectoral spending to total budget (in %)



Source: 2012, 2013 and 2014 Budget of Expenditures and Sources of Financing (BESF)

\*Based on the program budget

## Revenues

From a single-digit growth of 7.5 percent in 2010, total revenues rose by 12.6 percent, 12.9 percent and 10.3 percent in 2011, 2012 and in the first semester of 2013, respectively. Growth of revenue collections by the Bureau of Internal Revenue (BIR) was particularly robust, owing mostly to better implementation of administrative measures, including the Run After Tax Evaders (RATE) program. Collection effort of BIR rose from 9.1 percent in 2010 to 9.5 percent in 2011 and 10.0 percent in 2012, exceeding the PDP targets. In the first half of 2013, total revenues were up by 10.3 percent to PhP839.5 billion, led by the 13.9-percent growth in the BIR collection relative to the same period in 2012 due to good economic conditions and administrative and legislative reforms, particularly the implementation of Republic Act (RA) 10351 or the Sin Tax Reform Law of 2012.

Non-tax revenue collection was also above the annual target of 1.2 percent of gross domestic product (GDP) with 1.3 percent in 2010, 1.6 percent in 2011 and 2012. For the first semester of 2013, non-tax revenue effort registered at 1.7 percent.

However, in comparison with counterparts in the Association of Southeast Asian Nations (ASEAN), the revenue performance of the Philippines remains below average as no major improvements were observed in recent periods. Its gap with the leaders, especially Vietnam, Thailand, and Malaysia, is relatively large.

Table 2.1. PDP targets versus actual revenue indicators: Ratio to GDP, 2010-H1 2013 (in %)

Indicator	2010		2011		2012		2013	
	Actual	Target	Actual	Target	Actual	FY target	H1 actual	
Revenues	13.4	13.9	14.0	14.5	14.5	15.1	15.3	
Tax revenues	12.1	12.7	12.4	13.3	12.9	13.9	13.6	
BIR	9.1	9.4	9.5	9.7	10.0	10.0	10.8	
BOC	2.9	3.0	2.7	3.1	2.7	3.2	2.6	
Other offices	0.1	0.3	0.1	0.5	0.1	0.6	0.1	
Non-tax revenues	1.3	1.2	1.6	1.2	1.6	1.2	1.7	

Sources: Department of Budget and Management (DBM), Department of Finance (DOF), National Statistical Coordination Board (NSCB), and National Economic and Development Authority (NEDA)

Table 2.2. Tax and revenue effort of selected ASEAN countries: Ratio to GDP, 2010-2012 (in %)

Country	Revenue effort			Tax effort		
	2010	2011	2012	2010	2011	2012
<b>Philippines</b>	<b>13.4</b>	<b>14.0</b>	<b>14.5</b>	<b>12.1</b>	<b>12.3</b>	<b>12.9</b>
Indonesia	15.4	16.2	15.6	11.2	11.8	11.3
Malaysia	20.1	21.0	22.2	13.8	15.3	16.2
Thailand	16.8	18.1	17.7	14.6	16.2	15.3
Vietnam*	26.7	24.4	22.6	22.4	21.1	20.5

Source: Asian Development Bank (ADB) Key Indicators for Asia and the Pacific 2013

\*Tax revenue includes local government taxes

Significant amount of revenues is also lost, roughly equivalent to about 6.0 percent of GDP annually, due to tax evasion, smuggling, and redundant fiscal incentives.<sup>5</sup> In addition to the current programs being implemented (e.g., Run After the Smugglers or RATS, and RATE), reducing the leakage from individual income tax collection, particularly among the self-employed, will provide additional boost to the government's collection effort. Other potential areas where tax leakages can occur are corporate income tax, value-added tax, and estate tax. The lack of manpower in the BIR to audit/investigate and litigate, in addition to the agency's bridled powers to prosecute, remain the biggest stumbling blocks to the continued success of the RATE program. Moreover, the heightened globalization and continuing economic integration have already limited the Bureau of Customs' (BOC) capacity to collect taxes from international trade transactions. Organizational deficiencies may also undermine the BOC's effectiveness to monitor and collect appropriate taxes.

Revenue collection by local government units (LGU) presents an important fund source to promote local economic development. However, data from the Bureau of Local Government and Finance (BLGF) show that LGUs are still heavily dependent on the internal revenue allotment (IRA), with its share to total LGU income ranging from 62.8 percent in 2010 to 60.3 percent in 2012.<sup>6</sup> Meanwhile, local sources of LGU income increased to 34.9 percent in 2012 from 32.4 percent in 2010.

Table 2.3. Sources and share of LGUs' total current operating income, 2010-2012

Particulars	Amount (in million PhP)			Share to total (in %)		
	2010	2011	2012	2010	2011	2012
Local sources	101,631	110,972	112,136	32.4	33.2	34.9
Tax revenue	67,191	76,577	77,388	21.4	22.9	24.1
Non tax revenue	34,440	34,396	34,748	11.0	10.3	10.8
External sources	211,963	223,716	209,346	67.6	66.8	65.1
of which: IRA	196,887	209,048	193,775	62.8	62.5	60.3
<b>Total current operating income</b>	<b>313,594</b>	<b>334,688</b>	<b>321,481</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BLGF

## Deficit

Deficit of the NG stood at PhP242.8 billion or 2.3 percent of GDP in 2012. This was within the target deficit-to-GDP ratio of 2.6 percent. Given improved revenue collections, the fiscal deficit ratio to GDP in the first semester of 2013 was 0.9 percent, below the 2.0 percent full-year target. Meanwhile, consolidated public sector deficit (CPSD)<sup>7</sup> amounted to PhP162.7 billion or 1.5 percent of GDP in 2012. This was lower by PhP12.4 billion compared to the deficit incurred in 2011 (PhP175.1 billion or 1.8% of GDP) and significantly below the PhP362.8-billion deficit (4.0% of GDP) in 2010. In the first semester of 2013, CPSD was even lower at PhP56.9 billion or 1.0 percent of GDP. The lower CPSD is partly attributed to improved financial position of government-owned and -controlled corporations (GOCCs) following the reforms in GOCC governance including the enactment of the GOCC Governance Act in 2011.

<sup>5</sup> DOF estimate

<sup>6</sup> The slowdown in LGU income in 2012 was due to the lower IRA received by LGUs given the decline in the national tax revenues in 2009 following the enactment of several revenue eroding measures.

<sup>7</sup> CPSD is the deficit of the NG and the 14 monitored government corporations less the budgetary assistance to the monitored corporations in the form of equity contributions and net lending.

## Debt

Overall debt profile of the public sector remains favorable owing to the low-interest environment and improved macroeconomic fundamentals. The outstanding public sector debt (OPSD) as of June 2013 amounted to PhP7.7348 trillion or 64.9 percent of GDP.<sup>8</sup> This OPSD-to-GDP ratio was lower than the 71.2 percent in end-2012, 78.2 percent in end-2011, and 73.1 percent in end-2010. In the past three years, domestic debt accounted to more than half of the total OPSD. Meanwhile, NG debt-to-GDP ratio remains sustainable, registering 52.4 percent, 51.0 percent, 51.5 percent and 45.8 percent in 2010, 2011, 2012 and June 2013, respectively. The share of actual interest payments to the total disbursements declined to 17.9 percent in 2011 and 17.6 percent in 2012 from 19.3 percent in 2010 due to lower NG deficit, the deliberate policy to restructure the domestic and foreign borrowing mix, and the appreciation of the peso against the US dollar. For the first semester of 2013, this share declined to 17.6 percent.

## Resilient monetary and external sectors

The Bangko Sentral ng Pilipinas (BSP) remains committed to a stable monetary policy that is conducive to achieving sustainable economic growth.

Since 2010, the annual average headline inflation rate remained within the 3.0- to 5.0-percent target range set in the PDP. Moreover, the country enjoyed a healthy external payments position despite uncertainties in the global environment and heightened risk aversion of investors following weak growth in the advanced economies.

Table 2.4. Performance of the monetary and external sectors, 2010-2013

Indicators	2010	2011		2012		2013	
	Baseline	Target	Actual	Target	Actual	FY target	H1 actual
Inflation rate (in %)	3.8	3.0-5.0	4.6	3.0-5.0	3.2	3.0-5.0	2.9
Goods exports (balance of payments, in billion US\$)	50.7	55.3- 55.8	47.5	62.5	51.6	71.3	22.2

*Note: Target figures are based on PDP 2011-2016. For 2013, goods exports figures use the Balance of Payments Manual (BPM) 6 classification. However, full-year targets for 2011-2013, as indicated in the PDP 2011-2016, are based on BPM5 standards.*

## Inflation rate

Year-on-year headline inflation rates for 2010, 2011, and 2012 were at 3.8 percent, 4.6 percent, and 3.2 percent, respectively. The lower average headline inflation in 2012 was due largely to lower food prices on the back of ample domestic supply. This situation was maintained in the first half of 2013, with headline inflation settling at 2.9 percent.

Inflation rate faced by the poorest households eased at 2.9 percent in 2012, lower compared to the 3.2-percent average for all households in the same period. Still, prices remained volatile and this was observed in the food, beverages and tobacco, clothing and housing and repairs indices. In fact, in the first half of 2013, the inflation rate among the poorest 30 percent households was higher at 3.3 percent than those faced by all households at 2.9 percent.

Inflation rate in areas outside National Capital Region (AONCR) continued to be relatively higher than in the NCR, highlighting the need for better transport logistics in these areas. In 2012, inflation in AONCR averaged at 3.2 percent while that in the NCR was at 2.9 percent.

<sup>8</sup> Debt ratios are computed using the full-year GDP program based on the 2014 BESF

Figure 2.3. Year-on-year inflation for all and bottom 30% households, 2010-Q2 2013 (in %)

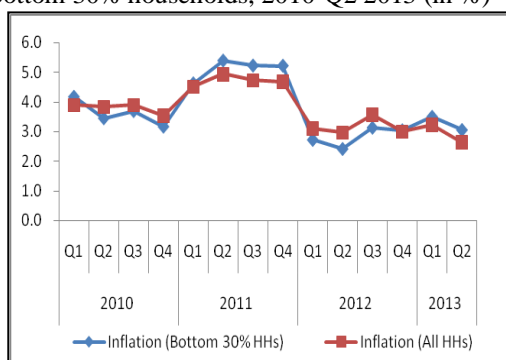
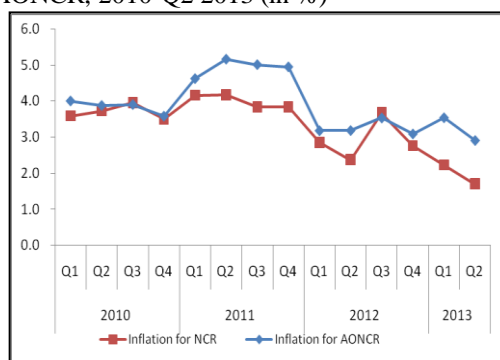


Figure 2.4. Year-on-year inflation for NCR and AONCR, 2010-Q2 2013 (in %)



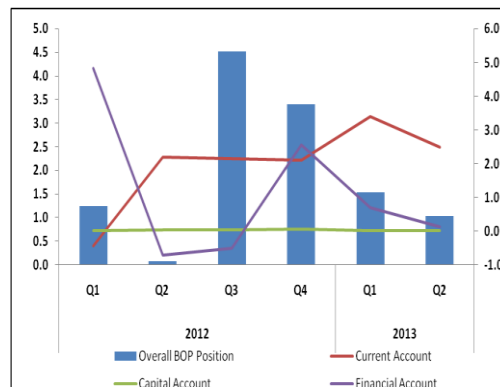
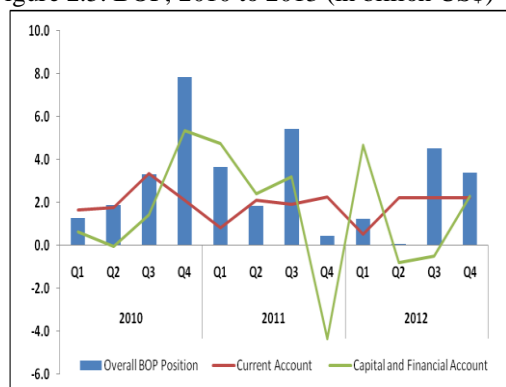
### Balance of payments (BOP)<sup>9</sup>

The BOP has been in surplus since 2005. For the past three years, it yielded surpluses of US\$14.3 billion in 2010, US\$11.4 billion in 2011, and US\$9.2 billion in 2012.

In 2012, preliminary data show that the BOP position yielded a surplus of US\$9.2 billion, although this was 19.0 percent lower than the surplus of US\$11.4 billion in 2011. For the first half of 2013, the country's BOP position remained in surplus and amounted to US\$2.6 billion.

Rising global demand for professional and skilled Filipino workers and the continuous growth of the information technology-business process management (IT-BPM) services boosted the current account balance. The country's IT-BPM industry got a major boost due to President Aquino's approval of a P500-million fund for the Technical Education and Skills Development Authority (TESDA), which is expected to provide short-term training for "near-hire" applicants who require remedial training.<sup>10</sup> Meanwhile, the capital and financial account yielded a net inflow of US\$5.7 billion in 2012, slightly lower than the recorded US\$6.0 billion in 2011.

Figure 2.5. BOP, 2010 to 2013 (in billion US\$)



Source: BSP

Note: Figures are based on BPM5 standards

Exports of goods grew by 8.5 percent in 2012, outpacing that of imports of goods which grew by 5.1 percent. However, export of goods declined by 3.7 percent in first semester of 2013, following the lackluster performance of manufactured exports. With export revenues remaining below target, the bigger challenge is to diversify the product and market mix of exports. Electronics products (including other electronics) continued to constitute the bulk of exports at 48.4 percent in 2012, although relatively lower

<sup>9</sup> 2010-2012 are based on the BPM5 concept while the 2013 BOP figures are already based on the BPM6 classification

<sup>10</sup> Sourced from the Department of Trade and Industry's "Upbeat" (Issue No. 23, 12/01/11), retrieved from <http://dti.gov.ph/uploads/DownloadableForms/Upbeat%20No.%2023%20-Canada%20keen%20on%20PHL.pdf>



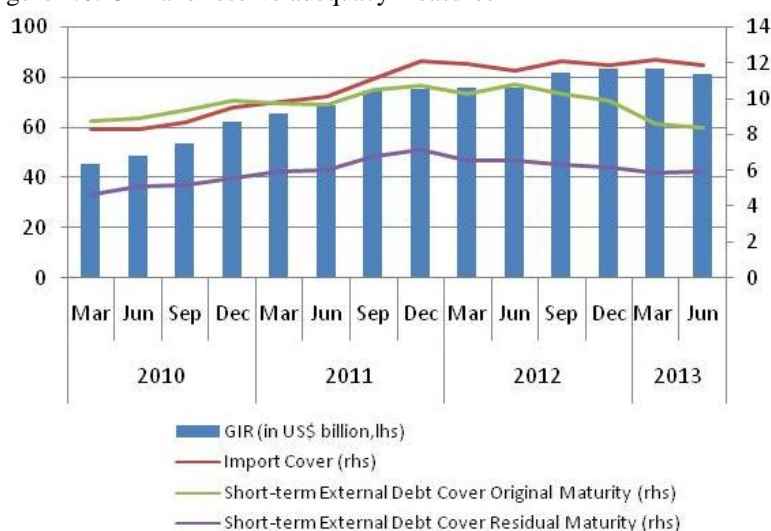
from the proportion observed in 2004 at 71.8 percent. Similarly, export shipments remained concentrated to the country's traditional markets such as US, Japan, and China.

The BOP surpluses recorded in the last three years imply that the economy has earned more than it spent externally. This led to the steady build-up of international reserves. Gross international reserves (GIR) as of 2012 rose to US\$83.8 billion, higher by US\$8.5 billion than the US\$75.3 billion as of 2011. The 2012 GIR level could adequately cover 11.9 months' worth of imports of goods and payments of services and income. It is also 9.9 times the country's short-term external debt based on original maturity and 6.5 times based on residual maturity.

As of June 2013, GIR reached US\$81.3 billion, enough to cover 11.6 months' worth of imports of goods and payments of services and income. It is also 8.5 times the country's short-term external debt based on original maturity and 5.7 times based on residual maturity.

Overall, the accumulation of foreign exchange reserves in recent years provided the BSP ample flexibility to respond to risks associated with capital flows and meet any foreseeable net demands for foreign currencies in order to preserve the international stability and convertibility of the Philippine peso.

Figure 2.6. GIR and reserve adequacy measures



Source: BSP

The external debt ratio, or outstanding external debt as a percentage of GDP, improved from 30.1 percent in 2010 to 27.0 percent in 2011 and to 24.1 percent in 2012. On the other hand, the external debt service ratio (DSR) increased to 9.4 percent in 2011 from 8.7 percent in the previous year due to the decline in exports receipts as the Eurozone and the US crises sapped global demand. In 2012, the ratio improved to 7.1 percent from 9.4 percent the previous year due to higher receipts and lower debt payments.

As of June 2013, preliminary data show that the external debt ratio continued to decline to 21.8 percent from 22.8 percent as of March 2013, indicating the country's very strong liquidity position vis-à-vis payment obligations. During the same period, the DSR also improved to 7.5 percent from 9.2 percent – well below the 20- to 25-percent international benchmark.

### III. UPDATED PDP TARGETS

At the end of the planning period, the economy is projected to grow by 7.5 to 8.5 percent from 6.5 to 7.0 percent in 2013, as shown in Table 2.5.

Table 2.5. Revalidated results matrix (RM) on macroeconomic policy (in %)

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
<b>Sector outcome: Stable macroeconomy achieved</b>			<ul style="list-style-type: none"> <li>▪ Political instability</li> <li>▪ Economic crisis</li> <li>▪ Projects/programs are not implemented or not implemented on time</li> </ul>
Real GDP growth	7.6	7.5-8.5	
<b>Subsector outcome A: Sustainable fiscal sector achieved</b>			
Higher government revenue-to-GDP ratio of 17.1% achieved by 2016	13.4	17.1	
Tax revenue-to-GDP ratio improved to 16.1% by 2016	12.1	16.1	
Non-tax revenue-to-GDP ratio of 0.9% by 2016 achieved	1.3	0.9	
Primary expenditure-to-GDP ratio improved to 16.5% by 2016	13.6	16.5	
Percentage share of interest payments in the total disbursements declined to 13.7% in 2016	19.3	13.7	
Positive primary balance-to-GDP ratio maintained until 2016	-0.2	0.6	
NG fiscal deficit-to-GDP ratio reduced to 2.0% for the period 2013-2016	3.5	2.0	
Outstanding NG debt stock as a share of GDP reduced to 43.4 by 2016	52.4	43.4	
Sustainable consolidated public sector deficit as a share of GDP maintained	4.0	0.8 (2014)	
Local income sources of LGUs increased	1.0 (2012)	5.7 (2015)	
<b>Subsector outcome B: Resilient external sector maintained</b>			
Sustainable current account balance to GDP maintained for the period 2013-2016	2.8 (2012)	1.2	
External debt to GDP reduced	24.1 (2012)	23.5 (2014)	
<b>Subsector outcome C: Monetary policy made resilient</b>			
Low and stable inflation of 3%-5% annual average achieved for the period 2013-2014 and 2%-4% for 2015-2016	3.9	2.0-4.0	

Note: For indicators and targets in the financial sector, please refer to Chapter 5: Resilient and inclusive financial system

#### Fiscal sector

The NG aims to increase the revenue effort to 17.1 percent of GDP by 2016. The tax effort is targeted to increase to 16.1 percent in 2016 from 13.4 percent in 2013. Correspondingly, non-tax revenue collection effort shall be maintained at 1.3 percent in 2013 and with an average of 1.0 percent for 2014-2016.

The NG adopted a deficit target of 2.0 percent of GDP beginning 2013 until 2016. To achieve this, it will sustain its strategy on fiscal consolidation, with the growth of revenues outpacing that of disbursements.

Moreover, the NG aims to further decrease the debt to a 43.4-percent ratio to GDP in 2016 from 45.8 percent as of June 2013. At the beginning of the planning period, it stood at 52.4 percent. The ratio of

interest payment to total disbursement is seen to decline to 16.7 percent for full year 2013 and will further drop to 13.7 percent in 2016 from a high of 19.3 percent in 2010.

At the subnational level, the BLGF projects local sources of income to grow by 6.3 percent in 2013, and by 5.7 percent in 2014 and 2015.

### Monetary and external sectors

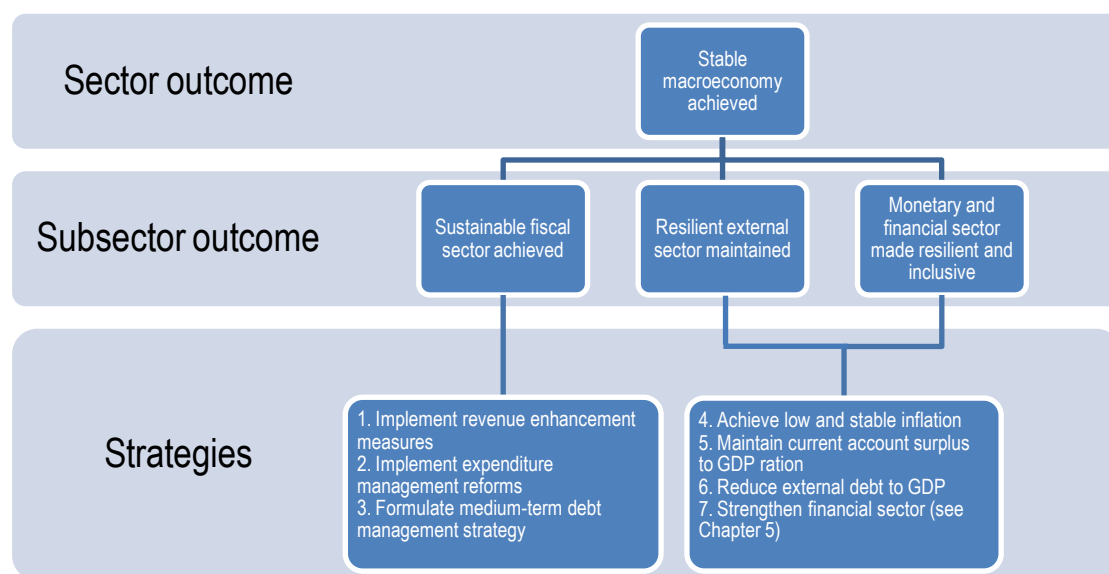
For full year 2013, the baseline inflation forecast is pointing close to the low-end of the 3.0- to 5.0-percent target range. For 2014, the inflation target range is retained at 3.0 to 5.0 percent while a lower inflation band of 2.0 to 4.0 percent is targeted for both 2015 and 2016.

On the external sector, the aim is to maintain a positive current account balance-to-GDP ratio, reaching 1.2 percent by 2016.

## IV. STRATEGIC FRAMEWORK

Figure 2.7 presents the strategic framework in achieving a stable macroeconomy. Seven strategies are geared towards achieving the three subsector outcomes of achieving a sustainable fiscal sector, maintaining the resilience of the external sector, and making the monetary and financial sectors resilient and inclusive.

Figure 2.7. Strategic framework on macroeconomic policy



### Subsector outcome A: Sustainable fiscal sector achieved

#### Strategy 1: Implement revenue enhancement measures

Revenue-enhancing measures will focus on heightened collection efforts of the BIR in tandem with anti-smuggling strategies of the BOC in coordination with relevant government agencies. In the case of the BIR, enhanced tax collection will be supported by increased collection efficiency from the self-employed business and professionals, better assessment of estate taxes, and strengthened Fiscal Unit/Revenue Intelligence Unit. On the other hand, BOC's comprehensive anti-smuggling strategies will include port accreditation, import mapping, fuel marking alongside the conduct of audit on oil companies, trade statistics reconciliation, and the requirement to submit a rolling import plan from all importers of sensitive commodities.

Table 2.6. Summary of revenue enhancement measures

Agency initiative	Coordination
<b>Bureau of Internal Revenue (BIR)</b>	
<ul style="list-style-type: none"> <li>▪ Self-employed business and professionals</li> <li>▪ Estate Taxes</li> <li>▪ Fiscal/Revenue Intelligence Unit</li> </ul>	<ul style="list-style-type: none"> <li>▪ National Government Agencies (NGAs) to use Income Tax Return (ITR) as basis for transactions with the government</li> <li>▪ National Statistics Office (NSO) and Civil Registry</li> <li>▪ BIR, BOC</li> </ul>
<b>Bureau of Customs (BOC)</b>	
<ul style="list-style-type: none"> <li>▪ Port Accreditation</li> <li>▪ Import Mapping</li> <li>▪ Audit of Oil Companies</li> <li>▪ Trade Statistics Reconciliation</li> <li>▪ Rolling Import Plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ BOC, Department of Trade and Industry (DTI)</li> <li>▪ BIR, BOC, LGUs</li> <li>▪ BOC, BIR, Department of Energy (DOE)</li> <li>▪ BOC, DTI</li> <li>▪ DTI</li> </ul>

Source: DOF

Other policy and legislative initiatives that will be pursued to support the expansion of fiscal space and to get on a sustainable revenue-and-spending path for the fiscal sector include (a) Customs Modernization and Tariff Act (CMTA); (b) rationalization of the mining fiscal regime; and (c) transparency and accountability in the administration and rationalization of fiscal incentives.

The fiscal performance of LGUs will likewise be improved. To this end, the DOF, through the BLGF and in partnership with LGUs, will strive to increase locally sourced revenues. This will be achieved through administration reforms involving the updating of the Local Revenue Codes, reviewing and revision of the LGU schedule of market values, and implementation of the idle land tax (ILT). Other supporting measures include the enhancement of local treasury and assessment manuals, as well as monitoring of financial reports and treasury operations of LGUs including the strengthening of LGU debt monitoring systems. The DOF will also pursue the passage of important legislative proposals, such as the LGU Income Re-classification System Bill and the proposed Valuation Reform Act.

Achieving fiscal sustainability also requires an effective management of the government's assets and liabilities. With the passage of RA 10149 or the GOCC Governance Act of 2011,<sup>11</sup> the Governance Commission on GOCCs (GCG) will help ensure the sustained dividend collection from GOCCs. An effective disposition of government assets will also be pursued, estimated to be between PhP1.5 billion to PhP3.5 billion for the period 2013 to 2015.

To complement the efforts to improve the administration of government resources, international finance management will be enhanced through strategic mobilization and allocation of funds. In particular, official development assistance (ODA)/international grants and loans will be aligned to support strategic key priorities of the PDP. To achieve this, the processing for NG grants will be streamlined through the creation of database, process workflow analysis and monitoring systems that will be fully operational by 2014.

## Strategy 2: Implement expenditure management reforms

The government remains committed to the implementation of expenditure management reforms that aim for a strong and healthy fiscal position over the medium term (sustaining deficit at 2.0 percent of GDP until 2016), better quality expenditures, and more transparent and accountable spending.

Expenditure policy will seek to substantially increase productive expenditures especially for infrastructure and social services. Public expenditure on infrastructure, as a share of GDP, will be raised from 2.5 percent in 2013 to at least 5.1 percent by 2016. Similarly, public spending on social services is programmed to increase. From an average of about 33.5 percent in the 2011-2012 period, the share of social services expenditures to total budget (net of debt amortization) is programmed to be 34.9 percent in 2013 and 37.2 percent in 2014, or equivalent to PhP699.4 billion and PhP842.8 billion, respectively.

Beginning 2013, the government has intensified efforts to weed out lump-sum budgets. It also piloted the one-year validity of appropriations (a shift from the current two-year validity of appropriations on

<sup>11</sup> Signed into law by President Benigno Aquino III on June 2011, the law also created the Governance Commission on GOCCs (GCG) as an oversight body.

maintenance and capital outlays). Line agencies were also directed to focus on their core mandates and accelerate the delivery of services. The Department of Public Works and Highways (DPWH) has been designated as the principal agency to ensure that infrastructure outlays are focused on “the right projects, with the right costs and the right quality.” This means that infrastructure budgets for education facilities, hospitals and farm-to-market roads will be transferred to the DPWH for implementation.

Moreover, the DBM is rolling out technological innovations to speed up budget release and procurement transaction, improve information flows and strengthen transparency and accountability. The Government Integrated Financial Management Information System (GIFMIS), which enables timely and more comprehensive monitoring of budget execution and agency utilization of funds, is currently being developed. Meanwhile, the National Payroll System will be pilot-tested in 2014, as well as the Cashless Purchase Cards System in the military.

In crafting the 2014 budget, the government started with Cabinet-level discussions on the government’s priorities that will be funded for 2014 to 2016, with focus on 2014. The decisions and commitments were summarized in a Budget Priorities Framework to guide all departments in strategically planning their activities and crafting their budgets. The 2014 budget also adopts the Performance-informed Budgeting, integrating performance information from the strengthened Organizational Performance Indicator Framework (OPIF) strategy to the National Expenditure Program/General Appropriations Act (GAA).

The greater disaggregation of the Budget and the one-year validity of appropriations will pave the way for the implementation of the GAA, which will serve as the Budget Release Document for 2014. This will eliminate the duplicative processes of requesting, processing and releasing budgetary allotments.

The roadmap for Public Financial Management (PFM) reforms will continue to be implemented, part of which includes the adoption of the Treasury Single Account by 2014. This will revolutionize cash management operations and provide more predictability in budget releases and ease in cash programming and financial reporting.

The national budget will continue to reflect the nation’s priorities in accordance with the PDP. The budget preparation will be more open and participatory and will engage multi-sectoral stakeholders. The evaluation of existing major programs/projects, through the Zero-based Budgeting (ZBB) approach, will be widened in scope. The government’s performance in achieving the target outputs and sectoral outcomes will be continuously monitored under the OPIF, where performing institutions will be rewarded under a performance-based incentive system. Spending commitments of government agencies will be constantly checked, so that prompt, efficient and effective public goods and services will be delivered.

To secure the irreversibility of these reforms, the government will deeply embed good governance measures in the policies, processes, and practices of government institutions. A way of embedding these reforms is to leverage technology to radically improve the pace and quality of public service delivery. The government will also ensure that the reforms actually bring immediate and substantial benefit to our people by way of adequate social and economic services, as well as inclusive growth.

### Strategy 3: Formulate medium-term debt management strategy

For debt management, a strategic framework will include the formulation of a medium-term debt strategy with cost-risk analysis. Improvement of the domestic debt market will likewise be supported through the design and implementation of a domestic debt issuance program that produces liquid benchmarks,<sup>12</sup> taking into account factors such as refinancing risk and market needs. The DOF, with the Bureau of the Treasury (BTr) will also work for the unification of taxable and non-taxable investors to support the secondary market and reduce distortions on the true interest cost of debt instruments.

A framework for managing contingent liabilities will likewise be developed, consisting of regular analysis and quantification of contingent liabilities from all sources including public-private partnership (PPP) projects. This is to be accompanied by a process for the regular monitoring and updating of all contingent liabilities for each project and aggregating them at the macro level. To ensure transparency, there is also a need for a disclosure process of contingent liabilities in the Fiscal Risk Statement (FRS) as well as in the GAA.

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<sup>12</sup> Ideally, “benchmarks” provide guidance in managing government debt, usually expressed as numerical targets for certain risk indicators such as the maturity structure of the debt, currency composition, and interest rate duration.

## Subsector outcomes B and C: Resilient external sector maintained; monetary and financial sector made resilient and inclusive

### Strategy 4: Achieve a low and stable inflation

While the inflation environment remains benign, monetary authorities will continue to monitor emerging price and output conditions to ensure that monetary policy remains supportive of sustained non-inflationary economic growth.

### Strategy 5-6: Maintain current account surplus to GDP ratio and reduce external debt to GDP

On the external front, policymakers will ensure that the economy is cushioned from the adverse financial impact of external shocks. In addition, a market-determined exchange rate and a comfortable level of international reserves will be maintained to better insulate the economy from external shocks that may disrupt the pace of economic growth. External debt sustainability will be promoted by keeping the country's outstanding external debt manageable and within the economy's capacity to service in an orderly manner.

The BSP will continue to actively participate in regional and international cooperation programs to improve its capability to undertake economic surveillance and help generate quality outputs that would contribute to informed formulation of policies supportive of the regional integration and cooperation framework. Specifically, the BSP will continue its active participation in the ASEAN meetings, Chiang Mai Initiative Multilateralization, Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) Monetary and Financial Stability Committee, ASEAN Working Committee on Financial Services-Liberalization (WC-FSL), and other regional cooperation undertakings.

Moreover, the BSP's US\$1-billion commitment to the International Monetary Fund's (IMF) crisis-fighting fund pool and its US\$500-million pledge contribution to the IMF's expanded New Arrangements to Borrow (NAB) program<sup>13</sup> is a show of support to the global efforts in stabilizing the world economy and maintaining its growth path. As a member of the global community of nations, the Philippines also benefits from economic and financial stability across the globe.

In light of the complexities and risks associated with global economic and financial interdependencies, the monetary authorities will continue to pursue the expansion of its monetary policy toolkit and to adopt best practices used by other central banks. To this end, the BSP's policy agenda will continue to be geared towards the amendment of the BSP Charter.<sup>14</sup> Specifically, the following proposed amendments will be pursued:

- Explicit inclusion of the objective of financial stability and payments and settlements system stability;
- Removal of the thresholds in the growth of monetary aggregates and credit as guiding principles in monetary management;
- Restoration of authority to issue negotiable certificates of indebtedness even during normal times;
- Authority to create reserve buffers against future risks and contingencies;
- Increase in its capitalization; and
- Expansion of the authority of the BSP to obtain data from the non-bank sector.

The explicit mandate of the BSP to ensure stability of the financial and payments system merely formalizes the practice adopted by the BSP and recognizes the fact that monetary stability is deeply intertwined with financial stability and that the conduct of monetary policy and financial policy is completely rooted in the stability and soundness of the payment and settlements system. With respect to expanded authority to access data from the non-bank sector, the proposed change is seen to expand and enrich the information

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<sup>13</sup> The pledge from the Philippines to the IMF's NAB program is on top of the country's \$251.5-million contribution to the Financial Transactions Plan (FTP), another lending facility of the IMF. The FTP is the mechanism by which the IMF finances its lending and repayment operations through a transfer of foreign exchange from members with strong external position to borrowing members. The Philippines holds a creditor (or reserve) position in the IMF through its participation in the Fund's FTP. By virtue of their participation in the FTP, emerging market economies like the Philippines have joined international cooperation efforts to mitigate the spillover effects of Europe's sovereign debt crisis by enhancing global financial safety nets. Most importantly, the country's continued participation in the FTP will pave the way for the BSP's admission in the NAB facility, a credit (lending) arrangement between the IMF and member countries or institutions that aims to forestall or cope with difficult situations that could impair the international monetary system. The participation in the NAB is a significant step in strengthening international cooperation and demonstrates the BSP's strong commitment to global efforts to help address threats to the international monetary system.

<sup>14</sup> The proposal to amend the BSP charter was also included in the priority legislative measures supported by the Economic Development Cluster (EDC).



upon which the BSP bases its policy decisions, as well as to further improve the quality of research done by its staff. Lastly, the proposed creation of reserve accounts, combined with an increase in capitalization, will help insulate the credibility of monetary and financial policy from the implications of losses to its financial position. The BSP will also continue to mainstream financial inclusion in its domestic policy agenda.<sup>15</sup> Hence, it will continue to adopt a proactive role in microfinance development in areas of policy and regulation, advocacy, training and capacity building to support the development of a sustainable microfinance business environment in the country.

[Strategy 7: Strengthen financial sector \(see Chapter 5: Resilient and inclusive financial system\)](#)

## V. PLAN IMPLEMENTATION

Annual plan targets are set out in the PDP Midterm Update, which in turn, are translated into key performance indicators geared towards achieving a stable macroeconomy as reflected in the annual target indicator matrix in Table 2.7.

The growth path of real GDP will be monitored by the NEDA Secretariat using the National Income Accounts (NIA) data to be reported by the PSA. The DOF (including BIR, BOC, and BLGF), DBM, and BTr share the responsibility of overseeing the implementation of strategies identified under the subsector outcome on sustainable fiscal sector that focus on the revenue and expenditure operations of the national government and LGUs.

As the country's monetary authority, the BSP is responsible for ensuring financial and monetary stability. It will also monitor the two indicators representing the country's foreign transactions.

To ensure that these outcomes are achieved as indicated in the RM, the Development Budget Coordination Committee (DBCC) will serve as the interagency committee that will review and monitor the implementation strategies identified in this chapter and the macroeconomic indicators.

Table 2.7. Annual target indicator matrix on macroeconomic policy, 2013-2016

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Sector outcome: Stable macroeconomy achieved</b>						
Real GDP growth	6.5-7.0	6.5-7.5	7.0-8.0	7.5-8.5	NIA	NEDA/PSA
<b>Subsector outcome A: Sustainable fiscal sector achieved</b>						
Higher government revenue-to-GDP ratio of 17.1% achieved by 2016	14.7	15.5	16.2	17.1	BESF Fiscal Parameters table	DOF
Tax revenue-to-GDP ratio improved to 16.1% by 2016	13.4	14.5	15.2	16.1	BESF Fiscal Parameters table	DOF
Non-tax revenue-to-GDP ratio of 0.9% by 2016 achieved	1.3	1.1	1.0	0.9	BESF Fiscal Parameters table	DOF
Primary expenditure-to-GDP ratio improved to 16.5% by 2016	13.9	14.9	15.4	16.5	BESF Fiscal Parameters table	DBM
Percentage share of interest payments in the total disbursements declined to 13.7% in 2016	16.7	15.4	14.6	13.7	BESF Fiscal Parameters table	DBM
Positive primary balance-to-GDP ratio maintained until 2016	0.8	0.7	0.7	0.6	BESF NG Cash Disbursements table	DOF/DBM
NG fiscal deficit-to-GDP ratio reduced to 2.0% for the period 2013-2016	2.0	2.0	2.0	2.0	BESF Fiscal Parameters table	DOF/DBM

<sup>15</sup> For a more detailed discussion, see Chapter 5.

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
Outstanding NG debt stock as a share of GDP reduced to 43.4 by 2016	48.7	46.8	45.8	43.4	BTr NG OS Debt Report and NIA	DOF-BTr
Sustainable consolidated public sector deficit as a share of GDP maintained	0.7	0.8	NA	NA	BESF CPSFP table	DOF
Local income sources of LGUs increased	6.3	5.7	5.7	NA	LGU Fiscal Data	DOF-BLGF
<b>Subsector outcome B: Resilient external sector maintained</b>						
Sustainable current account balance to GDP maintained for the period 2013-2016	2.3	1.6	1.5	1.2	BESF Macroeconomic Parameters table	BSP
External debt to GDP reduced	24.9	23.5	NA	NA	BSP Selected External Debt Ratios table	BSP
<b>Subsector outcome C: Monetary policy made resilient</b>						
Low and stable inflation of 3%-5% annual average achieved for the period 2013-2014 and 2%-4% for 2015-2016	3.0-5.0	3.0-5.0	2.0-4.0	2.0-4.0	BESF Macroeconomic Parameters table	BSP



# Competitive and innovative industry and services sectors

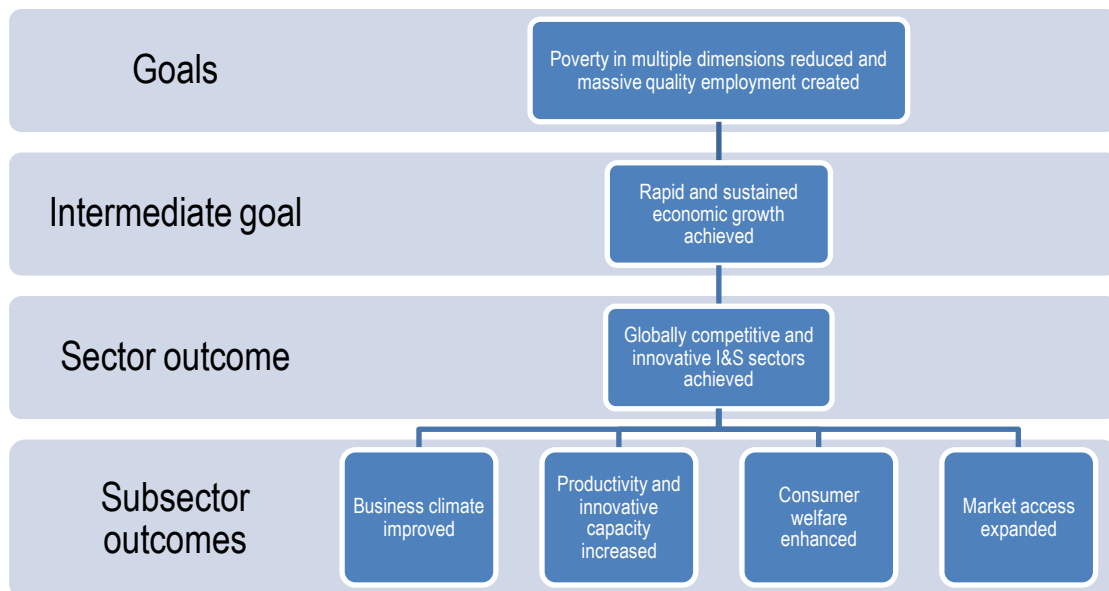
## I. INTRODUCTION

The Philippines' long-term growth rate is estimated to be at 4.0 percent per year. Assuming that this has not changed and given a high population growth rate averaging 2.11 percent annually from 1990 to 2010, per capita growth rate only stands at 1.89 percent. This low growth implies that it will take at least 37 years before incomes double. It is no wonder, then, that poverty reduction has been painfully slow. What the country needs, instead, is rapid growth that is sustained over a longer period so that incomes are increased significantly and quality of life is improved dramatically.

The industry and services (I&S) sectors continue to be the growth drivers of the Philippine economy. However, this growth needs to be sustained and made more inclusive. A globally competitive sector is one that is able to tap the global market and, therefore, grow faster. An innovative sector, on the other hand, implies the creation of new products, which can mean additional markets and perhaps new production processes that will allow the sector to link better with the primary sectors, namely agriculture and fisheries. Underlying all these are the strategies to expand markets, part of which is the expansion of the domestic market resulting from population and income growths. The bigger part, however, will be the penetration into foreign markets, including tourism.

To promote global competitiveness and innovation in the I&S sectors, the government will continue to improve the business climate, promote an environment that increases productivity and innovative capacity, enforce regulations that enhance consumer welfare and expand market access, as indicated on Figure 3.1.

Figure 3.1. Results framework on competitive and innovative I&S sectors



## II. ASSESSMENT AND CHALLENGES

### Contribution to rapid growth

The I&S sectors contributed 6.5 percentage points (ppts) of the 6.8-percent gross domestic product (GDP) growth rate in 2012 and 7.5 ppts of the 7.7-percent expansion in the first half of 2013. The 2012 industry growth rate, however, was below the original Philippine Development Plan (PDP) growth target (8.1-9.1%) while the 2013 first half growth exceeded the revised growth target for 2013 (6.4-7.5%).<sup>16</sup> On the other hand, the services sector's growth was already within the target (7.1-8.1% for 2011 and 2012; 6.3-7.3% for 2013).<sup>17</sup> The services sector continues to account for more than half of the country's GDP.

### Contribution to inclusive growth

I&S sectors remained the major economic sectors in all regions, except the Autonomous Region in Muslim Mindanao (ARMM). Based on 2012 data, regions with the highest contribution to the gross value added (GVA) of the industry sector are Region IV-A (33.3%) and National Capital Region or NCR (19.4%) while those with the lowest contribution are ARMM (0.1%) and Region II (0.6%). Regions with the highest contribution to the GVA of the services sector are NCR (51.7%) and Region IV-A (9.9%) while those with the lowest contribution are ARMM (0.4%) and CARAGA (1.0%).<sup>18</sup>

From 2010 to 2012, I&S sectors generated 1.4 million additional employment, which falls short by 157,000 of the target of 1.56 million additional employed persons in these sectors.

The capacity of the industry sector, especially manufacturing, to absorb displaced and/or shifting labor force and new entrants has remained the same. From 2010 to 2012, the industry sector accounts for only 15 percent of total employment, with manufacturing only 8 percent. Employment elasticity is lowest in the industry (0.37) compared to agriculture (0.43) and services (0.67).<sup>19</sup> On a subsector level, employment in the manufacturing sector weakly responds to its growth, with employment-to-growth elasticity of 0.22 in contrast with wholesale and retail trade under the services sector with 0.78.<sup>20</sup>

Apart from the low absorption of labor, a substantial proportion of those working in I&S, especially in services, is considered vulnerable.<sup>21</sup> In 2012, 14.3 percent of those employed in industry are considered vulnerable, with 32.5 percent in services.

### Investments

Based on Table 3.1, total approved foreign and local investments reported by investment promotion agencies reached Php697.7 billion in 2012, lower by 6.6 percent than in 2011. The contraction is observed among domestic investments, which shrank by 16.4 percent. In contrast, approved foreign investments increased by 12 percent. Manufacturing; electricity, gas, steam and air conditioning supply; and real estate accounted for the bulk of these investments.

In the first half of 2013, total approved investments amounted to PhP266.2 billion, which is 22.6 percent higher than in the same period last year. Domestic investments slightly decreased while foreign investments more than doubled compared with the same period last year.

Meanwhile, inflows of net foreign direct investments (FDI)<sup>22</sup> to the Philippines in 2012 amounted to US\$2.8 billion, which is 54 percent higher than the US\$1.3 billion recorded in 2010,<sup>23</sup> although this is considerably less than those in other Association of Southeast Asian Nations (ASEAN) member states. Of

<sup>16</sup> Revised growth estimates as of July 2013

<sup>17</sup> Revised growth estimates as of July 2013

<sup>18</sup> 2012 Gross Regional Domestic Product. National Statistical Coordination Board (NSCB)

<sup>19</sup> Based on regression of income and employment data from 1998 to 2011

<sup>20</sup> Source of basic data: NSCB and NSO

<sup>21</sup> Number of self-employed and unpaid family workers

<sup>22</sup> Approved foreign investments reported by NSCB represent the amount of proposed contributions or share of foreigners to various projects in the country as approved and registered by the investment promotion agencies. Net FDI reported by the BSP is defined as an international investment by a resident entity in one economy ("direct investor") in an enterprise resident in another economy ("direct investment enterprise") made with the objective of obtaining a lasting interest.

<sup>23</sup> The 2012 figure is based on Balance of Payments Manual (BPM) 6 classification (BPM6) while 2010 figure is based on BPM5.

the US\$114 billion net FDI inflows to ASEAN in 2011, Singapore received the most with US\$64 billion (56%) followed by Indonesia (17%), Malaysia (11%), Thailand (7%) and Vietnam (6.5%). The Philippines tailed the list, together with Cambodia and Lao PDR, with only 1 percent of the total.<sup>24</sup>

Table 3.1. Total approved investments, 2010-H1 2013 (in million PhP)

Nationality	2010	2011	2012	H1 2013
Filipino	346,632	488,911	408,560	172,833
Foreign	196,064	258,231	289,118	93,419
<b>Total</b>	<b>542,696</b>	<b>747,142</b>	<b>697,678</b>	<b>266,252</b>

Source: National Statistical Coordination Board

Note: 2010 covers data from four investment promotion agencies (IPAs): Board of Investments (BOI), Clark Development Corp. (CDC), Philippine Economic Zone Authority (PEZA) and Subic Bay Metropolitan Authority (SBMA). Two IPAs were added in 2011: Authority of the Freeport Area of Bataan (AFAB) and BOI-ARMM. The Cagayan Economic Zone Authority (CEZA) was added in 2012.

## Business climate

Business climate in the Philippines has considerably improved, as reflected in various competitiveness rankings. In the World Economic Forum (WEF) Global Competitiveness Report, the country improved to 59th place out of 148 countries in 2013 from 85th place out of 139 countries in 2010.<sup>25</sup> Of the 12 pillars of competitiveness,<sup>26</sup> the Philippines advanced in 10, except in primary education and health. The country also improved its ranking in the World Bank-International Finance Corporation (WB-IFC) Doing Business Report<sup>27</sup> from 144th place out of 183 economies in 2010 to 108th place out of 189 countries in 2014.<sup>28</sup>

## Infrastructure

The PDP 2011-2016 identified inadequate infrastructure as a major constraint to long-term economic growth and employment generation. To address this, government has been investing heavily in infrastructure development. In 2011 and 2012, government spent 2.6 and 2.4 percent of GDP, respectively, on infrastructure projects. As a result, the country's ranking in the infrastructure pillar of the WEF Global Competitiveness Reports improved from 104th out of 139 countries in 2010 to 96th out of 148 countries in 2013.

## Regulatory environment

In May 2013, President Benigno S. Aquino III issued Administrative Order 38 which constituted an interagency task force headed by the Department of Trade and Industry (DTI) to implement reforms and action plans to improve the ease of doing business in the country.<sup>29</sup> The most significant of these efforts were the Business Permit and Licensing System (BPLS), Enhanced Business Name Registration (EBNR) and the Philippine Business Registry (PBR).

### Business Permit and Licensing System (BPLS)

With the streamlining of the BPLS, the number of days to process business permits and licenses was reduced to five days or less for renewals and not more than 10 days for new applications in 823 out of 1,634 local government units (LGU).

<sup>24</sup> Foreign direct investment statistics database as of 30 September 2012, retrieved from <http://www.asean.org/news/item/foreign-direct-investment-statistics>

<sup>25</sup> 2010 ranking is based from the 2010-2011 WEF report while 2013 ranking is based from the 2013-2014 report

<sup>26</sup> Namely: (a) institutions, (b) infrastructure, (c) macroeconomic environment, (d) health and primary education, (e) higher education and training, (f) goods market efficiency, (g) labor market efficiency, (h) financial market development, (i) technological readiness, (j) market size, (k) business sophistication and (l) innovation.

<sup>27</sup> The WB-IFC competitiveness ranking is based on the following factors: (a) trading across borders, (b) getting electricity, (c) dealing with construction permit, (d) enforcing contract, (e) registering property, (f) protecting investors, (g) getting credit, (h) paying taxes, (i) starting a business, and (j) resolving insolvency. The ranking reflects only collected data from the economy's largest business city, which in the case of the Philippines is Quezon City, and may not be representative of the regulations in other parts of the economy.

<sup>28</sup> 2010 ranking is based from the 2009-2010 WB-IFC Doing Business Report while 2013 ranking is based from the 2013-2014 report

<sup>29</sup> Other members include the National Competitiveness Council, Department of Finance, Department of Interior and Local Government, Department of Justice, Bureau of Internal Revenue, Bureau of Customs, Land Registration Authority, Credit Information Corporation, Securities and Exchange Commission, Social Security System, Home Development Mutual Fund and Philippine Health and Insurance Corporation.

## Enhanced Business Name Registration System (EBNRS)

The time to register a business was reduced from four to eight hours to only 15 minutes under the EBNRS, as information fields in the application document were reduced from 36 to 18 and the number of pages were lessened from nine to one.

## Philippine Business Registry (PBR)

The average processing time to register sole proprietorships was reduced to 30 minutes with the use of the PBR. Corporations registered with the Securities and Exchange Commission (SEC) are also able to use the PBR in kiosks located in the SEC Head Office. The number of days to process applications of micro and small enterprises for registration with the BOI was reduced from 20 days to one day with the implementation of measures to simplify procedural flow and required documents. At present, sole proprietorships can already register/validate their existing business name (DTI), obtain their tax identification number (Bureau of Internal Revenue or BIR) and employer registration numbers (Social Security System or SSS, Philippine Health Insurance Corp. or PhilHealth, and Home Development Mutual Fund or Pag-IBIG) through this web-based facility in DTI tellers. For corporations, PBR allows SEC-registered companies to get SSS, PhilHealth and Pag-IBIG employer registration numbers at the SEC Head Office.

To better improve service delivery, the EBNRS and PBR have been successfully migrated to the cloud-computing environment on 17 January and 4 February 2013, respectively.

## Productivity and innovative capacity

### Improved technological readiness and innovation

In the latest 2013-2014 WEF Global Competitiveness Report, the country improved in terms of technological readiness and innovation indices. The Philippines moved from 95th out of 139 countries in 2010 to 77th out of 148 countries in 2013 in technological readiness index and climbed from 111th out of 139 countries in 2010 to 69th out of 148 countries in 2013 in innovation index.<sup>30</sup>

### Product and market diversification

Innovation equals dynamic I&S sectors characterized by the proliferation of many products and their designs.

The manufacturing sector in general lacks product diversification. The Hirschman Index<sup>31</sup> has not improved since the 1960s and has even become more concentrated (i.e. from 0.41 in 1967 to 0.43 in 2012). The sector is concentrated on relatively few products, particularly low-value added manufactures. It is also characterized by a narrow product space consisting mainly of natural/raw materials (periphery products) and less of machinery, chemicals and capital intensive products (core products).<sup>32</sup>

### Low productivity in the MSME sector

Of the 820,254 business enterprises in 2011, 99.6 percent are micro-, small and medium enterprises (MSMEs). The MSME sector contributed 61.0 percent of total employment but only accounted for 35.7 percent of total value added.<sup>33</sup> The sector is also characterized by a hollow and missing middle.<sup>34</sup> Of the total MSMEs, 91.0 percent are micro, 8.6 percent are small, and 0.4 percent are medium enterprises. This implies that a huge number of enterprises in the country are unable to reach the scale needed to achieve production efficiency.

<sup>30</sup> Technological readiness measures how quick an economy adopts existing technologies to enhance the productivity of its industries, with emphasis on its capacity to fully leverage information and communication technologies (ICT) in daily activities and production processes for increased efficiency and enabling innovation for competitiveness. Innovation focuses more on technological innovation.

<sup>31</sup> The Hirschman Index measures the degree of concentration. A value closer to 1 indicates that the manufacturing industry is concentrated in few subsectors/products.

<sup>32</sup> Based on the 2012 ADB study entitled "Taking the right road to inclusive growth: Industrial upgrading and diversification in the Philippines" conducted by Norio Usui

<sup>33</sup> DTI website accessed on 27 August 2013. Source of basic data is the MSME Development Plan 2011-2016

<sup>34</sup> Aldaba, R.M. (2013). "Reviving the manufacturing industry" presented during NAST roundtable discussion on development Progeria on 17 January 2013

## Consumer welfare

Consumer complaints received by Consumer Welfare Desks both in government field offices and in business establishments reached 74,913 in 2010, 64,759 in 2011 and 69,192 in 2012. Majority were about consumer products and service warranties, product quality and safety, and change of consumer preference. Resolution remained high at 98 to 99 percent but the challenge is on reducing the resolution period. There is also a need to step up enforcement activities to prevent proliferation of substandard products in the local market.

## Market access

Philippine goods exports grew by 7.9 percent from US\$48.3 billion in 2011 to US\$52.1 billion in 2012. In the first half of 2013, goods exports reached US\$25.6 billion, which is 4.4 percent lower than in the previous year. On the other hand, the value of exports of services in 2012 was recorded at US\$18.6 billion, or an increase of 4.2 percent from that in 2011. Transactions related to information technology-business processes management (IT-BPM) were the main contributors to the exports of services.

The Philippines' goods export concentration based on the Herfindahl-Hirschman Index has improved from 0.25 in 2011 to 0.22 in 2012, although it is still heavily dominated by electronics, which accounts for 43.3 percent of total Philippine exports in 2012. Moreover, Philippine goods exports are still more concentrated than that of Indonesia (0.17), Malaysia (0.16), Vietnam (0.12) and Thailand (0.08).<sup>35</sup>

In addition, Philippine goods exports are still dependent on traditional markets such as the US, Japan and China. Part of the reason is the country's inability to meet standards of and comply with measures imposed by other countries and due to comparatively higher production cost, which affects the competitiveness of Philippine exports, among others. A study on the country's national quality infrastructure (NQI) and government regulatory practices conducted in September-December 2011 showed that elements of the NQI (i.e., standards, metrology, accreditation, certification and testing) are fragmented and, for the most part, inadequate.

The Philippine tourism brand "It's more fun in the Philippines" was launched in 2012, primarily to attract foreign tourists and create a positive image of the country especially to investors. In 2012, total inbound visitors reached 4.3 million, which is 9.1 percent higher than that in 2011. Koreans were the biggest group of inbound visitors accounting for 24 percent of total, followed by US (16 percent) and Japan (10 percent). Despite the increase in tourist arrivals, the Philippines ranked only 6th among 10 ASEAN member states in attracting foreign tourists in 2011, the same ranking since 2004. Total tourist arrivals in the Philippines only accounts for 4.8 percent of the total tourist arrivals in ASEAN.

## III. UPDATED PDP TARGETS

For the remaining Plan period, the country aims to strengthen the industry sector while continuing support for a robust services sector to facilitate the attainment of a more rapid and sustained growth, generate more quality employment, reduce poverty and eventually achieve an inclusive growth.

One of the main priorities of the government is to revitalize the manufacturing subsector, given its potential for innovation, value adding, and backward linkage with the agriculture sector, which is the main source of livelihood of the poor. Industry roadmaps will be implemented and will serve as bases of the Comprehensive National Industrial Strategy (CNIS). The CNIS will include strategies to strengthen the link with basic sectors as suppliers (i.e., link to agriculture sector for raw materials) or markets (i.e., potential for downstream link) and to make local industries more competitive in preparation for greater regional and global integration.

The industry sector will also be fuelled by the construction subsector, as the government ramps up its effort to address infrastructure backlogs and targets infrastructure spending at 5 percent of GDP by 2016. The bulk of the rehabilitation and reconstruction efforts in areas affected by disasters, especially Typhoon Yolanda, is expected to be undertaken in 2014 and this could increase the demand for labor in the

<sup>35</sup> UNCTAD Stat, unctad.org; The Herfindahl-Hirschman Index or export concentration index is a measure of the degree of concentration of exports of a country. A value that is much closer to 1 indicates that exports are concentrated in few products.

construction and agriculture subsectors. While these efforts are expected to linger in 2015, the private sector is expected to gain momentum during this period as the country demonstrates its resilience and the level of investor confidence heightens due to the implementation of needed strategies and reforms.

The I&S sectors will continue to be the major sources of growth. The industry sector is targeted to grow by 9.2 to 9.7 percent in 2013, 9.8 to 11.0 percent in 2014, 8.6 to 9.7 percent in 2015, and 9.3 to 10.3 percent in 2016. The services sector is projected to expand by 6.6 to 7.0 percent in 2013, 6.0 to 6.9 percent in 2014, 6.8 to 7.8 percent in 2015 and 7.2 to 8.1 percent in 2016. With the implementation of measures to make the workforce more responsive to the needs of industries and ready to participate in the growth process, the I&S sectors are targeted to create an average net employment of 887,000 to 921,000 from 2014 to 2016. These targets consider the implications of the K to 12 educational system in the labor force growth rate, which is expected to slowdown from an average of 2.2 percent in 2010 to 2012 to an average of 1.7 to 1.9 percent in 2014 to 2016.

Below is a summary of the updated targets for the I&S sectors.

Table 3.2 Revalidated results matrix (RM) on competitive and innovative I&S sector

Indicator	Baseline (2012)	End-of-Plan target (2016)	Assumptions and risks
<b>Sector outcome: Globally competitive and innovative industry services sectors achieved</b>			
Employment generated from the I&S sectors increased annually	597,000	887,000-921,000 (Average 2014-2016)	<ul style="list-style-type: none"> <li>▪ Macroeconomic fundamentals (e.g. inflation, GDP growth, interest rates) stable</li> <li>▪ Political stability</li> <li>▪ Governance improvement efforts maintained</li> <li>▪ Natural disasters and calamities managed</li> </ul>
GVA in the I&S sectors improved	I: 6.8% S: 7.6%	I: 9.3-10.3% S: 7.2-8.1%	
Philippine innovation index in the WEF Global Competitiveness report improved <sup>36</sup>	3.0	3.5	
<b>Subsector outcome A: Business climate improved</b>			
Philippine overall ranking in the WB-IFC Doing Business report improved	136/183	Top third of total countries surveyed (e.g. 62/189)	<ul style="list-style-type: none"> <li>▪ Projects/programs implemented on time</li> </ul>
<b>Subsector outcome B: Productivity and innovative capacity increased</b>			
Intellectual property products expenditures increased	18%	5-6%	<ul style="list-style-type: none"> <li>▪ Macroeconomic fundamentals/indicators stable</li> <li>▪ Infrastructure development pursued</li> <li>▪ Projects/programs implemented on time</li> </ul>
Labor productivity in I&S sectors increased <sup>37</sup>	4.9%	4.7-5.5%	
<b>Subsector outcome C: Consumer welfare enhanced</b>			
Level of consumer awareness on rights to safety, information and prices improved	57%	80%	<ul style="list-style-type: none"> <li>▪ Projects/programs implemented on time</li> </ul>
<b>Subsector outcome D: Market access expanded</b>			
Merchandise exports increased by 74.7%	US\$ 52.1 billion	US\$ 91.0 billion	<ul style="list-style-type: none"> <li>▪ Global economic situation (recession) managed</li> <li>▪ Macroeconomic fundamentals/indicators stable</li> <li>▪ Peace and security managed</li> <li>▪ Infrastructure development pursued</li> </ul>
Services exports increased by 55.9%	US\$ 18.6 billion	US\$ 29.0 billion	
Total approved investments increased by 35.8%	PhP697.7 billion	PhP947.2 billion	

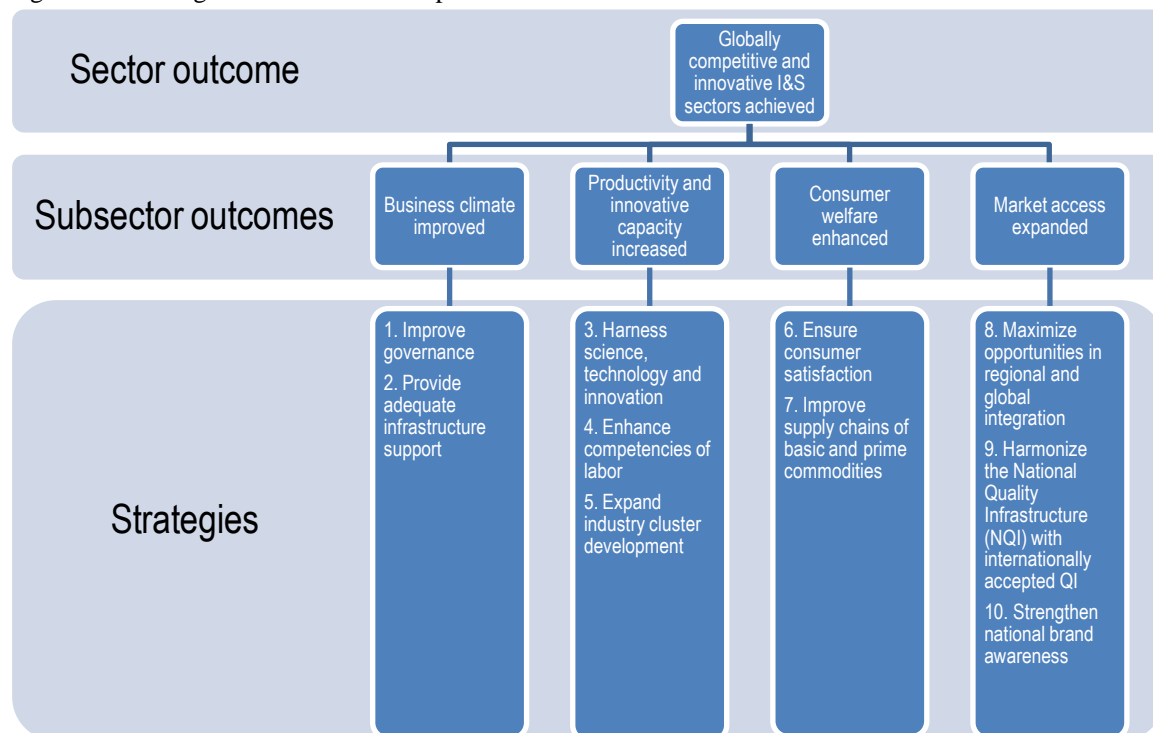
<sup>36</sup> Innovation index rated from 1 to 7, 7=best

<sup>37</sup> Labor productivity =GVA/number of employed.

## IV. STRATEGIC FRAMEWORK

The strategies to make I&S sectors globally competitive and innovative are aimed at four sub-sector outcomes: business climate improved; productivity and innovative capacity increased; consumer welfare enhanced; and market access expanded (Figure 3.2).

Figure 3.2. Strategic framework on competitive and innovative I&S sectors



### Key sectors and locations

The following sectors will be developed in view of their potential to contribute to employment generation, as well as rapid and sustained growth:

#### Agro-industry

The government will pursue programs/interventions that strengthen agriculture-industry linkage. Large enterprises will be encouraged to partner with MSMEs.

Agriculture-based sectors, such as, but not limited to, coconut, coffee, furniture, garments, fisheries and forest-based sectors, will be developed given their potential to generate employment and reduce poverty in rural areas, particularly in the Category 1 provinces (see Chapter 1: A roadmap to inclusive growth). For the coconut sector, the Integrated Coconut Industry and Poverty Reduction Roadmap will be implemented.

Entrepreneurship will be promoted among small-holder farmers. While agricultural productivity is being addressed, the government will also provide support to small-holder farmers and agri-cooperatives in terms of product development, value-adding, and integration to big enterprises for marketing and financing purposes. Strategies to increase value-adding and agri-business development among small-holder farmers are also discussed in Chapter 4 (Competitive and sustainable agriculture and fisheries sector).



## Manufacturing

The manufacturing sector will be revitalized through the implementation of the Manufacturing Revival Program will be pursued by various national agencies.<sup>38</sup>

The private sector will be encouraged to venture to “nearby products” with highest spillover effects including, among others, manufacture of digital data processing machines, watches, cameras, television, and clocks. These products can be developed with ease since existing capabilities to manufacture currently exported products could be used.<sup>39</sup> To boost employment, labor-intensive manufacturing subsectors (e.g. garments, footwear, processed foods, furniture, etc.) will also be promoted.

The halal industry will be developed, especially in Mindanao. The government will continue to provide information to producers on good manufacturing practices, international standards, and clean production technologies, among others, as well as provide metrology, calibration and accreditation services. These will facilitate the entry of local products in more export markets and assure consumers of the safety of locally made products.

The country will also continue to promote and expand investments in the shipbuilding industry especially in the Visayas area.

A framework for mineral processing/value-adding will be formulated. A fair revenue-sharing mechanism for both the government and the mining firms will be put in place and the country will participate in the Extractive Industries Transparency Initiative (EITI).

## Tourism

Tourism development will be a priority program of the government. By 2016, the government aims to achieve the following: (a) 10 million international visitor arrivals; (b) PhP455-billion international visitor receipts; (c) 56.1 million domestic travelers; and (d) PhP1.86-trillion domestic receipts.<sup>40</sup> To achieve these, the following strategies will be pursued: (a) develop and market competitive destinations and products; (b) improve market access, connectivity and destination infrastructure; and (c) improve tourism governance and human resource capabilities.<sup>41</sup>

Strategic tourism products will be developed and supported in the following top nine tourism cluster destinations to expand visitor’s expenditure and length of stay: Central Visayas; Metro Manila and CALABARZON; Central Luzon; Palawan; Western Visayas; Davao Gulf and Coast; Cagayan de Oro, Island and Hinterland; Bicol; and Laoag-Vigan.<sup>42</sup> These products include medical and retirement tourism; leisure and entertainment; meetings, incentives, conventions and exhibitions; cruise and nautical tourism; education tourism; and agri-tourism. Business travelers will be encouraged to tour the country while looking for investment opportunities in the country.

## IT-BPM

The country will exert efforts to remain as the leader in voice BPM services. The government will also nurture the Filipino talent pool by promoting and accelerating the development of high-value IT-BPM services and the Next-Wave Cities.<sup>43</sup> By 2016, the sector is expected to directly employ 1.3 million people, 520,000 of whom will be in the countryside.

Both the public and the private sectors will promote the Philippines as a preferred IT-BPM destination. The marketing strategy will highlight the country’s large trainable and educated English-speaking talent pool, proven track record, good infrastructure, cost competitiveness, and other competitive advantages.

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<sup>38</sup> DTI (lead), Departments of Labor and Employment (DOLE), Science and Technology (DOST), DOLE-Technical Education and Skills Development Authority (TESDA), Commission on Higher Education (CHED), Department of Agriculture (DA), Philippine Coconut Authority (PCA), Department of Energy (DOE), National Power Corporation (NPC), and National Electrification Administration (NEA).

<sup>39</sup> Based on the 2012 ADB study entitled “Taking the right road to inclusive growth: Industrial upgrading and diversification in the Philippines” conducted by Norio Usui

<sup>40</sup> National Tourism Development Plan

<sup>41</sup> Department of Tourism (DOT) presentation to the Economic Development Cluster (EDC) on 17 June 2013

<sup>42</sup> Top 9 cluster destinations in order of importance based on the National Tourism Development Plan.

<sup>43</sup> Baguio, Davao, Dumaguete, Iloilo, Lipa, Metro Bulacan (Baliuag, Calumpit, Malolos, Marilao, and Meycauayan), Metro Cavite (Bacoor, Dasmariñas and Imus), Metro Laguna (Calamba, Los Baños and Sta. Rosa), Metro Naga (Naga and Pili), and Metro Rizal (Antipolo City, Cainta and Taytay)



## Logistics

To support the expansion of Philippine industries, the government will encourage investments in the development of logistics infrastructure to cater to both domestic and international supply chains. Furthermore, the government will review and develop/reform related policies and rules, such as customs practices; trans-shipment of cargoes through various modes (i.e. air-air, sea-air, and air-sea); and foreign shipping services along the entire multimodal transportation chain. The government, in coordination with the private sector, will formulate and implement the National Logistics Plan and will target to reduce the share of logistics costs (including shipping) in the cost of goods and services from 23 percent to 15 percent by 2016.<sup>44</sup>

## Construction

The country will also promote investments in construction (e.g. infrastructure projects, mass housing and housing related materials, etc.). A strong public-private partnership will be pursued to effectively govern and monitor the sector. The government in partnership with the private sector will pursue the liberalization of contractors licensing and registration, promotion and development of domestic and overseas construction, and efficient implementation of the dispute resolution mechanism.

### Subsector outcome A: Business climate improved

To improve the business climate, the first strategy is to improve governance by streamlining procedures, implementing policy reforms and the e-commerce law, combating smuggling, rationalizing economic zones, promoting mutually agreed upon work arrangements and maintaining industrial peace. The second strategy is to provide adequate infrastructure.

#### Strategy 1: Improve governance

##### *a. Further streamline bureaucratic procedures*

The government will continue to promote transparent and predictable policies to create an environment conducive to business to encourage investments. By 2016, the government aims that all LGUs have adopted streamlined BPLS. Moreover, efforts to automate the BPLS for faster and more efficient transactions with government will be continued.

The government will likewise continue to undertake measures to link the PBR with LGUs to ensure that businesses in local communities will enjoy the benefits of easier registration. These programs will be complemented by the efforts of the National Competitiveness Council (NCC), with the help of the DTI, Department of the Interior and Local Government (DILG), SEC, BIR, SSS, PhilHealth, Pag-IBIG and the Quezon City government, under the Doing Business Dashboard, to bring down the number of steps (from 16 to 3) and days (from 36 to 6) to start a business by 2016.

The linkage of the National Single Window with the Electronic to Mobile (E2M) system will be pursued to facilitate trade and reduce transaction costs for businesses.

##### *b. Promote a consistent, predictable and responsive policy environment*

The government will, among others, continue to support policy reforms that will:

- Liberalize certain investment areas, except those provided in the Constitution, to increase investments and generate more and decent employment;
- Reduce domestic shipping costs through the review of the cabotage rule and leveling of playing field among domestic and foreign shipping lines;
- Harmonize various incentive-giving laws such as those given by the BOI, PEZA, special economic zones, and other statutes through the Rationalized Fiscal Incentives Act;
- Institutionalize land use planning as a means for the rational and just allocation, utilization, management, and development of our country's land resources, as well as lay down specific policies on

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<sup>44</sup> DOTC presentation to the EDC on 17 June 2013

industrial development areas/sites and tourism development areas, among others, through the enactment of the Land Use Act;

- Level the business playing field by strengthening the legal and institutional framework to prevent unfair and anti-competitive practices through the enactment of the Anti-trust/Competition Policy Act;
- Pursue customs modernization by amending the Tariff and Customs Code of the Philippines, consistent with the prescribed standards and recommended practices of the revised Kyoto Convention;
- Rationalize revenue-sharing arrangement for large-scale metallic mining operations;
- Broaden protection of consumers<sup>45</sup> and incorporate the Lemon Law through the amendment of the Consumer Act;
- Increase labor mobilization and gradually shift industries to technology-driven processes, among others, through the amendment of the Labor Code;
- Provide uniform rules and regulations governing global maritime professionals in accordance with the Standards for Training, Certification and Watchkeeping (STCW) Convention and establish the Maritime Industry Authority (MARINA) as the single and central maritime administration of government; and
- Improve the negotiation process and build the capacity of trade negotiators.

#### *c. Fully-implement the e-commerce Law*

The government will fully implement the e-Commerce law to ensure speedy and better delivery of government services and information, including health and education, especially in the countryside.

#### *d. Strengthen measures against smuggling*

The government will curb and prevent smuggling by putting in place specific measures identified under Chapters 2 (Macroeconomic policy) and 7 (Good governance and the rule of law).

#### *e. Rationalize economic zone development*

The government will continue to adhere to its policy that the development of economic zones is private sector-led but with appropriate and strategic support from the government. Development/expansion of economic zones through existing economic zone and/or free port authorities will consider regional dispersal of industries, pre-identified priority growth areas for targeted sectors, use of local/indigenous resources, and adherence to environmental laws, land use policies, and net benefits, among others.

#### *f. Promote mutually agreed-upon work arrangements*

Mutually agreed-upon work arrangements, which are consistent with the promotion of employment and protection of basic rights of workers, as well as increased efficiency and streamlined operations, will be supported. The two-tiered wage system, which seeks to balance interests of workers and employers, will be implemented. This system, which was already piloted in Region IV-A, has two components: (a) a mandatory single regional floor wage as the first tier; and (b) voluntary performance or productivity-based pay adjustments for wages above the floor wage, as the second tier.

#### *g. Maintain industrial peace*

The government will continue to push for the development of Voluntary Codes of Good Practices in industries to transform a traditionally litigious labor relations system to one that incorporates the tenets of social dialogue. The mechanism will foster the culture of self-regulation, where labor and management can freely set industry rules and standards in accordance with existing laws and regulations. The Single Entry Approach Program (SEnA), which is 30-day mandatory conciliation-mediation approach, will be promoted as a means to “de-judicialize” dispute settlement procedures.

### **Strategy 2: Provide adequate infrastructure support**

Adequate and good quality infrastructure such as intermodal transport (air, sea, land), power supply facilities, logistics, among others, are needed to facilitate doing business in the country. Strategies, programs and action plans for infrastructure development are listed in Chapter 10 (Accelerating infrastructure development).

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<sup>45</sup> Through provisions on price tag requirements, physical safety, labelling to include translations and official sources on information, among others.

## Subsector outcome B: Productivity and innovative capacity increased

Increasing productivity will require harnessing science, technology and innovation, enhancing the competencies of the labor force, and expanding industry cluster development.

### Strategy 3: Harness science, technology and innovation

The country will make full use of existing technologies to make local industries competitive and innovative while building local research and development (R&D) capacity to address local problems. The government will build local R&D capabilities for transformative, cutting-edge and sustainable technologies with broad applications (e.g. information and communications technology (ICT), biotechnology, advanced manufacturing technology and new materials technology, among others). Climate-smart/clean technologies will also be developed and promoted. To ensure the efficient use of resources, a national R&D agenda will be adopted that will guide relevant government agencies on the prioritization of programs.

#### *a. Broaden access of small entrepreneurs to innovative, cost-effective and appropriate technologies*

Local industries will be encouraged to benchmark processing technologies with leading countries considered leaders in specific industries (e.g. food processing in Thailand and Taiwan) and to design and implement technology catch-up programs to make them at par with benchmarked countries.

Innovation centers will be established nationwide to support MSMEs to undertake innovative product development. Existing testing, calibration and quality assurance facilities and services will be enhanced and upgraded. The Small Enterprise Technology Upgrading Program (SETUP) will be expanded to focus on identified priority geographical locations where the poor reside. Mining and minerals processing industries will be provided with sustainable practices and green technologies, not only to add value to extracted minerals, but also to promote better and responsible mining practices.

#### *b. Enable local industries to innovate*

The government will provide state-of-the-art facilities to assist local companies to undertake design, prototyping, and product development (e.g. Advanced Materials Testing Laboratory, Electronic Product Development Center, and Philippine IC Design Center, among others).

The government will also build local technological capability of the mass transport industry by supporting the design and development of alternative mass transport systems that are low-cost, environment-safe and efficient but suited to the needs of commuters in the metropolis, such as the automated gateway transit and road trains (see Chapter 10: Accelerating infrastructure development).

#### *c. Leverage ICT to expand economic opportunities*

The government will adopt strategies aimed at making the country a global leader in IT-BPM services. This will be complemented by the implementation of the e-Gov Master Plan (EO 47), which aims to broaden the access of citizens to government services (i.e. health and education) with the use of ICT. This includes the provision of the needed ICT infrastructure and shared services, standards and interoperability for publicly funded systems, particularly the rolling out of the TV White Space Public Service Infrastructure. The latter will serve as a platform for 1,500 community e-Centers covering 42,000 barangays. Strategies, programs and action plans on ICT are also discussed in Chapter 10 (Accelerating infrastructure development).

#### *d. Mobilize scientists, engineers and researchers*

The government will strengthen the networking, cooperation and exchange mechanisms to mobilize Filipino scientists and engineers to support social and technological innovations at the community level.

Science and technology (S&T) graduate scholarship programs, such as the Engineering R&D and Technology (ERDT) Program and the Accelerated S&T Human Resource Development Program (ASTHRDP) will be expanded to promote S&T-related professions. The undergraduate S&T scholarship

program for poor but deserving students will be democratized with at least one DOST scholar in each town by 2016.<sup>46</sup> A Philippine Science High School (PSHS) campus will also be established in each region.<sup>47</sup>

#### Strategy 4: Enhance competencies of labor

Market-driven education and training will be pursued to address the needs of the I&S sectors. The government, through the Department of Education, will develop curricula that put more emphasis on S&T, entrepreneurship, agribusiness, software and vocational skills in the senior years (years 11-12 of the K to 12 system).

Colleges/universities will be encouraged to participate in technology parks and business incubator facilities and introduce entrepreneurship training in their curricula to inspire students to take research from the academe to firms. Other policies and strategies on education and training can be found in Chapter 6 (Social development).

The competency of Filipino workers and professionals will be strengthened to prepare them for regional and global integration (e.g. AEC 2015) through the following: (a) Philippine Qualifications Framework; (b) competitiveness roadmaps of different professions; (c) outcome-based education and the use of learning outcomes; and (d) continuing professional development.

The government, through TESDA, will continuously provide enhancement trainings/programs to produce highly skilled Filipino workforce needed by the I&S sectors.

#### Strategy 5: Expand industry cluster development

The government will also promote inclusive businesses and include low-income communities in product value chains. To the extent possible, the industry-cluster approach will be used to develop the identified key sectors. The approach will promote linkage between agriculture and industry (processing) to increase value-added of products. It will also allow the industries to realize economies of scale and link micro- and small enterprises to medium and large ones.

The industry clustering program will be expanded. Industries need to prepare sectoral roadmaps that will show linkage with basic sectors as suppliers and/or markets. These industries will also continuously upgrade their technology and facilities with government's proactive support through the establishment of technology business incubation centers, shared service facilities that provide testing laboratories for safety and quality standards, agro-industrial hubs and central storage.

### Subsector outcome C: Consumer welfare enhanced

Even as industries are supported, it is important to protect and promote consumer welfare by taking into account consumer satisfaction and intensifying consumer protection and trade regulation.

#### Strategy 6: Ensure consumer satisfaction

##### *a. Intensify consumer education/advocacy*

The strategy will focus on empowering consumers by informing them of their rights, responsibilities and avenues for redress. Consumers then become discriminating customers and demand better quality goods and services as well as value for money. When consumers are empowered, they improve economic performance by driving competition and business innovation.<sup>48</sup>

##### *b. Intensify consumer protection and trade regulation*

To safeguard the interests of consumers, the government will increase market visibility through aggressive monitoring and enforcement activities. It will intensify price monitoring activities to guarantee reasonable prices and prevent any acts of illegal price manipulations by suppliers/producers. Complementing these

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<sup>46</sup> As provided under RA 7687

<sup>47</sup> As provided under RA 9036

<sup>48</sup> Organisation for Economic Cooperation and Development (OECD), 2010

efforts need increased partnership with business and consumer groups, LGUs, and non-government organizations (NGOs).

To guarantee product safety, product standards laws, rules and regulations will be strengthened and penalties imposed on violators. Market surveillance activities (e.g. marking of products, declaration of conformity, among others) will be strengthened to push the need for accurate measurements, standards, and accredited conformity assessments.

Consumer complaints will be resolved promptly. The resolution period of seven working days for mediation and 20 working days for arbitration will be strictly implemented. The government will also continue to recognize establishments that uphold the rights of consumers and sell quality products. This effort aims to encourage the retail industry to strengthen and accelerate its self-policing mechanism so consumers can expect value for money.

### **Box 3.1. Improving government support to MSMEs**

Government will continue to support MSMEs to increase their contribution to the country's GDP and total employment.

*SME Roving Academy.* The government will scale up implementation of the SME Roving Academy Program. This is a continuous learning program for MSMEs to help them become more competitive in the domestic and international markets.

Under the SME Roving Academy, start-up enterprises will be provided assistance on business registration procedures, training on managerial skills, customer relations management, financial management, green values, marketing management, costing and pricing, and market information. Existing enterprises will be assisted on technology application, productivity improvement, Hazard Analysis Critical Control Point (HACCP), Good Manufacturing Practice (GMP) awareness, waste minimization in the manufacturing process, Total Quality Management, basics on exporting, and trade fairs participation, among others.

*Improved access to financing.* Programs under this strategy will help ensure reasonable and affordable cost of obtaining MSME loans; reasonable and manageable requirements for compliance by MSMEs to obtain loans; and simplified and streamlined process to obtain loans. The government will also promote institutions that could develop insurance parameters against risks. More rural banks and financial institutions will be trained on risk-based lending.

*Improved access to technology.* Small entrepreneurs will be provided access to innovative, cost-effective and appropriate technologies, such as the Shared Service Facilities.

*Sustainable micro-enterprises.* The government recognizes the importance of achieving economic growth that is environmentally sustainable. Initiatives will be undertaken to increase awareness among MSMEs on the effects of climate change and how green economy can foster long-term competitiveness. In fostering "green growth," the government will promote, develop and sustain I&S that are climate-smart and -resilient, eco-efficient and environment friendly.

### **Strategy 7: Improve supply chains of basic and prime commodities**

The government through the DTI will continue to implement various programs to ensure affordability and supply of basic necessities and prime commodities, especially during crisis. The government and the private sector will work together in undertaking an in-depth review of the supply chain to determine major bottlenecks and identify effective points of interventions to make enhancements and eliminate inefficiencies. The government will also strengthen infrastructure support and logistics mechanisms to improve efficiency in transport and distribution system, hence, reducing cost in bringing goods and services to the market.

## Subsector outcome D: Market access expanded

The government will focus its investment promotion activities in the identified priority sectors and provide comprehensive business intelligence to enable businesses to make informed decisions. Investment promotion programs of the national IPAs and LGUs will be harmonized.

The IPAs will intensify promotion efforts in countries such as Japan, Netherlands, US and Korea, while at the same time strategically reaching out to developmental markets with strong potential for outward investments such as Russia, Brazil, Middle East, among others.

Overseas Filipinos (OFs) will also be tapped as possible sources of investments. The Commission on Filipinos Overseas, DTI, and the Bangko Sentral ng Pilipinas will continue to conduct financial literacy campaigns among OFs and their families to educate them on business opportunities, investment and remittance options.

### Strategy 8: Maximize opportunities in regional and global integration

The government will intensify advocacy programs that will encourage businesses, particularly MSMEs, to maximize benefits from opportunities offered by Philippine participation in free trade agreements and the ASEAN Economic Community 2015. Local industries will be encouraged to make use of preferential agreements not only through education and information campaigns but also through business matching activities.

The Philippine Export Development Plan (PEDP) 2014-2016 will be formulated and implemented. The PEDP strategies will take into consideration the thrusts to diversify export products as well as adapt to the changing global demands and emerging issues. It will be linked with the Comprehensive National Industrial Strategy.

Greater collaboration with ASEAN member states will be undertaken to realize the potential of the ASEAN as a source market for tourism. This is in line with the ASEAN Tourism Strategic Plan and the Multilateral Agreement on Full Implementation of Passenger Air Services and ASEAN Common Visa for non-ASEAN nationals. Four programs will be developed through twinning and dual destination with other ASEAN countries, and attracting more international tourists and foreign direct investments in tourism.

### Strategy 9: Harmonize the National Quality Infrastructure (NQI) with internationally accepted QI

The government will harmonize and strengthen the different elements of NQI to be at par with those of ASEAN neighbors. The NQI will: (a) provide access to traceable calibrations and measurement standards through the National Metrology Laboratory; (b) link internationally recognized accreditation bodies with the national accreditation body (i.e. Philippine Accreditation Office under DTI); (c) enable compliance with international requirements (e.g. ISO standards and CODEX); and (d) allow the country's active participation in international standards comparison and have mutual recognition arrangements with ASEAN and other trading partners.

### Strategy 10: Strengthen national brand awareness

The government will undertake a highly targeted media campaign in priority investment source countries. The Philippines will aggressively promote unified country branding that will bring home the message that it is a producer and supplier of high quality, ethical, sustainable and world-class products and services that are valued worldwide. Buying of Philippine-made products and local technology works will also be promoted.

## V. PLAN IMPLEMENTATION

To determine progress towards having globally competitive and innovative I&S sectors, three core indicators will be monitored: (a) employment generated from I&S increased; (b) GVA in the I&S sectors improved; and (c) Philippine innovation index in the WEF Global Competitiveness Report improved. There are also indicators corresponding to subsector outcome and these are listed in Table 3.3.

The agencies/bodies that will lead in the implementation and report on the results of the strategies are the DTI, Departments of Science and Technology (DOST), Labor and Employment (DOLE), Tourism (DOT), NCC, Export Development Council (EDC), Intellectual Property Office, BOI, PEZA, and other IPAs.



These agencies/bodies will report every quarter to the Economic Development Cluster (Econ Cluster) of the Cabinet, which is chaired by the Department of Finance, and co-chaired by the DTI and Department of Energy, with the NEDA as secretariat.

Table 3.3. Annual target indicator matrix on competitive and innovative I&S sectors, 2013-2016

Indicators	Annual Plan targets				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Sector outcome: Globally competitive and innovative I&amp;S sectors achieved</b>						
Employment generated from the I&S sectors increased annually	824,000-890,000	887,000-921,000	887,000-921,000	887,000-921,000	PSA	DTI
GVA in the I&S sectors improved	I: 9.2-9.7% S: 6.6-7.0% <sup>49</sup>	I: 9.8-11.0% S: 6.0-6.9%	I: 8.6-9.7% S: 6.8-7.8%	I: 9.3-10.3% S: 7.2-8.1%	PSA	DTI
Philippine innovation index in the WEF Global Competitiveness report improved <sup>50</sup>	3.2	3.3	3.4	3.5	WEF Global Competitiveness Report	DOST
<b>Subsector outcome A: Business climate improved</b>						
Philippine overall ranking in the WB-IFC Doing Business report improved	-	-	-	top third	WB-IFC Doing Business Report	NCC
<b>Subsector outcome B: Productivity and innovative capacity increased</b>						
Intellectual property products expenditures increased	5-6%	5-6%	5-6%	5-6%	PSA	IPO
Labor productivity in I&S sectors increased <sup>51</sup>	4.2-4.3%	3.9-4.7%	4.1-5.0%	4.7-5.5%	PSA	DOLE
<b>Subsector outcome C: Consumer welfare enhanced</b>						
Level of consumer awareness on rights to safety, information and prices improved	73%	74%	75%	80%	DTI	DTI
<b>Subsector outcome D: Market access expanded</b>						
Merchandise exports increased by 74.7%	US\$ 60.0 billion	US\$ 69.0 billion	US\$ 79.0 billion	US\$ 91.0 billion	PSA	EDC
Services exports increased by 55.9%	US\$ 21.0 billion	US\$ 23.0 billion	US\$ 26.0 billion	US\$ 29.0 billion	BSP	EDC
Total approved investments increased by 35.8%	-	-	-	PhP 947.2 billion	PSA	DTI/BOI

<sup>49</sup> DBCC approved growth estimates as of December 2013

<sup>50</sup> Innovation index rated from 1 to 7, 7 = best

<sup>51</sup> Labor productivity = GVA/number of employed.





# Competitive and sustainable agriculture and fisheries sector

## I. INTRODUCTION

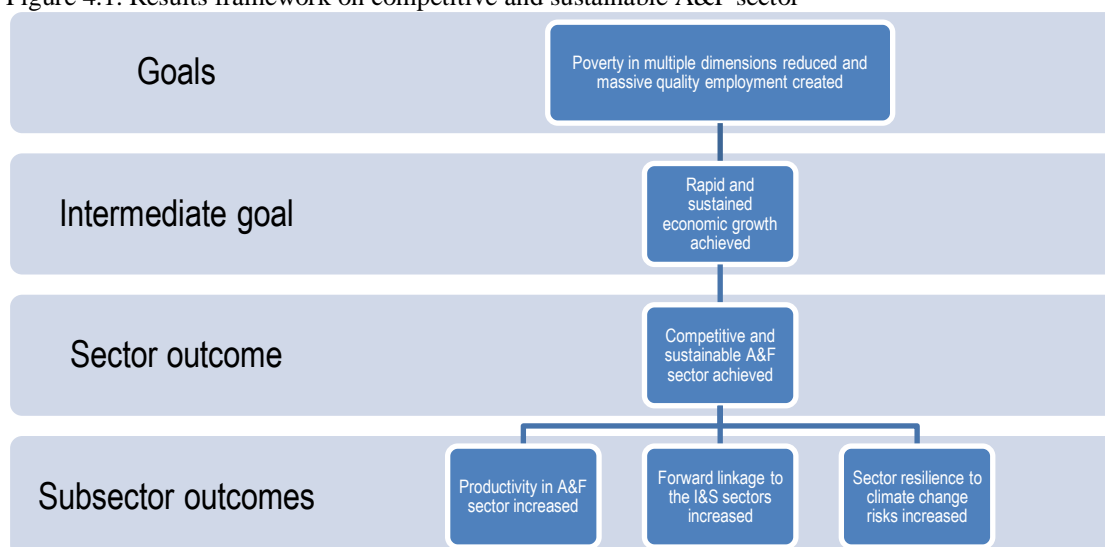
The agriculture and fisheries (A&F) sector plays an important role in the country's development and improvement of living conditions of Filipinos. Given the country's natural endowments, many Filipinos rely on A&F both to provide food for their families and to earn income so they can improve their quality of life. The sector also produces not only food but also raw materials vital to fuel the growth of other economic sectors.

The Updated Philippine Development Plan (PDP) pays closer attention to A&F sector and its links with industry and services (I&S) so as to fulfill its potential to reduce poverty and generate quality employment for more Filipinos.

This Updated PDP provides a strategic policy framework for facilitating the process of structural transformation that will make the A&F sector sustainable and competitive and enable it to help rapidly bring the economy to a higher growth trajectory where more Filipinos not just benefit from growth but also contribute to it.

By the end of 2016, the sector will have achieved higher incomes and improvement of food security, especially for the farm households, through (a) further increases in agricultural and fisheries production with more prudent use of resources; (b) greater linkage with the manufacturing and industrial sector with increased production of raw material inputs; and (c) enhanced sector resilience to climate change risks. These are reflected in Figure 4.1, which is the results framework for the chapter.

Figure 4.1. Results framework on competitive and sustainable A&F sector



## II. ASSESSMENT AND CHALLENGES

The Updated PDP draws lessons from the A&F sector's performance and identifies challenges, which inform the strategies for the sector in the next half of the PDP implementation.

### Assessment

Experiences of major developing countries show that substantial poverty reduction that was achieved in the past two decades was due primarily to economic growth and structural transformation, particularly in Asia. Structural transformation involved significant shifts of labor from low-productivity areas in agriculture to high-productivity areas in industry, particularly manufacturing, and services. Agriculture had to grow rapidly to make this happen. Without rapid agricultural growth, food prices and wages would have had to rise. But with rapid agricultural growth, fewer people needed to work in the farms to produce for everybody else. This released workers from agriculture and enabled them to find remunerative and high-quality employment opportunities in industry.

In the Philippines, agriculture has yet to achieve and sustain a level of growth that will make such transformation happen. Nonetheless, there are encouraging signs of economic restructuring. It is thus important to seize growth opportunities for the A&F sector especially at a time when business confidence is high.

### Contribution to rapid and sustained growth

#### *Growth in the sector's gross value added (GVA)*

From 2011 to 2012, the A&F sector accounted for about 11.2 percent of the total gross domestic product (GDP) on average. While posting positive annual growth of 2.6 percent and 2.8 percent in 2011 and 2012, respectively, the sector's performance remained below the PDP target of 4.3 to 5.3 percent annual growth (Table 4.1).

Table 4.1. A&F sector's contribution to the economy, 2010-H1 2013

Particulars	Annual growth target 2011-2012, in %	Accomplishments			
		2011	2012	2011-2012 Average	H1 2013
GVA in A&F* (in million PhP) and growth (in %)	4.3-5.3	676,075 (2.4%)	695,100 (2.8%)	685,587 (2.6%)	336,591 (1.3%)
<i>Crops</i>	4.9-5.9	333,255 (5%)	347,456 (4.3%)	340,355 (4.6%)	170,810 (- 0.5%)
<i>Livestock</i>	1.6-2.6	92,225 (2%)	93,260 (1.1%)	92,758 (1.5%)	45,722 (2.1%)
<i>Poultry</i>	4.2-5.2	71,262 (4.4%)	74,536 (4.6%)	72,899 (4.5%)	36,835 (4.2%)
<i>Fisheries</i>	4.5-5.5	130,529 (- 4.3%)	130,032 (- 0.4%)	130,280 (- 2.3%)	60,148 (4.6%)
% Share to GDP	-	11.4	11	11.2	10.2

Note: Computed using National Statistical Coordination Board's (NSCB) National Income Accounts; includes only agriculture, hunting, and fishing and excludes forestry

#### *Subsector contribution to GVA*

Crops (palay, corn, coconut including copra, sugarcane, banana, mango, pineapple, coffee, cassava, rubber, other crops), livestock and poultry remain the growth drivers, accounting for about 74 percent of the sector GVA. In particular, the crop subsector grew by 5 percent and 4.3 percent in 2011 and 2012, respectively. Growth was mainly propped up by strong performances of palay and corn, which contribute about 20 percent to the GVA of the crop subsector. In 2012, palay production expanded by 2.1 percentage points (ppt) from 5.9 percent in 2011 to 8.0 percent in 2012. This enabled the country to achieve a self-

sufficiency ratio of 95 percent. This expansion was facilitated by the development of new irrigation areas, and restoration and rehabilitation<sup>52</sup> of existing irrigation systems.

Among the high-value crops, coconut and banana posted the highest contribution of around 19 percent to crop subsector GVA. In 2012, coconut production increased by 4.2 percent not only because of the favorable weather conditions but also because of the thorough implementation of the salt fertilization program of the Philippine Coconut Authority (PCA) in most of the major coconut-producing provinces of the country. Similarly, the 0.7-percent growth in production of banana in 2012 was also due to the good weather that enabled larger areas to be harvested and the addition of more bearing hills especially in Northern Mindanao, MIMAROPA, Western Visayas, Central Visayas and Autonomous Region in Muslim Mindanao (ARMM).

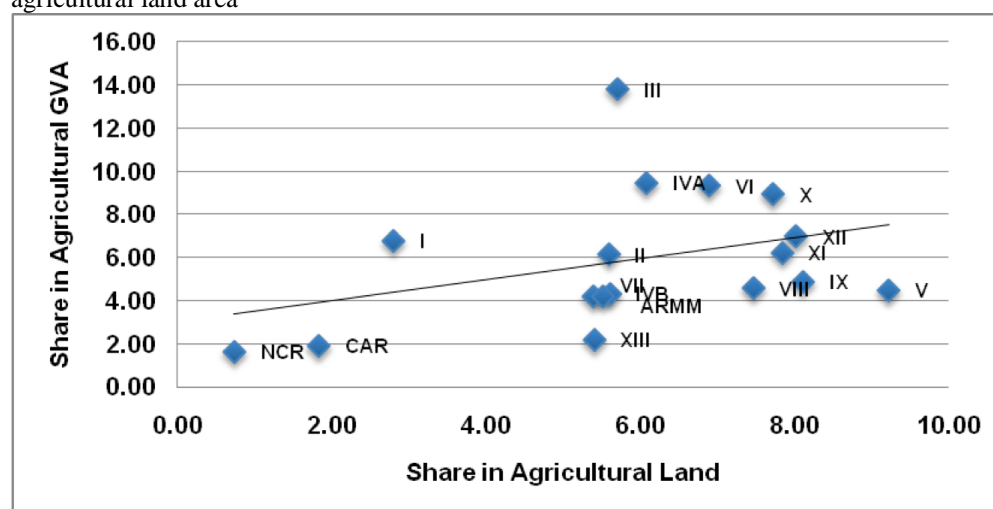
The livestock subsector grew by 2.0 percent in 2011, following the increase in farm gate prices because of higher demand for beef and pork. However, its growth slowed down to 1.1 percent in 2012, due to the shortage of both imported and local inputs, primarily animal feeds, which affected production. Meanwhile, the poultry subsector continued to post strong gains as it recorded an average annual growth rate of 4.5 percent over the three-year period. This is well above the lower-end target of 4.2 percent annual poultry subsector growth.

The fisheries subsector finally recovered in the first semester of 2013, posting a record-high growth of 4.6 percent from a dismal performance of -4.3 percent and -0.4 percent for the full year 2011 and 2012, respectively. This up-turn resulted from the positive performance of aquaculture, particularly tilapia and milkfish, which continue to contribute about 44 percent of total fisheries output. The capture fishing also exhibited strong performance because of the increased catch of skipjack, round scad, and yellow fin tuna, after the tuna ban in the Pacific Sea was lifted and marine resources were enhanced following the close fishing season policy of the government in 2011 and 2012.

#### Regional contribution to GVA

Among the regions, the top contributors to the sector GVA in 2012 are Central Luzon (14%), CALABARZON (10%), Western Visayas (9.4%), Northern Mindanao (8.5%) and SOCCSKSARGEN (7.4%). Figure 4.2 shows that Central Luzon (Region III) far exceeds the other regions in terms of land productivity. Bicol (Region V) and Zamboanga (Region IX) have relatively large agricultural areas but are shown to be among those with the lowest land productivity. Enhancing productivity levels in these areas to reach the levels achieved by Regions XI and XII could have huge impact on agricultural incomes and GVA.

Figure 4.2. Average regional share to agricultural GVA (2011-2012) and agricultural land share to total agricultural land area



Source of data: Bureaus of Agricultural Statistics (BAS), NSCB

<sup>52</sup> Rehabilitation works improve the efficiency of existing irrigation systems. While rehabilitation projects do not expand harvest areas, such projects are crucial to avoid the deterioration of the existing facilities which can result to a decrease in harvest areas.

## Exports performance

For 2011 to 2012, the A&F sector generated US\$5.195 billion in exports revenue, representing an average annual growth rate of 12 percent. Top agriculture exports include coco oil, banana, tuna, pineapple, desiccated coconut, seaweeds, tobacco and centrifugal sugar. The same mix of commodities has remained for the past several decades. However, none of them could be considered niche export commodity of the country and they could lose their market to more competitive suppliers. Hence, the boom-and-bust performance of the export sector has paralleled the rise and fall of world prices of the commodities. In 2011, for example, the sector posted a 32-percent increase in export revenue due to the relatively high world prices, particularly sugar that managed to increase exports earnings by almost ten times the 2010 level. In 2012, however, export revenue contracted by 7.1 percent as a result of the decline in world market prices of coco oil, copra, and sugar. The country's sugar exports, in particular, dropped given the stiff competition posed by Thailand's growing sugar industry. On the other hand, tuna exports bounced back from a 12.5-percent contraction in 2011 to a 44.6-percent increase in 2012.

The continued trade facilitation activities of the government, through the Department of Agriculture (DA), to increase market access alongside the sustained Avian Influenza (AI)- and foot and mouth disease (FMD)-free livestock and poultry sectors are seen to support exports growth.

Table 4.2. Value and growth of top agricultural exports, 2011-2013

Commodities	Value (in US\$ M)					Growth (in %)		
	2011	2012	H1 2013	Average		10-11	11-12	Average
				Value (11-12)	% Share			
Coco oil	1,425.50	1,016.10	538.31	1,220.80	23.50	12.61	(28.72)	(8.06)
Banana, fresh	471.00	646.70	453.98	558.85	10.76	47.51	37.30	42.41
Tuna	314.60	455.10	339.35	384.85	7.41	(12.47)	44.66	16.10
Pineapple & products	341.30	414.90	196.35	378.10	7.28	40.68	21.56	31.12
Desiccated coco	286.80	197.00	95.63	241.90	4.66	87.94	(31.31)	28.32
Seaweeds & carrageenan	210.90	184.20	123.60	197.55	3.80	36.77	(12.66)	12.06
Tobacco manufactured	200.00	157.50	155.00	178.75	3.44	24.07	(21.25)	1.41
Centrifugal sugar	351.50	108.80	148.35	230.15	4.43	1,087.50	(69.05)	509.23
<b>Top agricultural exports</b>	<b>3,601.60</b>	<b>3,180.30</b>	<b>2,242.27</b>	<b>3,390.95</b>	<b>65.27</b>	<b>34.15</b>	<b>(11.70)</b>	<b>11.23</b>
<b>Total agricultural exports</b>	<b>5,388.20</b>	<b>5,003.50</b>	<b>3,229.91</b>	<b>5,195.85</b>	<b>100.00</b>	<b>31.38</b>	<b>(7.14)</b>	<b>12.12</b>

Source: BAS

## Contribution to employment generation

The sector employs about 32.0 percent of the country's total labor force but accounts for 43 percent of the total underemployed. Based on the first three rounds of the Labor Force Survey in 2013, the number of people engaged in the sector has declined by 2.7 percent compared to the previous year, much faster than originally targeted and certainly much faster than can be absorbed in industry and services. The reduction in employment may be explained by extreme weather conditions that leave farmers who rely on a single crop unemployed when their farms are destroyed by typhoons or drought. Inadequate irrigation, among others, constrains the sector's flexibility to shift to other crops when a primary crop fails. The employment problem in the fisheries sector, on the other hand, can be traced to the fishing ban imposed as the resource had to be allowed time to regenerate.

Table 4.3. A&amp;F sector's contribution to employment, 2011-H12013

Particulars	2011	2012	H1 2013	Average (2011-H1 2013)
Employment (in thousand) and growth (in %)	12,267 (2.6)	12,093 (-1.4)	11,693 (-4.9)	12,018 (-1.2)
Share to total employment (in %)	33.0	32.2	30.9	32.0
Underemployment (in thousand) and growth (in %)	3111 (1.6)	3,235 (4.0)	3,142 (1.2)	3,163 (2.3)
Share to total underemployment (in %)	43.4	43.1	41.4	42.6

\* Total employed and underemployed in A&F includes hunting and forestry.

Source: National Statistics Office, Annual Labor and Employment Estimates for Various Years and Labor Force Survey

Meanwhile, the number of underemployed agriculture workers increased by about 2.3 percent, on average. This can be attributed to the seasonal nature of agriculture work, low wage rates and limited opportunities for livelihood diversification. For 2011 to 2013, the basic pay in the sector amounted to an average of PhP165 per day, about PhP200 less compared to the basic pay of non-agriculture workers (Table 4.4). This suggests the need to generate agri-related industries to absorb the underemployed especially during the off-cropping seasons and calls for more intensified private sector participation to facilitate the effective and efficient establishment of such linkages. The additional livelihood opportunities, especially those that draw inputs from agricultural produce, could lead to increases in rural incomes from higher wages earned and from increases in the production of raw inputs.

Table 4.4. Average daily basic pay of wage and salary workers by major industry group, 2011-Q1 2013 (in PhP)

Major Industry Group	2011	2012	Q1 2013	Average
All industries	317.44	333.82	345.99	322.42
Agricultural	158.20	166.74	169.06	164.67
<i>Agriculture, hunting and forestry</i>	<i>156.81</i>	<i>165.27</i>	<i>167.10</i>	<i>163.06</i>
<i>Fishing</i>	<i>178.43</i>	<i>191.68</i>	<i>202.08</i>	<i>189.40</i>
Non-agricultural	349.01	366.90	384.04	366.65

Source: Bureau of Labor and Employment Statistics (BLES), 2012 Yearbook of Labor Statistics and 2013 Current Labor Statistics

### Comparison with ASEAN Countries

The country remains the laggard in agricultural productivity when compared to its neighbors in the Association of Southeast Asian Nations (ASEAN).

Table 4.5. Average value and share of international trade of agricultural products, 2010-2012

Country	Export		Import		Average trade balance (in million US\$)
	Average value (in million US\$)	Average share* (%)	Average value (in million US\$)	Average share* (%)	
Indonesia	43,041	0.25	19,654	0.11	23,387
Malaysia	33,906	0.19	19,544	0.11	14,362
<b>Philippines</b>	<b>4,874</b>	<b>0.03</b>	<b>7,030</b>	<b>0.04</b>	<b>(2,156)</b>
Thailand	41,589	0.24	14,675	0.08	26,914
Vietnam	21,370	0.12	12,385	0.07	8,984

Source: World Trade Organization (WTO)

\*Share to total merchandise trade

Productivity of traditional crops such as rice (3.7 mt/ha), corn (2.7 mt/ha), coffee (1.5 mt/ha) and coconut (4.35 mt/ha) is low compared to other countries in the region (Table 4.6). Average yield levels of banana and sugarcane are on the high side but could still be further improved to be at least on par with Indonesia for banana and Thailand for sugarcane. Banana is one of the Philippines' export winners with markets in Japan, Korea, China and the Middle East. Its competitive stance, however, should be strengthened to further improve its market potential. This goes the same for other agricultural commodities of the country.

Table 4.6. Yield comparison of major food commodities in selected ASEAN countries (in mt/ha)

Country	Average (2010-2012)					
	Rice	Corn**	Sugarcane	Coconut	Banana*	Coffee*
Indonesia	5.04	4.63	57.93	5.97	57.85	0.51
Malaysia	3.84	5.42	61.27	5.20	21.36	1.59
<b>Philippines</b>	<b>3.71</b>	<b>2.72</b>	<b>71.86</b>	<b>4.35</b>	<b>40.61</b>	<b>1.52</b>
Thailand	2.97	4.31	73.60	5.19	23.90	1.67
Vietnam	5.50	4.23	62.07	8.79	30.27	4.51
<b>Philippine rank</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>4</b>

\*2010-2011 only

\*\*Average yield for both yellow and white corn

Source: Food and Agricultural Organization Corporate Statistical Database (FAOSTAT)

### Contribution to food security and poverty reduction

The relatively high production growth rates in the crop subsector during the period should have led to improvements in terms of the country's food security agenda. But this growth performance was not high enough to make a dent in the goal of reducing poverty in the sector. Official data on poverty for 2009 indicated that poverty incidence in the A&F sector stands at 36.7 percent (1.7 million) among farmers and 41.4 percent (346,345) among fisherfolk. For 2012, the NSCB reported that subsistence incidence among families remained at 7.5 percent.

### Challenges

The A&F sector will need to overcome numerous challenges to be able to realize its potentials. Among these are (a) low productivity and production; (b) slow market growth and poor linkage to value-adding activities; (c) weak institutions and policies; (d) weak governance and resource degradation; and (e) vulnerability to climate risks and disasters.

#### Low productivity and production

Overcoming low productivity levels is the most challenging concern that hinders the development of the A&F sector. Several factors impede the achievement of higher yield levels.

#### Limited access to credit and insurance

Inadequacy of working capital limits the access of agricultural workers to modern technologies, farm equipment, post-harvest facilities, and new plant varieties, among others. Reports published by the Bangko Sentral ng Pilipinas (BSP) show that the share of banks' loans granted to the sector remains low, representing only about 20 percent. While the Agro-industry Modernization Credit and Financing Program (AMCFP) significantly released loans through cooperative rural banks from PhP446 million in 2011 to PhP1.12 billion in 2012, or by 151 percent, the average share of agricultural and agri-production loans granted against total loans granted by banks remained low at 2.0 percent in 2011 and 0.7 percent in 2012, respectively.

The same factors have contributed to the limited access and availability of credit to the A&F sector. Among the reasons why banks hesitate to offer loans to small farmers and fisherfolk are: (a) lack of viable/profitable agriculture projects; (b) poor repayment capacity or cash flow of borrowers; (c) high risk of lending to agriculture relative to non-agriculture; (d) high cost of administering small loans; and (e) lack of borrowing experience or poor credit track record. On the other hand, small farmers cite the following

reasons for their inability to access credit from banks: (a) lack of knowledge in accessing formal/bank loans; (b) stringent documentary requirements and cumbersome procedure; (c) lack of/inadequate collateral; and (d) high cost of borrowing/interest rate (Agricultural Credit Policy Council or ACPC, 2013).

The expansion of insurance for the sector, on the other hand, has been constrained by Philippine Crop Insurance Corporation's (PCIC) weak capitalization. PCIC was only able to cover about 0.45 percent and 0.55 percent of the total climate-related damages incurred by the sector in 2011 and 2012, respectively. The country's vulnerability to inclement weather further aggravates the case as it keeps profit from reaching a sufficient level that would allow it to recover the outlays from insurance coverage.

#### *Low adoption and application of technology*

Despite the availability of science and technology packages and products to Filipino farmers and fisherfolk, the rate of adoption is low due to: (a) weak links among technology producers, extension workers, and farmers/fisherfolk; (b) lack of media/public awareness on the benefits of the technologies; (c) financial or capacity constraints of intended users; and (d) inadequate local government unit (LGU) commitment in the provision of extension service.

#### *Incomplete land ownership transfer under CARPER*

Growth in productivity can be enhanced if land is owned by farmers who will have the freedom to make their own production decisions, such as technology adoption that leads to higher efficiency. This highlights the need to fast-track asset reform program in the country to provide incentive to farmers and other stakeholders to invest in rural areas (Habito and Briones, 2005).

For 2011-2012, the Departments of Agrarian Reform (DAR) and Environment and Natural Resources (DENR) have acquired and distributed 422,743 hectares of land, or about 66 percent of their combined targets (Table 4.7). These accomplishments by the Comprehensive Agrarian Reform Program-Extension with Reforms (CARPER) have benefitted 345,185 agrarian reform beneficiaries (ARBs). To strengthen the tenurial security of ARBs, minimize boundary disputes, and facilitate the payment of taxes and individual amortization, DAR has likewise subdivided and re-documented collective Certificates of Land Ownership Awards (CLOAs) into individual titles covering 77,353 hectares of agricultural lands, or 23.35 percent of the PDP target for the period.

Table 4.7. CARPER accomplishments vis-à-vis targets, 2011-2012

Indicator	PDP target		Actual accomplishment	
	2011	2012	2011	2012
<b>Land distributed under CARP (in hectares)</b>				
Land distributed by DAR	200,000	240,247	120,284	115,099
Land distributed by DENR	100,000	100,000	92,146	95,214
Total	300,000	340,247	212,430	210,313
<b>CARP beneficiaries</b>				
Number of ARBs (DAR-assisted)	117,647	141,322	63,755	48,806
Number of ARBs (DENR-assisted)	129,747	129,747	115,631	116,993
Total number of ARBs	247,394	271,069	179,386	165,799

Source: DAR and DENR

In terms of agrarian justice delivery, DAR has resolved 94,128 cases or 96 percent of its target on Agrarian Legal Implementation (ALI) covering relevant land acquisition and distribution (LAD) cases such as protest against CARP coverage, identification of beneficiaries, and issuance and subdivision of CLOAs, among others.

DAR interventions to strengthen capacities of ARBs and ARB organizations for agriculture production translated into economic empowerment of the ARBs. In particular, the average yields in irrigated rice (4.57 mt/ha) and corn lands (3.89 mt/ha) in agrarian reform communities (ARCs) are higher by 0.43 mt/ha and



1.29 mt/ha than the national average, respectively.<sup>53</sup> In terms of 2011 income, the average ARB annual household income stands at PhP159,614.00,<sup>54</sup> or PhP58,568.00 higher than the rural poverty threshold for a family of six, which is about PhP101,046.00.<sup>55</sup>

### Slow market growth and poor linkage to value-adding activities

Another hurdle that the sector has to overcome is the inability of the market to develop at a faster and more dynamic pace. The following issues have been identified to contribute to the challenge:

#### *Limited diversification of production and products*

The composition of the top performing agricultural commodities has been constant for the past years. Rice, corn and coconut continue to have the largest share in terms of land area. Similarly, the mix of commodities in the list of top agricultural exports has not changed throughout the years. The production portfolio needs to be diversified primarily: (a) to manage and reduce the impact of shocks especially those brought about by weather disturbances and volatility of prices both in the domestic as well as in the international markets; and (b) to promote other commodities with high linkage potential to other sectors, primarily the industrial sector. The latter requires strengthening the value-chain between agriculture and industry sectors to create quality jobs for the underemployed and to produce quality processed products for both the domestic and international markets.

#### *Limited connectivity (farm-to-market roads or FMRs, interisland shipping)*

One of the most critical binding constraints that hamper agricultural productivity growth and market expansion is the absence or inadequacy of an efficient logistics system, particularly for transport. Its direct outcomes include high transaction costs of doing business in rural areas that prevent farmers and fisherfolk from maximizing potential business opportunities in rapidly growing and urban areas, including foreign markets for export commodities. Comparatively, domestic prices of products are higher than the landed cost of their equivalent or, in some cases, better-quality imports. Domestic retail price of rice (PhP34.7/kg versus PhP25.9/kg) and refined sugar (PhP59/kg vs. PhP50/kg) in 2011 was about 34 percent and 16 percent higher, respectively, compared with their imported counterparts. The connectivity challenge is more formidable because of the archipelagic characteristic of the Philippines, where interisland transportation support facilities are a prerequisite in catalyzing the flow of goods from the production area, up to the point of final sale. Effects of climate change add to the threats of limited connectivity, given the country's high vulnerability to inclement weather.

#### *Inefficient and inadequate post-harvest and other marketing facilities*

Huge post-harvest losses result from inefficient or absence of post-harvest and other marketing facilities, ineffective logistics services, and post-harvest mishandling, all of which translate to reduction in farmer incomes. In 2011, about 16.47 percent of total rice production was lost during post-harvest operations. Similarly, there were about 5- to 48-percent production losses in fruits, 15 to 45 percent in vegetables, and 27 percent in fisheries in the same period.

#### *Weak capacity of farmers and fisherfolk for entrepreneurship*

One aspect lacking in the Filipino farmers and fisherfolk is their capacity to maximize additional business opportunities and value-adding activities beyond farming. Weak entrepreneurial skills further hinders agricultural producers from utilizing market information that will help them in improving their competitiveness, as well as in identifying the type of demand-driven products that are more profitable.

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<sup>53</sup> Department of Agrarian Reform (2012). ARC Level of Development Assessment (ALDA) Report for CY 2011. Quezon City: Department of Agrarian Reform, Planning Service.

<sup>54</sup> ALDA Report Cy 2011

<sup>55</sup> National Statistical Coordination Board-Philippine Poverty Statistics.



### *Weak institutions and policies*

The presence of an enabling environment is important in effecting the desired economic growth and development from the programs, plans and policies being implemented by the government, given that it is also key in managing negative externalities. Critical to this is the capability and capacity of concerned institutions in formulating and executing appropriate activities and policy instruments that will encourage collective action from all stakeholders, thereby promoting and effecting inclusive growth.

### *Smuggling*

Though there are no current studies on the effects of smuggling in the economy, it is clear that the entry of illegal and undocumented goods in the country results in a wide price disparity that disadvantages local producers. Further, smuggled agricultural commodities do not undergo the necessary quality and safety procedures. This poses health and security issues and even introduces foreign-borne pests and diseases.

### *Weak agriculture extension service*

The different geographic and environmental attributes of the agriculture and fisheries production areas in the country stress the need for local-level extension services. The devolution of the agriculture sector has lodged the leadership of such responsibility to the LGUs. However, it has been noted that LGU funding allocation is minimal and is still largely dependent on the support from the national government, through DA. Added to this is the inadequate manpower and technical capacities of technicians, which contribute to the government's inability to effectively respond to and address the needs of sector's stakeholders.

### *Inadequate support for R&D*

The national budgetary support for R&D and extension, education and training services for 2011 to 2013 account for an average of only 9 and 13 percent of the total agriculture budget, respectively. The continued underinvestment in these public goods should be reversed, as these investments are expected to generate and facilitate subsequent adoption of technologies that would help improve productivity and raise incomes.

### *Overlapping functions and contradicting policies*

There is a need to rationalize government functions and policies to establish a strategic approach in addressing the needs of stakeholders and in creating an enabling environment for their participation. At present, there is an apparent overlap of functions of DA and DAR, particularly in the provision of support services to farmers and fisherfolk, which requires a systematic and more unified approach to enhance its efficiency. Such is also the case between the DA and DENR in terms of fisheries management in marine-protected areas, as well as among DAR, DENR, Land Registration Authority (LRA) and National Commission on Indigenous Peoples (NCIP) in terms of land titling and distribution.

On the other hand, the National Food Authority (NFA) interventions currently cover both the protection of rice farmers and consumer welfare, two dimensions that require different and potentially conflicting sets of policies. As such, there is a need to rationalize the role of NFA, by way of resolving and settling its appropriate mandate.

### *Resource degradation due to weak enforcement of regulations*

Natural and man-made hazards to the environment, natural resources and biodiversity have dampened economic services to support higher productivity growth. Despite recognition of their negative consequences, continued use of unsustainable production practices (e.g. extensive use of chemical inputs, expansion of grazing lands, slash and burn practices, and deforestation especially in watershed areas, overfishing, etc.) have continued. Numerous laws and regulations have been formulated and put into force supposedly to arrest and halt these destructive farming and fishing practices. The governance of their implementation has been weak due to lack of capable manpower, financial capacities to purchase the needed equipment for policing and patrolling and most critical of all is the lack of political will to provide teeth to the laws and regulations.

## Vulnerability to climate risks and disasters and inadequate climate risk-resilient technologies

Changing rainfall patterns, rising temperatures, increasing frequency and intensity of typhoons and dry spells and sea level rise are manifestations of climate change. These changes will spell a difference in terms of cropping calendars, unpredictability of yields, pest pressures, crop losses, livestock and fisheries production, and damage to existing infrastructure. Production losses from climate-related disasters (i.e. typhoons, tropical storms and flooding) increased to PhP33.5 billion in 2012, from PhP25.2 billion in 2011 and PhP13.8 billion in 2010. Interventions to improve the sector's resiliency against the negative impact of extreme weather events and climate change continue to be prioritized. The scenarios from the Department of Science and Technology—Philippine Atmospheric, Geophysical and Astronomical Services Administration (DOST-PAGASA) for 2020 and 2050 project widespread warming in most parts of the country. Longer hot days and shorter cold days are expected. The number of days with maximum temperature of more than 35oC is expected to increase in all parts of the country. Projected seasonal mean temperatures in the Philippines are expected to rise by about 0.9 to 1.1oC for 2020 and 1.8 to 2.2oC by 2050. Extreme rainfall is also projected to increase in Luzon and the Visayas while a decreasing trend is projected in Mindanao (MDGF-1656, 2011).

About 27.3 percent of the total land area in the country (8.34 million hectares) is considered to be vulnerable to drought, alternating with floods and typhoons on an annual basis. This is further magnified by the insufficient climate risk-resilient technologies and subsequent adoption of related innovations that may help palliate the effects of inclement weather and other climate-related disasters.

### III. UPDATED TARGETS

A summary of the updated targets in the A&F sector is presented in Table 4.8, according to sector, subsector and intermediate outcomes.

Table 4.8. Revalidated results matrix (RM) on competitive and sustainable A&F sector.

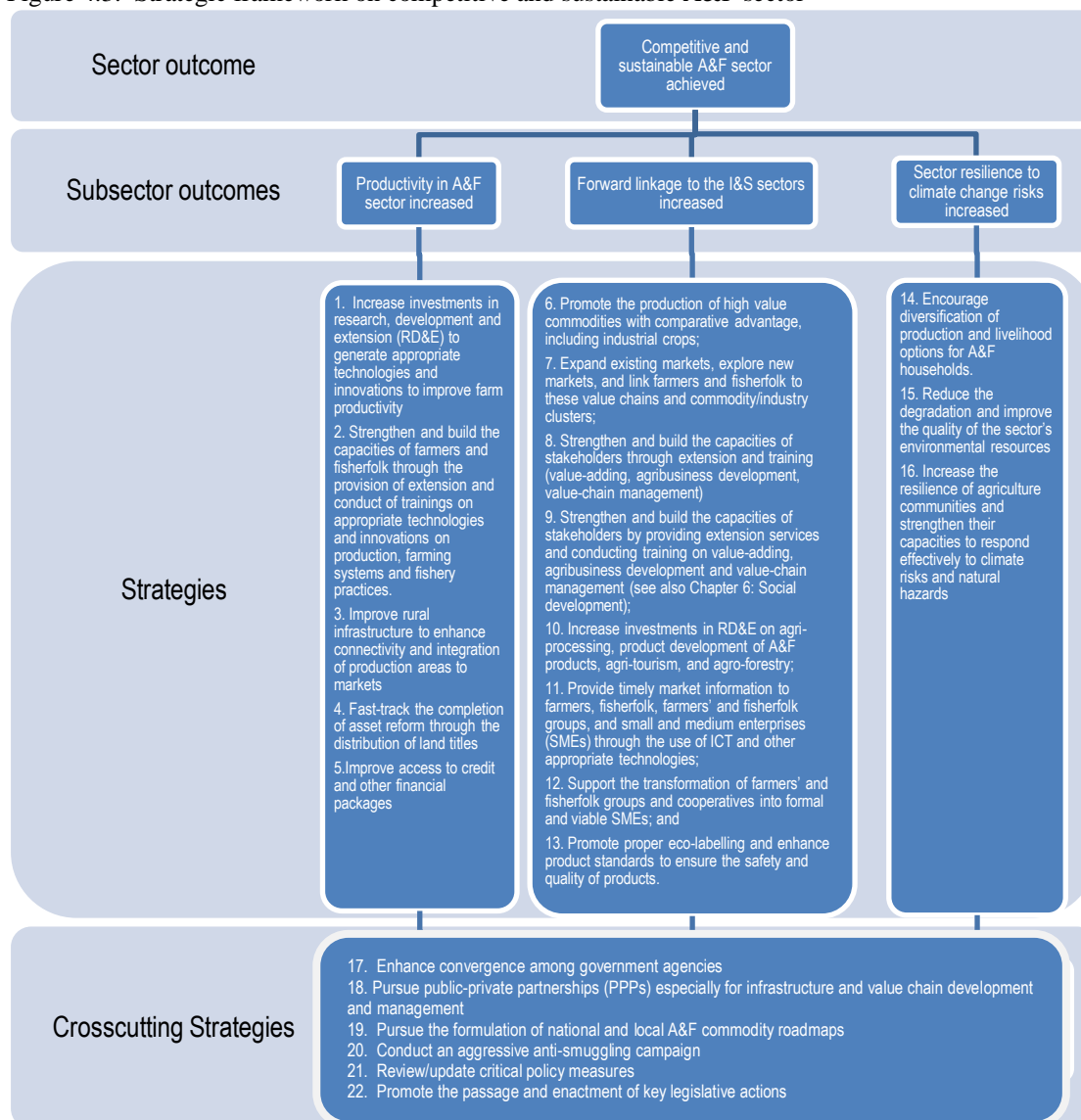
Indicators	Baseline (2012)	End-of-Plan target (2016)	Assumptions and risks
<b>Sector outcome: Competitive and sustainable A&amp;F sector achieved</b>			
A&F GVA increased by 14-19%, at constant 2000 prices (in million PhP)	695,100	793,794-824,958	<ul style="list-style-type: none"> <li>Budgetary allocations and reforms in the sector are implemented</li> </ul>
<i>Crops by 18-22%</i>	347,456	408,429-424,346	
<i>Livestock by 6-12%</i>	93,260	98,495-104,147	
<i>Poultry by 18-22%</i>	74,536	87,869-91,291	
<i>Fisheries by 8-13%</i>	130,032	140,881-146,349	
Value of agricultural exports increased by 9.5-10.5% annually (in million US\$)	5,004	7,194-7,460	
Labor productivity in A&F sector increased by 2-5% annually, at constant 2000 prices (in PhP)	57,797	62,561-70,253	
<b>Subsector outcome A: Productivity in A&amp;F sector increased</b>			
Yield of major commodities increased (in metric ton per hectare)			<ul style="list-style-type: none"> <li>Farmers, fisherfolk and their organizations adopt sustainable, productivity-enhancing technologies and innovations</li> </ul>
<i>Palay by 18%</i>	3.84	4.53	
<i>White corn by 26%</i>	1.65	2.08	
<i>Yellow corn by 26%</i>	4.09	5.16	
<i>Banana by 21%</i>	20.36	24.57	
<i>Coconut (copra) by 14%</i>	0.88	1.00	
<i>Pineapple by 11%</i>	41.06	45.66	
<i>Mango by 24%</i>	4.07	5.06	
<i>Sugarcane by 16%</i>	61.34	71.20	
<i>Cassava by 98%</i>	10.23	20.23	
<i>Coffee by 19%</i>	0.74	0.88	
<i>Cacao by 35%</i>	0.52	0.70	

Indicators	Baseline (2012)	End-of-Plan target (2016)	Assumptions and risks
<i>Rubber by 44%</i>	2.52	3.62	
Volume of production increased (in '000 metric ton)			
<i>Hog by 10%</i>	1,974	2,172	
<i>Chicken by 25%</i>	1,479	1,852	
<i>Commercial fisheries by 12%</i>	1,042	1,169	
<i>Municipal fisheries by 9%</i>	1,281	1,392	
<i>Aquaculture by 10%</i>	2,542	2,784	
Level of post-harvest losses reduced (in %)			
<i>Rice by 2.4 ppts</i>	16.5 (2010)	14.1	
<i>Corn by 0.3 ppts</i>	7.2 (2009)	6.9	
<i>Fisheries by 7 ppts</i>	25.0 (2008)	18.0	
<i>Banana by 3 ppts</i>	16.0 (2009)	13.0	
<i>Mango by 6 ppts</i>	30.0 (2009)	24.0	
Rice self-sufficiency ratio increased by 5 ppts (in %)	95.0	100.0	
<b>Subsector outcome B: Forward linkage to the I&amp;S sectors increased</b>			
Proportion of industrial crops to total crop production increased (in %)			<ul style="list-style-type: none"> <li>Farmers, fisherfolk and their organizations adopt sustainable, productivity-enhancing technologies and innovations</li> </ul>
<i>Abaca by 0.3 ppts</i>	0.1	0.4	
<i>Cacao by 1.9 ppts</i>	0.1	2.0	
<i>Coffee by 1.9 ppts</i>	0.1	2.0	
<i>Oil palm by 3.0 ppts</i>	0.6	3.6	
<i>Rubber by 2.0 ppts</i>	0.5	2.5	
<i>Sugarcane by 7.5 ppts</i>	30.5	38.0	
<i>Tobacco by 0.4 ppts</i>	0.1	0.5	
Volume of industrial crops production increased (in '000 metric tons)			
<i>Abaca by 3%</i>	68.5	70.3	
<i>Cacao by 4%</i>	4.8	5.0	
<i>Coffee by 4%</i>	88.9	92.6	
<i>Oil palm by 23%</i>	531.3	654.3	
<i>Rubber by 8%</i>	443.0	478.4	
<i>Sugarcane by 31%</i>	26,395.9	34,681.5	
<i>Tobacco by 32%</i>	48.1	63.5	
Private investments in agri-related activities increased (in million PhP)	5,172	10,725	
<b>Subsector outcome C: Sector resilience to climate change risks increased</b>			
Annual proportion of farm households' income to total income decreased (in %)	48.5 (2011)	Decreasing per year	<ul style="list-style-type: none"> <li>Climate change adaptation programs are mainstreamed and implemented in all programs of the government.</li> </ul>
Number of farmers with risk insurance increased	311,388	2,035,864	
<b>Intermediate outcome</b>			
<b>Land tenure security improved</b>			
Total land distribution under CARP (in hectares)			
<i>DAR</i>	115,099	818,390	
<i>DENR</i>	95,214	216,974	
Subdivided and re-documented collective CLOAs into individual titles (in hectares)	38,866	740,668	
Proportion of farmer/fisherfolk borrowers obtaining loans from formal sources increased by 28 ppts (in %)	57.0 (2008)	85.0	

## IV. STRATEGIC FRAMEWORK

Taking into account the challenges identified in the previous section, the PDP strategies for the A&F sector will aim to (a) increase productivity in the sector, (b) increase forward linkage with the I&S sectors, and (c) increasing sector resilience to risks, including climate change.

Figure 4.3. Strategic framework on competitive and sustainable A&F sector



### Sector outcome A: Productivity in A&F sector increased

For the remaining years of the Plan period, interventions will be directed towards increasing the productivity of key commodities such as palay, corn, sugarcane, pineapple, coconut, coffee, banana, mango, livestock and poultry and fisheries, among others. The targeted level of increase in productivity is 19 percent from 2012 to 2016. In particular, the government is committed to ensure enough supply of rice for the country. The DA has launched the Food Staples Sufficiency Program (FSSP), which aims to provide sufficient, locally-sourced food staples to every Filipino. Specifically, it intends to reach 100-percent rice self-sufficiency by 2014 and beyond primarily through increasing the areas suitable to palay production. It likewise calls for the reduction of the country's dependence on imported rice and requires the NFA to increase its annual local procurement to about 10 percent of annual domestic production.

Strategy 1: Increase investments in Research, development and extension (RD&E) to generate appropriate technologies and innovations to improve farm productivity:

- Update databases and information systems for the formulation of a reliable and responsive national RD&E agenda;
- Encourage partnership between and among higher education institutions, LGUs, private and business sector on RD&E and training initiatives;
- Rationalize and strengthen the provision of extension services through improved complementation of national, local and private sector entities; and
- Encourage the participation of farmers, fisherfolk and their organizations in research and promotion activities;

Strategy 2: Strengthen and build the capacities of farmers and fisherfolk through the provision of extension and conduct of trainings on appropriate technologies and innovations on production, farming systems and fishery practices

Strategy 3: Improve rural infrastructure to enhance connectivity and integration of production areas to markets

There are Category 1 provinces that have lagged behind because of poor/slow development of infrastructure support. Faster improvement of the following facilities will open their further growth and development:

- Provide irrigation services and facilities; maintain existing systems and establish small-scale irrigation systems; enhance cost-sharing/counterpart mechanisms for financing with LGUs;
- Establish roads, bridges and other logistics-related infrastructure to link production areas to markets;
- Increase the effectiveness and efficiency of the rural infrastructure system such as FMRs, bridges, post-harvest, information and communications technology (ICT) systems and all other infrastructure (see also Chapter 10: Accelerating infrastructure development);
- Enhance the technical design of irrigation, drainage systems and facilities, FMRs, bridges and other infrastructure to take into account climate risks and extreme climate events; and
- Establish post-harvest facilities in strategic agricultural production areas.

Strategy 4: Fast-track the completion of asset reform through the distribution of land titles

LAD activities have entered a more difficult phase. In particular, huge portions of the remaining 792,639 hectares of LAD balances are private agricultural lands that have to be acquired through compulsory acquisition. To help overcome this more difficult situation which is exacerbated by the poor land administration and management system now in place, DAR has instituted several policy and operational measures to speed up completion of land distribution by 2016 and ensure post-LAD tenurial stability. These include: (a) streamlining of LAD processes; (b) accurate assessment of actual magnitude and status of LAD balance and corresponding issues; and (c) intensification of the monitoring of performance of provincial/municipal agrarian reform offices.

Alongside the intensified efforts to complete LAD, the government will ensure continued delivery of support services to ARBs and ARCs, including: (a) strengthening the organizational capacity of ARBs and ARB organizations to develop and manage agri-enterprises; (b) scaling up microenterprises into formal and viable micro-, small and medium enterprises (MSMEs) through the clustering of ARCs and establishing networks of enterprises; and (c) establishing physical infrastructure in strategic ARCs and clusters. Investments along these lines are deemed imperative towards providing more development opportunities in CARP-awarded lands, especially that about 21 percent and 11 percent of the total ARCs are located in Category 1 and 2 provinces, respectively.<sup>56</sup>

An example of such intervention is the newly approved Convergence on National Value-Chain Enhancement for Rural Growth & Empowerment (CONVERGE) Project. It aims to reduce incidence of poverty through crop diversification and increased farm incomes of 135,000 agricultural households in 91 ARCs, 11 ARC clusters, 50 municipalities and 515 barangays in regions IX, X and XIII in Mindanao. These three target regions are among the six poorest regions of the country and have majority of the provinces included under Categories 1 and 2.

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<sup>56</sup> Computed using DAR data on number of ARCs confirmed by region, as of June 2013

Another example is the Gearing Rural Organizations for Wealth Creation Towards Household Income Improvement (GROWTH) Project. The five-year project aims to significantly raise household incomes, productivity and the quality of life of ARBs and small-holder farmers in the targeted 14 ARC clusters involving 102 ARCs located in 14 provinces, including Pangasinan, Negros Occidental, Camarines Sur, Leyte, Iloilo, Eastern Samar and Masbate, and spread in 10 regions. The provinces, which are selected based on the criteria of high provincial poverty incidence and high percentage of poorest municipalities within the province, are also part of Category 1 and 2.

#### Strategy 5: Improve access to credit and other financial packages

- Strengthen the Agriculture and Fisheries Modernization Act (AFMA)-mandated AMCFP;
- Implement capacity building programs to improve the credit-worthiness of farmers, fisherfolk and their organizations;
- Develop and promote innovative financing schemes and risk-reducing mechanisms (i.e., guarantee and insurance) to encourage more banks and other lending conduits (i.e., cooperatives, government agencies, LGUs) to lend to farmers' and fisherfolk; and
- Intensify information dissemination of credit, guarantee and insurance program.

#### Sector outcome B: Forward linkage with the I&S sectors increased

In order to increase the forward linkage of agriculture to the I&S sectors, the volume and productivity of industrial crops will be increased for abaca, cacao, coffee, oil palm, rubber, sugarcane and tobacco. Notably, sugarcane production will be increased by 31 ppts from 26.4 million metric tons to 34.7 million metric tons by the end of the Plan period. In addition, cacao and coffee production will be increased by 4 percent and 23 percent from 2012 levels to 2016, respectively.

Other strategies will be implemented to promote value-adding of A&F products and agribusiness development among small-holder farmers, including ARBs and indigenous peoples:

#### Strategies

- Strategy 6: Promote the production of high value commodities with comparative advantage, including industrial crops
- Strategy 7: Expand existing markets, explore new markets, and link farmers and fisherfolk to these value chains and commodity/industry clusters
- Strategy 8: Strengthen and build the capacities of stakeholders through extension and training (value-adding, agribusiness development, value-chain management)
- Strategy 9: Strengthen and build the capacities of stakeholders by providing extension services and conducting training on value-adding, agribusiness development and value-chain management (See also Chapter 6 (Social development) for similar strategies.)
- Strategy 10: Increase investments in RD&E on agri-processing, product development of A&F products, agri-tourism, and agro-forestry
- Strategy 11: Provide timely market information to farmers, fisherfolk, farmers' and fisherfolk groups, and small and medium enterprises (SMEs) through the use of ICT and other appropriate technologies
- Strategy 12: Support the transformation of farmers' and fisherfolk groups and cooperatives into formal and viable SMEs
- Strategy 13: Promote proper eco-labeling and enhance product standards to ensure the safety and quality of products

#### **Box 4.1. The National Industry Cluster Capacity Enhancement Project: Bolstering pilot industry clusters**

The National Industry Cluster Capacity Enhancement Project (NICCEP) is a three-year technical cooperation project funded by the Japan International Cooperation Agency (JICA). The project aims to enhance the capacity of selected pilot industry clusters (i.e., ICT, tourism, agribusiness, manufacturing, health and wellness, and mining) throughout the country to plan, implement, facilitate service delivery, evaluate projects, and improve industry competitiveness and business environment. Selection of pilot industry clusters to be promoted in a certain region is drawn from consultations with local industry stakeholders, considering respective geographical attributes and available natural resources, among others. This approach allows agribusiness projects to be strategically distributed within the country, given agriculture's dependence on its production area's natural endowments.

Through the NICCEP, the government is able to provide capacity-building trainings and related activities that help boost sector stakeholders' participation in the value chain, thereby enabling them to maximize available entrepreneurial opportunities beyond farming. In support of this, the Department of Trade and Industry (DTI) has been establishing shared service facilities (SSFs) or production centers to provide micro-, small and medium enterprises (MSMEs) better access to technology and more sophisticated equipment. This accelerates the MSMEs' bid for competitiveness and helps them graduate to the next level where they could tap a better and wider market and be integrated in the global supply chain. For agribusiness, established SSFs include processing facilities for bamboo, coir, coffee and dairy products.

As a result of these interventions, the agribusiness industry, as one of the targeted industry clusters, is expected to increase its contribution to the national economy, particularly in terms of investments generation, exports expansion, creation of jobs and development of MSMEs. Ultimately, this will contribute to the goal of inclusive growth and poverty reduction.

#### **Sector outcome C: Sector resilience to climate change risks**

The A&F sector needs to adapt to climate change, as weather-related shocks are expected to become normal occurrences. The Updated PDP intends to increase insurance protection extended to farmers and fisherfolk against losses in the A&F sector due to natural calamities as well as plant pests and diseases. The target is to increase the number of beneficiaries covered by 60 percent per year, from 311,388 in 2012 to 2,035,864 in 2016. (See also Chapter 9: Sustainable and climate-resilient environment and natural resources.)

Strategies for this consist of the following:

##### **Strategy 14: Encourage diversification of production and livelihood options for A&F households**

- Conduct training in crop-weather relationships and crop diversification to mitigate risks on off-seasons;
- Promote the development of off-farm and non-farm activities;
- Revise the design of the Community-Based Employment Program (CBEP) to function as an income protection measure;
- Conduct information, education and communication (IEC) campaigns and capacity-building activities for the purpose at the local level.

##### **Strategy 15: Reduce the degradation and improve the quality of the sector's environmental resources**

- Adopt effective approaches to develop rehabilitate and restore the natural resource base for A&F production;
- Increase investments in sustainable and climate change-responsive technologies and innovations in the production and processing of A&F products; and
- Promote the integration of agricultural development priorities/thrusts in land use and development, especially at the sub-national level.



### Strategy 16: Increase the resilience of agriculture communities and strengthen their capacities to respond effectively to climate risks and natural hazards

- Promote the adoption of climate-responsive technologies and innovations in the production, processing and distribution of A&F products;
- Strengthen the A&F insurance system;
- Strengthen agricultural extension and support services on the adoption of climate-sensitive farming and fishing technologies; and
- Continuously conduct vulnerability and adaptation assessments, especially in critical A&F products.

### Crosscutting strategies

#### Strategy 17: Enhance convergence among government agencies

The agriculture bureaucracy, including the DA, DAR, and DENR, will be rationalized through the efficient and effective convergence and complementation of the agriculture, agrarian reform and natural resources (AARNR) service agencies and related offices. Rationalization will include measures to sort out institutional overlaps such that the social, economic, and environmental aspects of rural development will be integrated as a way to operationalize sustainable development. The proposed legislation will rationalize and strengthen the provision of extension services towards improving national, local and private sector complementation.

#### Strategy 18: Pursue public-private partnerships (PPPs) especially for infrastructure and value chain development and management

The private sector will be tapped to participate in the government's efforts to immediately deliver the needed infrastructure and services for A&F. Among the projects that may be eligible under PPP include irrigation infrastructure, food supply chain and postharvest services (i.e., bulk handling facilities, food/grains terminals and processing, storage, handling and port/transport facilities), production centers for various farm inputs, fish-farming infrastructure, and market and trading centers.

#### Strategy 19: Pursue the formulation of national and local A&F commodity roadmaps

Strengthening LGU involvement in agricultural development is an important strategy for the overall development of the sector. Formulation of provincial and municipal agricultural development plans will support and strengthen the implementation of national agricultural commodity and subsector roadmaps at the local level. This would provide the needed agricultural support based from local contexts which could make development of the sector more grounded.

The formulation of A&F roadmaps will guide the overall development of the sector. This will include the objectives and the necessary government interventions, including the areas needing private sector participation. An example is the DA-PCA's Integrated Coconut Industry Poverty Reduction Roadmap (see Box 4.2).



#### **Box 4.2. Integrated Coconut Industry Poverty Reduction Roadmap: Towards growth that reduces poverty**

The Integrated Coconut Industry Poverty Reduction Roadmap is a program designed to alleviate poverty and develop the coconut industry. This roadmap, which harmonizes coconut-related programs of national agencies, will encompass four poverty reduction components, namely market development through agro-enterprise development, social protection, fast track of land reform, and institutional reforms and innovations.

The applications of these components vary in degree and intensity in each of the four scenarios. Poverty reduction through market participation measures will be more applicable for coconut farmers who have secured land. Moreover, coconut farmers in these localities are expected to be more socially prepared in linking and engaging markets as entrepreneurs. Market-fuelled growth for coconut farmers is expected to be highest for farmers with **land security and good access to roads** because this would facilitate strong market connectivity. Public investments such as access connectivity and electricity will be needed for those **without road access** to boost market potential. For these farmers, social protection strategy will be geared towards attenuating the risks and costs that poor coconut farmers will bear during their transition from subsistence production to market integration.

For farmers **without land security**, immediate market participation will be difficult. Hence, the fast-tracking agrarian reform and social protection programs will be prioritized. The completion of CARPER will be facilitated along with social protection interventions (i.e., cash-for-work program, Self-employment Assistance for *Kaunlaran* or SEA-K, universal PhilHealth and scholarship program) will be extensively pursued to augment subsistence farm incomes.

Institutional reforms and innovations, which aim to develop institutional environment, is an encompassing strategy that applies to all four scenarios.

For the first year of implementation, the integrated roadmap will focus on 12 pilot provinces, including Camarines Sur, Masbate, Eastern Samar, Samar, Northern Samar, Zamboanga del Norte, Davao Oriental, North Cotabato, Sarangani, Agusan del Sur, Surigao del Norte and Surigao del Sur. These provinces, which represent 6 out of the 10 provinces under Category 2, were chosen based on the extent of their poverty incidence as indicated in the Registry System for Basic Sectors in Agriculture (RSBSA, 2012). The program will likewise help fast-track LAD to cover additional provinces with highest LAD balance, including Agusan del Norte, Albay, Camarines Norte, Compostela Valley, Davao del Sur, Lanao del Norte, Leyte, Misamis Occidental, Quezon, Sibugay, Sorsogon and Zamboanga del Sur. Four of these provinces are under Category 1.

#### **Strategy 20: Conduct an aggressive anti-smuggling campaign**

Smuggling is one of the major challenges faced by the sector's stakeholders across commodities. In order to address this issue, an aggressive campaign against smuggling including an effective oversight mechanism is needed. In addition, the oversight mechanism will include representatives from both the public and private sector to ensure transparency (see also Chapter 3: Competitive and innovative I&S sectors).

#### **Strategy 21: Review/update critical policy measures**

A review of laws and policies will be a continuing activity to ensure the responsiveness of such issuances to current developments in the sector. The following are some of the critical policy measures that need to be reviewed/updated:

*Philippine Fisheries Code of 1998, including the updating of the Comprehensive National Fisheries Industry Development Plan (CNFIDP)*

The Philippine Fisheries Code of 1998 mandates the review of its provisions every five years to take into account the current trends, opportunities, issues, and challenges that face the sector, including the assessment and updating of the CNFIDP 2006-2025. The CNFIDP serves as the comprehensive framework for the promotions of optimal development and long-term sustainability for the fisheries industry. The plan has yet to be updated since 2006.

### *Food standards*

In light of the move towards trade liberalization and reduction of logistics cost, the government will strengthen competitiveness of domestic agriculture to take advantage of trade opportunities while ensuring the provision of safety nets.

### *Logistics development*

Stakeholders have consistently raised their concern on the inefficiency of the country's logistical system that has resulted in high transactions costs and put further pressure on profitability. To address this, there is a need to review the provisions of relevant laws that tackle inter-island shipping activities of foreign vessels that are perceived to support the development of shipping operations within the country. These laws include, but are not limited to, the Tariff and Customs Code of the Philippines (PD 1464) and the Domestic Shipping Development Act of 2004 (RA 9295).

### *Institute Post-CARPER Reforms*

The sustainability of the gains achieved during the program implementation lies in the establishment of appropriate reforms, which should be able to address current and emerging issues of the agrarian reform program. It should include the completion of the LAD component and continued delivery of support services to ARBs. The proposed legislative action will likewise contain the institutional restructuring between and among concerned national government agencies to address problems in land administration and management, and agriculture extension services. The envisioned reforms will also consider mechanisms to strengthen LGUs in relation to the delivery of extension services.

## **Strategy 22: Promote the passage and enactment of key legislative actions**

### *National Land Use*

The passage of the bill, pending for two decades now, is expected to provide legal and other mechanisms not only for land reform areas, but also zoned areas for water and water uses, especially for agriculture. This is especially important in anticipation of the end of the agrarian reform program and the subsequent opening of the land market. Further, it is envisioned that the policy will serve as guide to the optimum allocation of land among competing uses within the framework of sustainable development. It will also provide a mechanism for resolving land use policy conflicts by taking into consideration the principles of social equity and economic efficiency. (See also Chapter 9: Sustainable and climate-resilient environment and natural resources.)

### *NFA reforms*

The NFA Reorganization Act will further rationalize grains-sector trading. It restructures the agency by separating its regulatory and proprietary functions. The NFA will grant import permits for rice to all applicants as a ministerial function, subject to the payment of applicable taxes, duties, and service fees. The quantitative restriction on rice must be reviewed in light of the WTO exemption that expires in 2012. The proposed law enables NFA to engage in activities consistent with its renewed mandate.

### *Soil and Water Conservation Act*

This policy aims for soil and water conservation technologies and approaches through the development, promotion, and implementation of soil and water conservation facilities including rainwater-harvesting systems in the country. In furtherance of its implementation, a National Soil and Water Conservation Program will be established as the framework for addressing the problem of land degradation. In particular, the program will establish the linkage between agricultural productivity improvement and sustainable land management through the promotion and implementation of soil and water conservation technologies and methodologies.

## V. PLAN IMPLEMENTATION

To achieve a competitive and sustainable A&F sector, the DA, DAR and DENR will continue to spearhead the formulation and implementation of relevant plans, programs and policies. Outcome and intermediate outcome indicators that will be monitored are presented in Table 4.9.

Programs and projects for the A&F sector will be implemented through the banner programs of DA and its attached agencies, namely Philippine Center for Postharvest Development and Mechanization (PhilMech), Agricultural Credit Policy Council (ACPC) and Philippine Crop Insurance Corporation (PCIC), on rice, corn, high value crops, livestock and fisheries. These involve the provision of support services, such as credit and financing, insurance, rural infrastructure, post-harvest facilities, training and extension, research and development. DAR and DENR are mainly responsible for improving land tenure security.

For proper monitoring of Plan targets, all concerned agencies are expected to regularly submit progress reports (e.g. quarterly and annual) to the NEDA Secretariat for consolidation and subsequent transmittal to the Economic Development Cluster (Econ Cluster). The Econ Cluster will exercise oversight functions in tracking the progress and achievements of the implementing agencies vis-a-vis the Plan targets. The indicators and targets will continue to be enhanced and updated annually through an iterative process involving collaboration of sector agencies, statistical agencies, research institutions, the academe and civil society organizations.

Table 4.9. Annual target indicator matrix on competitive and sustainable A&F sector, 2013-2016

Indicators	Annual Plan targets				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Sector outcome: Competitive and sustainable A&amp;F sector achieved</b>						
A&F GVA increased by 14-19% (in %)	3.5-4.5	3.2-4.2	3.3-4.3	3.5-4.5 (PhP 793,794-824,958 million)	PSA	DA
Crops by 18-22%	4.5-5.5	4.0-5.0	4.0-5.0	4.0-5.0 (PhP 408,429-424,346 million)	PSA	DA
Livestock by 6-12%	1.2-2.2	1.2-2.5	1.5-3.0	1.6-3.5 (PhP 98,495 - 104,147 million)	PSA	DA
Poultry by 18-22%	4.2-5.2	4.2-5.2	4.2-5.2	4.2-5.2 (PhP 87,869-91,291 million)	PSA	DA
Fisheries by 8-13%	1.5-3.0	1.5-2.5	2.3-3.0	2.8-3.5 (PhP 140,881-146,349 million)	PSA	DA
Value of agricultural exports increased by 9.5-10.5% (in %)	9.5-10.5	9.5-10.5	9.5-10.5	9.5-10.5 (US\$ 7,194-7,460 million)	PSA	DA
Labor productivity in A&F sector increased by 2-5% annually (in %)	2.0-5.0	2.0-5.0	2.0-5.0	2.0-5.0 (PhP 62,561-70,253)	PSA	DA

Indicators	Annual Plan targets				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Subsector outcome A: Productivity in A&amp;F sector increased</b>						
Yield of major commodities increased (in metric ton per hectare)						
<i>Palay by 18%</i>	4.2	4.4	4.5	4.5	PSA	DA Rice Program
<i>White corn by 26%</i>	1.8	1.8	2.0	2.1	PSA	DA Corn Program
<i>Yellow corn by 26%</i>	4.4	4.6	5.0	5.2	PSA	DA Corn Program
<i>Banana by 21%</i>	22.5	23.2	23.9	24.6	PSA	DA HVCDP
<i>Coconut (copra) by 14%</i>	0.9	0.9	0.9	1.0	PSA	PCA
<i>Pineapple by 11%</i>	41.9	43.1	44.4	45.7	PSA	DA HVCDP
<i>Mango by 24%</i>	4.6	4.8	4.9	5.1	PSA	DA HVCDP
<i>Sugarcane by 16%</i>	58.6	62.8	66.9	71.2	PSA	SRA
<i>Cassava by 98%</i>	13.8	16.4	18.3	20.2	PSA	DA HVCDP
<i>Coffee by 19%</i>	0.8	0.8	0.9	0.9	PSA	DA HVCDP
<i>Cacao by 35%</i>	0.6	0.6	0.6	0.7	PSA	DA HVCDP
<i>Rubber by 44%</i>	3.46	3.59	3.62	3.62	PSA	DA HVCDP
<b>Volume of production increased (in '000 metric ton)</b>						
<i>Hog by 10%</i>	2,013	2,057	2,109	2,172	PSA	LDC
<i>Chicken by 25%</i>	1,562	1,651	1,747	1,852	PSA	LDC
<i>Commercial fisheries by 12%</i>	1,070	1,102	1,135	1,169	PSA	DA BFAR
<i>Municipal fisheries by 9%</i>	1,306	1,332	1,361	1,392	PSA	DA BFAR
<i>Aquaculture by 10%</i>	2,599	2,657	2,717	2,784	PSA	DA BFAR
<b>Level of post-harvest losses reduced (in %)</b>						
<i>Rice by 2.4 ppts</i>	15.6	15.1	14.6	14.1	Philmech	Philmech
<i>Corn by 0.3 ppts</i>	7.1	7.0	6.9	6.9	Philmech	Philmech
<i>Fisheries by 7 ppts</i>				18.0	DA/BFAR	BFAR
<i>Banana by 3 ppts</i>	14.5			13.0	Philmech	Philmech
<i>Mango by 6 ppts</i>	27.2			24.0	Philmech	Philmech
Rice self-sufficiency ratio increased by 5 ppts (in %)	100.0	100.0	100.0	100.0	BAS	DA
<b>Subsector outcome B: Forward linkage to the I&amp;S sectors increased</b>						
Proportion of industrial crops to total crop production increased (in %)						
<i>Abaca by 0.3 ppts</i>	0.2	0.2	0.3	0.4	PSA	DA HVCDP
<i>Cacao by 1.9 ppts</i>	0.5	1.0	1.5	2.0	PSA	DA HVCDP
<i>Coffee by 1.9 ppts</i>	0.5	1.0	1.5	2.0	PSA	DA HVCDP
<i>Oil palm by</i>	1.4	2.1	2.9	3.6	PSA	DA HVCDP

Indicators	Annual Plan targets				Means of verification	Agency responsible
	2013	2014	2015	2016		
3.0 pts						
Rubber by 2.0 pts	1.0	1.5	2.0	2.5	PSA	DA HVCDP
Sugarcane by 7.5 pts	32.0	34.0	36.0	38.0	PSA	DA HVCDP
Tobacco by 0.4 pts	0.2	0.3	0.4	0.5	PSA	DA HVCDP
Volume of industrial crops production increased (in '000 metric tons)						
Abaca by 3%	69.0	69.4	69.9	70.3	PSA	DA HVCDP
Cacao by 4%	4.9	4.9	5.0	5.0	PSA	DA HVCDP
Coffee by 4%	89.8	90.7	91.6	92.6	PSA	DA HVCDP
Oil palm by 23%	559.7	589.6	621.1	654.3	PSA	DA HVCDP
Rubber by 8%	451.60	460.36	469.30	478.40	PSA	DA HVCDP
Sugarcane by 31%	28,260.3	30,256.4	32,393.5	34,681.5	PSA	DA HVCDP
Tobacco by 32%	51.54	55.25	59.23	63.49	PSA	DA HVCDP
Private investments in agri-related activities increased (in million PhP)	6,207	7,448	8,938	10,725	BOI	BOI
<b>Subsector outcome C: Sector resilience to climate change risks increased</b>						
Annual proportion of farm households' income to total income decreased	Decreasing per year	Decreasing per year	Decreasing per year	Decreasing per year	PSA	DA
Number of farmers with risk insurance increased	497,037	795,259	1,272,415	2,035,864	DA PCIC	DA PCIC
<b>Intermediate outcome: Land tenure security improved</b>						
Total land distribution under CARP (in hectares)						
DAR: 818,390 by 2016	160,000	240,707	180,707	121,877	DAR	DAR
DENR: 216,974	90,000	90,000	36,974		DENR	DENR
Subdivided and re-documented collective CLOAs into individual titles (in hectares): 740,668 by 2016	79,119	215,020	203,331	204,332	DAR	DAR
Proportion of farmer/ fisherfolk borrowers obtaining loans from formal sources increased by 28 pts (in %)				85.0	DA ACPC	DA ACPC



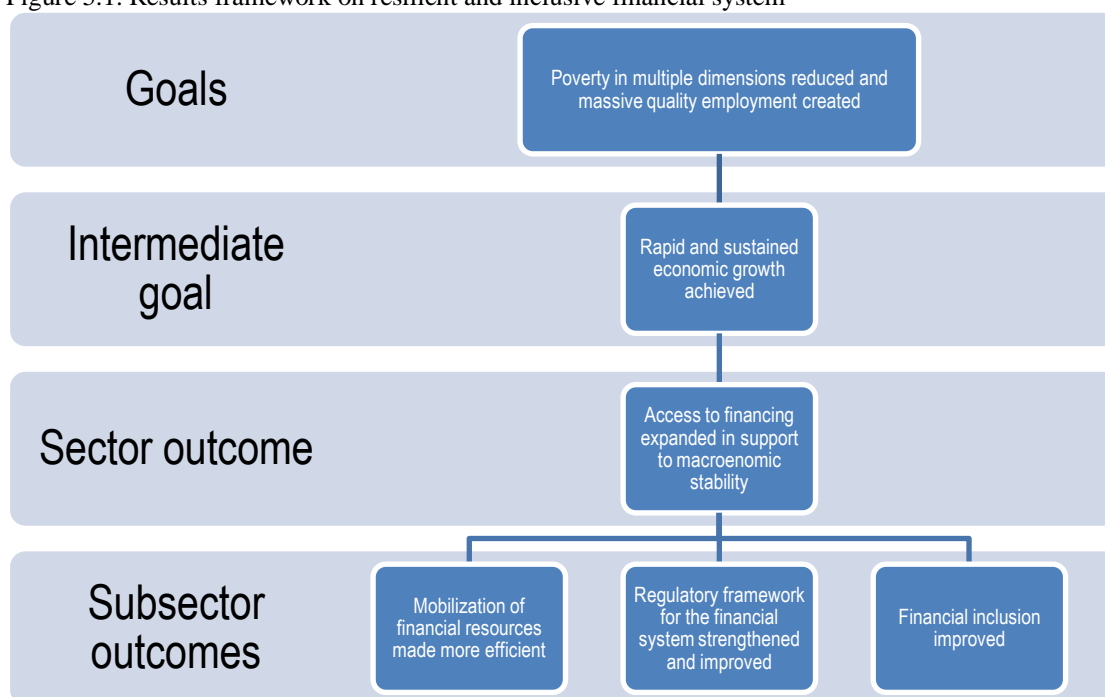
# Resilient and inclusive financial system

## I. INTRODUCTION

The Philippine financial market continues to support the national economy. Despite volatilities in global markets in the past decade, it recorded considerable gains as it expands beyond traditional channels. Its development contributed to further financial inclusion while sustaining financial resilience. Towards this end, a responsive, development-oriented and inclusive financial system will be pursued to serve as a platform for the efficient management and mobilization of resources that will provide alternative sources of financing for the country’s economic development. With economic improvement usually comes higher inflow of foreign portfolio capital and growth in internal resources. The government sees this situation as an opportunity, as it intends to deploy the liquidity buildup to serve the needs of the previously underserved and disadvantaged members of society.

The Updated Philippine Development Plan (PDP) for 2011-2016 emphasizes the continuous expansion of the financial system in support of rapid growth while facilitating inclusive growth. Even so, the system should continue to observe accepted prudential norms in order to promote macroeconomic stability.

Figure 5.1. Results framework on resilient and inclusive financial system



## II. ACCOMPLISHMENT AND CHALLENGES

A number of targets listed in the PDP 2011-2016 for the financial sector are either already met or on track. These are: (a) number of access points per 10,000 population, which currently tallies at six per city/municipality; and (b) microfinance services delivery with end-of-plan target of more than PhP10 billion, which currently sums to PhP8.4 billion.<sup>57</sup> However, a more concerted effort is needed to increase the number of people with bank deposit accounts, as the target of 750 out of 1,000 adults is still far from the current 454 out of 1,000 achieved in 2012.

The local capital market is now in a better position to take advantage of the rapid economic growth. Recent investment rating upgrades fuelled by strong macroeconomic fundamentals through continuous expansion of the industrial and services sectors have contributed to increasing attractiveness of the local capital market.

### Managing external capital flows

Figures 5.2 and 5.3 summarize the performance of Philippine financial markets and improved investor sentiment as evidenced by the general strengthening of the domestic equities market and tightening of sovereign debt spreads.

Figure 5. 2. Philippine Stock Exchange prices, 2013

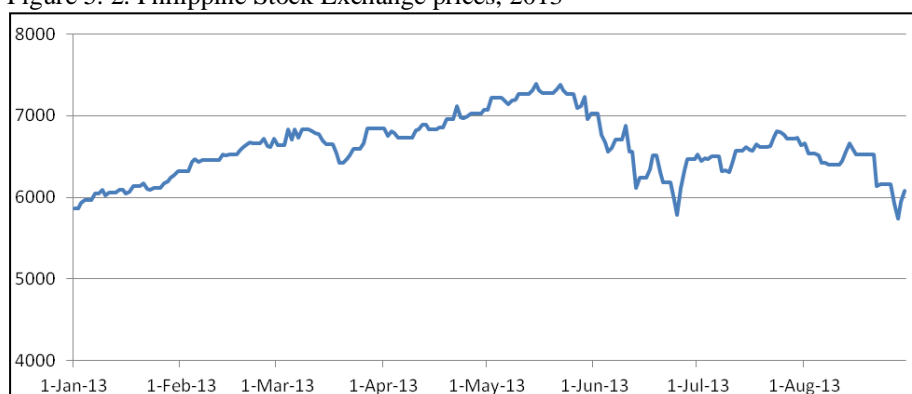
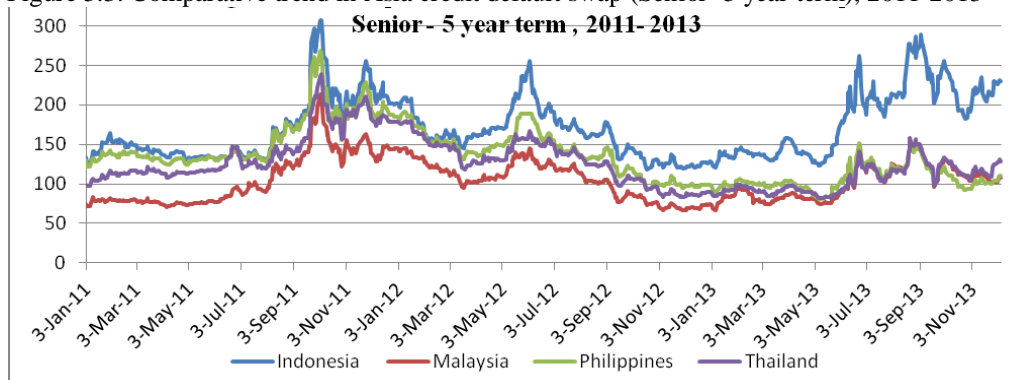


Figure 5.3. Comparative trend in Asia credit default swap (Senior -5 year term), 2011-2013



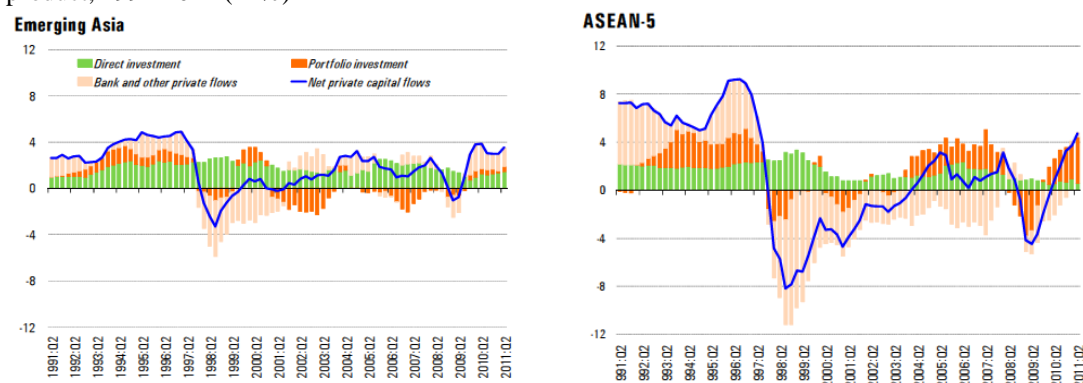
Source: Asian Bonds Online

<sup>57</sup> Includes loans from universal, commercial, government banks and excludes the microfinance loan portfolio of non-bank financial institutions such as cooperatives and non-government organizations (NGOs) due to data constraints. Nonetheless, the People's Credit and Finance Corporation (PCFC), as proxy for the non-bank financial institution, has an outstanding loan balance to microfinance institutions (MFIs) of P3.0 billion from its wholesale lending program.



The Philippine Stock Exchange (PSE) exceeded its end-of-year 2012 total value turnover and average daily value turnover, notwithstanding the comparatively low number of trading participants relative to other Asian stock markets. As of June 2013, it is also one of the fastest-growing Asian Exchanges as it ranked second in terms of growth from its 2011 value in domestic market capitalization (MCAP).

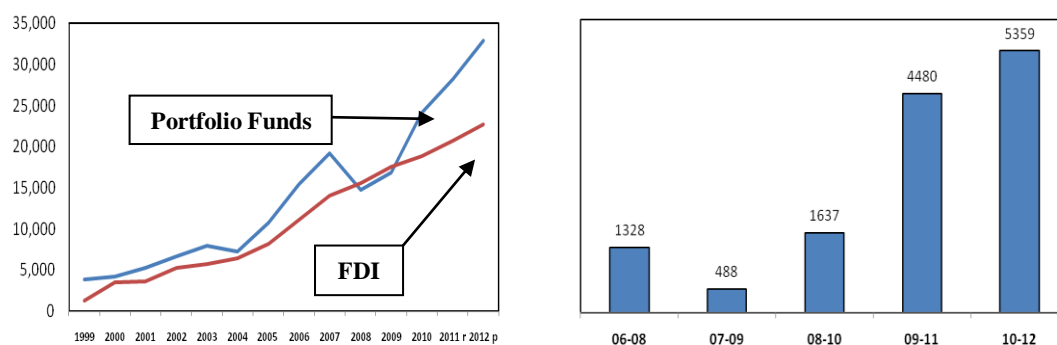
Figure 5.4. Four-quarter moving average of net private capital flows as percentage of gross domestic product, 1991-2011 (in %)



Source: “Surging capital flows to emerging Asia: Facts, impacts and responses”. R. Balakrishnan et al. IMF Working Paper 12-2012. May 2012.

Inflows comprise, perhaps, the most immediate challenge for the financial system that may persist in the long term. The strong economic performance and the traditionally higher market yields in the country provided the “pull effects” which attracted further financial flows from abroad. On balance to-date, majority of the inflows going to the Philippines are financial in nature rather than foreign direct investments. This means that the flows are subject to higher volatility, even sudden stops and reversals.

Figure 5.5. Net private capital flows (as percentage of GDP; four-quarter moving average)



Source: Balance of Payments Data using the BPM5 (5th Edition of Balance of Payments) concept

### Facilitating financial inclusion

The financial sector provides services to savers and borrowers alike. These services range from safekeeping to providing insurance, consumer loans, and investment loans. The efficiency by which the financial sector is able to provide these services depends in large part on the amount that it is able to mobilize and on the number of stakeholders it will be able to serve.

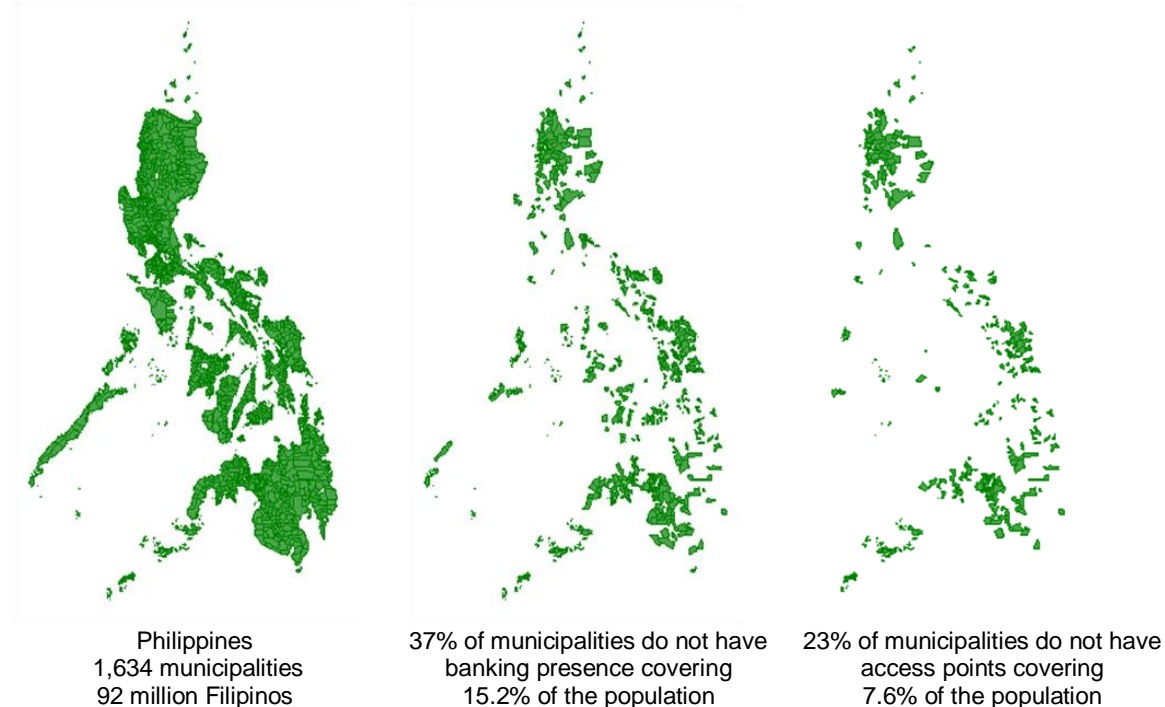
Financial inflows come from both domestic and external sources. These inflows are attracted into the system based on the expectation of risk-adjusted return but first premised on the confidence of a healthy

and robust financial system. The financial system is considered inclusive if it is able to provide services to a broader spectrum of society, including small savers and borrowers.

### Banks and banking access point

Access to banks and banking services is still inadequate in some municipalities. Figure 5.6 shows that there is still much to be done in providing financial services across the country. A significant portion of the population can be made better off if provided with more access points. The Philippines actually has the most number of banks per 1,000 square kilometers and is next to Malaysia in terms of number of automated teller machines (ATMs) per 1,000 square kilometers. However, on the whole, there is roughly only one bank for every 10,000 Filipinos aged 15 years and older. This puts the country comparatively better than such countries such as Thailand and Kenya. However, 37 percent of municipalities do not have banks and 23 percent do not even have access points, like ATMs.

Figure 5.6. Geo-spatial distribution of unbanked and unserved municipalities.



Source: Report on the State of Financial Inclusion in the Philippines, BSP

### Insurance

Insurance is another service being provided by the financial sector that can be utilized by the covered individual in case of an adverse event. Insurance penetration, however, remains low, although it grew from 1.02 percent insurance penetration in 2009 to 1.45 percent in 2012. Similar to other financial instruments, increasing insurance coverage requires building the confidence of consumers in the system, informing the public about their options and rights, and introducing various designs of the instrument to cater to different consumers.

To ensure resilience among the insurance industry players, the Department of Finance (DOF) issued Department Order No. 15-2012 in 2012, prescribing step up increases in the minimum capital requirements for insurance companies from PhP250 million by 2012 to PhP1 billion by 2020. Moreover, in September 2013, the New Insurance Code (RA 10607) took effect which will further increase the minimum net worth of insurance companies to PhP1.3 billion by 2022.

In January 2010, the Insurance Commission formally launched the Microinsurance Program to encourage the provision of affordable and accessible insurance products, targeting the 27 million-marginalized sector. The program involves the following strategies:

- Monitor compliance with microinsurance regulations, especially on the Circular on Performance Standards to ensure the financial strength and stability of the Microinsurance providers;
- Encourage development of new, relevant and innovative microinsurance products especially those that will address multiple risks, including non-traditional ones such as index-based and parametric insurance products;
- Continue advocacy campaign for microinsurance to reach out to the rest of the 23 million Filipinos who are living below the poverty line;
- Develop appropriate rules and guidelines on innovative distribution channels that are effective but still affordable; and
- Pursue implementation of an alternative dispute resolution (ADR) mechanism to address complaints and resolve disputes in an accessible, practical and efficient manner.

Furthermore, to extend insurance covers to the vulnerable of overseas Filipino workers (OFW), Compulsory Insurance for Agency-Hired Workers Act (RA 10022) was passed into law. In 2012, the number of OFWs and/or beneficiaries who benefited from this program reached 4,630, reflecting an increase of 207.8 percent from 2011 with total benefits paid reaching PhP175 million.

In the case of the Social Security System (SSS), there is a need to meet the international standard for “fund perpetuity” which has a lifespan of 70 years. This means that an increase of 14 percent in the contribution rate should be set. This suggestion has to be implemented on a gradual basis given the positions raised by both labor and employer groups during dialogues and consultations.

#### Loans to small borrowers

The government, through the Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP), continues to promote inclusive growth and alleviate poverty by creating opportunities in the countryside through expanded assistance to small farmers, fisherfolk and micro, small and medium enterprises (MSMEs). As of 30 October 2013, total outstanding loan to these sectors reached PhP72.3 billion.<sup>58</sup> Also for the same period, government financial institutions (GFIs) provided key services and support to the national government and its line agencies with a total outstanding loan of PhP311.6 billion.

#### Financial inclusion strategies

With financial stability and inclusivity as the overall strategic objective, the task of sustaining a robust and inclusive domestic financial market rests in taking pro-active action from a position of strength.

Financial sector authorities have adopted a pragmatic approach consisting of three activities: (a) increasing the confidence of the public about the health of the financial sector; (b) educating the public on financial instruments and their rights; and (c) encouraging the offering of a variety of products to cater to different consumers. Table 5.1 details the specific strategies undertaken.

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<sup>58</sup> Based on LBP and DBP’s data submitted on 10 December 2013

Table 5.1. Financial inclusion strategies

Specific steps <sup>59</sup>		Specific target
Policy regulation and supervision	Issued Circulars 730, 754, and 755 to enhance the implementation of the Truth in Lending Act (RA 3765)	Ensured that there is adequate disclosure of the true cost of credit, which protects consumers and enables them to make informed decisions in borrowing
	Issued Circular 746 which grants exemptions from the submission of documents like income tax returns and financial statements to clients.	Streamlined access to finance by MSMEs
	Issued Circular 694	Facilitated the establishment of micro-banking offices (MBO) to expand the physical network of banking offices in areas without banks or alternative access points
Financial education and consumer protection	Continued the implementation of a multi-dimensional Economic and Financial Learning Program	Disseminated public information, through campaigns and consumer education programs on economic and financial issues to promote awareness and understanding of essential economic and financial issues.
	Actively engaged in global discussions and initiatives in financial inclusion	Enhanced promotion of financial inclusion initiatives. BSP also currently chairs the Steering Committee of the AFI, a global network of policy makers and regulators committed to financial inclusion, and the recently established Basel Consultative Group Workstream on financial inclusion. BSP leadership and involvement in these fora have allowed the inclusion of Philippine perspectives in global discussions.
Calibrated product offerings for targeted needs	Implemented the Credit Surety Fund <sup>60</sup>	Increased advocacy for MSME access to finance
	Adoption of rules and regulations regarding derivative products and trading	

### III. UPDATED PDP TARGETS IN THE PHILIPPINE FINANCIAL SYSTEM

For the next three years, the objective is to maintain a resilient and inclusive financial system underpinned by the discipline of credit standards. This means that the asset base of the financial system needs to increase to serve the needs of a growing economy. At the same time, the coverage of the service should also expand. Table 5.2 indicates the major targets for the financial sector.

<sup>59</sup> [http://www.bsp.gov.ph/downloads/Publications/2012/microfinance\\_2012.pdf](http://www.bsp.gov.ph/downloads/Publications/2012/microfinance_2012.pdf) accessed on 25 July 2013.

<sup>60</sup> This provides a maximum of 80 percent surety cover for loans granted by banks to borrowers that would have difficulty assessing such credit facilities. As of end- December 2012, there are 26 CSFs nationwide aggregated contribution pledges of PhP396.621 million, of which PhP303,284 million has been paid

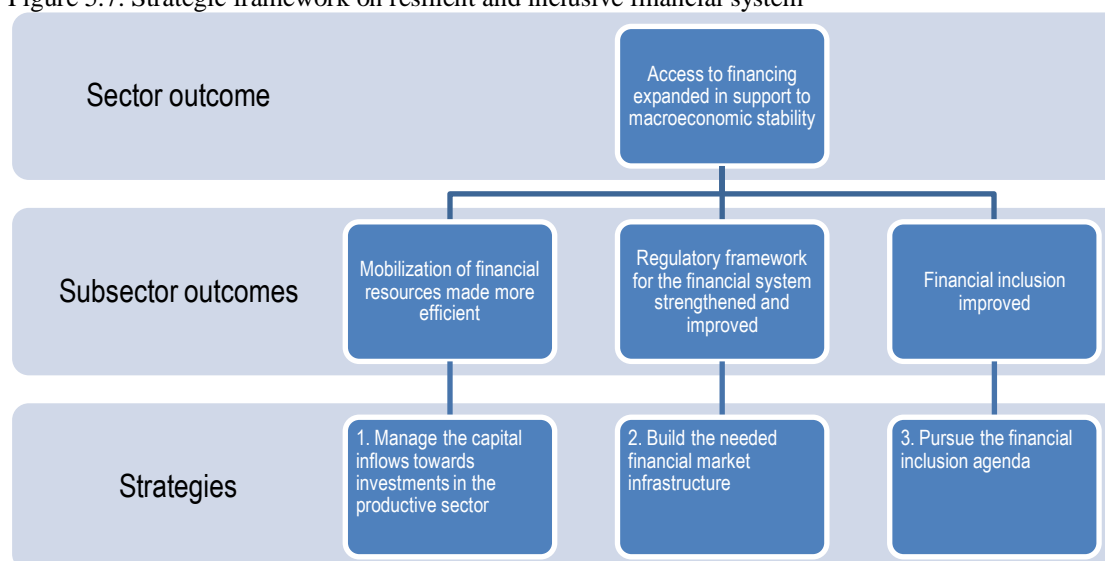
Table 5.2. Revalidated results matrix (RM) on resilient and inclusive financial system

Indicators	Baseline (2012)	End-of-Plan target (2016)
<b>Sector outcome: Access to financing expanded in support to macroeconomic stability</b>		
Financial system's total assets increased	9.73%	>10%
National saving rate (Gross National Saving to GDP ratio) improved	23%	>30%
Number of deposit accounts per 1,000 population increased	454	750
<b>Subsector outcome A: Mobilization of financial resources made more efficient</b>		
Microfinance services delivery improved	Php8.4 billion	> Php10 billion
<b>Subsector outcome B: Regulatory framework for the financial system strengthened and improved</b>		
Financial market infrastructure roadmap developed	N/A	Assessment in the rules and regulations in the financial sector including the institutionalization of required systems and processes
<b>Subsector outcome C: Financial inclusion improved</b>		
Number of access points per 10,000 population increased	5	6

#### IV. STRATEGIC FRAMEWORK

To achieve the sectoral objectives, the strategic framework for the financial sector must involve: (a) managing the capital inflows towards investments in the productive sector; (b) building the needed financial market infrastructure; and (c) pursuing the financial inclusion agenda.

Figure 5.7. Strategic framework on resilient and inclusive financial system



#### Strategy 1: Manage the capital inflows towards investments in the productive sector

Capital inflows could be beneficial because it provides funding for much-needed investment. The gains in the financial sector should translate into the real economy and be relevant to a greater proportion of the population in the form of enhanced capital formation, more infrastructure development, and employment growth.

Foreign investments make up only a small part of the foreign exchange inflows.<sup>61</sup> However, if capital inflow intensifies, it could have an advantageous impact on the real sector. The sustained surge of foreign capital could help liquidity management, create positive sentiments and lead to financial growth. This is very significant for a market where current decisions have long-term implications.

The ability to attract and absorb direct investments is largely dependent on the structure of the macroeconomy, mix between labor and capital across various industries, as well as specific programs designed to channel funding to specific priority undertakings. Moreover, it may be useful to come up with estimates of the following:

- Funding requirements by the real economy over the next three years, broken down by economic activity and by province;
- Ideal mix of labor and capital that must be deployed to generate production; and
- Capital projections under special programs such as the public-private partnership (PPP).

A big portion of external flows consists of remittances. Unlike foreign direct investment (FDI) and foreign portfolio investments, remittance flows have been proven to be resilient even during times of economic crises elsewhere in the world. This is because of the huge stock of Filipinos overseas, estimated to be about 10.5 million<sup>62</sup> as of 2012 and the wide diversity of countries they are in. Most of these remittances finance the consumption of families left behind. During the early years, some of these are spent to accumulate assets (house, car, other durables) but after a while, the family may be ready to channel some amount to productive investments. The financial sector then needs to design the proper instrument that matches the risk-return profile of this group. In turn, this resource can be channeled to investments that would create jobs in the country.

Regardless of the source, financial inflow is ultimately transmitted as household consumption, a firm's working capital and investment as financing resources become cheaper. Hence, it may contribute to the expansion of the three main sectors, namely agriculture, industry and services. This also opens opportunities for the banking industry to widen its reach by crafting a delivery mechanism for more productive lending to the real sectors, particularly to the MSME. This would lead to a more stable and diversified loan system that supports job growth.

## Strategy 2: Build the needed financial market infrastructure

Equally important is the necessary infrastructure to enable participants in the financial market to make rational decisions. Investors, for example, may have targeted investment yields (i.e., retirement funds, defined-benefit schemes) or have set behavior that is based on an expectation of returns (i.e., less adverse high-net worth investors).

The infrastructure needed to provide this information involves various components and may take some time to complete. In the short term, what is needed is the development of an overarching roadmap that will connect the key components of the market architecture. This will at least include critical work in the areas identified in Table 5.3.

Table 5.3. Key components of financial market infrastructures

Payment systems	Retail payment systems
	Large-value payment systems
Trading platforms	Exchange-based system
	Over-the-counter-like system
Post-trade processing	Trade repositories
	Central counterparties
	Central securities depository
	Securities settlement system

<sup>61</sup> BSP, retrieved from <http://www.bsp.gov.ph/downloads/Publications/FAQs/fximpact.pdf> accessed on 26 June 2013.

<sup>62</sup> CFO stock estimate as of December 2012

In the immediate term, it is important to define the mandatory financial market infrastructures and the strategies to strengthen their governance structure. The enforcement of these initiatives is expected to better capture data and break the boundaries of traditionally bilateral transactions such as over-the-counter derivatives and repurchase agreements/securities borrowing.

#### **Box 5.1. The prospects of the ASEAN integration**

The integration of Association of Southeast Asian Nations (ASEAN) is a decided policy issue. For the capital market, the clear intent is to mobilize ASEAN savings for ASEAN investment needs. However, there are many challenges that need to be hurdled before the envisioned benefits can be reaped. At the very least, becoming a regional player requires that the Philippine capital market is efficient and not prone to arbitrage across jurisdictions. This covers a gamut of issues that we need to consider, such as appropriate regulations, suitable products, competitive institutions, and functioning infrastructure.

### **Strategy 3: Pursue the financial inclusion agenda**

The Updated PDP recognizes the role of government in putting in place appropriate safety nets and risk protection for the poor. Financial inclusion will continue to be a major concern given the archipelagic structure of the economy and the significant differences across socioeconomic groups.

In order to attain financial inclusion, the government will continue to pursue reforms in policy regulation, supervision and accessibility. Financial education and consumer protection will also be provided.

Through its Economic and Financial Learning Program, the BSP will continue to promote greater public awareness of economic and financial issues and provide information to enable households and businesses to make well-informed economic and financial decisions. As it is, Filipinos overseas and their families left behind are offered seminars and/or literature on financial literacy. This strategy will be maintained and even enhanced.

The BSP's Credit Surety Program, a PPP initiative, will continue to support the government's poverty alleviation program and efforts to increase access to credit in the countryside. Moreover, in line with its commitment to protect the rights and welfare of consumers of financial services, the BSP will continue to provide an accessible avenue for consumer assistance and redress.

The government will also establish a system that will encourage financial institutions to accept non-real property assets as security for lending to MSMEs in order to further boost economic development, financial inclusion and job generation. The framework was finalized in June 2013. It will enhance and simplify the processes on taking movable assets, such as inventory, equipment, sales contracts, and other intangible assets, as collateral.

Recently, the PSE has formally ventured into Islamic finance and released a list of Shari'ah-compliant stocks. This will provide Filipino Muslims with investment options in the country. The PSE will continuously evaluate Shari'ah compliance of these stocks.

### **Policy and regulatory instruments**

The strategic framework cited above is not new to regulatory authorities. However, within the larger community of stakeholders, the market trade-offs and operational ramifications may not be as well-known. At the very least, a national approach has yet to be articulated. Furthermore, there is a need for a more proactive communication with the larger constituency, although a common stance on the issue has yet to be decided upon.

Key reforms that will strengthen the regulatory and supervisory framework and enhance responsible risk management by banks will be sustained to maintain the stability of the financial system. Policy initiatives will continue to focus on aligning prudential standards with international norms, and enhancing the implementation of existing banking rules and regulations. In this regard, closer coordination of



macroeconomic and financial sector policies shall be enhanced through the government's Financial Sector Forum (FSF).<sup>63</sup>

Initiatives of different financial institutions are voluntary in nature. However, these can be influenced by policy directions and regulatory instruments consistent with the financial stability agenda.

Going forward, it is important to designate an institution whose mandate is to maintain financial stability, and recognize the role the Financial Stability Coordinating Council (FSCC) plays in the overall financial stability agenda. Both the institution and the FSCC will be given authority and, subsequently, the legal statute for defining appropriate macro-prudential policies while avoiding distracting issues related to legitimacy or the coverage of institutional oversight.

It is also important to establish a framework for financial inclusion that will serve as input to the design of financial inclusion strategies, as well as the necessary policies and regulations. The effectiveness and impact of these initiatives will also be thoroughly monitored and evaluated and the proper feedback mechanism be put in place.

### Legislative agenda

To prevent and minimize systemic risks, efforts will be made to strengthen regulations in the face of current challenges. Emphasis will be placed on the timely passage of legislative agenda to achieve financial sector targets by prioritizing the following:

- Draft Corporate Governance provisions of the Corporation Code of the Philippines;
- BSP Charter with respect to financial stability;
- Payments System Act;
- Amendments to the Securities Regulation Code;
- Financial Sector Tax Neutrality Bill;
- Amendments to the Investment Company Act and the Insurance Code;
- Amendments to the Real Estate Investment Trust Law (REIT);
- Bill on Pension Fund Regulation;
- Collective Investment Schemes Law (CISL); and
- Chattel Mortgage Law Amendment.

Each of these strategies is formidable in its own right. While they are inherently linked, they collectively form the foundation for financial inclusion and financial stability.

## V. PLAN IMPLEMENTATION

The indicators comprising the revalidate RM were spread across sector and sub-sector outcomes. The three sector outcome indicators (i.e., financial system's total assets increased, national saving rate improved, and number of deposit accounts increased) indicate expansion of access to financing in support to macroeconomic stability, with the BSP, Government Service Insurance System (GSIS), SSS and Pag-Ibig Fund as lead agencies.

The subsector indicator "microfinance services delivery improved" is focused on mobilizing financial resources by improving and increasing microfinance services. Concerned agencies include BSP, Insurance Commission (IC) and other microfinance institutions.

The subsector indicator "number of access points per 10,000 population" is focused on improving financial inclusion and is currently monitored by the BSP, with Bankers' Association of the Philippines (BAP), Chamber of Thrift Banks (CTB), Rural Bankers Association of the Philippines (RBAP) and Cooperative Bank Federation of the Philippines (Bangkoop) as support entities.

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<sup>63</sup> The FSF is an interagency body composed of the BSP, Securities and Exchange Commission (SEC), Insurance Commission (IC), and the Philippine Deposit Insurance Corporation (PDIC). The FSF principally provides an institutionalized framework for coordinating the supervision and regulation of the financial system, for strengthening the exchange of information among the different regulators, and for the promotion of better consumer protection.



NEDA, in partnership with Financial Sector Forum (FSF) and Financial Sector Coordinating Council (FSCC), will regularly consolidate and monitor reports on the sector's accomplishments based on the identified performance indicators. The designated GFIs will be submitting to NEDA the updated data.

Table 5.4. Annual target indicator matrix on resilient and inclusive financial system, 2013-2016

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Sector outcome: Access to financing expanded in support to macroeconomic stability</b>						
Financial system's total assets increased	N/A	N/A	N/A	>10%	Agency reports	BSP, GSIS, SSS, Pag-Ibig
National saving rate (Gross National Saving to GDP ratio) improved	N/A	N/A	N/A	>30%	Agency reports	NEDA, BSP
Number of deposit accounts per 1,000 population increased	N/A	N/A	N/A	750	Agency reports	BSP, BAP
<b>Subsector outcome A: Mobilization of financial resources made more efficient</b>						
Microfinance services delivery improved	N/A	N/A	N/A	> Php10 billion	Agency reports	BSP. Microfinance Institutions
<b>Subsector outcome B: Regulatory framework for the financial system strengthened and improved</b>						
Financial market infrastructure roadmap developed	N/A	N/A	N/A	Assessment in the rules and regulations in the financial sector including the institutionalization of required systems and processes	Agency reports	BSP, BAP, CTB, RBAP, Bangkoop, SSS, GSIS, NEDA, and Microfinance Institutions
<b>Subsector outcome C: Financial inclusion improved</b>						
Number of access points per 10,000 population increased	N/A	N/A	N/A	6	Agency reports	BSP, BAP, CTB, RBAP, Bangkoop



# Social development

## I. INTRODUCTION

The Philippine Development Plan (PDP) envisions having equal opportunities for people to get themselves employed, acquire assets, and raise their living standards. This means having healthy and educated people who have the means to withstand crises such as emergencies, disasters, calamities, and sudden drops in income or joblessness—a risk accompanying the process of economic restructuring and adapting to new demands. As growth tends to be concentrated in a few cities or urban areas, equalizing opportunities also means that those who choose to seek employment in these growth areas will have access to secure and affordable shelter.

Rapid economic growth is necessary to make this vision a reality, to adequately care for people's well-being. Yet economic growth also depends on the quality of the country's workforce and on the ability of growth areas to accommodate members of the labor force who seek productive employment. But if few people are given opportunities to keep themselves healthy enough to work, to acquire the skills and capabilities necessary for entrepreneurs and workers to succeed, to find secure and affordable shelter in growth areas, then economic growth will be constrained and its benefits will not be enough to reach the needy. And if there is not enough protection from catastrophic situations, then even the productive ones can lose whatever they have, including the opportunities to earn income and to raise their families' quality of life. This can worsen poverty and slow down growth or even reverse its gains.

However, human development and social protection services, as well as secure shelter, are replete with market failures. The private sector, left to its devices, will not be able to achieve the level of education, health, and shelter that is desirable for equitable social development and necessary to sustain growth and make it inclusive. The role of government is thus critical in financing, providing, or regulating these services that will substantially improve health and education outcomes and reduce vulnerability and social inequality.

Guided by the President's Social Contract with the Filipino People, as well as the country's pursuit of the Millennium Development Goals (MDG) and reduction of poverty in its multiple dimensions, the PDP seeks to (a) improve human capabilities through better health and nutrition and through enhancement of knowledge and skills; and (b) reduce people's vulnerability by expanding social protection services and providing more secure shelter. Interventions will directly address deprivations experienced by the poor and vulnerable so that they become better able to participate in the country's development process.

Figure 6.1. Results and strategic framework on social development



## II. CHALLENGES, OPPORTUNITIES AND STRATEGIES

While the country is on track in terms of economic targets, it continues to face the challenge of achieving social outcome targets.

In the past several years, the government has been significantly increasing spending and investment in social services and housing. From 2009 to 2013, the share of the social services sector in the total budget has been expanding from 28.7 percent to 34.9 percent. As a share of gross domestic product (GDP), total national government spending for social services for the same period averaged 5.4 percent, from 5.1 percent in 2009 to 5.9 percent in 2013. There was also a major improvement in the allocation of housing and community development from 0.59 percent in 2009 to 1.16 percent in 2013.

While these investments have yielded positive results in terms of providing access to health, education, and housing services, the country is at risk of not meeting some of the targets specified in the MDG and PDP, particularly on reducing poverty, maternal deaths, prevalence of underweight children below five years of age, and undernourishment of families, as well as on improving educational achievement rates. In particular, provinces in categories 1, 2 and 3 will be given priority in the delivery of social services.

To make a significant impact on poverty reduction and social development, there is a need to accelerate efforts to invest in improving human capabilities and in reducing vulnerabilities of families.

### Sector outcome: Human capabilities improved

Freedom from illness and freedom from illiteracy are two of the most important ways poor people can escape poverty. Strategies and policies in the PDP are geared towards providing health care to all Filipinos,

especially the poor, and towards improving access and quality of basic education, technical-vocational education and training (TVET), and higher education. Access to affordable and quality health care and education and training services increases people's chances of getting quality employment, increasing incomes, and enjoying better quality of life.

### Subsector outcome A: Health and nutrition status improved

The PDP has identified targets for 15 health indicators. Table 6.1 presents the revalidated results matrix (RM) on subsector outcome A: Health and nutrition status improved. Based on latest data under the baseline column, the country is either close to meeting or already met targets in 9 of 15 indicators (in boldface).

Table 6.1. Revalidated RM on subsector outcome A: Health and nutrition status improved

Indicators	Baseline	End-of-Plan target (2016)	Assumptions and risks
Maternal mortality ratio per 100,000 live births decreased	221 (2011)	50	<b>Assumptions</b> <ul style="list-style-type: none"> <li>▪ Cooperation of families/households in the implementation of health programs</li> <li>▪ Strengthened commitments and capacities of LGUs to deliver basic services and provide supply requirements</li> <li>▪ Full implementation of the Responsible Parenthood and Reproductive Health Act of 2012 (RA 10354)</li> <li>▪ Full realization of incremental revenues from the Sin Tax Reform Law (RA 10351) to increase funding for KP</li> <li>▪ Continuous improvement in the country's economic performance</li> </ul> <b>Risks</b> <ul style="list-style-type: none"> <li>▪ Changes in political leadership, particularly in LGUs</li> <li>▪ Competing priorities of LGUs</li> <li>▪ Occurrence of natural disasters and armed conflicts</li> <li>▪ Emergence of new diseases/new strain facilitated by globalization</li> <li>▪ Rapid urbanization putting strain to public health services in the urban areas</li> </ul>
<b>Infant mortality rate per 1,000 live births decreased (%)</b>	<b>22 (2011)</b>	<b>17</b>	
<b>Under-five mortality rate per 1,000 live births decreased (%)</b>	<b>30 (2008)</b>	<b>25.5</b>	
Prevalence of underweight children under five decreased	20.2 (2011)	12.7	
Contraceptive prevalence rate (all methods) increased (%)	48.9 (2011)	65	
<b>Proportion of births attended by health professional increased (%)</b>	<b>72.2 (2011)</b>	<b>90</b>	
Proportion of births delivered in facility increased (%)	52.2 (2011)	85	
<b>Malaria mortality rate per 100,000 population decreased (%)</b>	<b>0.01 (2011)</b>	<b>&lt;0.03</b>	
<b>Malaria morbidity rate per 100,000 population decreased (%)</b>	<b>9.5 (2011)</b>	<b>6.6</b>	
<b>TB case detection rate (all forms) increased (%)</b>	<b>82 (2012)</b>	<b>85</b>	
<b>HIV prevalence decreased</b>	<b>Less than 1% of population (2012)</b>	<b>Less than 1% of population</b>	
<b>Proportion of families with access to safe water increased (%)</b>	<b>83 (2011)</b>	<b>88</b>	
<b>Proportion of families with access to sanitary toilet increased (%)</b>	<b>91.6 (2011)</b>	<b>More than 92</b>	
National Health Insurance Program (NHIP) coverage rate increased (%)	72 (2012)	95	
Proportion of households with per capita intake below 100% dietary energy requirement decreased (%)	66.9 (2008)	32.8	

However, other indicators do not show encouraging results. Among the most alarming is the increasing number of pregnancy-related deaths. Based on the 2011 Family Health Survey (FHS), the maternal mortality ratio (MMR) increased to 221 per 100,000 live births in 2011 from 162 in 2006. The target is to bring down this ratio to 52 per 100,000 live births by 2015 and to 50 per 100,000 live births by 2016. This gap presents the big challenge faced by the *Kalusugan Pangkalahatan* (KP), or Universal Health Care program. The increase in maternal deaths is a manifestation of the deficiencies in the health system to address the various causes of maternal mortality, and more so, the inequitable access to quality health care.

On combating human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS), malaria and other diseases, the achievement of targets remains on track but this should not cause

complacency. The malaria mortality rate decreased from 0.03 in 2009 to 0.01 percent in 2011. Thus, the 2016 target has been achieved and should be sustained. On the other hand, the morbidity rate per 100,000 decreased from 22 in 2009 to 9.5 in 2011. The end-of-Plan target for this indicator is 6.6 per 100,000 population. But while the HIV and AIDS prevalence remains within the target of below one percent of the total population, the number of HIV cases continues to increase annually, particularly among the most-at-risk populations (MARP). The MDG and end-of-plan target for HIV prevalence is to keep it less than one percent of total population and halt the spread of the disease.

Prevalence of underweight children under five of age decreased from 20.6 in 2008 to 20.2 percent in 2011 based on the 2011 National Nutrition Survey (NNS) updates. However, the 2011 target was not achieved. This indicates the urgent need for improving the delivery of nutrition and nutrition-related services. The MDG target (2015) for prevalence of underweight children under five is 13.7 percent while the end of plan target (2016) is 12.7 percent. To ensure financial risk protection, efforts will be geared towards increasing insurance coverage to 90 percent by 2015 and 95 percent by 2016.

### Strategy 1: Provide health care to all: *Kalusugan Pangkalahatan (Universal Health Care)*

KP is the PDP's main strategy for improving the country's health status. Access to care not only promotes good health and longevity. As an investment in human capital, it also contributes to labor force productivity, employment and, eventually, economic growth in the long run. In addition, since ill health is a major cause of impoverishment among the near-poor, and a deepening of poverty among the already-poor, investing in health care for all as a means of providing financial risk protection is critical for reducing poverty and promoting inclusive development.

The key aspects of the KP are found in its three strategic thrusts:

- a. Achieve health-related MDGs by scaling-up promising preventive and promotive health programs and improving health-seeking behavior among the most vulnerable population;
- b. Improve financial risk protection by expanding national health insurance coverage and benefits; and
- c. Ensure quality of service by not only investing in facility infrastructure and equipment, but also improving clinical and management processes, and regulating the quality of care provided.

#### *Achieve health-related MDGs by scaling-up promising preventive and promotive health programs*

Insufficient and unequal use of preventive and promotive care is a symptom of health system problems, which contribute to the poor health status of Filipinos. Large regional and socioeconomic inequalities in access to care remain: maternal and child health outcomes are four times worse among the poorest 20 percent than among the wealthiest 20 percent; and geographic access to service delivery has hardly improved in the last five years. For instance, health facility delivery was most common in the National Capital Region or NCR (77.4%), Cordillera Administrative Region or CAR (67.5%) and Central Luzon (65.2%), and least common in the Autonomous Region in Muslim Mindanao (ARMM) at 19.2 percent. On assistance at birth delivery, 2011 FHS data indicate that 90 percent of deliveries in NCR and Central Luzon were assisted by a health professional as compared to Region IX in the Zamboanga peninsula (48.4%) and ARMM (31.9%).

The government continues to undertake efforts as well as investments to address the twin challenge of health access and quality. The Sin Tax Reform Law (RA 10351) and Responsible Parenthood and Reproductive Health Act of 2012 (RA 10354) are two major opportunities now available to intensify KP interventions that will eventually contribute to improved health status.

The Sin Tax Reform Law is expected to generate enough revenue to finance much needed investments in health. A total of 14.7 million poor identified in the National Household Targeting System for Poverty Reduction (NHTS-PR) from Category 1 provinces, as well as near-poor families, can be enrolled under the National Health Insurance Program (NHIP) with the expected windfall from sin tax revenues. These revenues will be directed to improve health care facilities, and to finance expanded coverage of preventive and promotive health care programs.

However, any increases in current investments and efforts in the MDG programs may not achieve their desired effects if the current capacities and capabilities of frontline health workers are not improved. The major challenge is to ensure a defined minimum set of clinical competencies in family planning and maternal and childcare services among existing staff, especially at the level of rural health units (RHU) and

barangay health stations (BHS). The government's policy to focus on poor families would also require hiring and training of additional skilled health and nutrition workers especially in disadvantaged areas to deliver the required public health care services for poor families.

The Responsible Parenthood and Reproductive Health Act of 2012 mandates the provision and delivery of essential services that are expected to significantly reduce maternal deaths. The law now clearly defines the responsibilities and accountabilities of national government, local government units (LGU), and other agencies in providing information, services, supplies, and commodities needed to fill the unmet needs for family planning and maternal care, especially among the poor and adolescents.

#### *Improve financial risk protection by expanding national health insurance coverage and benefits*

This strategy entails increasing Philippine Health Insurance (PhilHealth) coverage and benefits. A major challenge is how to seek out and cover the poor who have not been surveyed by the NHTS-PR nor by LGUs, such as indigenous people (IP), street children, children from orphanages, persons with disability (PWD), internal migrants, etc. The coverage of the Individually Paying Program (IPP) is also a challenge because, unlike the mandatory membership of those formally employed in the government and private sector, and the government subsidy of identified indigents, there is currently no means to enforce the enrolment of those in the informal and self-employed sectors, leading to a huge gap in coverage.

A strategy to reach more of the poor self-employed and those in the informal sectors is to cover them at the point of care. Close collaboration with LGUs and other government agencies as service points is also necessary.

Likewise, a parallel strategy to cushion Filipinos from the ill effects of high health care costs is improving benefit coverage. The necessary improvement includes a full shift in provider payment system from fee-for-service to case-based rates, providing no-balance billing arrangements for indigent members, strengthening gatekeeping mechanisms through the implementation and gradual expansion of the primary care benefits, and financing more catastrophic conditions.

#### *Ensure quality of service by investing in facility infrastructure and equipment, improving clinical and management processes, and regulating the quality of care provided*

Gaps in the quality of basic facility infrastructure and equipment will be addressed through the upgrading and construction of 20,943 government health facilities from 2014 through 2016.<sup>64</sup> Regular technology assessments will ensure that infrastructure and procedures are both adequate and cost-effective. Clinical quality will be improved through the development and implementation of better clinical practice guidelines. The Department of Health (DOH), through PhilHealth, will implement an accreditation system in both public and private facilities to ensure that PhilHealth beneficiaries are served in facilities that meet minimum healthcare standard.

### **Subsector outcome B: Knowledge and skills enhanced**

It is often said that education is key to moving people out of poverty and breaking the cycle of intergenerational poverty among families. Furthermore, as the economy grows and transforms its structure, acquisition and enhancement of skills allow the workforce to seize employment opportunities created by growth. Diversified knowledge and skills will also enable entrepreneurs and workers to adapt to changes brought about by shifting demands and new technologies.

Providing access to education and training for life skills and the capacity to pursue economic opportunities is thus an investment in human capital that helps achieve inclusive development. Table 6.2 presents the updated PDP targets related to enhancing the knowledge and skills of the workforce.

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<sup>64</sup> This is based on DOH's Philippine Health Sector Roadmap (as of October 2013). However, the agency's 2011-2016 investment requirements submitted also in October 2013 to the National Economic and Development Authority (NEDA) reflected the construction, rehabilitation and upgrading of only 12,295 health facilities that includes DOH and LGU hospitals, barangay health stations and rural health units. See Chapter 10 (Accelerating infrastructure development).

Table 6.2. Revalidated RM on subsector outcome B: Knowledge and skills enhanced

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Net enrolment rate increased (%)			Assumptions <ul style="list-style-type: none"> <li>▪ Appropriate budget allocation provided to the concerned agencies</li> <li>▪ Improved participation of stakeholders such as LGUs, private sector and the community in meeting the targets</li> </ul> Risks <ul style="list-style-type: none"> <li>▪ Inability of households to send pupils/students to school due to poverty, peace and order concerns, natural calamity and other factors</li> </ul>
<i>Kindergarten</i>	57.2	100.0	
<i>Elementary</i>	95.9	99.0	
<i>Secondary</i>	64.7	71.0	
Adjusted net enrolment rate increased (%)			
<i>Elementary</i>	98.5	99.0	
<i>Secondary</i>	92.5	99.0	
Completion rate increased (%)			
<i>Elementary</i>	72.1	83.0	
<i>Secondary</i>	75.1	80.0	
Cohort survival rate increased (%)			
<i>Elementary</i>	74.2	83.0	
<i>Secondary</i>	79.4	85.0	
Achievement rate increased (%)			
<i>Elementary</i>	68.2	77.0	
<i>Secondary</i>	47.9	65.0	
Simple literacy rate increased (%)	95.6 (2008)	No target	
Functional literacy rate increased (%)	86.4 (2008)	No target	
Certification rate in TVET increased (%)	82.9	87.5	
TVET graduates increased	1,344,371 (2010)	1,383,026	
Higher education graduates increased	498,418	601,505	
Proportion of HEI faculty with MA increased (%)	38.87	65	
Proportion of HEI faculty with PhD increased (%)	11.09	30	
HEIs with accredited programs increased	19.89	35	
National passing percentage (across disciplines) in licensure exams increased (%)	33.91	52.53	

Strategic interventions will have the following objectives:

- Provide every Filipino with access to a complete and quality basic education and that every graduate of complete basic education is prepared for further education and the world of work;
- Ensure that the labor force has the competencies and life skills to pursue economic opportunities; and
- Ensure that graduates of higher education have competencies and high-level skills for national development and global competitiveness.

### Strategy 2: Provide complete and quality basic education to prepare the youth for further education and the world of work

There were positive developments in terms of enrolment, but the real challenge rests on keeping children in the school system until they finish the final year. In terms of internal efficiency indicators, there were slight improvements in elementary cohort survival rate or CSR (74.2 percent to 75.3 percent) and completion rate or CompR (72.1 percent to 73.7 percent) from 2010 to 2012. The reverse is true for secondary education with a decline in CSR from 79.4 percent to 78.2 percent, and the CompR from 75.1 percent to 74.8 percent in the same period.

As the government tries to get children to the next level and eventually graduate, the quality of formal basic education remains a challenge as evidenced by the results of the National Achievement Test (NAT). The NAT results expressed in mean percentage score (MPS) increased from 2010 to 2012 in both elementary and secondary education but are still below the PDP targets. Elementary NAT score slightly increased from 68.2 percent in 2010 to 68.9 percent in 2012 while the secondary rate increased from 47.9 percent to 51.4 percent.



Table 6.3. Key performance indicators for basic education, public and private: Target vs. accomplishments

Key performance indicators	Accomplishment (in %)			Target	
	SY 2010-2011	SY 2011-2012	SY 2012-2013	2013-2014	End-of-Plan target (2016)
Kindergarten					
Net enrolment rate* (5 yrs. old)	57.2	74.2	77.4	79.3	100.0
Elementary					
Adjusted net enrolment rate**	98.5	99.6	97.4	99.0	99.0
Net enrolment rate	95.9	97.3	95.2	96.0	99.0
Cohort survival rate	74.2	73.5	75.3	77.0	83.0
Completion rate	72.1	71.0	73.7	75.0	83.0
Achievement rate (NAT MPS <sup>65</sup> )	68.2	66.8	68.9	71.0	77.0
Secondary					
Adjusted net enrolment rate**	92.5	89.8	90.0	93.0	99.0
Net enrolment rate	64.7	64.8	64.6	65.0	71.0
Cohort survival rate	79.4	78.8	78.2	79.0	85.0
Completion rate	75.1	74.2	74.8	75.0	80.0
Achievement rate (NAT MPS <sup>66</sup> )	47.9	48.9	51.4	54.0	65.0

Source: Department of Education (DepEd)

\*The ratio of the enrolment for the age group corresponding to the official school age in the elementary/secondary level to the population of the same age group in a given year

\*\* Total number of pupils/students of the official school age group who are at primary or secondary education levels, expressed as a percentage of the primary population (based on 2-year threshold for overage children)

Gains in the delivery of basic education services in terms of improving access and addressing input gaps have been encouraging. Table 6.3 shows accomplishments in reducing backlogs in critical resources for basic education.

Besides inputs, government also put in place massive reforms in the curricula and structure of schooling. These include the enactment of the Kindergarten Act of 2012 (RA 10157), providing for mandatory implementation of universal kindergarten, resulting in the increase of kindergarten net enrolment rate from 57.2 percent in 2010 to 77.4 percent in 2012. This was followed by another landmark legislation, the Enhanced Basic Education Act of 2013 (RA 10533), which institutionalizes the implementation of the K to 12 program. These highlight the achievement of the government, particularly the Department of Education (DepEd), in instituting critical reforms that align the country's basic education system with international standards and ensure better learning opportunities for children.

Table 6.4. Basic education critical resources: Backlogs vs. accomplishments

Resources	2010 backlog	Accomplishments
Classrooms	66,800	43,424 classrooms constructed; 23,376 ongoing constructions (as of 30 June 2013)
Teachers	145,827	102,623 new teaching positions created; 43,204 kinder volunteers and LGU-hired teachers
Textbooks	61.7 million	1:1 student to textbook ratio (as of 2012)
Seats	2.5 million	1:1 student to school seat (as of 2012)
Toilets	135,847	52,587 completed; 5,413 ongoing construction; 70,869 ongoing procurement (as of July 2013)

Source: DepEd

To sustain the gains and accelerate efforts in basic education reforms, the remaining years of the PDP implementation will have the following strategies:

<sup>65</sup> Source: National Education Testing and Research Center (NETRC). For elementary, the NAT was administered to Grade VI in all school years

<sup>66</sup> NAT for secondary was administered in the 2<sup>nd</sup> year from SY 2007-2011, and 4<sup>th</sup> year on SY 2011-2012

### *Ensure that every Filipino has access to complete basic education*

This involves: (a) creating conducive learning institutions; (b) providing affirmative action to learners with special needs and those in special circumstances; (c) engaging the private sector in broadening more opportunities for basic education; and (d) using technology in expanding reach.

### *Ensure that every Filipino graduate of complete basic education is prepared for higher education, employment and entrepreneurship*

In line with the implementation of the K to 12 program, the government will pursue the: (a) development of enhanced learner-centered curriculum; (b) provision of adequate instructional materials and equipment; and (c) improvement of quality of instruction and professional development of teachers; and

### *Ensure effective, efficient and collaborative delivery of basic education services*

As the government gears towards full implementation of the K to 12 program, aligning and synchronizing efforts is crucial to achieve optimum use of resources. In promoting good governance within the subsector, the government, through the DepEd, will: (a) improve internal systems and processes; (b) strengthen education leadership and management and build people capacities; and (c) expand the network of stakeholders and enhance participation in the delivery of basic education. These will be accompanied by the proper targeting of areas, prioritizing those with severe shortages to ensure equitable distribution of resources and address low performance in terms of education indicators among regions, divisions and schools.

### *Strategy 3: Develop workforce competencies and life skills through TVET<sup>67</sup>*

The importance of TVET has been increasing as the economy sustains growth and undergoes transition. Growth has opened up new employment opportunities, creating greater expectations and prompting more people to join the labor force and for the underemployed to seek better employment opportunities.

In the existing labor force, many had not benefitted from good quality education and training, falling short of the level of skills required by employers. Thus, even as more jobs are created, unemployment and underemployment have barely gone down because of job mismatch.

To address this situation, there is a need to develop competencies and life skills for the current and would-be members of the labor force to enable them to pursue economic opportunities. Strategies consist of expanding access to quality TVET and developing workforce competencies required in key growth areas.

There is also a need to strengthen TVET institutions in terms of leadership, management and innovation. Strategies include implementing a good governance system that encourages TVET institutions to meet quality standards and to use information technology to ease access to TVET. Other strategies are:

### *Strengthen the Technical Education and Skills Development Authority (TESDA) and focus on development planning, resource allocation, standard-setting and quality assurance*

To implement this strategy, the following interventions will be pursued: (a) push for the approval and implementation of the Rationalization Plan, which takes into consideration the changing environment and demands of operations, particularly at the frontlines; (b) build up the organizational capacity and capability of TESDA continuously in line with its mandate; and (c) implement the resource allocation mandate of TESDA under the framework of interagency coordination.

### *Encourage LGUs and industries to directly participate in the delivery of TVET skills development programs*

This will be done through: (a) designing and developing capability-building programs for LGUs in establishing, managing and implementing TVET programs; (b) providing technical assistance to LGUs in the area of trainers development, curriculum and learning materials development, center administration, and assessment and certification; (c) developing viable models and partnership arrangements for LGU-led TVET implementation in the localities; and (d) mobilizing multi-stakeholder support and participation in

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<sup>67</sup> National Technical Education and Skills Development Plan (NTESDP) 2011-2016

community-based skills development programs. Priority will be given to provinces with high magnitude of poor families.

#### *Expand enterprise-based training (EBT)*

This will involve the following measures: (a) strengthening and promoting EBT schemes (e.g., dual training system, apprenticeship and “learnership” and on-the-job training as pre-employment modalities); (b) encouraging training in the workplace for skills upgrading, retooling and multi-skilling, and other skills development interventions to improve productivity and promote lifelong learning; (c) pushing for the expansion of incentives for the private sector investing in TVET and making availment easier; (d) making available incentives such as scholarships and other assistance for EBT participating industries and technical-vocational institutions (TVIs); and (e) tapping the corporate social responsibility programs of industry/private sector for TVET.

#### *Train agricultural workers to develop new skills*

To reduce under-employment in agriculture, workers in the sector need to be trained on value-adding, agribusiness development and value-chain management. This will provide them opportunities to diversify their sources of income and link with industry and services.

#### **Strategy 4: Make higher education competitive and responsive to national development goals**

As in TVET, higher education has increasingly gained significance with growth and economic restructuring, which fuel demand for a high quality, competitive labor force.

The country’s labor market, however, is still faced with issues on the quality of graduates, as shown by the increasing skills gap and the decreasing number of passers in the Professional Regulation Commission (PRC) licensure examinations. While the national passing rate in licensure examinations for all takers showed an increasing trend from 35.9 percent in 2011 to 42.6 percent in 2012, the rate still fell below the 2012 target of 47.0 percent. Despite large-scale unemployment, employers have difficulty filling-up their job vacancies because of shortage of applicants with the right competencies and qualifications for the job.<sup>68</sup> Thus, in order to enhance the quality, productivity and global competitiveness of the Filipino workforce, it is imperative to enhance the relevance of education and training to the needs of the labor market. Improving the performance of higher education students in licensure examinations across disciplines will also be prioritized.

Strategies to improve higher education outcomes include the following:

#### *Support the cross-mobility of students between higher education and middle-level skills development*

This will be done through the Philippines Qualification Framework (PQF), which was institutionalized through Executive Order 83 in 2012. The PQF aims to (a) adopt national standards and levels for outcomes of education; (b) support the development and maintenance of pathways and equivalencies, which provide access to qualifications and assist people to move easily and readily between the different education and training sectors and between these sectors and the labor market; and (c) align the PQF with international qualifications framework to support the national and international mobility of workers through increased recognition of the value and comparability of Philippine qualifications;

#### *Expand EBT*

This will be pursued by strengthening the academe-industry linkages to address the problem of mismatch between competencies and jobs on the one hand, and to encourage research and development (R&D) collaboration between the two sectors, on the other.

#### *Align higher education institution (HEI) programs with national development goals and industry needs*

This will be pursued by (a) upgrading and aligning the curricula with international standards; and (b) identification of Centers of Excellence (COE) and Centers of Development (COD) capable of producing

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<sup>68</sup> Survey conducted by the Bureau of Labor and Employment Statistics, January 2007-January 2008

globally competitive graduates and cutting-edge research outputs relevant to the needs of the disciplines and the country's development objectives.

#### *Fast-track the restructuring of public HEIs*

This is to improve efficiency in the delivery of quality programs, minimize duplication, and promote harmonization and complementation of program standards between and among public and private HEIs. This could be done through amalgamation of state universities and colleges into Regional University Systems and development of specialized institutions.

#### *Upgrade higher education quality standards to internationally comparable levels and strengthen quality assurance systems*

This will be implemented through the continuing revision of programs, policies, standards along learning competency-based standards or learning outcomes—a requirement for the comparability of undergraduate and graduate programs in Asia Pacific and for referencing to the Association of Southeast Asian Nations (ASEAN) Reference Qualifications Framework when the ASEAN becomes an economic community in December 2015.

### **Sector outcome: Vulnerabilities reduced**

Beyond developing human capabilities, equalizing opportunities also requires reducing vulnerabilities to various types of risks.

Shocks worsen human deprivation. Shocks that can adversely affect anyone are those produced by natural disasters, conflict, illness, changing demographic profile and economic instability. While some can weather the shocks, there are a lot more who cannot, and these constitute the vulnerable population.

The ability to protect people against crises and to enable them to rise from their impact is essential for preventing poor people from plunging deeper into poverty and the vulnerable ones from falling into poverty. After all, even better-off households can join the ranks of the poor when a member, for example, falls ill or becomes physically unfit to work.

The need to reduce vulnerabilities has become even more important as weather-related calamities are expected to become more frequent. Moreover, as the economy undergoes a restructuring process, employment and income become volatile as employers and entrepreneurs adjust to changing markets. Poorer households will need to have fallback options when they lose income or when they move from one job to another.

Vulnerability is also related to fast urbanization. As people seek opportunities, they often move to cities where there are more employment opportunities. Unfortunately, many end up as informal settlers and some set up homes in dangerous areas. To gain access to development opportunities, employable household members need assistance in getting more secure shelters located in areas that do not entail huge transport cost to get to work places.

Thus, a strategy to reduce vulnerabilities entails expanding social protection and providing more secure shelter, particularly in Category 3 provinces that are highly vulnerable and prone to multiple hazards.

Table 6.5 presents the results matrix on two subsector outcomes related to reducing vulnerabilities.

Table 6.5. Revalidated RM on sector outcome on vulnerabilities reduced

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
<b>Subsector outcome C: Social protection expanded</b>			
Percentage of poor families covered by PhilHealth as identified under the NHTS-PR and LGU Sponsored Program	88.7%	100%	
<b>Subsector outcome D: Access to secure shelter expanded</b>			
Percentage of housing targets met (%)	22.5	25.84	<ul style="list-style-type: none"> <li>▪ Assumption: Passage of the Department of Housing and Urban Development (DHUD) Bill</li> <li>▪ Risks: Budgetary constraints; natural and man-made disasters affecting housing construction; unavailability of suitable and affordable land for socialized housing</li> </ul>
Share of socialized housing to housing target improved (%)	56.78	77.77	

### Subsector outcome C: Social protection expanded

Social protection enables people to manage and cope with risks, including risks associated with investment that entail forgoing income in the short term but could yield benefits in the long term. As such, it significantly contributes to inclusive development and poverty reduction.

For the past three years of the Aquino administration, the government has been keen on continuing and putting in place different social protection mechanisms. These mechanisms cover risks faced by poor households identified under the NHTS-PR, poor senior citizens, groups vulnerable to natural and man-made socioeconomic shocks, labor force members at risk of losing employment, as well as overseas Filipino workers (OFW).

Table 6.6 shows the mechanisms that respond to various risks and the extent to which targets were reached. To mitigate individual and life-cycle risks, two major programs were implemented, namely, the Sponsored Program under the NHIP and the social pension for poor senior citizens. An increase in the coverage of the Sponsored Program was seen from 2011 to 2012. However, the government pension for indigent senior citizens, which only covers those 77 years old and above, has slightly fallen short of its target 14.85 versus 15.3 percent.

Based on the assessment, the country has made significant strides in protecting the poor, the vulnerable, and the marginalized<sup>69</sup> from various risks and shocks. But much is still to be done not only in fully protecting them but also in enabling them to adjust to shocks. The major challenges faced by the sector include the following:

- Lack of a targeting mechanism that identifies the vulnerable, as well as the risks and shocks that they confront;
- Need to strengthen capability of LGUs to implement disaster risk reduction strategies and deliver social protection services;
- Limited number of poor and vulnerable beneficiaries despite nationwide implementation of programs and projects;
- Increasing vulnerability of OFWs and migrant workers; and
- Limited social protection interventions for the following sectors: displaced and repatriated workers; informal sector; PWD; orphans; and IPs/ indigenous cultural communities.

<sup>69</sup> Marginalized people are those groups in society who, for reasons of poverty, geographical inaccessibility, culture, language, religion, age, gender, migrant status or other disadvantage, have not benefited from health, education, employment and other opportunities, and who are relegated to the sidelines of political persuasion, social negotiation, and economic bargaining (IPPF). The marginalized includes farmers and landless rural workers; artisanal fisher folk; urban poor; indigenous people; workers in the informal sector; migrant workers; women; children; youth; senior citizens; and persons with disabilities.

Table 6.6. Social protection indicators: Targets vs. accomplishments

Indicator	Baseline	2011		2012		End-of-Plan target (2016)
		Target	Actual	Target	Actual	
1. Social insurances that seek to mitigate individual and life cycle risks to vulnerable households (HH) expanded						
Percentage of poor families covered by PhilHealth as identified under the NHTS-PR and LGU Sponsored Program	14% (3.76 M) as of June 2011	75%	81.5% (4.24 M) as of Dec 2011	80%	88.7% (4.61 M) as of Dec 2012	100%
Proportion of poor senior citizens covered by social pension	(New Indicator)	13.8%	13.3%	15.3%	14.85%	
2. Labor market programs that seek to mitigate economic risks enhanced						
Number of jobseekers referred for placement	1,298,469 (2010)	923,000	1,561,299 (169% of target)	1,000,000	1,515,933 (152% of target)	6,000,000
3. Safety nets provided to vulnerable groups during socioeconomic shocks (man-made and natural) improved and strengthened						
Coverage of emergency employment programs during crisis (economic, financial, disaster-related)	2,150 jobs (Emergency employment – Department of Labor and Employment or DOLE) (2010)	Depends on the number of affected individuals	10,201 jobs (Emergency employment - DOLE)	Depends on the number of affected individuals	17,054 jobs (Emergency employment - DOLE)	Depends on the number of affected individuals
Proportion of individuals affected by natural and man-made calamities provided relief assistance	(New Indicator)	100%	63.3 %	100%	62.4%	100%
4. Social welfare programs to protect the poor and vulnerable groups from risks enhanced						
Coverage of Conditional Cash Transfer (CCT)	1.0 million (2010)	2.3 million	2.345 million (101.9%)	3.0 million	3.01 million (100.33%)	2.9 million <sup>70</sup>
OFW membership to OWWAs, disability, and death benefits	1,355,311 (2010)	1,251,394	1,302,071 (104%)	1,376,534	1,304,197 (95%)	100%

#### Strategy 5: Enhance the targeting system by identifying the “near poor”/ vulnerable and knowing their needs

While the current targeting system of the government captures the poor, it does not capture those that are just above the poverty line and those who are most vulnerable to risks. Anti-poverty and social protection

<sup>70</sup> By 2016, the number of beneficiaries of the PantawidPamilya will decrease as some of the previous sets of beneficiaries have already graduated from the program.

programs and projects are able to reach only a limited number of poor and vulnerable beneficiaries despite nationwide implementation.

To address this challenge, there is a need to revisit and expand the NHTS-PR database to cover those who are vulnerable to different types of risks or shocks. Such expansion will enable the government to identify and locate the vulnerable groups and to determine the risks and shocks they confront so that appropriate and more responsive social protection programs may be developed. Closer attention will be paid to OFWs, displaced and expatriated workers, those in the informal sector, PWD, and orphans.

#### **Strategy 6: Enhance social protection and insurance for vulnerable groups**

Coverage of social protection programs and social insurance systems will be expanded and made more responsive to different types or sources of vulnerabilities such as the growing number of children in hazardous labor.

##### *Increase coverage of social insurance*

Despite increased enrolment in PhilHealth, particularly the Sponsored Program, members' actual use of the health insurance package remains low, as indicated by the benefit delivery ratio of just 8 percent. Pantawid Pamilya Program beneficiaries enrolled in PhilHealth are unable to fully utilize health care services, especially the indigent members who have low awareness of their PhilHealth benefits. To address low utilization rate, there is a need to improve management and information system in PhilHealth that affects the pace of processing of claims. There is also a need to find out the reasons for the inability of vulnerable groups to pay their premiums. Moreover, the coverage of social pension for indigent senior citizens, which at present covers only the 77 years old and up and indigent senior citizens, needs to be fast-tracked to cover those aged 60 years and above.

##### *Expand social safety nets*

Capacities of LGUs shall be enhanced to provide immediate response in emergency situations to include a menu of tested safety net programs especially during calamities and disasters. Options for funding support will also be explored.

##### *Sustain and enhance social welfare programs*

These will involve enhancing programs such as the Pantawid Pamilya Program to enable its beneficiaries to be more self-sufficient when they graduate from the program. LGUs will be enjoined and provided with capacity-building support to effectively design and implement social welfare programs particularly to address violence against women, to provide social pension for indigent senior citizens, and to serve persons with disabilities.

#### **Strategy 7: Set up convergence mechanisms at all levels**

The mechanism will depict the multi-level and multi-program convergence, where various types of convergence will be implemented depending on the social protection needs of target areas or sectors.

##### *Implement the social protection framework and strategy*

Implementation of social protection programs will thus be guided by the Social Protection Operational Framework adopted in 2012. The Framework will serve as blueprint for policymakers, planners and program implementers on the specific approaches and strategic interventions best suited to be carried out by responsible agencies on social protection to cover specific target groups and vulnerabilities. To empower and capacitate LGUs, civil society organizations, and government agencies implementing social protection programs and projects, a Social Protection Handbook will also be developed to serve as primary reference in planning, implementing, monitoring and evaluating social protection interventions.

The Vulnerability and Adaptation Manual for Social Protection, which is part of the Handbook focusing on risk and vulnerability assessment, will be formulated as a guide for local development workers from the LGUs, government agencies and NGOs in assessing risks and vulnerabilities and identifying adaptive strategies for social protection in the communities.



Social protection programs and projects will be institutionalized to become part of the regular program and budget of the government at different levels. LGUs implementing social protection convergent programs will already start including them in their own plans and budgets as this will initially synchronize and harmonize program implementation/operations across sectors and institutions. The menu on bottom-up budgeting will be the take-off for this convergence.

### *Regularly monitor and assess convergent programs at various levels*

Institutionalizing the Social Protection Framework will require a systemic review of how the various objectives and indicators are being achieved. A unified and user-friendly monitoring and evaluation system based on agreed common data sets shall be designed and used by agencies implementing social protection programs.<sup>71</sup>

## **Subsector outcome D: Access to secure shelter expanded**

Shelter is associated with vulnerability and is an important dimension of social development. Urban slums and informal settlements have grown rapidly as many Filipinos from rural areas go to urban areas to be close to employment opportunities or to have access to services. Owing to poverty, they live in shelters to which they have no legal rights to occupy or in areas prone to disasters just to survive until they find decent and more regular employment. Having no secure shelters or properties, they face risks of being evicted or of falling victims to natural and man-made disasters.

Providing secure shelter will thus form part of the strategy for inclusive development and poverty reduction aimed at reducing vulnerabilities and enhancing opportunities. In particular, the housing sector will aim to increase the number of Filipino households with access to adequate housing.

In 2011 to 2012, the National Shelter Program (NSP) delivered direct housing assistance to 222,167 households, which is only 51 percent of the Plan target of 435,000 households. Socialized housing units accounted for 69 percent while the share of low-cost housing units was 31 percent of total housing delivery. The actual value of housing assistance in 2011 to 2012 amounted to PhP92.1 billion, way below the proposed budget of PhP134.052 billion (Table 6.7).

Table 6.7. National Shelter Program: Target vs. accomplishment, 2011-2012

Key performance indicators	Target		Actual accomplishment	
	Households	PhP billion	Households	PhP billion
<b>Socialized housing</b> (<PhP450,000)	<b>253,247</b>	<b>55.052</b>	<b>153,696</b>	<b>35.668</b>
<i>NHA housing production</i>	140,000	41.387	103,093	25.877
<i>SHFC Community-Driven Shelter Assistance Program</i>	45,000	2.565	25,162	1.531
<i>HDMF end-user financing</i>	68,247*	11.100	25,441	8.260
<b>Low-cost housing</b> (>PhP450,000-PhP3 million)	<b>181,753</b>	<b>79.000</b>	<b>68,471</b>	<b>56.439</b>
<i>HDMF end-user financing</i>	181,753*	79.000	67,753	55.094
<i>LBP end-user financing</i>			606	1.207
<i>SSS end-user financing</i>			112	0.138
<b>Total Housing Assistance</b>	<b>435,000</b>	<b>134.052</b>	<b>222,167</b>	<b>92.107</b>

Source: Housing and Urban Development Coordinating Council (HUDCC)

To encourage greater private sector participation in housing construction and finance, housing loans are protected from credit default risk through the Home Guaranty Corporation (HGC) guaranty. From 2011 to 2012, the HGC guaranteed PhP70.328 billion worth of invested funds from private developers and financing institutions covering 45,643 households (Table 6.8). Due diligence and post-audit of approved guaranty lines were conducted to ensure that guaranteed housing loans are used for home purchase or construction. The National Home Mortgage Finance Corporation (NHMFC) also continued to purchase

<sup>71</sup> From the Report of the PDF Working Group on MDGs and Social Progress (February 2013)



mortgages using proceeds from the issuance of Bahay Bonds. For the 2011-2012 period, NHMFC purchased loans covering 8,336 households worth PhP1.619 billion.

Table 6.8. Indirect housing assistance through private funds: Target vs. accomplishment, 2011-2012

Key performance indicators	Target	Actual accomplishment	
	Households	Households	PhP billion
<b>HGC New Guaranty Enrollment</b>	<b>80,779</b>	<b>45,643</b>	<b>70.33</b>
<i>Socialized Housing</i>	<i>27,477</i>	<i>6,350</i>	<i>1.035</i>
<i>Low-Cost Housing</i>	<i>42,832</i>	<i>34,511</i>	<i>45.469</i>
<i>Medium Housing (&gt;PhP3 million-PhP4 million)</i>	<i>7,237</i>	<i>2,285</i>	<i>5.758</i>
<i>Open Housing (&gt;PhP4 million-PhP6 million)</i>	<i>3,233</i>	<i>2,497</i>	<i>18.066</i>
<b>NHMFC purchase of mortgages</b>	<b>4,132</b>	<b>8,336</b>	<b>1.619</b>

Source: HGC, NHMFC

Due to rapid urbanization and rural-urban migration, the housing need continues to be enormous. The updated housing needs are now estimated at 5,556,463 for 2011 to 2016, including backlogs from previous years. Among the regions, the growth areas comprising CALABARZON, Central Luzon and NCR account for almost a third of the projected housing need for 2011 to 2016 (Table 6.9).

For 2014-2016, the National Shelter Program seeks to deliver 510,683 units of housing assistance focusing on vulnerable households with an investment cost of PhP203.31 billion (breakdown in Table 6.10) based on the resource projections of key shelter agencies.

Table 6.9. Housing needs estimates by region, 2011-2016 (in number of households)

Regions	Initial needs (as of Jan 1, 2011)	Incremental housing need						Total
		2011	2012	2013	2014	2015	2016	
<b>PHILIPPINES</b>	<b>1,225,343</b>	<b>688,318</b>	<b>701,396</b>	<b>714,723</b>	<b>728,302</b>	<b>742,140</b>	<b>756,241</b>	<b>5,556,463</b>
NCR	292,234	56,087	57,153	58,239	59,346	60,473	61,622	645,154
CAR	10,861	9,060	9,233	9,408	9,587	9,769	9,954	67,872
Region I	55,312	36,135	36,822	37,521	38,234	38,961	39,701	282,686
Region II	30,323	25,964	26,457	26,960	27,472	27,994	28,526	193,696
Region III	101,441	63,151	64,351	65,574	66,820	68,089	69,383	498,809
CALABARZON	135,068	82,250	83,813	85,406	87,028	88,682	90,367	652,614
MIMAROPA	28,931	27,491	28,013	28,546	29,088	29,641	30,204	201,914
Region V	61,738	46,599	47,484	48,386	49,305	50,242	51,197	354,950
Region VI	85,425	55,426	56,479	57,552	58,646	59,760	60,896	434,185
Region VII	79,815	50,248	51,203	52,176	53,167	54,177	55,207	395,993
Region VIII	41,081	37,380	38,090	38,814	39,551	40,303	41,069	276,288
Region IX	38,322	31,411	32,007	32,615	33,235	33,867	34,510	235,967
Region X	52,094	35,347	36,019	36,703	37,401	38,111	38,836	274,512
Region XI	66,099	42,139	42,940	43,756	44,587	45,435	46,298	331,255
Region XII	54,442	36,344	37,035	37,739	38,456	39,186	39,931	283,133
Caraga	29,572	23,011	23,448	23,894	24,347	24,810	25,281	174,362
ARMM	62,584	23,886	24,340	48,370	25,274	25,754	26,243	236,451

Source: HUDCC

Note: This excludes the totally damaged houses resulting from natural and man-made disasters and calamities (e.g., Bohol earthquake, Zamboanga siege and Typhoon Yolanda).

Table 6.10. Updated housing assistance targets: 2014-2016

Program	2014		2015		2016	
	Households	PhP billion	Households	PhP billion	Households	PhP billion
<b>Socialized housing</b>	<b>97,368</b>	<b>20.214</b>	<b>133,625</b>	<b>30.193</b>	<b>151,988</b>	<b>26.779</b>
<i>NHA production</i>	63,331	10.988	94,300	20.242	107,367	16.210
<i>SHFC Community Driven Shelter Assistance Program</i>	22,600	4.67	27,600	5.28	32,600	5.78
<i>HDMF socialized end-user financing</i>	11,437	4.556	11,725	4.671	12,021	4.789
<b>Low-cost housing: HDMF end-user financing</b>	<b>41,691</b>	<b>41.155</b>	<b>42,559</b>	<b>42.033</b>	<b>43,452</b>	<b>42.936</b>
<b>Total</b>	<b>139,059</b>	<b>61.369</b>	<b>176,184</b>	<b>72.226</b>	<b>195,440</b>	<b>69.715</b>

Source: HUDCC

HGC also targets to guaranty 68,191 more households for 2014-2016, while NHMFC seeks to purchase loans covering 2,750 households worth PhP5.5 billion (Table 6.11).

Table 6.11. Updated indirect housing assistance targets: 2014-2016

Funds Mobilization (Accounts)	2014		2015		2016		TOTAL	
	Households	PhP billion	Households	PhP billion	Households	PhP billion	Households	PhP billion
HGC New Guaranty Enrollment	21,631	34.609	22,712	36.34	23,848	38.157	68,191	109.106
NHMFC Housing Loan Receivable Purchase Program	1,000	2.000	750	1.50	1,000	2.000	2,750	5.500

Source: HUDCC

The housing sector will focus on the following strategic thrusts:

**Strategy 8: Provide a menu of housing options/assistance based on the needs of intended housing beneficiaries**

In particular, programs will focus on:

- Addressing the needs of informal settler families (ISFs), through upgrading of structures in slums and development of relocation sites for those in danger areas. These include ISFs in waterways and other danger areas in Metro Manila, ISFs affected by infrastructure projects, and ISFs primarily in privately owned lots;
- Providing either temporary or permanent alternative shelters or assistance in rebuilding the homes of victims of calamities such as typhoons, earthquakes, fire, and armed conflict. Priority will be given to those in the 28 poorest provinces that are vulnerable to multiple hazards; and
- Meeting growing demand for housing from low-salaried employees by directly constructing and financing low-cost and socialized housing projects and by encouraging greater private sector participation in housing.

### Strategy 9: Build strong partnerships with stakeholders, particularly LGUs, to ensure development of sustainable communities

In partnership with various agencies and LGUs, housing agencies will scale up implementation of pro-poor, community-led housing/shelter security programs. In October 2012, the Housing and Land Use Regulatory Board (HLURB) approved the implementing rules and regulations (IRR) for Section 18 of the Urban Development and Housing Act of 1992 (RA 7279) through Board Resolution 890. The resolution requires developers of proposed residential subdivision projects to develop an area for socialized housing through balanced housing development, slum upgrading, joint venture with LGUs, participation in the Community Mortgage Program, and development of new settlements. To implement the resolution, which took effect on 1 January 2013, memorandum circulars were issued to provide uniform application, interpretation, usage and implementation of the different manners of compliance.

For 2014 to 2016, the HLURB will continue to extend technical assistance in the formulation/updating of comprehensive land use plans (CLUPs) to 652 LGUs composed of 101 cities and 551 municipalities. By 2016, all 1,649 LGUs will have updated CLUPs.

### Strategy 10: Pursue the policy agenda for socialized housing

The HLURB will continue its orientation of homeowner associations under the Magna Carta for Homeowners' Associations (RA 9904) and review its IRR. The agency will also review existing IRRs on the Subdivision and Condominium Buyers' Protective Decree (PD 957) and the act authorizing HLURB to establish standards and technical requirements for economic and socialized housing projects (BP 220), to include green technology and other revisions on national standards for housing projects. Another important project is the International Organization for Standardization (ISO) certification of the core processes, which includes planning assistance, registration and adjudication nationwide to improve delivery of service.

The amendment of Section 18 of the Urban Development and Housing Act will be pursued to qualify vertical development as eligible in compliance with the balanced housing development requirement. The policy change works in tandem with the ongoing technical assistance to the Social Housing Finance Corporation on the scaling up of the Community Mortgage Program through Medium-Rise Buildings and the citywide approach to urban planning and development. The amendment will maximize the utilization of prime land accessible to social and economic opportunities.

The passage of the Department of Housing and Urban Development (DHUD) bill is expected to provide a holistic approach to sustainable urban development. The pursuit of sustainable urban development will entail the adherence to a systematic approach to planning from the preparation of the CLUPs and local shelter plans as well as the creation and operation of local housing boards in the LGUs that will be guided at the national level by the DHUD.

## III. PLAN IMPLEMENTATION

The progress of Plan implementation, using the RMs (Tables 6.1, 6.2 and 6.5) and the annual target indicator matrix in Table 6.12 below, will be monitored through the Social Development Committee (SDC), an interagency committee under the National Economic and Development Authority (NEDA) Board, as well as through the Human Development and Poverty Reduction Cabinet Cluster (HDPRC). The following are the lead agencies according to the four subsector outcomes: DOH, DepEd, Department of Social Welfare and Development (DSWD) and HUDCC.

Table 6.12. Annual target indicator matrix on social development, 2013-2016

Indicators	Annual Plan targets				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Subsector outcome A: Health and nutrition status improved</b>						
Maternal mortality ratio per 100,000 live births decreased	70	61	52	50	Family Health Survey (FHS)	DOH
Infant mortality rate per 1,000 live births decreased (%)	21	20	19	17	FHS	DOH

Indicators	Annual Plan targets				Means of verification	Agency responsible
	2013	2014	2015	2016		
Under-five mortality rate per 1,000 live births decreased (%)	29.2	28	26.7	25.5	FHS	DOH
Prevalence of underweight children under five decreased			13.7	12.7	NNS	NNC
Contraceptive prevalence rate (all methods) increased (%)			63	65	FHS	DOH
Proportion of births attended by health professional increased (%)			90	90	FHS	DOH
Proportion of births delivered in facility increased (%)			80	85	FHS	DOH
Malaria mortality rate per 100,000 population decreased (%)			<0.03	<0.03	Program data	DOH
Malaria morbidity rate per 100,000 population decreased (%)			6.6	6.6	Program data	DOH
TB case detection rate (all forms) increased (%)			85	85	Program data	DOH
HIV prevalence decreased			<1%	<1%	Program data	DOH
Proportion of families with access to safe water increased (%)			87	88	Annual Poverty Indicators Survey (APIS)	DOH
Proportion of families with access to sanitary toilet increased (%)			>92	>92	APIS	DOH
National Health Insurance Program (NHIP) coverage rate increased (%)			90	95	Program data	PhilHealth
Proportion of households with per capita intake below 100% dietary energy requirement decreased (%)	45.6	41.4	37.1	32.8	National Nutrition Survey of FNRI	NNC
<b>Subsector outcome B: Knowledge and skills enhanced</b>						
Net enrolment rate increased (%)						
<i>Kindergarten</i>	<i>79.3</i>	<i>89.7</i>	<i>100.0</i>	<i>100.0</i>	<i>Basic Education Information System (BEIS)</i>	<i>DepEd</i>
<i>Elementary</i>	<i>96.0</i>	<i>97.0</i>	<i>98.0</i>	<i>99.0</i>	<i>BEIS</i>	<i>DepEd</i>
<i>Secondary</i>	<i>65.0</i>	<i>68.0</i>	<i>70.0</i>	<i>71.0</i>	<i>BEIS</i>	<i>DepEd</i>
Adjusted net enrolment rate increased (%)						
<i>Elementary</i>	<i>99.0</i>	<i>99.0</i>	<i>99.0</i>	<i>99.0</i>	<i>BEIS</i>	<i>DepEd</i>
<i>Secondary</i>	<i>93.0</i>	<i>95.0</i>	<i>97.0</i>	<i>99.0</i>	<i>BEIS</i>	<i>DepEd</i>
Completion rate increased (%)						
<i>Elementary</i>	<i>75.0</i>	<i>78.0</i>	<i>81.0</i>	<i>83.0</i>	<i>BEIS</i>	<i>DepEd</i>
<i>Secondary</i>	<i>75.0</i>	<i>76.0</i>	<i>78.0</i>	<i>80.0</i>	<i>BEIS</i>	<i>DepEd</i>
Cohort survival rate increased (%)						
<i>Elementary</i>	<i>77.0</i>	<i>79.0</i>	<i>81.0</i>	<i>83.0</i>	<i>BEIS</i>	<i>DepEd</i>
<i>Secondary</i>	<i>79.0</i>	<i>81.0</i>	<i>83.0</i>	<i>85.0</i>	<i>BEIS</i>	<i>DepEd</i>
Achievement rate increased (%)						
<i>Elementary</i>	<i>71.0</i>	<i>73.0</i>	<i>75.0</i>	<i>77.0</i>	<i>BEIS</i>	<i>DepEd</i>
<i>Secondary</i>	<i>54.0</i>	<i>57.0</i>	<i>62.0</i>	<i>65.0</i>	<i>BEIS</i>	<i>DepEd</i>
Simple literacy rate increased (%)	98.10				Functional Literacy,	DepEd

Indicators	Annual Plan targets				Means of verification	Agency responsible
	2013	2014	2015	2016		
					Education and Mass Media Survey (FLEMMS)	
Functional literacy rate increased (%)	90.10				FLEMMS	DepEd
Certification rate in TVET increased (%)	86	86.5	87	87.5	Agency Report	TESDA
TVET graduates increased	N/A	1,155,017	1,263,593	1,383,026	Agency Report	TESDA
Higher education graduates increased	535,574	567,531	584,474	601,505	Agency Report	CHED
Proportion of HEI faculty with MA increased (%)	50	55	60	65	Agency Report	CHED
Proportion of HEI faculty with PhD increased (%)	16	20	25	30	Agency Report	CHED
HEIs with accredited programs increased	26	29	32	35	Agency Report	CHED
National passing percentage (across disciplines) in licensure exams increased (%)	48.39	49.72	50.94	52.53	Agency Report	CHED
<b>Subsector outcome C: Social protection expanded</b>						
Percentage of poor families covered by PhilHealth as identified under the NHTS-PR and LGU Sponsored Program	85%	90%	95%	100%	Program Data	PhilHealth
<b>Subsector outcome D: Access to secure shelter expanded</b>						
Percentage of housing targets met (%)	21.45	19.09	23.74	25.84	Key shelter agencies	HUDCC
Share of socialized housing to housing target improved (%)	74.01	70.02	75.84	77.77	Key shelter agencies	NHA, SHFC, HDMF



# Good governance and the rule of law

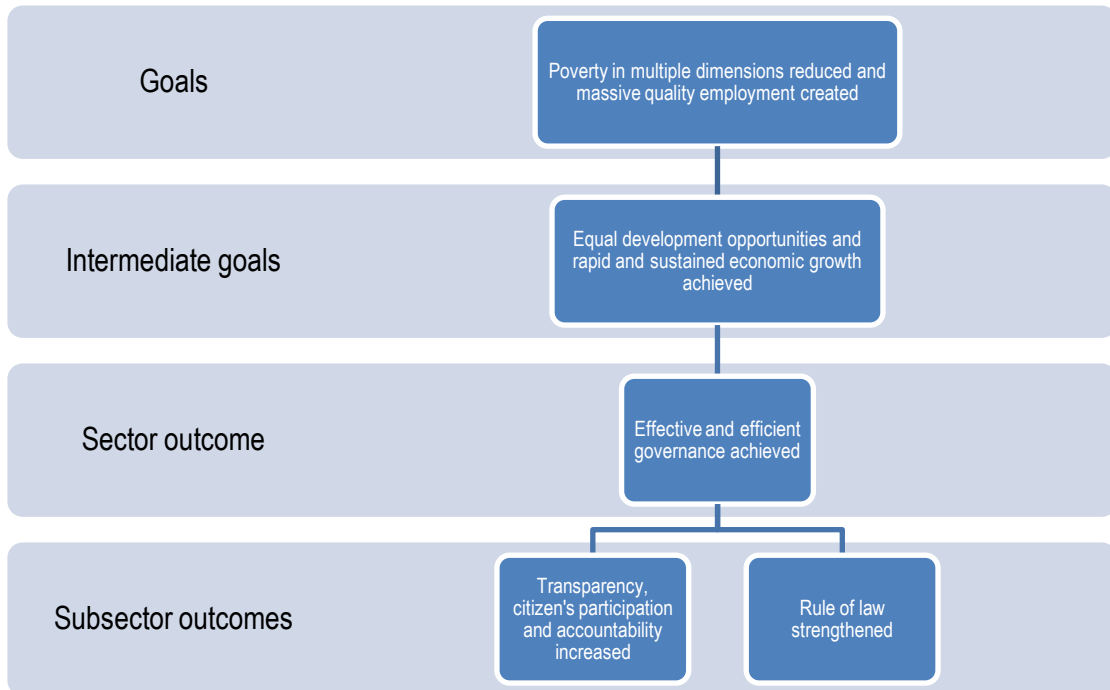
## I. INTRODUCTION

Transforming the economy requires transforming institutions at the same time. Institutions need to transform themselves to meet the demands of a more complex economy and a better informed, more sophisticated citizenry. Even well-crafted plans cannot achieve goals without having capable institutions to execute them; even good policies will not work if these cannot be enforced by credible institutions.

The Philippine Development Plan (PDP) for 2011-2016 outlined strategies aimed at increasing the responsiveness of government, strengthening democratic institutions, and, importantly, rebuilding people’s trust in government.

Government initiatives have revolved around the President’s determined commitment to fight corruption and rebuild public institutions so that these are capable of serving the majority.

Figure 7.1. Results framework on good governance and the rule of law



## II. ASSESSMENT

The past three years saw improvements in governance. From 2010 to 2012, the percentile ranking of the Philippines in five out of the six dimensions of the Worldwide Governance Indicators (WGI)<sup>72</sup> showed marked improvements in the control of corruption, political stability and regulatory quality as well as slight improvements in rule of law and government effectiveness.

<sup>72</sup> The WGI is a research dataset summarizing the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms. The WGI is a research project of the World Bank since 1996 and covers 211 countries.

Table 7.1. Worldwide Governance Indicators, 2010-2012

Country	Voice & Accountability		Political Stability		Government Effectiveness		Regulatory Quality		Rule of Law		Control of Corruption	
	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012	2010	2012
Indonesia	47.87	51.18	20.75	27.49	47.85	44.02	37.80	43.06	31.75	34.12	25.24	28.71
Malaysia	33.65	37.91	51.89	44.55	82.78	80.38	70.81	69.86	65.88	65.88	62.86	65.55
<b>Philippines</b>	<b>48.34</b>	<b>47.87</b>	<b>5.19</b>	<b>14.69</b>	<b>55.50</b>	<b>57.89</b>	<b>44.98</b>	<b>51.67</b>	<b>33.65</b>	<b>36.49</b>	<b>22.38</b>	<b>33.49</b>
Singapore	40.76	54.03	89.62	96.68	100.00	99.52	98.09	100.00	92.89	95.73	98.57	97.13
Thailand	32.23	37.44	9.43	12.80	62.20	60.77	56.46	57.89	49.29	50.24	48.10	46.89
Vietnam	8.53	9.48	50.94	55.92	45.93	44.50	28.23	27.27	34.60	37.91	31.43	35.41

Source: <http://info.worldbank.org/governance/wgi/index.aspx#home>

There have also been substantial improvements in the Philippine ranking in the Ease of Doing Business Survey Index<sup>73</sup> and Global Competitiveness Index,<sup>74</sup> particularly in terms of perceptions on enforcing contracts, efficiency of the judicial system/legal framework in settling commercial disputes, and the effectiveness of existing anti-monopoly policy.

Table 7.2 Global ranking of the Philippines, 2010-2012

Survey/Indicator <sup>75</sup>	2010	2011	2012
Ease of Doing Business Survey Index			
<i>Enforcing contracts (judicial system's efficiency in resolving commercial disputes)</i>	118/139	118/142	112/144
Global Competitiveness Index			
<i>Efficiency of the legal framework in settling disputes of private businesses</i>	122/139	115/142	107/144
<i>Effectiveness of anti-monopoly policy</i>	92/139	98/142	84/144

Source: *Doing Business, 2010, 2011, 2012; Global Competitiveness Report, 2010-2011, 2011-2012, 2012-2013.*

Importantly, the administration's commitment to "*daang matuwid*" has renewed the people's trust in government as it relentlessly pursued high-profile graft and corruption cases involving high government officials. Increased people's trust was evidenced by the consistently high satisfaction ratings of the President based on the regular surveys of the Social Weather Station (SWS) and Pulse Asia. Perception about the prevalence of corruption has improved considerably. In the 2012 enterprise survey of SWS done in seven cities, only 42 percent of the respondents—compared with 64 percent in 2009—perceived that there is a lot of corruption in the public sector. Further, both the enterprises (73%) and general public (64%) perceived that the degree of graft and corruption is now less compared with the previous administration.

Despite significant progress in governance, sustaining the gains remains a challenge for these to have a lasting impact on the people's welfare. This chapter builds on these gains and sharpens strategies to address challenges in governance and rule of law.

<sup>73</sup> The World Bank and International Finance Corporation, *Doing Business 2011, 2012, 2013* (Washington DC: The International Bank for Reconstruction and Development / The World Bank, 2011, 2012, 2013).

<sup>74</sup> Klaus Schwab, *Global Competitiveness Report, 2010-2011, 2011-2012, and 2012-2013* (Geneva: World Economic Forum, 2010, 2011, 2013).

<sup>75</sup> The second number indicates the number of countries included in the survey.



### III. UPDATED PDP TARGETS

To gauge the performance on the above strategies, a results matrix (RM) has been prepared separately. The revalidated RM contains worldwide indicators and indices for good governance and rule of law, like the WGI and Open Budget Index (OBI), as well as targets/indicators from national government agencies (NGAs). Table 7.3 shows the revalidated RM at the level of subsector outcomes.

Table 7.3. Revalidated RM on good governance and the rule of law

Indicators	Baseline (2010)	End-of-Plan target (2016)
<b>Subsector outcome A: Transparency, citizens' participation and accountability increased</b>		
Percentile rank in the WGI-Voice and Accountability indicator improved	48.34	≥ 50.00
Percentile rank in WGI-Government Effectiveness indicator improved	55.50	≥ 70.00
Percentile rank in WGI-Control of Corruption indicator improved	22.38	≥ 60.00
<b>Subsector outcome B: Rule of law strengthened</b>		
Percentile rank in the WGI-Rule of Law indicator improved	33.65	≥ 60.00
Percentile rank in WGI-Regulatory Quality indicator improved	44.98	≥ 70.00

### IV. STRATEGIC FRAMEWORK

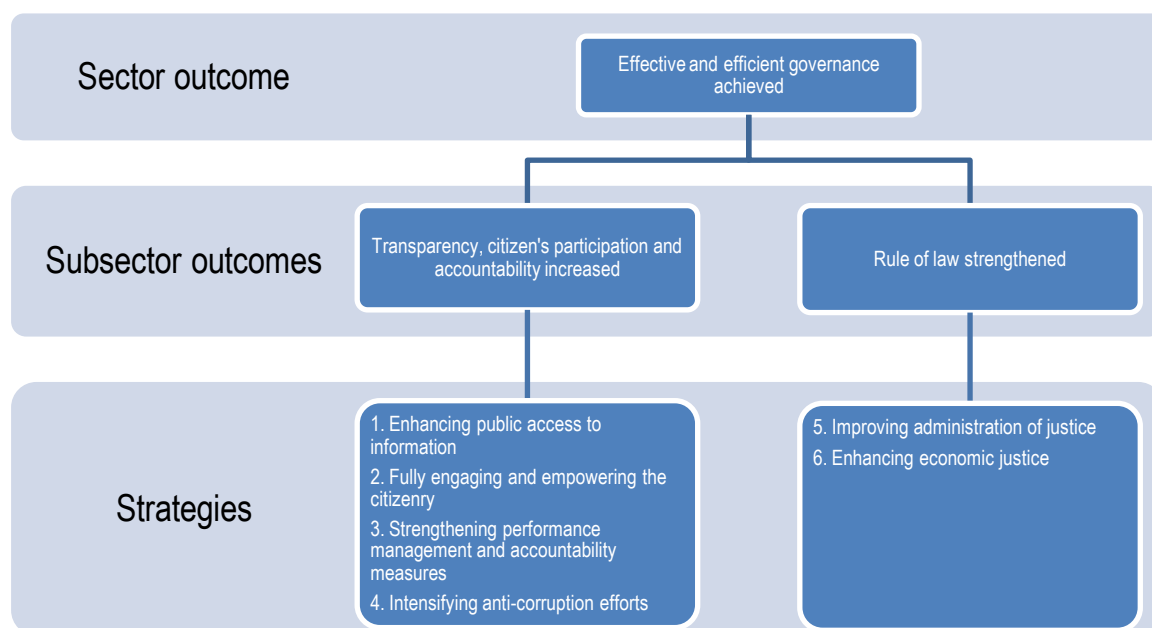
Rapid and sustained growth that will redound to reduction in poverty and generation of quality employment requires effective and efficient governance. To this end, increasing transparency, citizens' participation, and accountability, and strengthening the rule of law are of strategic importance (Figure 7.2).

Opening access to information and establishing venues for participation on various dimensions of governance empowers the citizenry. On the other hand, government needs to ensure high-quality, efficient, accountable, and accessible delivery of public services. Citizens, especially those already in dire situations, need to be spared from burdensome requirements and processes in accessing public services. Intensifying anti-corruption efforts is likewise important in earning citizens' trust.

Effective and efficient governance requires demonstration of the rule of law. Rule of law is particularly critical in promoting equality and fairness in the administration of justice to protect the poor and vulnerable on the one hand, and create an environment conducive to economic development on the other hand. This involves, among others, (a) enhancing access by the poor to law enforcement and legal assistance; (b) ensuring equal opportunity for businesses through effective regulation against monopolistic practices; (c) just and efficient resolution of commercial disputes, including contractual obligations and property rights; and (d) collection of taxes in accordance with the law and economic benefits.

Gains and lessons from the past three years, together with an assessment of challenges ahead, have informed the strategies to sustain and fine-tune governance reforms to ensure their irreversibility.

Figure 7.2 Strategic framework on good governance



### Subsector outcome A: Transparency, citizen's participation and accountability increased

Good governance requires empowering citizens to participate while also making government accountable for decisions and actions.

#### Strategy 1: Enhancing public access to information

Transparency, by virtue, is a precursor for accountability and for citizens' engagement. Despite efforts to make public information more transparent, particularly national and local plans and budgets, the challenge of accessibility and usability of these disclosed information remains. An even greater challenge is the absence of a law that will institutionalize public access to information. There is a need to provide uniform, clear, and speedy procedures for accessing information on all government transactions.

To enhance access to information, strategies consist of the following:

- Improving fiscal transparency;
- Progressively adopting open data standards;
- Improving access to information on local government operations; and
- Ensuring compliance with the government procurement.

Table 7.4 presents the updated targets on enhancing access to information.

Table 7.4. Revalidated RM on enhancing access to information

Indicators	Baseline (2012)	End-of-Plan target (2016)
<b>Fiscal transparency improved</b>		
Proportion of NGAs and GOCCs fully complying with the Transparency Seal increased (%)	100	100
Open Budget Index (OBI) score improved	48	60
<b>Open data standards progressively adopted</b>		
Annual publication of People's Budget maintained	1	1
Annual publication of People's National Expenditure Program maintained	1	1
NGAs that contribute datasets to the Open Data Portal (ODP) increased	N/A	70 (2013)
<b>Access to information on local government operations improved</b>		
Proportion of provinces, cities and municipalities (PCM) fully complying with the Full Disclosure Policy (FDP) increased (%)		75 (2015)
Proportion of PCM complying with the FDP excluding ARMM increased (%)	98	99 (2015)
<b>Compliance with government transparency requirements ensured</b>		
Proportion of NGAs, GOCCs, and LGUs registered in the PhilGEPS (%)	97.21	100

### *Improving fiscal transparency*

Reform programs that promote transparency will be continued and a new face of the budget that links performance and budget will be adopted. Starting 2013, the Executive will submit a performance-based budget, which will present budget allocations in terms of expected outputs and outcomes to be delivered by agencies. This will allow for better performance tracking and evaluation.

Full compliance by national government agencies (NGAs), government-owned and controlled corporations (GOCCs), and state universities and colleges (SUCs) with the Transparency Seal will be strictly monitored and reinforced through the performance-based bonus (PBB) that includes the Transparency Seal among the eligibility criteria.

With the Philippines' accession to the Extractive Industries Transparency Initiative, data/ information coming from extractive industries on payments they make to the government and where these were used by the government will now be transparent.

For 2015, the Philippines will target to attain a score of 60 in OBI of the International Budget Partnership, from a score of 48 in 2012. This will be done by improving the executive budget proposal and publishing the following documents: Pre-budget Statement, Citizen's Budget for at least two budget phases, Mid-year Review, and Year-end Report.

### *Progressively adopting open data standards*

As one of the eight founding member countries of the Open Government Partnership (OGP) launched in 2011, the Philippines will develop and implement a Country Action Plan that contains initiatives in line with the OGP's principles of engagement. The OGP is an international organization promoting multilateral initiative and seeking strong commitments from participating government institutions to promote transparency, increase civic participation, fight corruption, and harness new technologies to make government more open, effective, and accountable.

The People's Budget will be published on an annual basis and will contain a summary of the year's results-focused budget, expenditure priorities, and the basics on budgeting. The *Budget ng Bayan* website will continue to be an interactive platform where citizens can learn more about the government budget and file reports on budget utilization.

Information on releases for lump-sum funds will continue to be accessible in the website of the Department of Budget and Management (DBM) through the Electronic Transparency and Accountability Initiative for

Lump Sum Funds or e-TAILS project. Fund releases for the School Building Program and the Calamity and Quick Response Fund are also made available on the website.

The Official Gazette ([www.gov.ph](http://www.gov.ph)), the official journal of the Republic of the Philippines, will serve as the National Government Portal—a unified interface in the form of a one-stop source for information and service delivery. The online feedback mechanism featured in the site will continually be enhanced.

In addition, the Open Data Portal ([data.gov.ph](http://data.gov.ph)) will be created to provide citizens and government researchers with the means to access, scrutinize, and analyze raw aggregate datasets from the government. The data, which would have been previously difficult to acquire, will be archived under a single platform under an open government license. The website in turn will offer the end user the means to visualize customized datasets for their own use, free of charge.

#### *Improving access to information on local government operations*

Regular disclosure of pertinent information to the public and providing citizens with access to this information will be enhanced by ensuring that Memorandum Circular (MC) 2012-141 of the Department of the Interior and Local Government (DILG) entitled “Full Disclosure of Local Budget and Finances, and Bids and Public Offerings” is consistently complied with by all local government units (LGUs) and also unfaithfully monitored by the agency. The barangays are also directed to disclose budget-related documents per MC 2010-149 (“Posting of Barangay Budget, Statement of Income and Expenditures [SIE] and other Barangay Financial Transactions, and Annual Procurement Plan [APP]”). The financial documents will be posted in conspicuous places and in the full disclosure policy (FDP) portal. Show cause orders will await LGUs found not complying with the policy. By 2016, the DILG targets that all provinces, cities, and municipalities (PCMs) are fully compliant with the FDP and that majority of them are able to upload required budget documents in the FDP portal. Compliance with the FDP is one of the criteria for conferring the Seal of Good Local Governance (SGLG) to LGUs.

#### *Ensuring compliance with the government procurement transparency requirements*

The Philippine Government Electronic Procurement System (PhilGEPS), designed in 2004, will be redesigned to include additional functionalities relating to system integration, configuration and maintenance services. It will be expanded to include e-payment and e-bidding functions, such as inclusion of a facility to enable online submission of bid documents, development of modules for civil society organizations (CSOs) to monitor tenders online, an electronic fee payment system, an expanded supplier registry, and development of a module for agency posting of their annual procurement plans. The PhilGEPS will also be linked with the Government Integrated Financial Management Information System (GIFMIS) for tracking budget and expenditure. PhilGEPS is envisioned to be a world-class e-procurement system and an end-to-end government e-procurement solution by 2016.

#### *Strategy 2: Fully engaging and empowering the citizenry*

To effectively participate and constructively engage in national and local planning and budgeting process, existing mechanisms where citizens and CSOs can actively engage and participate will be enhanced and strengthened by making them more inclusive and free from political influence.

Strategies will aim to:

- Deepen participatory planning and budgeting, monitoring and evaluation (M&E);
- Support community and CSO participation; and
- Enhance voter’s education.

Table 7.5 shows the updated targets on fully engaging and empowering the citizenry.

Table 7.5. Revalidated RM on fully engaging and empowering the citizenry

Indicators	Baseline (2012)	End-of-Plan target (2016)
<b>Deepen participatory planning and budgeting, monitoring and evaluation</b>		
NGAs entering into Budget Partnership Agreements (BPAs) with CSOs increased	6	24 (2015)
GOCCs entering into BPAs with CSOs increased	3	12 (2015)
Cities and municipalities with Local Poverty Reduction Action Plans increased	595	90% of 1,634 (2015)
Cities with Citizen Satisfaction Survey increased	7 (field-test in LGUs)	35 (2015)

### *Deepening participatory planning, budgeting, M&E*

The government will push for stronger collaboration between NGAs, LGUs and community organizations in localizing poverty reduction through the formulation of Local Poverty Reduction Action Plans (LPRAPs). For 2014 to 2015, 90 percent of the total number of cities and municipalities are targeted to undertake the bottom-up participatory planning and budgeting process and continuously come up with LPRAPs. By 2016, it is envisioned that the bottom-up planning and budgeting will cover all cities and municipalities.

The Grassroots Participatory Budgeting Process (GPBP) will see to it that the planning and budgeting processes, both at the local and national government, are more participatory and responsive to local needs. It will also ensure that the funding requirements for the development needs of the poorest cities and municipalities are included in the budget proposals of participating national agencies. In addition, the number of NGAs and GOCCs mandated to undertake participatory budgeting through the establishment of Budget Partnership Agreements (BPAs) with CSOs will be expanded annually. Participation will also be mandatory not only during budget preparation but in other phases of the budget cycle as well.

At the regional level, the Regional Development Councils (RDCs), whose memberships comprise regional line agencies, LGUs and CSOs, will also be used as a mechanism for participatory planning and budgeting.

At the local level, the DILG, with the help of local resource institutes, will continue carrying out the Citizens' Satisfaction Index System (CSIS) survey to cover all cities from 2014 to 2016. The CSIS is an external evaluation strategy that allows the general public to assess and say how their local governments perform. Results of this survey will serve as inputs to the LGUs' areas for improvement on specific local services.

### *Supporting community and CSO participation*

To promote transparency and accountability among LGUs, the DILG will also ensure that CSOs are represented in local special bodies (LSBs) as stipulated in the Local Government Code of 1991 (RA 7160).

To develop and strengthen the capacity of CSOs to effectively participate in national and local governance processes, the DILG will conduct capacity-building activities for CSOs on identified competencies, including community organizing, mobilization and support for advocacy work, networking and participation in local governance.

To help strengthen the LSBs, the Union of Local Authorities in the Philippines (ULAP) and its member leagues will support LGUs in policy development and in replicating good inclusive local governance practices in the areas of education, health, and migration development. This will be a collaborative effort with NGAs, civil society and the private sector.

### *Enhancing voter's education*

The Commission on Elections (COMELEC) will continue to harness various media (e.g. print, voice and electronic, etc.) in educating the public about the electoral reforms and activities of the Commission, as well as its stand on various political issues. Voters' education includes warning against campaign violations and information on legal, proper, and novel techniques that local candidates can adapt in their campaigns. The COMELEC will also aim to increase understanding and appreciation of the benefits of the automated election system and provide alternative sources of information which may be accessed with greater ease. It

will conduct public demonstrations on the Precinct Count Optical Scan (PCOS) machines for special interest groups, walk-ins, and the general public. Furthermore, to increase voter registration and turnout for the next national elections, COMELEC will partner with CSOs in countries with high concentration of overseas Filipinos (OFs) in conducting sustained information dissemination campaigns, especially on The Overseas Voting Act of 2013 (RA 10590), to encourage OFs to register and cast their votes in the 2016 and future national elections.

### Strategy 3: Strengthening performance management and accountability measures

In the past three years, the government has been able to implement several measures to make public institutions deliver services more efficiently and effectively and to make NGAs accountable for their level of performance.

**Streamlining government processes.** With the Anti-Red Tape Act or ARTA (RA 9485), NGAs, GOCCs, SUCs and LGUs are required to set up Citizen's Charter where service standards are made known to the public.<sup>76</sup> Efforts were also devoted to improve business-related systems and procedures. For instance, the Business Permits and Licensing Systems (BPLS) were set up to streamline services by imposing a single unified form for applying or renewing business permits and licenses, reducing the number of signatories, and reducing processing time. Through the Enhanced Business Name Registration System (EBNRS), the Department of Trade and Industry (DTI) simplified the business name application process by reducing the required information fields from 36 to 18, thus reducing the application form from nine pages to a single page. From an average of four to eight hours, business name registration is now reduced to 15 minutes anywhere in the Philippines. The BPLS and the EBNRS provide 10.46 million OFs with the initial enabling environment to attract their investments. The BPLS and EBNRS can be integrated into transactional services offered by BaLinkBayan, the one-stop online government portal dedicated for OFs' engagements in investment, philanthropy, technology and skills transfer, and online government services.

**Improving LGU performance.** As an incentive for improving LGU performance, the DILG confers an SGLG to LGUs that practice accountable, transparent, and participatory governance and improve frontline service performance. In 2012, 1,365 LGUs were awarded with SGLGs, making them eligible for a grant under the Performance Challenge Fund (PCF). From 2010 to 2012, 990 SGLG-qualified LGUs received a total of PhP1.51 billion from the PCF to help fund 1,316 projects for local economic development, poverty reduction, and climate change adaptation and mitigation.

**Upgrading service standards.** The Development Academy of the Philippines (DAP) implemented the Government Quality Management Program (GQMP) to align the agencies' planning, service, and support operations with ISO 9001 International Standards and to make "citizen satisfaction" as the focus of quality improvement efforts. In 2012, over 160 ISO 9001:2008 Quality Management Systems (QMS) certifications were granted to various government agencies, thus assuring the transacting public of a more efficient, consistent, and responsive delivery of services.

**Harmonizing performance management systems.** The DBM harmonized all government performance management systems into a single system called the Results-based Performance Management System (RBPMS). The system consists of an across-the-board bonus in the form of the existing Productivity Enhancement Incentive (PEI) and a top-up bonus known as Performance-based Bonus (PBB). The latter is characterized by a system of ranking delivery units of departments and personnel within those units according to their performance and contribution to the accomplishment of their department's overall targets and commitments. The 2012 pilot run of the system has achieved 96 percent participation rate from a total of 183 agencies, and 79 percent of these agencies were eligible for the PBB.

Further improvements will be needed towards more responsive governance. The strategies will aim to:

- Improve public financial management;
- Harmonize government information and communications technology (ICT) systems;
- Improve performance M&E, reporting and incentive systems;
- Improve efficiency and competence of public service provided;
- Streamline business processes and frontline services; and
- Strengthen interagency coordination.

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<sup>76</sup> The establishment of a Citizen's Charter, as one of the good governance conditions in the implementation of the Performance-Based Incentives System (PBIS), got the highest overall compliance rating (94 percent) from participating agencies in 2012.



Table 7.6 shows the updated targets on strengthening performance management and accountability measures.

Table 7.6. Revalidated RM on strengthening performance management and accountability measures

Indicators	Baseline (2012)	End-of-Plan target (2016)
<b>Public Financial Management (PFM) improved</b>		
Proportion of LGUs assessed that are compliant with set PFM standards		100% (2015)
<b>Government ICT systems harmonized</b>		
Target personal computer gap addressed		33.61% (2014)
<b>Performance monitoring, evaluation, reporting and incentive systems improved</b>		
Proportion of government agencies participating in the performance based incentive system (PBIS) increased	96%	100%
Agencies with approved Strategic Performance Management System (SPMS) increased	16	95% (2015)
Agencies with functional SPMS increased	0	90% of approved SPMS before (2015)
PCMs assessed on the Seal of Good Local Governance (SGLG) increased	All LGUs	All LGUs, excluding ARMM
PCMs conferred with the Seal of Good Local Governance (SGLG) increased	1,365	all qualified PCMs
Qualified PCMs provided with the Performance Challenge Fund (PCF) subsidy increased	33	
<b>Efficiency and competence of public service improved</b>		
Proportion of organizations assessed (or with the International Organization for Standardization or ISO 9001 Certified Quality Management System [QMS]) that are conferred with Professional Quality Assessments (PQA) increased	No data	40%
Offices with ISO 9001 Certified QMS increased	165	315
Senior executives and middle managers capacitated in the Public Management Development Program increased	104	495
<b>Business processes and frontline services streamlined</b>		
Cities and municipalities with streamlined business processing and licensing system (BPLS) increased	926	
Proportion High-density service offices passing the Anti-Red Tape Act (ARTA) Report Card Survey (RCS) increased	75%	98%

#### *Improving public financial management (PFM)*

The banner program for PFM is the GIFMIS, a tool to assist the government in maintaining fiscal discipline, fund allocation and operations for the effective delivery of government services, as well as in making financial decisions. As a pre-requisite for the GIFMIS, a Unified Account Code Structures, which provides a harmonized budgetary and accounting classification system, is now used for the 2014 budget preparation. In addition, the Treasury Single Account is being developed to unify the structure of government bank accounts, enabling consolidation and optimum utilization of cash resources.

To better manage government human resource requirements and improve accountability in the disbursement of funds for personal services, the government will complete its Government Human Resource Information System (GHRIS) and develop a National Payroll System (NPS). The NPS will allow for direct and timely payment to all employees through their bank accounts, eliminate the existence of retired or resigned employees in the system, and address the perennial problem of non-remittance of

contributions to the Government Service Insurance System (GSIS). The system will interface with government-accredited banks for deposit instructions and with oversight agencies to facilitate work and data flow.

Support to LGUs for more effective and accountable PFM will also continue. To build the PFM policy environment of the LGUs, government will formulate an LGU PFM Road Map and strengthen LGU PFM Policy Units in the oversight agencies so they can provide technical assistance to LGUs on PFM. In addition, LGU PFM systems and tools will be streamlined and synchronized through the development of electronic tools for budgeting and financial transactions.

#### *Harmonizing government ICT systems*

The government will continue to implement the Medium-Term Information and Communication Technology Harmonization Initiative (MITHI). Through this process, the e-Government Master Plan or eGMP will be developed as a singular authoritative strategic blueprint for Philippine e-Governance. MITHI provides a bottom-up perspective of the government's ICT needs and ensures a systematic process for the planning, budgeting, implementation, monitoring, and evaluation of government-wide ICT projects.

Likewise, administrative and field data of various government agencies on international migration will be harmonized for evidence-based policymaking and planning. The Shared Government Information System on Migration (SGISM) will be operationalized in response to the challenges and opportunities of migration.

#### *Improving performance M&E, reporting and incentive systems*

The government will further improve systems for performance M&E, reporting and incentive systems.

**RBPMS.** The Interagency Task Force created under Administrative Order (AO) 25 will continue to improve the RBPMS framework. The RBPMS will be the basis for determining entitlement to performance-based allowances, incentives, or compensation of government personnel, taking into consideration the National Leadership's Agenda, PDP 2011-2016, agency mandates, commitments and targets.

**Strategic Performance Management System.** The performance monitoring and appraisal system embodied in the Strategic Performance Management System (SPMS), designed by the Civil Service Commission (CSC), will be enhanced. The SPMS focuses on the agency's major final outputs (MFOs), together with their corresponding performance indicators, as these relate to the achievement of the agency's strategic objectives. The translation of success indicators, a combination of the targets and measures, from an organizational level to the office level can be seen in the Office Performance Commitment and Review (OPCR) and further down the Individual Performance Commitment and Review (IPCR).

In 2012, 390 SPMS were already approved for initial implementation. By 2013, the approved SPMS are expected to increase to 30 percent or 747 of the identified 2,490 agencies. By 2015, 95 percent or 2,366 of 2,490 agencies will each have an approved SPMS. It is expected that the approved SPMS will become functional by 2014 (85 percent of the approved SPMS in 2012 and 2013) and 2015 (90 percent of approved SPMS in 2014). The SPMS will be an effective tool in assessing individual accomplishments that are aligned with organizational goals. It can be used to operationalize Executive Order (EO) 80 signed in 2012 ("Directing the Adoption of a Performance-based Incentive System for Government Employees"), which ties incentive with performance.

**Incentives for good local governance.** In terms of LGU performance, the DILG will scale up the SGLG to include gauging LGU performance not only in the areas of good financial housekeeping and people's participation, but also on important areas such as business competitiveness, disaster preparedness, environmental protection, social protection, peace and order and public safety. Moreover, conferment of the Gawad Pamana ng Lahi award will be continued for LGUs that have shown exemplary performance in administrative, social, economic and environmental governance. The DILG will also continue to incentivize good performing LGUs through the PCF. To make this initiative felt by the public, the DILG will improve the M&E of PCF-supported projects and strengthen policies on local governance performance management and incentive systems.

**Participatory Audit.** The Citizens' Participatory Audit (CPA) Project, launched in 2012, will be expanded and eventually institutionalized. This initiative aims to enhance transparency, accountability and citizen participation in the public audit process. The CAMANAVA (Caloocan, Malabon, Navotas, and Valenzuela) flood control project of the Department of Public Works and Highways was chosen as the first pilot audit.



### *Improving efficiency and competence of public service*

Government will continue and strengthen programs that enhance the competence of public officials to efficiently deliver quality public services.

Under the GQMP, established through EO 605, the government has adopted the ISO 9001 QMS. The government will also enhance the Career Executive Service Development Program (CESDP) by addressing the development and team effectiveness needs of executives who are not yet career executive service officers (CESOs). Further, the Public Management Development Program (PMDP) will foster careerism in government and promote stability in the bureaucracy by producing a corps of development-oriented, competent, dedicated and honest government senior executives and middle managers.

### *Streamlining business processes and frontline services*

Various initiatives put in place to make the country more conducive for investment will be continued and improved.

The interagency Task Force on Ease of Doing Business (EODB), created under AO 38 in 2013 to improve the ease of doing business in the country, will implement the action plan prepared by the National Competitiveness Council (NCC) to enhance the business competitiveness of the Philippines.<sup>77</sup> The task force will implement the Game Plan for Competitiveness to raise Philippine competitiveness rankings to the top third in the world by 2016. The Game Plan has set reform targets per government agency or office accountable for any of the ten indicators measured in the Doing Business Report.

Furthermore, through the national streamlining of the BPLS, a joint effort of the DILG and the DTI, all cities and municipalities will have standard BPLS by the end of 2014. This includes the adoption of the BPLS Unified Form, reduction in the number of signatories (maximum of 5), limit in the number of steps in applying/processing business permits and licenses (maximum of 5), and reduction in processing time (new applications: maximum of 10 days; renewal: maximum of 5 days). Furthermore, the DILG will also begin providing technical assistance to LGUs in the streamlining of other local regulatory services, such as the building/construction and occupancy permitting in an effort to make them more competitive and business friendly.

The CSC will enhance the implementation of the Anti-Red Tape Program to ensure the delivery of quality frontline services to the people. Its Service Delivery Excellence Program (SDEP) will be strengthened to increase the likelihood of government offices' passing the ARTA-Report Card Survey (RCS). A system for reviewing and enhancing Citizen's Charters will also be developed to ensure that Charters are products of (a) streamlining through time and motion studies and other business process improvements; and (b) genuine consultation and agreement between government bodies and citizens. Moreover, to encourage delay- and corruption-free frontline services, the CSC will continue conferring the Citizen's Satisfaction Center Seal of Excellence to government offices epitomizing exemplary public service. Through these measures, the proportion of surveyed offices passing the ARTA-RCS is expected to increase from 75 percent in 2012 and 85 percent in 2013 to 95 percent in 2014 and 98 percent in the succeeding years.

The conferment of the Philippine Quality Awards (PQAs) for the public sector will be continued to recognize government agencies that excel in quality and productivity and with established quality management system

### *Strengthening interagency coordination*

Many of our public institutions have been designed to meet specific needs and to perform specific functions. But for synergy and maximum effectiveness, government agencies will move toward greater openness and collaboration.

Interagency coordination will be strengthened through the Cabinet Clusters (EO 43) and the Cabinet Assistance System (CAS). Agencies (EO 99) will use these systems as a forum to discuss, streamline and resolve issues affecting their day-to-day operations, as well as their respective projects.

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<sup>77</sup> For instance, these enhanced systems shall be utilized by the BaLinkBayan one stop portal for diaspora engagement to attract Overseas Filipinos in doing business in the Philippines/their hometowns.

Under EO 43, the Cabinet was organized thematically into the following clusters: Good Governance and Anti-Corruption Cluster (GGACC); Human Development and Poverty Reduction Cluster (HDPRC); Economic Development Cluster (Econ Cluster); Security, Justice and Peace Cluster (SJPC); and the Climate Change Adaptation and Mitigation Cluster (CCAMC). The clusters are composed of members of the Cabinet as well as heads of agencies and bureaus. Each cluster discusses, assesses and evaluates the Executive’s programs or projects leading to 2016 to ensure that these are consistent with the intended outcomes set in the President’s Social Contract.

On the other hand, under EO 99, the CAS was created to provide support to the Cabinet Secretary, who is in charge of monitoring and ensuring timely execution of priority projects or programs under the President’s Social Contract and PDP. By designating a focal person (with a rank not lower than bureau director or assistant secretary), the CAS aims to bring about closer coordination among the departments and agencies.

#### Strategy 4: Intensifying anti-corruption efforts

Considering how corruption has been embedded in institutions and remains prevalent in many aspects of governance, intensifying anti-corruption efforts is necessary to be able to make a significant dent in this area over time.

Table 7.7 shows the updated targets on intensifying anti-corruption efforts.

Table 7.7. Revalidated RM on intensifying anti-corruption efforts

Indicators	Baseline (2012)	End-of-Plan target (2016)
<b>Opportunities for corruption reduced</b>		
Revenue Integrity Protection Service (RIPS)		
<i>Number of cases filed increased</i>	29	61 (2015)
<i>Number of investigations conducted increased</i>		72 (2015)
Integrity Management Plan developed	N/A	Integrity Management Measures developed

#### Reducing opportunities for corruption

Reducing opportunities for corruption entails a two-pronged approach. The first requires strengthening of internal control systems in relation to the generation and allocation of government funds; and the second involves strict enforcement of penalties against those found guilty of corrupt practices.

With respect to strengthening internal control systems, the following reforms in government budgeting, accounting and auditing systems will be pursued:

- Enforcement of a rules-based approach and limiting the scope for discretion in the allocation of public funds;
- Strengthening the CPA Project of the Commission on Audit (COA) to enhance transparency, accountability and citizen participation in the public audit process; and
- Harmonizing the Philippine Public Sector Accounting Standards (PPSAS) with the International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS).<sup>78</sup>

**Revenue Integrity Protection Service.** The Revenue Integrity Protection Service (RIPS), the Department of Finance’s anti-corruption arm created under EO 259, will continue to prosecute public officers of its revenue-generating agencies who have committed acts of corruption and to improve the public’s perception on the current state of corruption. The RIPS has identified two key initiatives towards integrity development, namely: (a) increasing RIPS’ capacity to develop lifestyle cases; and (b) enhancing the integrity or building up the image of the bureaucracy. The acquisition and customization of case management software will aim to increase the sources of “leads” for RIPS through its case profiling function. To improve the quality of cases filed, training programs will be conducted and will focus on

<sup>78</sup> Twenty-three standards, which are intended for implementation in 2013, are being exposed to various national and international standard setting organizations. COA is also developing new PPSASs as well as an Integrated Results and Risk-Based Auditing Approach System (IRRBAAS).

improving the investigative skills and technical knowledge of the Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC). The RIPS aims to increase the number of cases filed against corrupt personnel from 29 in 2012 to 61 in 2015 and the number of investigations conducted on individuals from 65 in 2013 to 72 in 2015.

***The Policy Thrust and 8-point Agenda of the Office of the Ombudsman (OMB).*** The Policy Thrust and 8-point Agenda from 2011 to 2018 to curtail corruption will focus on: (a) disposition of high-profile cases; (b) zero backlog; (c) improved “survival” rate of fact-finding; (d) enforced monitoring of referred cases; (e) improved responsiveness of public assistance; (f) improved anti-corruption policy and program coordination among sectors; (g) rationalization of the functional structure; and (h) enhanced transparency and credibility.

The Ombudsman is doing an assessment of the Policy Thrust and 8-point Agenda to determine its progress in attaining its development objectives. The assessment, which is part of the Rapid Assessment and Seminar on Case Analysis and Legal Draftsmanship Initiative or RASCALD, will be used in the formulation of the Ombudsman Roadmap for Action for 2013 to 2018.

***The United Nations Convention against Corruption (UNCAC) framework in multi-sectoral anti-corruption efforts.*** The Philippines is one of the pioneer signatories of the UNCAC, the most comprehensive global framework in combating corruption. The UNCAC has five thematic pillars, namely: prevention, criminalization and law enforcement, international cooperation, asset recovery, and technical assistance and information exchange. It requires member-states to undertake key measures, both preventive and punitive and covering the public and private sectors, on criminalization of certain offenses and law enforcement, international cooperation on cross-border criminal matters, and adoption of civil and criminal law framework for asset recovery.

Pursuant to the country’s commitments under the UNCAC, the Ombudsman facilitated the multi-stakeholder compliance assessment and adoption of a 21-point Action Plan, foremost of which are: (a) passage of laws on witness and whistleblower protection and freedom of information, and allowing the Ombudsman to look into bank deposits; (b) promulgation of rules of procedure governing extradition cases and conduct of discussions to enhance existing extradition treaties and mutual legal assistance on criminal matters; and (c) promulgation of rules clarifying solicitation and acceptance of gifts. The CSO coalition framework on UNCAC monitoring will be established and implemented. The integrity pledge and the unified code of conduct for business will be promoted and expanded. Project SHINE (Strengthening High level commitment for Integrity initiatives and Nurturing collective action of Enterprise) advocating for fair market conditions will likewise be pursued.

## **Subsector outcome B: Rule of law strengthened**

The United Nations (UN) Secretary-General in 2004 described rule of law as “a principle of governance in which all persons, institutions and entities, public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards.” It requires, as well, measures to ensure adherence to the principles of supremacy of law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness and procedural and legal transparency.<sup>79</sup>

Strategies to strengthen rule of law aim to improve administration of justice and to enhance economic justice.

### **Strategy 5: Improving administration of justice**

Improving administration of justice is crucial for restoring the credibility of the justice system and earning citizens’ confidence. Table 7.8 shows the updated targets for this strategy.

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<sup>79</sup> Report of the UN Secretary-General: The rule of law and transnational justice in conflict and post-conflict societies (2004).

Table 7.8. Revalidated RM on improving administration of justice

Indicators	Baseline (2012)	End-of-Plan target (2016)
<b>Backlogs reduced and case dockets decongested</b>		
Proportion of backlogs (investigations/ cases beyond the maximum prescribed periods) reduced		
<i>NBI investigation</i>	17%	15%
<i>DOJ prosecutor investigation</i>	51%	30%
Number of pending cases in all courts reduced	628,000	314,000
<b>Judicial systems and infrastructure improved</b>		
Enterprise Information Systems Plan – Component # 1 Judiciary Case Management System completed		100% completed
Number of e-Courts rolled-out (proposed in “CIP for 2017 and Beyond”)	58 (2013)	2,214
Rules on Civil Procedure enhanced and revised		Supreme Court (SC) En Banc approval (2014)
Model Halls of Justice completed	2	1 (2017)
Buildings for Court of Appeals in the Visayas and Mindanao completed		2
<b>Fragmentation in the judicial system addressed</b>		
National Justice Information System – Phase I established	10% completed	100% completed
<b>Alternative Dispute Resolution promoted and maximized</b>		
Philippine Mediation Center (PMC) offices established		7

#### *Reducing backlogs and decongesting case dockets*

Case decongestion and delay reduction activities will be conducted, especially for courts that have high caseloads. For this purpose, filling of vacancies will be a priority. Additional assisting judges will be designated and equipment will be upgraded. The Supreme Court (SC) aims to reduce the total number of pending cases in the judiciary by 30 to 50 percent. The Department of Justice (DOJ), for its part, will pursue good governance reforms to reduce investigation backlogs.

#### *Instituting good governance in the justice system*

The DOJ will institute good governance reforms, including performance and integrity management systems, and expedite the recruitment of investigators and prosecutors. Computerization of processes and services will also be pursued and sustained. To minimize reliance on LGU resources/support, the Department will work on expanding the staff complement and increasing funding from the national government. It will also seek to and improve its resource management capability/systems towards optimal allocation/utilization at the regional and local levels. The national government will explore other means of support to field justice agencies to lessen or eliminate dependence on LGUs in improving judicial systems and infrastructure.

**Enterprise information systems plan.** The judicial and administrative systems of the judiciary will be developed using an automated, holistic and enterprise-wide design. This Enterprise Information Systems Plan or EISP is the judiciary’s ICT Plan, which include judiciary case management system, financial and logistics management systems, systems for integrated human resources management, payroll, notaries public, document tracking and archiving, among others.

**Electronic Court System.** The Electronic Court System or e-Courts Project, which was first launched in the courts of Quezon City in June 2013, will be the first step towards the eventual automation of the operations of all courts. The e-Courts is a computer-based system designed to enable trial judges and court personnel to organize, plan and control the flow of cases from filing to resolution and enforcement.

**Enhancement and revision of the rules of court.** In addition to ICT, judicial procedures are also being enhanced. In accordance with its constitutional mandate, the Court has embarked on a comprehensive revision of the Rules on Civil Procedure. The objective is to revise these Rules to give true justice in all kinds of civil actions. The revised rules will substantially ensure the following:

- Parties in every case are placed on equal footing;
- Costs of litigation are reduced;
- The courts' time and resources are widely distributed among cases in proportion to (a) the amounts involved; (b) complexity of the issues raised; and (c) public interests in their resolution;
- All cases are speedily heard and decided; and
- The impartiality of the courts is enhanced and safeguarded.

***Rollout and institutionalization of model halls of justice.*** The judiciary will also embark on a comprehensive and sustainable court infrastructure program. To date, the halls of justice (HOJs) in Lapu-Lapu City and Angeles City have been completed. Both will be the standard or benchmarks for all HOJs. These buildings will show the package of reforms which provide the ideal working environment, equipped with ICT systems and equipment. Major infrastructure projects are also in the pipeline, including the permanent buildings for the Court of Appeals in the Visayas (Cebu City) and Mindanao (Cagayan de Oro City). The planning, design and construction process for the Manila HOJ is already underway.

***Judiciary HR plan.*** The Court will pursue an 18-year Human Resources Development Program (HRDP) for the judiciary. It will have three main career tracks: adjudication (for justices and judges); the technical track (for clerks of courts, legal researchers, interpreters, among others); and general administrative support. Furthermore, organization development reviews will be implemented in judiciary offices and the courts to strengthen institutional capacity and operational efficiency.

***Access to justice-Justice on Wheels.*** The Justice on Wheels buses will continue to visit various courts and jails. Prompt adjudication and disposal of cases have not only decongested court dockets but also contributed to jail decongestion. Access to legal information through free legal services has also been provided to indigent litigants and detainees.

#### *Streamlining criminal investigation*

Streamlining of the criminal investigation process will be pursued through legislation. The aim is to harmonize and integrate the functions of investigating law enforcers and prosecutors, and to repeal RA 5180, which prescribes the conduct of preliminary investigation by prosecutor—an adversarial and quasi-judicial proceeding to determine the merit of filing a case in court. The integrated case build-up and streamlined process will speed up the criminal justice system and increase the likelihood of securing convictions.

#### *Addressing fragmentation in the justice system*

To help address fragmentation in the justice system, sustained implementation of the National Justice Information System (NJIS) will be pursued in close coordination and collaboration among justice sector agencies. Existing mechanisms will be maximized, particularly the Justice Sector Coordinating Council (JSCC) and Philippine Development Forum (PDF), in setting the strategic justice sector agenda and partnership roadmap, as well as implementing the NJIS and other critical justice reforms. Establishment of a Justice Research Center (JRC) will also be explored and pursued based on international best practices in order to formulate, integrate, harmonize or rationalize policies, programs, systems procedures and capacity development in the justice system in a sector-wide approach.

#### *Promoting and maximizing Alternative Dispute Resolution (ADR)*

For the judiciary, new Philippine Mediation Center (PMC) units will be opened in Bohol, Legazpi City, Sorsogon, Dipolog City, Ilocos Norte, Ilocos Sur and Negros Oriental in 2013 and 2014. Increased ADR presence enables courts to refer cases for ADR and in the process contribute to the disposition of cases.

The DOJ, through the Office for Alternative Dispute Resolution (OADR), will continue efforts to (a) promote and maximize the use of ADR by accrediting more practitioners in mediation and arbitration nationwide; (b) putting up ADR facilities in strategic cities/regions; and (c) strengthening research, policy/program development, information campaign and capacity building. Within the next few years, strengthening of the Barangay Justice System, prosecution-level mediation and contractual dispute resolution will be pursued.

In recognition of the Lupong Tagapamayapa's contribution to the promotion of the Barangay Justice System, the DILG will continue to institutionalize the granting of economic benefits and other incentives



through the Lupong Tagapamayapa Incentives and Awards. The Lupons will be provided with the needed capacity-development interventions to strengthen the efficacy of the Lupong Tagapamayapa as an ADR mechanism or indigenous mediation structure in resolving disputes within a community, and beyond the court system.

#### *Enhancing access to justice by the poor and other vulnerable sectors*

Besides the above-discussed strategies, which will redound to enhanced justice sector efficiency, reduced cost and increased access to justice, the Recognizance Act of 2012 (RA 10389) will be implemented together with reforms in the bail bond system to benefit the poor and vulnerable sectors. More public attorney positions nationwide will be created to ensure adequate free legal assistance and representation, especially for indigents. Relevant procedures and necessary facilities will be reviewed/improved to better serve these vulnerable sectors, particularly women, children, persons with disabilities, senior citizens and indigenous peoples. Jails will be decongested and reforms in corrections will be sustained/pursued for persons deprived of liberty (detainees/prisoners) and their families.

#### *Ensuring consistency and stability of jurisprudence*

In light of its constitutional mandate on adjudication, the judiciary will ensure consistency and rationality in jurisprudence through the decisions it renders before the courts. Doing so will contribute to stability, most especially in cases that have social, economic and political impact.

#### *Strategy 6: Enhancing economic justice*

Inclusive growth cannot happen without economic justice. To achieve economic justice, the government will work to strengthen competition, improve efficiency in commercial dispute resolution, and intensify tax enforcement. Table 7.9 shows the updated targets on enhancing economic justice.

Table 7.9. Revalidated RM on enhancing economic justice

<b>Indicators</b>	<b>Baseline (2012)</b>	<b>End-of-Plan target (2016)</b>
<b>Tax Law enforcement intensified</b>		
Cases filed under the Run After Tax Evaders (RATE) Program intensified	57	108 (2015)
Cases filed under the Run After The Smugglers (RATS) Program intensified	60	72 (2015)

#### *Strengthening competition/anti-trust enforcement*

Strengthening the country’s legal framework on promoting competition among businesses across various industry sectors will not only improve the country’s competitiveness but also rationalize commodity prices. The DOJ, through its Office for Competition, will pursue the enactment of a unified competition/anti-trust law and intensify enforcement efforts. It will expand partnerships with and among sector regulators and other stakeholders in policy development, regulatory impact assessment, information sharing, capacity building, investigation/case build-up, and eventual filing cases and prosecution in court against monopolistic practices.

#### *Improving efficiency in commercial dispute resolution*

EO 78, which mandates the inclusion of ADR in contracts involving public-private partnerships (PPPs), build-operate and transfer (BOT) projects, and joint venture agreements between the government and private entities, will be fully implemented. The DOJ-Office of ADR will proceed with information campaigns on the said policy and promote ADR in resolving commercial/contractual disputes outside the court system. The DOJ will also work on ensuring the consistency of legal opinions and advice on government contracts, and engage the SC in policy dialogues to resolve concerns on statutory interpretation and contract enforcement. The judiciary, for its part, will address efficiency concerns on commercial dispute resolution through its efforts on case decongestion and consistency of jurisprudence.

### Intensifying tax enforcement

The government will further intensify the implementation of the Run After Tax Evaders (RATE) and Run After The Smugglers (RATS) programs. Common standards for evidence gathering will be formulated and working arrangements will be institutionalized. Capacity building for specialized lawyers and prosecutors will continue to be pursued. For the succeeding years, the BIR will continue its bi-monthly filing with the DOJ of new cases against tax evaders under the RATE, and seek the successful prosecution and conviction of cases as well as the collection of civil liabilities. Under the RATS, the BOC will file two smuggling cases every year until 2015. It will also pursue capacity building for BOC operatives and lawyers, improve handling and custody/security of evidence, enhance information and document management through database development, and strengthen the monitoring of cases with the DOJ, quasi-judicial bodies, Court of Tax Appeals (CTAs), and other courts.

## V. PLAN IMPLEMENTATION

The strategies will be implemented by the different NGAs, GOCCs, SUCs and LGUs, which will all be directed towards effective and efficient governance in order to achieve rapid and sustained economic growth as well as poverty reduction and quality employment creation. The DBM, DOF (including BIR and BOC), COA, CSC, and DILG will be at the forefront of activities aimed at increasing transparency and intensifying participatory governance while the CSC, DAP, OMB and COA will spearhead strengthened performance management and anti-corruption initiatives. The GGACC, created under EO 43 of 2011, will coordinate and oversee the implementation of these strategies. On the other hand, activities relating to strengthened rule of law will be led by the DOJ, NBI, and the judiciary. The JSCC will be utilized as a collaborative mechanism to implement the justice sector agenda and partnership roadmap towards strengthened rule of law.

To gauge performance on the above strategies, RMs have been prepared separately that contain worldwide indicators and indices for good governance and rule of law, like the WGI and OBI as well as NGA targets/indicators.

Table 7.10 presents the annual target indicators of the outcomes and strategies from 2013 to 2016.

Table 7.10. Annual target indicator matrix on good governance and the rule of law, 2013-2016

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Subsector outcome A: Transparency, citizen's participation and accountability increased</b>						
<b>Strategy 1: Enhancing public access to information</b>						
<b>Fiscal transparency improved</b>						
Proportion of NGAs and GOCCs fully complying with the Transparency Seal increased (%)	100	100	100	100	Agency website	All agencies
Open Budget Index (OBI) score improved	n/a	n/a	60	60	OBI Report	DBM, DOF, COA
<b>Open data standards progressively adopted</b>						
Annual publication of People's Budget maintained	1	1	1	1	Publication	DBM
Annual publication of People's National Expenditure Program maintained	1	1	1	1	Publication	DBM
NGAs that contribute datasets to the Open Data Portal (ODP) increased	70	n/a	n/a	n/a	ODP statistics	DBM
<b>Access to information on local government operations improved</b>						
Proportion of provinces, cities and municipalities (PCM) fully complying with the Full Disclosure Policy	55	65	75		DILG report on LGU compliance to FDP	DILG

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
(FDP) increased (%)						
Proportion of PCM complying with the FDP excluding ARMM increased (%)	95	97	99			
<b>Compliance with government transparency requirements ensured</b>						
Proportion of NGAs, GOCCs, and LGUs registered in the PhilGEPS (%)	100	100	100	100	PhilGEPS Statistics	All Agencies
<b>Strategy 2: Fully engaging and empowering the citizenry</b>						
<b>Deepen participatory planning and budgeting, monitoring and evaluation</b>						
NGAs entering into Budget Partnership Agreements (BPAs) with CSOs increased	12	18	24		BPA copies	DBM, selected agencies
GOCCs entering into BPAs with CSOs increased	6	9	12		BPA copies	DBM, selected GOCCs
Cities and municipalities with Local Poverty Reduction Action Plans increased	1,266	90% of 1,634	90% of 1,634			DILG, DSWD, NAPC, NEDA
Cities with Citizen Satisfaction Survey increased	35	52	35		Citizen Satisfaction Index Report	DILG
<b>Strategy 3: Strengthening performance management and accountability measures</b>						
<b>Public Financial Management (PFM) improved</b>						
Proportion of LGUs assessed that are compliant with set PFM standards	100	100	100		PFMAT Results	DBM
<b>Government ICT systems harmonized</b>						
Target personal computer gap addressed		33.61%				DBM
<b>Performance monitoring, evaluation, reporting and incentive systems improved</b>						
Proportion of government agencies participating in the performance based incentive system (PBIS) increased	100%	100%	100%	100%	PBIS Report	Inter-Agency TF for AO 25/ DAP
Agencies with approved Strategic Performance Management System (SPMS) increased	30		95		Agency audit of CSC	CSC
Agencies with functional SPMS increased		85% of approved SPMS in 2012 and 2013	90% of approved SPMS in 2014			CSC
PCMs assessed on the Seal of Good Local Governance (SGLG) increased	SGLG developed	all LGUs (excl ARMM)	all LGUs (excl ARMM)		Report on LGUs conferred with SGLG (for 2014 onwards)	DILG
PCMs conferred with the Seal of Good Local Governance (SGLG) increased		all qualified PCMs	all qualified PCMs	all qualified PCMs	Report on LGUs conferred with SGLG (for 2014	DILG



Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
					onwards)	
Qualified PCMs provided with the Performance Challenge Fund (PCF) subsidy increased	80	40%	80%		Report on PCF	DILG
<b>Efficiency and competence of public service improved</b>						
Proportion of organizations assessed (or with ISO 9001 Certified Quality Management System [QMS]) that are conferred with Professional Quality Assessments (PQA) increased		30%	40%	40%	PQA awarding	DTI, DAP, and GQMC
Offices with ISO 9001 Certified QMS increased	195	230	270	315	Official agency reports	GQMC/DAP
Senior executives and middle managers capacitated in the Public Management Development Program increased	202	300	395	495	Official agency reports	NGCESDP Committee/ DAP
<b>Business processes and frontline services streamlined</b>						
Cities and municipalities with streamlined business processing and licensing system (BPLS) increased	247	208 (incl 118 in ARMM)			Report on BPLS	DILG and DTI
Proportion High-density service offices passing the Anti-Red Tape Act (ARTA) Report Card Survey (RCS) increased	85	95	98	98	Annual ARTA-RCS Report	CSC
<b>Strategy 4: Intensifying anti-corruption efforts</b>						
<b>Opportunities for corruption reduced</b>						
Revenue Integrity Protection Service (RIPS)					Internal reports	DOF-RIPS
Number of cases filed increased	45	58	61			
Number of investigations conducted increased	65	67	72			
Integrity Management Plan developed	Integrity Mgt Committees mobilized	Integrity Mgt Plans developed	Integrity Mgt Measures developed		Internal reports	BIR
<b>Strategy 5: Improving administration of justice</b>						
<b>Backlogs reduced and case dockets decongested</b>						
Proportion of backlogs (investigations/ cases beyond the maximum prescribed periods) reduced						
NBI investigation	15%	15%	15%	15%	Official agency reports	NBI
DOJ prosecutor investigation	45%	40%	35%	30%		DOJ Proper
Number of pending cases in all courts reduced				314,000	Office of the Court Administrator Reports on Cases	Judiciary

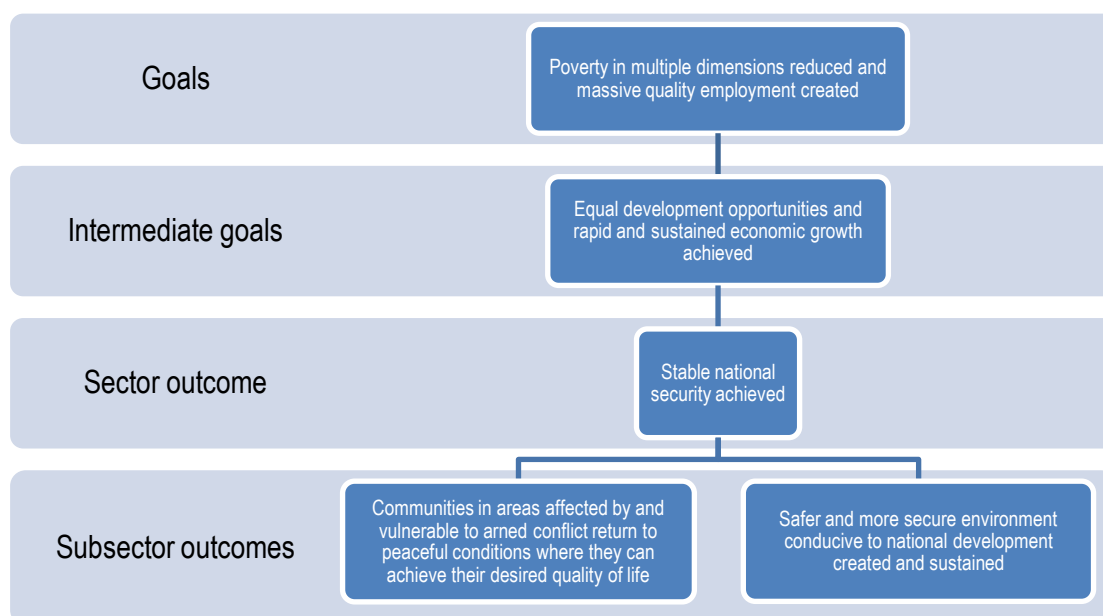
Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Judicial systems and infrastructure improved</b>						
Enterprise Information Systems Plan – Component # 1 Judiciary Case Management System completed		50%	50%	100%	Completion Report and SC En Banc approval/ acceptance	Judiciary
Number of e-Courts rolled-out (proposed in “CIP for 2017 and Beyond”)	58			2,214	Completion and approval for roll-out	Judiciary
Rules on Civil Procedure enhanced and revised		100%		100%	SC En Banc approval	Judiciary
Model Halls of Justice completed				1 (by 2017)	Completion Reports and acceptance	Judiciary
Buildings for Court of Appeals in the Visayas and Mindanao completed				2		
<b>Fragmentation in the judicial system addressed</b>						
National Justice Information System – Phase I established	25%	50%	75%	100%	Official agency reports	DOJ Proper
<b>Alternative Dispute Resolution promoted and maximized</b>						
Philippine Mediation Center (PMC) offices established	3	4		7	Operationalization of New PMC Units	Judiciary
<b>Strategy 6: Enhancing economic justice</b>						
<b>Tax Law enforcement intensified</b>						
Cases filed under the Run After Tax Evaders (RATE) Program intensified	36	36	36	108 from 2013 to 2015	Internal reports	BIR, DOJ
Cases filed under the Run After The Smugglers (RATS) Program intensified	24	24	24	72 from 2013 to 2015		

# Peace and security

## I. INTRODUCTION

Human security is the ultimate aim of national security. A politically stable and secure nation is necessary to achieve development and improve the collective welfare. This chapter presents the government’s strategies to achieve the twin goals of peace and security. Figure 8.1 illustrates these twin strategies, namely: (a) the peace process, which seeks to enable communities in areas affected by and vulnerable to armed conflict to return to peaceful conditions where there can achieve their desired quality of life; and (b) the preservation of a safe and secure environment free from criminality, transnational crime and threats to the nation’s sovereignty and territorial integrity.

Figure 8.1. Results framework on peace and security



Despite challenges confronting the peace process, the Philippines has made significant strides in resolving armed conflict, due largely to the commitment of the Aquino administration to pursue peaceful political settlements with armed groups. The government intends to sustain these gains by continuing the strategy of negotiated political settlement alongside a determined and deliberate complementary track that mitigates the impact of armed hostilities to affected communities. This chapter elaborates on this agenda.

This chapter likewise tackles security concerns that threaten the integrity of the state—both internally and territorially—and issues of criminality and armed violence perpetrated by private armed groups, as well as transnational security issues such as terrorism, trafficking in persons, illegal arms and drugs smuggling, and cybercrime. It also elucidates on the government’s agenda of a rules-based collective security framework in international relations to ensure the country’s sovereignty over its territories and build capabilities and preparedness against natural disasters and emergencies to protect lives and properties.

## II. ASSESSMENT, CHALLENGES AND OPPORTUNITIES

The government has been determined to overcome hurdles and take advantage of opportunities for winning the peace and ensuring national security. Such determination has yielded positive results in various fronts, even as government continues to face challenges especially in rebuilding and strengthening legitimate and capable institutions that stakeholders can trust so that development initiatives can move faster.

### Winning the peace

#### Peace negotiations

##### *Moro Islamic Liberation Front*

A breakthrough in the peace process was achieved with the signing of the Framework Agreement on the Bangsamoro (FAB) between the government of the Philippines (GPH) and the Moro Islamic Liberation Front (MILF). Comprising the Comprehensive Peace Agreements are the FAB and additional four Annexes, three of which have already been signed, namely the Annexes on Transitional Modalities, on Wealth and Revenue Sharing, and on Power Sharing. The Annex on Normalization is expected to be signed by early 2014. The Transition Commission has been convened to translate the FAB and the Annexes into a proposed Bangsamoro Basic Law (BBL), which will be submitted to Congress in time for the target 2014 legislation of said BBL.

Complementary to this was the 2012 launching of “Sajahatra Bangsamoro,” a program conceived by both GPH and MILF to bring health, education and other socioeconomic projects to MILF communities.

Enacting the Bangsamoro Basic Law will require strong political will from leaders, utmost vigilance from people and demonstration of the principle of inclusiveness, to eliminate new conflict and grievances. Legitimate institutions need to be built, reformed and strengthened to increase citizens’ participation, guard against interests that are inimical to socioeconomic and political empowerment, and guarantee inclusive development.

##### *Moro National Liberation Front*

The conduct of the Tripartite Implementation Review addressed the issues on the full implementation of the 1996 Final Peace Agreement between the GPH and the Moro National Liberation Front (MNLF). An inclusive framework has been pushed to ensure governance reforms and implementation of the Peace Agreement.

##### *Communist Party of the Philippines/New People’s Army/National Democratic Front*

The resumption of talks in 2011 broke the seven-year impasse on negotiations with the Communist Party of the Philippines/New People’s Army/National Democratic Front (CPP/NPA/NDF). The longest ceasefire in the history of this peace process was observed with minimum level of hostilities observed by both sides for almost four weeks. However, talks encountered a major roadblock due to conditions and issues raised by the NDF. The major challenge, therefore, is to pursue a time-bound, agenda-based framework that will end the 27-year peace negotiations and finally bring peace to the affected communities.

##### *Cordillera Bodong Administration/Cordillera People’s Liberation Army*

The signing of the Closure Memorandum of Agreement between the GPH and the Cordillera Bodong Administration/Cordillera People’s Liberation Army (CBA/CPLA) in July 2011 was another milestone. The Agreement facilitated the immediate implementation of socioeconomic programs in the Cordilleras and started the disposition of arms and forces of said group. The CBA/CPLA is in the process of transforming itself into a civilian socioeconomic group, which registered itself with the Securities and Exchange Commission under the name Cordillera Forum for Peace and Development, Inc.

##### *Rebolusyonaryong Partidong Manggagawang Pilipinas/Revolutionary Proletarian Army/Alex Boncayao Brigade*

A Closure Agreement with the Tabara Paduano Group of the Rebolusyonaryong Partidong Manggagawang Pilipinas/Revolutionary Proletarian Army/Alex Boncayao Brigade (RPM-P/RPA/ABB) is expected to be signed and implemented soon. This includes the disposition of arms and forces and provision of

socioeconomic support and development projects to identified communities in Negros and Panay. The peace process with the Nilo dela Cruz faction, however, did not progress mainly due to internal dynamics within the group on their authorized representative.

### Complementary track

The complementary track facilitates positive sociopolitical conditions that support peace negotiations and operates under three general themes: (a) building community resilience against armed violence; (b) strengthening institutions; and (c) mainstreaming conflict-sensitive, peace-building and gender-sensitive lens in governance. The themes are meant to remove structural roadblocks hampering the approximation of human security goals in conflict-affected areas.

#### *Building community resilience against armed violence*

The “Payapa at Masaganang Pamayanan” or PAMANA is the national government’s focused development program for isolated, hard-to-reach, and conflict-affected communities (Table 8.1). From 2010 to 2013, PAMANA has a total allotment of PhP9.85 billion and served 413 municipalities in 44 provinces and five chartered cities. Another development initiative is the PhP8.5-billion Autonomous Region in Muslim Mindanao Transition Investment Support Program (ARMM-TISP) that addresses infrastructure and support-services gaps in the region.

Table 8.1. PAMANA geographical zones

Peace process line	Areas
Bangsamoro (MNL/MILF)	<b>Central Mindanao:</b> Lanao del Norte, North Cotabato, Sultan Kudarat, Sarangani, South Cotabato, Maguindanao and Lanao del Sur  <b>ZamBaSulTa:</b> Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay, Basilan, Sulu and Tawi-Tawi
CPP/NPA/NDF	<b>Bicol-Quezon-Mindoro:</b> Sorsogon, Camarines Norte, Camarines Sur, Masbate, Quezon and Oriental Mindoro  <b>Samar Island:</b> Northern Samar, Eastern Samar and Samar  <b>Davao-Compostela Valley-CARAGA Corridor:</b> Davao Oriental, Davao del Sur, Davao del Norte, Compostela Valley, Agusan del Sur, Agusan del Norte, Surigao del Norte and Surigao del Sur
Closure agreements	<b>Cordillera Administrative Region:</b> areas identified by the CBA-CPLA  <b>Negros-Panay:</b> Areas in Negros Occidental, Negros Oriental, Aklan, Iloilo, Antique identified by RPMP/RPA/ABB-TPG

As of June 2013, the government identified 5,873 PAMANA projects<sup>80</sup> on shelter assistance for internally displaced persons (IDPs), social protection, community-driven development, agriculture, road infrastructure, and natural resource management. Of these, 998 (17%) have been completed, 987 (17%) are currently being implemented, and 3,876 (66%) are in the preparatory stage involving consultations and capacity building among national government agencies, local government units (LGUs) and communities.

#### *Strengthening institutions*

As support to ARMM for development and reconstruction increased, the government instituted reforms in the region to promote accountability of regional and LGU officials. The postponement of the 2011 ARMM elections and designation of an interim Governor ensured that reforms in the infancy stage are not reversed. Said move provided more time to facilitate an improved electoral process in the 2013 mid-term elections.

In promoting and protecting human rights, the government enacted Republic Act (RA) 10353 in 2012 that criminalizes enforced disappearances. Other steps to deter extra-legal killings include: (a) the issuance of Administrative Order 5 creating a high-level interagency committee that assists in the speedy resolution of

<sup>80</sup> RPM-P/RPA/ABB Closure projects are not included since these are still subject to the Closure Agreement.

cases on extra-legal killings, enforced disappearances and torture; (b) adoption of Joint Operational Guidelines by the Department of Justice (DOJ) and the Philippine National Police (PNP) on investigating cases on extra-legal killings; and (c) institution of mechanisms involving human rights groups and major stakeholders in promoting and protecting human rights.

Major strides have also been made in ensuring women's participation in the peace process, with the National Steering Committee on Women, Peace and Security taking the lead. In fact, women hold key positions as presidential peace adviser and members of peace negotiating panels, technical working groups and the Bangsamoro Transition Commission. Greater efforts are exerted to empower women at the grassroots level to participate in local conflict resolution, peace-building and post-conflict rehabilitation. There is also a need to strengthen the capabilities and skills of security forces and service delivery agents to respond to sexual and gender-based violence in affected areas, and be able to provide victims with appropriate support.

To protect children from grave violations in situations of armed conflict, the government established the Monitoring, Reporting and Response System (MRRS) through Executive Order (EO) 138 in 2013. It also developed the MRRS protocol, conducted trainings in conflict-affected provinces in response to related United Nations (UN) Security Council resolutions, and issued guidelines to the Armed Forces of the Philippines (AFP) on the conduct of activities in schools or hospitals.

### *Mainstreaming conflict-sensitive, peace-building, gender-sensitive lens*

The government conducted capacity-development programs to enhance the agencies and LGUs' sensitivity and responsiveness to peace and gender issues in conflict and post-conflict situations, as well as to integrate gender and conflict perspectives in policies, programs and processes in areas affected by and vulnerable to conflict. In 2012, the Localization of the National Action Plan (NAP) on Women, Peace and Security was piloted in the ARMM, which led to the integration of programs addressing gender and conflict issues in ARMM provincial plans.

## **Ensuring national security**

### *Internal stability*

#### *Reduced strength of insurgency*

The AFP Internal Peace and Security Plan (IPSP)-Bayanihan launched in January 2011 proved to be effective in stabilizing security in communities affected by armed conflict. For the last three years, insurgency-initiated violence in communities affected by armed conflict was significantly reduced, thus facilitating a more accelerated development in these areas. The IPSP-Bayanihan's community and people-centered approach facilitated stronger convergence of development and security interventions in these communities. Meanwhile, former rebels who signed peace agreements have also disposed of their firearms and transformed their organizations into socioeconomic groups.

#### *Intensified law enforcement*

Crime volume significantly decreased by 32 percent from 2010 to 2012.<sup>81</sup> Likewise, crime solution efficiency rate, or the proportion of solved cases against reported incidents, increased from 19 percent in 2010 to 37 percent in 2012. This is due to intensified police operations, increased police presence in crime-prone areas, protection of vital installations, enhanced peacekeeping programs with community cooperation, organized police volunteer auxiliary force, and increased immediate reporting of crimes.

Though the police-to-population ratio improved from 1:716 in 2010 to 1:651 in 2012, it is still way below the standard requirement of 1:500 needed to effectively respond to crimes.

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<sup>81</sup> Data on crime volume and crime efficiency from 2010 to 2012 considered only crimes reported to the PNP. Starting 2013, the PNP rectified these statistics to include those reported to the barangays and other law enforcement agencies.

### *Expedited investigations, resolution of criminal cases*

As of 2012, 83 percent of National Bureau of Investigation (NBI) investigations were completed within the maximum prescribed period. Prosecutor investigation backlogs decreased from about 60 percent in 2010 to 49 percent in 2012, and disposition rate increased from 75 to 77 percent for the same period. The NBI established a new crime/forensic laboratory in Cebu City and planned to establish similar laboratories in Mindanao and Northern Luzon to augment the lone facility in Manila. Correctional facilities also posted a decrease in the re-offender rate in the last three years.

Several critical laws against criminal acts were enacted for the past three years, including (a) the Terrorism Financing Prevention and Suppression Act of 2012 (RA 10168); (b) Amendments to the Anti-money Laundering Act (RA 10365); (c) the Bureau of Corrections Act (RA 10575); and (d) the Comprehensive Firearms and Ammunition Regulation Act (RA 10591).

### *Addressing cyber security as an emerging critical area*

Given the prevalent use of information and communications technology (ICT) in governance, business and social interaction, ICT infrastructures have become vulnerable to cyber attacks. The Cybercrime Prevention Act (RA 10175) defines and penalizes cybercrimes, such as illegal access, fraud, identity theft, and child pornography, and establishes enforcement mechanisms.

## *Sovereignty and territorial integrity*

### *Upholding sovereignty, territorial integrity*

Amidst increasing tension in the West Philippine Sea, the government advocated a rules-based management to resolve disputes in accordance with international law, specifically the UN Convention on the Law of the Sea (UNCLOS). After exhausting all possible diplomatic measures, the Philippines formally initiated arbitral proceedings in 2013 to challenge China's nine-dash line claim to almost the entire South China and West Philippine Seas and to desist from their activities that violate the Philippines' sovereign rights and jurisdiction. The President of the International Tribunal of the Laws of the Sea already established a five-member arbitral tribunal despite China's refusal to participate in the process. The international community also recognized and supported the Philippines' move in peacefully settling the disputes.

In April 2012, the UN Commission on the Limits of the Continental Shelf confirmed the Philippines' claim for an extended continental shelf in the Benham Rise region. The country obtained an additional seabed area of 135,506 square kilometers, an area larger than Luzon, for exploration and exploitation. Also, the government created an interagency task force to coordinate relevant agencies and LGUs in the protection of the country's oil reserves, especially in the West Philippine Sea.

### *Strengthening international relations*

The country engaged its international partners towards a stronger collective security posture in the region. It signed 26 bilateral agreements and acceded to 13 multilateral agreements on political, security and defense matters.

### *Protecting Filipino nationals abroad*

Since 2010, the government has assisted over 30,000 overseas Filipinos (OFs) through its various embassies and consulates and provided legal assistance to more than 1,900 OF workers, including those with pending cases as well as victims of human trafficking. Also, the country arranged for the repatriation of over 44,000 OFs in identified hotspots worldwide from 2011 to 2012 and deployed Rapid Response Teams to facilitate repatriation and consular assistance.

### *Enhancing border security*

To enhance the country's border security, a Border Crossing Coordination Office was established in immigration field offices and an initial fund was appropriated in 2013 for setting up an automated border control system for the Bureau of Immigration (BI). The challenge, however, remains in the enforcement of



immigration laws, particularly in detecting and monitoring immigration violations, and the difficulty of locating overstaying and illegal aliens due to inadequate coordination and data sharing system.

After being in the Tier 2 Watch List<sup>82</sup> from 2009 to 2010, the Philippines' status was upgraded to Tier 2 in the US State Department's 2011 Trafficking of Persons Report. Though it retained its Tier 2 status in 2012, the country still falls short in convicting illegal recruiters. RA 10364 expands the Anti-Trafficking in Persons Act and gives special attention to women and children through additional protection and support.

### *Upgrading security capability*

The Revised AFP Modernization Act (RA 10349) extends the military modernization program to another 15 years to boost the AFP's defense capability program and move closer to achieving a minimum credible defense posture against external threats. Furthermore, the creation of the National Coast Watch System through EO 57 in 2011 expanded the scope of the Coast Watch South from Southern Philippines to the entire Philippine archipelago. This, along with the acquisition of modern equipment, strengthened patrol coverage and naval presence in the West Philippine Sea, thus improving monitoring and apprehension of foreign vessels poaching within the country's exclusive economic zone.

### Capability and preparedness against natural disasters and emergencies

Given the country's vulnerability to natural disasters, the government strengthened its disaster preparedness and response operations by upgrading capability and response skills and conducting reorientation of its forces down to the local level. The President issued EO 82 in 2013, which operationalized the Core Manual on National Crisis Management and established the Incident Command System throughout the country. This harmonizes and integrates all government efforts in crisis management.

### Security sector reforms

Through the IPSP-Bayanihan, the AFP created a human rights office that coordinates and monitors human rights cases up to the level of military squad units. This resulted to the significant decrease in human rights cases against the military and prompt action against human rights violators within its ranks. On the other hand, the PNP established a Human Rights-based Policing Committee, a high-level policy and advisory body addressing human rights issues, as well as the Human Rights Desks in all its stations. Moreover, the PNP has also created Women and Children's Protection desk in all its station.

The AFP and the PNP also instituted the Joint Peace and Security Coordinating Committee (JPSCC) in the operational-tactical levels to address the issue of security convergence on the ground.

The IPSP-Bayanihan set up stronger transparency and accountability mechanisms in the military, such as stronger check on the bids and awards committee and an oversight system on its operations through the civil society network *Bantay Bayanihan*. In the 2013 elections, the military maintained a strong non-partisan stance.

The Department of National Defense's (DND) Philippine Defense Reform and the Philippine Defense Transformation Programs and the PNP's Integrated Transformation Program Performance Governance System (ITP-PGS) are other initiatives meant to achieve the highest standards of personnel integrity, professional competence in the security sector. The ITP-PGS was already cascaded to all PNP units, with each member of the police force now expected to produce a scorecard that serves as the "social contract" between the PNP institutions and the members of its police force.

The Department of the Interior and Local Government (DILG) recently purchased 74,879 short firearms to meet the standard 1:1 police-firearm ratio. The PNP, likewise, instituted measures to increase the number of police on the ground by unloading police officers of administrative work.

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<sup>82</sup> Countries that need special supervision due to high number of victims and that did not increase efforts against human trafficking



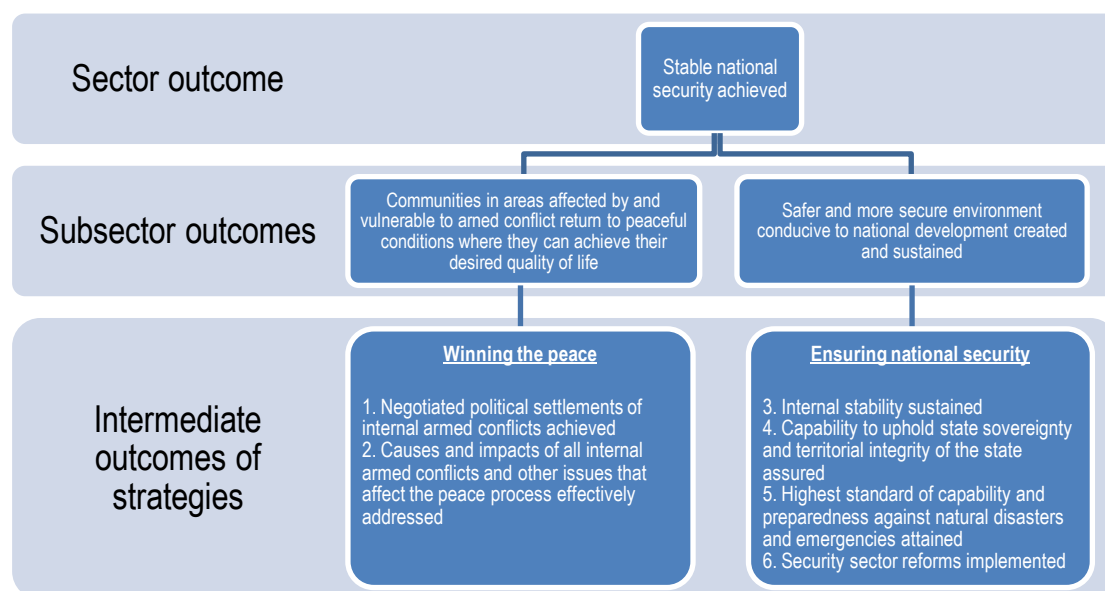
### III. STRATEGIC FRAMEWORK

Consistent with the overall goal of human security and inclusive development, peace and security efforts will be anchored on a whole-of-society approach by creating a national consensus and understanding of security and deepening of commitment and involvement towards peace building. The approach's human security framework places people's welfare at the center of operations and promotes local security and safety based on the needs and realities of communities.

This chapter's strategic framework has six intermediate outcomes, as shown in Figure 8.2. These outcomes include: (a) the achievement of negotiated political settlements of internal armed conflicts; (b) effective interventions to address the causes and impacts of all internal armed conflicts and other issues affecting the peace process; (c) sustained internal stability; (d) assured capability to uphold state sovereignty and territorial integrity; (e) attainment of the highest standard of capability and preparedness against natural disasters and emergencies; and (f) implemented security sector reforms.

The strategic framework will be guided by the principles of primacy of the people's welfare; respect, promotion and protection of human rights; acceptance of social diversity and cultural inclusivity; and promotion of a culture of peace and gender sensitivity.

Figure 8.2. Strategic framework on peace and security



#### Strategies on subsector outcome A: Winning the peace

The government aims to significantly increase the number of communities in conflict-affected areas that are able to return to peaceful conditions where they can achieve their desired quality of life.

Strategies and programs to win the peace will follow two tracks: pursuing negotiated political settlement of internal armed conflict; and effectively addressing the causes and impacts of internal armed conflicts and other issues affecting the peace process.

#### Intermediate outcome 1: Negotiated political settlements of all internal armed conflicts achieved

Table 8.2 presents the revalidated RM on the achievement of negotiated political settlements of all internal armed conflicts.

Table 8.2. Revalidated RM on intermediate outcome 1 of peace and security

Indicators	Baseline	End-of-Plan target (2016)
<b>Level of armed hostilities and other forms of violent incidents involving the following armed rebel groups significantly decreased</b>		
Armed encounters between GPH and MILF decreased	14 (2010)	0
Armed encounters between GPH and CPP/NPA/NDF <sup>83</sup> significantly decreased	297 (2010)	Significantly decreased
Comprehensive Peace Agreement between GPH and MILF signed and implemented	Declaration of Continuity for Peace Negotiation between GPH and MILF signed (2010)	GPH-MILF Comprehensive Peace Agreement signed and implemented <sup>84</sup>
GPH-MNLF Final Peace Agreement implementation satisfactorily completed <sup>85</sup>	Agreements reached during the Tripartite Implementation Review of the GPH-MNLF 1996 Final Peace Accord (2011) <sup>86</sup>	GPH-MNLF Final Peace Agreement implementation satisfactorily completed <sup>87</sup>
Political settlement with CPP/NPA/NDF forged	Peace talks at impasse since 2004 (2010)	Political settlement with CPP/NPA/NDF forged <sup>88</sup>
Closure Memorandum of Agreement (MOA) between GPH and CBA-CPLA fully implemented	GPH-CBA-CPLA Joint Declaration of Commitment for Peace signed (2011)	Closure MOA fully implemented <sup>89</sup>
Closure MOA with Tabara Paduano Group (TPG) of RPM-P/RPA/ABB signed and fully implemented	Formulation of closure MOA with TPG of RPM-P/RPA/ABB ongoing (2011)	Closure MOA between GPH and TPG of RPM-P/RPA/ABB signed and fully implemented
Members of Nilo Dela Cruz Group (NDCG) of RPM-P/RPA/ABB mainstreamed as productive and peaceful members of their receiving communities	Formulation of closure MOA with TPG of RPM-P/RPA/ABB ongoing (2011)	Members of NDCG of RPM-P/RPA/ABB mainstreamed as productive and peaceful members of their receiving communities
Percentage of former rebels and their families who are enrolled in reintegration programs are mainstreamed as productive and peaceful members of their receiving communities <sup>90</sup>	Formulation of reintegration programs for the different peace tables ongoing (2011)	100% of former rebels and their families who are enrolled in reintegration programs are mainstreamed as productive and peaceful members of their receiving communities

Completion and implementation of the Comprehensive Peace Agreement with the MILF will lead to the enactment of the Bangsamoro Basic Law that will establish an all-inclusive Bangsamoro Government in 2016. The Transition Commission will complete the draft Law by 2014. Other milestones include the passage of the Bangsamoro Organic Law, the setting up of the Bangsamoro Transition Authority and the establishment of the Bangsamoro Government in time for the 2016 elections.

Within the Plan period, the government also targets the following: (a) final completion of the Tripartite Implementation Review Process and inclusion of the MNLF legislative agenda into the Bangsamoro Basic Law; (b) the resumption of time-bound and agenda-based talks with the CPP/NPA/NDF; (c) completion of signed final closure agreements with the CBA-CPLA and RPM-P/RPA/ABB; and (d) the final disposition of arms of said groups and mainstreaming of former rebels as productive members of society, in accordance with peace agreements.

<sup>83</sup> Based on AFP data estimates on NPA-initiated violent incidents involving guerilla operations

<sup>84</sup> Bangsamoro Government established

<sup>85</sup> Based on resolution issued by MNLF or OIC affirming the satisfactory implementation of the 1996 Final Peace Agreement

<sup>86</sup> This includes the following: (a) Amendatory bill to RA 9054 drafted based on the common proposals and common grounds of the GPH and MNLF signed by both parties; (b) Terms of Reference on Bangsamoro Development Assistance Fund and Tripartite Implementation Monitoring Committee agreed upon during the meetings of the Expert Working Groups composed of representatives of GPH, MNLF and OIC; (c) Agreement between GPH and MNLF to develop a workable Partnership at appropriate levels in the ARMM reached; and (d) Agreement on an interim co-management on the control and supervision over exploration, development, utilization and/or processing of strategic minerals between the national and regional government reached

<sup>87</sup> This includes the following: (a) MNLF Legislative Agenda included in the draft Bangsamoro Basic Law; (b) MNLF represented in the Bangsamoro Transition Authority; and (c) MNLF participating in the Bangsamoro Government

<sup>88</sup> Level of armed violence lowered, if not ended, leading to the closure of the armed conflict

<sup>89</sup> Closure MOA fully implemented (CBA-CPLA and RPM-P/RPA/ABB) - armed group transformed into a legal entity; exit document signed; disposition of arms and forces

<sup>90</sup> A Former Rebel Information System (FRIS) is currently being developed as a means to monitor this specific indicator.

Intermediate outcome 2: Causes and impacts of all internal armed conflicts and other issues that affect the peace process effectively addressed

Table 8.3 shows the revalidated RM on effectively addressing the causes, and impacts of all internal armed conflicts and other issues affecting the peace process.

Table 8.3. Revalidated RM on intermediate outcome 2 of peace and security

Indicators	Baseline	End-of-Plan target (2016)
<b>Access to the following basic social services improved in provinces<sup>91</sup> with communities affected by and vulnerable to armed conflict:</b>		
Net enrolment rate in primary education increased	88.16% (SY 2010-2011) <sup>92</sup>	99% <sup>93</sup>
Net enrolment rate in secondary education increased	53.90% (SY 2010-2011) <sup>91</sup>	71% <sup>94</sup>
Percentage of households with access to improved safe water supply increased	77.17% (2011) <sup>95</sup>	88% <sup>96</sup>
<b>Institutions in communities affected by and vulnerable to conflict strengthened</b>		
Number of Transparency and Accountability Mechanisms fully operational in PAMANA implementation increased	Mechanism framework for conflict-affected areas drafted (2011)	5 Transparency and Accountability Mechanisms <sup>97</sup> fully operational in PAMANA areas
Mechanisms to address grave human rights violations established and implemented	Task force against political violence created (AO 211, s. 2007); RA 9745, Anti-Torture Act, signed (2010)	Legal framework and enforcement procedures on grave human rights violations strengthened
Monitoring, Reporting and Response System (MRRS) to address grave child rights violations in situations of armed conflict established and operational	No MRRS established (2010)	MRRS fully operational with enhanced CIAC Program Framework
Number of fully recognized Certificates of Ancestral Domain Title (CADT) issued to indigenous peoples through PAMANA support increased	Zero (2010) <sup>98</sup>	13 CADTs (Regions IV, IX, XI and XIII)
Mechanism <sup>99</sup> for monitoring and addressing IP rights violations established and operational	Mechanism for alternative dispute resolution in place: participatory monitoring and actual handling of reported incidences/ cases (2010)	Mechanism for monitoring and addressing IP rights violations established and operational
Gender-responsive and conflict-sensitive policies / programs / support services for women and children in conflict situations identified and mainstreamed in national government agencies and LGUs in PAMANA provinces	National Action Plan (NAP) on Women, Peace and Security drafted (2010)	Gender-responsive and conflict-sensitive policies / programs / support services for women and children in conflict situations identified and mainstreamed in 17 national government agencies and local government units in 43 PAMANA provinces
<b>Conflict-sensitive, peace-building and gender-sensitive lens in governance mainstreamed:</b>		
Percentage of agency programs	Zero (2010) <sup>100</sup>	100% (4 out of 4 national

<sup>91</sup> Including independent cities

<sup>92</sup> Enrolment Rate for SYs 2010-2011 and 2011-2012 were computed based on the 2007 National Census on Population and Housing Net Enrolment Rate - Total number of pupils/students of the official school age group who are at primary or secondary education levels, expressed as a percentage of the primary population

<sup>93</sup> End of Plan target is 2016 national target for adjusted net enrolment rate based on two-year threshold for overage children

<sup>94</sup> End of Plan target is 2016 national target for net enrolment rate

<sup>95</sup> From the DOH-Field Health Information System (FHSIS)

<sup>96</sup> National target

<sup>97</sup> (a) Third party monitoring; (b) Web posting; (c) Project and community billboards; (d) Performance-based fund releases; and (d) Grievance Redress System

<sup>98</sup> PAMANA launched as national convergence program and framework for peace and development in 2011

<sup>99</sup> Quick Response Team for Indigenous Peoples Human Rights Violations capacitated and institutionalized in all Indigenous Peoples ethnographic regions

<sup>100</sup> PAMANA launched as national convergence program and framework for peace and development in 2011

Indicators	Baseline	End-of-Plan target (2016)
related to the peace process capacitated on conflict sensitive planning, implementation and monitoring and evaluation increased		government agencies: DILG, Departments of Social Welfare and Development or DSWD, Agriculture or DA, and Environment and Natural Resources or DENR)
Percentage of provinces with communities affected by and vulnerable to armed conflict equipped with tools and processes for conflict-sensitive, peace-promoting and gender-responsive planning and programming increased	Zero (2010) <sup>99</sup>	100% (43 out of 43 provinces)

### *Promoting greater convergence in the implementation of the PAMANA*

PAMANA will remain as the flagship development program in areas affected by conflict, but with greater convergence with other existing government programs and LGU plans. All PAMANA interventions will ensure synergy and avoid duplications with the DILG's Bottom-up Budgeting Approach, Seal of Good Housekeeping and SALINTUBIG programs, and the Department of Energy's (DOE) Barangay Electrification and Sitio Electrification Project. Water, road and electrification projects will be implemented according to criteria and standards set by lead government agencies and with strong conflict-sensitive and peace-promoting processes. All PAMANA implementing partners will be continuously capacitated in order to ensure that PAMANA implementation helps mitigate existing causes of conflict and prevent the occurrence of new ones.

### *Strengthening institutions*

The government will continue to strengthen reforms initiated when the interim ARMM Governor took office in 2012, as well as accelerate the delivery of basic services to catch up with the attainment of the Millennium Development Goals (see Chapter 6: Social development). The current ARMM government will accomplish these to provide a better baseline of governance and development once the Bangsamoro Basic Law becomes a reality.

Gender-related provisions in the FAB will be translated into concrete programs for Bangsamoro women. There will also be stronger support in implementing the NAP on related UN Security Council resolutions to increase women participation and incorporate gender perspectives in all peace-building and development efforts. The government will also continue implementing the MRRS and enhance the comprehensive program framework for the protection of children in situations of armed conflict.

The government will also support indigenous peoples' (IPs) agenda by: (a) professionalizing the service bureaucracy; (b) strengthening processes towards full recognition of certificates of ancestral domain titles; (c) establishing mechanisms to protect IP rights; (d) complying with the International Convention on the Elimination of All Forms of Racial Discrimination and the Convention of the Rights of the Child; and (e) ratifying International Labour Organization (ILO) Convention No. 169, or the Convention on Indigenous and Tribal Peoples.

Conscious efforts to forge multi-sectoral and multi-stakeholder partnerships will be pursued to further strengthen mechanisms to end impunity, enforced disappearances, torture and other grave human rights violations.

Strong support will be provided to ARMM and the National Commission on Muslim Filipinos towards the development of the Halal industry (see Chapter 3: Competitive and innovative industry and services sectors), institutionalization of the Hajj Management system, establishment of a framework for Islamic finance and strengthening the Shari'ah Courts System. The government will pursue efforts to rationalize land use policies (see Chapters 4: Competitive and sustainable agriculture and fisheries sector; 9: Sustainable and climate-resilient environment and natural resources; and 10: Accelerating infrastructure development), since armed conflicts are largely rooted in long-standing disputes over land and resources.

## Strategies on subsector outcome B: Ensuring national security

The government aims to significantly reduce criminality, uphold sovereignty, and ensure protection of its people, thus, creating a safer and more secure environment conducive to national development. Table 8.4 shows the revalidated RM on subsector outcome B of peace and security.

Table 8.4. Revalidated RM on intermediate outcome B of peace and security

Indicators	Baseline	End-of-Plan target (2016)
<b>Intermediate outcome 3: Internal stability sustained</b>		
Number of provinces free from armed conflict increased	52	80
Crime volume reduced annually <sup>101</sup>	1,020,324 (2013)	743,817
Crime Solution Efficiency rate <sup>102</sup> improved annually	27.76% (2013)	38.26%
Backlogs in NBI criminal investigation cases reduced	24% (2011)	15%
Backlogs in DOJ prosecution investigation cases reduced	53.6% (2011)	30%
Re-offender rate in national prisons reduced	25% (2011)	20%
<b>Intermediate outcome 4: Capability to uphold sovereignty and territorial integrity improved</b>		
National alien database established	None	National alien database established
Improved status in the US State Department's Trafficking in Persons Report	Tier 2 watch list	Tier 1
<b>Intermediate outcome 5: Highest standard of capability and preparedness against disasters and emergencies addressed</b>		
Number of provinces with all of its cities and majority of its municipalities having functional and empowered Local Disaster Risk Reduction and Management Office increased	20 (2013)	80

Strategies and programs to ensure national security are expected to contribute to four intermediate outcomes: (a) internal stability sustained; (b) capability to uphold sovereignty and territorial integrity of the stated assured; (c) highest standard of capability and preparedness against natural disasters and emergencies achieved; and (d) security sector reforms implemented.

### Intermediate outcome 3: Internal stability sustained

To reduce the incidence of armed conflict, the government will pursue interagency cooperation through the IPSP-Bayanihan and support civilian agencies in law enforcement and development in conflict areas.

The government will also intensify police and other law enforcement agencies' operations by:

- Increasing police presence in crime-prone areas and strategic locations through recruitment of additional uniformed personnel, provision of complete mission-essential equipment and construction of additional police stations;
- Strengthening police and community partnerships;
- Intensifying law enforcement interventions against organized crime groups;
- Improving crime investigation, prosecution, and resolution by upgrading crime investigation facilities and equipment, providing additional forensic laboratories in Baguio and Davao, and augmenting personnel augmentation;

<sup>101</sup> For indicators on crime volume and crime solution efficiency, the rectified crime statistics in 2013 will be used as the new baseline data, which reflect not only those reported to the PNP but also those reported to the barangays and other law enforcement agencies.

<sup>102</sup> Crime Solution Efficiency – percentage of solved cases out of the total number of crime incidents handled by law enforcement agencies for a given time; Solved Cases – A case shall be considered solved when the following elements concur: (a) the offender has been identified; (b) there is sufficient evidence to charge the offender; (c) the offender has been taken into custody; and (d) the offender has been charged before the prosecutor's office or court of appropriate jurisdiction.

- Formulating a modern Criminal Code responsive to new laws, current social conditions and emerging crime trends;
- Implementing reforms in the justice system to address case congestion and backlogs;
- Upgrading detention and corrections facilities and equipment to improve security, living conditions and rehabilitation of inmates;
- Formulating a National Cyber Security Plan; strengthening enforcement mechanisms for cybercrime detection, investigation and prosecution; and forging multilateral and bilateral agreements on cyber security; and
- Establishing a crime victimization survey.

#### Intermediate outcome 4: Capability to uphold sovereignty and territorial integrity of the state assured

The Philippines will continue to secure international support and cultivate international relations in pursuing legitimate rights over the West Philippine Sea. The government will also work towards formally establishing the Philippines' archipelagic sea lanes and maritime zones.

Strengthened cooperation with external bilateral and multilateral partners will help the country address security and defense issues through capacity building and operations support in matters related to transnational crime, human assistance, disaster relief, and the protection and preservation of natural resources.

Modernizing defense and security establishments will enable concerned agencies to perform the full spectrum of their roles in accordance with the comprehensive and updated definition of national security. This entails the following:

- Enhancing their capability to perform all types and levels of internal and external operations, including nontraditional support to development;
- Acquiring modern equipment to support territorial defense activities;
- Establishing the presence of effective and competent forces in disputed areas through greater surveillance and monitoring capability;
- Ensuring that maritime assets, territorial integrity, and coastal areas are protected in accordance with the Archipelagic Baselines Law (RA 9522) by upgrading air and maritime capability and expanding coverage of coast watch stations; and
- Providing expedient and efficient response to maritime incidents.

The government will also improve its capability on border management, surveillance and detection against lawless elements. This entails enhancement of border security through upgrading of surveillance, detection capacity and information systems to thwart the entry of foreign terrorists, human traffickers and smugglers of antisocial goods and weapons of mass destruction. The country will build up and update its database of aliens through an Alien Registration Program, as well as strengthen coordination with the International Criminal Police Organization and other intelligence/law enforcement agencies. The enactment of the new Philippine Immigration Law and Customs Modernization Act will further improve border control and management in the face of transnational crimes, migration trends, continued increase of overseas workers, and tourism development.

#### Intermediate outcome 5: Highest standard of capability and preparedness against natural disasters and emergencies achieved

As the government builds the LGUs' disaster management capabilities, it is also imperative to strengthen the security sector in emergency relief and rescue operations by developing its organic capability to respond to calamities and disasters. The government will transform the sector to become more dynamic, proactive, and responsive by promoting synergy among stakeholders and the communities in disaster prevention and preparation (see Chapter 9: Sustainable and climate-resilient environment and natural resources). Along this line, it will secure and protect critical infrastructures, facilities and other high value assets of the public and private sector (see Chapter 10: Accelerating infrastructure development).\



## Intermediate outcome 6: Security sector reforms implemented

Agencies under the security sector will undergo reorganization, retooling, and reorientation to keep up with the constantly changing policy and security strategy environment. All officers, both commissioned and non-commissioned, as well as civilian employees will undergo continuing training on human rights, international law, and cultural sensitivity.

The government will continue its reforms as laid out in the DND's Philippine Defense Transformation Program and the PNP's ITP-PGS, to rationalize and integrate security forces (government and civilian/public and private) to address threats and challenges against peace. Capacity-building efforts of LGUs in managing peace and order concerns will be supported, alongside the broadening of the peace constituency by partnering with local and national civil society groups and the private sector.

### Legislative agenda

Sustaining a stable national security environment is crucial to deliver basic services even in the most remote areas of the country, ensure human security and ultimately attain inclusive development. With this, the government will work towards the passage of the following legislation within the Updated Plan period:

#### Peace

- **Bangsamoro Basic Law**, establishing the Bangsamoro political entity that will replace the existing ARMM;
- **Rights of IDPs Act**, providing protection for IDPs during and after armed conflicts, natural calamities, aggressive implementation of development projects, and other related matters; and
- **Protection of children in situations of armed conflict**, providing protection to children in situations of armed conflict as guaranteed under the Convention of the Rights of the Child, its Optional Protocol on the Involvement of Children in Armed Conflict and all other core human rights treaties.

#### Security

- **New Criminal Code**, amending/updating the old Revised Penal Code, to be more responsive to new laws, current social conditions and emerging crime trends;
- **Criminal Investigation Law**, rationalizing the investigation of crimes and criminal complaints by integrating the functions of investigating law enforcers and prosecutors, and repealing RA 5180 that prescribes the conduct of preliminary investigation by prosecutor;
- **Amended Cybercrime Law**, addressing legal issues on the Cybercrime Prevention Act;
- **Amended Witness Protection Law**, strengthening the Witness Protection, Security and Benefit Program by expanding its coverage and security capability;
- **National Defense and Security Act**, rationalizing previous enabling laws on national defense and security, from the National Defense Act of 1935 to the 1987 constitution;
- **Philippine Maritime Zones**, providing the necessary flexibility in the enactment of subsequent laws pertinent to the rights and obligations of the Philippines over its own maritime zones in accordance with the UNCLOS;
- **Philippine Archipelagic Sea Lanes**, establishing the Philippines' archipelagic sea lanes as espoused in Article 53 of the UNCLOS;
- **New Philippine Immigration Law**, amending the old immigration law to improve border control and management in the face of transnational crimes, human trafficking, migration trends, continued increase of overseas workers, and tourism development;
- **PNP Reorganization Plan**, strengthening the PNP's organizational and functional structures by streamlining administrative functions from the uniformed to non-uniformed personnel and maximizing various police field services in maintaining peace and rule of law;
- **PNP Modernization Program**, outlining a five-year program on the development of its human resources, doctrine, infrastructure and facilities, and equipment acquisition and support system, over and above the annual Capability Enhancement Program; and
- **NBI Modernization Law**, strengthening the NBI's organization and functional structure to enhance and modernize its investigative capacity.

#### IV. PLAN IMPLEMENTATION

The Office of the Presidential Adviser on the Peace Process (OPAPP) is the lead agency in the peace negotiations. It also coordinates the PAMANA program, with DILG, DSWD, Departments of Health (DOH), Education (DepEd), Commission on Higher Education (CHED), DOE, DENR, National Electrification Administration (NEA), Technical Education and Skills Development Authority (TESDA), National Commission on Indigenous Peoples (NCIP), Philippine Commission on Women (PCW), and Council for the Welfare of Children (CWC) and the concerned LGUs and other agencies implementing specific components. Security agencies on the other hand such as DND, DILG, Department of Foreign Affairs and DOJ, including their support units and bureaus such as the AFP, PNP, BFP, BI, NBI, National Security Council (NSC), Philippine Coast Guard (PCG) and Bureau of Customs (BoC) are responsible for protecting the country and its people.

The annual outcome targets for peace and security are shown in Table 8.5. The accomplishments for these sectors shall be reported to the NEDA Board-Regional Development Committee or the Cabinet Cluster on Security, Justice and Peace.

Table 8.5. Annual target indicator matrix on peace and security, 2013-2016

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Subsector outcome B: Communities in areas affected by and vulnerable to conflict return to conditions where they can achieve their desired quality of life within a peaceful society</b>						
<b>Intermediate outcome 1: Negotiated political settlements of internal armed conflicts achieved</b>						
Level of armed hostilities and other forms of violent incidents involving the following armed rebel groups significantly decreased						
<i>Armed encounters between GPH and MILF decreased</i>				0	Agency reports	DND-AFP, OPAPP
<i>Armed encounters between GPH and CPP/NPA/NDF significantly decreased</i>	Significantly decreased		Significantly decreased		Agency reports	DND-AFP, OPAPP
<i>Comprehensive Peace Agreement between GPH and MILF signed and implemented</i>	<i>GPH-MILF Comprehensive Peace Agreement completed with signing of four Annexes to the FAB</i>	<i>Bangsamoro Basic Law passed</i>	<i>Bangsamoro Transition Authority established</i>	<i>GPH-MILF Comprehensive Peace Agreement signed and implemented<sup>103</sup></i>	Agency reports	OPAPP
<i>GPH-MNLF Final Peace Agreement implementation satisfactorily completed</i>	<i>Tripartite Implementation Review Process completed</i>	<i>MNLF Legislative Agenda included in the Bangsamoro Basic Law</i>	<i>MNLF represented in the Bangsamoro Transition Authority</i>	<i>GPH-MNLF Final Peace Agreement implementation satisfactorily completed<sup>104</sup></i>	Agency reports	OPAPP
<i>Political settlement with CPP/NPA/NDF forged</i>	<i>Broad-based consultations and liaison work with stakeholders conducted</i>	<i>Broad-based consensus against use of armed violence achieved</i>	<i>Broad-based consensus against use of armed violence achieved and peaceful political settlement with CPP/</i>	<i>Political settlement<sup>105</sup> with CPP/NPA/NDF forged</i>	Agency reports	OPAPP

<sup>103</sup> Bangsamoro Government established

<sup>104</sup> MNLF included in the Bangsamoro Government

<sup>105</sup> Level of armed violence lowered, if not ended, leading to the closure of the armed conflict



Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
			NPA/ NDF forged			
<i>Closure MOA between GPH and CBA-CPLA fully implemented</i>	<i>Closure MOA implemented</i>	<i>Closure MOA fully implemented<sup>106</sup></i> <i>Exit agreement drafted and signed</i>	<i>Mechanisms for transformation sustained</i>		<i>Agency reports</i>	<i>OPAPP</i>
<i>Closure MOA with Tabara Paduano Group (TPG) of RPM-P/RPA/ABB signed and fully implemented</i>		<i>Closure MOA with TPG of RPM-P/RPA/ABB signed and implemented</i>	<i>Closure MOA with TPG of RPM-P/RPA/ABB signed and fully implemented<sup>33</sup></i> <i>Exit agreement drafted and signed</i>	<i>Mechanisms for transformation sustained</i>	<i>Agency reports</i>	<i>OPAPP</i>
<i>Members of Nilo Dela Cruz Group (NDCG) of RPM-P/RPA/ABB mainstreamed as productive and peaceful members of their receiving communities</i>		<i>Mechanisms for continuing dialogue established</i>	<i>Reintegration program for NDCG of RPM-P/RPA/ABB developed and implemented</i>	<i>Members of NDCG of RPM-P/RPA/ABB mainstreamed as productive and peaceful members of their receiving communities</i>	<i>Agency reports</i>	<i>OPAPP</i>
<i>Percentage of former rebels and their families who are enrolled in reintegration programs are mainstreamed as productive and peaceful members of their receiving communities<sup>107</sup></i>				<i>100%</i>	<i>Agency reports</i>	<i>DILG, AFP, DENR, DSWD, PHIC, CHED, LGUs, OPAPP<sup>108</sup></i>
<b>Intermediate outcome 2: Causes and impacts of all internal armed conflict and other issues that affect the peace process effectively addressed</b>						
Access to the following basic social services improved in provinces <sup>109</sup> with communities affected by and vulnerable to armed conflict:						
<i>Net enrolment rate in primary education increased</i>	<i>96%</i>	<i>97%</i>	<i>98%</i>	<i>99%</i>	<i>Agency reports</i>	<i>DepEd, OPAPP<sup>22</sup></i>
<i>Net enrolment rate in secondary education increased</i>	<i>65%</i>	<i>68%</i>	<i>70%</i>	<i>71%</i>		
<i>Percentage of households with access to improved safe water supply increased</i>				<i>88%<sup>110</sup></i>	<i>Agency reports</i>	<i>DSWD, DOH, DILG, LGUs, OPAPP<sup>22</sup></i>

<sup>106</sup> Closure MOA fully implemented (CBA-CPLA and TPG of RPM-P/RPA/ABB) - armed group transformed into a legal entity; disposition of arms and forces; exit agreement signed

<sup>107</sup> A Former Rebel Information System (FRIS) is currently being developed as a means to monitor this specific indicator.

<sup>108</sup> Act as Oversight

<sup>109</sup> Including independent cities

<sup>110</sup> National target

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
Institutions in communities affected by and vulnerable to conflict strengthened						
<i>Number of Transparency and Accountability Mechanisms fully operational in PAMANA implementation increased</i>	4 mechanisms	4 mechanisms	5 mechanisms	5 mechanisms <sup>111</sup>	Agency reports	OPAPP, PAMANA Implementing Agencies
<i>Mechanisms to address grave human rights violations established and implemented</i>				Legal framework and enforcement procedures on grave human rights violations strengthened	Agency reports	DOJ, CHR, DND, AFP, DILG, PNP, OPAPP
<i>Monitoring, Reporting and Response System (MRRS) to address grave child rights violations in situations of armed conflict established and operational</i>				MRRS fully operational with enhanced CIAC Program Framework	Agency reports	CWC, DSWD
<i>Number of fully recognized Certificates of Ancestral Domain Title (CADT) issued to indigenous peoples through PAMANA support increased</i>		5 CADTs	6 CADTs	2 CADTs in 2016, total of 13 CADTs (Regions IV, IX, XI, XIII) for the Plan Period	Agency reports	NCIP, DENR
<i>Mechanism<sup>112</sup> for monitoring and addressing IP rights violations established and operational</i>				Mechanism for monitoring and addressing IP rights violations established and operational	Agency reports	NCIP
<i>Gender-responsive and conflict-sensitive policies / programs / support services for women and children in conflict situations identified and mainstreamed in national government agencies and LGUs in PAMANA provinces</i>	11 NGAs and LGUs in 27 PAMANA provinces capacitated on the NAP	17 NGAs and LGUs in 43 PAMANA provinces integrated and implemented NAP policies/ programs/ services in their respective plans	17 NGAs and LGUs in 43 PAMANA provinces main-streamed NAP policies/ programs/ services in their respective plans	17 NGAs and LGUs in 43 PAMANA provinces main-streamed NAP policies/ programs/ services in their respective plans	Agency reports	PCW, National Steering Committee on Women, Peace and Security <sup>113</sup>
Conflict-sensitive, peace-building and gender-sensitive lens in governance mainstreamed:						
<i>Percentage of agency programs related to the peace process capacitated on conflict</i>	100% of agency programs related to the peace	100% of agency programs related to the peace	100% of agency programs related to the	100% of agency programs related to the peace	Agency reports	OPAPP, DILG, DSWD, DA and DENR

<sup>111</sup> (a) Third party monitoring; (b) Web posting; (c) Project and community billboards; (d) Performance-based fund releases; and (d) Grievance Redress System

<sup>112</sup> Quick Response Team for Indigenous Peoples Human Rights Violations capacitated and institutionalized in all Indigenous Peoples ethnographic regions

<sup>113</sup> Acts as Oversight

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<i>sensitive planning, implementation and monitoring and evaluation increased</i>	<i>process in 2 out of 2 national government agencies: DILG and DSWD</i>	<i>process in 4 out of 4 national government agencies: DILG, DSWD, DA and DENR</i>	<i>peace process in 4 out of 4 national government agencies: DILG, DSWD, DA and DENR</i>	<i>process in 4 out of 4 national government agencies: DILG, DSWD, DA and DENR</i>		
<i>Percentage of provinces with communities affected by and vulnerable to armed conflict equipped with tools and processes for conflict-sensitive, peace-promoting and gender-responsive planning and programming increased</i>	70% (30 out of 43 provinces)	79% (34 out of 43 provinces)	100% (43 out of 43 provinces)	100% (43 out of 43 provinces)	Agency reports	OPAPP, PAMANA Implementing Agencies and LGUs
<b>Subsector outcome B: Safer and more secure environment conducive to national development created and sustained</b>						
<b>Intermediate outcome 3: Internal stability sustained</b>						
Number of provinces free from armed conflict increased	59	66	73	80	Agency reports	DND-AF
Crime volume reduced annually	1,020,324	918,292	826,463	743,817	Agency reports	DILG-PNP
Crime Solution Efficiency rate improved annually	27.76%	31.26%	34.76%	38.26%		
Backlogs in NBI criminal investigation cases reduced	16%	15%	15%	15%	Agency reports	DOJ-NBI
Backlogs in DOJ prosecution investigation cases reduced	45%	40%	35%	30%	Agency reports	DOJ
Re-offender rate in national prisons reduced	23%	21%	20%	20%	Agency reports	DOJ-BuCor
<b>Intermediate outcome 4: Capability to uphold sovereignty and territorial integrity improved</b>						
National alien database established	ICT requirements procured			Database established	Agency reports	DOJ
Improved status in the US State Department's Trafficking in Persons Report	Tier 2 Status	Tier 1 Status	Tier 1 Status	Tier 1 Status	US State Department's published report	DOJ
<b>Intermediate outcome 5: Highest standard of capability and preparedness against disasters and emergencies addressed</b>						
Number of provinces with all of its cities and majority of its municipalities having functional and empowered Local Disaster Risk Reduction and Management Office increased	20	40	60	80	Agency reports	LGUs, DND-OCD, NDRRMC



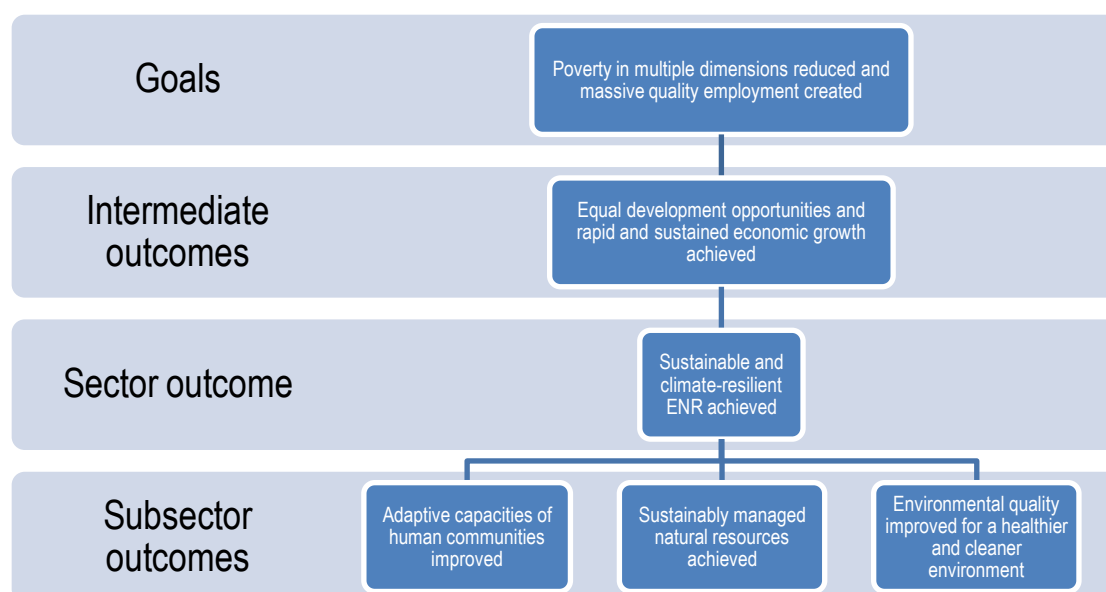
# Sustainable and climate-resilient environment and natural resources

## I. INTRODUCTION

Vital to the achievement of the country’s inclusive growth is the improvement of the state of the environment and natural resources (ENR). Sustaining the services that will improve the state of the country’s ecosystem will support critical growth sectors and resource-dependent communities amidst risks posed by climate change and natural disasters.

The vision for a sustainable and climate-resilient environment—one that provides for present and future generations of Filipinos—will continue to be pursued for the remaining years of the Aquino administration. As shown in Figure 9.1, this result consists of three subsector outcomes: (a) improved adaptive capacities of human communities; (b) sustainably managed natural resources; and (c) improved environmental quality for a healthier and cleaner environment.

Figure 9.1. Results framework on sustainable and climate-resilient ENR



These outcomes will be pursued through an ecosystems approach that is integrated and based on prevention, science, rights, and community; sound environmental impact assessment; and cost-benefit analysis. Such interventions will be anchored on the principles of shared responsibility, effective institutions and good governance, participation, social and environmental justice, intergenerational space, and gender equity.

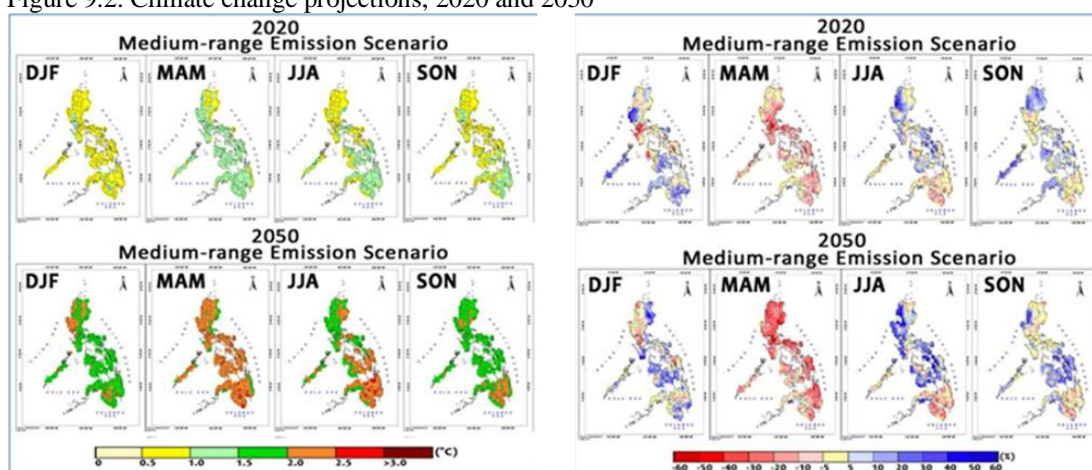
## II. ASSESSMENT, CHALLENGES AND OPPORTUNITIES

The state of ENR has modestly improved during the first two years of the Aquino administration. According to the Environmental Performance Index (EPI) in 2012,<sup>114</sup> the Philippines is categorized as a “strong performer” and ranked 42nd out of 132 countries (higher than Australia’s 48th, USA’s 49th, Singapore’s 52nd, and Israel’s 61st). Despite this, the full benefits from the ecosystem’s services still have to be optimally utilized in achieving inclusive development. While the economy grew by 6.8 percent in the same year, aggregate contribution of the agriculture, forestry and fisheries sector accounts for a meager 2.8 percent compared to industry<sup>115</sup> and services<sup>116</sup> with 6.8 and 7.6 percent, respectively.

### Vulnerability to climate change and natural disasters

As the third most vulnerable country to natural hazards<sup>117</sup> and 14th most affected by adverse impact of climate change<sup>118</sup> (see Figure 9.2), the Philippines experienced tragedies due to the occurrence of extreme climate events. Damage to properties from disasters in 2012 costs about PhP50.32 billion (Figure 9.3). Direct cost from this damage had an estimated share of 1.44 percent of the country’s gross domestic product (GDP) in the same year. In 2013, Typhoon Yolanda recorded the highest damage from typhoon events amounting to PhP571.11 billion (Box 9.1).

Figure 9.2. Climate change projections, 2020 and 2050



(a) Seasonal temperature increase, in °C

(b) Rainfall change (increase/decrease), in %

Source: Philippine Atmospheric, Geophysical and Astronomical Services Administration (2011). *Climate Change in the Philippines*

Note: DJF=December, January, February; MAM=March, April, May; JJA=June, July August; SON=September, October November

<sup>114</sup> The biennial assessment ranks countries’ performance indicators covering both environmental public health and ecosystem vitality.

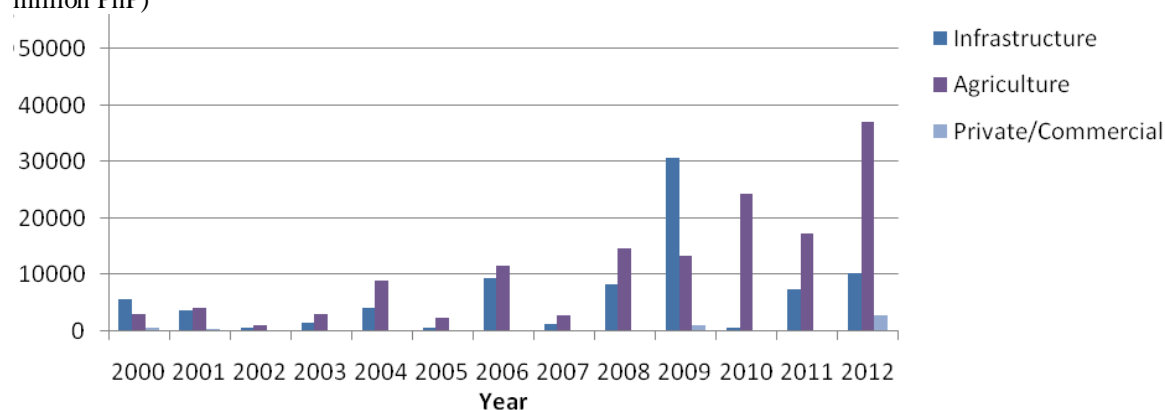
<sup>115</sup> Includes mining and quarrying, manufacturing, construction, electricity, gas and water supply

<sup>116</sup> Includes transport, storage and communication

<sup>117</sup> United Nations University-Institute for Environment and Human Security (2012)

<sup>118</sup> German Watch (2013). Global Climate Risk Index

Figure 9.3. Estimated direct cost of damage to properties of natural disasters by sector, 2000-2012 (in million PhP)



The past two years focused on preparatory activities toward full operation of long-term actions on climate change adaptation and mitigation (CCA/M) and disaster risk reduction and management (DDRM). These include the passage of the People’s Survival Fund (PSF) in 2012 (RA 10174), completion of climate change projection at the provincial level, implementation of the Nationwide Operational Assessment of Hazards (NOAH), geohazard mapping and assessment of all cities and municipalities at 1:50,000 scale, and mainstreaming of CCA/M and DRRM in LGUs’ comprehensive land use plans, among others.

**Box 9.1. Damage and losses due to natural calamities: The case of Typhoon Yolanda**

Owing to its archipelagic nature and geologic structure, the Philippines is prone to natural disasters including typhoons, earthquakes and volcanic eruptions. The occurrence of these disasters is believed to have been exacerbated by climate change. On 8 November 2013, the Philippines experienced the ferocity of Typhoon Yolanda, deemed the strongest ever recorded, with wind speeds of more than 300 km/h and storm surges of over four meters. It cut a swath of destruction across the central part of the Philippines, resulting in grave loss of life and massive damage to private and public assets. There were 5,982 reported fatalities as of 12 December 2013 with 1,779 persons still missing. A total of 27,022 people were reported injured, many of whom would not be able to get back to work or resume their livelihood activities.

The total damage and loss from Typhoon Yolanda has been initially estimated at PhP571.1 billion (equivalent to US\$12.9 billion). About PhP424.3 billion of the total damage and loss represents the value of destroyed physical assets, while the remaining PhP146.5 billion represents reductions in production, sales, and income to date and in the near term. The impact of Typhoon Yolanda was most heavily felt by the economic and social sectors, which together sustained nearly 93 percent of the total damage and loss (Box Table 9.1.1). The private sector has borne 90 percent of the brunt of the impact of the disaster, with the remaining 10 percent by the public sector.

Box Table 9.1.1 Damage and loss caused by typhoon Yolanda

Sector	Damage and loss (in million PhP)				Total
	Damage		Loss		
	Public	Private	Public	Private	
Infrastructure	16,024.30	4,285.00	7,108.40	6,565.40	33,983.00
Economic	3,743.50	67,560.00	87.00	106,716.60	178,107.10
Agriculture	3,743.50	27,560.00	87.00	30,716.60	62,107.10
Industry and services	-	40,000.00	-	76,000.00	116,000.00
Social	23,175.30	305,472.10	3,442.30	22,628.80	354,718.50
Cross-sectoral	4,000.00	-	300.00	-	4,300.00
Total (in PhP)	46,943.00	377,317.10	10,937.10	135,910.80	571,108.50
(in M US\$, \$1=PhP 44.135)	1,063.60	8,549.20	247.80	3,079.40	12,940.00

Notes: Data and information from all sectors submitted as of 12 December 2013.

## Sustainable management of natural resources

### Forest governance, protection and management

The Department of Environment and Natural Resources (DENR) continues to intensify reforestation activities, particularly in 18 priority river basins.<sup>119</sup> To achieve the goal of 30-percent forest cover (9 million hectares) by 2016, Executive Order (EO) 23 was issued to curb deforestation of remaining natural and residual forests<sup>120</sup> and EO 26, to intensify reforestation activities.<sup>121</sup> As of 2012, the National Greening Program (NGP) covered a total of 350,321 hectares, generated approximately 380,696 jobs and recorded an estimated carbon sequestration potential of up to 38.9 million tons worth PhP14 billion.<sup>122</sup>

To sustain these positive gains, forest protection programs will be intensively pursued with civil society organizations (CSOs) and the private sector. As the lead agency, the DENR will develop a commodity road map for timber and non-timber plantations within NGP sites, as well as in Integrated Forest Management Agreement (IFMA) areas, to harness the forests' production potential. The DENR will also explore the NGP's potential on carbon sequestration following established standards in the Philippine National REDD (Reduced Emissions from Deforestation and Forest Degradation)-Plus Strategy.

### Biodiversity conservation

As of 2012, a total of 240 protected areas (PAs) were established covering 5.4 million hectares. Of these, 113 PAs covering 3.57 million hectares have been formally proclaimed by the President under the National Integrated Protected Areas System (NIPAS) as terrestrial protected areas (TPAs, 2.2 million hectares) and marine protected areas (MPAs, 1.37 million hectares).

Efforts are also underway to expand and strengthen NIPAS by establishing indigenous community conserved areas (ICCAs) and local conservation areas (LCAs) managed by local government units (LGUs). By the end of 2016, a total of 102,000 hectares of ICCAs in seven sites is expected to be registered with the United Nations Environment Programme/World Commission Monitoring Center (UNEP/WCMC), along with six LCAs covering 56,000 hectares through LGU partnership.

The population of three critically endangered species—Philippine eagle, *tamaraw* and Philippine cockatoo—improved due to the implementation of conservation programs, strict enforcement of regulations on wildlife trade and hunting, and intensive management of their critical habitats. In 2012, a total of 6,138 hectares was established as critical habitats while 38 caves have been classified as safe and open to visitors, making them potential ecotourism sites for employment generation and economic development in the localities.

Sustaining conservation efforts are greatly dependent on the availability of adequate financial resources particularly in the establishment of additional key biodiversity areas, effective management of proclaimed PAs and continuous implementation of conservation programs for threatened species.

### Coastal and marine resources rehabilitation and management

According to Reefs at Risk in the Coral Triangle, local activities such as overfishing and destructive fishing threaten 98 percent of reefs in the Philippines. Coastal development along crowded shorelines, as well as watershed and marine-based pollution, aggravated this degraded state. With the projected impacts of climate change, coastal and marine ecosystems require intensified protection and rehabilitation.

Integrated coastal resources management is an effective strategy to ensure better management of coastal and marine resources and prevent further degradation of coastal areas. In relation to this, two priority seascapes—the Sulu-Sulawesi Marine eco-region and West Philippine Seas—have been designated as areas for sustainable management under the Coral Triangle Initiative (CTI) National Plan of Action.

The National Mapping and Resource Information Authority (NAMRIA) completed the preliminary delineation of municipal waters for 928 coastal LGUs in 2011. However, only 285 coastal LGUs (30.71

<sup>119</sup> These are the following river basins covering 108,498 hectares: Cagayan, Mindanao, Agusan, Pampanga, Agno, Abra, Pasig-Laguna de Bay, Bicol, Abulog, Tagum-Libuganon, Ilog-Hilabangan, Panay, Tagoloan, Agus, Davao, Cagayan de Oro, Jalaur and Buayan-Malungan.

<sup>120</sup> Executive Order No. 23 “Declaring a Moratorium on the Cutting and Harvesting of Timber in the Natural and Residual Forest and Creating the Anti-Illegal Logging Task Force issued February 2011

<sup>121</sup> Executive Order No. 26 “The National Greening Program” issued February 2011

<sup>122</sup> Carbon price at \$9.2/tonne, 2011 prices (Source: forestcarbonpartnership.org)



percent) have been certified by neighboring LGUs as of 2012. The delays were due to the absence of guidelines for LGUs with offshore islands and failure of LGUs with certified municipal waters to pass the required municipal ordinances.

### Sustainable land management

In 2011, the DENR issued Memorandum Order 2011-03<sup>123</sup> to accelerate cadastral surveys to delineate boundaries and facilitate land disposition and titling, and Administrative Order 2011-06 to prescribe guidelines for the implementation of land titling in partnership with LGUs. Considering the 90-percent accomplishment for distribution of alienable and disposable (A&D) lands in 2012, the agency is set to issue only about 237,012 remaining patents to achieve its 2015 target. However, there is a need to fast-track the distribution of residential patent to achieve its 2016 target of 516,064 patents. In terms of sustainable land management (SLM), a total of 44,137 hectares of degraded lands were covered against the target of 50,000 hectares by 2012.

From 2011 to 2012, the National Commission on Indigenous Peoples (NCIP) issued only two certificates of ancestral domain titles (CADTs) and none for certificates of ancestral land titles (CALTs). Several reasons for the delay include the temporary suspension of issuance of pending applications due to legal issues, moratorium due to the review of the Omnibus Rules on the Delineation and Recognition of Ancestral Domains/Lands, continuing boundary conflicts among claimants, and the alarming peace and order situation in said areas. Despite this, a total of 107 Ancestral Domains Sustainable Development and Protection Plans (ADSDPPs) were formulated in 2012 that serve as basis of convergence efforts for indigenous cultural communities (ICCs) and indigenous peoples (IPs).

### Mineral resource development

In July 2012, the President issued EO 79 which provided policies and guidelines to ensure environmental protection and responsible mining, and constituted the Mining Industry Coordinating Council (MICC) as a policy governing body for mining-related concerns. The MICC provided inputs on the EO's implementing rules and regulations (IRR), developed an integrated map of areas closed to mining application, conducted a study on mining fiscal regime and revenue sharing arrangement, and drafted the revised Guidelines on Small-scale Mining, among others.

Of the 22 abandoned mines, the government targets the full rehabilitation of Bagacay and completion of risk assessment of five abandoned mine sites by 2016.<sup>124</sup> As of 2012, rehabilitation of Bagacay was only 87 percent of its 2012 target, while the five other abandoned mines are on track with the 55-percent completion of their risk assessment. Rehabilitation of these six priority mines will be fast-tracked, along with inclusion of additional five abandoned mines targeted for 70-percent risk assessment from 2013 to 2016.<sup>125</sup>

## Environmental quality

### Air

Measuring air quality using the total suspended particulate (TSP) level is difficult to establish as it depends highly on available monitoring stations. As shown in Figure 9.4, 10 stations in Metro Manila still registered below the normal TSP level of 90 micrograms per normal cubic meter (ug/Ncm) in 2012. On the other hand, only three of 12 monitoring stations outside the capital registered within standard levels, namely, Saluysoy in Bulacan, Mandaue City in Cebu and Zamboanga City Medical Center.<sup>126</sup>

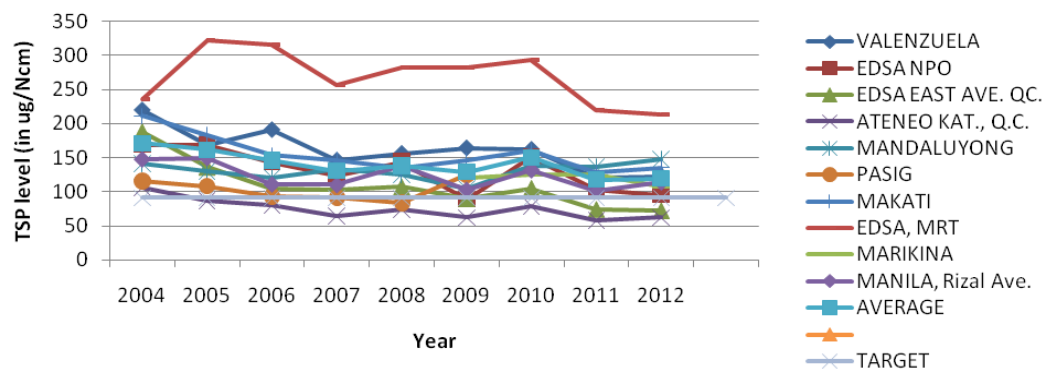
<sup>123</sup> "Procedure for the Execution of Cadastral Survey Projects" under the Philippine Reference System of 1992

<sup>124</sup> Abandoned mines for 100-percent risk assessment include Antamok Mine, Black Mountain Inc., Consolidated Mines Inc., Dizon Cu-Aq Mines, Inc and Construction and Dev't. Corp.

<sup>125</sup> Abandoned mines for 70-percent risk assessment include north Davao Tailings Dam, Bano Mine, Palawan Quicksilver, Philippine Iron Mines, and Batong Buhay Mine.

<sup>126</sup> 12 TSP Monitoring Stations outside Metro Manila include those in Alaminos; San Fernando City; Saluysoy; Cabanatuan; San Fernando, Pampanga; Iriga City; Panganiban Drive; Mandaue City; Zamboang City (i.e., Medical Center, Brgy. Sto. Nino, San Jose Road, and Phil. Int. Dev't. Inc.); and Davao City.

Figure 9.4. TSP level in Metro Manila



The modest improvement in air quality is attributed to policies and programs providing additional monitoring stations, imposing higher emission standards for vehicles, intensifying the anti-smoke belching program (*Bantay Tambutso*) and monitoring major industry and stationary sources of pollution (*Bantay Tsimneya*). These were complemented by the Department of Transportation and Communication’s (DOTC) implementation of intelligent transport systems and reduction of road vehicle volume through mass transportation systems, alternative modes/green transport and integration of provincial terminals. However, there is still a need to increase air quality monitoring facilities pursuant to the Clean Air Act (RA 8749) that requires airsheds and monitoring stations in every 500 meters. The DENR-Environmental Management Bureau (EMB) already installed 27 monitoring stations nationwide that assess air quality using particulate matter of up to 10 micrometers in diameter (PM<sub>10</sub>). The EMB also started installing monitoring stations in Metro Manila for PM<sub>2.5</sub>, with data to be available by 2014.

### Water

Water quality management of 19 rivers has been prioritized for clean-up, rehabilitation and maintenance under the *Sagip-Ilog* Program.<sup>127</sup> However, 11 priority rivers are still not within the standard biochemical oxygen demand (BOD) of 7 milligrams per liter (mg/L). Notably, however, Pasig River showed significant improvement in BOD level from 31.71 mg/L in 2011 to 23.09 mg/L in 2012. While Laguna Lake remains to be within the standard BOD level, Manila Bay has a low progress towards achieving the SB classification, or the standard for areas regularly used for public bathing.<sup>128</sup> Still, the quality of priority rivers has partially improved due to a number of notable interventions, such as close monitoring of industrial establishments and the implementation of the Adopt-an-Estero Program.

### Solid waste

Despite implementation of the Ecological Solid Waste Management (SWM) Act (RA 9003), garbage management remains a problem due to increased volume of generated solid waste. To illustrate, 353 LGUs generate solid waste of more than 15 tons per day, the threshold that already requires LGUs to establish a waste management facility.

Solid waste diversion rate, which measures how much solid waste is redirected from disposal to recycling, slightly improved in Metro Manila from 34 percent in 2011 to 39.1 percent in 2012. This was due to the LGUs’ establishment of materials recovery and composting facilities, formulation and implementation of policies regulating the use of plastic bags, and adoption of appropriate and locally available technology for waste treatment/processing, among others. On the other hand, diversion rate outside Metro Manila is only 30 percent, or below the 2012 target of 38 percent.

As of 2012, only 44 landfills were operational across the country and only 21 percent of 42,000 barangays have materials recovery facilities (MRFs). Of the 1,610 municipalities and cities, only 27.39 percent submitted SWM Plans, with the National SWM Commission (NSWMC) approving only 37 plans.

<sup>127</sup> These rivers include those in Meycauayan, Marilao, Bocaue, Ylang-ylang, Imus, Calapan, Iloilo, Balili, Paranaque, Marikina and San Juan, Anayan, Malaguit, Paniqui, Pampanga, Luyang, Sapangdaku, CDO and Angat.

<sup>128</sup> DENR-DAO No. 34, s. 1990

## Challenges in the ENR sector

The ENR sector has been confronted with long-standing issues and ineffective implementation of strategies that jeopardize the ecosystem's capacity to provide services and protect the vulnerable. Challenges in policies, institutions and operations cut across the three outcome areas of this Chapter.

### Policy

#### *Lack of harmonized national land use policy, poor land management and administration*

The first National Land Use bill was filed in 1995, but issues were raised on specific provisions such as the definition of terms, categories of land uses, and structural mechanisms. This bill is identified as a priority legislative agenda in five out of 10 chapters of the original Philippine Development Plan (PDP) for 2011-2016.

#### *Absence of a comprehensive forestry law*

The Revised Forestry Code (Presidential Decree 705) issued in 1975 remains the basis of the forest policy in the Philippines. Its inclination to commercial exploitation and production requires a shift to people-oriented, small-scale, community-based forest management.<sup>129</sup> There is also a need to update forest charges based on appropriate resource valuation methods.

#### *Inadequate provisions that ensure sustainable management of mineral resources*

The country's mining policy is articulated in the People's Small-Scale Mining Program of 1991 (RA 7076) and the Philippine Mining Act of 1995 (RA 7942). The laws' implementation is plagued with controversies due to inconsistencies of mining provisions; land use conflicts on mining tenements, certificate of land ownership awards (CLOAs) and ancestral domains; revenue sharing; hazards posed to human and environmental health; and illegal operations.

#### *Inadequate provisions of laws on solid and hazardous wastes*

The implementation of the Ecological SWM Act remains weak, with deliverables not completed on time (e.g., closure of open dumpsites by 2010 and submission of SWM plan) due to absence of a concrete operational mechanism (e.g., funding and sanctions for non-compliance). There is also a need to reconcile the law's provisions with those of existing laws, such as Local Government Code (RA 7160), Philippine Environmental Impact Statement System (PD 1586), Clean Air Act (RA 8749), Environmental Education Act (RA 9512), Organic Agriculture Act (RA 10068), Climate Change Act (RA 9729), and the Omnibus Investments Code (EO 226). Moreover, the Toxic Substances and Nuclear Wastes Control Act (RA 6969) needs provisions for electronic waste management (see Chapter 10: Accelerating infrastructure development).

#### *Absence of ENR valuation/accounting*

While there have been initial efforts to institutionalize natural resource accounting, the sector still lacks a reliable measure to value ENR, thus hindering the accurate calculation of ENR share to the country's economy. Moreover, the country's vulnerability to climate and disaster risks requires proper inventory and accounting of resource requirements, estimation of losses from the negative impacts and of gains from development interventions. The World Bank (2006) estimated that about one-third of the country's total wealth is from natural capital.

### Institutions

#### *Conflicting, overlapping mandates of government agencies*

Multiple players and stakeholders make it difficult for the management and coordination of ENR initiatives, resulting in counterproductive measures. At the local level, conflicts arise between national and local governments over devolved ENR functions and the definition of the LGUs' role in the issuance of local ordinances, approval of local permits and collection of local taxes. Also, there is a need to delineate responsibilities on land distribution among DENR and the Departments of Agriculture (DA) and Agrarian

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<sup>129</sup> Carandang (2005)

Reform (DAR); CCA/M and DRRM among the Climate Change Commission (CCC) and the National Disaster Risk Reduction and Management Council (NDRRMC); ENR management among DENR bureaus; resource permit issuance among DA, DAR, DENR and NCIP; and resolution of convergence issues on foreshore and easement area management.

#### *Lack of manpower and expertise at the local level*

ENR agencies suffer from lack of personnel, inadequate capacities/expertise and inefficient institutional processes. Similarly, local ENR management is constrained by poor governance and inadequate financing.

#### *Weak water governance*

A comprehensive review and subsequent restructuring of water sector governance will help address fragmented and weak water resources management. The sector also needs to adopt the principles of the Integrated Water Resources Management (IWRM); regulate the management of waterworks, water supply, and sewerage service providers; and identify agencies that enforce water-related policies (see Chapter 10: Accelerating infrastructure development).

### Operations

#### *Inadequate tools and facilities supporting ENR management*

The following issues on ENR management support need to be addressed: (a) lack of facilities and equipment for forest inventory, surveillance and patrolling; (b) inadequate air and water facilities and equipment for monitoring; (c) upgrading of weather forecasting facilities, systems and tools; (d) lack of geohazard maps with a scale of 1:10,000; and (e) the need to downscale climate projections.

#### *Unavailability of timely and updated ENR data and integrated database*

Integral to an effective ENR response is accurate and timely information. In addition, there is a lack of climate change studies that identify impacts on different ecosystems and communities.

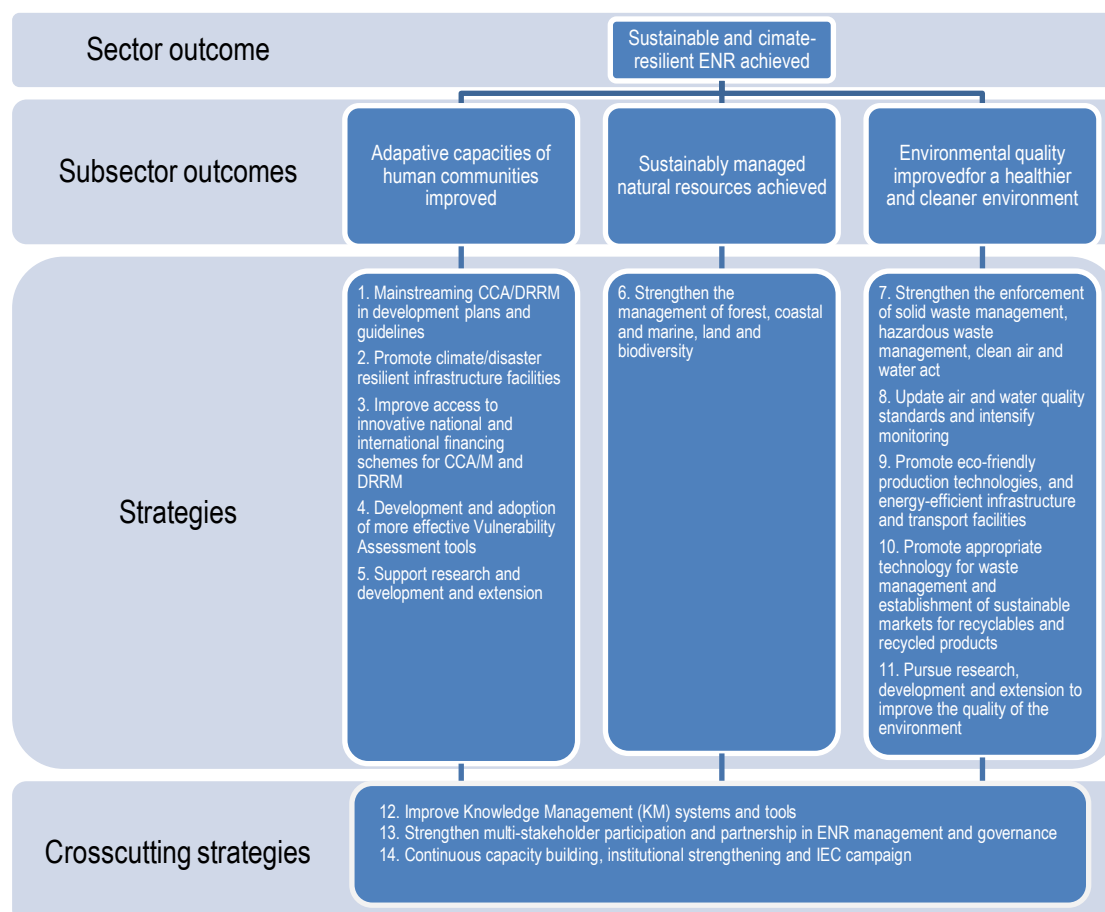
#### *Inadequate and non-sustained financing for ENR, CCA/M and DRRM*

Timely and effective implementations of natural resource management programs have always been constrained by inadequate financial resources. Programs and projects either rely on ODA financing or national government budget, as internal revenue allotment for LGUs are not sufficient to sustain ENR programs and projects. The LGUs' authority to generate additional funding has not been fully exercised.

### III. STRATEGIC FRAMEWORK AND UPDATED PLAN TARGETS

This updated chapter maintains the overall goal of sustaining ecological integrity to support economic development and improve human welfare. It highlights strategies that increase resiliency from climate risks and natural disasters through institutionalization of CCA/M and DRRM measures, as shown in Figure 9.5.

Figure 9.5. Strategic framework on sustainable and climate-resilient ENR



#### Subsector outcome A: Adaptive capacities of human communities improved

Recognizing the country’s high vulnerability to climate-related disasters, there is a need to enhance capacities of local communities on CCA/M and DRRM, establish adaptation and disaster preparedness measures, and provide investments for such interventions.

In the absence of a clear indicator for adaptive capacity, investments for CCA/M and DRRM will be used as proxy indicator to monitor the progress of this subsector outcome (see Table 9.1).

Table 9.1. Revalidated results matrix (RM) on subsector outcome A: Adaptive capacities of human communities improved

Indicators	Baseline	End-of-Plan target (2016)	Assumptions and risks
Annual damages and losses (crops and properties) due to natural disasters, environmental hazards, human induced and hydro-meteorological events	PhP19,272.70 million (2004-2010 annual average with 193 incidents)	Annual average lower	<ul style="list-style-type: none"> <li>▪ The projections of climate change impacts based on current climate change scenarios can be more adverse than projected.</li> <li>▪ CCA/M activities are not enough to build capacities of ecosystems and communities to withstand projected climate change impacts.</li> </ul>
Level of investments for CCA/M and DRRM improved	2013 investments	Level of investments higher	

Five key strategies will be pursued to achieve this outcome:

#### Strategy 1: Mainstream CCA/DRRM in development plans and guidelines

This strategy involves: (a) supporting initiatives for mainstreaming CCA/M and DRRM in the development process; (b) integrating CCA/M and DRRM in all education levels and in specialized technical training and research programs; (c) formulating criteria for identifying CCA/M and DRRM responsive projects; and (d) adopting a responsive national and local legal and policy framework on CCA/M and DRRM through multi-stakeholder dialogues.

#### Strategy 2: Promote climate/disaster-resilient infrastructure facilities

With the aim of institutionalizing CCA/M and DRRM in infrastructure development, existing engineering standards and designs will be reviewed and updated to integrate emerging technologies and retrofitting techniques. This ensures resilience to disasters and impacts of climate change. Disaster and climate infrastructure programs and projects will be continuously pursued, even beyond the Updated Plan period. (See also Chapter 10: Accelerating infrastructure development.)

#### Strategy 3: Improve access to innovative national and international financing schemes for CCA/M and DRRM

To effectively respond to CCA/M and DRRM needs, available financing both nationally (e.g., PSF and National Disaster Risk Reduction and Management Fund or NDRRMF) and internationally (e.g., Green Climate Fund and Adaptation Fund) will be tapped. At the local level, there is a need to operationalize the PSF to provide additional financing source to support adaptation activities of LGUs and communities. Priority activities to support the operationalization of PSF are formulation of climate change-tagging criteria, finalization and approval of the IRR of RA 10174, and preparation of the operational guidelines for the PSF. On the other hand, there is a need to revisit the mechanism to access the NDRRMF to ensure that it will not only be used for relief assistance, rehabilitation and reconstruction activities but also for disaster preparedness and prevention measures.

Among the priority activities for funding include adaptation measures, forecasting and early warning system, institutional strengthening, knowledge management and risk financing.

#### Strategy 4: Develop and adopt more effective vulnerability assessment (VA) tools

Developing and adopting science-based VA tools will allow for the proper identification of highly susceptible communities, which will be useful for formulating DRRM plans. The tools will support decisions in identifying, preventing and mitigating potential disaster impacts. Pilot testing of such initiatives, such as the Decision Support System (DSS) tool by the DA-Bureau of Soils and Water Management and the VA and Impact Assessment tools for coastal, health and water sectors developed



under Millennium Development Goal Achievement Fund (MDGF-1656), will be pursued. (See also Chapter 4: Competitive and innovative industry and services sectors.)

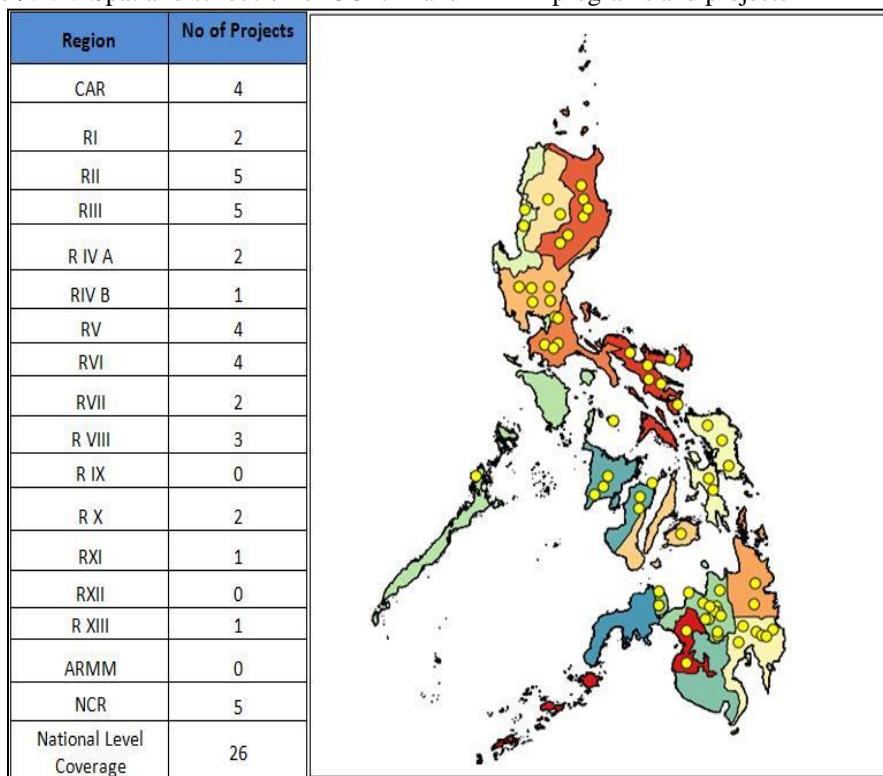
**Strategy 5: Support research, development and extension (RD&E)**

Priority researches in the next three years will include, but not be limited to, the impacts of climate change on natural ecosystems, CCA/M technologies (e.g., resistant planting stocks), and cost-benefit analysis of eco-friendly and low-carbon technologies.

**Box 9.2. Ongoing CCA/M and DRRM programs and projects in the Philippines**

Since 2011, a total of 49 programs and projects (PAPs) amounting to PhP50 billion were tagged as climate change responsive. Of these, 26 PAPs (PhP22.4 B) were categorized for adaptation; 11 PAPs (PhP22.17 B) for mitigation; and 12 PAPs (PhP5.7 B) with adaptation/mitigation co-benefits. There are eight types of climate change PAPs: (a) formulation/enhancement of local land use plans; (b) provision of early warning system; (c) forecasting/modeling device; (d) hydro-meteorological equipment; (e) construction of flood control facilities; (f) rural development or agriculture and agrarian reform; (g) energy and power sector; and (h) capacity building including. These CCA/M and DRRM PAPs are implemented in Category 3 provinces, as shown in the Box Figure 9.2.1 below.

Box Figure 9.2.1. Spatial distribution of CCA/M and DRRM programs and projects



(Source: 2012 ODA Report)

## Subsector outcome B: Sustainably managed natural resources achieved

Strategies on managing natural resources will sustain ecosystem services in support of productive sectors. Table 9.2 presents the outcome targets from these strategies.

Table 9.2. Revalidated RM on subsector outcome B: Sustainably managed natural resources achieved

Indicators	Baseline	End-of-Plan target (2016)	Assumptions and risks
<b>Forests and watersheds sustainably managed (ha)</b>			
Open and denuded forest land area	8.6 million (2003)	Reduced by 1.5 million	<ul style="list-style-type: none"> <li>Current rate of deforestation is decreasing.</li> <li>Adequate financial and human resources support are timely provided.</li> <li>Survival rate of planted seedlings is about 80%.</li> </ul>
Forest land/area protected	6.431 million (2003)	Increased by 1.1 million	
<b>Biodiversity protection and conservation improved</b>			
Extinction of threatened species of wild fauna	221 (2004)	100% prevented from extinction	<ul style="list-style-type: none"> <li>Forest quality is improved through reforestation and protection efforts, which will serve as habitat to the threatened species.</li> <li>Adequate financial resources are timely provided and relevant laws are strictly implemented.</li> </ul>
Extinction of threatened species of wild flora	526 (2007)	100% prevented from extinction	
Population of Philippine Eagle	340 (2010)	400	
Population of Tamaraw	274 (2011)	360	
Population of Philippine Cockatoo	239 (2010)	400	
<b>Coastal and marine resources management enhanced</b>			
Percentage of terrestrial, protected areas effectively and equitably managed	2.10 (2010)	8.85 through NIPAS	<ul style="list-style-type: none"> <li>Establish partnerships among stakeholders in coastal management activities (DENR, DA, NCIP, LGUs)</li> <li>LGUs recognize their role in ENR management (e.g., formulation of local policies and provision of budget for projects that will support effective management of coastal and marine protected areas)</li> </ul>
Percentage of inland water, coastal and marine protected areas effectively and equitably managed	0.09 (2010)	0.62 through NIPAS	
Percentage of critical habitats effectively and equitably managed	0.374 or 175,307 ha (2010)	100%	
Area of degraded coral reefs within NIPAS MPAs (ha)	676,000 (2012)	510,012 or 75% of degraded coral reefs rehabilitated	
<b>Land administration and management improved</b>			
Land degradation hotspots with developed sustainable land management (SLM) practices (in ha)	5,367,047 (2010)	182,000	<ul style="list-style-type: none"> <li>Current rate of land degradation is decreasing</li> <li>Adequate financial and institutional supports are provided particularly in the development of SLM projects within land degradation hotspots.</li> <li>Land administration, distribution and management related policies are harmonized.</li> <li>Support initiatives which shall guide and facilitate the issuance of CADTs and CALTs and formulation of</li> </ul>
Number of beneficiaries with secured land tenure in public agricultural A&D lands	1,900,333	100% of remaining DENR-CARP target (473,490 patents) completed by 2015	
Number of beneficiaries with secured land tenure in residential lands zoned as residential areas	0 (2011)	516,064	
Number of Certificates of Ancestral Land Titles (CALTs) issued in CAR	258 (2010)	32	
Number of Certificates of Ancestral Domain Titles (CADTs)	156 (2010)	74	



Indicators	Baseline	End-of-Plan target (2016)	Assumptions and risks
issued nationwide			ADSDPPs are provided.
Number of Ancestral Domains Sustainable Development and Protection Plans (ADSDPPs) formulated.	95 (2010)	104	
<b>Rehabilitation of abandoned mines improved</b>			
Number of abandoned mines rehabilitated	22 abandoned mines (2004)	Bagacay mine fully rehabilitated; 100% risk assessment of four abandoned mines (i.e. Black Mountain, Consolidated Mine, Dizon Mine and Basay Mine)	<ul style="list-style-type: none"> <li>▪ The 22 abandoned mines remain a priority for rehabilitation and protection.</li> <li>▪ Adequate financial, institutional and human resources supports are timely provided.</li> </ul>

The general strategy to attain the above outcomes is to strengthen the management of natural resources through conservation, protection and rehabilitation.

#### Strategy 6: Strengthen the management of forest, coastal and marine, land and biodiversity

The following priority activities will be undertaken:

##### *a. Complete delineation of forestland boundaries*

The sector target is to complete the demarcation of forest boundaries within the Updated Plan period to effectively manage forestlands and identify appropriate land use;

##### *b. Strengthen the Integrated River Basin Management (IRBM), reforestation and forest protection programs, and sustainable forest-based industries*

The IRBM will serve as the systematic framework for ridge-to-reef management (i.e., forest management through comprehensive river administration system for flood control, water use and environmental conservation). Along with this is the completion of river basin master plans for 18 priority rivers.

Forest protection activities will be strengthened through: (a) the Philippine National REDD-Plus Strategy; (b) capacity improvement of forest managers in addressing forest fires, pest and diseases; (c) provision of support facilities in patrolling forests; and (d) strengthening of the anti-illegal logging campaign. With the forestry sector's potential to alleviate poverty and generate employment, sustainable forest-based industries will be pursued by: (a) developing forest plantation with high-value timber and non-timber forest species; (b) encouraging communities to develop multipurpose forests in open, denuded and degraded areas; (c) developing a portfolio approach for forest investment with LGUs and the NCIP in identifying protected and production areas; and (d) adopting third-party certification guidelines for forest products;

##### *c. Strengthen the enforcement of forest, land, biodiversity, coastal and marine policies*

Stakeholders, including CSOs, local communities and IPs, will be involved in the vigorous enforcement of environmental laws and policies, promotion of environmental justice, and in advocating the resolution of ENR cases through Supreme Court-designated green courts. Strict implementation of natural resources policies will be strengthened, particularly on the compliance of mining companies with environmental and social development commitments; apprehension of illegal logging and fishing, poaching and trading of endangered species; and reversion of abandoned, underutilized and unproductive coastal fishponds to mangroves;

##### *d. Strengthen management of PAs under NIPAS and other biodiversity conservation initiatives*

To improve/decrease the number of threatened and endangered species, management of PAs will be strengthened by: (a) assessing the effectiveness of PA management; (b) establishing additional critical habitats and key biodiversity areas; (c) issuing security of tenure and providing alternative livelihood for local communities; (d) completing maps for all PAs under NIPAS; and (e) preparing PA management plans

incorporating CCA/M and DRRM considerations. The following biodiversity conservation initiatives will be continuously implemented: (a) National Biosafety Framework; (b) Nagoya Protocol; (c) Updated National Wetland Action Plan; (d) Coral Triangle Initiative National Plan of Action; (e) Sulu-Sulawesi Marine Eco-region Conservation Plan; (f) Integrated Coastal Management (ICM) program; (g) 2012-2020 Sustainable Coral Reef Ecosystem Management Program; (h) cave management, protection and conservation programs; and (i) the “Adopt-a-Wildlife Species” program;

#### *e. Complete delineation of municipal waters*

This is necessary to empower LGUs to manage coastal and marine resources and provide preferential rights to small fisherfolk;

#### *f. Complete land distribution and improve land administration and management*

Activities will include: (a) completing cadastral surveys in cities and municipalities; (b) accelerating titling of agricultural, residential and ancestral lands in partnership with DAR, NCIP, Land Registration Authority, and LGUs; (c) institutionalizing the Foreshore Master Plan that incorporates environmental safeguards, climate change considerations and sustainable practices in issuing foreshore leases; (d) intensifying campaign against the proliferation of fake land titles; (e) computerization of land resources and cadastral information management; and (f) integrating the guiding principles of the Land Sector Development Framework in the implementation of land administration and management reforms;

#### *g. Improve management of mineral resources*

To set the direction for responsible mining, amendment of the mining law will be needed to provide policies and guidelines for the institutionalization and implementation of reforms in the mining sector, particularly on: (a) environmental and social safeguards; (b) no-go zones for mining; (c) proper valuation of minerals; (d) value-adding and development of downstream industries for the mineral sector; (e) new fiscal regime and revenue-sharing arrangement; (f) operationalization of the Extractive Industries Transparency Initiative in the mining sector; (g) creation of a one-stop shop for mining-related application and procedures; and (h) creation of centralized database for the mining industry.

To facilitate the full rehabilitation of the mined-out areas, the government will strictly require mining companies of the following: (a) submission of Environmental Work Program, Environmental Protection and Enhancement Program, and Final Mine Rehabilitation and Decommissioning Program; (b) conduct of environmental monitoring and audit, including final mine rehabilitation, de-commissioning and multi-partite monitoring; and (c) contribution to the Contingent Liability and Rehabilitation Fund and payment of mine wastes and tailings fee;

#### *h. Improve RD&E*

The government will collaborate with research and academic institutions on ENR in conducting studies focused on, but not limited to, the following areas: (a) approaches to effective ENR management; (b) extent of forest cover needed to sustain ecosystem services; (c) carrying capacity of ecosystems; (d) geological assessment and exploration of undiscovered mineral resources; and (e) studies linking gender concerns and resource use, to profile women’s roles and opportunities in ENR initiatives. Mechanisms to improve the accessibility of ENR-related researches will also be established; and

#### *i. Implement innovative financing mechanisms/options for effective and efficient ENR management*

To provide adequate and sustainable financing for ENR management, there is a need to institutionalize carbon credits and payments for ecosystems services and resource valuation techniques, such as user fees and economic rent for use of natural resources. Harnessing the potential of PAs in ecotourism will help improve not only the areas’ environmental quality through improved ENR management but also the rural communities’ state of living through additional livelihood and income, and the empowerment of the marginalized, including women and indigenous peoples. To date, there are 83 PAs identified by the DENR-Protected Areas and Wildlife Bureau as priority for ecotourism development (Figure 9.6).

Figure 9.6. Protected areas with potential ecotourism benefits



Region	No. of PAs for Ecotourism
CAR	2
RI	5
RII	7
RIII	5
RIV A	7
RIV B	8
RV	5
RVI	7
RVII	9
RVIII	3
RIX	10
RX	6
RXI	3
RXII	3
RXIII	2
ARMM	1
<b>Total</b>	<b>83</b>

### Subsector outcome C: Environmental quality improved for cleaner and healthier environment

To provide communities with a healthier environment, the quality of air, land and water will be improved to meet the minimum safety standards. Table 9.3 presents the Updated Plan targets on this outcome.

Table 9.3. Revalidated RM on subsector outcome C: Environmental quality improved for cleaner and healthier environment

Indicators	Baseline	End-of-Plan target (2016)	Assumptions and risks
<b>Air pollution in Metro Manila and other major urban centers reduced</b>			
Total Suspended Particulate (TSP) level in Metro Manila and major urban centers with levels above 90ug/Ncm (baseline: 2009)			LGUs prioritize strategies that will help reduce air pollution through provision of local ordinances and budget support to programs contributing to the achievement of this outcome.
<i>NCR</i>	130	<i>TSP level reduced by 30% of 2009 level = 91 ug/Ncm. Sustained TSP level of other cities within standard of 90ug/Ncm</i>	
<i>Alaminos City</i>	131		
<i>San Fernando City</i>	135.14		
<i>Saluysoy</i>	122.26		
<i>Cabanatuan</i>	117		
<i>San Fernando, Pampanga</i>	206		
<i>Iriga City</i>	188.24		
<i>Panganiban Drive</i>	177.17		
<i>Mandaue City (Baricuatro Res)</i>	120.56		
<i>Zamboanga City: Stn. II</i>	166.53		
<i>Zamboanga City: Stn. IV</i>	136.26		
<i>Zamboanga City: Stn. VII: 185.82 ug/Ncm</i>	185.82		
<i>Davao City Stn. 8</i>	102.96		
Gas emission reduction due to increased travel speed and reduced travel time in Metro Manila (baseline: 2010)			

Indicators	Baseline	End-of-Plan target (2016)	Assumptions and risks
<i>Travel speed (km/hr)</i>	27.79	31.84	
<i>Travel time (min/km)</i>	2.17	1.98	
<b>Water pollution reduced</b>			
12 priority rivers with BOD level not within the water criteria improved (2010)	Class C <= 7mg/L; Class D >7mg/L & >= 10mg/L)	35% reduction in 2010 level	LGUs prioritize strategies that will help reduce water pollution through provision of local ordinances and budget support to programs contributing to the achievement of this outcome.
<i>Meycauayan River (C)</i>	59	38.06	
<i>Marilao River (C)</i>	24	15.48	
<i>Bocaue River (C)</i>	11	7.10	
<i>Ylang-ylang River (C)</i>	119	76.76	
<i>Imus River (C)</i>	12	7.74	
<i>Calapan River (C)</i>	14	9.03	
<i>Iloilo River (C)</i>	12	7.74	
<i>Balili River</i>	37	23.87	
<i>Parañaque River (C)</i>	38	24.51	
<i>Pasig River (C)</i>	29.01	18.71	
<i>Marikina River (C)</i>	10.29	6.64	
<i>San Juan River (C)</i>	35.38	22.82	
8 priority rivers already within the water quality criteria sustained	Class C <= 7mg/L; Class D >7mg/L & >= 10mg/L)	Sustained BOD level of other rivers within criteria	
<i>Anayan River (D)</i>	4.28 (2010)		
<i>Malaguit River = (C)</i>	4.00 (2010)		
<i>Paniqui River (C)</i>	1.05 (2007)		
<i>Luyang River (C)</i>	4.00 (2010)		
<i>Sapangdaku River (C)</i>	6.00 (2010)		
<i>Cagayan de Oro (C)</i>	1.14 (2009)		
<i>Pampanga River (C)</i>	2.00 (2010)		
<i>Angat River (C)</i>	4.00 (2010)		
BOD level of Laguna Lake maintained within standard	7 (2010)	Within standard BOD level Class C waters	
<b>Waste generated reduced and waste disposal improved</b>			
Solid waste diversion rate increased (%)	33 (2010)	Increased to 50% from 2010 level	LGUs prioritize strategies that will help reduce waste and improve solid waste management by strictly implementing RA 9003.

To achieve the above targets, the following strategies will be implemented:

**Strategy 7: Strengthen enforcement of laws on clean air and water, solid and hazardous waste management**

The government will strictly enforce the following: (a) industry compliance with environmental standards; (b) compliance with emission-testing and mandatory vehicle inspection and maintenance; (c) full establishment of monitoring stations in Metro Manila and other major urban centers; (d) publication of the list of non-environmentally acceptable packaging and products; (e) compliance on the establishment of disposal facilities and MRFs; (f) establishment of a separate cell for disposal of treated healthcare wastes; (g) LGU compliance in the submission of SWM Plans; and (h) conversion of wastes into useful resources;

### Strategy 8: Update and intensify monitoring of air and water quality standards

Activities on updating and monitoring of air and water quality standards include the following: (a) formulation of science-based policies, abatement measures and strategies; (b) strengthening implementation of *Bantay Tsimineya*, *Bantay Tambutso*, Adopt-an-Estero Program and rehabilitation programs of Pasig River, Laguna Lake, and Manila Bay, among others; (c) establishment of additional environmental management areas; (d) installation of additional PM<sub>10</sub> and PM<sub>2.5</sub> monitoring stations for a more comprehensive analysis; and (e) promotion of residual waste management, among others;

### Strategy 9: Promote eco-friendly production technologies and energy-efficient infrastructure and transport facilities

This includes promoting the use of clean fuel and indigenous resources as sources of clean energy, advocating green architecture, and devising related tax or market incentives mechanisms;

### Strategy 10: Promote appropriate technology for waste management and establishment of sustainable markets for recyclables and recycled products

The continuous implementation of ecological solid waste management (ESWM) will focus on the establishment of LGU-wide ESWM systems. The promotion of recycling will be supported by markets capable of converting recycled and recyclable materials to productive use. Various options to stimulate market and consumer demand for recyclable and recycled products will be exhausted; and

### Strategy 11: Pursue RD&E to improve the quality of the environment

RD&E will be pursued to: (a) identify air and water pollution impacts to human health and economy; (b) develop and replicate low-cost technologies to optimize solid waste recycling, reuse, and recovery, including the conversion of residual organic materials into clean renewable energy; (c) develop clean and energy-efficient technologies; (d) develop and propagate low-cost non-combustion technologies for infectious and hazardous wastes; (e) identify environmentally-sound management and disposal of toxic and hazardous waste, including e-waste; (f) conduct life cycle assessment of proposed non-environmentally acceptable packaging and products; and (g) develop and manufacture non-mercury-based technologies used in healthcare facilities.

## Crosscutting strategies

The following crosscutting strategies are crucial to the achievement of the objectives of the ENR sector by the end of the term.

### Strategy 12: Improve knowledge management (KM) systems and tools

Timely, accurate and updated science-based information on ENR is necessary for development planning and informed decision-making on ENR. The following are priority activities in improving KM systems and tools in the ENR sector:

#### *a. Fast-track the production of updated higher-scale topographic and other thematic base maps and completion of geo-hazard maps with 1:10,000 scale*

The acquisition of nationwide high-resolution elevation data from Interferometric Synthetic Aperture Radar and satellite imageries will support geo-hazard mapping and serve as the primary inputs to the production of multi-scale topographic base maps. The development of the Philippine Geoportal will provide common and standard base maps and pave the way for the integration of geospatial information produced by public and private institutions. This will also provide high-resolution geo-hazard maps with detailed and accurate information, as well as an online facility for access, development, and sharing of spatial data;

#### *b. Update and further downscale of climate projections*

Building on initial efforts that localized global climate change projections and models, it is necessary to further downscale the outputs to the provincial level to aid local development planning;

*c. Fast-track VA, mapping of highly vulnerable areas, communities and priority sectors and integration of CCA/M and DRRM in development plans and programs*

All these will identify climate-sensitive and disaster-risk communities and mainstream CCA/M and DRRM in sectoral, development and land use plans. VA for all sectors will be in place by 2016 to implement more concrete CCA/M and DRRM actions;

*d. Integrate ecological values into national accounts through the Wealth Accounting and the Valuation of Ecosystem Services (WAVES)*

This effort will address demand for ENR indicators, tools and methodologies that will help determine sustainable use of ENR, correlate sustainable use of ENR with economic growth, and make informed development planning and policy analysis; and

*e. Implement/pilot-test best practices in the ENR management*

Success stories on ENR management need to be disseminated, as they provide evidence-based options for policy makers, development planners and implementers of ENR strategies.

**Strategy 13: Strengthen multi-stakeholder participation and partnership in ENR management and governance**

Enabling mechanisms will be created to encourage greater participation of stakeholders, including women and Filipino migrants, in CCA/M, DRRM and ENR governance. This will be achieved through: (a) community-based ENR management efforts; (b) promotion of public-private partnership in ENR management; (c) mandatory creation of ENR offices for LGUs; (d) provision of security of tenure in upland and coastal areas; (e) recognition of IPs' rights to their ancestral domain; and (f) stewardship agreements and contracts between government and community.

**Strategy 14: Sustained capacity building, institutional strengthening and IEC campaign**

A key in sustaining ENR management gains is to continuously build capacities and educate managers, policy and planning officers, technical personnel, law enforcers, and the general public. Strengthening of ENR institutions will require institutionalization of various stakeholder coordination mechanisms, as mandated by different ENR laws, for greater transparency and accountability in environmental governance. Trainings, seminars and other communication tools will be provided to instill awareness and build consciousness on ENR management. Women's enhanced roles in ENR management will be highlighted through policies, capacity building and gender mainstreaming mechanisms.

**Priority ENR legislations**

For the remaining years of the Updated Plan, the following proposed legislations need to be enacted:

*a. National land use*

This aims to achieve optimal use of land based on economic, environmental and social development considerations. In particular, it is expected to harmonize sector-spatial land use policies to address competing uses of limited land resources and cross-cutting land use issues (e.g., food security, settlement development, industry development and environmental protection), and integrate ongoing CCA/M and DRRM efforts in national and local development planning;

*b. Land administration reform*

This will reform the present land administration and management system by consolidating agencies into a single body responsible for survey, mapping, titling, registration, title transfer and public land management. This will prevent delays in the disposition and titling of A&D lands, duplication and fake titles, inaccurate and incomplete land records, overlapping of activities among government agencies, and unnecessary cost to the government and clients of land administration services. The creation of the Interagency Committee on Institutional Arrangements for Land Management and Rural Development (Administrative Order 34, s.



2012) is a step forward in recognizing the need to improve institutional arrangements among agencies, particularly DAR whose redistribution function will be completed by 2014;

*c. Forest limit*

This will provide permanent boundaries of forestlands in the country, set guidelines in determining the specific limits of forestlands, and create a national review and evaluation committee as implementation oversight in the actual marking of forest lines. This law is contingent with the national land use legislation;

*d. Sustainable forest management*

This will adopt the Sustainable Forest Ecosystems Management Strategy as the overarching policy framework for all plans and programs in the forestry sector, identify the river basins and component watersheds as basic planning units in forest resources management, and recognize the administrative jurisdiction of LGUs and owners of ancestral domains as the basic management unit in forestry. Overall, this legislation will identify the acceptable forest cover for the country to supply the demands for timber and non-timber forest products;

*e. Establishment of MPAs in all coastal communities and cities*

This will mandate coastal LGUs to establish at least one MPA within their area, sanction LGUs that fail to establish MPAs, allow the DENR to continue to manage MPAs established under the NIPAS, and develop incentive mechanisms to promote effective management of MPAs;

*f. Integrated coastal management*

This will institutionalize ICM as a national strategy of sustainable development of coastal and marine environment and resources. A National ICM Program will guide LGUs in formulating and implementing ICM programs in their respective areas, with the Department of Education integrating ICM into the basic education curricula and the National Economic and Development Authority incorporating coastal and marine resource accounting in the national and regional income accounts;

*g. Defining the maritime zones of the Republic of the Philippines*

This will define the limits of the country's various maritime zones, including internal and archipelagic waters, territorial sea, contiguous and exclusive economic zones, consistent with the United Nations Convention on the Law of the Sea;

*h. Rationalizing mining fiscal regime and revenue sharing arrangement*

This will rationalize existing mining revenue sharing scheme and arrangement. In this law, a sharing scheme will apply to new mineral agreements, as well as financial or technical assistance agreements (FTAA) covering large-scale metallic mineral mining operations. Such scheme will govern the renewal and renegotiations of existing mineral agreements or FTAA. In addition, all mining areas will be declared as Mining Industry Zones;

*i. PAGASA modernization*

This will enhance the agency's capability in providing timely and reliable weather forecasting and warning services by setting up an interagency body that will formulate the modernization program and establish a modernization fund to finance said program;

*j. Amending Ecological SWM and toxic substances and hazardous and nuclear wastes control acts*

Amending the Ecological SWM Act will reconcile provisions of other laws on fines, penalties and local taxation (RA 7160), environmental impact assessment (PD 1586), air emissions (RA 8749), environmental education (RA 9512), compost quality requirements (RA 10068), climate-proofing of SWM facilities (RA 9729), and incentives (EO 226). On the other hand, the Toxic Substances and Hazardous and Nuclear Waste Control Act needs to be updated to provide a framework on management and disposal of toxic, hazardous and nuclear wastes, including e-wastes; and

#### k. Review IRR of the Water Code

This will strengthen resource regulation and promote more efficient use of water resources. (See also Chapter 10: Accelerating infrastructure development.)

### IV. PLAN IMPLEMENTATION

To achieve the Chapter's sector and subsector outcomes, strong commitment of mandated government agencies, such as DENR, NDRRMC, DBM, CCC, MMDA, DA, LGUs, NCIP, DOTC, DILG, and Laguna Lake Development Authority (LLDA), in collaboration with civil society organizations and business sector, is essential to implement strategies towards achievement of a sustainable and climate resilient ENR. In particular, the NDRRMC, CCC, DILG and DBM play significant roles in subsector outcome A (adaptive capacities of human communities improved). On the other hand, majority of the targets under subsector outcomes B and C will be delivered by the DENR, in close partnership with the LGUs.

To ensure the successful implementation of the plan strategies, the two interagency committees under the NEDA Board—the National Land Use Committee (NLUC) and the Regional Development Committee (RDCOM)—will oversee the coordination of the sector deliverables. The NLUC will provide guidance in the implementation of targets with a national scope, while the RDCOM will spearhead implementation and monitoring of the plan's PAPs given their presence at the local level.

Table 9.3. Annual target indicator matrix on sustainable and climate-resilient ENR, 2013-2016

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Subsector outcome A: Adaptive capacities of human communities improved</b>						
Annual damages and losses (crops and properties) due to natural disasters, environmental hazards, human induced and hydro-meteorological events	Decreasing per year		Decreasing per year		NDRMMC Accomplishment Report	CCC, NDRMMC
Level of investments for CCA/M and DRRM improved	Increasing per year		Increasing per year			
<b>Subsector outcome B: Sustainably managed natural resources achieved</b>						
<b>Forests and watersheds sustainably managed (ha)</b>						
Open and denuded forest land area	300,000	300,000	300,000	300,000	National Greening Project (NGP) Accomplishment Report	DENR-FMB
Forest land/area protected	200,000	300,000	300,000	300,000		
<b>Biodiversity protection and conservation improved</b>						
Extinction of threatened species of wild fauna	207	207	207	207	DENR-PAWB Accomplishment Report	DENR-PAWB DA-BFAR
Extinction of threatened species of wild flora	526	526	526	526		
Population of Philippine Eagle	353	366	379	400		DENR-PAWB
Population of Tamaraw	345	345	350	360		
Population of Philippine Cockatoo	360	370	380	400		
<b>Coastal and marine resources management enhanced</b>						
Percentage of terrestrial-protected areas effectively and equitably managed	5.13%	7.96%	8.45%	8.85%	DENR-PAWB Accomplishment Report	DENR, DA-BFAR & LGUs
Percentage of inland water, coastal and marine protected areas effectively and equitably managed	0.58%	0.61%	0.62%	0.62%		
Percentage of critical	20.051%	43.024%	58.122%	100%		



Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
habitats effectively and equitably managed	(3,253.26 ha)	(10,760.06 ha)	(7,072 ha)	(19,614.94 ha)		DENR, DA-BFAR
Area of degraded coral reefs within NIPAS MPAs (ha)	5% (33,157 ha) rehabilitated	24% (163,592 ha) rehabilitated	25% (170,724 ha) rehabilitated	21% (142,539 ha) rehabilitated		
<b>Land administration and management improved</b>						
Land degradation hotspots with developed sustainable land management (SLM) practices (in ha)	33,000	33,000	33,000	33,000	DA-BSWM Accomplishment Report	DA-BSWM in collaboration with DENR and DAR
Number of beneficiaries with secured land tenure in public agricultural A&D lands	2,227,605	2,327,605	2,373,823		DENR-LMB Accomplishment Report	DENR-LMB
Number of beneficiaries with secured land tenure in residential lands zoned as residential areas	281,064	356,064	436,064	516,064		
Number of Certificates of Ancestral Land Titles (CALTs) issued in CAR	1	1 (TBI)	1 (TBI)	1 in CAR	NCIP Accomplishment Report	NCIP
Number of Certificates of Ancestral Domain Titles (CADTs) issued nationwide	12	12	12	12		
Number of Ancestral Domains Sustainable Development and Protection Plans (ADSDPPs) formulated.	0	36	24	24		
<b>Rehabilitation of abandoned mines improved</b>						
Number of abandoned mines rehabilitated	Bagacay mine 85% rehabilitated; 70% risk assessment of four other mines	Bagacay mine 95% rehabilitated; 80% risk assessment of four other mines	Bagacay mine 100% rehabilitated; 90% risk assessment of four other mines	100% risk assessment of four other mines	DENR-MGB Accomplishment Report	DENR (MGB, ERDB, PAWB) & LGUs
<b>Subsector outcome C: Environmental quality improved for cleaner and healthier environment</b>						
<b>Air pollution in Metro Manila and other major urban centers reduced</b>						
Total Suspended Particulate (TSP) level in Metro Manila and major urban centers with levels above 90ug/Ncm					DENR-EMB Accomplishment Report	DENR-EMB, DOTC-LTO, MMDA, LGUs
<i>NCR</i>	110.3	103.68	97.46	91.62		
<i>Alaminos City</i>	112.32	106.70	101.37	96.30		
<i>San Fernando City</i>	115.86	110.07	104.57	99.34		
<i>Saluysoy</i>	104.83	99.58	94.60	89.87		
<i>Cabanatuan</i>	100.31	95.30	90.53	86.01		
<i>Sn. Fernando, Pampanga</i>	176.62	167.79	159.40	151.43		
<i>Iriga City</i>	161.39	153.32	145.66	138.38		
<i>Panganiban Drive</i>	151.90	144.30	137.09	130.24		
<i>Mandaue City (Baricutro Res)</i>	103.36	98.20	93.29	88.62		
<i>Zamboanga City: Stn. II</i>	142.78	135.64	128.85	122.41		
<i>Zamboanga City: Stn. IV</i>	116.83	110.99	105.44	100.17		
<i>Zamboanga City: Stn. VII: 185.82 ug/Ncm</i>	159.32	151.35	143.78	136.60		

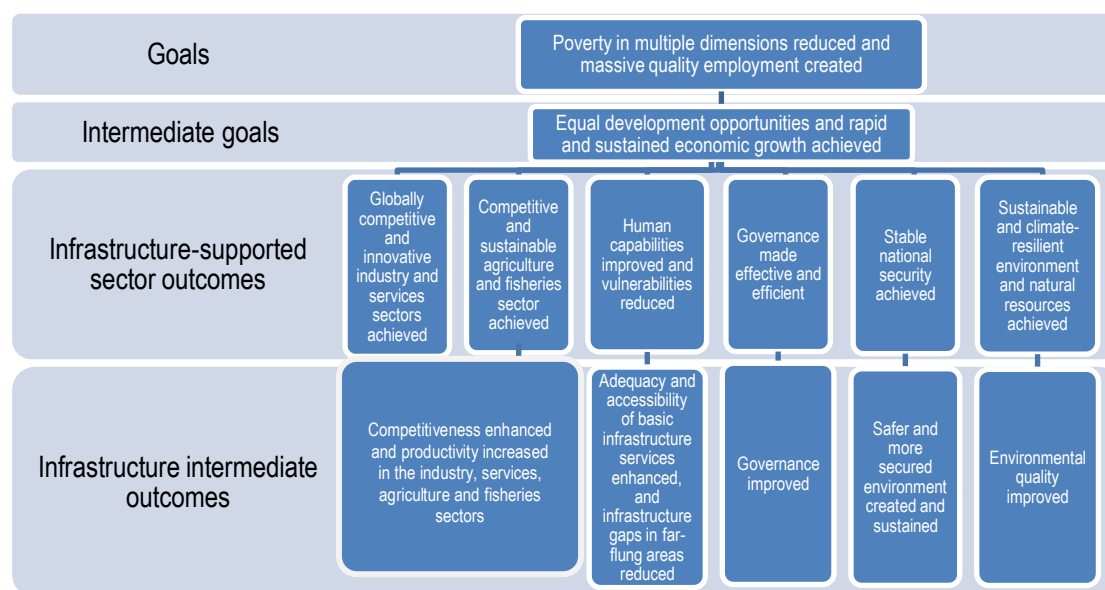
Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<i>Davao City Stn. 8</i>	88.27	83.86	79.67	75.68		
Gas emission reduction due to increased travel speed and reduced travel time in Metro Manila					MMDA Accomplishment Report	MMDA
<i>Travel speed (km/hr)</i>	3.22	3.47	3.75	4.05		
<i>Travel time (min/km)</i>	-0.21	-0.2	-0.19	-0.19		
<b>Water pollution reduced</b>						
12 priority rivers with BOD level not within the water criteria improved (2010)					DENR-EMB Accomplishment Report	DENR-EMB, MBCO, LGUs
<i>Meycauayan River (C)</i>	50.59	48.06	45.65	43.37		
<i>Marilao River (C)</i>	20.58	19.55	18.57	17.64		
<i>Bocaue River (C)</i>	9.43	8.96	8.51	8.09		
<i>Ylang-ylang River (C)</i>	102.03	96.93	92.08	87.48		
<i>Imus River (C)</i>	10.29	9.77	9.29	8.82		
<i>Calapan River (C)</i>	12.00	11.40	10.83	10.29		
<i>Iloilo River (C)</i>	10.29	9.77	9.29	8.82		
<i>Balili River</i>	31.72	30.14	28.63	27.20		
<i>Parañaque River (C)</i>	32.58	30.95	29.40	27.93		
<i>Pasig River (C)</i>	24.87	23.63	22.45	21.33		
<i>Marikina River (C)</i>	8.82	8.38	7.96	7.56		
<i>San Juan River (C)</i>	30.33	28.82	27.38	26.01		
8 priority rivers already within the water quality criteria sustained					DENR-EMB Accomplishment Report	DENR-EMB, LGUs
<i>Anayan River (D)</i>	BOD level within the water quality criteria of <7 mg/L	BOD level	BOD level	BOD level		
<i>Malaguit River = (C)</i>		within the water quality criteria of <7 mg/L	within the water quality criteria of <7 mg/L	within the water quality criteria of <7 mg/L		
<i>Paniqui River (C)</i>						
<i>Luyang River (C)</i>						
<i>Sapangdaku River (C)</i>						
<i>Cagayan de Oro (C)</i>						
<i>Pampanga River (C)</i>						
<i>Angat River (C)</i>						
BOD level of Laguna Lake maintained within standard	BOD loading is within standard BOD level of 7 mg/L	BOD loading is within standard BOD level of 7 mg/L	BOD loading is within standard BOD level of 7 mg/L	BOD loading is within standard BOD level of 7 mg/L	LLDA Accomplishment Report	LLDA, LGUs, MWSS, Water Districts, LWUA
<b>Waste generated reduced and waste disposal improved</b>						
Solid waste diversion rate increased (%)	40	43	48	50	DENR-NSWMC Accomplishment Report	DENR-EMB, NSWMC

# Accelerating infrastructure development

## I. INTRODUCTION

Infrastructure development supports the sector outcomes of the previous chapters, as shown in this chapter’s results framework (Figure 10.1). Chapters 3 and 4 present the roadmaps for globally competitive and innovative industry and services sectors, as well as a competitive and sustainable agriculture and fisheries sector. Chapter 6 details the strategies that improve human capabilities and reduce vulnerabilities to equalize development opportunities, while Chapter 7 discusses the country’s blueprint towards having effective and efficient governance. Finally, achieving stable national security and an environment that is both sustainable and climate-resilient are the expected results of Chapters 8 and 9, respectively. The overall strategy outlined in this chapter is to invest massively in infrastructure development by increasing public infrastructure spending to at least five percent of the country’s gross domestic product (GDP) by 2016.

Figure 10.1. Results framework on accelerating infrastructure development



## II. ASSESSMENT, CHALLENGES AND OPPORTUNITIES

In the first half of the Plan period, critical reforms were initiated to address constraints and bottlenecks in infrastructure by embarking on programs and projects to support rapid and sustained economic growth. Still, the country’s infrastructure facilities and systems continue to lag behind those of the country’s counterparts in the Southeast Asian region.

According to the latest Global Competitiveness Report (2013-2014), the Philippines ranked 98th out of 148 countries in terms of the overall quality of infrastructure. This is still way behind the rankings of Malaysia (25th), Thailand (61st), Indonesia (82nd), and Cambodia (86th). Table 10.1 further compares the Philippines’ status in terms of e-government service, ICT cost and affordability, and infrastructure for basic services, such as water, sanitation, education and health.

Table 10.1. Ranking and status of the Philippines, 2010-2012, and selected ASEAN countries, 2012, according to key infrastructure indicators

Indicator	Philippine ranking/status			Ranking/status of selected ASEAN countries in 2012
	2010	2011	2012	
Quality of overall infrastructure <sup>[1]</sup>	113 of 139	113 of 142	98 of 144	Malaysia: 29 Thailand: 49 Indonesia: 92 Cambodia: 72 Vietnam: 119
Quality of roads <sup>[1]</sup>	114 of 139	100 of 142	87 of 144	Malaysia: 27 Thailand: 39 Indonesia: 90 Cambodia: 66 Vietnam: 120
Quality of railroad infrastructure <sup>[1]</sup>	97 of 139	101 of 142	94 of 144	Malaysia: 17 Indonesia: 51 Vietnam: 68 Thailand: 65 Cambodia: 81
Quality of port infrastructure <sup>[1]</sup>	131 of 139	123 of 142	120 of 144	Malaysia: 21 Thailand: 56 Cambodia: 69 Indonesia: 104 Vietnam: 113
Quality of air transport infrastructure <sup>[1]</sup>	112 of 139	115 of 142	112 of 144	Malaysia: 24 Thailand: 33 Indonesia: 89 Cambodia: 75 Vietnam: 94
Quality of electricity supply <sup>[1]</sup>	101 of 139	104 of 142	98 of 144	Malaysia: 35 Thailand: 44 Indonesia: 93 Vietnam: 113 Cambodia: 105
Information and communications technology (ICT) development index <sup>[2]</sup>	92 of 152	94 of 155	98 of 157	Malaysia: 59 Vietnam: 88 Thailand: 95 Indonesia: 97 Cambodia: 120
ICT price basket (cost and affordability of ICT services) <sup>[2]</sup>	114 of 165	113 of 161	119 of 161	Malaysia: 53 Thailand: 90 Indonesia: 110 Vietnam: 112 Cambodia: 130
e-government ranking <sup>[3]</sup>	78 of 183	(no data; survey conducted twice a year)	88 of 190	Malaysia: 40 Vietnam: 83 Thailand: 92 Indonesia: 97 Cambodia: 155
Water supply coverage <sup>[4]</sup>	84.8%	84.4%	(no data)	Malaysia: 100% Vietnam: 96% Thailand: 96%
Sanitation coverage <sup>[4]</sup>	92.5%	91.9%	(no data)	Malaysia: 100% Thailand: 100%
Hospital beds per 1,000 people <sup>[5]</sup>	0.5 (c. 2009)	1.0	(no data)	Vietnam: 2.2 (c. 2010) Thailand: 2.10 (c. 2010) Malaysia: 1.8 (2009-2011)

Sources:

[1] *Global Competitiveness Reports for 2010-2011, 2011-2012 and 2012-2013* by World Economic Forum

[2] *Measuring the Information Society (MIS) Reports for 2011, 2012 and 2013* by International Telecommunication Union (ITU)

[3] *United Nations Global e-Government Survey 2010 and 2012*

[4] *Annual Poverty Indicators Survey Reports for 2010 and 2011* by National Statistics Office (for Philippines); *Progress on Sanitation and Drinking-Water: 2013 Update* by WHO and UNICEF (for ASEAN Countries)

[5] *World Bank—Health Nutrition and Population Statistics*

Moving forward, the country's infrastructure development agenda will focus on providing the necessary infrastructure support for attaining and sustaining the development outcomes of the five key result areas of the Aquino administration while further reaffirming the government's commitments to address issues earlier identified in 2010.

The following subsections present a summarized assessment of the country's infrastructure development in the first half of the Plan implementation, as well as the challenges and opportunities in moving to the next half.

### **Increasing competitiveness and productivity of the industry, services and agriculture sectors**

According to the Global Competitiveness Report 2013-2014, the inadequate supply of the country's infrastructure facilities remains as one of the impediments to the country's global competitiveness. These inadequacies result in inefficient logistics and infrastructure support in key growth areas, inadequate supply of power particularly in Mindanao, high cost of electricity and lack of available and quality broadband and ICT services.

The same gaps had been recognized during the first half of the Plan, as the government consciously poured its resources in infrastructure investments. This consequently made the infrastructure sector as one of the key drivers of the country's higher economic growth trajectory. From a contraction of 8.4 percent from 2010 to 2011, investments in construction dramatically grew by 15.1 percent from 2011 to 2012. In the first nine months of 2013, it further grew by 15.9 percent, with public and private spending jumping by 31.8 and 11.5 percent, respectively.

Box 10.1 highlights some of the government's major infrastructure interventions that support the lowering of the costs of transporting goods and people, improving agricultural productivity, and generating economic investments and employment.

#### **Box 10.1. Major infrastructure achievements in support of the productive sectors**

##### Roads (as of 2012)

- 25,992 km of national roads already paved
- 67% of 31,456-km provincial roads and 56% of 14,749-km city roads maintained in good to fair condition

##### Seaports and Airports (as of 2013)

- 18 of 32 Road Roll-On/Roll-Off Terminal System routes made operational as of June 2013
- Pocket Open Skies Policy (EO 29) issued in 2011, allowing foreign carriers to operate unilateral and unlimited traffic rights to airports other than the Ninoy Aquino International Airport
- Common Carriers Tax Act (RA 10378) signed in 2013, rationalizing taxes paid by foreign carriers, thereby encouraging them to include the Philippines in their primary routes

##### Irrigation (as of 2011)

- 58.97% of 3.02 million hectares of irrigable area nationwide provided with irrigation services

##### ICT (as of 2013)

- Cellular mobile signal coverage increased to 99.4% in 2012
- Broadband coverage increased to 60.9% in 2012
- Average broadband download speed in major cities increased to 4.4 million bits per second (Mbps) in 2013

##### Energy (as of 2012)

- On-grid installed capacity increased to 17,025 megawatts (mW), adequate for Luzon and Visayas until Q1 2015 and mid-2014, respectively, but not for Mindanao in 2013
- Share of indigenous sources in the total energy mix at 56.3%
- 79.56% of 4,236.18 mW generating assets from National Power Corporation privatized, which is one of the prerequisites for retail competition and open access that contributes to lower, more competitive electricity rates

## Equalizing development opportunities

The government aims to improve every Filipino's participation in governance and the economy, as well as to reduce the social vulnerability of the populace. These entail the provision of critical infrastructure support related to health, nutrition, education, shelter and other means of social protection.

### Improving human capabilities

To date, around 3.5 million households still have no access to formal sector health facilities. This, despite the upgrading, rehabilitation or reconstruction of 4,014 health facilities from 2010 to 2013, of which 1,119 were barangay health stations, 2,353 rural health units, 509 local government unit (LGU) hospitals, and 123 Department of Health (DOH) hospitals. In addition, the PhP13.6-billion fund from the Health Facilities Enhancement Program provided capital-upgrading support to LGU and DOH hospitals with infrastructure and equipment grants in 2013.

As of 2012, classroom-to-pupil ratio is still at 1:40 and 1:51 in the elementary and secondary levels, respectively, below the respective standard of 1:30 and 1:45. To attain the standards, the government significantly increased the budget for classroom construction from only PhP6.14 billion in 2010 to PhP17.9 billion in 2013. As of June 2013, 65 percent of 66,800 classrooms targeted for construction within the year were already completed. Through the Public-Private Partnership (PPP) for School Infrastructure Project (PSIP), around 19,980 classrooms will be completed by 2013 or early 2014 in regions with acute classroom shortage.

As of 2011, only 84.4 percent of families, or 17.21 million, have access to clean and safe drinking water.<sup>130</sup> To help attain 100-percent coverage, the *Sagana at Ligtas na Tubig sa Lahat* (SALINTUBIG) Program of the Department of the Interior and Local Government (DILG), DOH and National Anti-Poverty Commission (NAPC) provided water supply systems and capacity building measures to 37 waterless municipalities, 16 basic emergency obstetric and newborn care units, 11 resettlement areas, and 21 poorest barangays as of August 2013.<sup>131</sup>

Statistics on sanitation remain uncoordinated and at times conflicting.<sup>132</sup> While the proportion of households with access to basic sanitation<sup>133</sup> increased from 76 percent in 2008 to 92.5 percent in 2010, coverage in 2011 slightly decreased to 91.9 percent due to population increase. Despite this, the Millennium Development Goal (MDG) target of 83.8-percent access to basic sanitation has already been realized, but achieving 100-percent coverage remains a challenge.

### Reducing vulnerabilities

From 2011 to July 2013, the government shelter program has channeled PhP115.22 billion to service the housing requirements of 299,022 households. Of this total amount for housing assistance, it allocated 63 percent to low-cost housing covering 87,785 households, with the remaining 37 percent to socialized housing covering 211,237 households.

Despite having provided electricity to 76.7 percent of households and 76.1 percent of sitios since 2010, a total of 4.95 million households and 24,325 sitios still do not have access to electricity as of 2012. The 2013-2017 Household Electrification Development Plan (HEDP) issued by the Department of Energy (DOE) sets the plans and strategies to attain 86.2-percent household electrification by 2016 and 90-percent by 2017. For the sitios, the Philippine Energy Plan 2012-2030 targets a 100-percent electrification by 2015. Furthermore, the National Power Corporation (NPC), through its Small Power Utilities Group (SPUG), operates 302 power plants in off-grid areas nationwide with total rated capacity of 283.06 megawatts (mW) as of 2012. Its 2012-2016 Missionary Electrification Development Plan includes strategies for private sector participation in SPUG and distribution utility (DU)-covered unviable areas, improved technical efficiency of SPUG and DUs in small-island and isolated grids, and rationalized Universal Charge for missionary electrification subsidy, among others.

<sup>130</sup> Based on the 2010 and 2011 Annual Poverty Indicators Survey (APIS) reports, which considered only community water systems and protected wells as potable water supply sources.

<sup>131</sup> Based on preliminary consolidated report as presented by NAPC on 27 to 29 August 2013 during the SALINTUBIG Midterm Operational Planning Workshop

<sup>132</sup> The 2010 DOH Field Health Service Information System (FHSIS) report shows a mere 77-percent access to sanitary toilets, which is contrary to the APIS figure of 92.5 percent.

<sup>133</sup> Basic sanitation refers only to access to sanitary toilet [flush (owned or shared) and closed pit type toilet facility], without accounting for septic tank connections.

The government expanded the Community e-Center (CeC) Program that provided ICT service centers and shared Internet access facilities in remote areas. As of 2013, it already established 1,573 CeCs nationwide. The ICT Office (ICTO) of the Department of Science and Technology (DOST) also explored the use of television white space (TVWS) as an alternative technology for providing education and public services beyond commercial wired or wireless broadband coverage.

### **Making governance effective and efficient**

The government undertook several critical reforms in the past three years to improve governance within the sector and subsequently enhance the country's investment climate. However, a number of crucial regulations, policies, as well as data gathering and monitoring systems, are still necessary to foster an enabling atmosphere for accelerating infrastructure development and ensure effective planning, implementation, and sustainability.

The PPP approach is a major strategy to mobilize the private sector as a partner in infrastructure development. Two major legal frameworks—the implementing rules and regulations of the Build-Operate-Transfer Law (RA 6957 as amended by RA 7718) and the guidelines and procedures for joint venture agreements—were amended to further streamline and fast-track the implementation of PPP projects and increase transparency through a check-and-balance mechanism. The former became effective on 22 October 2012, and the latter, on 26 May 2013.

Reforms in the energy sector have also led to increased private sector participation. On the implementation of the Renewable Energy (RE) Act of 2008 (RA 9513), the Energy Regulatory Commission (ERC) approved in July 2012 the feed-in-tariff (FiT) rates to encourage RE developers to invest at the initial stage and hasten RE deployment. The Net Metering Program, a consumer-based RE incentive scheme that offsets DU-provided electric energy with electric power generated by end-users from eligible RE facilities and delivered to local DUs, has also been initiated. Meanwhile, the Renewable Portfolio Standards, which requires suppliers to source part of their supply from RE resources, is being reviewed.

On managing local roads, the DILG instituted local roads management systems in 10 provinces in the Visayas and Mindanao through the Performance-based Incentive Scheme under the Provincial Road Management Facility (PRMF). The goal is to improve delivery of basic road services and increase economic activity in the South.

In line with improvements in the country's e-government system, the DOST-ICTO launched in June 2012 the Integrated Government Philippines (iGovPhil) Project that provides needed infrastructure, software and support systems. Also in 2012, the ICTO launched two initiatives: the Contact Center ng Bayan (CCB) as the government's main helpdesk and the Philippine ICT Statistics Portal as a web-based system providing ICT-related statistics.

As chair of the National Economic and Development Authority (NEDA) Board's Infrastructure Committee, the NEDA Secretariat has been at the helm of optimizing infrastructure investments nationwide. The NEDA introduced the conduct of Value Engineering/Value Analysis (VE/VA) in appraising priority projects to ensure that these are not overdesigned or over-specified and to minimize cost overruns, project implementation delays and changes in scopes of works. In addition, the President signed EO 146 in 2013, delegating to the NEDA Board his power to approve reclamation projects to ensure that such initiatives are consistent with national priorities and synchronized with the planning, programming and budgeting process.

### **Stabilizing national security**

Upholding territorial integrity is a primary challenge given the country's archipelagic nature. The thrust is to strengthen maritime security capabilities and infrastructure facilities and reinforce security measures from external threats through ICT-based technologies.

In 2012, the Philippine Coast Guard (PCG) became the first coast guard or maritime safety agency in the world to be certified as compliant with International Organization for Standardization (ISO) 9001:2008 standards. This expanded an earlier certification given to the Coast Guard Action Center (CGAC) in 2010. The PCG operates 561 light stations nationwide, 166 of which were rehabilitated, and ensures a 95-percent



operational level by deploying field maintenance inspection teams. Similarly, commercial ports in Batangas, Cagayan de Oro and Davao also received ISO Quality Management System certifications and recommendations from 2011 to 2012.

The Maritime Industry Authority (MARINA) issued major policies on water transport safety and security. Advisory No. 2012-07 in 2012 prohibits the use of unregistered vessels or motorized bancas for tourism, island hopping or sightseeing, while Flag State Administration Advisory (FSAA) No. 2012-21 safeguards the working and living conditions of seafarers against counter-terrorist actions, in relation to the ratification of the Maritime Labour Convention 2006. MARINA also completed the Philippine Map on Navigational Areas that include danger zones and hazardous areas.

### **Improving sustainability and climate-resiliency of the environment**

In 2011, the Department of Public Works and Highways (DPWH) constructed flood management infrastructure that protected 3,822 hectares of land against 25-year floods, thus decreasing by 11.72 percent the identified 32,618 hectares deemed vulnerable to flooding. In September 2012, the NEDA Board approved the implementation of a master plan for effective flood risk management (FRM) in Metro Manila and surrounding areas, with an initial allocation of PhP5 billion for immediate, high-impact flood management interventions. It also approved the FRM Project along selected principal rivers.

To help avert further degradation/pollution of major waterways in Metro Manila and alleviate flooding during heavy rains, the government allocated PhP50 billion for the relocation of 104,219 informal settler families residing along Metro Manila waterways, with the National Housing Authority (NHA) implementing the program for off- and in-city relocation, the latter involving the construction of medium-rise buildings.

To manage properly the country's solid wastes, around 1,500 LGUs and 32,000 barangays still need to be covered by additional sanitary landfills and materials recovery facilities, respectively, until 2016. In Metro Manila, 4.07 million households are not yet covered by sewerage systems. Furthermore, rapid technological developments have led to increased quantities of electrical and electronic wastes (e-wastes). Specific legislation, policy framework and infrastructure facilities are needed for managing the country's e-wastes.

## **III. STRATEGIC FRAMEWORK**

Guided by the President's Social Contract with the Filipino People, which envisions socioeconomic progress anchored on high and sustained economic growth that generates massive quality employment and reduces poverty, infrastructure development will focus on the attainment of the following intermediate outcomes: (a) competitiveness enhanced and productivity increased in the industry, services and agriculture sectors; (b) adequacy and accessibility of basic infrastructure services enhanced, and infrastructure gaps in far-flung areas reduced; (c) governance improved; (d) safer and more secured environment created and sustained; and (e) environmental quality improved (see Figure 10.2).

### **Overall strategy**

The overall strategy is to increase public infrastructure spending to enhance the quality, adequacy and accessibility of infrastructure facilities and services.

With adequate fiscal space for the medium term (see Chapter 2: Macroeconomic policy; and Chapter 5: Resilient and inclusive financial system), the government will increase public infrastructure spending from 2.2 percent of GDP in 2012 to at least 5.0 percent by 2016 (Figure 10.3). The spending will still be supplemented by private sector investments through PPP and will be anchored on a conscious effort to increase efficiency based on the synchronized planning and budgeting processes.

Figure 10.2. Strategic framework on accelerating infrastructure development

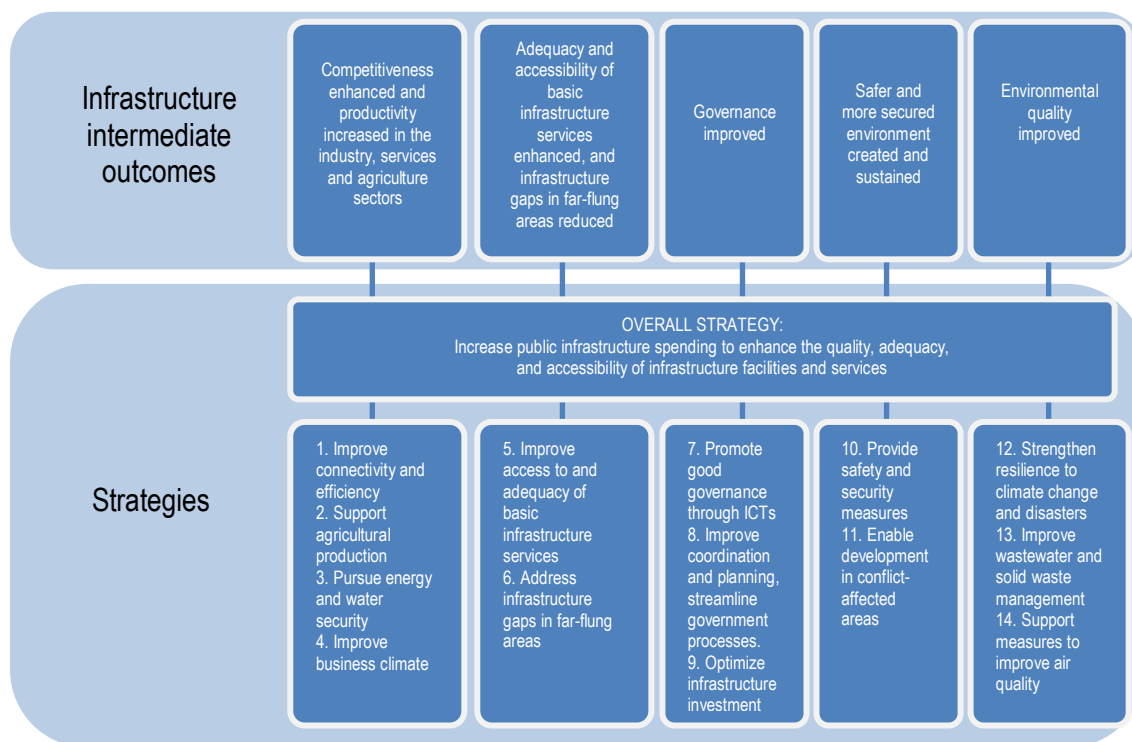
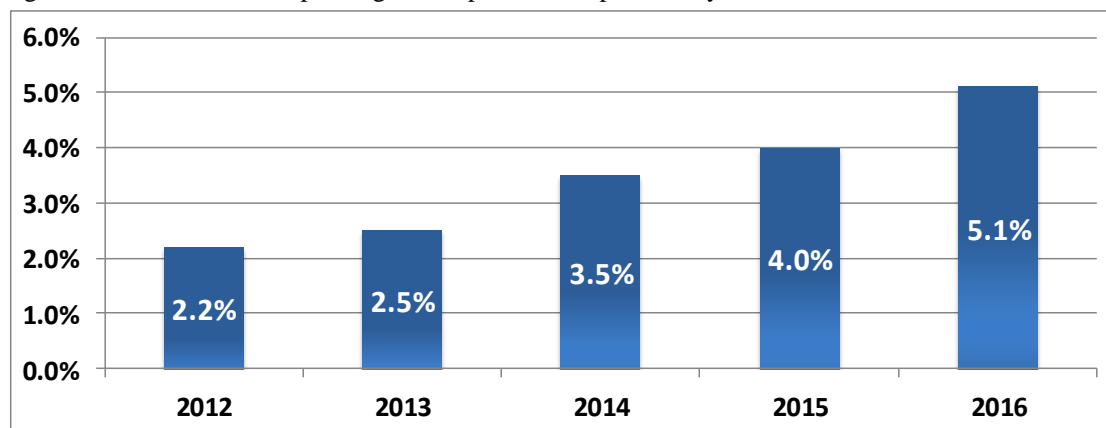


Figure 10.3. Infrastructure spending as component of capital outlay, 2012-2016



Source: DBM and NEDA  
 Note: Actual figure for 2012.

The following infrastructure development strategies and action plans, clustered according to the five infrastructure intermediate outcomes, will be pursued for the remaining term of the administration.

**Intermediate outcome A: Competitiveness enhanced and productivity increased in the industry, services and agriculture sectors**

Infrastructure serves as among the key measures in promoting growth in the agriculture, industry and services sectors.

## Strategy 1: Improve connectivity and efficiency among urban centers, regional growth hubs

Under the master plan on High Standard Highway Network Development, additional 234.13 kilometers (km) of toll expressways will provide interconnectivity in Central Luzon, Metro Manila and the CALABARZON. In addition, the government will develop a seamless multimodal logistics system along the Subic-Clark-Manila-Batangas (SCMB) corridor to ensure efficient flow of commodities, supplies, and inputs to tourism, agricultural production and economic/industrial zones. With several projects also lined up to enhance the services of Clark International Airport (CIA), the extension of SCMB corridor farther north and south will be pursued through increased utilization of the Subic and Batangas Ports. In addition, the government will explore establishing a long-distance, high-speed mass rail transit system and an integrated/full-length railway system for freight-rail services across Luzon that are duly coordinated with transport systems in Metro Manila and other urban centers. Along with this is the rationalization of agency roles on mass transport development. The completion of the Central RORO (Roll-On/Roll-Off) Spine Project will enhance interisland logistics, to facilitate seamless movement of passengers, vehicles and goods along the Luzon-Panay-Negros-Cebu-Bohol-Mindanao route. In Mindanao, Box 10.2 shows the five innovation and growth corridors that will be developed.

### **Box 10.2. Innovation and growth corridors in Mindanao**

- Mindanao Food, Agribusiness and Logistics Corridor (Tagum-Davao-General Santos);
- Mindanao Industrial Trade Corridor (Western and Northern Mindanao);
- Mindanao Food Basket Corridor (Central Mindanao-Bukidnon);
- Mindanao Biodiversity and Ecotourism Corridor (Surigao-Agusan-Davao Oriental including former Paper Industries Corporation of the Philippines [PICOP] concessionaire areas); and
- Mindanao Mariculture and Trade Corridor (Zambasulta: Zamboanga-Basilan-Sulu-Tawi-Tawi)

The ASEAN, in its 17th summit in 2010, adopted the Philippine initiative of establishing an ASEAN RORO Network as a flagship program of the ASEAN Connectivity Master Plan. Related initiatives, including developing the General Santos, Philippines-Bitung, Indonesia route, will be linked to the ASEAN Community Roadmap 2009-2015.

The convergence program of DPWH and the Department of Tourism will provide road access to designated priority tourism destinations under the National Tourism Development Plan (NTDP). To support this plan in meeting the expected increase in tourist arrivals, the Department of Transportation and Communications (DOTC) will develop the capacities of international and principal Class 1 and 2 airports with commercial flights. Along with the continuous implementation of the Open Skies Policy, Common Carriers Tax Act, as well as consultation talks participated by the Philippine Air Negotiating Panel, construction/rehabilitation of terminals and navigational facilities is planned for the following tourism airports: Marinduque, San Jose, Siargao, Vigan, Basco, Bukidnon, General Santos, and Roxas airports. In addition, construction/upgrading and improvement of several tourism ports, like Ivana Port in Batanes, Pangangan Port in Bohol, Lawigan Port in Camiguin, and Cagban Jetty Port in Aklan, will be undertaken to expand their capacities.

The government will continue to promote the spread of ICT to develop the information technology-business process management (IT-BPM) industry, as guided by the 2012-2016 IT-BPM Road Map that targets US\$25 billion in revenues and 1.3 million employees in said industry by 2016 (see Chapter 3: Competitive and innovative industry and services sectors). The government will provide the overall development framework on the deployment of new technologies and improvement of the country's digital connectivity through the following plans:

- National Broadband Deployment Plan, to address current gaps and recommend appropriate initiatives on optimizing broadband service; and
- Digital Terrestrial Television Broadcasting Migration Plan, to prepare the Philippines' switchover from analogue to digital signaling broadcast system.

The revalidated results matrix (RM) under this strategy is presented in Table 10.2.

Table 10.2. Revalidated RM on improving connectivity and efficiency among urban centers, regional growth hubs

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Travel time via road in key corridors and key urban corridors decreased (min)			<ul style="list-style-type: none"> <li>▪ Survey to be conducted starting 2014</li> </ul>
<i>Metro Manila</i>	19.8	20.03	<ul style="list-style-type: none"> <li>▪ Increasing travel time in Metro Manila due to road projects<sup>134</sup></li> <li>▪ Completion of DOTC and DPWH projects</li> <li>▪ Enough funding provided to implement projects</li> <li>▪ Satisfactory traffic management system in place by LGUs</li> <li>▪ No other ongoing works to impede traffic</li> </ul>
<i>Subic-Clark-Manila-Batangas</i>	*	*	
<i>Metro Manila-Pagudpud</i>	*	*	
<i>Manila to Baguio</i>	*	*	
<i>Manila to Cagayan</i>	*	*	
<i>Other Corridors</i>	*	*	
Paved roads increased (% of total national road length)	79	100	<ul style="list-style-type: none"> <li>▪ No major natural calamity</li> <li>▪ No new legislation to create more national roads</li> <li>▪ New national roads after 2010 not covered</li> </ul>
Permanent bridges increased (% of total length of bridges along national road)	96	100	<ul style="list-style-type: none"> <li>▪ No major natural calamity</li> </ul>
Transfer time in MRT/LRT decreased (min) <sup>135</sup>	9	5	<ul style="list-style-type: none"> <li>▪ Contactless Automatic Fare Collection System to be implemented in 2015</li> </ul>
<i>Platform to platform</i>	8	4	
<i>Concourse to platform</i>	10	5	
Optimal capacity (train's standing capacity with allowance to consider passengers' comfort/space) achieved (number of passengers per sq.m.) <sup>136</sup>	4-8	4-7	<ul style="list-style-type: none"> <li>▪ Maximum/full capacity of 8 passengers per square meter (standing capacity) considered as crowded or congested</li> <li>▪ Rolling stocks/materials are available and sufficient</li> <li>▪ Funds are available</li> <li>▪ For LRT 1, optimal capacity cannot be achieved during peak hours at end of Plan</li> </ul>
<i>PNR-Metro Commuter (Optimal capacity = 6 passengers per sq. m.)</i>	6	6	
<i>LRT 1 (Optimal capacity = 6 passengers per sq. m.)<sup>137</sup></i>	6	5-7	
<i>LRT 2 (Optimal capacity = 4-5 passengers per sq. m.)<sup>138</sup></i>	4	4-5	
<i>MRT3 (Optimal capacity = 6 passengers per sq. m.)<sup>139</sup></i>	8	6	
Travel time via RRTS and ferry system decreased (hr)	*	*	<ul style="list-style-type: none"> <li>▪ Survey to be conducted</li> <li>▪ Covers RRTS ports and the Marikina-Pasig-Laguna (MAPALLA)</li> </ul>

<sup>134</sup> In 2012, there was an increase in travel time in Metro Manila (20.59 min). According to the Metro Manila Development Authority, said increase was due to speed limit of 60 kph along Commonwealth Avenue, road widening along Doña Carmen, and increased vehicle volume at C-5. For 2013-2016, there are a number of road projects to be constructed in Metro Manila, thus it is projected that travel time shall be higher than the baseline value.

<sup>135</sup> Average platform-to-platform and concourse-to-platform values.

<sup>136</sup> Range value of PNR, LRT Lines 1 and 2, and MRT3, with maximum/full capacity of 8 standing passengers per sq.m

<sup>137</sup> Optimal/standard load factor is 65-80% (peak hours or average all days), as previously programmed under the Disbursement Acceleration Fund

<sup>138</sup> Optimal/standard load factor is 45-65% (peak hours or average all days), as previously programmed under the Disbursement Acceleration Fund

<sup>139</sup> Optimal/standard load factor is 75% (peak hours or average all days), as previously programmed under the Disbursement Acceleration Fund

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
			ferry system
Transported load through Central RORO Spine increased (tons per ship-hour) <sup>140</sup>	166	251	<ul style="list-style-type: none"> <li>▪ Economic factors (e.g., demand and supply affecting cargo throughput)</li> <li>▪ Physical and operational condition of ports</li> <li>▪ Political concerns where the ports are located</li> <li>▪ Does not consider government policy on diversion from Manila port to Batangas port, 2010 and 2011 values for Batangas port</li> </ul>
<i>Batangas</i>	*	25	
<i>Davao</i>	130	179	
<i>Cagayan de Oro</i>	36	47	
Passengers transported through MAPALLA increased (number of passengers per day)	1,038	79,907	<ul style="list-style-type: none"> <li>▪ No operation for 2011-2012</li> <li>▪ 2013-2015 values/targets to be based on ongoing study</li> <li>▪ 2016 target is based on draft final report of MAPALLA feasibility study</li> </ul>
Passengers transported via air increased (number of passengers per annum) <sup>141</sup>	37,960,765	56,084,528	<ul style="list-style-type: none"> <li>▪ Projects to be completed as scheduled</li> </ul>
Cellular mobile telephone service (CMTS) coverage increased (% of total number of cities/municipalities)	95	100	<ul style="list-style-type: none"> <li>▪ Enabling policies/regulations on increasing coverage to be issued by government (DOST-ICTO, NTC, etc.)</li> <li>▪ There are services requiring broadband (e.g., e-government)</li> <li>▪ Return of investment is good/attractive for private sector</li> </ul>
Broadband coverage increased (% of total number of cities/municipalities)	47	100	
Average broadband (download) speed increased (Mbps) <sup>142</sup>	1.47	*	

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

## Strategy 2: Support agricultural production

Increasing the competitiveness of agriculture requires increasing yield as well as farmed land. To intensify rice production, among others, development and rehabilitation of irrigation systems will be pursued. Small water impounding projects, among others, will be established, where and when feasible, to augment the demand for water. In parallel, irrigation management transfer will be undertaken so that irrigators' associations will be more efficient in operating and managing secondary canals and on-farm structures in larger systems, as well as entire systems covering more than 3,000 hectares. In addition, rural infrastructure and facilities will be improved through the construction/ rehabilitation of farm-to-market roads that

<sup>140</sup> Total value of Batangas, Davao and CDO ports

<sup>141</sup> Total projected value for 19 airports/areas

<sup>142</sup> Actual values only, since this is private sector-initiated/led. The study forecast shows that by 2016 e-services/applications will require higher bandwidth. However, these will definitely depend on the availability of the broadband infrastructure in the area.

strategically connect rural and agricultural areas with market towns and destinations, and enable efficient transport of agriculture produce to market towns and distribution centers.

The revalidated RM under this strategy is presented in Table 10.3.

Table 10.3. Revalidated RM on supporting agricultural production

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Irrigation service coverage increased (% of total potential irrigable area) <sup>143</sup>	56.01	73.80	<ul style="list-style-type: none"> <li>▪ Potential areas to be irrigated are restorable and not converted</li> <li>▪ Total irrigable area of 3.126 million hectares assumed in 2010 was reduced to 3.021 million in 2011 due to converted and permanently non-restorable areas<sup>144</sup></li> </ul>
<i>N/A</i>	49.34	65.27	
<i>DA-BSWM/DA-RFUs</i>	6.67	8.53	

### Strategy 3: Pursue energy and water security

Table 10.4 shows the capacities of committed and indicative power projects in Luzon, Visayas and Mindanao from 2013 to 2016, and the targeted ratio of dependable capacity to peak demand and required reserve by 2016. The committed projects targeted to be installed from 2013 to 2016 include 193.82-mW power projects from RE resources, with 70.31 mW from geothermal, 8.19 mW from hydropower, 68.00 mW from wind, and 47.33 mW from biomass. To help ensure the reliability of power supply, the National Grid Corporation of the Philippines will implement various transmission projects under its Transmission Development Plan 2012.

Table 10.4. Target capacity of committed and indicative power plant projects, 2013-2016

Particulars	Grid		
	Luzon	Visayas	Mindanao
Capacity of <i>committed</i> power plant projects (2013-2016), in MW	767.4	429.6	515.0
Capacity of <i>indicative</i> power plant projects (2013-2016), in MW	9,702.5	718.0	1,928.0
Ratio of dependable capacity to peak demand and required reserve (2016)	107.86%	105.32%	100.0%

Pending new capacity addition, rehabilitation and uprating of existing power plants in Mindanao, the DOE supports the DUs' implementation of Interruptible Load Program (ILP) as a short-term solution to the region's power situation. The program will compensate large energy consumers for operating their own generating facility and voluntarily taking themselves off the grid during situations of peak demand or supply shortfall. The DOE will also continue to implement two programs as additional options for DUs in the short-term:

- Modular Genset Program, wherein electric cooperatives may purchase or rent modular generator sets to fill the gap between demand and contracted supply, particularly during peak hours; and
- Interim Mindanao Electricity Market, which encourages the use of available uncontracted and unutilized capacities in the Mindanao grid for real-time correction of electricity supply-demand imbalance.

The Bright Now Campaign under the National Energy Efficiency and Conservation Program (NEECP) will promote smart energy use through the dissemination of basic information on energy standards, energy efficient products and innovative technologies. As part of the NEECP, the DOE will also expand its existing energy labeling program to include televisions, washing machines and new models of passenger cars and light duty vehicles, apart from the current coverage of air conditioners, refrigerators and compact fluorescent lamps or CFL.

<sup>143</sup> Total value of NIA and DA (BSWM and RFUs). Based on an estimation from the submitted Public Investment Program (PIP) of NIA, only about 64.71% can be achieved by 2016. However, NIA is currently reviewing its PIP.

<sup>144</sup> Based on the NIA 2012 Year End Report

As an overarching strategy in the pursuit of water security, eco-efficient approaches/interventions for developing water infrastructure will be considered. To guide water security objectives, river basin master plans will be developed, including water resource assessments or water availability studies particularly for water-critical areas, to identify new water sources for domestic, commercial, industrial, irrigation and other needs. Surface water will be prioritized over groundwater resources, where appropriate. Studies will be undertaken in water-critical areas, such as Metro Manila, Metro Cebu, Metro Davao, Angeles City, Metro Iloilo, Cagayan de Oro City and Bulacan, among others. For Metro Manila, new water sources will be identified and developed to eliminate the risks arising from being dependent on a single water source for various consumption needs. Raw water pricing will also be explored and complemented with capacity development for stakeholders, particularly for the agriculture sector (which is the largest consumer of water), to promote efficient water utilization/extraction. Domestic and municipal water supply provision targets the increase of Level III and 24-hour service coverage and the reduction of non-revenue water. In addition, the government will ensure adequate water supply in priority tourism destinations under the NTDP.

**Box 10.3. Major infrastructure projects to pursue energy and water security**

- Angat Dam and Dyke Strengthening Project
- Angat Water Transmission Improvement Project
- New Centennial Water Source-Kaliwa Dam
- Bulacan Bulk Water Supply Project
- Rehabilitation, Operation and Maintenance of the Angat Hydro Electric Power Plant (AHEPP) Auxiliary Turbines 4 & 5 through PPP
- Uprating of Agus 6 Units 1&2
- 50-MW Isabela Coal Mine-Mouth Power Plant
- 50-MW Coal-fired Power Plant in Malangas
- 278.4 MW Renewable Energy Project

The revalidated RM under this strategy is shown in Table 10.5.

Table 10.5. Revalidated RM on pursuing energy and water security

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
At least 100% power demand met (% of peak demand and required reserve) <sup>145</sup>	108.14	104.39	<ul style="list-style-type: none"> <li>▪ Projections based on 7.0% GDP growth</li> <li>▪ Actual commercial operation dependent on private sector decision</li> <li>▪ DOE only involved in promotion of private sector investments<sup>146</sup></li> </ul>
<i>Luzon</i>	<i>113.42</i>	<i>107.86</i>	
<i>Visayas</i>	<i>103.29</i>	<i>105.32</i>	
<i>Mindanao</i>	<i>107.70</i>	<i>100.00</i>	
60% target energy self-sufficiency met (% of total energy) <sup>147</sup>	58.31	60.00	<ul style="list-style-type: none"> <li>▪ Energy savings targets under the National Energy Efficiency and Conservation met</li> <li>▪ RE committed projects implemented as scheduled</li> <li>▪ Mandated biofuels blending implemented as scheduled<sup>148</sup></li> </ul>
Water demand in water critical areas met (% of demand) <sup>149</sup>	85	92	<ul style="list-style-type: none"> <li>▪ Population projections are fairly accurate</li> </ul>

<sup>145</sup> Average value of Luzon, Visayas and Mindanao. The goal is to maintain at least 100%.

<sup>146</sup> The DOE is not directly involved in the construction of power plants, so it has reservations in coming up with aggressive targets.

<sup>147</sup> The DOE has no full control on the importation of fuel, as well as the development of indigenous sources, as these are the direct responsibility of the private sector.

<sup>148</sup> Mandated blending for biodiesel and bioethanol is 5% and 10%, respectively, of total volume sales

<sup>149</sup> Average value of specified areas, including data from Davao City Water District (DCWD), MWSS (NCR and Bulacan), MCWD Water Supply and Sanitation Improvement Study (Metro Cebu, 2010 and 2015 only).



Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
			<ul style="list-style-type: none"> <li>▪ Scheduled projects are implemented without delay</li> <li>▪ Cagayan de Oro not covered in baseline value</li> <li>▪ Other critical areas not included due to data unavailability<sup>150</sup></li> </ul>
<i>MWSS Concession Areas</i>	124	113	<ul style="list-style-type: none"> <li>▪ Deficit in MWSS Concession Area by 2017<sup>151</sup></li> </ul>
<i>Metro Cebu</i>	38	52	<ul style="list-style-type: none"> <li>▪</li> </ul>
<i>Bulacan</i>	92	89	<ul style="list-style-type: none"> <li>▪ Projections only for the Balagtas, Bocaue, Bulacan, Calumpit, Plaridel and Malolos WDs</li> </ul>
<i>Davao City</i>	87	86	
<i>Cagayan de Oro City</i>	*	121	
Coverage of 24/7 water supply services in cities increased (% of service areas)	77.59	90.12	<ul style="list-style-type: none"> <li>▪ Average of 559 WDs and 2 MWSS concessionaires</li> </ul>
Level III WS service coverage increased (% of areas with WS coverage)	82	100	
Tourist Destination Areas (TDAs) with improved water systems increased (% of TDAs identified as waterless)	n/a	100	<ul style="list-style-type: none"> <li>▪ Program only started in 2013</li> <li>▪ Covers only 26 TDAs that are identified as waterless areas</li> </ul>
Non-revenue water decreased (% of total water volume produced)	36	23	<ul style="list-style-type: none"> <li>▪ Average of 559 WDs and 2 MWSS concessionaires</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

#### Strategy 4: Improve business climate through institutional and policy reforms, and legislation

It is necessary to strengthen institutional and regulatory regimes, particularly in the transport, water, and ICT subsectors, by creating independent regulators to enhance competitiveness and protect consumers.

The expected approval of the National Transport Policy will raise the level of accountability in decision making and enhance interaction among institutions regulating international and domestic freight transport, transport operators and intermediaries providing brokerage services. Through this, bottlenecks will be eliminated to enhance transport infrastructure, improve logistics, reduce transport time, and lower transport logistics costs.

To address institutional fragmentation and coordination issues in the water subsector, the following interventions will be pursued: (a) establishment of a lead/apex agency in the water resources sector for the coordination of policies, plans and programs related to water resources; (b) prioritizing water resources assessments and developing river basin master plans in priority river basins; and (c) creation of a lead coordinating agency for water supply and sanitation (WSS) provision.

Box 10.4 lists the priority policies and legislations aimed at fostering an enabling atmosphere for infrastructure development.

<sup>150</sup> No submission for other water critical areas, such as Angeles City, Metro Baguio and Metro Iloilo

<sup>151</sup> Deficit already indicated for Metro Cebu, Bulacan and Davao.

#### Box 10.4. Priority infrastructure sector policies and laws

- Enactment of Anti-Trust Law, to combat unfair competition in industries
- Amendment of the Tariff and Customs Code and Domestic Shipping Development Act, to foster greater competition and lower transportation cost
- Amendment of the BOT Law, to further enhance transparency, competitiveness, impartiality and mobilization of private sector for infrastructure development
- Strengthening of National Telecommunications Commission as the independent regulator of the ICT sector
- Enactment of law enabling an atmosphere for converging technologies brought about by enhancements in the ICT sector
- Enactment of law strengthening security and capability against cyberattacks, cybercrimes, cyberterrorism, and cyberwarfare
- Amendment of Solid Waste Management Act, to harmonize conflicting/overlapping provisions with existing laws on fines, penalties, and local taxation (RA 7160), environmental impact assessment (PD 1586, s. 1978), air emissions (RA 8749), environmental education (RA 9512), compost quality requirements (RA 10068), climate-proofing of facilities (RA 9729), and incentives (EO 226, s. 1987); and, to incorporate appropriate management of electronic wastes
- Amendment of the IRR of the Water Code, to strengthen resource regulation and promote more efficient use of water resources
- Harmonization of Renewable Energy Act, National Integrated Protected Areas System Act and Indigenous People's Rights Act, to address social concerns in project approval
- Enactment of law on national land use and management (see Chapter 9: Sustainable and climate-resilient environment and natural resources)
- Amendment of law on right-of-way, site or location acquisition for government projects, to balance State and private rights
- Enactment of National Transport Safety and Security Act, to create a board that investigates transport accidents and provides transport safety recommendations
- Amendment of the Charters of Philippine Ports Authority and Civil Aviation Authority of the Philippines, to address conflicts in their regulatory and operation/operator functions

### Intermediate outcome B: Adequacy and accessibility of basic infrastructure services enhanced, and infrastructure gaps in far-flung areas reduced

Both soft and hard infrastructure strategies will address gaps in the supply-side of basic and social services to help improve human capability, reduce vulnerabilities, and ultimately equalize development opportunities for all.

#### Strategy 5: Improve access to and adequacy of basic infrastructure services

For 2014-2016, the government will construct, rehabilitate and upgrade 8,595 basic health care hospitals and facilities within the Updated Plan period, including the installation of basic and comprehensive emergency obstetric facilities with modern and new equipment.<sup>152</sup>

Adequate water supply infrastructure and capacity development support will be provided to the target waterless poor areas. Provision of WSS for rural and hard-to-reach areas will be augmented through the bottom-up planning and budgeting approach,<sup>153</sup> among others. The government will scale up coverage of regional water and sanitation (WatSan) hubs using standardized local capacity development materials, such as WatSan toolboxes and localized customer service codes, among others. Zero open defecation at the barangay level through community-based methodologies, as well as mainstreaming of sanitation in emergency/disaster response areas, will also be improved.

The Department of Education targets the construction of 43,183 classrooms in 2014, 39,366 in 2015, and 16,773 in 2016. The government will fast-track the completion of classrooms under the first and second phases of the PSIP. It will also construct additional batches of classrooms for PSIP and for the Basic Education Facilities Program, Regular School Building Program and School Building Program for Basic Education through increased private sector and public spending.

<sup>152</sup> This is based on DOH's 2014-2016 investment requirements submitted to the National Economic and Development Authority (NEDA) in October 2013. However, the agency's Philippine Health Sector Roadmap, also as of October 2013, reflects the need to upgrade and construct 20,943 government health facilities. See Chapter 6 (Social development).

<sup>153</sup> This approach is consistent with the policy direction under the Cabinet Cluster on Human Development and Poverty Reduction.

The 2011-2016 target of the National Housing Authority (NHA) and Social Housing Finance Corporation (SHFC) is to provide 578,756 socialized housing units. Along with this is the expansion of energy access to remaining sitios and households without electricity in the country to achieve 100-percent sitio electrification by 2015, 86.2-percent household electrification by 2016 and 90-percent household electrification by 2017. This will entail installation of 65.225-mW additional power capacity in off-grid areas, as well as accelerating the implementation of retail competition and open access up to the household level and providing support to DUs.

The revalidated RM under this strategy is shown in Table 10.6.

Table 10.6. Revalidated RM on improving access to and adequacy of basic infrastructure services

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Classroom-to-pupil ratio improved <sup>154</sup>	1:46.5	1:37.5	<ul style="list-style-type: none"> <li>▪ Projects to be completed/implemented as scheduled</li> </ul>
<i>Primary</i>	1:39	1:30	
<i>Secondary</i>	1:54	1:45	
Classroom backlogs decreased	66,800	0	<ul style="list-style-type: none"> <li>▪ Covers backlogs as of 2010 only</li> <li>▪ No backlogs starting 2014</li> </ul>
WatSan facilities-to-pupil ratio increased <sup>155</sup>	1:80.5	1:50	
<i>Primary</i>	1:58	1:50	
<i>Secondary</i>	1:103	1:50	
Access to upgraded health facilities increased (% of total population)	*	*	
<i>Number of health facilities constructed/rehabilitated/upgraded</i> <sup>156</sup>	404	12,295	<ul style="list-style-type: none"> <li>▪ Covers DOH hospitals, BHS, RHUs and LGU hospitals</li> <li>▪ Covers 2011-2016 values</li> </ul>
Informal settler families (ISFs) in Metro Manila (MM) decreased (% of total ISFs in MM)	*	*	<ul style="list-style-type: none"> <li>▪ Survey/formulation to be discussed/conducted</li> <li>▪ Target number of housing units to be provided depending on approved budget</li> <li>▪ Number of constructed housing units covers data from NHA and Social Housing Finance Corp.</li> <li>▪ Covers 2011-2016 values</li> </ul>
<i>Housing units for ISFs in MM constructed</i> <sup>157</sup>	*	138,062	
ISFs outside MM decreased (% of total number of ISFs outside MM)	*	*	
<i>Housing units for ISFs outside MM constructed</i> <sup>158</sup>	*	148,459	
Socialized housing increased (% of total housing requirements)	*	*	
<i>Socialized housing units provided</i> <sup>159</sup>	37,597	578,756	
Military personnel (AFP, PNP, BJMP, BFP) with adequate shelter increased (% of number of military personnel without adequate shelter)	*	*	<ul style="list-style-type: none"> <li>▪ Survey/formulation to be discussed/conducted</li> </ul>
<i>Military personnel provided with adequate shelter</i>	*	100,000	<ul style="list-style-type: none"> <li>▪ Covers 2011-2016 values</li> </ul>
Households (HH) with electricity increased (% of total number of HH) <sup>160</sup>	72.07	86.20	
Sitios with electricity increased (% of total number of sitios)	68.65	100.00	
Access to water supply increased (% of total number of HH) <sup>161</sup>	84.80	88.21	<ul style="list-style-type: none"> <li>▪ Rate of population increase surpasses rate of development or expansion</li> </ul>

<sup>154</sup> Average value of primary and secondary schools

<sup>155</sup> Average value of primary and secondary schools

<sup>156</sup> Total value of DOH and LGU hospitals, BHS and RHUs, based on the 11 October 2013 submission of DOH

<sup>157</sup> Total value of NHA and Social Housing Finance Corp.

<sup>158</sup> Total value of NHA and Social Housing Finance Corp.

<sup>159</sup> Total value of NHA and Social Housing Finance Corp.

<sup>160</sup> 2010 value of 20.2 million households based on NSO

<sup>161</sup> MDG Target for 2015 is 86.9 percent (estimated 0.42 percent increase from 2010 to 2015). Philippine Water Supply Sector Roadmap (PWSSR) aims to attain 100 percent coverage by 2025 (estimated 1.31 percent increase from 2015 to 2025).

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
			of WS services
Waterless poor areas decreased <sup>162</sup>	2,287	*	<ul style="list-style-type: none"> <li>▪ Targets for 2015-2016 yet to be provided</li> <li>▪ Adjustment of target areas may occur due to environmental and other reasons</li> </ul>
<i>Waterless municipalities</i>	455	*	
<i>Waterless barangays</i>	1,353	*	
<i>Resettlement sites</i>	50	*	
<i>RHU-lying in clinics</i>	429	*	
Access to basic sanitation increased (% of total population)	92.50	*	<ul style="list-style-type: none"> <li>▪ New targets have to be set as the MDG target has already been met.</li> </ul>
Zero Open-Defecation barangays increased (% of barangays awarded with Zero Open-Defecation Certificate)	n/a	71.47	<ul style="list-style-type: none"> <li>▪ Assessment only started in 2010, thus no baseline</li> <li>▪ Dependent on DOH in relation to assessing LGUs</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

**Box 10.5. Major infrastructure projects and programs to improve access to and adequacy of basic infrastructure services**

- Public-Private Partnership (PPP) for School Infrastructure Project (PSIP) Phases I & II
- Health Facility Enhancement Program (HFEP)
- Modernization of the Philippine Orthopedic Center
- SALINTUBIG Program
- Sitio Electrification Program
- Expanded Rural Electrification Program

**Strategy 6: Address infrastructure gaps in far-flung areas**

To further expand communications services in remote and rural areas, the government will aggressively implement the CeC Program and establish 2,586 CeCs by 2016 to provide alternative means of access to information and government services. Another strategy is to pursue TVWS initiative to provide broadband access such as in rural, remote, unserved and underserved areas.

The revalidated RM under this strategy is shown in Table 10.7.

Table 10.7. Revalidated RM on addressing infrastructure gaps in far-flung areas

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Public schools with computer packages and internet connectivity increased (% of total number of public schools)	*	*	<ul style="list-style-type: none"> <li>▪ Government will allocate budget for connectivity of primary/secondary schools</li> <li>▪ Return of investment to the private sector for broadband infrastructure is good/attractive</li> <li>▪ By 2014, all energized schools shall be provided with computer packages and connectivity</li> <li>▪ No values/targets for 2012 and 2016</li> </ul>
<i>Primary</i>	*	91	
<i>Secondary</i>	*	*	
Municipalities with CeCs increased (% of total number of municipalities)	35.9	*	<ul style="list-style-type: none"> <li>▪ No values/targets for 2012 and 2016</li> </ul>
<i>CeCs established</i> <sup>163</sup>	1,077	1,509	<ul style="list-style-type: none"> <li>▪ Target CECs to be established for 2014-2016 is 1,013, with 583 to be established in 2014 (based on proposed CEC program)</li> </ul>

<sup>162</sup> Total value of specified areas; 23 out of 80 WSS systems were installed in 2012, while 57 were being developed as of 15 October 2013

<sup>163</sup> To be discussed with ICTO; Total value of operational and non-operational CeCs

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
			<ul style="list-style-type: none"> <li>▪ Non-operational CeCs will be operational in 2014</li> <li>▪ Covers 2011-2016 values</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

### Intermediate outcome C: Governance improved

The following strategies aim to enhance efficiency and transparency in governance and provide better means of communication between government and the public:

#### Strategy 7: Promote good governance through ICTs

The e-Government Master Plan 2013-2016 will serve as the blueprint for introducing innovations within government work processes, enhancing administrative productivity and allowing more citizen participation. The iGovPhil Project will set up a government-shared network among agencies and other infrastructure for e-governance.

The Philippine Radio Frequency Management System will provide greater efficiency in facilitating increasing demand for radio frequencies and other wireless communications services.

To harmonize data gathering, monitoring, and analyses of various ICT statistics for policy and decision making, the government will further enhance the Philippine ICT Statistics Portal, as well as other government websites in the energy subsector (e.g., kuryente.org.ph, langis.org.ph and wattmatters.org.ph).

The revalidated RM under this strategy is shown in Table 10.8.

Table 10.8. Revalidated RM on promoting good governance through ICTs

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Regularly monitored area with use of radio frequency increased (% of total number of cities/municipalities)	*	*	<ul style="list-style-type: none"> <li>▪ Survey/formulation to be discussed/conducted</li> </ul>
<i>Radio monitoring facilities established</i>	*	17	
TV network coverage increased	*	*	<ul style="list-style-type: none"> <li>▪ Survey/formulation to be discussed/conducted</li> <li>▪ Private sector-initiated</li> </ul>
<i>Broadcast and CATV stations (Analog and digital broadcast stations) established</i>	2,606	*	<ul style="list-style-type: none"> <li>▪ No 2013-2016 values</li> <li>▪ Increase/decrease in number of broadcast stations, particularly for television, is dependent on the parameters that will be set by the DTTB migration plan</li> </ul>
Government agencies using government-shared network increased (% of total number of government agencies)	*	*	<ul style="list-style-type: none"> <li>▪ Survey to be conducted</li> <li>▪ Government agencies willing to use government-shared network</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

## Strategy 8: Improve coordination and planning, and streamline government processes

Apart from the National Transport Policy, the government developed a number of roadmaps and master plans to improve coordination and planning among government agencies in implementing key infrastructure projects. These include the “Roadmap for Transport Infrastructure Development for Metro Manila and Its Surrounding Areas” and the “Transport Infrastructure Development Framework Plan,” both of which aim to interconnect Metro Manila, Central Luzon, CALABARZON region and other highly urbanized cities and economic regions to improve investments in key growth areas.

Furthermore, to address institutional fragmentation and coordination issues in the water resources subsector, the following interventions will be pursued: (a) establishment of a lead/apex agency in the water resources sector for the coordination of policies, plans, and programs related to water resources; (b) prioritization of water resources assessments and development of river basin master plans in priority river basins; and (c) creation of a lead coordinating agency and adoption of a unified financing framework/policy for WSS provision.

The revalidated RM under this strategy is shown in Table 10.9.

Table 10.9. Revalidated RM on improving coordination and planning, and streamline government processes

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Fragmentation in the water resources sector reduced	*	*	<ul style="list-style-type: none"> <li>▪ No lead/apex agency for the water resources sector in 2010</li> <li>▪ No coordinating agency/unit for the WSS subsector in 2010</li> <li>▪ Budgetary allocation and issues with the rationalization processes</li> </ul>
Re-evaluated projects due to change in project details decreased (% of NEDA Board-approved projects)	0.00	*	<ul style="list-style-type: none"> <li>▪ Actual values only, no targets set</li> <li>▪ Covers 2010-2013 actual values</li> </ul>
PPP programs and projects increased (% of infrastructure projects successfully bid out)	*	*	<ul style="list-style-type: none"> <li>▪ Evaluation to be conducted</li> </ul>
<i>PPP infrastructure programs and projects approved</i>	<i>0</i>	<i>*</i>	<ul style="list-style-type: none"> <li>▪ Actual values only, no targets set</li> <li>▪ Covers 2010-2013 actual values</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

## Strategy 9: Optimize resources and investments in infrastructure

Since most infrastructure projects are capital-intensive, NEDA will continue to study the full institutionalization of VE/VA and address concerns including the optimal timing of conducting VE/VA and consideration of social component in VE/VA activities, among others.

The government will ensure a systematic process for planning, budgeting, implementation, monitoring and evaluation of government-wide ICT programs and projects with the implementation of the Medium-term ICT Harmonization Initiative (MITHI) for FY 2014-2016 (see Chapter 6).

The fragmented nature of WSS service provision, especially for rural and unserved areas, requires that the use of all available funds be rationalized towards more efficient resource allocation. In this regard, a unified financing framework/policy will be developed.

To preserve and extend the service life of government’s infrastructure assets, government agencies will ensure asset preservation and management activities through proper maintenance, rehabilitation, upgrading, and funding. Particularly for transport infrastructure, the “user-pays” principle will be applied at the very least for the purpose of asset preservation and full-cost recovery. This principle may be invoked when service pricing is possible and potential users unwilling to pay for the service can be excluded. Optimizing resources will focus on upgrading the quality and capacity of existing transportation infrastructure instead

of expanding network coverage. In the case of existing mass transport systems, priority interventions include installation of automatic fare collection systems and system rehabilitation to modernize facilities and improve service. For long-term sustainability, the government will ensure availability and adequacy of maintenance funds. For local transport networks management and maintenance, innovative financing schemes will be set up for LGUs.

The revalidated RM under this strategy is shown in Table 10.10.

Table 10.10. Revalidated RM on optimizing resources and investments in infrastructure

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Cost overruns in implementing infrastructure projects decreased			<ul style="list-style-type: none"> <li>▪ Evaluation to be conducted</li> <li>▪ Proponent agency of projects to submit cost overruns for ICC review/re-evaluation/approval</li> </ul>
<i>Percentage of infrastructure projects presented to the NEDA Board-ICC</i>	*	*	
<i>Percentage of original cost of projects presented to the NEDA Board/ICC</i>	*	*	

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

#### Intermediate outcome D: Safer and more secured environment created and sustained

The following strategies will be put in place to secure people's property, livelihood, and wellbeing from human security threats, and consequently attain just and lasting peace and national security;

##### Strategy 10: Provide safety and security measures

Pending the passage of the National Transport Safety and Security Act, the DOTC-Office of Transport Security (OTS) will continue thorough inspections and evaluation of security plans of public transport terminals.

In upholding the country's territorial integrity, the government will continue rehabilitating sea navigation aids, including capability building of PCG personnel on counter terrorism and against other external threats. Along with this is the procurement of patrol boats and multi-role response vessels, as well as the utilization of geographical information system technologies in identifying safe areas for marine navigation.

As the nation faces new risks from cybercrimes, the government will formulate a National Cybersecurity Program, which will include, among others, the development of a National Cybersecurity Plan and implementation of a government-wide systems and networks security management program. It will also implement the Government Web Hosting Service, as issued through Administrative Order No. 39 (s. 2013), to enhance security and robustness of government websites.

The revalidated RM under this strategy is shown in Table 10.11.

Table 10.11. Revalidated RM on providing safety and security measures

Indicators	Baseline (2010)	End-of-Plan target (2016)
PCG responsiveness increased (% of calls for assistance responded to)	46.40	82.11

##### Strategy 11: Enable development in conflict-affected areas

The government will continue providing infrastructure support to conflict-affected and impoverished areas through the Investment Support Program (ISP) for Autonomous Region for Muslim Mindanao (ARMM) and the Payapa at Masaganang Pamayanan or PAMANA Program (see Chapter 8: Peace and security).



Relatedly, the Stimulus Development Plan (SDP) for ARMM was prepared as a reform roadmap towards economic recovery and development through strategic projects promoting basic services, livelihood and basic infrastructure such as national roads. The government will continue until 2016 to implement ongoing and programmed foreign-assisted projects for road and bridge construction, with the DOTC improving, constructing and rehabilitating municipal ports in San Esteban in Ilocos Sur, Tarahib in Catanduanes, Kawayan in Biliran, Galas in Dipolog, Lugus in Sulu, as well as other ports in ARMM.

The revalidated RM under this strategy is shown in Table 10.12.

Table 10.12. Revalidated RM on enabling development in conflict-affected areas

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Access to infrastructure services increased (% of conflict-affected/poverty-stricken areas)	*	*	<ul style="list-style-type: none"> <li>▪ Survey/computation to be conducted</li> </ul>
<i>Conflict-affected LGUs provided with financial subsidies and TA on implementing development projects</i>	13 regions w/ 37 provinces and 355 cities/ municipalities (2011)	*	<ul style="list-style-type: none"> <li>▪ No 2015-2016 targets</li> <li>▪ Manageable peace and order situation</li> <li>▪ DILG to specify areas</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

### Intermediate outcome E. Environmental quality improved

The environment needs effective infrastructure support to adapt to climate-change threats and mitigate risks from disasters and natural calamities. The government will undertake the following strategies in the infrastructure sector to ensure a livable and safe environment conducive to sustainable economic growth.

#### Box 10.7. Major infrastructure interventions to improve environmental quality

##### Strengthen resilience to climate change and disasters

- Implementation of immediate high-impact projects identified under the Master Plan for Flood Management in Metro Manila and Surrounding Areas
- Flood Risk Management Project (FRIMP) along principal rivers (Cagayan River, Tagoloan River, Imus River and Cagayan de Oro River)
- Improvement/Restoration of Telemetry Equipment of the Effective Flood Control Operation System (EFCOS)

##### Improve wastewater and solid waste management

- Development and Operation of Waste-to-Energy Facilities
- National Sewerage and Septage Management Program

### Strategy 12: Strengthen resilience to climate change and disasters

The government will implement the Master Plan for Flood Management in Metro Manila and Surrounding Areas. Approved by the NEDA Board in 2012, the plan identifies measures to increase safety of population and protection of property and livelihood from floods and related environmental risks (e.g., landslides). Related to this is the prioritization of construction of flood management structures in highly vulnerable areas based on river basin master plans, and expediting immediate financing for the rehabilitation of flood management structures.

The government will improve the existing flood forecasting and warning systems through strengthened coordination among the National Disaster Risk Reduction and Management Council (NDRRMC), Advanced Science and Technology Institute (ASTI), Philippine Atmospheric, Geophysical and

Astronomical Services Administration (PAGASA), DPWH, Metro Manila Development Authority and LGUs.

In the aftermath of the devastation brought about by natural calamities or extreme weather conditions, the government will fast-track the mobilization of funds and provision of infrastructure program for rebuilding and reconstructing priority infrastructure. In addition, it will undertake capacity building for LGUs to improve basic service delivery and exercise of regulatory powers, specifically in ensuring integrity and sustainability of local structures from disasters.

To ensure the immediate recovery of areas hit by disasters, a coordinated response strategy for the immediate rehabilitation/provision of necessary infrastructure for disaster relief and recovery (e.g., water supply and sanitation, electricity, roads, etc.) will be established. For the water resources subsector, mainstreaming of WSS in emergency/disaster response areas will be promoted.

The revalidated RM under this strategy is shown in Table 10.13.

Table 10.13. Revalidated RM on strengthening resilience to climate change and disasters

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Critical areas vulnerable to flooding reduced (in ha.)	*	*	<ul style="list-style-type: none"> <li>▪ DPWH conducting project survey to develop and formulate the appropriate indicator and corresponding baseline and targets</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

### Strategy 13: Improve wastewater and solid waste management

The government will prioritize treatment and proper discharge of wastewater by investing in adequate wastewater management to minimize the impact on the environment, fisheries, livelihoods and the food chain. The full implementation of the operational plan of the National Sewerage and Septage Management Program (NSSMP), which started in December 2012, will be undertaken to improve water quality and public health in highly urbanized cities (HUCs), as also required by the Clean Water Act of 2004.

To attain the 50-percent diversion rate by 2016 of solid waste from waste disposal facilities through reusing, recycling, composting and other resource recovery activities, the government will strictly implement the Philippine National Solid Waste Management Strategy, which is anchored on the National Solid Waste Management Framework adopted in 2004. In addition, both the Solid Waste Management and Philippine Clean Air Acts will be revisited in connection with the policy on incineration technology.

The revalidated RM under this strategy is presented in Table 10.14.

Table 10.14. Revalidated RM on improving wastewater and solid waste management

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
Volume of treated municipal wastewater increased (% of volume of municipal wastewater produced)	*	*	<ul style="list-style-type: none"> <li>▪ Survey computation to be conducted</li> </ul>
<i>MWSS total concession area</i>	<i>62.81</i>	<i>68.85</i>	
<i>NSSMP Area</i>	*	*	<ul style="list-style-type: none"> <li>▪ There is demand from HUCs</li> <li>▪ No issue on regulation/tariff setting</li> </ul>
<i>LWUA/WDs</i>	*	*	
<i>Others (Clark Economic Zone only)<sup>164</sup></i>	<i>100</i>	<i>100</i>	
Households in urban areas with	85	98	<ul style="list-style-type: none"> <li>▪ Other urban areas not</li> </ul>

<sup>164</sup> Data from Pampanga River Basin Master Plan

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
septic tanks increased (% of HHs in urban areas) <sup>165</sup>			<ul style="list-style-type: none"> <li>included due to data unavailability</li> <li>▪ No 2011-2015 values/targets</li> </ul>
<i>Metro Manila</i>	85	95	
<i>Pampanga</i>	75	98	
<i>Bulacan</i>	91	98	
<i>Tarlac</i>	85	100	
<i>Nueva Ecija</i>	87	100	
Coverage of sewerage system increased (% of total HHs)	1.28	18.49	<ul style="list-style-type: none"> <li>▪ Total number of HHs of 20.2 million based on 2010 NSO data</li> </ul>
HUCs outside Metro Manila with installed sewerage system increased (% of HUCs outside MM)	6.25	25.00	<ul style="list-style-type: none"> <li>▪ Covers 16 HUCs outside Metro Manila</li> <li>▪ There is demand from HUCs</li> </ul>
Coverage of septage management system increased (% of total number HH)	1.27	56.15	<ul style="list-style-type: none"> <li>▪ Total number of HHs of 20.2 million based on 2010 NSO data</li> </ul>
Coverage of solid waste management (SWM) facilities outside MM increased (% of total cities/municipalities outside MM)	*	*	<ul style="list-style-type: none"> <li>▪ Survey/formulation to be conducted/discussed</li> </ul>
Coverage of solid waste collection increased (% of total barangays)	*	*	<ul style="list-style-type: none"> <li>▪ Survey/formulation to be conducted/discussed</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

#### Strategy 14: Support measures to improve air quality

The government will pursue the National Environmentally Sustainable Transport (NEST) strategy, which aims to reduce energy consumption and associated greenhouse gases and air pollutant emissions. The NEST also promotes the use of transport systems with low carbon intensity and shift towards more environmentally sustainable modes. Further installation of safe, non-motorized transport facilities, such as sidewalks, footbridges, underground walkways and bicycle ways will be provided to ensure pedestrian safety.

The use of clean and environment-friendly alternative fuels and technologies, including increasing biofuel blend and use of natural gas, will be promoted in the energy sector. Moreover, energy efficiency and conservation will continue its implementation through the NEECP (see strategy 3). These measures contribute to the government's 10-percent annual energy savings target to reduce greenhouse gas emissions.

The revalidated RM under this strategy is presented in Table 10.15.

Table 10.15. Revalidated RM on supporting measures to improve air quality

Indicators	Baseline (2010)	End-of-Plan target (2016)	Assumptions and risks
RE capacity increased (% of total capacity installed)	33.24	30.50	<ul style="list-style-type: none"> <li>▪ Committed non-RE plants to have higher incremental capacity compared with committed RE plants, thus the decreasing targets</li> </ul>
Conserved electricity and fuel increased (kilo tons oil equivalent or KTOE per annum) <sup>166</sup>	3,700.00	1,115.10	<ul style="list-style-type: none"> <li>▪ Baseline covers savings resulting from energy efficiency activities/initiatives such as distribution of CFL bulbs</li> </ul>

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

<sup>165</sup> Average value of specific areas, with data from MWSS and the Pampanga River Basin Master Plan

<sup>166</sup> Targets are based on simple computation, i.e., 10% of the projected energy demand, while actual values are computed based on reports and activities on energy efficiency such as distribution of CFL bulbs, thus the large discrepancy between target and actual values.

#### IV. PLAN IMPLEMENTATION

To monitor and assess the implementation of the infrastructure strategies and interventions, an annual target indicator matrix (Table 10.16) was formulated and further revalidated, together with the revalidated RMs presented in the previous section. An iterative process of consultation, analysis and validation was conducted through the expanded NEDA Board-Committee on Infrastructure (INFRACOM), which served as the Plan Committee (PC) chaired by the NEDA Secretariat. The PC has five Sub-plan Committees (SPCs) on transport (chaired by DOTC), energy (chaired by DOE), water (chaired by DPWH and co-chaired by NWRB), ICT (chaired by DOST), and social infrastructure.

Table 10.16. Annual target indicator matrix on accelerating infrastructure development, 2013-2016

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Intermediate outcome A: Competitiveness enhanced and productivity increased in the industry, services and agriculture sectors</b>						
<b>Strategy 1: Improve connectivity and efficiency among urban centers, regional growth hubs</b>						
Travel time via road in key corridors and urban corridors decreased (mins)						DPWH, MMDA
<i>Metro Manila</i>	20.46	20.31	20.15	20.03	Actual survey data	MMDA
<i>Subic-Clark-Manila-Batangas</i>	*	*	*	*		DPWH
<i>Metro Manila-Pagudpud</i>	*	*	*	*		
<i>Manila to Baguio</i>	*	*	*	*		
<i>Manila to Cagayan</i>	*	*	*	*		
<i>Other Corridors</i>	*	*	*	*		
Paved roads increased (% of total national road length)	87	90	95	100	Actual Road Inventory Data	DPWH
Permanent bridges increased (% of total length of bridges along national road)	98	98	99	100	Actual Road Inventory Data	DPWH
Transfer time in MRT/LRT decreased (min) <sup>167</sup>	9	9	5	5	Actual Operation data of MRT/LRT	DOTC
<i>Platform to platform</i>	8	8	4	4		
<i>Concourse to platform</i>	10	10	5	5		
Optimal capacity (train's standing capacity with allowance to consider passengers' comfort/space) achieved (number of passengers per sq.m.) <sup>168</sup>	4-8	4-8	4-8	4-7	Actual Operation data	DOTC, PNR, LRTA
<i>PNR-Metro Commuter (Optimal capacity = 6 passengers per sq. m.)</i>	7	6	6	6	Actual passenger/km	DOTC, PNR
<i>LRT 1 (Optimal capacity = 6 passengers per sq. m.)</i>	7-8	7-8	5-7	5-7	Project status report, operations related report, accomplishment report	DOTC, LRTA
<i>LRT 2 (Optimal capacity = 4-5 passengers per sq. m.)</i>	4-5	4-5	4-5	4-5		DOTC, LRTA
<i>MRT3 (Optimal capacity = 6 passengers per sq. m.)</i>	8	8	8	6		DOTC
Travel time via RRTS and ferry system decreased (hr)	*	*	*	*		DOTC, PPA
Transported load through Central RORO Spine	202	221	232	251	Annual/ actual survey/	DOTC, PPA, MARINA,

<sup>167</sup> Average platform-to-platform and concourse-to-platform values.

<sup>168</sup> Range value of PNR, LRT Lines 1 and 2, and MRT3, with maximum/full capacity of 8 standing passengers per sq.m

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
increased (tons per ship-hour) <sup>169</sup>					monitoring/verification on port operation and performance	DPWH and TRB
<i>Batangas</i>	22	23	24	25	Monthly statistical reports	PPA**
<i>Davao</i>	137	153	161	179		
<i>Cagayan de Oro</i>	43	45	47	47		
Passengers transported through MAPALLA increased (number of passengers per day)	*	*	*	79,907	Annual/actual survey/monitoring/verification on port operation and performance	PRRC, MMDA, DPWH, LGU, PPA, PCG, MARINA, DOTC, DILG, DENR, LLDA, DOT, PRRC, NEDA, DBM
Passengers transported via air increased (number of passengers per annum) <sup>170</sup>	46,340,236	49,344,076	53,153,098	56,084,528	Actual operation data, DOTC report	DOTC**
Cellular mobile telephone service (CMTS) coverage increased (% of total number of cities/municipalities)	99	100	100	100	NTC annual report, NTC monitoring/evaluation of private sector	ICTO, NTC**
Broadband coverage increased (% of total number of cities/municipalities)	60	70	80	100	NTC annual report; NTC monitoring/evaluation of private sector	ICTO, NTC**
Average broadband (download) speed increased (Mbps) <sup>171</sup>	4.4	*	*	*	Data from private sector	ICTO, NTC**
<b>Strategy 2: Support agricultural production</b>						
Irrigation service coverage increased (% of total potential irrigable area) <sup>172</sup>	67.44	69.01	70.91	73.80	NIA/DA report, actual inventory data	NIA, DA, DAR
<i>NIA</i>	59.39	60.74	62.63	65.27		NIA
<i>DA-BSWM/DA-RFUs</i>	8.05	8.26	8.29	8.53		DA-BSWM, DA-RFUs
<b>Strategy 3: Pursue energy and water security</b>						
At least 100% power demand met (% of peak demand and required reserve) <sup>173</sup>	106.52	103.86	108.06	104.39	Phil. Energy Plan 2012-2030 Power Outlook	DOE**
<i>Luzon</i>	113.07	109.28	110.37	107.86		
<i>Visayas</i>	109.14	109.54	103.95	105.32		
<i>Mindanao</i>	97.35	92.78	109.86	100.00		
60% target energy self-sufficiency met (% of total energy) <sup>174</sup>	59.04	59.28	60.22	60.00	Phil. Energy Plan 2012-2030 Power	DOE**

<sup>169</sup> Total value of Batangas, Davao and CDO ports

<sup>170</sup> Total projected value for 19 airports/areas

<sup>171</sup> Actual values only, since this is private sector-initiated/led. The study forecast shows that by 2016 e-services/applications will require higher bandwidth. However, these will definitely depend on the availability of the broadband infrastructure in the area.

<sup>172</sup> Total value of NIA and DA (BSWM and RFUs). Based on an estimation from the submitted Public Investment Program (PIP) of NIA, only about 64.71% can be achieved by 2016. However, NIA is currently reviewing its PIP.

<sup>173</sup> Average value of Luzon, Visayas and Mindanao. The goal is to maintain at least 100%.

<sup>174</sup> The DOE has no full control on the importation of fuel, as well as the development of indigenous sources, as these are the direct responsibility of the private sector.

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
					Outlook	
Water demand in water critical areas met (% of demand)	89	90	90	92	Actual inventory data/report	MWSS, concessionaires, LWUA, WDs, DENR-RBCO and NWRB
<i>MWSS Concession Areas</i>	119	117	116	113		
<i>Metro Cebu</i>	43	46	49	52		
<i>Bulacan</i>	83	86	89	89		
<i>Davao City</i>	89	87	79	86		
<i>Cagayan de Oro City</i>	109	115	119	121		
Coverage of 24/7 water supply services in cities increased (% of service areas)	86.98	88.62	89.34	90.12	Actual inventory data/report	MWSS, concessionaires, LWUA, WDs, LGUs and NWRB
Level III WS service coverage increased (% of areas with WS coverage)	98	99	99	100	Actual inventory data/report	MWSS, concessionaires, LWUA, WDs, and NWRB
Tourist Destination Areas (TDAs) with improved water systems increased (% of TDAs identified as waterless)	4	100	100	100	Actual inventory data/report	DPWH, DOT, LWUA, WDs
Non-revenue water decreased (% of total water volume produced) <sup>175</sup>	26	25	24	23	Actual inventory data/report	MWSS, concessionaires, LWUA, WDs
<b>Intermediate outcome B: Adequacy and accessibility of basic infrastructure services enhanced, and infrastructure gaps in far-flung areas reduced</b>						
<b>Strategy 5: Improve access to and adequacy of basic infrastructure services</b>						
Classroom-to-pupil ratio improved <sup>176</sup>	1:41	1:39.5	1:38.5	1:37.5	Actual inventory data/report	DepEd
<i>Primary</i>	1:34	1:32	1:31	1:30		
<i>Secondary</i>	1:48	1:47	1:46	1:45		
Classroom backlogs decreased	49,040	0	0	0	Actual inventory data/report	DepEd
WatSan facilities-to-pupil ratio increased <sup>177</sup>	1:64	1:58.5	1:53	1:50	Actual inventory data/report	DepEd
<i>Primary</i>	1:53	1:52	1:51	1:50		
<i>Secondary</i>	1:75	1:65	1:55	1:50		
Access to upgraded health facilities increased (% of total population)	*	*	*	*		DOH
<i>Number of health facilities constructed/rehabilitated/upgraded (with 2011-2016 target of 12,995)<sup>178</sup></i>	2,487	2,886	2,959	2,750	Inspection and monitoring, status reporting	DOH
Informal settler families (ISFs) in Metro Manila (MM) decreased (% of total ISFs in MM)	*	*	*	*		NHA, HUDCC
<i>Housing units for ISFs in MM constructed (with 2011-2016 target of 138,062)<sup>179</sup></i>	35,722	20,905	25,042	26,332	Actual inventory data/report	NHA, HUDCC**
ISFs outside MM decreased (% of total)	*	*	*	*		NHA, HUDCC

<sup>175</sup> Average of 559 WDs and 2 MWSS concessionaires.

<sup>176</sup> Average value of primary and secondary schools

<sup>177</sup> Average value of primary and secondary schools

<sup>178</sup> Total value of DOH and LGU hospitals, BHS and RHUs, based on the 11 October 2013 submission of DOH

<sup>179</sup> Total value of NHA and Social Housing Finance Corp.

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
number of ISFs outside MM)						
<i>Housing units for ISFs outside MM constructed (with 2011-2016 target of 148,459)<sup>180</sup></i>	27,924	25,664	24,063	36,042	<i>Actual inventory data/report</i>	NHA, HUDCC
Socialized housing increased (% of total housing requirements)	*	*	*	*		NHA, HUDCC
<i>Socialized housing units provided (with 2011-2016 target of 578,756)<sup>181</sup></i>	102,327	85,931	121,900	139,967	<i>Actual inventory data/report</i>	NHA, HUDCC
Military personnel (AFP, PNP, BJMP, BFP) with adequate shelter increased (% of number of military personnel without adequate shelter)						NHA, HUDCC
<i>Military personnel provided with adequate shelter (with 2011-2016 target of 100,000)</i>	23,668	20,000	20,000	4,502	<i>Actual inventory data/report</i>	NHA, HUDCC
Households (HH) with electricity increased (% of total number of HH) <sup>182</sup>	77.38	79.43	82.67	86.20	Phil. Energy Plan 2012-2030 Power Outlook	DOE
Sitios with electricity increased (% of total number of sitios)	82.91	91.18	100.00	100.00	Phil. Energy Plan 2012-2030 Power Outlook	NEA
Access to water supply increased (% of total number of HH) <sup>183</sup>	86.06	86.48	86.90	88.21	NSO Surveys	DPWH, MWSS, LWUA, WDs, Concessionaires, WSPs, DILG, NAPC, DSWD
Waterless poor areas decreased <sup>184</sup>	1,807	1,667	*	*	Actual inventory data/report	LWUA, DILG, NAPC, DOH
<i>Waterless municipalities</i>	269	157	*	*		
<i>Waterless barangays</i>	1,174	1,146	*	*		
<i>Resettlement sites</i>	15	15	*	*		
<i>RHU-lying in clinics</i>	349	349	*	*		
Access to basic sanitation increased (% of total population)	*	*	*	*		DOH, DILG
Zero Open-Defecation barangays increased (% of barangays awarded with Zero Open-Defecation Certificate)	35.74	47.65	59.56	71.47	Annual report	DOH, DILG
<b>Strategy 6: Address infrastructure gaps in far-flung areas</b>						
Public schools with computer packages and internet connectivity increased (% of total	71	91	91	*	Actual inventory data/report	ICTO/DepEd

<sup>180</sup> Total value of NHA and Social Housing Finance Corp.

<sup>181</sup> Total value of NHA and Social Housing Finance Corp.

<sup>182</sup> 2010 value of 20.2 million households based on NSO

<sup>183</sup> MDG Target for 2015 is 86.9 percent (estimated 0.42 percent increase from 2010 to 2015). Philippine Water Supply Sector Roadmap (PWSSR) aims to attain 100 percent coverage by 2025 (estimated 1.31 percent increase from 2015 to 2025).

<sup>184</sup> Total value of specified areas; 23 out of 80 WSS systems were installed in 2012, while 57 were being developed as of 15 October 2013



Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
number of public schools)						
<i>Primary</i>	51	90	90	91		
<i>Secondary</i>	91	91	91	*		
Municipalities with CeCs increased (% of total number of municipalities)	57.02	*	*	*	Inspection and monitoring, status reporting	ICTO, LGUs
<i>CeCs established (with 2011-2016 target of 1,509)<sup>185</sup></i>	39	583	215	215		
<b>Intermediate outcome C: Governance improved</b>						
<b>Strategy 7: Promote good governance through ICTs</b>						
Regularly monitored area with use of radio frequency increased (% of total number of cities/municipalities)	*	*	*	*	Inspection and monitoring, status reporting, NTC Annual Report	NTC
<i>Radio monitoring facilities established (with 2011-2016 target of 17)</i>	0	2 <sup>186</sup>	0	0		
TV network coverage increased	*	*	*	*		
<i>Broadcast and CATV stations (Analog and digital broadcast stations) established</i>	*	*	*	*	NTC Annual Report	ICTO, NTC**
Government agencies using government-shared network increased (% of total number of government agencies)	*	*	*	*		NTC, ICTO
<b>Strategy 8: Improve coordination and planning, and streamline government processes</b>						
Fragmentation in the water resources sector reduced <sup>187</sup>	*	*	*	*		
Re-evaluated projects due to change in project details decreased (% of NEDA Board-approved projects) <sup>188</sup>	22.22	*	*	*	Actual data, annual assessment	NEDA, Implementing agencies
PPP programs and projects increased (% of infrastructure projects successfully bid out)	*	*	*	*	Actual data, report from implementing agencies	Implementing agencies
<i>PPP infrastructure programs and projects approved<sup>189</sup></i>	8	*	*	*	<i>Actual data, annual assessment</i>	<i>NEDA, ICC, PPP Center</i>
<b>Strategy 9: Optimize resources and investments in infrastructure</b>						
Cost overruns in implementing infrastructure projects decreased						
<i>Percentage of infrastructure projects presented to the NEDA Board-ICC)</i>	*	*	*	*	<i>Actual data, annual assessment</i>	NEDA, Implementing agencies
<i>Percentage of original cost of projects presented to the NEDA Board/ICC</i>	*	*	*	*		

<sup>185</sup> To be discussed with ICTO; Total value of operational and non-operational CeCs

<sup>186</sup> Cumulative, with 15 already established in 2011.

<sup>187</sup> By 2016, the NWRB is targeted to be elevated as a strengthened apex body, while a WSS coordinating unit/agency will be established.

<sup>188</sup> No targets set; actual values only covering 2010-2013

<sup>189</sup> No targets set; actual values only covering 2010-2013

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
<b>Intermediate outcome D: Safer and more secured environment created and sustained</b>						
<b>Strategy 10: Provide safety and security measures</b>						
PCG responsiveness increased (% of calls for assistance responded to)	46.40	46.40	67.83	82.11	PCG actual data/report	PCG
<b>Strategy 11: Enable development in conflict-affected areas</b>						
Access to infrastructure services increased (% of conflict-affected/poverty-stricken areas)	*	*	*	*		
<i>Conflict-affected LGUs provided with financial subsidies and TA on implementing development projects</i>	<i>11 reg.; 24 prov.; 70 cities/ mun.</i>	<i>9 reg.; 17 prov.; 57 cities/ mun.</i>	*	*	Actual data/report	OPPAP, DILG
<b>Intermediate outcome E. Environmental quality improved</b>						
<b>Strategy 12: Strengthen resilience to climate change and disasters</b>						
Critical areas vulnerable to flooding reduced (in ha.)	*	*	*	*		DPWH, MMDA, DOST, PAGASA
<b>Strategy 13: Improve wastewater and solid waste management</b>						
Volume of treated municipal wastewater increased (% of volume of municipal wastewater produced)	*	*	*	*		
<i>MWSS total concession area</i>	<i>65.88</i>	<i>66.86</i>	<i>67.93</i>	<i>68.85</i>	<i>MWSS, concessionaires Annual Reports</i>	<i>MWSS, concessionaires</i>
<i>NSSMP Area</i>	*	*	*	*		<i>DPWH, LWUA, WDs, LGUs</i>
<i>LWUA/WDs</i>	*	*	*	*		<i>LWUA, WDs</i>
<i>Others (Clark Economic Zone only)<sup>190</sup></i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>100</i>	<i>Annual report</i>	<i>SEZs</i>
Households in urban areas with septic tanks increased (% of HHs in urban areas) <sup>191</sup>	*	*	*	98	NSO surveys	DOH, LGUs
<i>Metro Manila</i>	*	*	*	95		
<i>Pampanga</i>	*	*	*	98		
<i>Bulacan</i>	*	*	*	98		
<i>Tarlac</i>	*	*	*	100		
<i>Nueva Ecija</i>	*	*	*	100		
Coverage of sewerage system increased (% of total HHs)	5.44	7.87	13.56	18.49	Actual data/report	MWSS, concessionaires, DPWH, LWUA, WDs, LGUs, SEZs
HUCs outside Metro Manila with installed sewerage system increased (% of HUCs outside MM)	6.25	6.25	6.25	25.00	Actual data/report	MWSS, concessionaires, DPWH, LWUA, WDs, LGUs, SEZs
Coverage of septage management system increased (% of total number HH)	2.34	3.24	4.07	56.15	Actual data/report	MWSS, concessionaires, DPWH, LWUA, WDs, LGUs, SEZs
Coverage of solid waste management (SWM) facilities outside MM	*	*	*	*		DENR-EMB, NSWMC, DILG, LGUs

<sup>190</sup> Data from Pampanga River Basin Master Plan

<sup>191</sup> Average value of specific areas, with data from MWSS and the Pampanga River Basin Master Plan

Indicators	Annual Plan targets (in %)				Means of verification	Agency responsible
	2013	2014	2015	2016		
increased (% of total cities/municipalities outside MM)						
Coverage of solid waste collection increased (% of total barangays)	*	*	*	*		DENR-EMB, NSWMC, DILG, LGUs
<b>Strategy 14: Support measures to improve air quality</b>						
RE capacity increased (% of total capacity installed) <sup>192</sup>	32.40	31.72	30.91	30.50	Phil. Energy Plan 2012-2030	DOE**
Conserved electricity and fuel increased (kilo tons oil equivalent or KTOE per annum) <sup>193</sup>	917.50	987.70	1,054.40	1,115.10		

\* No available data or incomplete data (i.e., survey still to be conducted, feasibility study ongoing, private sector led or demand driven)

\*\* Agency to monitor only the indicator

<sup>192</sup> Decreasing targets because committed non-RE plants are projected to have higher incremental capacity compared to committed RE plants. Per DOE, power development is the direct responsibility of the private sector thus, cannot be fully controlled by DOE

<sup>193</sup> Targets are based on simple computation, i.e., 10% of the projected energy demand, while actual values are computed based on reports and activities on energy efficiency such as distribution of CFL bulbs, thus the large discrepancy between target and actual values.

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