



# SECURING THE FUTURE

Recommendations of the Secretariat for Legislation in the 19th Congress



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## Foreword

As early as the 1970s, scientists, thinkers and scribes had sought to purvey a dispassionate view and calculation of the impact of human activity on the planet. Couched in various degrees of direness, their messages converged on a single, incontrovertible truth: that national security entailed more than ensuring the physical preservation of people and territory, it required an international communion in and understanding of the notion that each nation's security hinged not only upon the ability to provide for itself, but in its acceptance of the fact that others have equal right to the same finite resources, and that the freedom from want is a joint aspiration and responsibility of humankind. Thirty years earlier, World War II had forced the world's major powers to accept the notion that all countries should be prepared to protect themselves at all times and that continual military preparedness was the most important national security strategy. Then, the allocation for the world's militaries exceeded the budgets for health or education.

In 1977, Lester Brown, in his paper entitled "Redefining National Security", eschewed the prevailing belief that the principal threat to security comes from other nations, and posited that threats to security may now arise less from the relationship of nation to nation and more from the relationship of man to nature. He reminded that "dwindling reserves of oil and the deterioration of the earth's biological systems now threaten the security of nations everywhere", and that this deterioration represented a threat to the human prospect. This was almost inconceivable to the ordinary citizen before – especially to those in underdeveloped countries that were just effecting their development plans. Like their role models in the developed world, industrial growth and urbanization were both the goal and the key to economic stability. Soon, however, it became evident that the global economy depended not merely on the skill and dexterity of countries to produce as much as they could, but on the biological systems that, by their profligacy, had rapidly deteriorated. That the environmental issues that plague today's world have become the biggest threat to security may be an arguable concept; but proof of this prediction visited the Philippines in 2013 with a ferocity that shook the entire world. Typhoon Yolanda made us realize the truth of our own vulnerability.

Seven years after, another disaster of global proportions beleaguers even the richest and most powerful economies. Domestically, the COVID-19 pandemic threatens to wipe out all the gains that the country had worked hard for, especially its modest success in reducing poverty. Elsewhere in the world, a war that is fought both for political and economic ends further threatens the security of many by the specter of a global food and fuel shortage. Closer to home, continued incursions into Philippine territory endanger the country's marine resources which is a principal source of high-quality protein for human consumption.

These realities behoove the national leadership to take a hard look at the volatility of world conditions, the ability of the country to confront these threats, and the steps to take to further strengthen its capacity to protect the national interests. In support of national planning and agenda-setting, the House Secretariat presents to the Nineteenth Congress a quick analysis of the conditions that obtain in Philippine society and the concerns that require legislative reformation. It used the national security lens as guide to take stock of the challenges the nation is confronted with, and to formulate a set of priorities for legislation in the next six years based on the political, economic, socio-cultural, technological, environmental and military/international relations dimensions of national security.

We are aware of the necessity to take quick action and to implement reforms with deliberate speed. I am confident that the House will conscientiously consider the recommendations discussed in this book that is aptly entitled "Securing the Future".



**MARK LLANDRO L. MENDOZA**  
SECRETARY GENERAL  
18th Congress

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# **Legislative Agenda Framework**



# SECURING THE FUTURE

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As a concept, **National Security** has been traditionally concerned with the security of the State, and focused on military interventions to ensure the sovereignty, territorial integrity, and the defense of the country from external threats. Over the years, national security has widened to embrace economic, socio-political, environmental, and other non-military dimensions that provide greater emphasis on ensuring people's safety, welfare, and development. The expansion of the concept of national security is also occasioned by the increasing threat to biological systems, and by the dwindling of resources caused by unsustainable habits, population growth, ideological and political conflict, and discordant development plans of States.

Similarly, the conventional concept of **National Development** focuses on the attainment of higher economic growth *per se*. It assumes that the benefits of higher economic growth will trickle down to the poor in terms of increased income. The Philippine experience has shown, however, that higher economic growth can produce uneven social outcomes, with inequality in income, education, health, and access to resources remaining widespread in the country.

The latest available data (2018) puts the Philippines in the top third of countries worldwide in terms of inequality. While economic growth has lifted the incomes of some of those below the poverty line, it mostly favored the upper-income households and more developed regions in the country. And while they are the most vulnerable and insecure segments of society, the low-income sectors partake of a small share in the benefits of economic growth.

In recent years, discussions of development approaches have highlighted calls for more inclusive growth which the Organization for Economic Cooperation and Development defines as *"economic growth that is distributed fairly across society and creates opportunities for all."* Similarly, for the World Bank (2017), growth is inclusive when the lower income segments do at least as well as the overall population.

Human development is a useful development approach for advancing human well-being. Championed by the United Nations Development Program, it focuses on

expanding the richness of human life rather than simply the richness of the economy. Economic growth is seen only as a means to, rather than an end of, development. Emphasizing the valued outcome of giving people the freedom to achieve and live better lives, human development interventions focus on ensuring that individuals live long, healthy, and creative lives, are knowledgeable, and have access to resources needed for a decent standard of living. Todaro (1994) asserts also that a key essence of human development is enabling people to acquire the freedom to make economic and social choices.

The aspirations for inclusive growth and human development succinctly enunciated under Article XII, Section 1 of the Constitution have guided the crafting of Philippine Development Plans (PDP) that pursue rapid and sustainable economic growth and development as instruments for improving the quality of life of Filipinos, especially the marginalized. The PDP priorities aspire to improve the quality of the lives and well-being of individuals by strengthening the economy and competitiveness of local industries, facilitating infrastructure development, improving access to quality social services, ensuring ecological integrity, and improving accountability in governance.

The 2017-2022 National Security Policy of the Philippines embraces such widened view of national security as the “the state or condition wherein the nation’s sovereignty and territorial integrity, the people’s well-being, core values, and way of life, and the State and its institutions, are protected and enhanced.” The policy itself took into consideration the six dimensions of national security, and articulated the country’s national interest. These dimensions provide the bases for a wider perspective and encourage a thoughtful examination of the resources of the country that should either be developed or used to better advantage to cope with the issues, challenges, and threats, in a volatile environment.

While human development is the aspirational value that nations of the world share, national security is the existential context within which nations reckon their own strengths and weaknesses, and the space that they occupy in the reality of the world order. Within this space, a nation formulates its responses to issues in the environment

and reflects on the ways it will use its power and resources to overcome issues that threaten national security. Each nation has unique development goals and objectives because the context of their existence that is influenced by their past, their culture, their current realities, differ.

From the administrations of Presidents Benigno S. Aquino III and Rodrigo Roa Duterte, the National Security Policy or the NSP evolved and was further refined by the identification of the national interests which were then translated into a 12-point National Security Agenda that covered:

- |  |  |
|--|--|
| <b>1</b> Human and Political Security    | <b>7</b> Environmental and Disaster Security |
| <b>2</b> Health Security                 | <b>8</b> Energy Security                     |
| <b>3</b> Economic and Financial Security | <b>9</b> Maritime and Airspace Security      |
| <b>4</b> Food and Water Security         | <b>10</b> International Security             |
| <b>5</b> Military and Border Security    | <b>11</b> Informational and Cyber Security   |
| <b>6</b> Socio-Cultural Security         | <b>12</b> Transportation and Port Security   |

The NSP was then defined from the point of view of the Filipino citizen and encapsulated within Ambisyon 2040, the collective long-term vision and aspiration of the Filipino people for the next 25 years. This vision is expressed in specific objectives, goals, and strategies.

Until 2019, the country had decidedly overcome most of the economic and political security threats and strengthened foreign policy to deal with international security threats. The reduction in the poverty incidence from 23.5% in 2015 to 16.7% by the end of 2018 and the successive enactment of policy reforms testify to the modest achievement of national security objectives. But the COVID-19 pandemic derailed all plans and hopeful expectations and threatens to wipe out recent development gains. While the economy has recovered slowly in 2022, the pandemic can nonetheless push at least 1.5 million Filipinos into poverty.

## The security-development nexus

The challenges that the country and the world are confronting require an integrated approach that acknowledges development and national security as interlinked and mutually reinforcing concepts. Under this approach, security and development are considered two sides of the same coin. Thus, promoting security and peace should therefore not be seen as separate from the work of long-term economic and human development.

Security and peace are enablers of development. Nations thrive when there is peace and tranquility that boost national production and trade and investments in all sectors of the economy. Conversely, without development, conditions for conflict may emerge, thus making it difficult to attain greater security and peace.

Enhancing the security-development nexus is imperative towards the realization of the desired end of the country's National Security Strategy which is *"a safe and secure Philippines, at peace with itself and its neighbors, where its citizens are allowed to reach their full potential through social cohesion and the promotion of social justice and harmony, political stability, sound environmental management, and economic progress."*

## The Legislative Framework

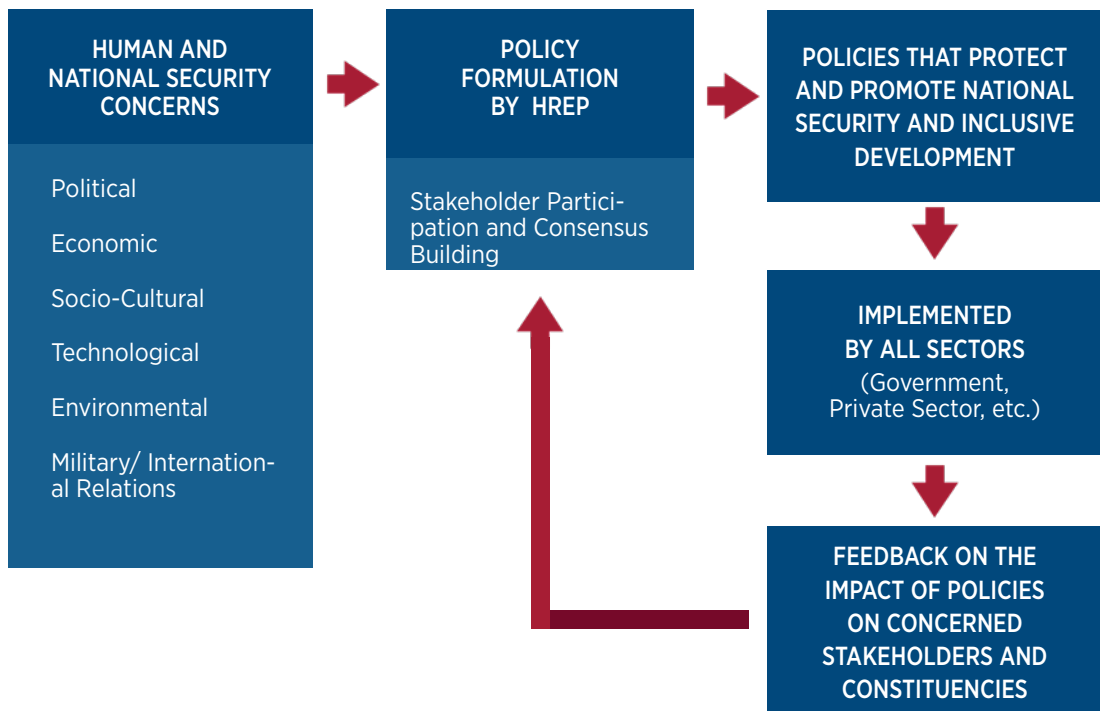
As the pandemic continues to affect individuals and various sectors, it is crucial to identify key policy measures to address the so-called "scarring" effect of the crisis as well as other structural and emerging issues. A strategic developmental framework is therefore essential to guide the careful examination of sectoral challenges and in proposing key structural and policy reforms.

Legislative policymaking is critical in addressing such negative effects and challenges, and lawmakers have to look at the new terrain with a deeper consciousness of the threats to national security, the country's development objectives, and the capacity of

the country to hurdle these obstacles. Simultaneous to enhancing and protecting the people’s welfare, well-being, and ways of life, it is likewise imperative to foster effective state institutions and advance the national security interests, territorial integrity, and sovereignty (NSP 2017-2022).

The Legislature, including the House of Representatives, adheres to the tenets enshrined in the Constitution but likewise utilizes a framework to define a strategic development agenda. Forthwith, the legislative agenda of Congress must not only be an amalgamation of related facets of development, but should more importantly be informed by the risks now present and the guidance of all those who have a stake in the attainment of security and development.

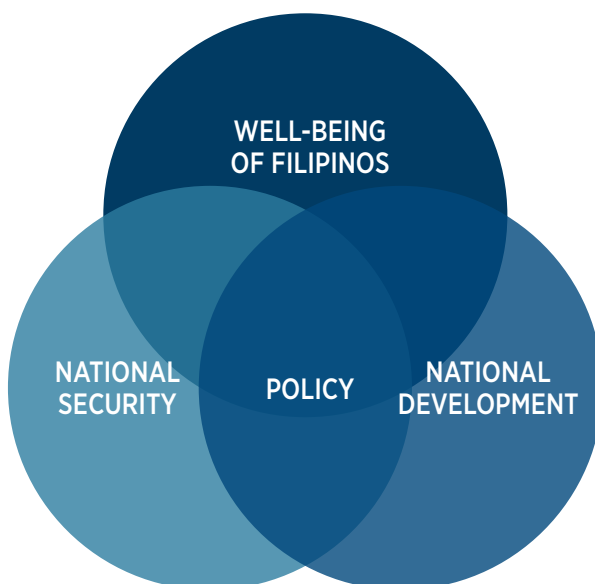
Figure A  
**Framework on the Role of the House of Representatives  
 in Promoting National Security and Inclusive Development**



This framework should be people-centered and should give due regard for the various security considerations, from the economy, food, health, personal (*physical*), community, and even political considerations (*UN 1994*). It recognizes the policymaking processes that are intrinsically part of participative democracy and its role in promoting political and social cohesion.

The Legislative Framework (*Figure B*) used to analyze and address the priority policy issues and challenges in the Philippine context treats both national security and national development as a means to attain the Filipino aspiration of a brighter future and a more stable world. Policies that are crafted to meet the goals of security and development will thus enable every Filipino to reach his or her full potential amid an environment where the risks to their well-being proliferate and persist. Enabling the attainment of both development and national security is the desired outcome of policymaking.

Figure B  
**The Legislative Framework for  
Securing the Future of the Filipino Nation**



The Legislative Framework embraces both the traditional and expanded dimensions of national security and development. It treats these various dimensions as essential foundations for achieving well-being and a secure future. Moreover, it recognizes that national security is linked with national development, and vice versa, and that their various dimensions have reinforcing relationships that inform the country's ability to adapt to the volatility, uncertainty, complexity, and ambiguity of its environment. It uses as success indicators of national development an improved economy, the availability of food, the health and safety of its citizens, a healthy and clean environment, the preservation of its cultural identity and heritage, political cohesiveness, the strength of its alliances and its influence in the international community, and other human security outcomes.

Table A  
**Types of Human Insecurities and their Root Causes**

Types	Root Causes
<b>Economic insecurity</b>	Persistent poverty, unemployment, lack of access to credit and other economic opportunities.
<b>Food insecurity</b>	Hunger, famine, sudden rise in food prices
<b>Health insecurity</b>	Epidemics, malnutrition, poor sanitation, lack of access to basic health care.
<b>Environmental insecurity</b>	Environmental degradation, resource depletion, natural disasters.
<b>Personal insecurity</b>	Physical violence in all its forms, human trafficking, child labor.
<b>Community insecurity</b>	Inter-ethnic, religious and other identity-based tensions, crime, terrorism.
<b>Political insecurity</b>	Political repression, human rights violations, lack of rule of law and justice.

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Source: United Nations Trust Fund for Human Security. 2016. *Human Security Handbook: An integrated approach for the realization of the Sustainable Development Goals and the priority areas of the international community and the United Nations system*

Table B

**The Dimensions of National Security**

Dimension	Description
<b>Political dimension</b>	<i>Political Security</i> refers to the organizational stability of the social order. A key idea of this dimension is good governance which, in turn, entails accountability, transparency, responsiveness, equitability and inclusiveness, effectiveness and efficiency, participatory governance, adherence to the rule of law, among others.
<b>Economic dimension</b>	<i>Economic security</i> is the ability to protect or to advance interests in the face of events, developments, or actions that may threaten or block these interests. One of the objects of economic security is to reduce uncertainty about the continued economic well-being of a country, and to reduce the chances that its future economic well-being will fall below some (presumably ever-increasing) minimum acceptable level. <sup>1</sup> Economic Security talks about access to capital and employment, and the ability to live with dignity on sustainable resources. On the micro-level, this pertains to “localized” agents like individuals and households, while on the macro-level, this pertains to states and the international system. The idea is to protect the structural integrity and prosperity-generating capabilities of a State.
<b>Socio-cultural dimension</b>	<i>Socio-Cultural Security</i> involves the protection of distinct ethno-national and religious identities, indigenous people and their way of life, and the country’s cultural heritage. A State can be destabilized through threats to its language, culture, religion, and other customs, hence, there is a paramount need to maintain a nation’s “collective identity.”
<b>Techno-Scientific dimension</b>	<i>Techno-Scientific Security</i> provides the means for States to achieve prosperity, productivity, and other welfare-creating factors. This dimension necessarily promotes the advancement of practical applications of science, as well as research and development.
<b>Environmental dimension</b>	<i>Environmental Security</i> is concerned with any threat to the well-being of societies and their populations from an external force that can be influenced by public policies. It addresses two distinct

<sup>1</sup> Neu, C.R. and Wolf C. Jr. (1994). *The Economic Dimensions of National Security*. Rand.



Dimension	Description
<p><b>Military/International Relations</b></p>	<p>issues: the environmental factors behind potentially violent conflicts, and the impact of global environmental degradation on the well-being of societies and economies.<sup>2</sup> This dimension broadens security to include risks posed by environmental change to things that people value. It considers risks that pose a threat to the quality and quantity of resources available, and which undermine economic security.</p> <p><b>Military Security</b> is a dimension of national security but is considered a means of last resort, and only when the prior five dimensions have already been implemented. Internally, it is primarily about the ability of the ruling elite to maintain civil peace, territorial integrity, and the machinery of the government in the face of challenges from its citizens. Externally, it is primarily about the two-level interplay between the actual armed offensive and defensive capabilities of states on the one hand, and their perceptions of each other's capabilities and intentions, on the other. The traditional concept of national security is overwhelmingly military in character, and grounded on the notion that countries everywhere should be prepared to defend themselves from all conceivable external threats.<sup>3</sup> Today, however, the concept of national security is more encompassing such that the engagement among states is not merely motivated by the possibility of war or conflict, but more and more as entities that have mutual interests to reinforce and the same risks and threats in the environment to overcome. In this dimension, the role of bodies like the United Nations and its various organs is crucial in maintaining peace and security.</p>

The inclusion of economic, socio-cultural, ecological, and security considerations in policy formulation will ensure that development does not come at the cost of future generations. Further, viewing policy formulation from the perspective of national security and inclusive development will ensure that the proposed reforms take careful consideration of the Filipino people's unique conditions and the binding constraints they are confronting. To be truly meaningful, reforms should lead to the long-

<sup>2</sup> Porter, Gareth. *Environmental Security as a National Security Issue*. *Current History; Philadelphia, etc.* Vol. 94, Iss. 592, (May 1, 1995): 218.

<sup>3</sup> Brown, L. (1977). *Redefining National Security*. *Worldwatch Paper 14*. Worldwatch Institute.

envisioned architecture of resilience and a flexibility that will allow the nation to thrive even with the uncertainties in the new normal. The reforms that shall be proposed here will necessarily be based on lessons from history and the national experience, and will take current conditions into consideration. All these will guide the House of Representatives on what has to be prioritized, and what has to be enacted first, given the timetable of the 19th Congress.

### **Legislative Policy Domains**

Based on the Legislative Framework, eight (8) policy domains representing current developmental issues were identified and used as basis to formulate a menu of legislative proposals that address these challenges.

The policy domain on *Revitalizing Agriculture and Attaining Food Security* acknowledges the important role of the agriculture sector in the ongoing recovery from the pandemic as well as in promoting resilience during economic shocks. Attaining food security, in particular, has become a major policy consideration due to climate change risks and ongoing geopolitical tensions which threaten global supply of key commodities. Food security exists when “all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life” (FAO, 2020). Toward this end, transforming and upgrading Philippine agriculture by increasing production, especially high-value crops where the comparative advantage lies, is crucial. This can be partly attained by strengthening the agricultural sector value chain, providing support and extension services to small farmers and giving them access to finance.

The policy domain on *Protecting the Environment and Adapting to Climate Change* presents the importance of environmental protection, as well as climate change adaptation and mitigation, in achieving the country’s goal of national security and development. Environmental degradation not only jeopardizes the country’s economic growth but also negatively impacts society, most especially its marginalized sectors.

With climate change, disaster-prone areas are more vulnerable to risks of economic loss and extreme poverty. Ensuring a sustainable and climate change-resilient environment will contribute to the improvement of living conditions and is therefore vital in sustaining inclusive growth.

The policy domain on *Pursuing Human Development and Promoting Social Cohesion* recognizes the importance of providing essential health and education services to facilitate people's participation in economic activities that will, in turn, give them the opportunity to lead productive lives and achieve their full potential. At the same time, providing protection and support in times of national emergencies and economic shocks mitigate the adverse impacts on vulnerable sectors. During times of volatility and uncertainty, advancing human welfare and promoting human security need to be the primary considerations of policy intervention. This will ensure that citizens continue to participate in and benefit from national development, thus minimizing inequality, and promoting social cohesion.

The policy domain on *Accelerating Infrastructure Development and Digital Transformation* recognizes the important role of infrastructure development not only in promoting economic growth and reducing poverty, but also in enhancing human security, particularly of those below the poverty line, by contributing to their food, job, health, community, personal, and environmental security. By helping improve people's mobility and access to basic social services and income opportunities, better quality infrastructure leads to improved health, education, and wealth outcomes. The role of infrastructure in enabling resilience has been particularly evident during the COVID-19 crisis. The impact of the COVID-19 crisis on the economy could not have been mitigated without the telecommunication networks and logistics infrastructure which substantially facilitated trade, commerce, and other business activities amid the imposition of stringent community lockdowns. Accelerating infrastructure development therefore advances human welfare and promotes national security.

The policy domain on *Strengthening Industry and Services and Enhancing Productivity* acknowledges existing synergies and linkages among economic sectors that have the potential to spur growth and productivity, and promotes basic economic security. It further recognizes that the development of these sectors provides an avenue to promote national security as it supports sustainable livelihoods and decent work, prevents and contains the effects of economic crises and natural disasters, provides social protection, and contributes to the maintenance of peace. It identifies contemporary issues and challenges that have been highlighted by domestic and external shocks and presents measures that aim to build a more resilient economy by mainstreaming digitalization and innovation, increasing competition, and ensuring the integrity of the financial system, among others.

The policy domain on *Promoting Global Security and International Cooperation* recognizes the interdependence of States as they go about pursuing their national security goals. In pursuing development, policies should take into consideration internal and external threats that bear on all the dimensions of national security. The challenges the country faces in ensuring national security are inevitably linked to global threats such as terrorism, pandemics, food insecurity, political conflict and upheaval, climate change, criminality, and many other crises situations. Inevitably, understanding that the threat landscape includes elements and events that are not necessarily homegrown is key to identifying the appropriate policies and posture that the Legislature should adopt. This policy domain also requires the recognition of the power assets of a State that it can utilize to promote its national interests, and the necessity of working with other States to minimize conflict, support common aspirations, and ensure the preservation of a common patrimony.

The policy domain on *Fostering Good Governance, Public Order and Security, and the Rule of Law* recognizes that good governance and human rights are important parts of the human security concept. It is closely connected to the role of democracy in promoting

national security and cohesiveness within the government. Good governance is also a tool to strengthen national security mainly through the maintenance of certain enabling conditions for the State and the people to be productive. At the same time, the Rule of Law is a principle of governance in which all persons, institutions, and entities, both public and private, including the State itself, are accountable to laws that are publicly promulgated, equally enforced, independently adjudicated, and consistent with international human rights norms and standards. Policy formulation in this domain recognizes the factors that uphold the Rule of Law, namely, the presence of constraints on government powers, absence of corruption, open government, fundamental rights, order and security, regulatory enforcement, civil justice, and criminal justice. Public order and security covers issues and challenges including those involving the security of the State, its sovereignty, and territorial integrity. This sub-domain likewise covers issues and challenges involving public safety such as pandemics, disasters, criminality which may affect a person's right to go about his daily affairs free from harm. Ultimately, this sub-domain is highly critical to the enhancement of human security which enables individuals to reach their full potential.

The policy domain on *Achieving Fiscal Stability and Enhancing Public Financial Management* recognizes that fiscal policy plays an important role in supporting robust and equitable economic growth. The COVID-19 pandemic and its economic consequences have caused a sharp decline in the country's productive output. As such, government responses should be swift, concerted and commensurate to the severity of the public health crisis, with fiscal tools taking a key role. Restoring growth is essential in mitigating fiscal challenges ahead. At the macro level, fiscal policy helps ensure macroeconomic stability; at the micro level, tax and expenditure policies can boost growth by adjusting work and investment incentives, promoting human capital build-up, and enhancing total factor productivity. Likewise, enhancing public financial management ensures that public resources are properly allocated and spent to support government programs.



# Domain 1 Revitalizing Agriculture and Attaining Food Security



## Domain 1

# Revitalizing Agriculture and Attaining Food Security

- 1.1 Food security issues became more pronounced as a result of disruptions in the agricultural value chain arising from the lockdowns implemented to contain the spread of COVID-19. While these disruptions have already lessened, climate change impacts which are expected to become more severe and more frequent remain a major threat to food security. Geopolitical tensions, aggravated by the Russia-Ukraine war, have reduced the supply and led to soaring prices of wheat, fertilizer, and other commodities which pose additional food security risks.
- 1.2 The Food and Agriculture Organization (FAO, 2020) explained that “food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food which meets their dietary needs and food preferences for an active and healthy life.” Towards this end, transforming and upgrading Philippine agriculture is crucial, and this can be accomplished by increasing the production of high-value crops which have a comparative advantage over traditional crops. This can be partially attained by strengthening the agricultural sector value chain, providing support and extension services to small farmers, and giving them access to finance.
- 1.3 In 2021, the Global Food Security Index (GFSI) categorized the status of the Philippines as “good” with a score of 60, down from 61 in 2019. The GFSI considers the core issues of food affordability, availability, and quality across a set of 113 countries. The Index also assesses a country’s exposure to the impact of changing climate, its susceptibility to natural resource risks, and how the country is adapting to these risks (Economist Intelligence Unit & Corteva Agriscience, 2022).
- 1.4 According to former Department of Agriculture (DA) Secretary William Dar, the global impacts of COVID-19 on agriculture, aside from food disruptions, were “labor shortage, reduction in job quality, food wastage, affected livelihood of millions, price spikes and increased price volatility” (De las Peñas, 2020). Further, lockdowns prevented local and migrant workers from going to farms, processing, and packaging facilities, many of which closed down at some point due to

quarantined and sick workers. All these have further increased food insecurity risks in the country.

1.5 Revitalizing agriculture into a dynamic, high-growth sector is essential, not only for food security but also for poverty reduction. In 2018, among the basic sectors, farmers and fisherfolks posted the highest poverty incidence of 31.6% and 26.2%, respectively, far higher than the national average of 16.7% poverty incidence. Two-thirds of the poor are in rural areas.

Table 1.1  
Poverty Incidence Among Basic Sectors

Basic Sectors	Poverty Incidence (%)		Magnitude for the Poor (in millions)	
	2015	2018	2015	2018
Farmers	40.84	31.60	3.68	2.38
Fisherfolks	36.85	26.20	0.45	0.29
Individuals Residing in Rural Areas	33.99	24.46	18.07	12.64
Children	33.51	23.89	12.97	9.34
Self-employed and Unpaid Family Workers	26.24	17.99	3.56	2.25
Women	23.88	16.56	11.84	8.66
Youth	20.53	14.75	6.01	4.48
Persons with Disability	N/A	14.71	N/A	0.24
Individuals Residing in Urban Areas	13.20	9.30	6.28	5.04
Senior Citizens	14.40	9.13	1.13	0.83
Migrant and Formal Workers	14.40	8.77	3.61	2.39

Source: Philippine Statistics Authority

1.6 Countering the food shortages during crises and emergencies such as the pandemic, the Russia-Ukraine War, and the current “food nationalism” trend or export bans, and facilitating the attainment of food security objectives may be addressed more meaningfully by revitalizing the country’s agriculture sector. At present, the performance of the agriculture sector has been dragged down by several factors,

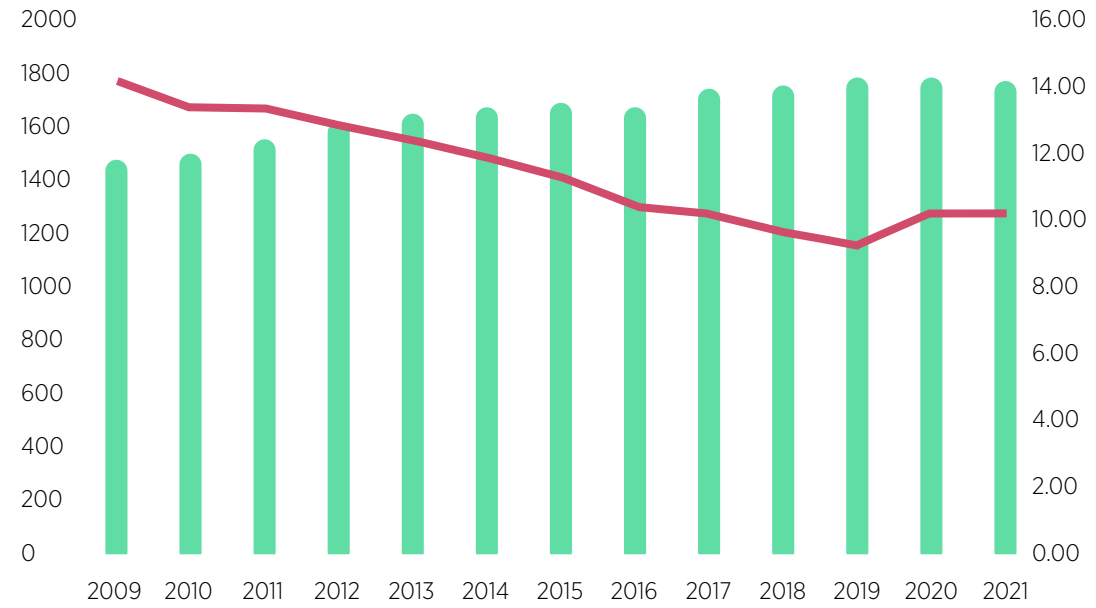


including: (i) low productivity in rice, with yields far below the average for Southeast Asian countries despite budgetary support and policy attention to production; and (ii) failure of the sector to diversify into high-value-added products for local consumption and export, and to integrate farmers into the value chain (World Bank, 2020).

1.7 For the past two decades, Total Factor Productivity<sup>1</sup> (TFP) in Philippine agriculture has risen by 32%, which is much lower than the TFP growth in neighboring countries such as Vietnam (73%), Indonesia (50%), and Thailand (67%) (World Bank, 2020). Moreover, the share of agriculture to gross domestic product (GDP) is 11.5% on average. Considering, however, the entire agriculture-food value chain, agribusiness contributes 35% of GDP (Villegas, 25 January 2022).

Figure 1.1  
**Gross Value-Added in Agriculture**

*In Million Pesos at 2018 prices*



Source: Philippine Statistics Authority

■ GVA in Agriculture (Including forestry)    — Share to Total GVA (%)

1.8 To some extent, the weak performance of agriculture has led to high reliance on food imports which could exacerbate food security issues especially in the light of creeping “food nationalism” or the export bans some countries have self-imposed in fear of food shortages. The Philippines posted in 2020 a negative trade balance of P316.4 billion in agri-food trade—with imports of agricultural products reaching a total of P624.0 billion *vis-à-vis* P307.6 billion in exports.

Table 1.2  
**Share of Agriculture in Total Foreign Trade and Value**  
*Philippines, 2016 - 2020*

Year	Exports		Imports	
	% Share	Value (PBn)	% Share	Value (PBn)
2016	9.0	244.8	12.2	486.1
2017	9.6	331.6	11.4	554.3
2018	8.8	322.2	11.6	692.0
2019	9.4	345.8	12.1	700.7
2020	9.5	307.6	14.0	624.0

*Note: Rounded off to the nearest decimals.*

*Source: Philippine Statistics Authority, 2021*

## ISSUES AND CHALLENGES

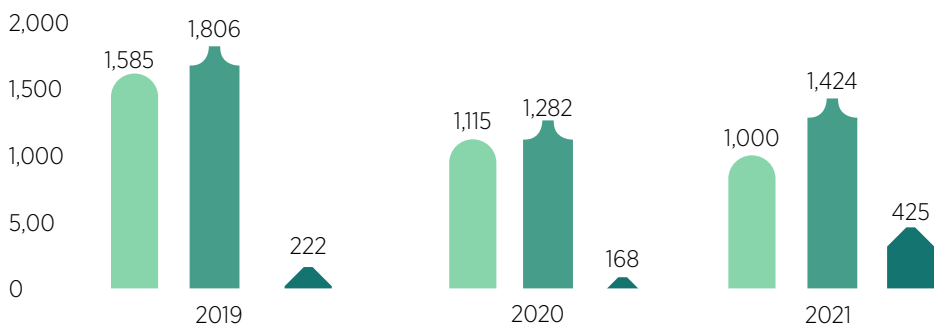
The **weak performance of Philippine agriculture** can be attributed to the following factors:

**1.9 Production shocks** such as African swine fever (ASF), avian influenza, fall armyworm, and adverse climate change affected production in 2020 (FAO, 2021). Other viruses that affected the production of key commodities are the rice tungro disease, banana bract mosaic virus, papaya ringspot virus, and abaca bunchy-top virus. Unfortunately, the country does not have the capacity to treat these diseases and develop vaccines accordingly due to the lack of biosecure facilities and an authority that is dedicated to the study and conduct of research across the fields of human, plant, and animal virology.

Figure 1.2

### Volume of Production, Consumption, and Importation of Swine Meat in the Philippines

*In thousand Metric Tons, January 2019 – January 2021*



Source: *statista.com*, retrieved May 31, 2022

Production Consumption Importation

The spread of ASF coupled with prolonged lockdowns resulted in lower swine meat production from 1.6 million metric tons in 2019 to 1.1 million metric tons in 2020 and 1.0 million metric tons in 2021. As of early 2021, domestic consumption of pork in the country reached 1.424 million metric tons. Along with the increase in consumption was a significant increase in the country's pork imports which reached 425,000 metric tons in 2021, from 168 thousand metric tons in 2020. (Statista Research Department, 2022).

### 1.10 Soaring cost of fertilizer

According to the Fertilizer and Pesticide Authority (2021), fertilizer prices were stable until the increase started in March 2021 for the six major fertilizer grades. As of October 2021, the increase in price for 50kg/bag ranges from 18% to as high as 38% namely: muriate of potash (MOP) at P1,412.98 from P1,195.43 (18% increase); di-ammonium phosphate (DAP) at P1,927.57 from P1,602.86 (20% increase); Complete fertilizers (T14) at P1,378.17 from P1,112.70 (24% increase); ammonium phosphate (ammophos) at P1,275.60 from P976.34 (31% increase); nitrogen (urea) is at P1,540.17 from its P1,166.14 in January 2021 (32% increase); and ammonium sulfate (ammosul) at P842.86 from P612.44 (38% increase).

The FPA attributes the current fertilizer price hike to the following: 1) liberalization of fertilizers; 2) the country is a net importer of fertilizers; 3) increased global fertilizer demand; 4) increased prices of raw materials; and 5) increased transport and logistical costs (Roldan, Mula, Lansangan, Reyes, & Layag, 2021).

### 1.11 Weak crop diversification

As stressed by Villegas (2022), "diversification is weak with some 80% of the croplands planted to only three crops—coconut, rice, and corn which all

produce much below potential if these are compared to levels of productivity in other Association of Southeast Asian Nations (ASEAN) member States.” This is the reason why Philippine agricultural exports are way behind their ASEAN peers (Ibid.)

The enactment of the High Value Crops Development Act of 1995 recognizes the role of high-value crops (HVC) relative to traditional crops in advancing major national socio-economic goals. Despite this, the World Bank (2020) noted that the share of HVC in agriculture output increased only slightly over the last two decades—from 19.6% in 2000 to 20.6% in 2018 and 22.9% in 2019. Traditional crops still predominate in terms of share to agricultural output even increasing to 34.4% in 2018 from 31.4% in 2000. On the other hand, shares of non-crop agriculture—livestock, poultry, and fisheries—fell during this period, with fisheries recording the largest drop. The World Bank (2020) also noted that diversification to a broader mix of crops and livestock usually is a hallmark of transformation in agriculture, citing that economic development in the East Asia and Pacific region was accompanied by a shift in the product mix from food staples to HVC, livestock, and poultry. It has been proffered that the adoption of crop diversification maximizes the use of land and optimizes farm productivity and incomes (Espino & Atienza, 2001).

### **1.12 Challenges in harnessing the full benefits of modern biotechnology**

The country recognizes that biotechnology in agriculture or agritech has the potential to advance crop productivity and improve food security with the use of technological approaches that make use of biological systems to modify current ones. This is the main reason why the Philippines was the first ASEAN member-country to initiate a biotechnology regulatory system with the issuance of Executive Order No. 430 in 1990 which established the National Committee on Biosafety of the Philippines (NCBP) as an attached agency of the Department of Science and Technology (DOST). However,

regulatory issues and concerns that surfaced such as the need for a liability and redress mechanism (Polinag, 2020) slowed down the progress of agritech in the country. Other concerns are bureaucratic inefficiencies and institutional limitations, high investment costs for research and development, market protection and intellectual property issues, and resistance from interest groups (Domingo & Manejar, 2021).

**The Philippines Biosecurity System.** The effectiveness of the biosecurity system in the Philippines is marred by fragmented mandates arising from an outdated legal framework. Quarantine functions are split across four agencies, which limits the scope for coordination and resource sharing. The differing mandates and limits on the power of each of these agencies are embedded in separate laws, and in the case of the Bureau of Animal Industry (BAI) and Bureau of Plant Industry (BPI), those enabling laws are decades old. Biosecurity risks can enter the country through non-agricultural products, such as sea containers, machinery, vessels, and used vehicles, among others. Under the current structure, some functions are duplicated across DA agencies while some agencies do not have essential powers and functions that others have, such as market surveillance, protection of inspectors, power to enter establishments where agricultural products are stored, and limited liability in cases of delay or damages. The legally mandated fees should be updated, because some are too low (e.g., 20 centavos per metric ton in the case of BAI). The same is true of the monetary penalties for non-compliance - P1000 is hardly a deterrent.

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*Source: Transforming Philippine Agriculture During COVID-19 and Beyond  
World Bank, 2020*

### 1.13 Water scarcity in agriculture

As of 2017, the Philippines' fresh water withdrawals for agriculture use was around 73%, slightly higher than the global average of 72% (FAO, 2021). Agricultural water scarcity is mainly due to problems in project planning and design and poor operation and maintenance of irrigation projects. This is exacerbated by limited capacity to expand the irrigated area, lack of knowledge about groundwater aquifers, and potential negative impacts of climate change (FAO, 2021). The ballooning population, rapid urbanization, and human-induced land degradation are factors that have further increased the levels of risk for agricultural production and ecosystem services.

### 1.14 Ageing agriculture sector manpower

A survey conducted by the University of the Philippines - Los Baños showed that the average age of Filipino farmers is around 53 years old. According to former Secretary Dar, assuming that the average holds, the country might reach a critical shortage of farmers in just 12 years or so (Business Mirror, 2021). Apart from ageing manpower, the number of employed in agriculture has been on the downtrend from 10.0 million in 2018 to 9.3 million in 2019, the lowest since 1985. It has been noted though that during the first year of the pandemic there was a shift in employment to the agriculture sector due to the closure of enterprises in the manufacturing and services sectors.

Table 1.3

#### Employment in Agriculture

*In million persons, 2018-2020*

	2018	2019	2020
<b>Employment</b>	<b>41.2</b>	<b>41.2</b>	<b>39.4</b>
Agriculture	10.0	9.3	9.8
Share to Employment (%)	24.3	22.2	24.8

*Source: 2021 Selected Statistics in Agriculture, PSA*

## Extension and Support Services

### 1.15 Weak extension services and insufficient support in agriculture

The extension services of DA were devolved to the local governments through Republic Act No. 7160, or the Local Government Code (LGC) of 1991, to make services closer to farmers, fisherfolks, and other beneficiaries. However, major bottlenecks were encountered such as the following (Saliot, 2001):

- Lack of logistical support for extension workers;
- Less priority accorded to agricultural extension in provinces and municipalities;
- Need for a coordinating body for accurate downloading of information and proper implementation of instructions from the central government;
- Devolved extension staff lose career development opportunities;
- Mandatory agriculturist position in the provincial government, optional for the municipal governments, and mandatory appointments for veterinarian officer in provincial and city governments (Draft Report: Institutions/ Bureaucracy Committee, 1996); and
- Weak linkage between extension and research systems.

### 1.16 Insufficient crop Insurance

Crop damage from typhoons and natural calamities can ruin farmers' livelihoods and wreak havoc on the food supply. Although crop insurance can reduce farmers' risks, only about one-third of the estimated 10.9 million farm owners in the Philippines are presently covered (Asian Development Bank, 2022). Reaching agricultural producers, particularly small farmers, has been one of the major difficulties of the Philippine Crop Insurance Corporation (PCIC). Penetration rates of the PCIC may be improved by establishing partnerships with more local government units in providing information dissemination and assistance to their constituents. Authorizing the PDIC to act as a reinsurer



for other companies willing to offer agricultural insurance can also enhance market penetration (Reyes & et al, 2019).

### 1.17 Weak access to credit and financing

Republic Act No. 10000, or the Agri-Agra Reform Credit Act of 2009, which primarily aims to enhance the access of the agricultural sector to financial services and programs, and Republic Act No. 11057, or the Personal Property Security Act, which increases access to credit by enabling borrowers to secure financing using non-traditional collaterals such as warehouse receipts, livestock, machinery and equipment, are among the notable laws governing credit for the agricultural sector. Despite the Agri-Agra Reform Credit Act of 2009 and other related policies and programs, numerous studies have pinpointed poor access to credit and other financial services as a major impediment to the development of the agricultural sector. In terms of availment of loans, data from the BSP show that the share of the agriculture sector to total outstanding loans for production in the Philippine banking system has been declining over the years (Sawali, 2021). Meanwhile, the Personal Property Security Act only has general provisions on credit for all moveable collaterals except interests in aircraft, thus the need for a law solely on warehouse receipts for the agricultural sector that shall make credit accessible on the basis of ownership of stored commodities.

The non-compliance of banking institutions with the mandatory credit quota is the major issue in the implementation of Republic Act No. 10000. Banks would rather pay the penalties stipulated in the Act due to the perceived risks in lending to agriculture. In addition, the implementation of the ACEF has been problematic due in part to the very low repayment efficiency—which may indicate the need for a conduit bank, and irregularities such as unaccounted funds noted in the Quedan and Rural Credit Guarantee Corporation. The ACEF is expected to lapse in 2022, as provided in the law's sunset clause, after having been extended previously through Republic Act No. 10848.

### 1.18 Digital gap/divide in agriculture

The so-called digital divide pertains to the capacity to access and utilize digital technology as a result of economic barriers to digital infrastructure and the inability to acquire digital knowledge and skills. The apparent digital gap in agriculture hinders the transition of small farmers and fisherfolks from the traditional to more advanced agricultural production systems, and results in the loss of opportunities made available by modern technologies along the value chain and in high-value markets. Among the causes of the digital divide are limited availability of and access to digital tools and services and poor physical infrastructure. This has been exacerbated by the relatively high cost of technologies that hinder and discourage farmers from engaging in technologically-advanced processes and their lack of technological know-how. Digitalizing the agriculture sector is a challenge for policymakers, especially in a country with ageing farmworkers, relatively low technology adoption rate, and generally risk-averse players.

### 1.19 Disconnect between small farmers and fisherfolks and the value chain

While the country produced a relatively high volume of agricultural commodities during the COVID-19 pandemic, small farmers hardly benefitted from increased productivity due to supply chain bottlenecks from farm to markets. The pandemic has affected small agri-food producers and highlighted their vulnerability to wide scale market-related and logistical disruptions, their lack of adaptive capacities, and the prevailing social inequities (United Nations Philippines, 2021).

### 1.20 Huge post-harvest losses

Mopera (2016) estimated that post-harvest losses in the country could reach up to 50% from the initial harvesting, grading, packaging, and transportation

from field to storage and distribution to the consumers. The huge losses were attributed to “the inherent nature of these produce, the tropical setting of the country, lack of post-harvest infrastructure and facilities, the way of handling and the multi-layered distribution system” (Ibid.). Meanwhile, in its study on the postharvest losses along the value chains of onion, tomato, and mango, the Southeast Asian Regional Center for Graduate Studies and Research in Agriculture, or SEARCA (2022) revealed the following:

- Mango produced in Iloilo and traded in Manila showed the highest rate of post-harvest losses at 33.89%, equivalent to 8,682 tons and valued at P434 million;
- The Pangasinan-Manila route ranked second at 30.85%, and Guimaras-Negros Occidental route ranked third at 19.02%, equivalent to 31,581 tons with a total value of P1.595 million;
- The Guimaras Mango Corporation that observes good agricultural practices posted the lowest post-harvest losses in shipping fruits to Manila at 11%;
- Freshly-harvested onions from Bongabon, Nueva Ecija and brought to the final market in Divisoria, Manila recorded postharvest losses of 45.06% (48,891 tons) with a value close to P1.96 billion;
- Post-harvest losses for the cold-stored onion chain with the same route totaled 63.90%, with an estimated volume loss of 69,333 tons which nearly costs P4.01 billion;
- Post-harvest losses of tomatoes produced in Nueva Ecija and traded in Manila reached 10.94% (1,930 tons);
- Owing to the longer transport time, an estimated volume of post-harvest losses of 41,125 tons valued close to P180 million was likewise noted in harvested tomatoes brought from Bukidnon to the final market in Manila, comprising about 24.14% of total harvest.

## Other Issues

### 1.21 High food wastage

In the 2021 Global Hunger Index, the Philippines ranked 68th out of 116 countries with a score of 16.8, deemed a moderate level of hunger. But the SWS self-rated survey shows that 3.1 million Filipinos experienced hunger in the 1st quarter of 2022, an increase from the 3.0 million families in December 2021 and from the 2.5 million families in September 2021. In spite of the prevalence of hunger, an average Filipino wastes 86 kilograms of food every year, with 35% coming from the food service and retail sectors (Hunger and Foodwaste in the Philippines, 2022).

### 1.22 Fragmentation of agricultural lands

In June 10, 1988, the Comprehensive Agrarian Reform Program (CARP) through Republic Act No. 6657, or the Comprehensive Agrarian Reform Law facilitated the redistribution of public and private agricultural lands to farmers who are landless, irrespective of tenurial arrangements. After twenty years of CARP implementation, the land acquisition and distribution (LAD) component of the program still had to distribute a balance of 1.6 million hectares to claimant farmer-beneficiaries. To address this, the LAD component was extended to 5 years, until 30 June 2014. The Department of Agrarian Reform maintained that until all pending land distribution activities are finalized and executed, it still has the authority to pursue land distribution. As a result of the protracted land distribution under the CARP, farm size has diminished from an average of 3.6 hectares in 1960 to just 1.3 hectares in 2012.

While the purpose of CARP is commendable, it has not fostered the economies of scale that would enable more farmers, fishers, and agriculture

entrepreneurs to produce and earn more. According to former DA Secretary Dar, “Farm consolidation and clustering can significantly increase the productivity and competitiveness of Filipino farmers and fishers, including agripreneurs, as they will achieve economies of scale” (da.gov.ph, 2022 May 24).

### 1.23 High prices of rice

The retail price of palay was highest in 2018 at roughly P45 per kilo. In 2020, the average domestic retail price of rice went down to around P41.68 per kilogram. By the second quarter of 2021 the average retail price of rice was P37.37. In 2018, the Rice Tariffication Law (Republic Act No. 11203) was passed to make rice more affordable to Filipinos and ensure its availability in the domestic market, among other objectives. Under the law, a mandatory review will be conducted by the Congressional Oversight Committee on Agricultural and Fisheries Modernization (COCAFAM) after six years of its implementation to determine whether the Rice Fund created under the law is still necessary and should therefore be continued, or otherwise terminated, using the increase or decrease in farmers’ income as a primary benchmark in determining the effectiveness of the interventions under the program.

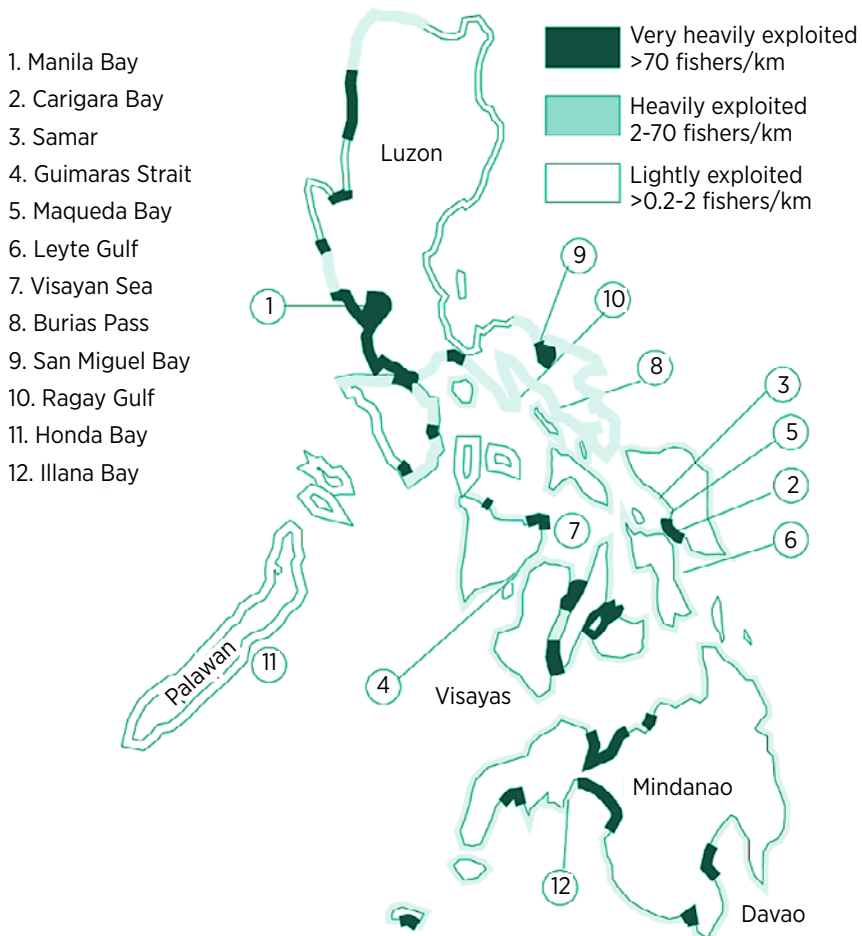
### 1.24 Lack of an independent national agency to manage fisheries and aquatic resources

The blue economy which encompasses the fisheries industry is different from agriculture and is deemed too large in scope to be handled by the DA which is already beset with many problems and challenges such as declining productivity and competitiveness. With its many concerns, the DA only allocated around 6.7% of its P68.57 billion 2022 budget to the Bureau of Fisheries and Aquatic Resources (BFAR). Being an archipelagic country with rich aquatic and marine resources, proper attention must be accorded

the "blue economy". According to Philippine Agriculture 2020 of the National Academy of Science and Technology of the DOST, the Philippines has a coastline of 36,289 kilometers with 26.6 million hectares of coastal waters, 193.4 million hectares of oceanic waters and 842,247 hectares of inland waters. In comparison, the country's total land area is only 30 million hectares, 36% of which are arable or suitable for farming (Guerrero, 2018).

Figure 1.3

**Map of heavily exploited areas in the Philippines**



Source: Allan T. White, *The Values of Philippine Coastal Resources: Why Protection and Management are Critical*, 1998

## WHAT HAS BEEN DONE

### **On production support**

**Republic Act No. 11524**, or the Coconut Farmers and Industry Trust Fund Act, mandates the management and utilization of the Coconut Farmers and Industry Trust Fund for 50 years through the Coconut Farmers Industry Development Plan formulated by the Philippine Coconut Authority.

**Republic Act No. 11511**, Amending RA No. 10068 or The Organic Agriculture Act of 2010, declares the comprehensive policy of the State to promote and further develop the practice of organic agriculture in the country, and promote community-based organic agriculture systems through the reorganized National Organic Agriculture Board.

**Republic Act No. 11321**, or the Sagip Saka Act, Institutes the Farmers and Fisherfolks Enterprise Development Program of the DA that has a comprehensive set of objectives, targets, and holistic approach in promoting the establishment of enterprises involving agricultural and fisheries products.

**Republic Act No. 10659**, or the Sugarcane Industry Development Act of 2015, promotes and supports the competitiveness of the sugarcane industry through the implementation of a Productivity Improvement Program, the provision of extension services, stakeholders' contribution to human resources development, and infrastructure support.

**Republic Act No. 10593**, or the Coconut Preservation Act of 1995, prohibits the cutting of coconut trees except when the tree a) is 60 years old for tall varieties, and at least 40 years old for dwarf varieties; b) is no longer economically productive; c) is severely disease-infested and beyond rehabilitation; d) is severely damaged

by typhoon or lightning; and e) would cause hazard to life and property; and the land devoted to coconut production will be converted, in accordance with the law, into other agricultural uses.

**Republic Act No. 9496** entitled "An Act to Extend the Utilization Period of the Agricultural Competitiveness Enhancement Fund, Amending Republic Act No. 8178, entitled "An Act Replacing Quantitative Import Restrictions on Agricultural Products, Except Rice, with Tariffs, Creating the Agricultural Competitiveness Enhancement Fund, and For Other Purposes", and **Republic Act No. 10848** entitled "An Act Further Extending the Period of Implementation of the Agricultural Competitiveness Enhancement Fund (ACEF), Amending For the Purpose Republic Act No. 8178, as amended by Republic Act No. 9496, entitled "An Act Replacing Quantitative Import Restrictions on Agricultural Products, Except Rice, with Tariffs, Creating the Agricultural Competitiveness Enhancement Fund, and For Other Purposes", extend the utilization period of the Agricultural Competitiveness Enhancement Fund until 2015 and 2022, respectively. RA 9496 mandates that all unused duties after expiration, if any, will accrue to Special Account 183 in the General Fund and will be deposited with the National Treasury, while RA 10848 stipulates that the Fund will be earmarked for the following: 80% in the form of credit, 10% as grants for research and development and 10% for grant-in-aid program.

### **On extension and support services**

**Republic Act No. 11901**, or the Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022, provides for alternative compliance by banking institutions to the mandatory credit requirement, including lending to rural community beneficiaries to finance agricultural and fishery-related activities, as well as by investing in securities with proceeds meant to finance these kinds of activities, investing in fixed-term deposit products of rural financial institutions (RFI), acquiring shares of RFIs, lending for construction and upgrade of agricultural



infrastructure, extending credit to agri-businesses that have commodity supply-chain arrangements with rural community beneficiaries, and are engaged in sustainable finance.

**Republic Act No. 10000**, or the Agri-Agra Reform Credit Act of 2009, mandates all government and private banking institutions to allocate at least 25% of their total loanable fund for agriculture and agrarian reform beneficiaries (ARBs). Fifteen percent of the loanable fund must be allocated to the agriculture sector and the remaining 10% to ARBs.

**Republic Act No. 11598**, or the Cash Assistance to Filipino Farmers Act, authorizes the DA to provide direct cash assistance to farmers who are tilling two hectares and below of rice land, until 2024, to be sourced from the annual tariff revenues in excess of P10B of the Rice Competitiveness Enhancement Fund created under Republic Act No. 11203.

**Republic Act No.11057**, or the Personal Property Security Act, increases access to credit especially for micro-small and medium enterprises and farmers and fisherfolk by enabling borrowers to secure financing using non-traditional collaterals such as account receivables, inventory, warehouse receipts, crops, livestock, machinery, and equipment.

**Republic Act No.10969**, or the Free Irrigation Service Act, exempts farmers with up to 8 hectares of land from paying irrigation service fees to the National Irrigation Administration (NIA), condones unpaid irrigation fees, penalties and loans of the covered farmers, and expunges these from NIA records, and mandates the construction and maintenance of the necessary irrigation facilities.

**Republic Act No. 10601**, or the Agricultural and Fisheries Mechanization (AFMech) Law, mandates the formulation of a National Agri-fishery Mechanization Program and a Unified National Research and Development and Extension

Agenda to promote the development and adoption of modern appropriate and cost-effective and environmentally-safe agricultural and fisheries machinery and equipment.

### **Other laws**

**Republic Act No. 11203**, or the Rice Tariffication Law, mandated that tariff collections from rice imports shall go to the Rice Competitiveness Enhancement Fund. Collections in excess of the P10 billion shall form part of the Rice Farmer Financial Assistance.

**Republic Act No. 10845**, or the Anti-Agricultural Smuggling Act of 2016, declares as economic sabotage the large-scale agricultural smuggling of the following products: sugar, corn, pork, poultry, garlic, onion, carrots, fish, and cruciferous vegetables either in their raw form, or as prepared or preserved for the market, through simple processing, with a minimum value of P1 million, or rice worth at least P10 million.

**Republic Act No. 10654**, Preventing, Deterring and Eliminating Illegal, Unreported and Unregulated Fishing, strengthens the enforcement of RA 8550 or the Fisheries Code of the Philippines pursuant to the country's international commitment, including the United Nations Convention on the Law of the Sea, by increasing penalties for violations.

## WHAT NEEDS TO BE DONE

To revitalize agricultural productivity and attain food security, it is necessary to complement and strengthen available existing laws and enact other necessary reforms to address the challenges hounding the sector. A total of 21 measures are proposed towards strengthening the agricultural sector.

### **On production support**

**Rationalize and restructure the Philippine livestock industry support agencies** to establish more responsive government policies and support programs, tighten the regulatory functions on food safety and quality standards on livestock produce and processed products, and give prime focus to the development of the livestock industry in the Philippines. To pursue this effectively, the merger of the Bureau of Animal Industry (RA 3639), the Philippine Carabao Center (RA 7307), National Dairy Corporation (RA 7884), and the National Meat Inspection Service (PD No. 7, s. 1972 as amended by RA 9296) to form the Philippine Livestock Authority (PLA) is proposed. The PLA shall be tasked to formulate the Philippine Livestock Development Framework to serve as a guide in the formulation of plans, programs and projects for the propagation, and utilization of livestock and the development of the industry.

**Establish the Philippine Virology Science and Technology Institute.** To develop the country's capacity in science and technology, specifically in the field of virology, the establishment of an institution that will conduct in-depth studies on viruses and their potential disease-causing agents that affect people, plants, and animals, provide the scientific bases for the treatment of viral diseases, and formulate policies that shall help prevent the transmission of these diseases, is proposed.

**Promote safe and responsible use of modern biotechnology** for the development of bio-based industries in agriculture, agroforestry, food processing, human health and medicine, and processing of high-value commercial products. The proposed policy shall provide for the establishment of a Biotechnology Authority of the Philippines that shall be charged with the development and regulation of the biotechnology industry. The development of human resources in the field of modern biotechnology and the establishment of state-of-the-art facilities for the processing of high-value products and medical (pharmaceutical) preparations with modern biotechnology components are among the primary objectives of the proposed measure.

**Promote the development of organic and microbial-based fertilizer** as an alternative source of fertilizer particularly for small scale farming to mitigate the impact of the rising price of commercial fertilizer. For instance, a 5-6 sachet of Bio-N organic fertilizer would cost P500-600 only and can replace 100 kg of chemical fertilizer that costs P5,000 to P6,000 (DA, June 2022). Further, it is necessary to enjoin stakeholders, especially research and development institutions and extension services agents to expand the research and development, capacity building, and upscaling of bio fertilizers, stimulants, technologies, as well as related farm practices to reduce production cost and increase yields.

**Enact a National Land Use Policy** that fully integrates a watershed ecosystem management framework to help secure water sources for agricultural production. The proposed measure should cover the following critical points: 1) sustainability and resilience as the key principles of the measure, 2) adoption of a landscape-based approach, 3) determination of suitable uses of land, 4) implementation of land capability zoning, 5) participatory and transdisciplinary process of analyzing the tradeoffs, 6) development and use of a common

framework, and 7) provision of incentives for sustainable land management practices, among others.

**Enact a policy that shall promote the use of modern, cost-effective, space-efficient, and environmentally-safe agriculture technologies in urban areas** to achieve sustainable food production and food security, ensure adequate nutrition, promote public health, and improve the quality of life of urban populations. Under this proposal, idle or abandoned government or private lands, subdivisions or villages, public housing, open spaces in all urban, peri-urban and urbanizable areas in the country, and all available and appropriate land resources in state or private universities and colleges, and military camps suitable for growing crops and raising poultry, livestock and aquaculture land may be utilized for urban agriculture purposes.

**Institutionalize programs and support mechanisms for young farmers and fisherfolk** to support and empower them to be active partners in food security and agricultural development efforts. To make agriculture attractive to young Filipinos, the following strategies shall be part of the proposed policy:

- Incoming college students shall be encouraged to pursue careers in agriculture and fishery;
- Career options for students and graduates of agriculture and fishery courses shall be provided;
- Agriculture and fishery students shall be involved in the extension work of educational institutions;
- Students, graduates, and out-of-school youth with academic background in agriculture and fisheries shall be given support in their entrepreneurial pursuits in agri-business.

### **On extension and support services**

**Strengthen the National Agriculture and Fisheries Extension System** to support the development of agriculture and the blue economy in the country from a resource-based industry to a knowledge-based and market-oriented industry by utilizing research results in education, extension work, and communication services. Under this proposal, the Agriculture Training Institute shall be transformed into the Philippine Agriculture and Fisheries Extension Agency that shall be tasked to develop and maintain a unified and efficient agriculture and fisheries extension and support services system in the country. In addition, a Local Government Extension Service for agriculture and fisheries is likewise proposed in consonance with the Supreme Court ruling on the *Mandanas-Garcia* case.

**Amend the Warehouse Receipts Law** to enable the agricultural sector, including entities engaged in agribusiness, to convert goods into credit through a simplified, unified and modern framework for the storage of goods.

**Improve the provision of farm investment support, input subsidy, and access to credit** by extending beyond 2022 the validity of the Agricultural Competitiveness Enhancement Fund (ACEF), subject to the review of the Congressional Oversight Committee on Agriculture and Fisheries Modernization. The proposed measure may provide for the training of beneficiaries on the nature of support to be availed of, and ways to ensure resilience in case of unforeseen events that may affect repayments.

**Amend the Philippine Crop Insurance Corporation (PCIC) Charter** to expand its role by providing reinsurance services to other companies that are willing to offer agricultural insurance. Through reinsurance, the PCIC can attract more participants in the crop insurance industry which ultimately will result in more affordable and competitive insurance rates, improved accessibility, and better penetration rates.

### Other policy reforms

Create the **Department of Fisheries and Aquatic Resources** and vest it with primary jurisdiction over the management, conservation, development, protection, utilization, and disposition of all fishery and aquatic resources in the archipelagic waters, territorial seas, and the exclusive economic zone of the country, and most importantly ensure the protection of the rights of local fishers. The proposal aims to strengthen and modernize all existing blue economy-related offices and agencies and provide for a rationalized structure and organization with the necessary resources to fully serve the archipelagic constituency.

**Mandate the implementation of a Food Wastage Reduction Policy** according to a National-Zero Food Waste Framework that will not simply raise awareness on the impact of food surplus but more importantly, provide strategies to decrease wasted food at food-related businesses and households. The proposed policy shall require food businesses, food banks and LGUs to create community-based food distribution systems and provide guidelines and standards for the collection, storage, and distribution of edible food donated to food banks.

**Enact a policy that shall provide a framework for the protection and promotion of the right to adequate food.** This proposed measure seeks to provide a comprehensive legal framework to harmonize all relevant Philippine laws on the right to adequate food. Under the proposal, the appropriately-mandated government agency shall act as a primary policy-making body that shall ensure the availability and accessibility of food in ways that are sustainable, and in the quantity and quality that are determined to be sufficient for the dietary needs of an individual.

**Promote the development of agricultural village farm management enterprises.** This proposal aims to hasten the doubling of rural household

incomes through the adoption of better production, processing, marketing, logistics, and financing technologies. By encouraging partnerships between agriculture village farm management enterprises and smallholder farmers and fisherfolks, economies of scale can be realized through the synchronization and consolidation of production. The proposal also aims to promote the creation of agricultural clusters, foster rapid learning among farmers and firms, and capture new investments to raise the competitiveness of local value chains.

**Propose amendments to the Comprehensive Agrarian Reform Program Extension with Reforms (CARPER) Act** with the aim of easing restrictions on agricultural lands by: (1) allowing awarded lands to be leased, including those with amortization debts; (2) increasing the land size limit from five hectares into viable size to accommodate economies of scale; (3) considering lands acquired by farmer-beneficiaries under any of the agrarian reform laws as lands with fee simple title; (4) removing DAR clearances on transfers of ownership of agricultural lands as monitoring of land ceilings should be delegated to the Land Registration Authority that has the electronic database on land transactions; (5) limiting the effectivity of existing notices of coverage to one year to reduce uncertainty on covered lands; and (6) condoning remaining land amortization debts of farmer-beneficiaries.

### **For study and oversight action**


**Inquire into the implementation of the High-Value Crop Development Act of 1995.**

**Inquire into the implementation of the Rice Tariffication Law** to assess its effectiveness.

**Determine the adequacy and efficiency of government post-harvest support** to the agriculture sector with the end in view of decreasing post-harvest losses.





A young girl with dark hair, wearing a pink dress with white polka dots and a white bow, is looking down at some green plants in a garden. The background is a blurred garden scene with various plants and trees. A green rounded rectangle is overlaid on the right side of the image, containing text and a tree icon.

Domain 2  
**Protecting the  
Environment  
and Adapting  
to Climate  
Change**



## Domain 2

# Protecting the Environment and Adapting to Climate Change

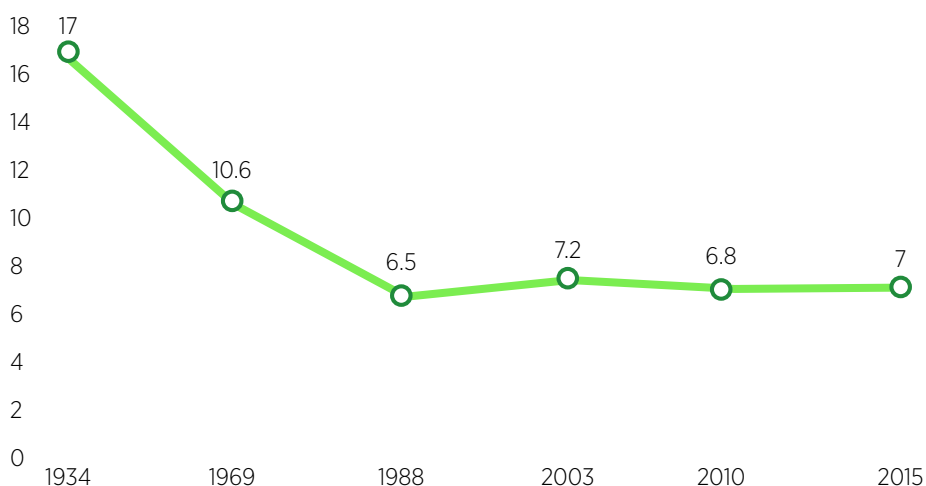
- 2.1 While shifts in weather patterns and temperatures may occur due to natural causes, population growth, economic and other human activities have become primary drivers of the changing environment in recent history (UN, 2020). Adverse climate change and environmental degradation negatively impact national development and the well-being of people. Biodiversity loss, deforestation, and air pollution are among the mechanisms that can trigger the spread of infectious diseases and may exacerbate conditions of vulnerability in the population thereby undermining human security. Worsening climate change and dangerous weather such as stronger typhoons, severe drought, intense heat waves, rising sea levels, and warming oceans (WWF, 2018) highlight the people's vulnerability, especially in the poorest segments of society. To mitigate the impact of environmental hazards, sustainable management of natural resources and improving environmental quality must be strengthened to ensure the inclusive and resilient growth of the economy.
- 2.2 Worrisome, however, is the persistent degradation of the environment in spite of the numerous laws and policies on natural resource conservation and environmental protection. In 2020, the Philippines ranked 111th out of 180 countries in the Environmental Performance Index (EPI) in terms of protecting the population from environmental health risks and preserving its own ecosystems. The pandemic has become a wake-up call to consider alternative pathways in achieving sustainable long-term growth and development, primarily through the adoption of better-targeted policies that protect the environment. Given the exacerbating impacts of environmental degradation and climate change, it is imperative for the country to make a stronger commitment toward a cleaner environment, healthier ecosystems, and a low-carbon future.

## ISSUES AND CHALLENGES

### 2.3 Outdated and contradicting forest policies render ineffective the management of forest resources

Presidential Decree No. 705 (PD 705), or the Revised Forestry Code of 1975, is still the basic forestry policy today. It was promulgated when trends and development in Philippine forestry were still characterized mainly by the massive commercial exploitation of forest resources. As a highly regulatory, centrally-controlled, and industry-biased decree, PD 705 can no longer be the policy guidance in the forestry sector in the current milieu. Aside from PD 705, past administrations issued a number of executive orders, administrative orders, and circulars on forest management. The multiplicity of these policies not only resulted in overlaps and inconsistencies, but likewise rendered ineffective the management of forest resources.

Figure 2.1  
**Philippine Forest Cover**  
*In Million Hectares, 1934-2015*



Source: World Bank (2009), Food and Agricultural Organization, Forest Management Bureau

Notwithstanding the issuance in 2011 of Executive Order No. 23, proclaiming a total log ban in the country, illegal logging activities continued. For example, from July to September 2021, the Department of Environment and Natural Resources (DENR) Anti-Illegal Logging Task Force (AILTF) seized P9.5 million-worth of illicit forest products from its 24 operations conducted in 41 AILTF-identified illegal logging hotspots across the country (DENR, 2021).

In 2020, the Philippines ranked 97<sup>th</sup> globally in protecting its forests (Yale University, 2020). Of the 17.0 million hectares forest cover in 1934, only 6.8 million hectares were actually covered by forest in 2010 (see Figure 2.1). In 2015, forest cover slightly increased by 174,438 hectares from the 2010 level, improving to 7.0 million hectares due to the massive reforestation effort under the National Greening Program (NGP).

#### 2.4 Undefined boundaries hamper the conservation of forestlands and national parks

In 2012, the DENR completed the actual demarcation of forest line boundaries. However, without a law specifying the country's forest limits, these boundaries cannot be fully recognized. Article XII Section 4 of the 1987 Constitution states that *“Congress shall, as soon as possible, determine by law the specific limits of forest lands and national parks, marking clearly their boundaries on the ground. Thereafter, such forest lands and national parks shall be conserved and may not be increased or diminished, except by law.”* The undefined and arbitrary limits of forestlands make it difficult for forest administrators and actual field managers to promote with authority the various forest development thrusts of the government. It also complicates the segregation of forest areas meant for production purposes from those meant to be protected and preserved. There are conflicts in jurisdiction over portions of forestlands that have been declared protected areas within

ancestral domains because they are likewise the subject of authorized mining concessions.

The undefined forest limits can lead to habitat loss due to encroachment and misuse. It is widely perceived that the loss of natural habitats like forests has led to the displacement of wildlife and encroachment into human settlements. Some evidence show that the loss of habitat could lead to an increase in animal-borne diseases (Neuman, 2020).

## **2.5 Overexploitation and loss of wildlife call for more specificity on prohibited acts and the imposition of stiffer penalties**

Despite the clear importance of Philippine wildlife, their existence continues to be threatened by over-exploitation, illegal wildlife trade, habitat degradation and fragmentation, introduction of invasive alien species, pollution, and climate change. The illegal wildlife trade brings target species closer to extinction. The illegal collection of wildlife genetic resources deprives Filipinos of the monetary benefits from the development of products and technologies from these natural resources. Thus, a clearer, more specific definition of prohibited acts and the imposition of stiffer penalties are needed to enhance the deterrent effect of rules and remove the legal loopholes exploited by illegal wildlife collectors and traders. According to the DENR, the most traded wildlife species are the Philippine forest turtle, hawksbill turtle, Southeast Asian box turtle, Asian leaf turtle, Palawan pangolin, blue-naped parrot, Palawan hill mynah, and tokay gecko, among others.

Table 2.1  
**Top 15 Endangered Species in the Philippines**

Animal Species	Status
1. Philippine Crocodile	Critically endangered
2. Philippine Eagle	Critically endangered
3. Tamaraw	Critically endangered
4. Bombon Sardine	Endangered
5. Calamian and Philippine Spotted Deer	Endangered
6. Tarsier	Near threatened
7. Sea Turtles	Endangered (green turtle), Vulnerable (loggerhead turtle, leatherback turtle, Olive Ridley turtle) Critically endangered (Hawksbill Sea turtle)
8. Balabac Mouse Deer	Endangered
9. Wild Pig (Baboy Damo)	Critically endangered (Visayan warty pig), Vulnerable (Philippine warty pig and Mindoro warty pig), Near threatened (Palawan bearded pig)
10. Philippine Forest Turtle	Critically endangered

Plant Species	Status
1. Waling-Waling	Critically endangered
2. Kris Plant	Endangered
3. Staghorn Fern	Critically endangered
4. Arabica Coffee	Endangered
5. Catmon	Vulnerable

Source: Fernando (2021) 15 of the Many Endangered Species in the Philippines Everyone Must Protect Now

## **2.6 The implementation of the environmental impact assessment (EIA) system has not deterred anti-environment practices**

A number of policy directives have been issued through the years to strengthen, expand, and refine the existing procedures of the EIA System. However, even in combination with existing environmental legislation, the EIA System is still not enough to significantly address or deter anti-environment practices and behavior. The lack of commitment from concerned sectors to comply with rules and guidelines throughout the project cycle, and the lack of institutional capacity of the implementing agency are seen as major stumbling blocks to the EIA process (Villaluz). Thus, there is a need to revisit and strengthen the use of the EIA system as a planning and monitoring tool.

## **2.7 The absence of an integrated and sustainable land use planning policy hinders effective land administration and management**

Multiple policies emanate from different authorities that deal with the management of land resources in the Philippines. De los Reyes (2016) in his “End of Term Report” as Secretary of the Department of Agrarian Reform (DAR) discussed the problem of having many agencies responsible for land administration and management. The DAR, DENR, and the National Commission for Indigenous People (NCIP) have the power to distribute lands. As a result, overlapping land grants have been issued to beneficiaries. Further, the Land Management Service (LMS) of the DENR verifies and approves both original surveys and subdivision surveys while the Land Registration Authority (LRA) under the Department of Justice also approves subdivision surveys.

Unclear and inconsistent land policies have led to overlapping land claims, ineffective zoning, unsustainable land conversion, habitat loss and ecosystem degradation, and the conversion of forest areas for agriculture and housing needs. Thus, it is imperative to enact a comprehensive land use policy to replace outdated laws and harmonize existing land laws and regulations.



## 2.8 The sectoral management approach needs to be reviewed to prevent the deterioration of coastal and marine ecosystems

Habitat loss, coastal development, and destructive activities increasingly threaten coastal biodiversity and livelihoods. Existing national laws and regulations already provide a basic framework for coastal and marine management, but the multiplicity of laws and problematic institutional setup hinder effective management. The Government has categorized coastal and marine development activities into sectors and has assigned different government institutions to manage each sector (see Table 2.2).

Table 2.2

### Agencies Involved in Coastal and Marine Management

Mandates	Agencies
Policy formulation	LGU, FARMC, NGA, DENR
Resource assessments (coastal and marine)	DA-BFAR, DENR, PCAMRD
Statistics gathering and compilation	DA-BAS, DENR, DA-BFAR
Establishment of protected areas	LGU, DA-BFAR, DENR, Congress
Mangrove reforestation	LGU, DENR
Fishery licensing	Municipal waters: LGU; offshore waters: DA-BFAR
Pollution law enforcement	LGU, PCG, DENR
Land use management	LGU, DENR
Tourism management	LGU, DOT
Reclamation	DENR-EMB, DENR-LMB, PEA
Pollution monitoring including marine waters	LGU, DENR-EMB, PCG
Establishment of municipal fishing ports	PFDA, PPA, LGU
Research	DA-BFAR, DA-BAR, DOST PCAMRD

Source: MPP-EAS Strategic Environmental Management Plan for the Batangas Bay Region, Technical Report 3 GEF/UNDP/IMO Regional Program for the Prevention and Management of Marine Pollution in the East Asian Seas, 1996.

The DENR has the overall responsibility of environmental protection and management of both marine and coastal environment even as LGUs also have broad governmental powers to manage fisheries and aquatic resources within municipal waters. The Bureau of Fisheries and Aquatic Resource (BFAR) of the Department of Agriculture, under the Fisheries Code, exercises general jurisdiction over all waters outside of municipal waters. However, the sectoral management approach has failed to avert the rapid deterioration of the coastal and marine environment. Due to the interconnectivity of coastal and marine ecosystems, an integrated and holistic management approach is needed to address these challenges.

## **2.9 Marine pollution from ships and other land-based sources increases the risk of environmental damage**

Increase in offshore petroleum exploration and development and growth in domestic and foreign shipping incidental to economic activity subject coastal communities to higher risks of environmental damage from operational or accidental marine pollution, and tend to displace traditional uses of the coasts and seas. In addition, almost all near-shore ecosystems within or near urbanized areas in the Philippines are threatened by organic pollution from industrial, commercial, and domestic wastewater.

Pollutants, including plastic wastes, can enter the ocean environment through multiple routes and destroy the marine environment resulting in fewer fish catch, unhealthy coral reefs, and poor water quality. Globally, the Philippines ranked third among countries that pollute the ocean the most (Jambeck et al., 2015). Further, the Pasig River ranked eighth in the world in 2015 with a mass input of 38,000 tons of plastic marine debris (Lebreto et al., 2017).

## 2.10 Threats of marine degradation and disturbance in the Philippine Rise (Benham Rise) require legislative recognition and protection

Marine degradation from pollution, destructive fishing, and the effects of climate change continue to occur in Philippine waters. Majority of the country's marine ecosystems are already damaged and at risk of more destruction. The Philippine Rise is a rare exception. Its reefs are virtually untouched and undisturbed by human presence because of its offshore location.

However, the Philippine Rise has yet to be given full legal protection through legislation declaring it as a protected area. Without this proclamation, it is vulnerable to the same pressures that have devastated other reefs locally and worldwide. Without legal protection, this unique and pristine marine ecosystem is open to exploitation. Hence, the passage of a law that shall deter illegal fishing and environmentally-degrading activities in the Philippine Rise is necessary.

## 2.11 The use of plastic continues unabated

An average Filipino uses a little less than 600 pieces of product sachets per year, or around 1.64 pieces a day. However, urban areas consume as much as six pieces per person per day. For the entire Philippines, almost 164 million pieces of product sachets are used daily nationwide, equating to around 59.7 billion pieces of product sachets per year (Global Alliance for Incinerator Alternatives, 2019). Policy interventions to reduce the production and consumption of plastics have been implemented in the Philippines. Based on 2019 data from the DENR, 316 LGUs have passed ordinances either regulating or banning the use of plastic bags. However, plastic consumption continues to grow and the lack of a coherent national policy regulating or banning the use of plastic will only worsen the existing garbage troubles in the country.

## 2.12 Inadequate legal framework for hazardous and solid waste management poses risk to human health and the environment

As a signatory to the Basel Convention, the Philippines is committed to minimize

the trade of toxic wastes from other countries. However, the current legal framework in the management of hazardous and nuclear wastes in the country does not cover the trade of waste materials from abroad labeled as “recyclable garbage”, which includes plastics. Further, garbage in the form of electronic waste (e-waste) such as used lead batteries, plastic materials, used oil, and ash from coal power plants are still allowed into the country. The trading of waste primarily for “recycling” under certain conditions and the entry of e-waste into the country should be strictly monitored and sanctioned accordingly to mitigate serious health and safety risks.

The proliferation of medical wastes during this pandemic has compounded the garbage problem. When disposed of, the face masks that the citizenry has been using would generate roughly about 100 million “mask-waste” per day, or 3 billion monthly. Environmentalists have warned that infectious medical wastes could create serious adverse impacts on human health and the environment if not properly managed. But current policies on hazardous and solid waste management do not include provisions on the proper management of medical wastes deemed inimical to human health. With the ongoing pandemic and growing volume of medical wastes, a clear-cut policy on medical waste management should be promulgated.

### **2.13 There is a lack of waste management facilities**

The Philippines is producing over 21 million metric tons of garbage every year, or an average per capita generation of 0.4 kilos per day (Business Mirror, 2021). A surge in medical waste along with household waste, particularly plastic, poses severe challenges to environmental sustainability due largely to inadequate waste management facilities (Praveena & Aris, 2020).

In spite of the solid waste management law, the lack of waste segregation, material recovery facilities (MRF), and sanitary landfills have continued to

hamper its implementation. For example, in Quezon City, only 36 out of 142 barangays have established their own MRFs. In Rizal, only 148 MRFs are fully operational in 189 barangays (PIDS, 2021). Although former DENR Secretary Roy Cimatu had reiterated the call for LGUs to implement proper segregation in managing the disposal of solid wastes, there have been reports that some LGUs did not properly dispose their solid waste, and that garbage had been left uncollected (DENR, 2021). Thus, it is critical to consider other environment-friendly waste technology options to address the lack of waste treatment facilities in the country.

#### 2.14 **Current air pollution conditions require the updating of air quality standards**

Prior to the community quarantine protocols imposed due to the pandemic, the Philippines ranked 57<sup>th</sup> out of 98 countries in IQAir Air Visual's list of the world's most polluted countries in 2019. Concentrations of tiny PM2.5 averaged 17.6 micrograms per cubic meter (mcg/m<sup>3</sup>), exceeding the World Health Organization's (WHO) safety limit of 10 mcg/m<sup>3</sup> (Mongabay, 2020). According to research done in the United States, air pollution is linked to significantly higher rates of death in people with COVID-19. Despite improvement in air quality during the lockdowns, Metro Manila, which had the highest rate of COVID-19 infections and fatalities, continued to be the most polluted place in the country. People with chronic health conditions and those with lower income are disproportionately impacted by both COVID-19 and poor air quality. In its 2020 report, the non-profit environmental organization, Greenpeace, attributed the cause of an estimated 27,000 premature deaths per year in the Philippines to air pollution—primarily from coal, oil, and gas—which can also cost the country up to approximately 1.9% of GDP in economic losses annually. Outdated air quality standards and the lack of monitoring systems are at the heart of the problem.

Under the Clean Air Act of 1999, the DENR is required every two years to conduct a review of air quality standards for stationary sources and revise them, as necessary. However, the National Emission Standards for Source-Specific Air Pollutants mandated by law have not been updated since these were set in 1999 (Greenpeace, 2021) and could no longer address existing conditions. Updating the standards for air quality could lead to tighter regulations. Addressing these policy concerns could improve air quality in the Philippines and lessen greenhouse gas (GHG) emissions. Cleaner air could also mitigate the impacts of future disease outbreaks and thus minimize health risks.

### **2.15 Population increase, unsanitary practices and other water polluting activities threaten to further damage the environment and curtail the supply of clean water**

Less than 10% of the population has access to piped sewerage systems. For populations without access to a sewerage system, septic tanks are the main sanitation technology to contain wastewater both in urban and rural areas. Further, seven (7) million Filipinos reportedly resorted to open defecation in 2015 while nineteen (19) million are still using unimproved sanitation facilities (WHO, 2017). According to the National Economic Development Authority (2022), there are high fecal coliform values in all priority water bodies for public water supply and food production due to inadequate wastewater treatment facilities and insufficient measures to address other sources of pollution. In 2020, 3.5% of the population still do not have sanitation facilities while, 2.6% had unimproved facilities (PIDS, 2022; APIS 2020).

In 2015, the World Resource Institute (WRI) issued a warning that the Philippines is vulnerable to severe water shortage in the coming years because of the combined impact of climate change and population growth. Last February 2022, the National Water Resource Board (NWRB) reported that the water

level of the Angat Dam was at 196 meters, which is below the ideal level of 200 meters (BusinessWorld, 2022). There are currently more or less thirty (30) agencies which have concurrent jurisdictions over water resource utilization, a situation which does not augur well for the country given the water shortage outlook and urgency of the need to implement a streamlined and forward-looking water resource management plan.

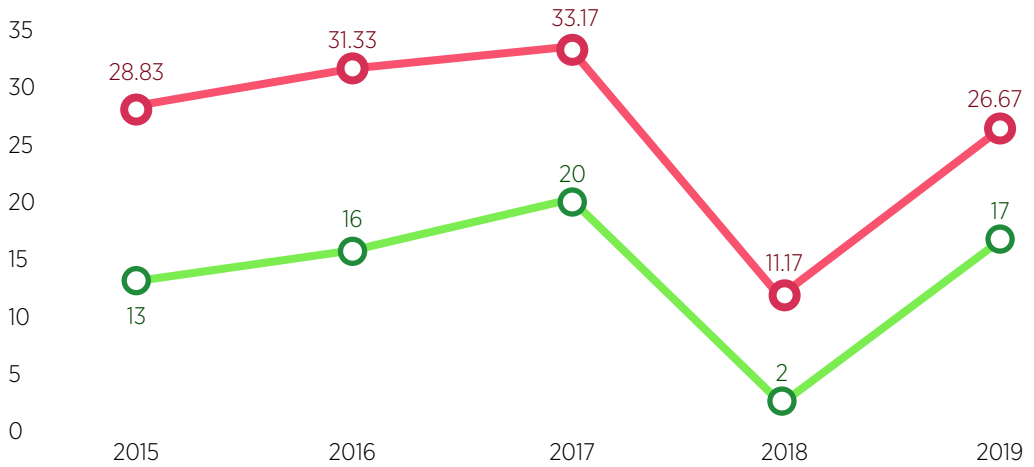
### **2.16 The government's disaster risk management program and services lack cohesion and do not promote accountability**

Based on the Global Climate Risk Index 2021, the Philippines ranked 17th among the countries in the world most affected by extreme weather events. In 2018, the Philippines ranked 2nd in the Climate Risk Index with a score of 11.17, the lowest that the country had received for the period 2015 to 2019 (see Figure 2). The Philippines also consistently ranked 4th from 2000 to 2019 among the countries most affected by climate change in terms of damages and loss of lives (GermanWatch, 2021). Further, direct losses to public and private assets caused by earthquakes and typhoons were estimated at US\$3.5 billion per year, on the average, or over 1.0% of the country's GDP (World Bank, 2020). According to PIDS (2022), the average temperature in the Philippines has been increasing by 0.011 Celsius per year. Despite there being no established trend on frequency, it is observed that there is an increase in the number of stronger typhoons during El Niño episodes.

For 2022, the World Meteorological Organization (WMO) Global Producing Centers for Long Ranged Forecasts has predicted that there is about 70% chance of the current La Niña conditions extending into arboreal summer 2022, and about 50-60% during July-September 2022. A La Niña event is characterized by exacerbated drought and flooding. The ongoing drought in the Horn of Africa and southern South Africa displays the La Niña effect, as does the above-average rainfall in Southeast Asia and Australia. (WMO, June 2022)

Climate change risks must be addressed both at the national and local levels by integrating climate change adaptation and mitigation strategies across all government planning. A common issue is the lack of proper coordination of plans between local and national agencies. Moreover, there are multiple entities involved in disaster management which resulted in weak coordination and conflicting roles. Thus, a central government agency is necessary to make disaster preparedness more comprehensive, responsive, and customized, based on technical and scientific analysis. An institution with sufficient powers is needed to oversee the implementation of streamlined disaster risk reduction and management policies nationwide. It should also have the necessary authority, mandate, and resources to lead and coordinate the efforts of different stakeholders towards a more disaster resilient nation. (see Figure 2.2)

Figure 2.2  
**Philippines Climate Risk**  
 Score and Ranking, 2015-2019



Source: Global Climate Risk Index 2017-2021, Germanwatch

○ Ranking ○ CRI Score



## 2.17 Heavy Carbon emissions increase global warming and climate instability

Industrialization and the burning of fossil fuels have led to ever-increasing levels of carbon dioxide (CO<sub>2</sub>) and GHG in the atmosphere, contributing to global warming and climate instability. Climate change is a major national and global concern, and the implementation of climate change adaptation programs is an urgent concern given the country's high vulnerability to climate impacts.

Electricity generation (power plants) produces the highest GHG emission, followed by the transportation and industry sectors (Table 2.3). On the other hand, by fuel type, fossil fuel particularly coal and oil, significantly contribute to high GHG emission (DOE, 2020).

Table 2.3

### GHG Emission

by Sector and Activity, and by Fuel Type, 2016-2020, MtCO<sub>2e</sub> (1)

Sector and Activity	2016	2017	2018	2019	2020
Industry	15.05	16.36	13.99	12.96	10.62
Transport	32.15	33.20	34.36	35.57	27.44
Others (2)	8.47	10.01	10.47	11.10	11.17
Electricity Generation	50.95	58.24	63.76	69.40	70.01
Energy (3)	0.63	0.68	0.74	1.04	0.77
<b>Total</b>	<b>107.25</b>	<b>118.48</b>	<b>123.32</b>	<b>130.07</b>	<b>120.01</b>

Fuel Type	2016	2017	2018	2019	2020
Liquid Fossil (Oil)	49.22	51.15	51.15	53.93	45.21
Solid Fossil (Coal)	50.37	59.78	59.78	67.66	67.10
Gaseous Fossil (Natural Gas)	7.66	7.55	7.55	8.49	7.70
<b>Total</b>	<b>107.25</b>	<b>118.48</b>	<b>123.32</b>	<b>130.07</b>	<b>120.01</b>

Notes:

(1) Metric tons of CO<sub>2</sub> Equivalent (MtCO<sub>2e</sub>)

(2) Others includes Household, Services and Agricultural Sectors

(3) Energy includes Oil Refining, Electricity and other Energy sector own use and losses

Source: Department of Energy, 2020 Philippine Energy Situationer

The Philippines has set a Nationally Determined Contribution (NDC) of 75% GHG emission reduction and avoidance by 2030 in accordance with its commitment to the Paris Agreement on Climate Change. The NDC represents the country's goal of pursuing low carbon and resilient development for the agriculture, waste, industry, transport and energy sectors over the 10-year period of 2020-2030. The NDCs are pledges submitted by countries to the United Nations Framework Convention on Climate Change (UNFCCC), particularly in limiting global warming to well below 2 degrees Celsius above pre-industrial levels or further to 1.5 degrees Celsius (DOF, 2021).

#### **2.18 Mining activities have impacted negatively on environmental sustainability**

Poor mining practices and weak enforcement of the law have earned for the Philippines very low marks in environmental sustainability. Over the years, the more than 800 mines that were abandoned throughout the countryside have caused massive environmental damage. The top four minerals mined in the Philippines are gold, nickel, copper and chromite. Among the non-metallic minerals mined in the country are sand and gravel, limestone, marble, clay and other quarry materials. Large-scale gold mining is particularly destructive because it involves the processing of huge volumes of ground rock, and the use of cyanide to separate gold from the ore. This process also releases other potentially harmful toxic metals, the monitoring of which has been described as inadequate in certain mining operations in the country. (Doyle et al, 2006)

The environment has borne the brunt of unregulated, unscrupulous, and illegal mining practices. Since the inception of small-scale mining almost three decades ago, the twin goals of growth and productivity under Republic Act No. 7076, or the People's Small-Scale Mining Act of 1991, have yet to be achieved. People engaged in small-scale mining and communities hosting *Minahan ng Bayan* operations have remained mired in poverty and burdened by social and health problems.

### 2.19 **The property rights of indigenous peoples over ancestral land are weak**

Indigenous peoples (IPs) are considered as environmental stewards in their ancestral domains and are expected to protect and sustainably manage the resources within their area. However, weak property rights compromise the role of IPs in the conservation of their lands. Because of the complexity and often clashing policies affecting property rights over ancestral lands, the legitimacy of commercial activities in IP's ancestral domains cannot be validated. For example, energy contracts are granted without the free and prior informed consent of affected indigenous communities. This seeming neglect of indigenous rights caused the community in Barangay Ned, Lake Sebu in South Cotabato to form the T'boli-Manobo S'daf Claimants Organization with the aim of reclaiming their ancestral domain and opposing the unauthorized incursions of private companies (Manila Times, 2022).

## WHAT HAS BEEN DONE

### **On ensuring sustainable management of natural resources**

**Presidential Decree No. 705, s. 1975**, or the Forestry Reform Code, lays down the basic principles of forest management and conservation.

**Executive Order No. 263**, issued in 1995 to institutionalize the Community-Based Forest Management (CBFM) program.

**Executive Order No. 318**, issued in 2004 to promote sustainable forest management in the Philippines.

**Executive Order No. 23**, issued in 2011 proclaimed a total log ban in the country to address the continuing problem of deforestation.

**Republic Act No. 9147**, or the Wildlife Resources Conservation and Protection Act, provides for the conservation and protection of wildlife resources and their habitats.

**Republic Act No. 7160**, or The Local Government Code (LGC) of 1991, provides for the jurisdiction and responsibility of municipalities over fisheries management up to 15 kilometers from the shoreline.

**Republic Act No. 7586**, or the National Integrated Protected Areas System (NIPAS) Act 1992, is the primary national legal framework that governs marine protected areas (MPAs) in the Philippines.

**Republic Act No. 11038**, or the Expanded National Integrated Protected Areas System (E-NIPAS) Act of 2018, provides a national framework for the declaration of all protected areas to preserve their ecological integrity.

**Republic Act No. 8550**, or the Philippine Fisheries Code of 1998, provides the framework for the development, management, and conservation of fish resources.

**Proclamation No. 489, s. 2018**, proclaimed a portion of the Philippine Rise as the Philippine Rise Marine Resource Reserve (PRMRR).

**Republic Act No. 7942**, or the Philippine Mining Act of 1995, was designed to revive the mining industry and attract more foreign investment by defining the agreements for mineral exploitation, and providing the requirements for acquiring mining rights.

**Republic Act No. 7076**, or the People's Small-scale Mining Act of 1991, establishes the *Minahang Bayan* to achieve an orderly, systematic, and rational scheme for the small-scale development and utilization of mineral resources.

**Republic Act No. 8371**, or the Indigenous Peoples' Rights Act of 1997, recognizes and promotes the rights of indigenous cultural communities over their ancestral land.

### **On enhancing environmental quality for a healthier and cleaner environment**

**Republic Act No. 11898**, or the Extended Producer's Responsibility Act of 2022, institutionalizes the Extended Producer Responsibility (EPR) on plastic packaging waste as a practical approach to addressing the worsening plastic pollution in the country. In line with the "polluter pays principle," this Act obliges enterprises to be accountable for the waste that their products generate.

**Presidential Decree No. 1152**, or the Philippine Environment Code provides for a comprehensive program of environmental protection and management.

**Republic Act No. 9003**, or the Ecological Solid Waste Management Act of 2000, provided for a systematic, comprehensive and ecological solid waste management program. The law ensures proper segregation, collection, storage, treatment and disposal of solid waste.

**Republic Act No. 6969**, or the Toxic Substance, Hazardous and Nuclear Wastes Control Act of 1990, provides for the control, supervision and regulation of activities on toxic chemicals and hazardous waste.

**Presidential Decree No. 1586 s. 1978**, or the Philippine Environmental Impact Statement System institutionalized the environmental assessment system to ensure that mitigation measures for the environmental impacts of any proposed projects or undertaking are identified, established and implemented.

**Republic Act No. 8749**, or the Clean Air Act of 1999, mandated the implementation of a comprehensive air quality management policy and program.

**Republic Act No. 9275**, or the Philippine Clean Water Act of 2004, provided for a comprehensive water quality management program which aims for the abatement and control of pollution from land-based sources, and the efficient and effective management of water resources.

**Presidential Decree Nos. 600 and 979 s. 1976** provides for the prevention and control of pollution of seas caused by the dumping of wastes and other matter.

**Republic Act No. 9483**, or the Oil Pollution Compensation Act of 2007, provided for the adoption of internationally-accepted measures that impose liabilities on entities that cause oil pollution damage to the marine environment.

**International Convention for the Prevention of Pollution from Ships (Marpol 73/78)** covers the prevention of marine pollution by ships from operational or accidental causes.

### **On improving adaptive capacities of communities and resources against impacts of climate change**

**Republic Act No. 9729**, or the Climate Change Act of 2009, mainstreams climate change into government policy formulation and development plans, established the framework, strategies, and program to address climate change impacts, and created the Climate Change Commission which is tasked to coordinate, monitor, and evaluate the programs and plans of the government relating to climate change.

**Republic Act No. 10121**, or the Philippine Disaster Risk Reduction and Management Act of 2010, provided a comprehensive, all-hazard, multi-sectoral, inter-agency, and community-based approach to disaster risk management through the National Disaster Risk Management Framework and mandated the creation of the Local Disaster Risk Reduction and Management Office.

**Republic Act No. 10174** amended the Climate Change Act of 2009, to establish the **People's Survival Fund**, a long-term finance stream to enable the government to effectively address climate change. This is an annual fund that may be accessed by LGUs for their climate adaptation projects.

## WHAT NEEDS TO BE DONE

### **On ensuring sustainable management of natural resources**

**Enact a sustainable forest management program.** The proposed policy aims to optimize the benefits to be derived from the utilization of forest resources by providing stakeholders equitable access to them and to share in the benefits from such utilization. It adopts the sustainable forest management (SFM) strategy as the overarching policy framework, the CBFM approach in forest management, and the watershed as the basic reference landscape for planning and monitoring. For purposes of planning and management, all forest lands shall be categorized either as for protection or for production purposes.

**Mandate the delineation of the specific limits of forest lands** for the conservation, protection, and development of the country's forest resources. The proposed measure shall define what constitutes forest lands and provide the guidelines in determining the specific limits of forest lands. It shall also provide for the creation of a National Review and Evaluation Committee to approve boundary assessment and delineation recommendations. Finally, it shall mandate the formulation of an evaluation system that would be used to monitor the state of the country's forest lands after delimitation.

**Amend the Wildlife Resources Conservation and Protection Act** to further strengthen and improve the existing law which was implemented 21 years ago by defining prohibited acts with more specificity and imposing stiffer penalties to remove the legal loopholes exploited by illegal wildlife collectors and traders. Enacting this policy reform will make the country



compliant with treaty obligations under multilateral agreements such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Convention on Biological Diversity (CBD), and the Convention on Migratory Species (CMS).

**Enact an Integrated Coastal Management (ICM) policy** to ensure the sustainable management of the country's coastal and marine environment and resources. Under this proposal, the ICM strategy in regulating different human activities, restoring and rehabilitating, and ensuring a multi-stakeholder and ridge-to-reef approach to ecosystem management shall be adopted. A National Coordinating Committee (NCC) on ICM shall be established to manage the implementation of the National ICM Framework and conduct a review of such implementation.

**Create a Department of Water Resources** to rationalize the management of water resources, sewage, and sanitation services. The proposed Department shall set the policy for the preservation of water resources in the country, regulate its supply to ensure optimal use, and devise ways and means for the long-term safety, protection and preservation of this very important natural resource. It shall be responsible for the building and maintenance of water-related infrastructure to ensure quality, accessible, and potable water.

**Declare the Philippine Rise as a Protected Area** to protect portions of the Philippine Rise and its surrounding waters through sustainable and participatory management, taking into account all applicable laws and international conventions to which the Philippines is a signatory. The active participation of the fisheries sector in the protection, conservation, and promotion of the Philippine Rise Marine Resource Reserve (PRMRR) is envisioned under this proposal.

**Enact a National Land Use law** to put in place a national land use policy that would provide for a rational, holistic and just allocation, utilization management, and sustainable development of the country's land and water resources. Under the proposed measure, land use shall be classified for the purpose of planning and utilization as follows: a) protection land use, b) production land use, c) settlements and institutional land use, and d) infrastructure land use.

**Enact a Responsible Mining law** to avoid or minimize the impact of mining on the environment, and prescribe standards for responsible mining, including business integrity, social responsibility, environmental responsibility, reclamation and closure, and management systems. With the adoption of these standards, it is expected that mine waste and mine facilities shall be managed in a manner that shall minimize, if not eliminate the possibility of offsite contamination, and leave mined-out areas in a safe and healthy condition.

**Establish a national Indigenous Community Conserved Area (ICCA) Registry** that shall create a process of documentation, recognition, and inclusion of IP rights in local government plans. The proposed policy should include penalties for prohibited acts committed within indigenous cultural community territories, and provide for funds needed for the implementation of the policy.

**Amend the Renewable Energy Act** to require the solicitation of the free and prior informed consent of the concerned indigenous peoples or communities before the grant of renewable energy contracts to business entities, and to set a minimum amount of royalties to be paid to host ICCs/IPs.

### **On enhancing environmental quality for a healthier and cleaner environment**

Enact a rational and comprehensive policy for hazardous waste management that promotes cleaner production, waste minimization and resource recovery, and proper treatment and disposal of hazardous waste within the framework of sustainable development. The proposed measure envisions the imposition of a ban against the entry of “recyclable garbage” into the country, including plastics which pose a serious health and safety risk to people. It shall also include provisions on waste control strategies for healthcare and on handling electronic waste (e-waste), including proper waste transport, treatment, storage, and disposal systems.

Enact a policy that shall allow the adoption of waste treatment technologies to reduce the ever-growing volume of garbage in the country, prolong the service life of sanitary landfills, and minimize damage to the environment and human health. The measure proposes the regulation of waste disposals through thermal and other treatment technologies like waste-to-energy incinerators. It proposes the setting of standards for the use of treatment technologies for municipal and hazardous wastes, or for the processing of any waste material for fuel. Under the measure, the DENR shall be the primary implementer and enforcer of the policy, including the promotion and use of state-of-the-art, environmentally-sound and safe technologies for the treatment, utilization, and disposal of residual wastes.

Enact a policy regulating the production of single-use plastics to mitigate the hazards posed by plastic pollution, and minimize the leakage into the environment of synthetic plastic products. These measures seeks to discourage the consumption of single-use plastic products.

**Enact a law that shall provide stiffer penalties against harmful ship emissions,** and criminal liabilities against shipowners found to be in violation of the law. Under the proposal, the responsibilities of the relevant government agencies in the implementation and enforcement of the law shall be delineated, including the apprehension of violators thereof.

**Enact a law that shall institutionalize the Environmental Assessment System.** This will resolve the weakness in the current system brought about by differing interpretations of Presidential Decree No. 1586. The proposed Environmental Assessment System shall be comprised of a Strategic Environmental Assessment (SEA) of policies, plans and programs, and an environmental impact assessment requirement for projects. Under the proposed system, the assessment of micro, small, and medium-scale projects shall be handled by local governments which shall also be required to integrate environmental safeguards in their local permitting system.

### **On improving adaptive capacities of communities and resources against impacts of climate change**

**Create a Department of Disaster Resilience,** or DDR, to strengthen the coordination of national response to disasters and emergencies, and make it the primary government agency responsible for leading, organizing, and managing the national effort to reduce disaster risk, prepare for and respond to disasters, recover and rehabilitate, and build more sustainable structures after the occurrence of disasters.

**Enact a policy that shall promote a low carbon economy** to maximize the contribution of the industrial and commercial sectors in reducing GHG emissions and to minimize the adverse effects of climate change on small

businesses through the establishment of a market-driven system of GHG tradable allowances. The proposal requires the imposition of a cap on the GHG emissions of the covered sectors with the highest GHG emissions and most cost-effective opportunities to reduce emissions. Under the proposed measure, an entity which exceeds the cap on GHG emissions shall be imposed a civil penalty of twice the market price for the tradable allowance.

### **For study and oversight action**

**Review the air quality standards** under Republic Act No. 8749 to consider current conditions of air pollution and provide tighter regulations imposing stiffer penalties for polluters.

**Revisit the Clean Water Act** to assess its implementation in protecting the country's water bodies from pollution coming from land-based sources, and review the applicability of penalties and regulatory measures for environmental protection.

**Monitor the implementation of climate policies and projects** with the view of ensuring the efficient and proper disbursement of climate change funds, whether from annual appropriations and other sources.

Domain 3  
Pursuing  
Human  
Development  
and Social  
Cohesion



## Domain 3

# Pursuing Human Development and Social Cohesion

- 3.1** Amid gains in human development, perceptions of insecurity still abound in Philippine society. Filipinos now live longer, with life expectancy improving from 70.5 years in 2010 to 71.6 years in 2020. Opportunities to increase productivity were also enhanced by public education reforms such as the laws providing free college education, vocational and technical skills training, and universal health coverage. Social welfare services likewise received sustained support, especially for the poor and marginalized sectors, reducing their vulnerabilities. And yet, despite these strides in development, Filipinos today live in a world that has grown increasingly insecure from the continuing threats of the COVID-19 pandemic as well as adverse climate change, natural and man-made disasters, geopolitical tensions, violent conflict, and terrorism. Across the globe, the so-called digital revolution has fueled insecurity not only because it widened the gap between rich and developing nations, but also because the technologies it spawned can be used to commit crime and unwelcome intrusions into the security of individuals. These factors compromise development and threaten the stability of nations.
- 3.2** The community lockdowns and various impositions adopted to stem the transmission of the COVID-19 virus ushered a period of fear and uncertainty brought about by the loss of jobs, livelihood, and income, the changes in the way things were done, and the spectre of loved ones taken ill. The slowdown of the domestic and world economies in the first 24 months from the onset of the pandemic virtually erased the gains achieved in the alleviation of poverty. It also challenged the vaunted resilience of the Filipino spirit. Amid the threat of negative growth and constrained resources, however, the process of coping with the volatile environment taught valuable lessons that today point towards the importance of self-reliance, hard work, and a return to the basics. It shone the light once again on what truly is the crux of human development, that the aspirations for a better life inevitably rests upon the ability of the nation to empower its children, protect the welfare of families, harness the self-propelling strength of communities, and inspire all to believe in a shared vision of prosperity. In striving for social cohesion, the cultivating factors of health, education, public safety and employment require keen attention and study by the Legislature.

## Health

**3.3 Health is *sine qua non* of human development.** The Constitution under Article XIII, Section 11 guarantees the right of every Filipino to good health. A healthy population supports nation-building through their participation in the economy. In turn, a vibrant economy enables people to accumulate wealth through higher productivity and incomes. While one reinforces the other, it is important to note that other determinants of the people's health and well-being include not only economic development itself but also a clean environment, freedom from hunger and want, and defense from war and crimes, among others. Further, significant health gaps from inequitable access to health services within and across regions, fatalities from preventable and curable diseases, to high out-of-pocket expenses for health services, are among the myriad concerns necessitating utmost attention.

## Education

- 3.4** Education is an investment that has been found to provide for many layers of security against socio-economic threats. Studies show that better educated families most likely have better health, nutrition, and child-rearing practices that consequently lead to a virtuous cycle of progress and development. Education serves as a major factor in the enhancement of socioeconomic mobility—or the ability of individuals and families to move across social classes or categories on the basis of merit, capacity, or effort.
- 3.5** The prolonged school closures implemented to contain the spread of COVID-19 is tantamount to a security and development risk since it will likely have long-term adverse effects on the next generation's capacity to generate wealth and their ability to lead peaceful, meaningful, and productive lives.
- 3.6** As the economy gradually reopens, the country is forced to face old and new challenges. Reopening schools and returning to the physical classroom learning set-up are imperatives for recovery. However, adapting to new learning platforms



and technology-assisted education is also a necessity that the pandemic has forced the world to take in stride. It is a challenge which both educators and learners should overcome in order to survive in the new normal. To surmount the learning crisis, it is necessary to: 1) ensure learning recovery; 2) enhance and pivot to new normal the learning and teaching methodologies; and 3) foster a resilient quality education system.

### **Social Protection**

- 3.7** The protracted crisis brought about by the COVID-19 pandemic has fundamentally put the country under a state of continued emergency. The pandemic induced an unexpected increase in poverty incidence, caused massive delays in civil registration, created challenges in securing reliable disability data and responding to demands for better care and assistance for the elderly. Further, since the housing backlog has not been addressed, and calamities and disasters continue to occur, the number of informal settlers has continued to increase.
- 3.8** Filipinos do not deal with the different kinds of emergencies and disruptions with equal fervor. Responses to public health, economic volatility, or disaster-induced emergencies vary even if these stresses and shocks all heighten the vulnerabilities of and especially burden the poor, the elderly, women and children, persons with disabilities (PWDs), and indigenous communities, among others, who are already ill-equipped to provide for their basic survival needs.
- 3.9** Indifference to the plight of vulnerable groups has inter-temporal and inter-generational ramifications. The cost of neglect manifests in the adverse impact on the overall security and well-being of the Filipino. As such, it is imperative for government priorities to reflect inclusivity and promote social cohesion. Social safety nets and protection policies must be legislated to ensure that the vulnerable sectors who are most-in-need are assisted, protected, and empowered to shape their own productive destinies.

## **Labor and Employment**

- 3.10 Gainful employment provides security for people and empowers them to live good lives. Enabling people to harness their full potential also contributes to overall productivity improvement, that results in higher incomes.
- 3.11 The changes adopted in workplaces on account of the pandemic and existing labor market trends such as increased digitalization and automation, require a deliberate retooling or upskilling program to enable workers to adjust and compete in the changing labor market, most especially those who lost jobs or are currently underemployed.

## ISSUES AND CHALLENGES

### Health

#### 3.12 **Weak and fragmented health system**

The COVID-19 pandemic further exposed weaknesses in the country's health system. Fragmented in nature due to the devolution of health services, the government's response to the pandemic was slow and appeared poorly organized. Disease surveillance in the early stages of the pandemic was very weak, due in part to the uneven capacity among regions and provinces to conduct such activity. As cases surged, the health system's disease surveillance and contact tracing capabilities became overwhelmed.

Despite the increasing funding requirements to manage the pandemic adequately, the economic contraction in 2020 further reduced fiscal space for health services. The Department of Health (DOH) also reported that since national and local health budgets shifted the priority to COVID-19-related service delivery and infrastructure, fewer funds were available to expand public health programs unrelated to COVID-19. Stringent measures and community quarantine during the height of the pandemic disrupted programs for children's immunization, nutrition, and other health services. In 2020, the immunization program for early childhood diseases did not meet its target. While 1,694,091 children, or 79.8% of eligible children received the recommended doses for vaccines to protect them from early childhood diseases, the number was below the 95% target of the government (DOH-FHSIS, 2021).

#### 3.13 **Lack of regulatory framework in telemedicine**

The mobility restrictions resulting from the COVID-19 pandemic contributed to the utilization of digital health technologies to enable remote consultation,

information sharing, and even medical education and self-care. Aside from providing healthcare access to patients, “telehealth” also limited physical contact, thereby reducing the risk of contracting COVID-19. However, there are lingering concerns on the use, transmission, and storage of patients’ personal data generated during virtual or online medical consultations. The country still lacks the necessary regulatory framework for such new and emerging technologies to ensure the safety of patients and health service providers, and to protect their privacy.

### **3.14 Uneven distribution of limited health facilities and human resources**

The Philippine health system has 1,383 hospitals, 2,604 city/rural health units, and 23,298 barangay health stations (BHSs) (DOH, 2021). Of these hospitals, 462 are government facilities, while 921 are privately-run. The highest concentrations of government and private hospitals are in Luzon and those regions with highly urbanized centers and cities like Central Visayas. The primary care system comprised of health centers and community health workers is generally ill-equipped and poorly resourced.

Data from the DOH also shows that the country’s human resources for health (HRH) to 10,000 population ratio was 16.3, way below the WHO standard of 44.5. The country has 3.4 physicians per 10,000 population, which is also much lower than the WHO’s standard of 10 physicians. (DOH, 2021)

Health workers lament poor working conditions including low salaries, untenured positions, unsafe working environments, and lack of employment and career opportunities. Very few positions have been added to augment the workforce to meet the demands of the growing population. These problems contribute to the migration of Filipino health workers to other countries, further depleting the country’s HRH skills stocks. The failure of many local government units (LGUs) to allocate sufficient funds for health care curtailed the hiring of health personnel and compromised their ability

to meet the obligation of maintaining and upgrading health facilities, among others (Cuenca, 2018).

### 3.15 Inadequate access to health services results in poor health outcomes, especially among the vulnerable sectors

Malnutrition in all its forms continues to affect Filipino children. The Expanded National Nutrition Survey (ENNS) of the Food and Nutrition Research Institute (FNRI) (2021) reported that two out of 10 (19.1%) preschool children were underweight or had experienced an acute form of malnutrition in 2018. As expected, there are more underweight children belonging to the poor (21.2%) and the poorest (30.9%) wealth quintiles (Table 3.1) compared to those in the rich (10.3%) to the richest (6.6%) wealth quintiles. In the same year, one in three children (30.3%) below five years old experienced growth stunting. While this is lower than the prevalence of 36.8% in 2015, it is still a cause for concern. Stunting was also highest among preschool children from the poorest households (46.0%).

Table 3.1

#### Prevalence of underweight and stunting among children less than 5.0 years old (0 to 59 months)

By Wealth Quintile Philippines, 2018 (In %)

	Underweight	Stunting
All	19.1	30.3
Poorest	30.9	46.0
Poor	21.2	33.4
Middle	15.8	24.5
Rich	10.3	20.3
Richest	6.6	12.9

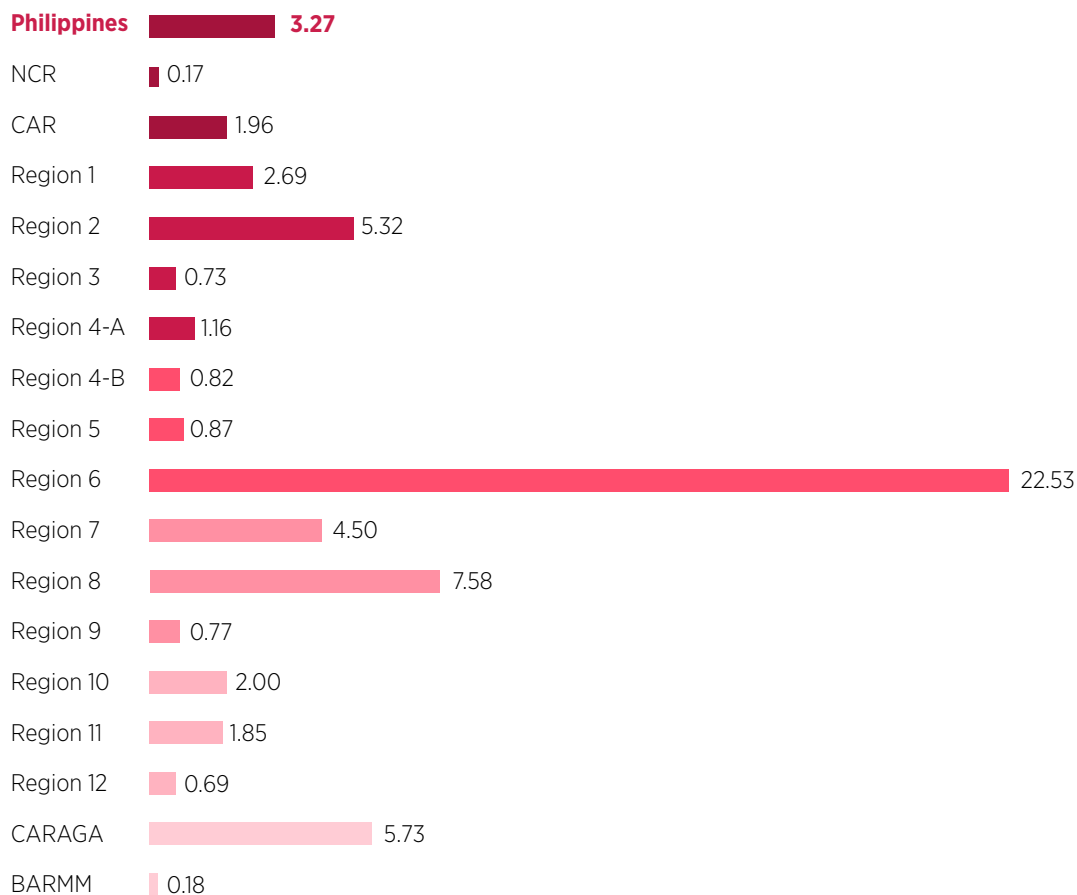
Source: 2018 Expanded National Nutrition Survey, Food and Nutrition Research Institute

Meanwhile, the pandemic affected the provision of vital reproductive health services. In 2020, the NCR had the lowest proportion of women with unmet family planning needs at 0.17%, followed by Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) at 0.18%. Region 6 recorded the highest percentage at 22.53%, followed by Region 8 at 7.58% (Figure 3.1).

Figure 3.1

**Proportion of Women of Reproductive Age (15 To 49 years Old) with Unmet Needs**

By Region 2020



Source: DOH 2020 Annual Report RPRH Act of 2012

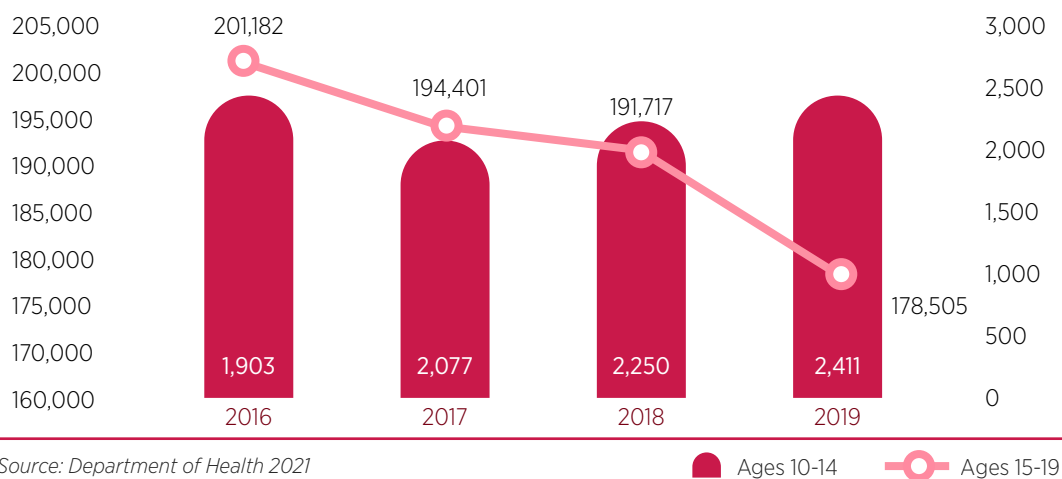
### 3.16 High adolescent pregnancy rate

In 2019, adolescent pregnancy remained high with an estimated 35.8 live births per 1,000 females 15 to 19 years old (DOH & Population Commission, 2021). Though the figure is lower than the global average of 50, it is slightly higher than the Asia-Pacific region average of 35 live births per 1,000 females. An even more concerning issue is the 7.1% increase in the number of babies born to girls aged 10-14 years old from 2018 to 2019, and it is assumed that such young pregnancies were likely occasioned by gender-based violence or abuse. Moreover, among young females aged 10-19 years old, pregnancy affects physical and mental health and jeopardizes education and, later, their access to employment opportunities. (Figure 3.2)

Figure 3.2

#### Registered Live Births to Adolescents

10-14 and 15-19 years old in the Philippines, 2016-2019



### 3.17 Rising incidence of non-communicable diseases (NCDs)

In 2021, NCDs accounted for four of the five leading causes of death in the country. Based on Philippine Statistics Authority (PSA) data, 125,913 or 17.9%

of the total deaths in 2020 were due to ischemic heart disease, followed by cerebrovascular disease (68,180 or 9.7%). The WHO estimated in 2019 that the cost of NCDs to the Philippine economy is equivalent to P756.5 billion, or about 4.8% of gross domestic product. This included the direct costs of treatment, care, and social security provision for NCDs and the indirect costs from the loss of workforce and reduced productivity. Premature deaths result from unhealthy behaviors, including tobacco use, an unhealthy diet, physical inactivity, and the harmful use of alcohol.

The Philippines is 1 of 15 countries worldwide burdened by tobacco-related health problems. The DOH reported that 87,600 Filipinos die annually from tobacco-related diseases. Moreover, tobacco costs the country P188 billion a year from healthcare expenditures, foregone income due to sickness, and premature death. Aimed at curbing the use of tobacco and tobacco products, the current law, Republic Act No. 10643, or the Graphic Health Warnings Law, needs updating to be compliant with the WHO Framework Convention on Tobacco Control that the country ratified in 2006.

### **3.18 High out-of-pocket expenses for healthcare**

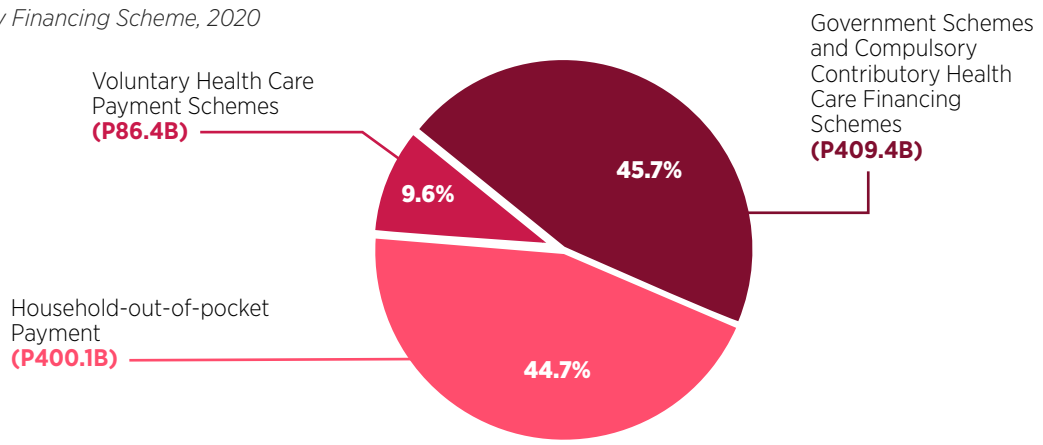
Getting sick still results in financial and economic problems for Filipinos, especially the poor and vulnerable. While the Philippine Health Insurance Corporation (PhilHealth) pushed for a "no balance billing" policy and Republic Act 11223 or the Universal Health Care (UHC) provides for automatic enrollment in the government's health insurance program, the share of household out-of-pocket expenditure to the 2020 national total health expenditure remained high at 47.4% (PSA, 2021) (Figure 3.3). The DOH (2021) also projected that due to the pandemic, the PhilHealth may experience a decrease in premium collections and increases in benefit payouts, probabilities that may further reduce the budgetary space for health. Moreover, the agency expects lower payment rates of overseas Filipino workers (OFW) premiums and employer's



contributions of formal sector employees due to the reduced income of businesses and employers. Nonetheless, in accordance with the UHC Law which mandated the gradual increase of premium rates starting at 2.75% in 2019 until it reaches 5% for both 2024 and 2025, the PhilHealth increased contribution rates to 4% starting June 2022.

Figure 3.3  
**Percent Share to Current Health Expenditure**

by Financing Scheme, 2020



Source: Philippine Statistics Authority, 2021

### 3.19 Inadequate capacity to address health emergencies

The COVID-19 pandemic also exposed the inadequate capacity of the current health system to address health emergencies and other threats. While the Philippines has managed health emergencies and disease outbreaks, various sources noted that the government's response at the onset of the COVID-19 pandemic was reactive and disjointed. Though strict measures such as community quarantines and other mobility restrictions slowed down the spread of the virus, the subsequent surges overwhelmed the health system's limited disease surveillance capacity, its contact tracing and testing ability, and health care facilities. (Dayrit, Lagrada, Picazo, Pons & Villafuerte,

2018) This showed the weak institutional capacity of the government to implement disease prevention, surveillance, control, response systems, and contingency plans to deal with public health events and emergencies (Quintos, 2020). Moreover, the country does not have a central technical authority on disease detection, prevention, and control. The government also lacks a research institute that is focused on human, animal, and plant virology, and on diagnostics, therapeutics, and vaccinology that are essential for the early detection, control, and treatment of, and long-time protection against viral threats.

### **3.20 Emergency medical services remain not fully standardized**

Despite government's efforts to unify emergency medical services, different sectors like hospitals and ambulance services continue to work independently. Changes in this system are needed to provide better quality of services and avoid overcrowding in emergency rooms. Only a few cities and provinces have available hotline services. Moreover, the Professional Regulation Commission does not as yet recognize and regulate the practice of the emergency medical care profession. Emergency medical technicians are affiliated with hospitals, local governments, or the private sector and receive training from the organization they belong to or from other accredited sectors using a curriculum that varies by institution.

## **Education**

### **3.21 School closures resulting in learning and potential earning losses**

According to the joint study of the World Bank, the United Nations International Children's Emergency Fund (UNICEF), and the United Nations Educational, Scientific and Cultural Organization (UNESCO), a lost year of schooling comes at the price of learning. Learning loss due to school closures

can be measured by the learning adjusted years of schooling (LAYS) which capture both the quantity and quality of learning.

The LAYS are measured by the years of schooling a child can expect to obtain by age 18, adjusted by a country's average student achievement.

The study showed that due to prolonged school closures, the Philippines lost an estimated 0.61 in LAYS from its 2020 baseline of 7.49, or a drop of 8.14%. This is 3.83 percentage points higher than the 4.31% average loss in LAYS among ASEAN member states. In terms of learning poverty, the World Bank's estimate of 70% in 2019 has risen in 2021 to 90%, which means that 9 out of 10 Filipino learners are unable to read and understand short, age-appropriate text by age ten (Table 3.2 -3.3).

Table 3.2

### Loss in Learning Adjusted Years of Schooling

Particulars	Baseline LAYS 2020	Estimated Loss in LAYS	% Decline in LAYS
<b>World</b>	<b>7.80</b>	<b>0.09</b>	<b>1.15</b>
<b>AMS Average</b>	<b>8.55</b>	<b>0.37</b>	<b>4.31</b>
Brunei Darrusalam	9.22	0.15	1.63
Cambodia	6.84	0.42	6.14
Indonesia	7.83	0.33	4.21
Lao PDR	6.25	0.21	3.36
Malaysia	8.89	0.67	7.54
Myanmar	6.79	0.77	11.34
<b>Philippines</b>	<b>7.49</b>	<b>0.61</b>	<b>8.14</b>
Singapore	12.81	0.10	0.78
Thailand	8.68	0.22	2.53
Vietnam	10.68	0.20	1.87

Source: *Learning and Earning Losses from COVID-19 School Closures in Developing Asia*, Asian Development Bank, March 2021.

Notes: a) LAYS apply to preprimary, primary, and secondary education;

b) Percent declines are computed based on given figures in Columns 2 & 3

Table 3.3

**Learning Poverty Rates**

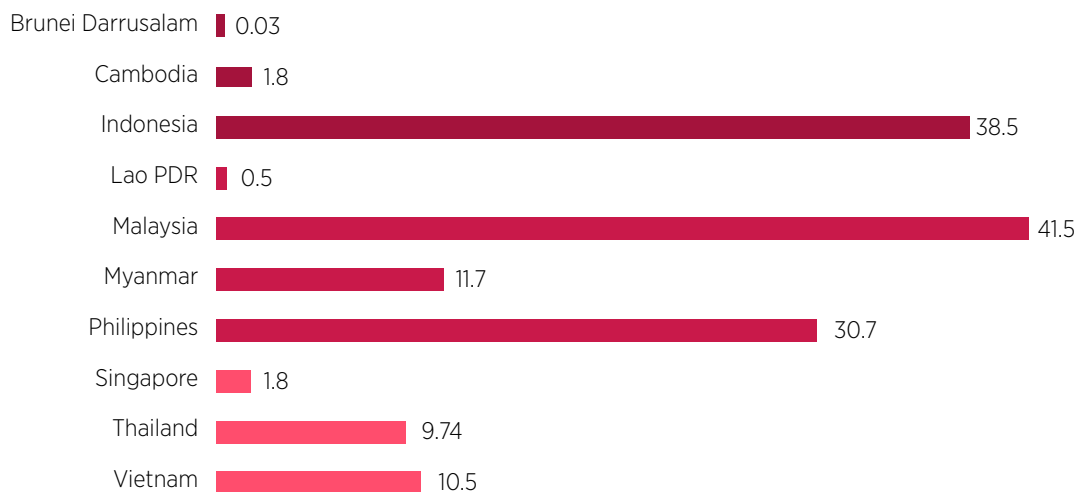
2019 and 2021

Particulars	2019	2021	Change
<b>World</b>	<b>53%</b>	<b>63%</b>	<b>10%</b>
<b>AMS Average</b>	<b>28%</b>	<b>54%</b>	<b>26%</b>
Brunei Darrusalam	NA	NA	NA
Cambodia	51%	90%	39%
Indonesia	35%	51%	16%
Lao PDR	NA	98%	NA
Malaysia	13%	43%	30%
Myanmar	NA	89%	NA
<b>Philippines</b>	<b>70%</b>	<b>90%</b>	<b>20%</b>
Singapore	3%	3%	0%
Thailand	23%	23%	0%
Vietnam	2%	2%	0%

Source: Country Learning Poverty Briefs, World Bank, July 2021

Further, studies have established that an individual's annual earnings increases by 9.7% on the average for every additional year of schooling (Montenegro, 2014). Hence, school closures with hardly established effective alternative learning modes put this potential on hold and can even adversely impact most students. In the same joint report of the World Bank, UNICEF, and UNESCO, the estimated losses in potential earnings in the Philippines could reach 3.8% per student per year and estimated losses of \$30.7 billion in lifetime earnings (Table 3.4 and Figure 3.4). While remote learning and various distance learning platforms have been blended in the country's educational system many learners have had difficulties in accessing these platforms due to lack of support.

Figure 3.4

**Estimated Total Lifetime Loss in Earnings in ASEAN***in Billion, Current USD*

Source: *Learning and Earning Losses from COVID-19 School Closures in Developing Asia*, Asian Development Bank, March 2021

Table 3.4

**Estimated Loss in Earnings per Student per Year in ASEAN***in Current USD*

Particulars	Baseline average earning per worker per year (2020 current USD)	Estimated potential losses in earnings per student per year (current USD)	% decline in potential earnings per student per year
<b>AMS Average</b>	<b>9,143</b>	<b>173</b>	<b>1.9</b>
Brunei Darrusalam	19,816	267	1.3
Cambodia	2,838	41	1.4
Indonesia	1,629	62	3.8
Lao PDR	3,427	55	1.6
Malaysia	9,180	590	6.4
Myanmar	1,658	126	7.6
<b>Philippines</b>	<b>3,404</b>	<b>131</b>	<b>3.8</b>
Singapore	40,139	349	0.9
Thailand	5,875	66	1.1
Vietnam	3,465	39	1.1

Source: *Learning and Earning Losses from COVID-19 School Closures in Developing Asia*, Asian Development Bank, March 2021

### 3.22 Underperformance of basic education

The performance of Philippine basic education is close to, if not, at the bottom of global assessments. The results of the 2018 Programme for International Student Assessment administered to 15-yr old students and the 2019 Trends in International Mathematics and Science Study given to Grade 4 students both represented alarming signals on the extent of underperformance of the Philippine basic education system in developing learners' proficiency in mathematics, science, and reading (Table 3.5-3.6). While there were students who performed well in the assessment, the number of poor performing students was overwhelming, and this pulled down the average scores.

Table 3.5

#### Philippine Performance Programme for International Student Assessment 2018

Subject	PH Rank*	PH Score	OECD Mean Score
Reading	79	340	487
Mathematics	78	353	489
Science	78	357	489

Note: \*Rank out of 79 countries

Source: Organization for Economic Co-operation and Development-Program for International Student Assessment Report 2018

Table 3.6

#### Philippine Performance Trends in International Mathematics and Science Study 2019

Subject	PH Rank*	PH Score	AIB	HIB	IIB	LIB
Mathematics	58	297	625	550	475	400
Science	58	249	625	550	475	400

Notes: \*Rank out of 58 countries; AIB-Advanced International Benchmark, HIB-High International Benchmark  
IIB-Intermediate International Benchmark; LIB-Low International Benchmark

Source: Organization for Economic Co-operation and Development  
Third International Mathematics and Science Report 2019

It has been observed that the country has seriously pursued the expansion of access to education, but the same cannot be said of the efforts to enhance the quality of education. It has been found that major programs are not thoroughly monitored and checked for the fidelity of their implementation or their effectiveness based on desired objectives and results (Orbeta, 2022). It has also been noted that learners in private schools fared better in international assessments than their counterparts in the public school system, evincing that the quality of education in public schools, where close to 90% of young learners are enrolled, is still very much wanting. This tends to support the supposition that learners who study in private schools and have a higher socio-economic status have better chances at achieving long-term productivity in life, compared to learners from poor families. Policy should therefore be geared towards ensuring that opportunities to acquire quality education are made available to socioeconomically-disadvantaged families and this can take the form of scholarship grants and even subsidies to private education.

These issues are among the pressing problems in Philippine basic education that shall be studied and addressed by the Second Congressional Commission on Education to be created pursuant to Republic Act No. 11899, or the Second Congressional Commission on Education Act.

### **3.23 Inadequate government support to private education**

Private school institutions are indispensable partners of the government in ensuring access to quality education. In school year 2019-2020, there were 14,435 registered private schools offering basic education, accommodating roughly 4.3 million learners, or 15.5% of the 27.7 million learners across the country (DepEd, 2021). On the other hand, there were 1,729 private higher education institutions (HEIs) that catered to more than 1.8 million students, representing about 53% of the 3.4 million total enrollment in colleges and universities (CHED, 2020).

The economic slowdown and the abrupt shift to online learning dramatically decreased enrollments in private schools from 4.3 million before the pandemic, to 3.3 million. As a consequence, at least 865 private schools offering basic education services suspended their operations, negatively impacting both teachers and learners. By the second year of the pandemic, enrollment further declined to only 1.4 million, representing 67.4% decrease from the pre-pandemic figure (MB, 2021).

Due to the necessary adjustments to be made in the new normal, the full recovery of private education in terms of resources will take some time. While government support and assistance to private education is most crucial at this time, optimizing government resources while prioritizing certain desired outcomes poses a challenge. Although the Government Assistance to Students and Teachers in Private Education (GASTPE) program has already been enhanced and expanded to cover more grantees, including senior high school learners, this was not enough to achieve the objective (Chi, 2021).

### 3.24 **Low to average performance of HEIs**

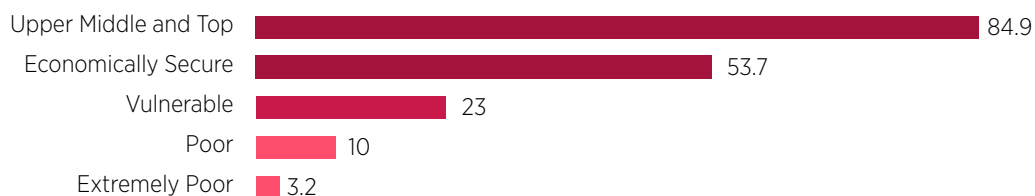
Quality basic education is the foundation of critical knowledge and skills development. The poor quality of Philippine basic education is indicated by how it has also affected higher education performance. In the last ten years, the passing average in licensure examinations across all disciplines is 40%. Faculty qualification is also low, with less than 20% possessing post-graduate degrees (master's and doctorate degrees), and only about 30% of HEIs have accredited programs (CHED, 2020). On a barely positive note, the country's higher education continues to improve with the inclusion of fifteen (15) universities in Asia's top 650 universities in 2022, from eight (8) in 2018<sup>2</sup>. The college completion rate among the poor and vulnerable groups is very low, indicating issues in accessing higher education. Data from the Philippine



Human Development Report 2020/2021 shows that across the marginalized household groups (vulnerable, poor, and extremely poor), only 12%, on the average, completes college. On the other hand, an average of 69% of the upper middle and top household groups completes college (Figure 3.5). The enactment of Republic Act 10931, or the Universal Access to Quality Tertiary Education Act, and the continued provision of subsidies, grants, and scholarships by the Government may reduce the gap.

Figure 3.5  
**Share of Household Members Completing College**

by Social Class (%)

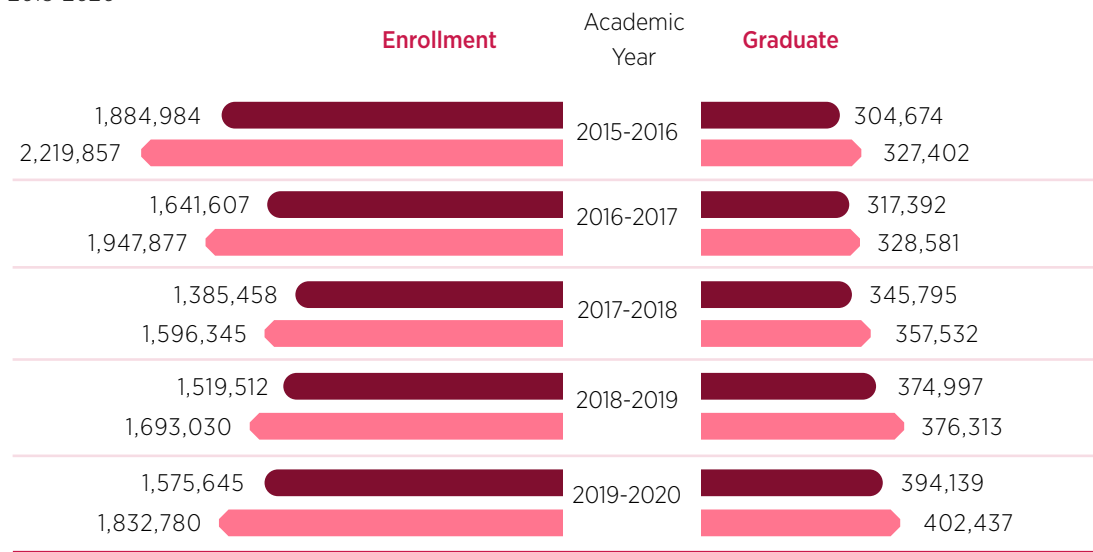


Source: Philippine Human Development Report 2020/2021

■ Household Members 25 years old and above

While public HEIs operate primarily to accommodate students from poor to low-income families, the role of private education as partner in harnessing human development potentials also needs appropriate recognition by and support from the government. The fact still remains that private HEIs produce more graduates than state-run colleges and universities (Figure 3.6).

Figure 3.6  
**Enrollment and Graduates in Public and Private HEIs**  
 2015-2020



Source: Commission on Higher Education Statistics, [www.ched.gov.ph](http://www.ched.gov.ph)

Public Private

### 3.25 Underdeveloped research and innovation system in HEIs

Robust and timely research and development (R&D) outputs significantly contribute to the attainment of the economic and development goals of the country. Because of R&D, new products are created, opportunities for new jobs are generated, and economic growth is advanced.

The country's HEIs have underdeveloped R&D systems. This is attributed to certain factors: 1) students are not exposed to a "research culture" and are more focused on passing board examinations; 2) the collaboration between universities and industry in R&D is still nascent and; 3) the dearth of science and technology (S&T) manpower in the country (Orbeta, 2022).

According to the Department of Science and Technology (DOST), the budget for R&D programs used to account for about 0.65% of the national budget, on

the average. However, the share of the Government's R&D budget allocation in the last two years was almost halved to just 0.39% in 2021, from 0.76% in 2019 (DOST, 2021). This is reflected in the country's 72<sup>nd</sup> rank in innovation inputs in the 2021 Global Innovation Index, compared to 70<sup>th</sup> in 2020, and 76<sup>th</sup> in 2019. Despite the low input score, the country's ranking for innovation outputs or the resulting programs and technologies from such investments is nonetheless relatively better at 40<sup>th</sup> rank in 2021 and 41<sup>st</sup> in 2020 (WIPO, 2022).

### **3.26 Non-recognition of the importance of developing non-cognitive socio-emotional skills**

There is a growing interest in the education field to give appropriate attention to the development of non-cognitive or socio-emotional skills—particularly in areas known as the “big five” personality traits which are openness to experience, conscientiousness, extraversion, agreeableness, and emotional stability. These traits affect many of an individual's development areas, including educational outcomes and eventual labor market success (Kankaraš, 2017). Non-cognitive skills are individual patterns of behaviors, attitudes, and personality that are not directly related to an individuals' knowledge (Anghel, 2017) and are assumed to indirectly affect consequential outcomes in the short- and long-term, including facilitation of learning, employability and work performance, and health and longevity, among others (Heckman, 2006).

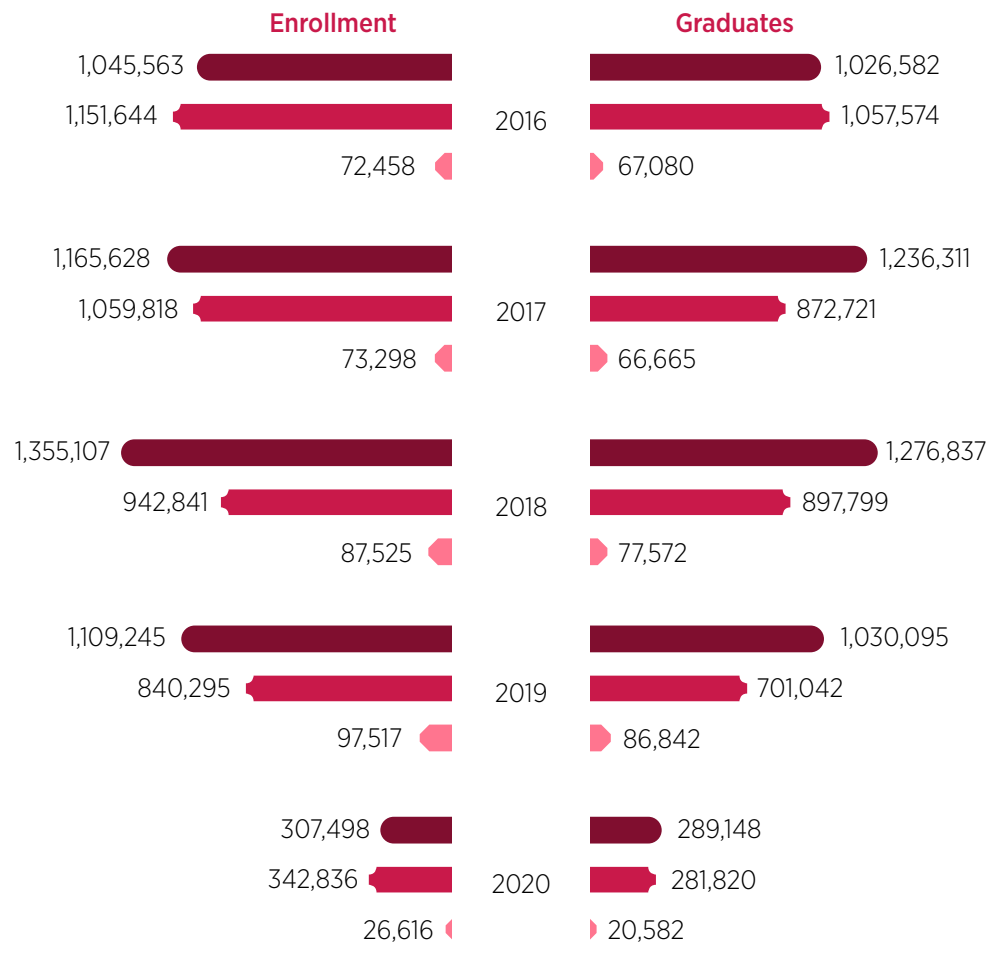
The traditional design of education is more focused on the development of cognitive skills through curricular activities, and fails to provide adequate mental health services that can greatly improve the intellectual and emotional well-being of students. The promotion and development of these important non-academic skills will help reduce the number of mental health cases among students. According to the World Health Organization (2015), 16.8% of Filipino students aged 13 to 17 have attempted suicide at least once

within a year before the 2015 Global School-based Student Health survey (Golberstein E, 2021), while 10% to 15% of Filipino children aged 5 to 15 are affected by mental health problems. With the prolonged school closures and restrictions in social gatherings, students have become more vulnerable to depression and other mental health conditions. Unfortunately, the education system has neither delved deeper into the mental health issues of students nor developed a comprehensive strategy that can mitigate the deterioration of the mental health of students in the wake of the pandemic. Proof of this is the very limited engagement of professional guidance counsellors, psychologists, and social workers in academic institutions. As of May 2020, the DepEd only had 1,096 active counselors, or about 20% of the 5,398 authorized positions for the profession. With more than 20 million public school students, the DepEd should be mandated to provide one guidance counselor for every 500 students (Magsambol, 2020). If this concern continues to be neglected, a mental health epidemic can be expected in the years to come.

### **3.27 Lesser number of enterprise-trained technical and vocational education and training (TVET) graduates**

The 2021 Asian Development Bank reported that TVET enrollment has increased in recent years with over 5% of the Philippines' working-age population completing some form of TVET program. The report also noted that TVET graduates are far more likely than average to participate in the labor market. While enrollment in TVET is on the rise, the provision of enterprise-based training is concentrated in industrialized regions and not always available. Also, it may not have been promoted enough as may be gleaned from the greater number of graduates from community-based programs compared to those who underwent enterprise-based training (Figure 3.7). It also raises doubts on whether current TVET offerings are demand-driven.

Figure 3.7  
**Number of TVET Enrollment and Graduates**  
*by Training Venue 2016-2020*



Source: TESDA Statistic  
[www.tesda.gov.ph](http://www.tesda.gov.ph)

Community-based
  Institution-based
  Enterprise-based

Enrollment in community-based TVET has grown faster than other modalities, indicating continuing efforts at the local level. Community-based training surpassed institution-based training in 2017 and 2018, as the modality with

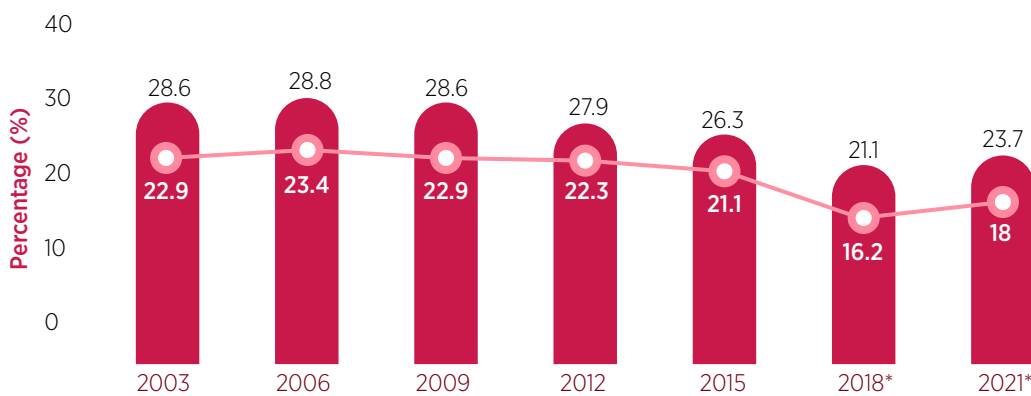
the highest enrollment share. Community-based training in the Philippines is often delivered through partnerships with technical–vocational institutions and can be more responsive to local needs. However, concerns about it being of poorer quality and largely supply-driven due to limited resources, facilities, and linkages with industry, warrant continuous monitoring from TESDA as the impact of these issues may be particularly heightened in the context of the Fourth Industrial Revolution (FIRe) or Industry 4.0. Some quarters assert that too much emphasis has been given to resolving equity issues resulting thus in the unintentional disregard of the efficiency objective. Notably, college students and graduates enroll in TVET for the purpose of gaining employable skills, or to give them the added flexibility and security in case they lose their jobs on account of changes in the market.

## Social Protection

### 3.28 Increasing poverty incidence

Poverty incidence among Filipinos increased to 23.7% during the first half of 2021 from 21.1% for the same period in 2018 (PSA, 2021). This translates to 26.1 million population, or 3.9 million more Filipinos living in poverty. The monthly poverty threshold for a family of five was higher by 14.7%, from P10,532 in 2018 to P12,082 in 2021. Lifting Filipinos out of poverty has become all the more particularly challenging notwithstanding the existing Social Amelioration Program owing to the increase in food prices, such as of meat, and the permanent closures and reduction in workers especially in the services and construction industries that resulted in massive spikes in joblessness that the limited unemployment insurance coverage could not cushion (CPBRD FF 2022-16). Nonetheless, the 2021 first semester poverty incidence rate is still lower than the 2012 and 2015 rates of 27.9% and 26.3%, respectively.

Figure 3.8

**First Semester Poverty Incidence Among Family and Population***Philippines 2003, 2006, 2009, 2012, 2015, 2018, 2021*

Source: Philippine Statistics Authority 2016, 2021.

\* The 2018 first semester estimates were updated due to the adoption of the 2015 Census of Population results for the weights used in the Family Income and Expenditure Survey (FIES) and the urban-rural barangay classifications. These were incorporated to ensure comparability with the 2021 estimates. (PSA 2021)

Population Families

### 3.29 Low birth registration rate among Muslims and indigenous peoples (IPs)

Birth registration coverage has been increasing from only 89.3% in 1995 to 94.8% in 2015 (Grande, 2021). In fact, by 2024, the country hopes for a 99.0% birth registration rate and 99.5% registration rate of children under five years old. Achieving these targets requires intensive efforts, especially in the populations with the most significant under-registration rates, namely the Muslim and IPs groups (Marskell, 2014). Based on the 2015 Census, the Bangsamoro Autonomous Region in Muslim Mindanao posted the lowest birth registration rate of 57.5%, and about 1.6 million unregistered inhabitants. The South Cotabato-Cotabato-Sultan Kudarat, Sarangani, and General Santos City area, collectively called the SOCCSKSARGEN region, and home to Lumads and Moro IPs, recorded an 86.6% registration rate. About 0.6 million inhabitants in this region are unregistered and therefore

have no legal identity. The reasons for non-registration are the inaccessibility of registry offices, conflict situations, unstable peace and order (Fernandez, 2013; Marskell, 2014), the fees especially for late registration (Mrkić, 2020), and lack of awareness of the importance of civil registration (Galarpe, 2019).

### **3.30 Fragmented registration system for PWDs**

The registration of PWDs involves two principal actors: the DOH and its Philippine Registry for Persons with Disability (PRPD), where the PWDs apply online before they submit the printed accomplished online form and documents to their respective local governments. The city or municipal local government's PWD Affairs Office (PDAO), where PWDs can directly request for certification of their personal circumstances and other details, then undertake the online registration in the DOH-PRPD. However, the National Council on Disability Affairs (NCDA), which has a coordinative and collaborative role in generating disability information, does not automatically get access to the data and reports from the DOH and the LGUs. This makes it difficult to generate reliable and harmonized information on the sector, and to frame issues and responsive solutions accordingly.

### **3.31 Overlooked needs of the elderly**

The Commission on Human Rights (2021) has observed that older persons seem to be “invisible” in the justice system, citing the absence of laws addressing elderly abuse, neglect, and exploitation. Likewise, the Coalition of Services of the Elderly (COSE) wrote in 2017 about the importance of enacting specific legislation that can help prevent elderly abuse by raising awareness among the elderly of their rights and the available support and avenues for redress should these be violated. Given the lack of more recent studies, CHR Commissioner Gomez-Dumpit highlighted a 2004 study that indicated that 40% of elderly respondents have experienced various forms of abuse like physical and verbal abuse, negligence, discrimination, and ridicule. The findings corroborate the global evidence of rising cases of elderly abuse during the COVID-19 pandemic period (Gonzales, 2020).



### 3.32 Gendered impacts of public health emergencies (PHE)

The COVID-19 pandemic highlighted the disproportionate impacts of emergencies on men and women, girls and boys. According to U.N. Women (2020), Filipino women and girls are made more vulnerable to gender-based violence due to the loss of livelihood owing to public health and other emergencies, with some even forced into online pornography and abuse. Moreover, fears of being infected have exposed female health workers, who dominate the health sector, to harassment and discrimination. The UNICEF (2020) also cited that women and girls are generally expected to take on the burden of unpaid care and domestic work.

Castillo (2021) averred that an economic ramification of the pandemic in the Philippines is the decline in the female labor force participation from 47.6% in 2019 to 34.5% in 2020, and an even larger reduction in male labor force participation from 74.8% in 2019 to 54.8% in 2020. The gender gap in labor force participation persisted nonetheless.

### 3.33 Rising number of informal settlements

The aspiration to own a home, echoed in *Ambisyon Natin 2040*, is reflected in the country's commitment to achieving UN Sustainable Goal 11. Specifically, the goal is to cut the proportion of the informal urban settler population from the baseline of 3.2% in 2015 to less than 1% by 2030. But even without displacements caused by emergencies, estimates of the Philippine housing backlog already range from 6.8 million (PDP 2017-2022) to 15 million by 2022 (Padojinog and Yap, 2020). Informal sector families alone need 3.7 million units as of May 2021. However, the economy's production capacity cannot keep pace with this demand. According to the HLURB, the housing supply only averaged around 252,000 units annually from 2015 to 2019.

Table 3.7

**Projected Housing Demand**

2017-2022

Components of Housing Needs	Backlog (2016)	2017-2022	Total
(in Thousand Units)			
<b>Accumulated Needs</b>	<b>1,293.2</b>	<b>141.3</b>	<b>1,434.5</b>
Households (HH) in Unacceptable Housing	799.8	85.2	885.0
Doubled-up HHs in Acceptable Housing	493.4	56.1	549.5
<b>Future/Recurrent Needs</b>	<b>724.7</b>	<b>4,637.7</b>	<b>5,362.4</b>
Allowance for Inventory losses	361.1	2,299.8	2,660.9
Increase in Households	363.6	2,337.9	2,701.5
<b>Total Housing Demand</b>	<b>2,017.9</b>	<b>4,779.0</b>	<b>6,796.9</b>

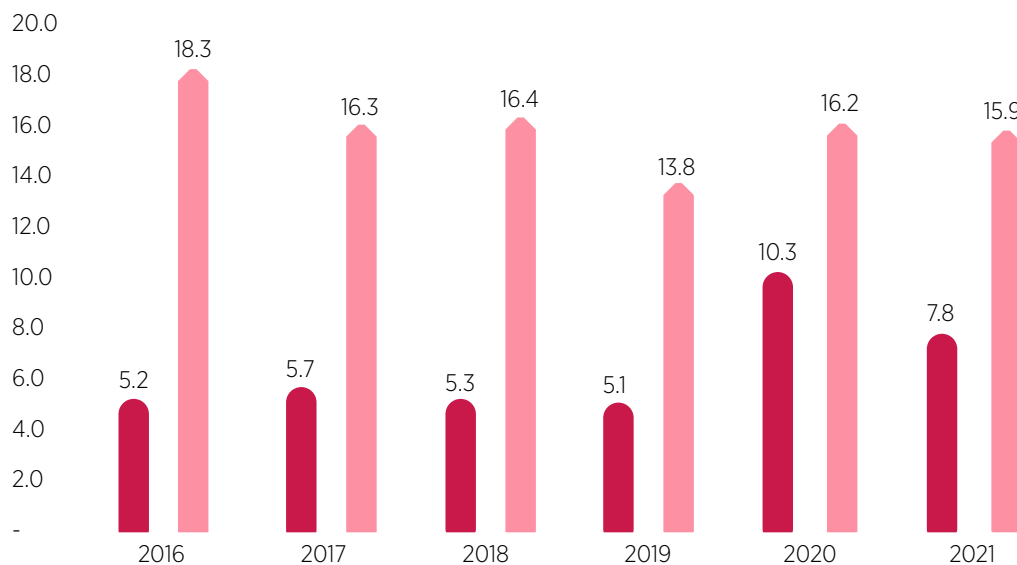
Source: From Table 1 of Cureg and Ignacio (2021), CPBRD Policy Brief 2021-07.

## Labor and Employment

### 3.34 High unemployment and underemployment rates

The COVID-19 pandemic has reversed the gains achieved in reducing unemployment in the country. After declining to 5.1% in 2019 from 5.7% in 2017, the unemployment rate more than doubled to 10.3% in 2020 due to the various forms of community quarantines that were imposed to contain the spread of the virus. About 2.3 million more people were unemployed in 2020. The number of underemployed or employed persons who wish to work additional hours in their present jobs, or either acquire additional jobs or new jobs with longer working hours, also increased from 13.8% in 2019 to 16.2% in 2020. In 2021, employment opportunities improved with the easing of mobility restrictions. Consequently, the unemployment and underemployment rates eased to 7.8% and 15.9%, respectively.

Figure 3.9

**Unemployment and Underemployment Rates***In Percent*

Source: Philippine Statistics Authority

Unemployment Rate (%)

Underemployment Rate (%)

Jobs-skills mismatch (ADB 2022, ILO 2019) is frequently cited as among the major causes of unemployment and underemployment in the country. Apart from decreasing the chances of getting a job, the International Labor Organization (2020) cited other negative impacts of skills mismatch, namely: (i) serious wage penalties at the individual level especially for overqualification that eventually affect both job and life satisfaction; (ii) adverse impact on productivity of businesses resulting in lost opportunities and inauspicious overall competitiveness and attractiveness to investors; and (iii) increases in unemployment rates at the national level.

Before the pandemic, the increased need for automation and use of artificial intelligence in the so-called FIRE concerningly loomed over the economy.

A study by the ADB (2021) estimated that around 25% of jobs in the business process outsourcing sector and electronics manufacturing industry may be eliminated with the impending surge in FIRE technologies. However, the study also noted that the loss would be more than offset by the creation of new jobs from productivity increases and higher incomes. The ADB explained that productivity gains from new technology can result in lower prices of goods and services, raise demand for them, and ultimately lead to more jobs being created.

### 3.35 Low minimum wages

Minimum wage earners receive barely enough to stay above the poverty threshold. The inflation rate rose to 6.1% in June 2022, the highest recorded since October 2018, and which was mainly due to rising oil prices that consequently pushed up costs of other commodities. In response to the clamor for higher wages, all Regional Tripartite Wages and Productivity Boards, except in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)<sup>3</sup>, adjusted minimum wage rates in June 2022. The wage adjustments ranged from P31 in Central Visayas to P55-P110 in Western Visayas.

The wage increases, however, are deemed not enough to keep up with the rise in prices. In the case of the NCR, the increase of P33 brought the wage rate per day to P570 which translates to a minimum P14,820 monthly wage rate at 26 working days. This is P2,738 or 22.7% higher than the P12,082 poverty threshold, or the amount needed to meet the minimum basic food and non-food needs for a family of five. On the other hand, the Population Commission (2021) recommended the consideration of a living wage or a wage that addresses the cost of living. The Global Living Wage Coalition defines the term “living wage” as “the remuneration received for a standard workweek by a worker in a particular place that is sufficient to afford a decent standard of living for the worker and the worker’s family.” It should cover

expenses for food, water, housing, education, health care, transportation, clothing, and other essential needs including provision for unexpected events. The estimate for living wage varies.<sup>4</sup> The most recent estimate which was made by the Ibon Foundation on February 2022 is P25,252/month. At the new wage rate of P570 in the NCR, the monthly take home pay of P14,820 is only 58.7% of the amount needed to maintain decent living conditions.<sup>5</sup>

Table 3.8

### Summary of Current Regional Daily Minimum Wage Rates

*In Pesos (As of June 2022)*

Region	Old Wage Rate	Effectivity	New Wage Rate	Effectivity
NCR	500 - 537	November 22, 2018	533-570	June 4
CAR	340 - 350	November 18, 2019	400	Jun 14
I - Ilocos Region	282 - 340	April 30, 2019	372-400	Jun 6
II - Cagayan Valley	345-370	March 16, 2020	400-420	Jun 8
III - Central Luzon	304-420	January 1, 2020	344-460	Jun 20
IVA - CALABARZON	303 - 400	April 28, 2018	350-470	Jun 30
MIMAROPA	294 - 320	November 27, 2018	329-355	Jun 10
V - Bicol Region	310	September 21, 2018	365	Jun 18
VI - Western Visayas	310 - 395	November 26, 2019	410-450	Jun 5
VII - Central Visayas	351-404	January 5, 2020	382-435	Jun 14
VIII - Eastern Visayas	295-325	August 18, 2019	345-375	Jun 27
IX - Zamboanga Peninsula	303-316	July 30, 2018	338-351	Jun 25
X - Northern Mindanao	331 - 365	November 1, 2018	378-405	Jun 18
XI - Davao Region	391-396	August 16, 2018	438-443	Jun 19
XII - SOCCSKSARGEN	315-336	February 2, 2020	347-368	Jun 9
CARAGA	320	May 1, 2019	350	Jun 6
BARMM	290 - 325	January 1, 2020	N/A	N/A

*Source: National Wages and Productivity Commission, Department of Labor and Employment*

Furthermore, the World Bank (2018) pointed out that workers did not benefit from labor productivity improvements across sectors (agriculture, industry, or services) during the period 2001-2016. It cited that real wages remained flat,

even falling in 7 out of the past 15 years, while labor productivity increased by 57%. The World Bank cited the lack of product market competition as the cause of the stagnation of real wages in the country. Productivity gains are also not considered a factor in the computation of wages even when business profits had increased. The World Bank recommended giving due recognition and consideration to the link between labor productivity and wages in order to enable workers to benefit from increases in productivity.

## WHAT HAS BEEN DONE

### Health

Congress passed laws to address a broad spectrum of health-related issues, several of which were landmark legislation that considerably impacted the health sector.

#### **On access to services and care**

**Republic Act No. 8976**, or the Philippine Food Fortification Act of 2000, mandates the fortification of staple foods and voluntary fortification of processed foods or food products.

**Republic Act No. 10354**, or the Responsible Parenthood and Reproductive Health Act of 2012, mandates the Government to adequately address the needs of Filipinos on responsible parenthood and reproductive health through access to information, facilities and services and by the implementation of stable and sustainable reproductive health programs among the national and local governments and CSOs, basic sectors, academe, and the private sector.

**Republic Act No.10643**, or the Graphic Health Warnings Law, requires all tobacco products to feature graphic health warning labels about the destructive health effects of smoking and exposure to second-hand smoke.

**Republic Act No. 11148**, or the *Kalusugan at Nutrisyon ng Mag-Nanay* Act, seeks to scale up the national and local health and nutrition programs through a robust and integrated strategy for maternal, neonatal, and child health and nutrition in the first 1,000 days of life.

**Republic Act No. 11223**, or the Universal Health Care Act, gives citizens access to the full continuum of health services that they need and protection from financial hardship through health insurance coverage by the PhilHealth.

### **On human resources for health**

**Republic Act No. 9173**, or the Philippine Nursing Act of 2002, stipulates the standards to be observed in nursing education, including those that promote the dignity and well-being of nurses such as working conditions, and the conditions and mechanisms that enhance career stability and development.

**Republic Act No. 10862**, entitled “An Act Regulating the Practice of Nutrition and Dietetics in the Philippines”, provides for the standardization of education in the field of nutrition and dietetics and the supervision, control, and regulation of the practice thereof.

**Republic Act No. 11509**, or the *Doktor Para sa Bayan Act*, established a medical scholarship program that features a mandatory return service and integration program for students in the public health and medical service system.

**Republic Act No. 11712**, or the Public Health Emergency Benefits and Allowances for Healthcare Workers Act, grants mandatory continuing benefits to healthcare workers and non-healthcare workers, regardless of employment status, during the COVID-19 pandemic and future national health emergencies.

### **On emergency preparedness**

**Republic Act No. 9271**, or the Quarantine Act of 2004, mandates the Bureau of Quarantine to institute measures to prevent the spread of infectious diseases, including emerging diseases and public health emergencies of international concern.

**Republic Act No. 10055**, or the Philippine Technology Transfer Act of 2009, aims to promote and facilitate the transfer, dissemination, and effective use, management, and commercialization of intellectual property, technology, and knowledge resulting from R&D projects funded by the Government.



**Republic Act No.10121**, or the Philippine Disaster Risk Reduction and Management Act of 2010, provided for the National Disaster Risk Reduction and Management Framework and mandated the creation of the Local Disaster Risk Reduction and Management Office (LDRRMO) which is responsible for formulating and implementing a comprehensive and integrated local DRRM Plan (LDRRMP).

**Republic Act No.11332**, or the Mandatory Reporting of Notifiable Diseases and Health Events of Public Concern Act, established effective mechanisms for strong collaboration between national and local government health agencies to ensure that proper procedures that prompt responses to reports of notifiable diseases and health events of public health concern are put in place.

## Education

Several landmark laws have been enacted recently. The 18th Congress passed responsive measures geared towards the attainment of full access to quality education for all.

### **On the need to review, assess and evaluate the state of the Philippine education system**

**Republic Act 11899**, or the Second Congressional Commission on Education (EDCOM II) Act, created the EDCOM II and mandated it to undertake a comprehensive review, assessment and evaluation of the state of the country's education system and recommend innovative and targeted policy reforms. The EDCOM II shall organize itself upon the effectivity of the Act and shall accomplish its mandate within three (3) years from its organization.

### **On improving access to learning opportunities**

**Republic Act No. 11509**, or the *Doktor Para ng Bayan Act*, established a medical scholarship and return service program that features a mandatory return service and integration program for students in the public health and medical service system.

**Republic Act No. 11510**, or The Alternative Learning System Act, institutionalized the provision of adequate, timely and quality attention and support to basic learning needs of adults and out-of-school children in special cases, including indigenous peoples and those who reside in underserved, conflict-affected communities, and communities in emergency situations. The law provides for systematic, flexible, and appropriate alternative basic education programs outside of the formal school system.

**Republic Act No. 10931**, or the Universal Access to Quality Tertiary Education Act, aims to make education accessible to all by exempting qualified students from the payment of tuition and other school fees in state universities and colleges and public local universities and colleges.

**Republic Act No. 11650**, or the Instituting a Policy of Inclusion and Services for Learners with Disabilities in Support of Inclusive Education Act, aims to protect the welfare and dignity of learners with disabilities, ensures that they have equal access to education and opportunities, and creates an enabling environment free from harm and discrimination that is essential in the cultivation of a healthy learning space where they can likewise flourish in social undertakings.

**Republic Act No. 8545**, or The Expanded Government Assistance to Students and Teachers in Private Education (E-GASTPE) Act, amended Republic Act 6728 and extended the GASTPE program to high school students and teachers in private education.

**Republic Act No. 10410**, or the Early Years Act (EYA) of 2013, recognizes the age bracket from zero (0) to eight (8) years as the first crucial period of educational development wherein early childhood care and development systems are strengthened. It mandated the Early Childhood Care and Development (ECCD) Council and the Department of Education to formulate and implement a curriculum to carry out this objective.

**Republic Act No. 10618**, or the Rural Farm Schools Act, mandated the establishment of rural farm schools as an alternative delivery mode for secondary education. The curriculum of the rural farm schools shall follow the core secondary education curriculum of the DepEd with add-on courses that focus on agri-fishery arts.

**Republic Act No. 10650**, or the Open Distance Learning Act, expands access to educational services by institutionalizing the open distance learning system in all levels of tertiary education.

**Republic Act No. 10665**, or the Open High School System Act, provided for the establishment of the Open High School System (OHSS) as part of the DepEd's alternative secondary education program, where public secondary educational institutions practice open learning through self-instructional materials, multi-channel learning, and school-family-community partnership, and authorized other institutions to implement the OHSS.

**Republic Act No. 10157**, or the Kindergarten Education Act, provides equal opportunities to all children to avail of accessible mandatory and compulsory kindergarten education that effectively promotes physical, social, intellectual, emotional and skills stimulation and values formation to sufficiently prepare them for formal elementary schooling.

### **On improving the standards of education to increase competitiveness**

**Republic Act No. 11713**, or the Excellence in Teacher Education Act, strengthened the Teacher Education Council and established a scholarship program for students in the Teacher Education Program. It also created the National Educators' Academy of the Philippines to provide quality professional development programs to in-service teachers, school leaders, and other teaching-related personnel in all public and private basic education institutions, and to employ a world-class approach to professional development that is based on strong evidence and research.

**Republic Act No. 10533**, or the Enhanced Basic Education Act of 2013, institutionalized a 12-year basic education curriculum for all public and private schools nationwide.

**Republic Act No. 10647**, or the Ladderized Education Act of 2014, mandates the CHED and TESDA, in consultation with industry and other government agencies, to identify priority disciplines and programs for ladderization, taking into account labor market realities.

**Republic Act No. 10968**, or the Philippine Qualifications Framework (PQF) Act, established the PQF to define standards and learning outcomes, facilitate mobility between different education and training sectors, and align qualification standards with international qualifications frameworks to facilitate international mobility.

**Republic Act No. 11551**, or the Labor Education Act, provided for a mechanism to educate future workers, employers, and entrepreneurs on their rights and responsibilities in promoting harmony in the workplace and social progress. It mandated all public and private HEIs to integrate labor education as part of an elective course and as far as practicable, hold a Labor Empowerment and Career Guidance conference for graduating students as part of enhancing their readiness to be employed.

**Republic Act No. 11293**, or the Philippine Innovation Act, declared innovation as a vital component of the country's development policies especially in improving productivity and governance.

### **On supporting non-cognitive skills and development**

**Republic Act No. 11470**, or the National Academy of Sports, created an enhanced secondary education program for sports-inclined students in recognition of their special talents, skills, and interest. The law mandates that the program be administered in world class sports facilities to enable students to excel in their respective sports while acquiring a good education.

## **Social Protection**

Congress passed numerous legislation that seek to protect the rights and well-being of the most vulnerable members of society.

### **On poverty alleviation**

**Republic Act No. 11291**, or the Magna Carta of the Poor, seeks to uplift the standard of living and quality of life of the poor. The law provided for the fundamental rights of the poor such as adequate food, decent work, quality education, adequate housing, and good health. The law also declared investments in anti-poverty programs as among the top priorities of the State. It also mandated the National Economic and Development Authority, in consultation with the Philippine Statistics Authority to maintain and periodically review a system of classification to be use for targeting program beneficiaries.

**Republic Act No. 11310**, or the *Pantawid Pamilyang Pilipino* Program (4Ps) Act, institutionalized the national poverty reduction strategy and human

capital investment program that provides conditional cash transfers to poor households for a maximum period of seven years to improve their health, nutrition, and education conditions.

**Republic Act No. 11469**, or the *Bayanihan* to Heal as One Act, declared the existence of a national emergency arising from the community transmission of COVID-19 and granted the President emergency powers for a limited period to address the pandemic, assist affected individuals and families, and implement programs for recovery and rehabilitation and measures to prevent overburdening the healthcare system. The law provided for an emergency subsidy to around 18M low-income households to mitigate the adverse effects of COVID-19 on livelihood and the disruptions in economic activities.

**Republic Act No. 11494**, or the *Bayanihan* to Recover as One Act, provides for COVID-19 response and recovery interventions. The law provided for subsidies to reduce the adverse impact of COVID-19 on the socioeconomic well-being of Filipinos. Specifically, an emergency subsidy amounting between P5,000 and P8,000 was given to affected low-income households in areas implementing the granular lockdowns, and to households with recently-returned overseas Filipino workers.

### **On children's welfare**

**Republic Act No. 10625**, or the Philippine Statistical Act of 2013, reorganized the Philippine Statistical System and mandated the Philippine Statistics Authority to carry out, enforce, and administer civil registration functions in the country, among other functions.

**Republic Act No. 11642**, or the Domestic Administrative Adoption and Alternative Child Care Act, provided alternative care options for children without parental care such as foster care, made the legal adoption process

more simple, expeditious, and inexpensive, and placed it under the supervision of the National Authority for Child Care (NACC).

**Republic Act No. 11767**, or the Foundling Recognition and Protection Act defines the term “foundling” and provides for the rights of deserted or abandoned children with unknown parents. The law provides that a foundling found in the Philippines or in Philippine embassies, consulates, and territories abroad is presumed a natural-born Filipino citizen regardless of the status or circumstances of the child’s birth. As such, the child shall have all the rights and protection at the moment of birth and shall receive a certificate of birth without delay. The law provides that a parent who relinquishes an infant 30 days old and younger to a licensed child-caring agency, a licensed child-placing agency, a church or a place devoted to religious worship held with regularity, DOH-accredited health facilities including hospitals, city health offices, birthing homes, rural health units and barangay health stations, a local Social Welfare and Development Office, or DSWD-managed residential and LGU-managed residential facilities, shall be exempt from criminal liability.

### **On employee’s welfare**

**Republic Act No. 8291**, or the Government Service Insurance Systems Act of 1997, provides for social welfare benefits to government employees such as separation benefits, unemployment or involuntary separation benefits, permanent total disability benefits, permanent partial disability benefits, temporary total disability benefits, retirement benefits, survivorship benefits, funeral benefit, and life insurance benefit.

**Republic Act No. 11199**, or the Social Security Act of 2018, rationalized and expanded the powers and duties of the Social Security Commission (SSC) to ensure the long-term viability of the Social Security System. The law also mandated the compulsory coverage of overseas Filipino workers and provided

for the computation of the amount of monthly pension to be received by members with at least ten (10) credited years of service and those with twenty (20) credited years of service.

### **On providing benefits to senior citizens**

**Republic Act No. 7432**, entitled "An Act to Maximize the Contribution of Senior Citizens to Nation Building, Grants Benefits and Special Privileges and For Other Purposes", mandated the DSWD to issue national identification cards to them through the Office for Senior Citizens Affairs (OSCA), granted senior citizens a 20% discount from all establishments relative to the utilization of public transport services, hotels and similar lodging establishments, restaurants and recreation centers, and purchase of medicines nationwide, a minimum of 20% discount on admission fees charged by theaters, cinema houses and concert halls and other similar places of culture, leisure and amusement, an exemption from the payment of individual income taxes provided that their annual taxable income does not exceed the property level as determined by the National Economic and Development Authority for that year, and exemption from the payment of training fees for socio-economic programs undertaken by the OSCA as part of its work, free medical and dental services in government establishments anywhere in the country, subject to guidelines to be issued by the DOH, the Government Service Insurance System (GSIS) and the Social Security System (SSS), and to the extent possible and feasible, the continuance of the same benefits given by the GSIS, the SSS, and the PagIBIG as the case may be, or as enjoyed by those in actual service.

**Republic Act No. 7876**, or the Senior Citizens Center Act of the Philippines, provides for the establishment of a Senior Citizens Center in all cities and municipalities as a venue for the recreational, educational, health and social programs for senior citizens.



**Republic Act No. 9994**, or the Expanded Senior Citizens Act of 2010, expanded the benefits and privileges granted to senior citizens such as the kinds of goods and services that a senior citizen is entitled to claim a 20% discount on, and exemption from the value-added tax. The law also clarified that the 20% discount applies to regular prices and in the case of promotional sales, the senior citizens may choose between the promotional price of goods or and the price of goods after the 20% discount is deducted.

**Republic Act No. 10645**, entitled "An Act providing for the Mandatory PhilHealth Coverage for All Senior Citizens", provides that all senior citizens shall be covered by the national health insurance program of PhilHealth. The amount needed to ensure the enrollment of all senior citizens who are not currently under any existing category shall come from the National Health Insurance Fund established by Republic Act No. 10351, or the Sin Tax Law.

**Republic Act No. 10868**, or the Centenarians Act of 2016, provides that Filipinos who reach 100 years old and above, whether living in the Philippines or abroad, shall receive a letter of felicitation from the President of the Philippines and a "centenarian gift" worth Php 100,000.

**Republic Act No. 11916**, entitled "An Act Increasing the Social Pension of Indigent Senior Citizens", increases the monthly pension of senior citizens from P500 to P1,000 to augment their financial resources for daily subsistence and medical requirements.

### **On women's rights and the promotion of their well-being**

**Republic Act No. 9262**, or the Anti-Violence Against Women and their Children Act of 2004, provides measures for the protection of women and their children against violence in keeping with the fundamental freedoms guaranteed under the Constitution and provisions of the Universal Declaration of Human Rights, among others. The law defined the crime of violence women and children,

provided for protective measures for victims of such violence, and prescribed penalties therefor.

**Republic Act No. 9710**, or the Magna Carta of Women, seeks to eliminate discrimination against Filipino women by recognizing, protecting, and promoting their human rights. The law mandates that as prime duty bearer, the State shall refrain from discriminating against women, protect a woman against discrimination and violations against their rights by private corporations, entities and individuals, and promote and fulfill the rights of women in all spheres, including their rights to substantive equality and non-discrimination.

### **On promoting the rights of persons with disability**

**Executive Order 709, s. 2008**, renamed the National Council for the Welfare of Disabled Persons as the National Council on Disability Affairs and redefined its functions and structure. The Council has the power to formulate policies and propose legislations concerning the rights and well-being of disabled persons, conduct consultative activities and relevant researches, establish and maintain a data bank on disability, and assist in the establishment of self-help organizations for persons with disabilities.

**Republic Act No. 7277**, or the Magna Carta for Disabled Persons, provided for the rights and privileges of disabled persons on employment, education, health, auxiliary social services, telecommunications, access to public infrastructures, and the practice of their political and civic rights.

**Republic Act No. 9442**, entitled "An Act Amending Republic Act No. 7277, Otherwise Known as Magna Carta for Disabled Persons, And For Other Purposes", provided benefits and privileges to persons with disabilities such as a 20% discount on prices of hotel accommodations, admission fees to theaters and cinemas, the price of medicines, medical and dental services, and air and sea travel, among others.

**Republic Act No. 10070**, entitled "An Act Establishing an Institutional Mechanism to Ensure the Implementation of Programs and Services for Persons with Disabilities", mandated the establishment of a PWD Office in provinces, cities, municipalities. In consideration of budget constraints, low-income municipalities (4th to 6th income classes) may designate a focal person instead of creating a dedicated office.

**Republic Act No. 10754**, or "An Act Expanding the Benefits and Privileges of Persons With Disability" entitles persons with disabilities at least 20% discount and exemption from the value-added tax, if applicable, on the sale of certain goods and services for the exclusive use and enjoyment of the person with disability, such as on the purchase of medicines, admission fees of theaters and cinema houses, and places of culture, leisure and amusement, and on medical and dental services, including diagnostic and laboratory fees, among others.

### **On the preservation of cultural heritage**

**Republic Act No. 7356**, or the Law Creating the National Commission for Culture and the Arts, affirms the State's commitment to pursue culture as a human right. The law provided that the Commission shall administer the National Endowment Fund created exclusively for Philippine art and cultural programs, the seed capital of which, amounting to P100.0 million, shall be taken from the Philippine Amusement and Gaming Corporation at P5.0 million pesos per month for 20 months.

**Republic Act No. 10066**, or the National Cultural Heritage Act of 2009, provides for the protection and conservation of the national cultural properties such as historical landmarks, shrines, monuments, heritage sites, cultural treasures, and important cultural properties. The law also specifies the procedure for the declaration or delisting of national cultural treasures or properties.

**Republic Act No. 10086**, also known as Strengthening People’s Nationalism Through Philippine History Act, provides for the general mandate of the National Historical Commission of the Philippines (NHCP) and defines the powers, function and composition of the NHCP Board. The law declared the NHCP as the primary government agency responsible for history and authorized it to determine all factual matters relating to official Philippine history.

### **On the promotion of transparency and the protection of the right to privacy**

**Executive Order 02, s. 2016**, Operationalizing in the Executive Branch the People’s Constitutional Right to Information and the State Policies to Full Public Disclosure and Transparency in the Public Service, promotes “open government” by ensuring transparency in the transactions and operations of the executive branch. This issuance required public officials to file their respective Statements of Assets, Liabilities and Net Worth and make available a copy thereof, and directed government offices to prepare a Freedom of Information Manual, detailing the steps, forms, fees, focal persons, and contact information in processing requests and transactions and administrative penalties for public officers and employees who violate the policy.

**Republic Act No. 10173**, or the Data Privacy Act of 2012, provides for the protection of individual personal information contained in public and private sector ICT systems. The law created the National Privacy Commission and mandated it to ensure the compliance of the country with international standards for data protection.

### **On creating inclusive human settlements**

**Republic Act No. 7279**, or the Urban Development and Housing Act of 1992, provides for a comprehensive and continuing urban development and housing program. It establishes a National Urban Development and Housing

Framework, which is a comprehensive housing plan for urban and urbanizable areas. The law also identifies socialized housing as the primary strategy in providing shelter for the underprivileged.

**Republic Act No. 11201**, or the Department of Human Settlements and Urban Development Act, created the department by consolidating the Housing and Urban Development Coordinating Council (HUDCC) and the Housing and Land Use Regulatory Board (HLURB), and defined its mandate, powers, and functions. The law also reconstituted the HLURB as the Human Settlements Adjudication Commission, and attached it to the department.

**Republic Act No. 10884**, or the Balanced Housing Development Program Amendments, strengthens the Balanced Housing Development Program where at least 15% of total area for subdivision development shall be allotted for socialized housing, or the equivalent of at least 5% of condominium area or project cost, for the same purpose.

## Labor and Employment

### **On facilitating employment**

**Republic Act No. 11230**, or the Tulong Trabaho Act, mandates that first-time job applicants shall be exempted from paying the cost of training certification, assessment and such other administrative costs pertaining to the requirements of job application, and defined the participation of industry and communities in skills formation and upgrading.

**Republic Act No. 10869**, or the JobStart Philippines Act, seeks to shorten the school-to-work transition by enhancing the knowledge and skills acquired in formal education or technical training by jobseekers.

**Republic Act No. 10647**, or the Ladderized Education Act, mandates the CHED and TESDA, in consultation with industry and other government agencies to identify priority disciplines and programs for ladderization, taking into account labor market realities

**Republic Act No. 7686**, or Dual Training System Act of 1994, institutionalizes the dual training system as an instructional delivery system of technical and vocational education and training to ensure the adequate supply of educated and skilled manpower that are equipped with appropriate skills and desirable work habits and attitudes.

### **On minimum wage setting**

**Republic Act No. 6727**, or the Wage Rationalization Act, as amended by Republic Act No. 8188 established the wage determination policy of the government and the mechanism and proper standards therefor.

**Republic Act No. 8188**, entitled “An Act Increasing the Penalty and Imposing Double Indemnity for Violations of the Prescribed Increases or Adjustment in the Wage Rates, amending For the Purpose Section Twelve of Republic Act Numbered Sixty-Seven Hundred Twenty Seven, Otherwise Known as the Wage Rationalization Act”

## WHAT NEEDS TO BE DONE

### Health

Several measures are being proposed to address the issues and challenges in the health sector. These measures seek to enhance the people's access to health care services, improve the delivery thereof, and address the gaps in the government's emergency preparedness capacity, among others.

#### **On providing services and care to address health issues**

**Extend the National Feeding Program to undernourished children in secondary schools** and establish a school-based feeding program where students are provided at least one fortified meal for not less than one hundred twenty (120) days in a year, subject to annual adjustments. All concerned national government agencies and LGUs should regularly provide the parents of program beneficiaries with tailored health and nutrition education workshops.

**Institutionalize the Barangay Integrated Development Approach for Nutrition Improvement (BIDANI)** in state universities and colleges and community colleges as a comprehensive nutrition-in-development action research program that supports the health and nutrition program of the Government. The proposed policy shall encourage the cooperation and participation of academic institutions and LGUs in advancing people's nutritional well-being using the BIDANI Innovative Strategies.

**Strengthen the national program for the elimination of tuberculosis (T.B.)** through the comprehensive monitoring of T.B. patients, the implementation of a broader public awareness program, and harnessing the support of the

private sector. Under this proposal, a T.B. Registry and Monitoring System shall be established in all hospitals and health facilities, and shall contain information on patients' T.B. type, prescribed treatment, and after-treatment results.

**Implement mandatory immunization programs for all ages** in government hospitals or facilities, any public school or community under its school-based or community-based immunization program, and any private health facility, and provide free vaccines therefor. The proposed policy shall create a National Immunization Technical and Advisory Group (NITAG) which shall serve as a technical and independent multi-disciplinary advisory body to the DOH on immunization and vaccination for all life stages, and whose recommendation is required before the Secretary of Health determines vaccine-preventable diseases. The DOH shall issue an expanded list of mandatory vaccine-preventable diseases, including tuberculosis, diphtheria, tetanus, pertussis, poliomyelitis, measles, mumps, rubella or German measles, hepatitis-b, human influenza type-b, rotavirus, Japanese encephalitis, pneumococcal conjugate, and human papilloma virus. The PhilHealth's benefits package will cover all mandatory immunization services.

**Strengthen oral health care** by integrating oral health promotion, disease prevention, quality treatment, and care across all life stages with the general health care system, consistent with the Universal Health Care Act and other health laws and programs. A Center for Health Development (CHD) shall be established in every region to provide a basic package of essential oral health services for every lifecycle group. It will also undertake outreach programs and activities in unserved and underserved areas of the country and implement public information and education programs on oral hygiene. The regional



CHD shall be mandated to conduct training and capability programs for oral health providers in public and private hospitals.

**Establish a national framework towards preventing adolescent pregnancy through a national program of action and investment plan** that will allow for inter-agency and inter-sectoral collaboration at all levels of government to address the various health and cultural, socio-economic, and institutional determinants of adolescent pregnancy. Under the proposed program, sexually-active adolescents shall be provided access to modern family planning methods and services, and proper counselling by trained service providers in public and private facilities. The proposed program shall include the development of a standardized age and development-appropriate comprehensive sexuality education that shall be integrated in all levels of education to remove the stigma from adolescent sexuality and reproductive health education.

**Criminalize the act of producing counterfeit pharmaceuticals.** Under this policy, the presence of counterfeit medicines in the premises of entities involved in the manufacture, distribution, importation, sale, and exchange shall be considered *prima facie* evidence of the crime of producing counterfeit medicines. The Food and Drug Administration shall be authorized to conduct the necessary investigation, initiate criminal action, and impose administrative penalties against violators, including the permanent closure of the entities involved.

### **On enhancing the delivery of health services**

**Establish an eHealth System** that will provide a policy framework and give broad access to quality healthcare information and services through electronic

means using eHealth technologies. This proposed regulatory framework is expected to improve every Filipino's access to affordable quality health care while ensuring that the rights of both doctor and patient are protected. Moreover, the proposed policy shall mandate the issuance to every Filipino of a health passport or a record booklet that will contain all their medical records and information about past illnesses that are required in the avilment of free medical and diagnostic testing in government hospitals.

**Authorize the DOH to set and approve the bed capacity and service capability of all DOH-retained hospitals** to expedite the process of providing quality health services to Filipinos. Under this proposal, the DOH shall be mandated to provide specific guidelines to determine the appropriate bed capacities of DOH-retained hospitals.

**Establish apex hospitals in every region of the country** by converting regional hospitals with at least 500 beds and are identified by the DOH to have the potential to operate as apex hospitals. The proposed measure shall specify the minimum requirements for physical facilities, equipment and instruments, and service delivery standards for all apex hospitals. Moreover, an inventory and audit of regional hospitals is proposed to be conducted to determine their respective current functional capacity, which shall be the basis for the crafting of a plan to transform them into apex hospitals.

**Modernize the Philippine General Hospital (PGH)** through a continuing PGH Rehabilitation and Improvement Program. The proposed program envisions the acquisition of the latest medical equipment for the hospital and the renovation of its facilities. A PGH Rehabilitation and Modernization Council is proposed to be created and tasked to formulate the program and guidelines for its implementation.

**Establish the National Center for Geriatric Health and Research Institute**, a tertiary teaching, training, national geriatric specialty center and research institute which shall serve as the apex or end-referral facility for senior citizens in the country. The proposed NCGHRI will also provide higher and up-to-date geriatric training for professionals, post-graduate students, academics, and allied healthcare providers, especially from the geriatric specialty centers in the regions and the LGUs, and other government hospitals

### **On human resources for health**

**Amend the Nursing Practice Act to afford better protection to nurses in their practice of profession.** The proposed amendments include a provision setting the minimum base pay of all nurses, whether they are working in the public sector, in private healthcare facilities, or in industrial or community settings, which shall not be lower than the rate assigned to Salary Grade 15 in the government service. Under this proposal, nurses will receive additional benefits such as free hospital care, scholarship grants, and other non-cash benefits. The policy shall likewise set the maximum number of patients that a nurse may handle at any given time to 10, or a minimum safe staffing ratio standard of 1:10 for general units.

### **On the rise of tobacco-related non-communicable diseases**

**Amend Republic Act No. 9211 or the Tobacco Regulation Act of 2003, to align the law with the WHO Framework Convention on Tobacco Control.** The proposed amendments include the expansion of the areas where smoking shall be prohibited, a comprehensive ban on tobacco advertising, promotion, and sponsorship, raising the age restriction for purchasing and using tobacco products - from 18 to 25 years old in view of scientific evidence on continuing brain development until the age of 25, and increasing taxes on tobacco products.

### **On emergency preparedness**

**Establish the Virology Institute of the Philippines (VIP)** which shall be attached to the Department of Science and Technology. The proposed VIP shall be the premier research and development agency that shall be charged with conducting studies on virology, covering all types of viruses and viral diseases in humans, plants, and animals. The agency shall implement policies, plans, programs, and projects to develop virology science and technology in the country and promote scientific and technological activities for both the public and private sectors. It shall also conduct product research and development activities for diagnostics, therapeutics, and vaccines in partnership with relevant government agencies, the academe and industry and undertake the transfer of developed technologies to all stakeholders.

**Create a Philippine Center for Disease Prevention and Control** which shall be attached to the DOH for policy and program development and coordination on the forecasting, prevention, monitoring, and control of diseases, injuries, and disabilities of national and international concern. The proposed Center is envisioned to develop, implement, and maintain an integrated surveillance system of diseases, injuries, and disabilities and shall be vested with the authority to certify to the existence of a public health emergency and to recommend to the President, through the DOH Secretary, the declaration of such emergency. The Center shall be mandated to establish a state-of-the-art National Reference Laboratory (NRL) integrating all NRLs for biological, chemical, nuclear, and radiologic emergencies under one agency.

**Institutionalize an emergency medical service system** at the national and local levels of government. The proposed system shall provide for the standards for emergency medical services (EMS), the accreditation of EMS institutions, training of EMS personnel, and the design, accreditation, and regulation of emergency medical vehicles.

**Establish a Medical Reserve Corps (MRC)** to be part of disaster and health emergency response. The MRC will include licensed physicians, graduates of medicine, medical students who have completed four years of the medical course, registered nurses, and licensed allied health professionals who may be called upon to assist the national government, its agencies and instrumentalities, and the LGUs in addressing the medical needs of the public. The President of the Philippines shall have the authority to order the nationwide mobilization of the MRC to complement the Armed Forces of the Philippines (AFP) Medical Corps in case of declaration of a state of war, state of lawless violence, or state of calamity.

**Institute a Basic Citizens Service Training Course (BCSTC)** which shall form part of the curricula of all baccalaureate degree technical vocational courses to be completed in at least two years. The course shall have the following training components: a) External and Territorial Defense; b) Internal Security and Peace and Order; and c) Disaster Risk Reduction and Management. All those who have completed the BCSTC shall become part of a Citizens Service Corps and may be called upon and mobilized to assist the National Government, its agencies, and instrumentalities, and the LGUs in their functions related to disaster risk reduction and management, among other duties.

**Review the implementation of the National Health Insurance System under the Universal Health Care Act**, including the management of the reserve fund, the collection system, the distribution and verification of claims and benefits, and the governance of the PhilHealth.

**Inquire into the implementation of the Health Human Resource Philippine Master Plan 2020-2040 as mandated by the UHC Act of 2019** to harmonize policies and coordinate the action of different agencies, accredited

professional organizations, academic institutions, and non-government organizations in the development of health human resources in accordance with the projected health care needs of the country.

## Education

The challenges to the country's education system have become multi-pronged and in order to address the impact of learning disruptions, the country has to quickly adopt new and suitable learning methodologies for all levels and modalities of the educational system.

### **Address the persistent failure to provide equitable access to quality education**

**Amend the Expanded-Government Assistance to Students and Teachers in Private Education (E-GASTPE) Act.** In recognition of the complementary role of the private schools in providing basic education to Filipino learners, it is proposed that the existing government assistance to high school students and teachers in the private education sector be extended to students in private schools in the kindergarten up to Grade 6 level. The Teacher Salary Subsidy (TSS) is also proposed to be expanded to cover teachers employed in private elementary schools.

**Enact a law that shall mandate special access rates to learning institutions and individual learners.** The proposed policy shall likewise provide for measures that shall stimulate competition in the data service sector and thereby lower service costs.

Amend Republic Act No. 10931 to extend the provision of Tertiary Education Subsidy to private tertiary education providers or private HEIs.

### **Pursue continuous enhancement of quality education**

Institutionalize blended learning methodologies in basic education and flexible learning mechanisms in higher education and technical-vocational education and training, as far as practicable and as appropriate. This proposal aims to enable the digital transformation of education and the full integration of outside-class learning and technology-based learning modalities. This integration is expected to help ensure continuing learning during health emergencies, natural calamities, or other related circumstances.

Amend Republic Act No. 7722 or the Higher Education Act of 1994 to strengthen the Commission on Higher Education (CHED). This is a proposal to incorporate all mandates related to the powers and functions of the CHED vested by different laws into a single law. The various amendments cover the supervisory power of the CHED over programs offered by local universities and colleges, and the internationalization of HEIs.

Revise the National Apprenticeship Program. This proposed measure aims to enhance existing standards of training, development, and employability of apprentices and promote youth and young workers' full employment through off-the-job and on-the-job training. Appropriate certificates of completion shall be issued by the authorized or duly accredited enterprise to apprentices who complete the apprenticeship program.

Mandate better qualification standards for entrance into nursing undergraduate programs, establish a post-graduate degree program in Nursing, and encourage specialization in nursing health care.

**Strengthen and enhance the Continuing Professional Development (CPD) requirements for teachers and other licensed professionals in educational institutions** to complement Republic Act No. 11713, or the Excellence in Teacher Education Act. This proposal provides for the monitoring and evaluation by the Teacher Education Council of the implementation of standards in education including professional development programs of the National Educators' Academy.

**Institutionalize the Lifelong Learning Development Framework** to promote the culture of continuous learning and development of one's knowledge, skills, and interest, in order to attain one's full potential. The proposal is founded upon the concept that learning takes place throughout life and everywhere, beyond the confines of the classroom and enabled by multiple modes and media. Lifelong learning sees school-based instruction and real-life experience as complementary tools that empower individuals with knowledge, skills and values and thus facilitates not just intellectual or physical development, but also spiritual, moral, and artistic development.

**Promote an R&D culture in Philippine HEIs** and address the underdeveloped innovation ecosystem through the institutionalization of the Science for Change Program as a national strategy to accelerate the development of science, technology, and innovation in the country. The proposed program aims to accelerate the development of science and technology innovation (STI) through a massive increase in investment for the expansion of existing STI initiatives, creation of new programs, development of human resources in STI, and capacity building of R&D institutions.

**Promote the development of non-cognitive socio-emotional skills**  
**Enact legislation promoting and safeguarding the mental health and well-being of learners, students, teachers, and non-teaching personnel** in all levels



and in both public and private education institutions through the provision of mental health services and increased engagements of guidance counsellors, psychologists, social workers and other mental health practitioners. This measure also proposes the development of non-cognitive skills in the teaching methodologies as a vital component of education policy and goals.

**Establish the Philippine High School for Creative Arts System** to provide opportunities to a greater number of talented young Filipino artists across the country who have considerable potential in the performing arts, creative writing, visual arts, and applied arts.

**Ensure full funding of Republic Act No. 8545 (E-GASTPE program) and Republic Act No. 10931 (Universal Access to Quality Tertiary Education), Republic Act No. 19687 (Unified Student Financial Assistance System for Tertiary Education or UniFAST) to comply with the constitutional mandate of democratizing access to education.**

## Social Protection

The following proposals for legislation seek to respond to key issues besetting the poor, marginalized, and vulnerable members of Philippine society.

### **On social protection guarantees**

**Establish a minimum set of social protection guarantees to form part of a National Social Protection Floor.** The proposal seeks to define the policy framework to protect the vulnerable segments of the population from falling into poverty and lift the poor out of it. It shall provide for minimum coverage and benefits for essential health care insurance coverage and income security for targeted populations to support their nutrition and other needs especially during times when their income is insufficient due to sickness, disability, unemployment, or maternity.

**Strengthen existing unemployment insurance programs.** This proposal seeks to expand unemployment insurance coverage and rationalize existing benefits to address the impacts associated with loss of livelihood. It proposes the establishment of a national unemployment insurance program to unify those implemented by the Government Service Insurance System and the Social Security System into a single system. An efficient and effective benefits scheme shall be implemented to provide adequate support during periods of unemployment, including incentives to encourage job-seeking. A fair and reasonable contribution scheme shall be established, the amount of which shall be shared by the member, employer, and the government. Safeguards shall be put in place to ensure that the risks involved in investing unemployment insurance funds are effectively managed.

### **On affording more protection to vulnerable populations**

**Create a comprehensive barangay civil registration system.** The proposal seeks to institutionalize the facilitative role of the barangays in the civil registration system. It proposes to mandate barangays to actively monitor the occurrences of births, deaths, marriages and provide the assistance needed by residents in registering these vital events and vital personal information relating to foundlings and children in need of special protection. As envisioned, the barangay shall conduct mobile registration visits regularly and provide alternative interventions to targeted communities of Muslims and indigenous people where civil registration rates are very poor. For these two groups, registration services shall be provided free of charge.

**Address the policy gap on elderly abuse, exploitation, and neglect.** Enact a law that shall define acts constituting elderly abuse, neglect, and exploitation, and provides penalties therefor. The proposed policy shall likewise establish

mechanisms to prevent these acts, the procedures for redress of grievances, and the support that shall be provided by the government should violations take place. These shall include legal assistance, medical assistance, support services from the DSWD and LGUs, livelihood assistance, and all other appropriate programs to ensure the personal safety and security of seniors and prevent the recurrence of violent acts committed against them.

**Promote gender-responsive and inclusive public health and disaster management.** In recognition of the gender-differentiated needs of women during emergency situations, this proposal seeks to strengthen gender-based disaster preparedness and response systems by putting in place safety measures for displaced populations and at-risk individuals. It also proposes the provision of often difficult to access routine health, sexual and reproductive health services during disasters and emergencies. Under this concept, access to opportunities for livelihood or entrepreneurship opportunities, skills development, social safety nets, and even cash-based interventions such as cash transfers for single mothers, older women, and women with disabilities may be made available.

**Mandate local government units to establish on-site, in-city, or near-city resettlement programs.** Under this concept, local governments shall be mandated to prioritize the funding and implementation of resettlement programs within their localities instead of the usual off-site or off-town residential developments. For these movements and resettlements to work, essential services, including access to transportation and livelihood opportunities should be provided. Consultations and social preparation should also be undertaken before actual resettlement, including the formation of beneficiary associations

and accreditation. To the extent feasible, socialized housing and resettlement projects shall be located near areas where employment opportunities are available.

### **On promoting the preservation of cultural heritage**

**Strengthen the National Commission for Culture and the Arts (NCCA).** This proposal seeks to merge the organizational structures of the various government cultural agencies and instrumentalities and harness their resources in order to maximize the transformative power of culture in fostering a cohesive society. Access to these resources and resource-generating options will enable the NCCA to improve existing cultural infrastructure like museums, cultural centers, libraries, and galleries, expand the Schools for Living Traditions, encourage the production of creative works, and further develop the creative industries.

### **On promoting social cohesion**

**Upgrade the National Council for Disabled Affairs into a Commission on Disability Affairs.** The proposal also seeks to mandate the Commission to undertake the collection, updating, and management of PWD data in order to address the fragmentation of registration programs on the disabled, and thus enable a reliable information source on PWDs for the formulation of evidence-based policies.

**Enact a comprehensive anti-discrimination law.** The proposed policy shall prohibit and penalize acts of direct or indirect discrimination on the basis of personal characteristics such as age, ethnicity, race, color, descent, sex, sexual orientation, gender identity, marital or relationship status, religious affiliation, political beliefs, disability, health status, medical history, language, physical

features, property ownership, birth and other status, and other protected attributes. Discriminatory acts shall include the infliction of stigma, denial of education, employment, political, civil and cultural rights, access to goods, services, opportunities, right to organize, verbal or written ridicule or insults, inflicting harm on health, engaging in profiling, abuses by state and non-state actors, inciting hatred or violence, and other analogous circumstances.

## Labor and Employment

**Revise the National Apprenticeship Program** by amending Republic Act No. 1826 to provide for the establishment of a reformed apprenticeship program that will ensure the availability of qualified human resources in fields requiring critical and in-demand technical skills. The proposed measure aims to enhance existing standards of training, development, and employability of apprentices, and promote youth and young workers' full employment through training and development that includes both off-the-job and on-the-job training components. It also proposes to institute a mechanism for issuing appropriate certificates to apprentices who complete the apprenticeship program. Under this proposal, the active participation of workers, enterprises, relevant government agencies, and concerned non-government organizations in program formulation and implementation shall be mandated.

**Enact a law that shall establish the Enterprise-Based Education and Training Program** to enhance middle-level manpower education and training and at the same time ensure the steady supply of educated and competitive manpower.

Review the implementation of Republic Act No. 6727 or the Wage Rationalization Act towards making the Regional Tripartite Wages and Productivity Boards through the National Wages and Productivity Commission more proactive in setting wage adjustments, to take into account the protection of vulnerable workers and regional socioeconomic conditions, and to examine the criteria and standards currently used for determining the minimum wage.

Review the implementation of Republic Act No. 6971, or the Productivity Incentives Act of 1990, to identify and address the reasons why some enterprises are unable to implement the law, thereby depriving workers the benefits of increased productivity enjoyed by enterprises.



Domain 4  
**Accelerating  
Infrastructure  
Development  
and Digital  
Transformation**





## Domain 4

# Accelerating Infrastructure Development and Digital Transformation

4.1 Infrastructure development does not only play a critical role in promoting economic growth and poverty reduction, it also enhances human security, particularly of the poor, by contributing to economic well-being in terms of income opportunities, access to food, and health services, among others. Moreover, it supports the development of safe communities, reinforces their economic strengths, and enhances accessibility to products, services, and opportunities. Figure 4.1 illustrates the observed strong positive correlation between gross domestic product (GDP) per capita and the quality of infrastructure development among developed and developing economies. The quality of infrastructure correlates with improved health, education, and wealth outcomes as shown in Figure 4.2.

Figure 4.1

### Infrastructure Quality and GDP Per Capita

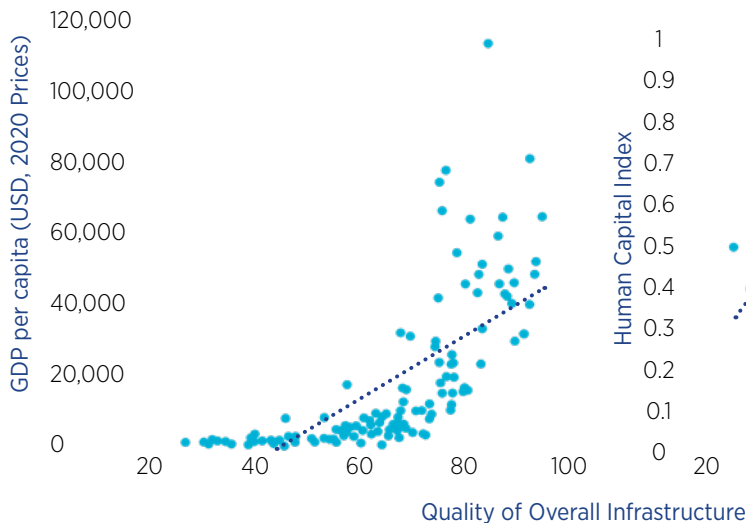
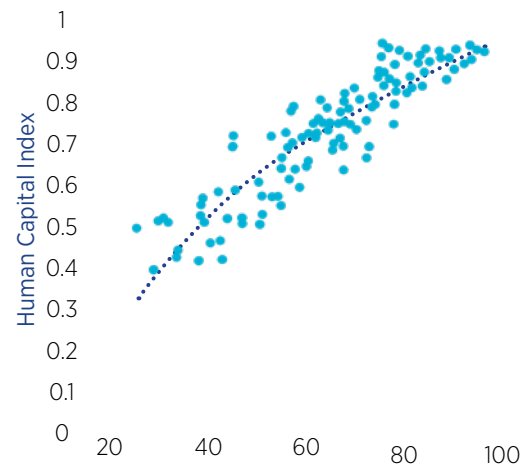


Figure 4.2

### Infrastructure Development and Human Development



Note: <sup>1</sup>Infrastructure refers to both transport and utility infrastructure.

<sup>2</sup>Human Development Index (HDI) takes into account life expectancy at birth, expected years of schooling, mean years of schooling and gross national income per capita.

- 4.2 Infrastructure development in agriculture and in rural communities enhances food production, ensures better access to markets for both inputs and produce, and contributes to food security by increasing farm incomes and enhancing nutrition. Public works provide employment and help local economies. Better roads and bridges, airports, and ports improve people's mobility and therefore facilitate access to economic opportunities. Social outcomes in healthcare and education can be improved with the provision of hospitals, school buildings, and utilities such as safe water, better sanitation facilities, and electricity. Well-designed and well-implemented flood control infrastructure can be critical for environmental security by mitigating flooding, increasing people's protection, and facilitating quick response to natural disasters.
- 4.3 The role of infrastructure in enabling resilience has been particularly evident during the COVID-19 crisis. The adverse impact of the pandemic on the economy could not have been mitigated without the existing telecommunication networks and logistics infrastructure which substantially facilitated trade, commerce, and other business activities. The COVID-19 crisis, however, exposed key vulnerabilities in the healthcare system, particularly the lack of medical facilities to meet the surge in healthcare demand.

#### 4.4 Infrastructure sector performance

**Acute lack of infrastructure.** The sore lack of infrastructure has long been a major binding constraint to Philippine economic growth. This is reflected in the country's poor performance in global competitiveness surveys over the years. In the 2021 World Competitiveness Yearbook by the International Institute for Management Development (IMD), the country ranked 59<sup>th</sup> in infrastructure development (out of 64 economies) and paled in comparison to Indonesia (57<sup>th</sup>), Thailand (43<sup>rd</sup>), Malaysia (32<sup>nd</sup>), and Singapore (11<sup>th</sup>) (Figure 4.3). The country performed very poorly in almost all subfactors including education (60<sup>th</sup>), scientific infrastructure (58<sup>th</sup>), basic infrastructure (57<sup>th</sup>), and health and environment (57<sup>th</sup>).

Figure 4.3

**2021 World Competitiveness Ranking\* (Infrastructure)**

Selected ASEAN Countries

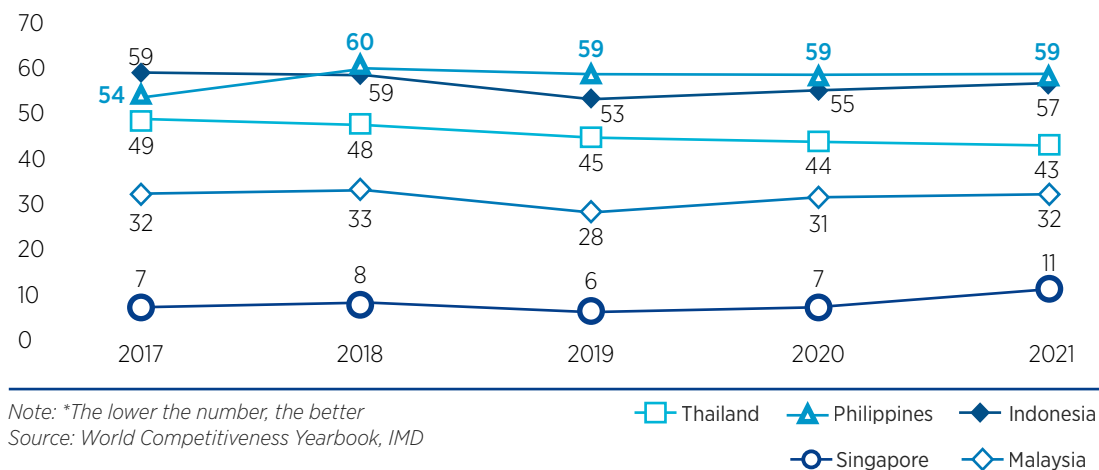


Table 4.1

**Philippine Ranking in Infrastructure**

by Subfactor (2015-2021)

	Basic Infrastructure	Technological Infrastructure	Scientific Infrastructure	Health & Environment	Education
2015	58	36	58	55	60
2016	57	41	55	54	59
2017	57	42	57	49	59
2018	61	46	60	55	61
2019	61	44	59	56	58
2020	60	48	59	55	61
2021	57	47	58	57	60

Note: \*The lower the ranking, the better

Source: World Competitiveness Yearbook (various years), IMD

Table 4.2

**Traffic Congestion Index and Ranking**

2019-2020

	2019		2020	
	Ranking	Congestion Level (%)	Ranking	Congestion Level
Moscow (Russia)	6	1	59	54
Mumbai (India)	4	2	65	53
Bogota (Colombia)	3	3	68	53
Manila (Philippines)	2	4	71	53
Istambul (Turkey)	9	5	55	51
Bengaluru (India)	1	6	71	51
Kyiv (Ukraine)	12	7	53	51
New Delhi (India)	8	8	56	47
Novosibirsk (Russia)	23	9	45	45
Bangkok (Thailand)	11	10	53	44
Pune (India)	5	16	59	42

Source: TomTom Traffic Index ([www.tomtom.com](http://www.tomtom.com))

The insufficiency of infrastructure investments in the country has given rise to related problems that continue to adversely affect Philippine society, curtail economic productivity, and compromise general welfare:

◆ **Traffic congestion**

Traffic congestion in most urban centers is a perennial problem and was especially grave during the pre-pandemic period. In 2019, when Metro Manila ranked second (after Bangalore, India) out of 416 cities in urban centers across 57 countries in terms of traffic congestion, a commuter in Manila lost on the average 257 hours or 10 days and 17 hours per annum owing to rush hour travels/commutes (TomTom, 2020).

Even with restrictions in mobility because of the stringent community lockdowns in 2020, Metro Manila still ranked 4<sup>th</sup> among the most congested metropolises, next to Moscow (Russia), Mumbai (India) and Bogota (Colombia). Meanwhile, the Japan International Cooperation Agency (JICA) projected in 2018 that an estimated P3.5 billion a day is lost to traffic congestion and, if unaddressed, will generate losses in productivity of up to P5.4 billion daily by 2035 (De Vera, 2018).

#### ◆ Water shortages

Water shortages is likewise a recurring problem for Metro Manila residents especially during the months of March to May. The water crisis experienced during the summer of 2019 affected an estimated 10,000 households in Metro Manila that completely lost their water supply, while nearby areas experienced rotational water interruptions (ABS-CBN News 2019). The crisis was attributed to low levels of water supply in major dams and delays in water infrastructure projects. Advisories on possible water shortage have been issued by the National Water Resources Board as early as February 2022 as water levels in the Angat Dam have continued to decline (Jocson, 2022). This, even as economic activity in the metropolis which slowed due to the COVID-19 lockdowns in 2020 and early 2021 began to pick up in late 2021.

#### ◆ Power deficiency

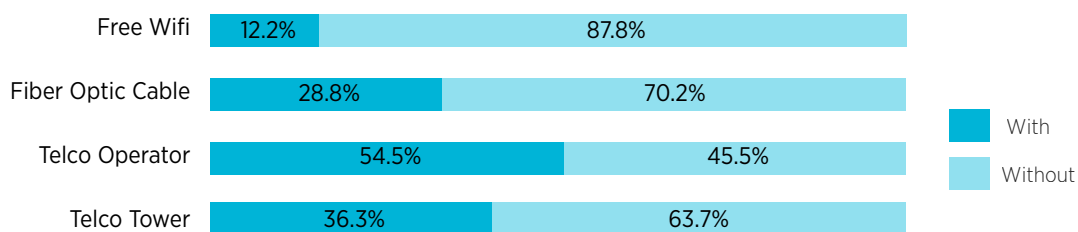
Meanwhile, at the height of the government's vaccination program in 2021, several areas in Luzon faced severe power supply deficiency, prompting the systems operator, the National Grid Corporation of the Philippines, to issue a red alert status. Red alerts inevitably led to rotational brownouts, or manual load dropping in places covered by the grid. The rotational brownouts have cast doubts on the country's prospects for faster and solid economic recovery.

#### ◆ Poor digital connectivity

In 2020, the National ICT Household Survey (NICTHS) 2019 rendered a comprehensive digital landscape of communities across the country, including household and individual access to and reception of information and communications technology. While almost all barangays receive 24/7 electricity services, essential connectivity infrastructure such as telecommunications or “telco” tower and operator, fiber optic cable, and free WiFi connection were inadequate in the majority of surveyed communities (Figure 4.4).

Figure 4.4

#### Presence of Essential Connectivity Infrastructure in Communities



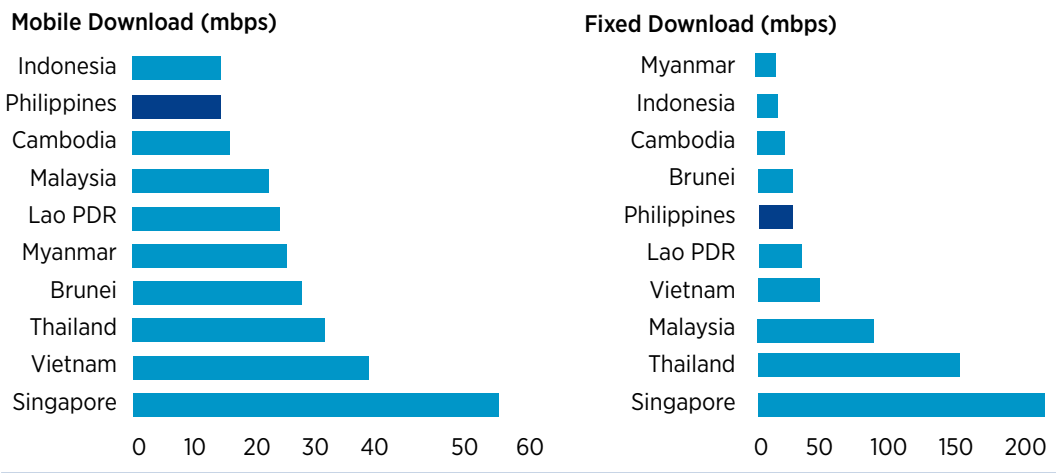
Source: NICTHS, 2019

Moreover, broadband services in the country lag behind its peers in the region in terms of quality and affordability. Notwithstanding some improvements, the country’s download speeds both for mobile and fixed broadband remained among the slowest in the region (Figure 4.5). Similarly, while prices of internet services have declined, entry level fixed broadband service (postpaid 1 GB) equivalent to 6.5% of the country’s gross net income (GNI) per capita per month is above the 2% affordability threshold recommended by the United Nations Broadband Commission and the Alliance for Affordable Internet. The rate for mobile broadband is also higher than the ASEAN average. The Philippines has the lowest average affordability score among the ASEAN member-countries from 2017 to 2019 based on the study by the Economic Intelligence Unit or EIU (Figure 4.6).

Figure 4.5

**Mobile and Fixed Internet Download Speeds**

As of August 2019

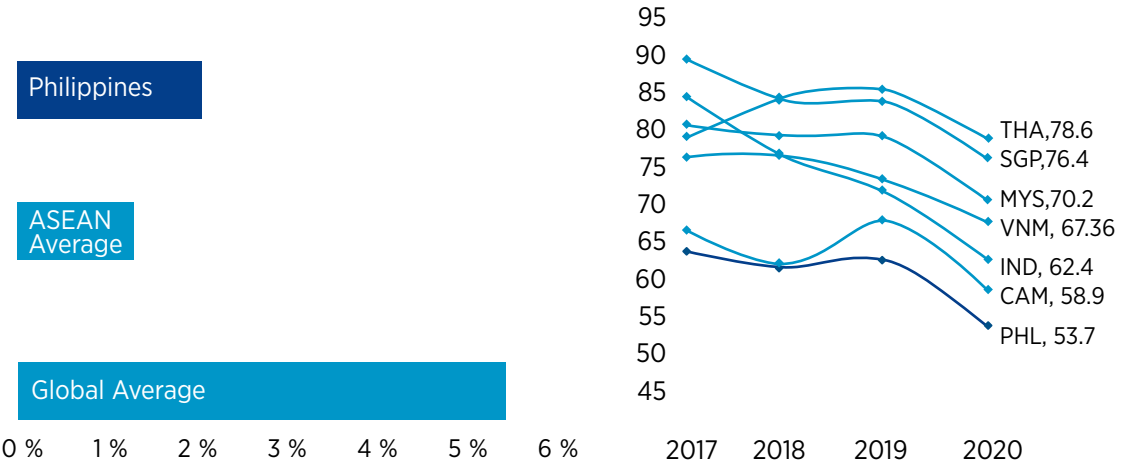


Source: Ookla as cited by the World Bank (2020)

Figure 4.6

**Price of Mobile Broadband**

(as Percent to GNI per capita) and EIU Affordability Score, 2017 to 2019\*



Note: \*Score of 0 to 100, the higher score is better.

Source: Alliance for Affordable Internet and Economic Intelligence Unit (EIU), as cited by the World Bank (2020)

According to the World Bank (2020), the following factors explain why internet access among Filipinos has been very limited: (i) only 70% of Filipinos are active mobile broadband subscribers, lower than the ASEAN regional average of 88%; (ii) only 72% of the population has access to the country's 4G/LTE mobile broadband network coverage, which is lower than the regional average rate of 82%; and (iii) only 4% of Filipinos are subscribed to fixed broadband services, much lower than the regional average rate of 10%.



## ISSUES AND CHALLENGES

### 4.5 Lack of a long-term infrastructure policy framework and plan

According to Encarnacion (2022), infrastructure projects in the Philippines have generally been based on Annual Infrastructure Budgets (AIBs) proposed by the implementing agencies in accordance with the annual budget call guidelines issued by the Department of Budget and Management. The AIBs are supposed to link the Medium-Term Philippine Development Plan (MTPDP) and the Public Investment Program (PIP) to the Three-year Rolling Infrastructure Program (TRIP) of the NEDA and integrate the inputs from implementing agencies. There is, however, no operating system to ensure that the AIBs evaluated by the DBM are fully consistent with the MTPDP, the PIP, and the TRIP so that the selection and prioritization of projects and allocation of funds are attuned to the major long-term development needs of the country.

Encarnacion (2022) also asserted that the lack of an official long-term infrastructure framework and plan that will seamlessly interconnect the AIBs and MTPDPs, the PIPs, and the TRIPs across different political administrations, such that these short to medium-term programs can systemically build upon one another, is an even bigger issue. As a result, several projects that had been started or were the subject of approved contracts under one Administration were discontinued by the next Administration, some on unclear grounds. This has increased the risks to infrastructure project proponents, as well as of the business and production sectors and beneficiary communities whose long-range plans may be constrained or prone to derailment by unpredictable shifts in infrastructure-related policies and project decisions by the Government. The combination of insufficient central oversight, lapses in coordination among agency plans and projects, and failure to insulate infrastructure

planning, prioritization, and implementation, from political intrusion has hampered infrastructure development. This has resulted in a disconnect between budgeting and planning, and gaps in overall institutional financing and legal arrangements. The preoccupation with annual and short-term infrastructure programs, without an overall long-term plan and policy framework, has also unduly resulted in the dispersal of scarce funds over many unconnected small projects with short-term parochial benefits that have limited regional or national impact.

Basilio (2022) cited that as of 2020, the Philippine Road Network of 2020 was composed of 210,000 kilometers, of which 33,018 kilometers are national roads (comprised of primary, secondary and tertiary); and 177,595 kilometers are local roads (provincial, municipal, city, and barangay). As a percentage of the total road network, national roads which are under the mandate of the Department of Public Works and Highways (DPWH) comprise only 16% thereof. On the other hand, local road development is under the administration of the respective local government units. While the ratio of paved roads to unpaved roads in the national level is at 97.18%, local road development has only achieved a minimal 18.85%. Further, he emphasized that the local road networks are practically economic roads that should therefore get more attention in terms of investments. He cited that improving provincial roads which comprise 35% of the local road network can cost around PhP705.9 Billion, which roughly translates to the one-year budget allocation of the DPWH. He posited that if the national government were to allocate PhP100 Billion for the development of all local roads rather than wait for the LGU concerned to have the capacity to undertake these projects, the economic turn-around that the country is aspiring for can be achieved at a much faster rate.

#### 4.6 Conflicted regulators in the transport sector

The multiple roles of the Philippine Ports Authority (PPA) and the Civil Aviation Authority of the Philippines (CAAP) in developing, operating, and regulating the country's ports and airport systems, respectively, may give due advantage to these government regulators to "benefit from their own regulations." Termed as "regulatory capture", this situation allows regulators to use their powers to thwart competition, and protect their own commercial interests in the provision of services. This may contribute to higher transport logistics cost and thereby weigh down the country's overall competitiveness. The Philippines' cargo handling cost is among the highest in the ASEAN. For stevedoring of 20-foot container, Philippine tariff is 31% higher than Singapore, Asia's transshipment hub, and 258% more expensive than Ho Chi Minh, Vietnam. For a 40-foot container, the Philippines is 60% and 305% more expensive than Singapore and Vietnam, respectively (Basilio, 2022).

Meanwhile, despite the growing number of transport-related accidents in the country, transport safety governance remains weak and convoluted as investigations on the probable cause of transport accidents are carried out by several agencies. Currently, road accidents fall under the jurisdiction of the Philippine National Police (PNP), Land Transportation Office (LTO), Metropolitan Manila Development Authority (MMDA), including local government units. The Civil Aviation Authority of the Philippines (CAAP) and the Maritime Industry Authority (MARINA) on the other hand, investigate air and water transport accidents, respectively. Although these agencies deal with some aspects of transport safety, it is neither their primary focus nor their core specialization. The lack of forensic investigation rarely results in policy corrections to prevent future accidents. A conflict of interest can also arise when the government regulator is forced to investigate over its own potential lapses. Hence, it is imperative to establish an autonomous, dedicated, and independent

body to conduct impartial probes of transportation accidents to help improve transport safety and ensure the strict implementation of safety standards. The power to investigate transport accidents and safety concerns of existing agencies shall be transferred to the newly-created Philippine Transportation Safety Board.

#### **4.7 Low absorptive capacity of major infrastructure-implementing government entities**

Although the Philippines may have attained the “rule-of-thumb” or benchmark public infrastructure spending of about 5% to GDP in recent years, much still needs to be desired in ensuring that public infrastructure appropriations are actually disbursed. The actual infrastructure disbursements or spending to total appropriations ratio, which is the true metric of investments on the ground, of the two major infrastructure implementing agencies, namely the DPWH and the Department of Transportation (DOTr), have been limited to only roughly 37% and 34%, respectively, on the average, during the period 2017-2021 (Table 4.3). The low physical delivery rate of target projects and activities reflect the poor absorptive capacity of the agencies and their inability to effectively manage the increasing amount of funds entrusted to them. This resulted in significant delays in the completion of vital infrastructure projects in the country, which undermined public welfare and overall economic growth. There are structural issues that affect the absorptive capacity of agencies, and these include right-of-way acquisition problems, poor project preparation and planning, deficiencies in technical capabilities, problems in bidding, contracting and procurement, project design alteration and variation orders, difficulty in complying with documentation requirements, issues on synchronization, complementation and coordination with other government agencies, including local government units, among others (ESCAP, 2017).

Table 4.3

**Total Obligations, Disbursements (In P Million) and Disbursement Rate<sup>1</sup> (In Percent) of DPWH and DOTr**

	DPWH			DOTr		
	Total Appropriations	Total Disbursement	Disbursement Rate (%)	Total Appropriations	Total Disbursement	Disbursement Rate (%)
2017	688,995.0	225,857.5	32.7	83,413.8	27,129.6	32.5
2018	759,241.7	298,481.2	39.3	83,260.3	30,510.1	36.6
2019	563,617.9	271,087.0	48.1	113,264.1	38,894.9	34.3
2020	507,608.6	145,251.3	28.6	121,398.6	42,869.2	35.3
2021	749,593.9	273,681.2	36.5	111,336.3	36,783.3	33.0

Notes: <sup>1</sup>Disbursement rate is the ratio between total disbursements and total appropriations

<sup>2</sup>Preliminary

Source: Statement of Allotment, Obligations and Balances (SAOB), Department of Budget and Management

#### 4.8 Low levels of private sector investments in infrastructure

The COVID-19 crisis took a heavy toll on public finances, thus private sector participation in infrastructure development is strongly warranted to fill the country's huge infrastructure gap. Although major inroads have been made more recently to liberalize investments in infrastructure and the provision of public services, there are roadblocks that hinder genuine competition in key sectors such as regulations that curtail the ease of doing business. Corruption remains an issue as evidenced by non-improvement in the country's ranking in the Corruption Perception Index of the Transparency International. In fact, the Philippines is among the countries, including Malaysia, Thailand, and Myanmar, whose respective performances in combatting corruption have worsened as evinced by their respective rankings (Table 4.4).

Table 4.4

**Corruption Perception Index of ASEAN-Member Countries***Ranking\* (2017 to 2021)*

	2017	2018	2019	2020	2021
Philippines	111	99	113	115	117
Brunei	32	31	35	35	N/A
Cambodia	161	161	162	160	157
Indonesia	96	89	85	102	96
Lao PDR	135	132	130	134	128
Malaysia	62	61	51	57	62
Myanmar	130	132	130	137	140
Singapore	6	3	4	3	4
Thailand	96	99	101	104	110
Vietnam	107	117	96	104	87

*Note: \*The lower the rank, the better**Source: Transparency International ([www.transparency.org](http://www.transparency.org))*

Meanwhile, the recent decision of the Executive branch to amend the provision on “material and adverse government actions” or MAGA in the rules and regulations implementing the BOT law, albeit aimed at reducing contingent liabilities arising from public private partnership (PPPs) contracts, imperils the Government’s commitment to promote private sector participation in infrastructure development. The MAGA provision allows Government to make changes by law or executive action that will adversely affect the terms and conditions of the contracts undertaken in the past. It also expects the private proponent to accept some of the consequential additional cost or increased difficulty imposed by such changes. In principle, the risks in PPP arrangements should be assigned to the party that is best able to manage and control the effects of the risks. The revised rules and regulations exclude the following acts in the MAGA coverage: i) acts of the executive branch, (ii) acts of the agency, LGU and approving body, and (iii) acts of the legislative

and judicial branches. Given the encompassing or broad range of government actions not covered by the MAGA clause, no government act would qualify as MAGA, and this may result in the PPP private sector proponent taking all the risks in a project. This can seriously undermine efforts to promote PPPs in the country.

#### 4.9 Inefficient mass transit systems

For decades, ill-advised policies focusing on getting cars to move faster in the metropolis have resulted in “car-dependent” urban environments and the worsening of urban traffic congestion, pollution, and the declining quality of the environment. The lack of due consideration for interconnected, seamless, and multimodal transport systems has impacted public commuters negatively. A recent example of these disadvantageous policies is the decision to cut short provincial bus trips from the north at the North Luzon Exchange Terminal in Bocaue, Bulacan, without convenient onward transfers at the drop-off point, which has resulted in additional cost and commuting time to the riding public. Stakeholders have pointed out that they have been denied participation in the crafting of government plans, programs and policies affecting the land transportation sector.

#### 4.10 Lack of government competency in modern infrastructure technologies

It can be recalled that the list of infrastructure flagship projects (IFPs) in the government’s Build! Build! Build! (BBB) Program has been revised a few times after a determination that some projects in the original BBB list were economically unviable and were likely to be saddled by engineering and financing issues. Among the IFPs that were stricken off the Nationwide Island Provinces Link Project of the DPWH were the

Luzon-Samar Link Bridge (18.2 kms), Bohol-Leyte Link Bridge (19 kms.), the Leyte-Surigao Bridge (20 kms.), and the Cebu-Bohol Bridge (24.5 kms.).

Stakeholders in the energy sector have also pointed to the need to build domestic capacity in modern energy technologies such as smart grid operation, power system automation, renewable energy plant design and operation, and underground and submarine cabling. There seems to be a similar lack of capacity in the shipbuilding sector. Given calls to modernize and upgrade the maritime industry, old, dilapidated, and unsafe shipping vessels that ply key routes in the country have to be replaced. A vibrant inter-island shipping industry is key to growth and development of the country. Improving the country's shipbuilding capacity is likewise critical in beefing up the nation's coast guard and naval requirements.

#### 4.11 **Obsolete internet connectivity regulations and lack of competition**

Access to reliable internet services is essential to enhance the country's ability to participate and compete in the digital economy. The reliability and efficiency of internet services is dependent upon digital infrastructure which, by present standards, seems to be sorely inadequate. The supply gap of digital infrastructure in the country is largely due to existing laws, particularly the Public Telecommunications Policy Act (Republic Act No. 7925) passed in 1995 which restricted the provision of voice telephony as well as internet services to providers authorized through a Congressional franchise, and the Radio Control Law (Republic Act No. 3846) passed in 1931, which restricted the construction and operations of broadband networks to public telecom entities (PTEs) that had also been granted a Congressional franchise. According to the World



Bank (2020), the Philippines is the only country in the ASEAN that still requires a franchise from Congress as a first step in obtaining a license to build and operate a network. Globally, either the industry regulator or the ministry in charge is authorized to issue an administrative license to the network operator (Table 4.5).

Table 4.5

### Licensing of ISPs Across Select Countries in Asia Pacific

Ranking\* (2017 to 2021)

Country	Licensing
Cambodia	License from the Telecommunication Regulator of Cambodia
Indonesia	License from the Indonesian Telecommunications Regulatory Authority
Malaysia	License from the Malaysian Communications Multimedia Commission
Philippines	Telecommunications Franchise Law passed by Congress; and Provisional Authority or Certificate of Public Convenience and Necessity (CPCN) issued by the National Telecommunications Commission (NTC)
Thailand	License from National Broadcasting and Telecommunications Commission
Singapore	License from the Infocomm Media Development Authority
South Korea	Registration with the Korea Communications Commission
Japan	Registration with the Ministry of Internal Affairs and Communications (if installing cable facilities); and ministry needs to be notified prior to providing telecommunications services, including services related to internet.

Source: Better Broadband Alliance 2019 as cited by World Bank (2020) in *Philippine Economic Update "Braving the New Normal", June 2020 Edition*

Moreover, as a result of mergers and acquisitions, the country's internet market is dominated by two telecommunications players that have an almost equal share of the market in all segments. The two dominant service providers operate a vertically integrated network, where one company has a significant stake and operates in all segments of the digital infrastructure—from international submarine cabling, cable

landing stations, backbone, middle mile, last mile networks to the devices and equipment at customer premises. This can be disadvantageous to new market entrants and to smaller internet service providers. Any new entrant, unless it plans to build and operate its own network or is provided access to government assets, will have to bilaterally negotiate interconnection and access to the facilities of the two dominant service providers. These disadvantages are made even worse by the inaccessibility to the backbone infrastructure built by the two dominant players or by discriminatory pricing regulations. Additionally, there are no regulations that prevent price discrimination, which contributes to the high price of wholesale broadband access. This puts any new player potentially at risk of non-competitive behavior by the two incumbents (World Bank, 2020).

The way government manages its radio spectrum is crucial in ensuring mobile broadband coverage and quality of service, as well as in promoting competition in the mobile service market. However, the laws that govern the radio spectrum in the country are designed for legacy or analog-based technologies and merely provide a general framework for the regulator. The country's radio spectrum has never been allocated through a competitive bidding process and the NTC has never carried out open tender for the spectrum assignment. To date, all frequencies have been awarded through a simple administrative process where applicants that can best show their financial and technical capacity to provide the required capitalization and infrastructure are granted the spectrum license, regardless of their current spectrum holdings or the validity of the justification for the additional spectrum. Given these criteria, the process is likely to favor incumbents and large telecommunication firms, and give very low chances for smaller firms to be awarded with spectrum frequencies. The administrative method of assigning frequency has also produced inefficiencies and underutilization of spectrum bandwidth (World Bank, 2020).

An NTC-published audit report on the assigned, returned, and vacant mobile access frequencies indicates that the spectrum in key bands, such as 900 MHz and 1800 MHz, have been assigned to only two telecommunications firms (World Bank, 2020). As such, a third telco will face higher costs associated with the limited spectrum since the fewer spectrum frequencies there are, the more infrastructure is required to be able to offer the same level of service that a telecommunication firm with more frequencies can. Meanwhile, the management of the country's spectrum could be made more transparent and dynamic. So far, spectrum assignments are considered confidential, and the awarding of frequencies is an internal process. To improve this situation, authorities may need to require the publication of all applications, approvals, and decisions for test permits, assignment, reassignment, co-use of the spectrum. Efforts to increase transparency should include defining the period for spectrum assignment reviews and publishing their results (World Bank, 2020).

#### **4.12 Lack of tower-sharing policies and other modes of infrastructure-sharing**

The absence of a tower-sharing policy for mobile networks keeps entry costs high. A new firm in the mobile network market would either need access to significant capital to build and maintain its own network infrastructure or face discriminatory charges for the use of any of its competitors' networks. Under infrastructure sharing agreements, however, operators typically agree to share facilities from passive infrastructure such as site locations, masts, and cabinets; radio access networks such as base station equipment; and active infrastructure such as radio spectrum and core network. The deployment of cell sites can consume up to 50% of a mobile carrier's capital expenditure and up to 60% of its operating expenses (World Bank 2020). Given the massive amount of capital resources needed to promote an expansion of broadband deployment, the sharing of infrastructure among mobile networks is becoming a global best practice.

#### 4.13 Bureaucratic requirements

The number of required permits and licenses also slows down the rollout of broadband networks. A mobile network provider needs to secure separate permits for the installation of a radio station, import equipment, and obtain radio station license. Worse, various network deployment permits and fees are required by different authorities such as national government agencies, local government units, private property management firms, and even by building administrators and homeowners associations. Some of these bureaucratic requirements, arbitrary fees, and permits can be institutionalized barriers to competition, and can prevent the timely cost-effective expansion of last-mile infrastructure. Service providers have identified an average requirement of 25 permits, depending on the cell site's location and other requirements imposed by approving entities (World Bank, 2020). According to Globe Telecom, the approval process can take up to eight months.

#### 4.14 Renewed threats on cybersecurity

The rapid growth of digital ecosystems has made the threat landscape larger and has significantly increased cybersecurity risks. The Kaspersky Security Network has already reported that the Philippines is the 4th country with most web-borne attacks, next only to Kazakhstan, Algeria, and Belarus; and 13th out of 18 Asia Pacific economies in the ITU Global Cybersecurity Index, behind Thailand, Indonesia, Malaysia, and Vietnam (Manhit, 2022). It should be noted that the Philippines has no legal framework for cybersecurity. The Data Privacy Act and Cybercrime Prevention Act, though related to cybersecurity, do not address certain issues. The Cybercrime Prevention Act deals more on the aftermath of cyberattacks and not so much on preventing them (Gavillan, 2016). The heightened cybersecurity problem in the country is partly due to the limited number of practicing cybersecurity professionals, limited budget, and the lack of dedicated units in government agencies to address cybersecurity.

## WHAT HAS BEEN DONE

### **On strengthening regulatory frameworks of infrastructure sub-sectors**

**Presidential Decree 474 s. 1974** created the Maritime Industry Authority (MARINA) to integrate the development, promotion, and regulation of the maritime industry in the country.

**Presidential Decree 505 s. 1974** created the Philippine Ports Authority (PPA) and established individual, autonomous port/ industrial zone authorities in different port districts.

**Republic Act No. 9497**, or the Civil Aviation Authority Act of 2008, created the Civil Aviation Authority of the Philippines (CAAP), an independent regulatory body with quasi-judicial and rule-making powers, and possessing corporate attributes.

**Republic Act No. 9993**, or the Philippine Coast Guard (PCG) Law of 2009, reorganized the Philippine Coast Guard as an armed and uniformed service attached to the Department of Transportation.

**Republic Act No. 8479**, or the Downstream Oil Industry Deregulation Act of 1998, provided for the regulation of oil industry in order to ensure a truly competitive market under a regime of fair prices, adequate and continuous supply of environmentally-clean and high-quality petroleum products.

**On enabling business-friendly and competitive market conditions**

**Republic Act No. 9295**, or the Domestic Shipping Development Act of 2004, promotes the development of the Philippine domestic shipping industry through investment incentives and easing of maritime regulations.

**Republic Act No. 10667**, or the Philippine Competition Act created the Philippine Competition Commission (PCC), an independent quasi-judicial body, mandated to prevent abuse of a dominant position, and anti-competitive mergers and acquisitions.

**Republic Act No. 11647**, entitled "An Act Promoting Foreign Investments, Amending Thereby Republic Act No. 7042, Otherwise Known as the "Foreign Investments Act of 1991", as Amended, and for Other Purposes", aims to attract productive foreign investments that will facilitate transfer of technology, enhance the skills of Filipino workers, promote the welfare of Filipino consumers, and generate more employment in the economy by excluding the practice of professions that are under the jurisdiction of the respective Professional Regulatory Boards from the areas of activities reserved to Philippine nationals.

**Republic Act No. 11659**, entitled "An Act Amending Commonwealth Act No. 146, Otherwise Known as the 'Public Service Act', as Amended", encourages private investments in the provision of public services by confining the definition of "public utility" to firms engaged in the distribution and transmission of electric power, petroleum and petroleum products pipeline transmission systems, water pipeline distribution system and waste water pipeline systems, including sewerage pipeline systems, seaports and public utility vehicles, and which shall be subjected to the 40% foreign ownership ceiling of the Constitution.

**Republic Act No. 7925**, or the Public Telecommunications Policy Act of the Philippines, aims to liberalize the telecommunications sector and promote the expansion of telecommunications services especially to unserved areas.

**Republic Act No. 9136**, or the Electric Power Industry Reform Act of 2001, instituted reforms in the electric power industry by privatizing the generation, transmission, distribution, and supply of the power sector, and declares distribution and transmission as activities which should be undertaken by public utilities.

**Republic Act No. 11234**, or the Energy Virtual One-Stop Shop Act established an online platform designed to modernize and streamline the permitting process of power generation, transmission, and distribution projects in the country.

**Republic Act No. 10668** entitled "An Act Allowing Foreign Vessels to Transport and Co-load Foreign Cargoes for Domestic Transshipment and For Other Purposes".

### **On boosting infrastructure investment**

**Republic Act No. 6957**, or the Build-Operate-Transfer Law provides the legal framework for government agencies to enter into PPP contracts with qualified private sector proponents for the implementation of government infrastructure or development projects.

**Republic Act No. 11697**, or the Electric Vehicle Industry Development Act, provided for a national development plan to accelerate the development, commercialization and utilization of electric vehicles.

**Republic Act No. 9367**, or the Biofuels Act of 2006, promotes the use of biofuels to reduce the country's dependence on imported fuels.

**Republic Act No. 9513**, or the Renewable Energy Act of 2008, promotes the utilization of renewable energy resources to reduce harmful emissions and achieve economic development while protecting health and the environment.

**Republic Act No. 11646**, or the Microgrid Systems Act, promotes the use of microgrid systems to accelerate total electrification and ensure the provision of reliable electricity services in unserved and underserved areas.

### **On improving the absorptive capacity of infrastructure agencies**

**Republic Act No. 11572**, or the Philippine Energy Research and Policy Institute (PERPI) Act, created the PERPI that shall be attached to the University of the Philippines and mandated it to conduct research on energy issues and ensure the dissemination of results to key government agencies to guide policy and decision-making.

**Republic Act No. 9184**, or the Government Procurement Reform Act, provides for the modernization, standardization, and regulation of the procurement activities of the Government.

**Republic Act No. 10752**, or the Right-of-Way Act, provides a new policy framework that shall govern and facilitate the acquisition of rights-of-way to sites where national and local government infrastructure projects shall be built.



**On upholding privacy rights and protection from online threats**

**Republic Act No. 10173**, or the Data Privacy Act of 2012, provides for the protection of individual personal information and the rights of data subjects, and creates a National Privacy Commission.

**Republic Act No. 10175**, or the Cybercrime Prevention Act of 2012, improved the capacity of law enforcement agencies to address criminal acts committed through internet and digital technologies, reinforced law enforcement against lascivious or sexual exhibition over the internet to protect the youth and minors from sexual exploitation, clarified the crime of libel when perpetrated over the internet, increased the penalty for the commission of these acts, and created the Cybercrime Investigation and Coordinating Center.

**Republic Act No. 11202**, or the Mobile Number Portability Act allows subscribers to retain existing mobile numbers despite a change in service providers or subscription type.

## WHAT NEEDS TO BE DONE

### **On strengthening regulatory frameworks of infrastructure sub-sectors**

**Amend the Build-Operate-Transfer (BOT) Law.** Improve the legal and policy framework for PPP projects and accelerate private sector participation in infrastructure development. Some of the salient features of this proposed reform include (i) adherence to competitive bidding procedures as the central tenet of government procurement policy; (ii) institutionalization of the Project Development and Monitoring Fund (PDMF), Viability Gap Funding (VGF), and Contingent Liability Fund, as well as the PPP Center and the PPP Governing Board. The proposed measure also seeks to institutionalize stronger mechanisms for the monitoring and management of the government's contingent liabilities arising from PPPs, including joint ventures. It shall mandate the DOF to develop a registry of these contingent liabilities, and to provide Congress regular reports on the same. To enhance the capacity of government agencies to fulfill their obligations under PPP contracts, it proposes the institutionalization of a risk management program. To address the need for enhanced fiscal transparency in PPP projects, the COA shall be mandated to develop accounting and auditing guidelines for PPP projects.

**Institutionalize a 30-year Infrastructure Program** and identify and prioritize major infrastructure projects to be undertaken by the National Government and implemented by concerned national government agencies and government-owned and controlled corporations in the fields of transport, energy, water resource, information and communications technology (ICT), and social infrastructure related to health and education.

This will ensure continuity in the development and implementation of infrastructure projects in the 30-year infrastructure program despite changes in administrations and regardless of changes in the national and local leadership. To address the local road network backlog, it is proposed that the DPWH be mandated to undertake the construction of provincial, city, and municipal roads, and allocate at least PhP100 Billion per year for 6 years to address the local road gap. Doing this will effectively improve access to public services, enhance public order and security, encourage investments in land transportation services, and place the rural population into the mainstream of social and economic activity.

**Establish a Philippine Transportation Safety Board.** Establish an independent investigatory, research, and standard-setting agency that shall be the primary government body dedicated to promoting safety in all modes of transportation (for land, sea, air, and railway) and pipelines.

**Institutionalize a National Evaluation Policy.** Provide a framework for the purposive conduct of evaluations in the public sector in support of good governance, transparency, accountability, and evidence-based policy making. Under this proposal, projects and programs nationwide will be assessed in terms of their efficiency, outcomes, and impact based on national priorities.

**Amend the Right-of-Way Law.** Fast-track the delivery of vital infrastructure projects by introducing amendments to Republic Act No. 10752 to address key issues such as what constitutes “just compensation” for informal settlers, the issues between indigenous peoples and private utilities, the need to procure an independent private appraiser accredited by the *Bangko Sentral ng Pilipinas*, and the installation of proper disclosure and

overall transparency standards, among others. In particular, resolving the valuation issues at the negotiation stage is imperative since a more realistic “fair market value” offer could facilitate faster settlements of property disputes with private owners and obviate the need for litigation.

**Amend the law creating the Philippine Contractors Accreditation Board.**

The proposed policy seeks to provide a level playing field and expand opportunities for participating in construction projects to eligible and qualified domestic and foreign contractors by reducing barriers to the entry of new players in the construction sector. This will facilitate potential investments in quality and climate-resilient infrastructure. The transfer of the function of contractor accreditation from the Department of Trade and Industry (DTI) to the Department of Public Works and Highways (DPWH) is also envisioned under this proposal.

**Amend the Commonwealth Act No. 541 or the law regulating the awarding of contracts for construction or repair of public works.** This proposal is aimed at encouraging competition and investments in public works projects by allowing the participation of both foreign and local contractors in the bidding for government infrastructure projects.

**Decouple the regulatory and development functions of regulatory agencies in the country’s sea port and airport systems.** This proposed policy reform aims to promote competition and good governance in the country’s sea port and airport administrations by separating the regulatory and development functions of both the PPA and the CAAP. This recommendation proposes the creation of the Philippine Ports Corporation (PhilPorts), a government-owned and controlled corporation that shall be attached to the DOTr, and mandated to own, develop, manage, and operate public ports, and the transfer of PPA’s regulatory

functions to the MARINA. For the airport subsector, the transfer of the commercial functions of the CAAP to the proposed Philippine Airport Development Corporation (PADC) is recommended. The PADC shall undertake the planning for, development, operations and maintenance of all airports in the country. The CAAP shall remain as the primary regulatory body for the aviation sector.

**Enact a National Transport Policy.** This proposal seeks to rationalize the Philippine transport system by providing the necessary framework and standards to be embodied in a Sustainable Transport Action Plan. This reform aims to establish a sustainable and seamless transportation network that shall take into account the requirements for connectivity, public safety, affordability, as well as health and environmental quality standards, the special needs of vulnerable groups such as persons with disabilities, and the general welfare of motorists and commuters, among others. This proposal also seeks to institutionalize the integration of the roll-on/roll-off system in transport and logistics planning and infrastructure development financing.

**Create the Land Transportation Authority.** Create a central agency that will consolidate the functions currently being undertaken by the Land Transportation Office (LTO), the Land Transportation Franchising and Regulatory Board (LTFRB), the Office of Transport Cooperative (OTC) of the DOTr, the Traffic Management Group of the Philippine National Police (PNP), and the Traffic Enforcement Group of the Metro Manila Development Authority (MMDA). This is to avoid confusion as to which agency is tasked to enforce land transportation laws, maintain order, as well as to provide for the efficient and effective administration and management of the country's land transportation industry.

**Enact a public utility jeepney modernization policy.** This reform aims to propose for the institutionalization of a socially-just, democratic, and public service-oriented framework for the modernization of the public utility jeepneys (PUJs). The proposed measure aims to provide adequate, efficient, reliable and environmentally sustainable public utility vehicles to ensure the safety and comfort of the riding public, and at the same time, promote the welfare and protect the rights of industry players, most especially PUJ drivers and operators.

**Enact an international maritime competitiveness policy** that shall address the expensive shipping rates in the Philippines which is due largely to the imposition of “excessive, arbitrary and unreasonable” shipping charges by foreign shipping lines such as the “destination and origin charges”, container deposit fees, container cleaning fees, detention and demurrage charges, and port congestion charges. This proposed reform also seeks to promote transparency by mandating port terminal operators, international carriers, non-vessel operating common carriers, and freight forwarders to inform the MARINA of their shipping charges and fees and publish them in a newspaper of general circulation.

**Pass a law regulating harbor pilotage services.** This proposal aims to regulate the operations of harbor pilotage services which are crucial in ensuring safety of ships when berthing in ports. Currently, pilotage services are provided only by harbor pilots who belong to the organizations affiliated with the United Harbor Pilots Association of the Philippines (UHPAP). The proposed measure is aimed at promoting competition by opening harbor pilotage services to other industry players.

**Establish a Maritime Innovation and Knowledge Center (MIKC) under the DOTR-MARINA.** This proposed measure aims to develop knowledge products and technology solutions on maritime issues, strengthen the innovation capability of industry partners, encourage the youth to gain knowledge on the maritime industry, and raise public awareness about the value of science, technology and innovation to the maritime industry. It also aims to promote the modernization and upgrading of marine vessels, shipbuilding, and the development of design and standards for the construction and operation of marine vessels. It aims to foster industry-government linkages and partnerships in enhancing the provision of coast guard and naval vessels. Finally, it seeks to upgrade the capabilities of the country's coastal and inland waterways transport personnel.

**Enact a policy that mandates open access in data transmission.** The adoption of an open access policy in various segments of the telecommunications market such as backhaul and backbone facilities on a non-discriminatory basis, and the publication of prices for data transmission services, will effectively promote competition in the broadband or telecom market. This proposed reform also seeks to introduce a simple and efficient registration process for telecommunication companies and remove the requirement for a congressional franchise and certificate of public convenience and necessity or provisional authority (CPCN/PA) before a telecommunications entity can operate as such. This proposal aims to level the playing field in the data transmission and telecommunications market. Its passage will strengthen the value chain linkages in the industry and services sectors, and facilitate the realization of the full potential of e-commerce and digital trade.

**Enact a spectrum management policy.** Mandating the competitive and transparent assignment and administration of radio frequency spectrum is consistent with the objective of promoting the public interest, and aligns

the Government's policy with international agreements and conventions which the Philippines is a party to. Assigning frequencies to service providers that are capable of efficiently and effectively using it to meet public demand is key to ensuring better wireless, telecommunications, broadcast, and data transmission services in the country. The function of radio spectrum management shall be a joint undertaking of the DICT, for policy and planning aspects, and the National Telecommunications Commission for regulatory matters.

**Enact a law promoting the use of satellite-based technologies.** To connect underserved and unserved communities to the internet, there is a need to deregulate the provision of satellite-based internet technology services. This measure proposes to allow non-telco internet service providers and value-added service providers to use satellite technology without need for a congressional franchise and CPCN/PA.

**Enact a policy regulating internet transactions.** This proposed policy shall define the scope and coverage of internet transactions, apart from the sale or exchange of digital products, and lays down a code of conduct and qualification standards for businesses engaged in e-commerce. The proposed creation of an E-commerce Bureau to handle complaints on internet transactions, is envisioned as a means of protecting consumers' rights, and facilitating the speedy resolution of complaints.

**Institutionalize a National Digital Transformation Policy.** The objective of the proposal is the institutionalization of structural reforms across multiple sectors to allow a transformational shift to digital modes of conducting work and life activities. In line with this, the proposed policy shall provide for a sound regulatory environment that promotes the adoption and wider utilization of digital technology and encourages greater investments in ICT infrastructure.



**Enact a legal framework on strengthening cybersecurity and provide protection to digital infrastructure.** The proposed policy shall provide for a framework for promoting cybersecurity with the following important features: (i) the adoption of minimum information security standards (MISS) by all government agencies, (ii) creation of a body to oversee, promote, and advise on cybersecurity, identify critical information infrastructure, and prescribe cybersecurity standards; (iii) establishment of a national Computer Emergency Response Team responsible for monitoring, reporting, and responding to cybersecurity incidents, and (iv) implementation of capacity-building and development programs, and cyber research and development activities.

**Amend the Data Privacy Act.** This proposal aims to strengthen the implementation of the Data Privacy Act and align it with international standards on data privacy and protection. It is aimed at addressing data privacy challenges and other cross-border data processing concerns that are barriers to the country's plan towards digital transformation and the development of a knowledge-based economy.

**Enact a Philippine downstream natural gas industry development policy.** This proposal shall provide a clear, comprehensive and integrated policy framework to cover all aspects of the downstream natural gas industry, namely transmission, distribution, and commercialization of natural gas.

**Amend the Anti-Electricity and Electric Transmission Lines/Materials Pilferage Act.** To protect the rights of consumers, the reduction of the systems loss cap that is passed on to electricity consumers by distribution utilities, and the exemption of the system loss charge from the value-added tax must be institutionalized.

**Amend the Philippine National Oil Corporation Charter to allow the PNOC to build strategic fuel reserves.** Under this proposed policy, the PNOC shall be mandated to establish a Philippine Strategic Oil Reserve in order to ensure adequate and secure supply of petroleum products in the country especially during periods of crisis, geopolitical tension, and other critical events.

**Amend the Exploration and Production of Indigenous Oil and Gas Act.** This proposed reform aims to improve the contractual arrangements in the exploration and production of indigenous oil and gas which is considered a high-risk investment and capital-intensive undertaking with high front-end costs, and therefore attract more investors.

**Establish a Department of Water Resources and a Water Regulatory Commission.** To address the institutional fragmentation in resource management and regulation of water resources, the creation of the Department of Water Resource Management and a Water Regulatory Commission is proposed. The Department shall be the primary policy, planning, coordinating, implementing and administrative entity that will plan, develop and promote national water resources and services development program. The Water Regulatory Commission, on the other hand, shall be an independent and quasi-judicial agency that shall be charged with the financial regulation of the water services sector. It shall be authorized to supervise the operations of all service providers, whether public or private, providing or intending to provide levels II and III water supply, including suppliers to subdivisions and of sewerage and septage treatment and disposal services for residential, industrial or commercial uses.

**For study and oversight action**

Inquire into the implementation of the DPWH of its mandate to enforce regulations on vehicle weights and axle loads for all road classes.

Enjoin the Joint Congressional Energy Commission to inquire into the state of the energy sector with the view to address insufficiency in the supply of power and issues in power sector supervision.

Domain 5  
**Strengthening  
Industry and  
Services and  
Enhancing  
Productivity**



## Domain 5

# Strengthening Industry and Services and Enhancing Productivity

- 5.1 Governments have implemented strategic efforts to encourage and promote specific sectors or industries and have incorporated this in their development policies (White, 2008). Industrial policy mostly centers on the development of the industry sector—particularly of the technology-driven manufacturing industry, which likewise prompts technological progress and organizational innovation, demand for high-productivity activities, and the high-tradability of goods it produces (Andreoni & Chang, 2016). Industrial policy is also about modern high value-added service industries that present high-income employment opportunities. Given the extensive synergies and linkages between the industry and the services sectors, promoting their development has the potential of increasing economic productivity (Mitra, 2013).
- 5.2 Economic growth promotes basic economic security and bestows upon individuals the power to choose from among the opportunities available to them. Growth becomes a viable means to promote overall human security if it supports sustainable livelihoods and decent work, prevents and contains the effects of economic crises and natural disasters, provides social protection, and is inclusive—growth that reaches the extreme poor (Commission on Human Rights, 2003). It also allows a nation or an economy to thrive and participate more meaningfully in promoting global security.
- 5.3 Disruptions in the pursuit of inclusive growth have been brought about by the rise of frontier technologies, which has necessitated innovation to be at the forefront of the industrial development framework (Department of Trade and Industry, 2017). Accelerating digital adoption and upgrading technological capabilities are now marked features of modern economies and are necessary strategies for individuals, firms, and economies to remain competitive.
- 5.4 While industries preoccupied themselves with the challenges brought about by the Fourth Industrial Revolution, the COVID-19 pandemic exposed new and emerging challenges, highlighted the severity of existing socioeconomic issues,

and underscored the urgency of addressing them. The experience throughout the pandemic emphasizes the need to realistically plan for the protection of people in adverse situations and fiscal crises, a call made by the Commission on Human Security (2003) not only for “growth with equity” but also to provide safeguards in order to meet any “downturn with security.”

- 5.5 Industrial development is now being considered afresh in the context of a new normal, or what has been referred to as the “emerging behaviors, situations, and minimum public health standards that will be institutionalized in common or routine practices and remain even after the pandemic while the disease is totally not eradicated” (Inter-Agency Task Force for the Management of Emerging Infectious Diseases, 2021).
- 5.6 The new normal scenario for the industry sector is characterized by the redirection of production to increase the supply of essential goods and intermediate inputs especially so in the light of global supply chain disruptions brought about not only by the pandemic but also by geopolitical conflict. Because of the volatility of the environment, the services sector needs to establish new protocols and alternative modes of service delivery for retail transactions such as cashless commerce, seamless and safe transportation, and client services (Inter-Agency Task Force Technical Working Group for Anticipatory and Forward Planning, 2020).

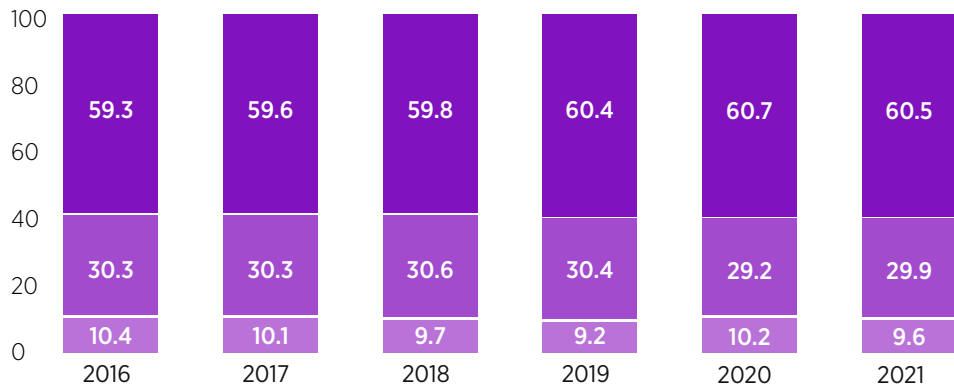
### 5.7 Sector performance

The structure of the Philippine economy shows that the services sector has consistently accounted for the majority of economic output, slightly increasing from a 59.3% share of gross domestic product (GDP) in 2016 to 60.5% in 2021 (Figure 5.1). In contrast, the respective shares to GDP of both the industry and the agriculture, forestry, and fishing (AFF) sectors have respectively declined to 29.9% and 9.6% in 2021.

Figure 5.1

**Share to GDP (%)**

by Sector, Constant 2018 Prices, 2016-2021



Source of basic data: Philippine Statistics Authority (PSA)

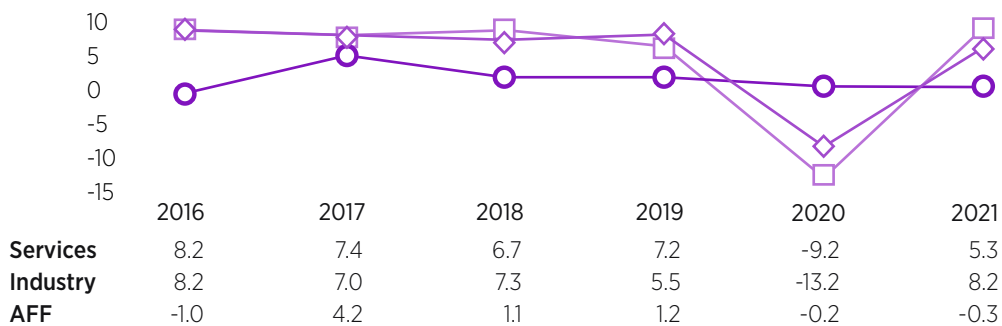
AFF Industry Services

5.8 While the economy posted modest growth at the beginning of the Duterte administration, no sector of the economy was spared by the effects of the COVID-19 pandemic. The industry sector was the hardest hit as it declined by 13.2% in 2020, followed by the services sector with a 9.2% contraction, marking a stark reversal from the stable growth these sectors displayed in prior years (Figure 5.2).

Figure 5.2

**Growth Rate (%)**

by Sector, Constant 2018 Prices, 2016-2021



Source of basic data: PSA

Industry Services AFF

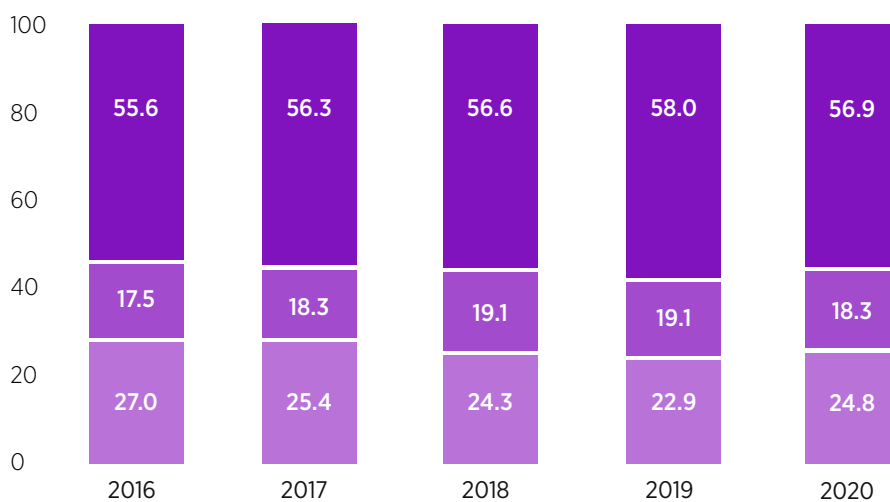
The AFF sector, on the other hand, decreased minimally by 0.2% in 2020, even as its performance has historically been erratic. Moreover, while the industry and services sector were quick to recover in 2021, the AFF sector continued its downward

5.9 The employment share of the services sector is proportional to its contribution to GDP as it employed 56.9% or 22.4 million individuals in 2020 (Figure 5.3). In contrast, the AFF sector accounted for 24.8% of total employment or 9.8 million continuing its minimal share to GDP, followed by the industry sector with the least share to total employment at 18.3% or 7.2 million.

Figure 5.3

**Employment Share (%)**

*by Sector, Constant 2018 Prices, 2016-2020*



Source of basic data: Asian Development Bank (ADB)



## ISSUES AND CHALLENGES

5.10 As the Philippines continues to navigate through the COVID-19 pandemic, the performance of the sectors of the economy reveals new issues and challenges. Addressing these impediments must be pursued with utmost urgency especially in the light of new developments that threaten the country's economic recovery, such as rising commodity prices, the dire effects of the Russia-Ukraine conflict, the slowdown of the Chinese economy, and monetary adjustments in the United States. The country must aspire for a more resilient economy that can withstand domestic and external shocks as it treads on the path to recovery. Integral to this endeavor is the pursuit of industrial development that can create sustainable jobs, accelerate inclusive economic growth, uphold human dignity, and ultimately, national security.

### 5.11 Sluggish structural transformation

Structural transformation or the movement of labor and other productive resources from low-productivity to high-productivity activities is especially beneficial to developing countries (United Nations, 2016). This structural transformation is observed in growing economies as the movement from agriculture to industry and eventually to the services sector. However, the development of the Philippines does not conform to these patterns and is characterized by a premature advancement and dominance of the services sector in a low-income economy (Fabella & Fabella, 2012). This development progeria results in sluggish growth, low investment rates, and slow poverty reduction.

Structural transformation plays a large role in total factor productivity (TFP) growth<sup>6</sup>, especially as the employment structure converges with a middle- or high-income economy (Foster-McGregor & Verspagen, 2016).

The World Bank (2018) estimates that the Philippines needs to sustain an annual TFP growth rate of at least 1.5% to achieve its GDP per capita target under *AmBisyon Natin 2040*. However, data from the Asian Productivity Organization reveals that the country has failed to consistently reach this growth rate (Table 5.1).

Table 5.1

**Total Factor Productivity Growth (%)***ASEAN Member States, 2016-2019*

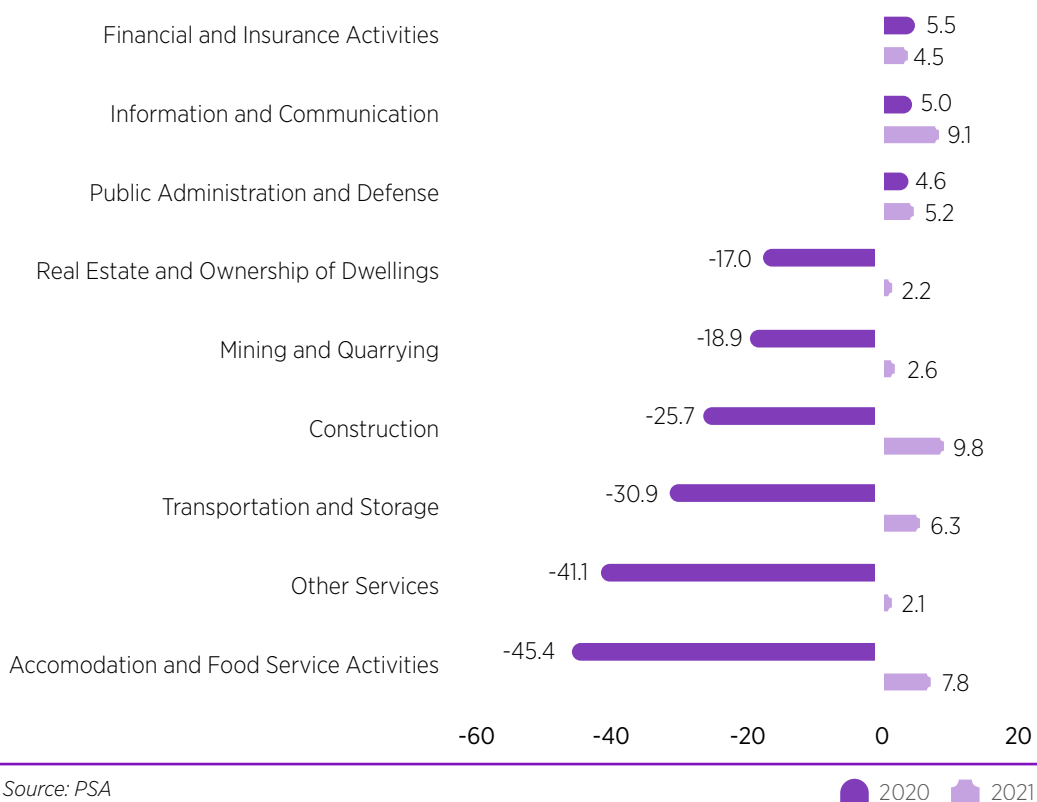
Country	2016	2017	2018	2019
Myanmar	-1.7	-2.8	-0.9	10.0
Cambodia	-1.7	3.0	3.8	3.6
Brunei	-1.3	-0.7	0.2	1.8
Thailand	1.3	1.6	2.2	0.9
Vietnam	-0.1	4.1	1.7	0.0
<b>Philippines</b>	<b>-0.6</b>	<b>2.7</b>	<b>0.3</b>	<b>-0.6</b>
Malaysia	0.8	1.2	0.8	-1.1
Lao Peoples Democratic Republic (PDR)	-0.6	1.6	0.5	-1.6
Singapore	1.4	3.6	1.3	-2.0
Indonesia	-2.3	-0.5	0.7	-2.0

Source: Asian Productivity Organization

### 5.12 Uneven impact of the pandemic and unbalanced recovery

The economic decline of 9.6% in 2020 affected industries unevenly. While accommodation and food service activities (-45.4%), other services (-41.1%), and transportation and storage (-30.9%) bore the brunt of economic contraction, financial and insurance activities (5.5%), information and communication (5.0%), public administration and defense, and compulsory social activities (4.6%) were able to go against the trend and even grow amidst the pandemic (Figure 5.4).

Figure 5.4

**Growth Rates (%)***Selected Industries, Constant 2018 prices, 2020 and 2021*

The same variability can be observed in 2021 when the economy expanded by 5.6%. While industries such as construction (9.8%) and accommodation and food service activities (7.8%) were quick to recover, other services (2.1%), real estate and ownership of dwellings (2.2%), and mining and quarrying (2.6%) had a more tempered recovery. Ensuring that growth and recovery is inclusive of the vulnerable industries is therefore necessary to avert what Loayza *et al.* (2020) consider as the "k-shaped recovery" wherein specific people and businesses recover well and even generate profits, while others face collapse and extreme poverty.

### 5.13 **Micro, small, and medium enterprises (MSMEs) are vulnerable to economic shocks**

In a similar context, variability in the conditions of enterprises based on their size must also be taken into account. This is especially relevant in light of the fact that in 2021, 90.5% or 977.7 thousand establishments and 8.7% or 94 thousand establishments are micro and small enterprises, respectively. Further, medium and large enterprises make up an almost equal share of 0.4% with a corresponding 4.4 and 4.5 thousand establishments.<sup>7</sup>

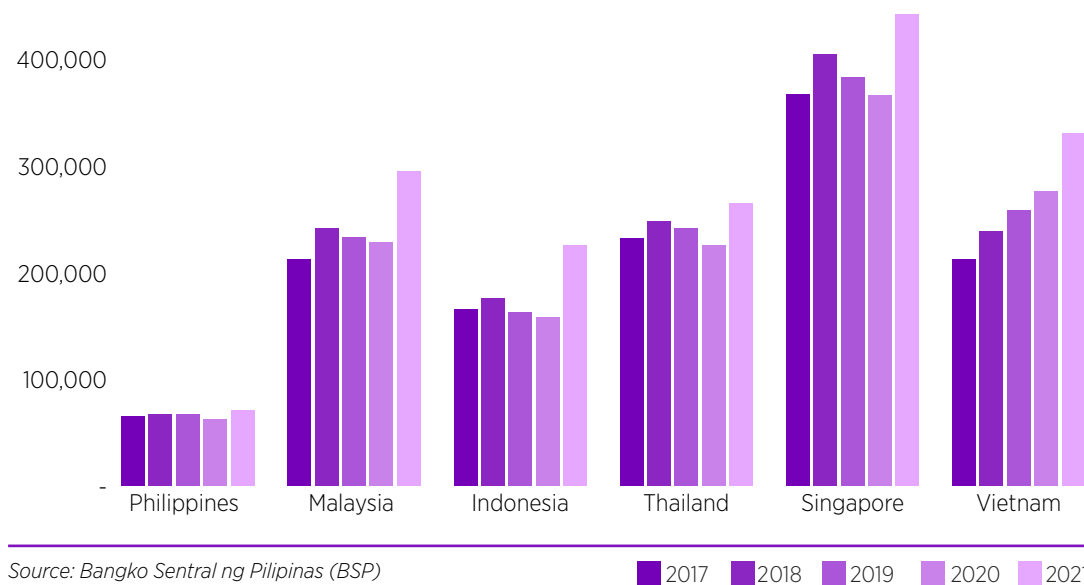
As shown by the findings of the ADB (2020) and Shinozaki and Rao (2021), a range of issues relative to the MSME classification require the establishment of a policy to differentiate by firm size. Micro enterprises confronted the most serious shortage of working capital and were less successful in arranging new working environments during the pandemic.

### 5.14 **Low diversification and relatively poor export performance**

Export orientation has been critical in sustaining the rapid growth of Hong Kong, Singapore, South Korea, and Taiwan during what was referred to as the Asian Miracle in the decades prior to the Asian financial crisis in 1997 (Cherif & Hasanov, 2019). Economies that cannot solely rely on a sufficiently large domestic market benefit from shifting their focus from internal to external markets.

Historically, however, the Philippines has fared poorly in terms of exports (Figure 5.5) in relation to its peers in the Association of Southeast Asian Nations (ASEAN). The country's exports in 2021 amounting to US\$74.7 billion pales in comparison to the exports of Indonesia (US\$231.5 billion), Thailand (US\$271.2 billion), Malaysia (US\$299.2 billion), Vietnam (US\$335.8 billion), and Singapore (US\$457.1 billion).

Figure 5.5

**Exports (in US\$ Million)***Selected ASEAN Member States, 2017-2021*

In addition to increasing the value of exports, diversification is likewise vital for the economy of developing countries. A more diversified export portfolio reduces the volatility of export earnings and a country's vulnerability to adverse external shocks (Hesse, 2008; Hong, 2021). A valuable lesson that the pandemic has taught is that countries should not be over dependent on a limited number of export products and markets.

A comparison of the concentration index<sup>8</sup> in the ASEAN reveals that Philippine exports are highly concentrated in a few products; in fact, it has the second highest concentration index next to Brunei (Table 5.2). The Philippines also ranks fifth in terms of export market diversification, Thailand, Singapore, Malaysia, and Indonesia having more export partners. The Philippines is also among those with the fewest free trade

agreements (FTAs). Aside from their potential to boost trade, FTAs enable large-scale production and create investments (Kreinin & Plummer, 2012).

Table 5.2

### Concentration Index, Number of Export Partners, and Number of FTAs

ASEAN Member States

Country	Concentration Index (2020)	No. of Export Partners (2019)	No. of FTA (2022)
Brunei	0.50	82	11
<b>Philippines</b>	<b>0.32</b>	<b>211</b>	<b>10</b>
Lao PDR	0.25	87	10
Cambodia	0.25	159	9
Singapore	0.24	220	27
Malaysia	0.24	216	17
Myanmar	0.23	149	8
Vietnam	0.18	97	15
Indonesia	0.12	215	15
Thailand	0.08	226	15

Note. FTAs only include those that are categorized as "signed and in effect".

Source: United Nations Conference on Trade and Development (UNCTAD), World Bank, and ADB

#### 5.15 Limited investments

Investments are crucial to the economy as they trigger technology spill overs, assist human capital formation, promote efficiency through competition, expand consumer choices, and increase the government's tax base (Agbola, 2014; Echandi et al., 2015).

Foreign investments, in particular, generate value to the destination country through the transfer of cutting-edge technologies, managerial expertise, skills, and modern processes employed in advanced economies

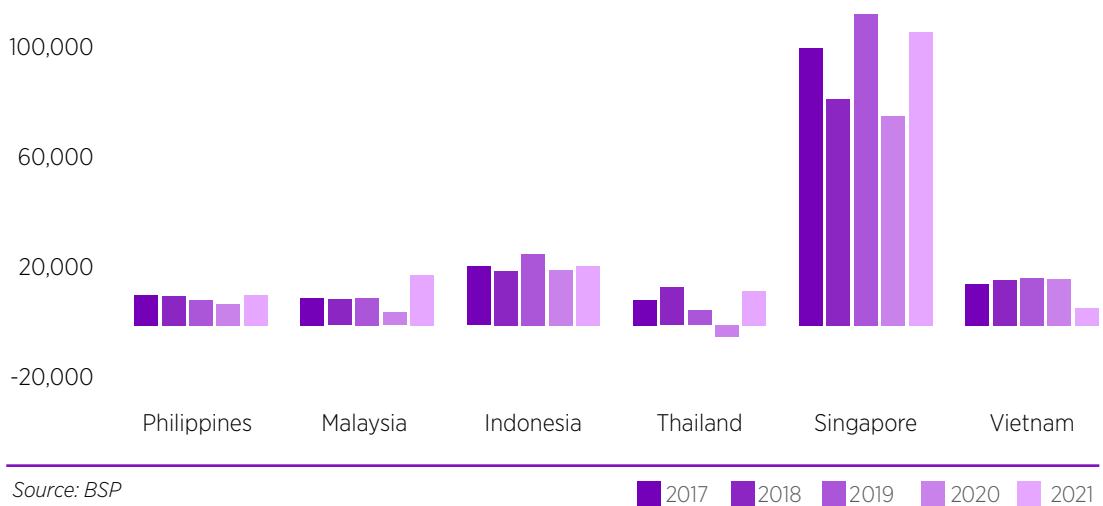
(UNCTAD, 2000). Amidst the COVID-19 pandemic and the slowdown in domestic activity, increasing foreign investments has been a global policy priority to support sustainable and inclusive recovery (UNCTAD, 2020; 2021).

Net foreign direct investment (FDI) flows to the Philippines took a downward trend from US\$10.3 billion in 2017 to US\$6.6 billion in 2020 before recovering to a new high of US\$10.5 billion (Figure 5.6). However, the country remains to have the lowest FDI flow compared to other ASEAN member states, with Indonesia and Singapore continuing to take the largest proportion.

Figure 5.6

### Net FDI (in US\$ Million)

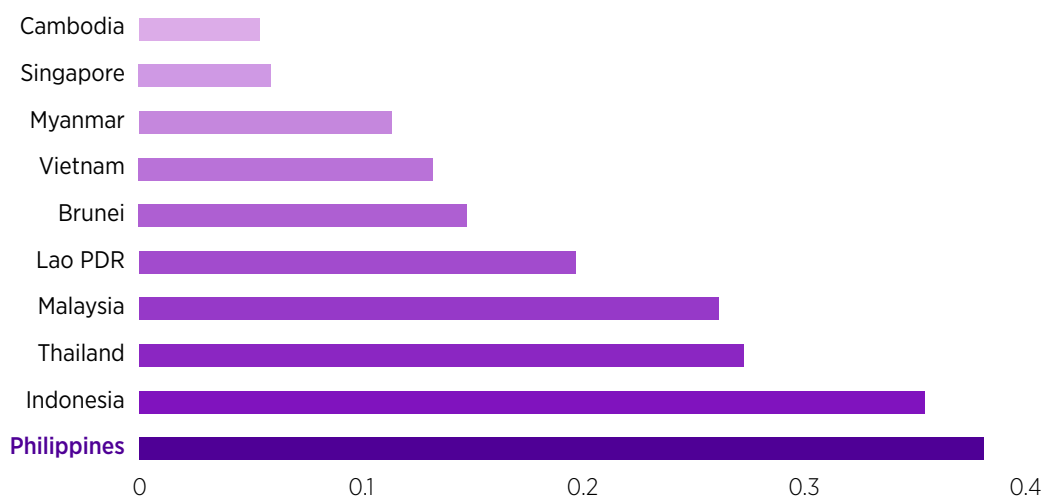
*Selected ASEAN Member States, 2017-2021*



It is likewise imperative to consider the relative restrictiveness of the Philippine investment policy as noted in the FDI Restrictiveness Index developed by the Organization for Economic Co-operation and

Development (OECD). The Philippines remains to be the most restrictive economy among the ASEAN member states, as revealed by its limiting policies on foreign equity, key and operation personnel, and screening and approval measures (Figure 5.7).

Figure 5.7  
**FDI Restrictiveness Index, ASEAN Member States**  
 2020



Note: The index ranges from zero (0) to one (1) with a higher score being a more restrictive regime  
 Source: OECD (2022)

### 5.16 Inadequate infrastructure

The link of physical infrastructure to growth is relatively straightforward: telecommunications is a necessary ingredient to facilitate information flow and connectivity, as transportation is to the movement of goods and people, and energy for powering industrial activities. The country's performance in most indicators of physical infrastructure, such as electricity generation per capita and key infrastructure services suggest that the Philippines lags behind other ASEAN member states (Komatsuzaki, 2019).



Further, the National Information and Communications Technology (ICT) Household Survey (Department of Information and Communications Technology, 2019) reveals that out of the surveyed communities, only 30% have installed fiber optic cables, 13% have free public Wi-Fi, and only 17.7% of households have their own internet access. (A more detailed discussion on infrastructure development can be found in Domain Chapter 4.) The ADB (2005), has long recognized the need to address key business environment issues to fast-track infrastructure provision, including inadequate cost recovery, corruption, competition, and low credibility of institutions.

#### 5.17 Inefficient government bureaucracy and inconsistent policies

Physical infrastructure must be accompanied and supported by soft infrastructure, including the policies and regulatory institutions that are crucial in the development and proper functioning of systems and the economy (Jones, 2006). The Policy Framework for Investments (OECD, 2006) highlights the importance of policy coherence, predictability, and transparency as important determinants of investment decisions. Upholding these policy principles has been crucial during the COVID-19 pandemic, especially in business planning as enterprises adjust based on pronounced mobility and travel restrictions as well as mandated minimum health protocols, which require clearer jurisdictions and seamless coordination among national government agencies and local government units.

While the Philippines ranks second among ASEAN member states in terms of voice and accountability, reflecting the perception of citizens' participation in selecting their government, and of freedom of expression and speech, the country is in the bottom half in other indicators (Table 5.3). These include: (a) government effectiveness or the quality of public

services, the degree of independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies; (b) regulatory quality or the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development; (c) rule of law or confidence in and abidance by the rules of society; and (d) control of corruption or the extent to which public power is exercised for private gain. (A more detailed discussion on fostering good governance can be found in Domain Chapter 7.)

Table 5.3

### Selected Worldwide Governance Indicators Rankings

ASEAN Member States, 2020

Country	Voice and Accountability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Singapore	38.2	100.0	100.0	98.6	99.0
Brunei	22.2	90.4	76.9	80.3	87.0
Malaysia	40.1	82.2	74.0	73.1	62.5
Vietnam	12.1	61.5	46.6	48.6	42.3
Indonesia	52.2	65.4	55.3	41.8	38.9
Thailand	26.1	63.5	58.7	57.7	38.5
<b>Philippines</b>	<b>41.1</b>	<b>56.3</b>	<b>53.4</b>	<b>31.7</b>	<b>34.1</b>
Myanmar	21.7	14.4	28.4	10.6	27.9
Lao PDR	3.4	22.6	21.2	20.7	14.9
Cambodia	12.6	38.0	29.8	17.8	11.1

Note: Percentile rank among all countries ranges from 0 (lowest) to 100 (highest)

Source: World Bank

#### 5.18 Low competitiveness

The cost of doing business in the country is an important consideration for investment decisions (Manasan & Parel, 2014) and thus bears heavily on its competitiveness. The Philippines ranked 64<sup>th</sup> out of 142 economies

in the Global Competitiveness Index of the World Economic Forum. The country lags behind Singapore, Malaysia, Thailand, Indonesia, and Brunei in terms of a favorable and competitive business environment. (Table 5.4).

Table 5.4

### Overall Competitiveness Ranking

ASEAN Member States, 2019

Country	Rank
Singapore	1
Malaysia	27
Thailand	40
Indonesia	50
Brunei	56
<b>Philippines</b>	<b>64</b>
Vietnam	67
Cambodia	106
Lao PDR	113
Myanmar	N/A

*Note. The competitiveness rankings were postponed in the 2020 publication  
Source: Schwab (2019)*

Similarly, the results of the World Bank's Doing Business Index, which measures the ease of doing business, show that the Philippines has the highest number of procedures in starting a business among ASEAN member states. The country likewise falls behind majority of its regional peers in other indicators, such as the cost and the time to start a business, among others (Table 5.5).

Table 5.5

**Cost of Doing Business Indicators***ASEAN Member States, 2020*

ASEAN Member State	Starting a Business (Procedure)	Starting a Business (Days)	Starting a Business (% of PCI)	Dealing with Construction Permits (Days)	Getting Electricity (Days)	Registering Property (Days)
Singapore	2	1.5	0.4	35.5	26	4.5
Malaysia	8.5	17.5	11.1	53	24	16.5
Thailand	5	6	3	113	30	9
Indonesia	11	13	5.7	200	32	31
Brunei	3.5	5.5	1.1	83	25	298.5
<b>Philippines</b>	<b>13</b>	<b>33</b>	<b>23.3</b>	<b>120</b>	<b>37</b>	<b>35</b>
Vietnam	8	16	5.6	166	31	53.5
Cambodia	9	99	53.4	652	179	55
Lao PDR	9	173	4.6	92	87	28
Myanmar	6	7	13.3	88	70	65

*Note. Starting a business indicators are taken as the average of the values for men and women*  
*Source: World Bank (2020)*

**5.19 Difficulty in cultivating innovation**

The key to sustained growth, as argued by Cherif and Hasanov (2019), is the promotion of technology and innovation at each stage of development. The COVID-19 pandemic underscores this suggestion as recent experience has shown that innovative ways of conducting business have been essential to the survival of enterprises and their ability to thrive in the new normal. The World Intellectual Property Organization's (WIPO) Global Innovation Index—a metric which measures the innovation ecosystem performance of economies through their institutions, human capital and research, infrastructure, market sophistication, business sophistication, knowledge and technology outputs, and creative outputs—reveals that the Philippines is catching up, ranking 51<sup>st</sup> out of

132 economies (Table 5.6). However, the country's rank remains low in the areas of institutions (90<sup>th</sup>), infrastructure (86<sup>th</sup>), market sophistication (86<sup>th</sup>), and human capital and research (80<sup>th</sup>).

Table 5.6

### Global Innovation Index Rankings

ASEAN Member States, 2021

Country	Rank
Singapore	8
Malaysia	36
Thailand	43
Vietnam	44
<b>Philippines</b>	<b>51</b>
Brunei	82
Indonesia	87
Cambodia	109
Lao PDR	117
Myanmar	127

Source: WIPO (2021)

A Department of Trade and Industry (DTI) survey indicates that technology utilization remains low among Philippine manufacturing firms, with a significant proportion of enterprises that still do not have a maintenance system and established cyber security procedures, and are still employing a paper-based system for control, tracking, and data collection (Lopez, 2020). Harnessing digital innovations is vital in developing industries such as in modernizing transport systems and improving customer experience when providing affordable and accessible welfare-enhancing financial services.

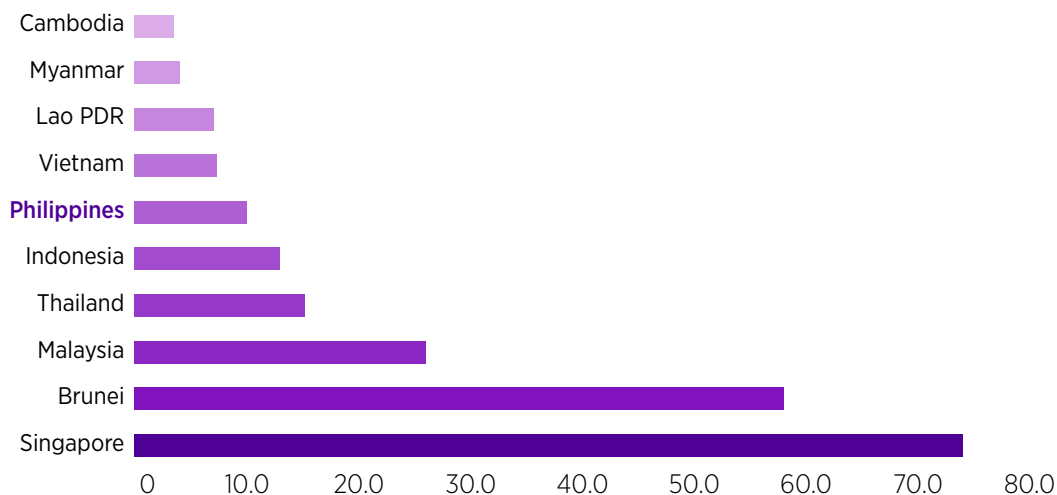
## 5.20 High job-skills mismatch and low labor productivity

The 4<sup>th</sup> Philippine Graduate Tracer Study results reveal that only 70% of graduates view their college degree as relevant to their first job, 25% of graduates think that outdated skills prevent them from getting a good job, and just 49% of graduates who took courses that require a professional degree are employed in jobs that match their degree (Tutor et al., 2021). These results may indicate that the country is not producing workers for the kind of jobs available. This may also imply that education and training are not providing the skills demanded in the labor market, or that the economy does not create jobs that correspond to the skills of individuals.

Figure 5.8

### Labor Productivity (in US\$/hour)

ASEAN Member States, 2021



Note: Labor productivity is measured by GDP per hour worked, using constant 2017 International \$ at purchasing power parity.

Source: International Labour Organization

Further, the country's labor productivity, which represents the total volume of output produced per unit of labor, estimated at \$9.9 per hour worked, fares poorly relative to other major ASEAN countries (Figure 5.8). Addressing the skills mismatch becomes more challenging in view of the rapidly changing environment that demands new skills and capabilities, and thus requires the education system to be flexible and modular (Dadios et al., 2018).

### 5.21 Strategic deficiencies in the Philippine financial system

The inclusion of the Philippines in the Financial Action Task Force (FATF)<sup>9</sup> Grey List subjects the country to increased monitoring for money laundering, terrorism financing, and proliferation of financing risks (FATF, 2022). Further, the failure to implement FATF-identified regulatory counter measures may result in being elevated to the FATF Blacklist. As a consequence of being blacklisted, the country may run the risk of facing economic sanctions and other prohibitive measures by FATF member states.<sup>10</sup> Compliance with more stringent rules and standards may increase the cost of international money transactions for local banks.

## WHAT HAS BEEN DONE

### **On supporting emerging industries**

**Republic Act No. 11697**, or the Electric Vehicle Industry Development Act, provides for the development of the local electric vehicle industry through the creation of a national development plan called the Comprehensive Roadmap for Electric Vehicle Industry; outlines the specific roles of relevant government agencies; and provides fiscal incentives. It also mandates that corporate and government fleets include electric vehicles, and provides for dedicated E-vehicle parking slots, and the construction and installation of charging stations in designated areas.

**Republic Act No. 11904**, or the Philippine Creative Industries Development Act, seeks to develop and promote the country's creative industries, establish financial-enabling mechanisms for the creative industries, nurture creative industries human resources, create employment, provide incentives to encourage and sustain entrepreneurship and the arts, and proposes the formulation of the Philippine Creative Industry Development Plan by a committee headed by the Secretary of the Department of Trade and Industry, with the Director General of the National Economic and Development Authority and the representatives of the 9 creative industry domains as members.

### **On facilitating investments and competition**

**Republic Act No. 10667**, or the Philippine Competition Act protects the well-being of consumers and preserves the efficiency of competition in the marketplace by enumerating anti-competitive acts that are prohibited,



and establishing the Philippine Competition Commission (PCC) which was vested the power to review mergers and acquisitions.

**Republic Act No. 11262**, entitled, "An Act Amending Sections 85 and 103 of Republic Act No. 9593, Otherwise Known as the 'Tourism Act of 2009'" extends the period for the grant of tax incentives of the Tourism Infrastructure and Enterprise Zone Authority-registered enterprises up to December 31, 2029.

**Republic Act No. 11534**, or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, improves the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base and reducing tax distortions and leakages.

**Republic Act No. 11595**, entitled "An Act Amending Republic Act No. 8762, Otherwise Known as the 'Retail Trade Liberalization Act of 2000', By Lowering the Required Paid-Up Capital for Foreign Retail Enterprises, and For Other Purposes", facilitates greater foreign equity participation in the retail trade industry which is expected to result in lower prices, higher quality goods, wider choices, and better services.

**Republic Act No. 11647**, entitled, "An Act Promoting Foreign Investments, Amending Thereby Republic Act No. 7042, Otherwise Known as the 'Foreign Investments Act of 1991', as Amended, and for Other Purposes" aims to attract productive foreign investments that will facilitate the transfer of technology, enhance the skills of Filipino workers, promote the welfare of Filipino consumers, and generate more employment in the economy by excluding the practice of professions that are under the jurisdiction of the respective Professional Regulatory Boards from the areas of activities reserved to Philippine nationals.

**Republic Act No. 11659**, entitled “An Act Amending Commonwealth Act No. 146, Otherwise Known as the ‘Public Service Act’, As Amended”, encourages private investments in the provision of public services by confining the definition of “public utility” to firms engaged in the distribution and transmission of electric power, petroleum and petroleum products pipeline transmission systems, water pipeline distribution system and waste water pipeline systems, including sewerage pipeline systems, seaports and public utility vehicles, which shall be subjected to the 40% foreign ownership ceiling of the 1987 Constitution.

### **On enabling support infrastructure**

**Republic Act No. 10929**, or the Free Internet Access in Public Places Act, mandated free access to internet services in public places such as national government office, public schools, libraries, parks, public hospitals, airports and public transportation terminals.

**Republic Act No. 11572**, or the Philippine Energy Research and Policy Institute (PERPI) Act, created the PERPI, an agency that shall be attached to the University of the Philippines and which is mandated to conduct research on energy issues and ensure dissemination of results to key government agencies to guide policy and decision-making.

**Republic Act No. 11285**, or the Energy Efficiency and Conservation Act, established a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation to promote and encourage the development and utilization of efficient energy technologies and systems.

### **On enhancing the business climate**

**Republic Act No. 11032**, or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, created the Anti Red-Tape Authority and institutionalized a program for the adoption of simplified requirements and procedures that will reduce red tape and expedite business and nonbusiness related transactions in government.

**Republic Act No. 11057**, or the Personal Property Security Act, established a unified and modern legal framework for securing obligations with personal property to increase access to least cost credit, particularly by MSMEs, farmers and fisherfolk.

**Republic Act No. 11232**, or the Revised Corporation Code of the Philippines, promotes entrepreneurship and investments in business and commerce by allowing the creation and registration of one-person corporations and the establishment of corporate perpetuity. The law allows for remote participation, online registration and monitoring, and electronic business registration and corporate compliance.

**Republic Act No. 11364**, or the Cooperative Development Authority Charter of 2019, reorganized the Cooperative Development Authority so it can better perform its responsibility of institutionally developing and regulating the operation of cooperatives, and strengthen the partnerships between the cooperatives sector and the academe.

**Republic Act No. 11517**, entitled "An Act Authorizing the President to Expedite the Processing and Issuance of National and Local Permits, Licenses, and Certificates in Times of National Emergency" grants the President the authority to suspend the requirements for national and local permits, licenses, and certificates and to expedite and streamline processes in times of national emergency.

### **On encouraging science, technology, and innovation**

**Republic Act No. 11035**, or the *Balik Scientist Act*, grants benefits, incentives, and privileges to science and technology or innovation experts of Filipino descent to encourage and support their participation in strengthening scientific and technological human resources in the country's institutions and industries.

**Republic Act No. 11293**, or the Philippine Innovation Act, declared innovation as a vital component of the country's development policies especially in improving productivity and fostering governance.

**Republic Act No. 11337**, or the Innovative Startup Act, provides incentives to encourage the establishment and operation of new innovative businesses and strengthens, promotes, and develops an ecosystem of businesses, government, and nongovernment institutions that foster an innovative entrepreneurial culture.

### **On improving the quality of training and education**

**Republic Act No. 10931**, or the Universal Access to Quality Tertiary Education Act aims to make education accessible to all by exempting qualified students from the payment of tuition and other school fees in state universities and colleges and public local universities and colleges.

**Republic Act No. 10968**, or the Philippine Qualifications Framework (PQF) Act, established the PQF to define standards and learning outcomes, facilitate mobility between different education and training sectors, and aligned qualification standards with international qualifications frameworks to facilitate international mobility.

**Republic Act No. 11230**, or the *Tulong-Trabaho Act* provides for more innovative approaches to technical vocational education and training and encourages the participation of industry and communities in competencies formation and upgrading in order to address unemployment and job-skill mismatch.

**Republic Act No. 11393**, or the *Advanced Energy and Green Building Technologies Curriculum Act* extends assistance to higher education institutions in preparing design and construction professionals to become adept in incorporating advance building technologies in the design and construction of green or high buildings.

In addition, the enrolled bill on **House Bill No. 6926/Senate Bill No. 1834**, or the proposed *Philippine Digital Workforce Competitiveness Act*, which has been transmitted to the President for approval, aims to ensure that all Filipino workers have access to and provided with digital skills and competencies that are at par with global standards, and encourages digital innovations and entrepreneurship. It creates an inter-agency council that is tasked to promote, develop, and enhance the competitiveness of the Filipino digital workforce. It also promotes social inclusion by mandating the consideration of the special needs of persons with disabilities (PWDs), indigenous peoples, senior citizens, individuals located in geographically isolated and disadvantaged areas, and other sectors in the design of programs, activities, and projects.

### **On protecting consumers and the workforce**

**Republic Act No. 11165**, or the *Telecommuting Act*, provides for the protection of rights and welfare of workers in the light of technological development that has opened up new and alternative avenues for employees to carry out their work, such as telecommuting and other flexible work arrangements.

**Republic Act No. 11449**, entitled “An Act Providing for Additional Prohibitions to and Increasing Penalties for Violations of Republic Act No. 8484, otherwise known as the ‘Access Devices Regulation Act of 1998’” expands the definition of access devices in consideration of advances in technology.

### **On strengthening the regulation of the banking and finance sector**

**Republic Act No. 11211**, or the Amendments to the New Central Bank Act, expands the regulatory and examination powers of the BSP over money service businesses, credit granting businesses, and payment systems operators. It includes as responsibilities of the BSP, the promotion of financial stability, regulation of payments and settlement systems, and the promotion of broad and convenient high quality financial services.

**Republic Act No. 11439**, entitled “An Act Providing for the Regulation and Organization of Islamic Banks” allows the Monetary Board to authorize the establishment of Islamic banks and to authorize conventional banks to engage in Islamic banking through their own Islamic banking unit. Under the law, Islamic banks organized domestically must be capitalized, operated, and regulated as universal banks.

**Republic Act No. 11521**, entitled “An Act Further Strengthening the Anti-Money Laundering Act, Amending for the Purpose Republic Act No. 9160, Otherwise Known as the ‘Anti-Money Laundering Act of 2001’, As Amended”, includes real estate developers and brokers, and offshore gaming operators, as persons required to report covered and suspicious transactions, and punishes tax evasion amounting to more than ₱25 million. The law also authorizes the Anti-Money Laundering Council to freeze assets in relation to terrorism or terrorism-financing.

**Republic Act No. 11840**, entitled “An Act Amending Sections 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 18, 22, 24, 26, and 28 of Republic Act No. 3591, As Amended, Otherwise Known as the Philippine Deposit Insurance Corporation Charter, and for Other Purposes” transfers the administration of the Philippine Deposit Insurance Corporation from the Department of Finance to the BSP to provide better policy and program coordination and collaboration and regulatory efficiency. The law empowers the Board of Directors to increase the maximum deposit insurance coverage when necessary.

**Republic Act No. 11901**, or the Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022, provides for alternative compliance by banking institutions to the mandatory credit requirement, including lending to rural community beneficiaries to finance agricultural and fishery-related activities, as well as by investing in securities with proceeds meant to finance these kinds of activities and in fixed-term deposit products of rural financial institutions (RFI), acquiring shares of RFIs, lending for construction and upgrade of agricultural infrastructure, extending credit to agri-businesses that have commodity supply-chain arrangements with rural community beneficiaries, and engaging in sustainable finance.

## WHAT NEEDS TO BE DONE

**Establish a National Quality Infrastructure.** This proposed law aims to raise the quality consciousness of both suppliers and consumers by introducing, promoting, and maintaining a culture of safety and quality of goods produced. Further, it will ensure that goods and services made from and sent to the Philippines are designed, manufactured, and supplied in a manner that matches quality standards.

**Accelerate infrastructure and digital transformation.** Increased investments in infrastructure development will contribute to the development of the industry and services sectors given their reliance on physical and digital infrastructure.

**Enact a National Digital Transformation Program.** This proposed policy aims to take advantage of technological advancements to improve governance through the passage of the National Digital Transformation Act, which will integrate ICT in all areas of government through an effective e-government plan, and promote digital competence among public employees, businesses, workers, teachers, and students.

**Enact a Freelance Protection Act.** The proposed measure seeks to ensure decent work in the digital economy by providing for the rights and benefits of workers in the freelance and gig economy and protecting them against abuse and exploitation.



**Create a tripartite council among government agencies, educational and training institutions and industry stakeholders.** Urge the Department of Education and the Commission on Higher Education, through a House Resolution, to create a tripartite council comprised of representatives of industry players and stakeholders to ensure that the curricula remain relevant in order to increase the employability of future graduates and to address the current skills mismatch problem.

**Promote sustainable financing for MSMEs.** The proposed measure aims to institutionalize financing mechanisms similar to the *Pondo sa Pagbabago at Pag-asenso* that will be used to provide socialized microfinancing programs to MSMEs as an alternative to the informal and usurious lending practices prevailing in the market. Under this proposal, the Small Business Corporation shall be mandated to implement this program, with the Land Bank of the Philippines as its conduit.

**Strengthen the National Competition Policy.** The amendment of Republic Act No. 10667, or the Philippine Competition Act is proposed in order to strengthen the enforcement power of the PCC against anti-competitive behavior of industry players and to improve its effectiveness in promoting market competition. Among other features, it shall provide a framework for a hybrid compulsory-voluntary notification regime for mergers and acquisitions, expand the range of violations that may be sanctioned by the PCC, and increase the penalties for anti-competitive behavior, among others.

**Utilize government procurement to foster innovation.** The amendment of the Government Procurement Act is urgently proposed. Among other

objectives, the proposed policy aims to increase flexibility of regulations, enable more participation by domestic enterprises, and encourage innovation in goods and services. Further, the review of the government procurement's "lowest-bid principle" is likewise recommended vis-à-vis the principle of "value for money".

**Strengthen intellectual property rights to promote the commercialization of technologies.** The updating of Republic Act No. 10372, or the Intellectual Property Code of the Philippines will modernize and strengthen the Intellectual Property Office of the Philippines and will enhance the desirability of the Philippines as an investment destination that values intellectual property creation, protection, utilization, and commercialization. It will also intensify the government's efforts to deter counterfeiting and piracy both in the physical and digital markets.

**Enact a Digital Payments legal framework.** The enactment of a Digital Payments Act will institutionalize digital payment schemes in national and local government transactions to facilitate and expedite commercial transactions and arrangements. This will also promote the use of safe, affordable, and efficient digital payments.

**Institutionalize safety-nets for sectors adversely affected by trade agreements.** The enactment of FTA-specific policies that provide support or compensatory mechanisms similar to the Rice Competitiveness Enhancement Fund embedded in Republic Act No. 11203, or the Rice Tariffication Law, to adversely affected sectors will facilitate the management of the varying effects of trade agreements and maximize the country's participation in these trade arrangements.

**Institutionalize the implementation of a National Single Window.** The institutionalization of the country's National Single Window, a trade facilitation initiative, will reduce trade costs and improve the business climate. The proposed measure will allow parties to lodge data to fulfill all import, export, and transit-related regulatory requirements in a standardized format at a single-entry point.

**Pass an Internet Transactions Act.** The proposed policy aims to ensure that consumers remain well-protected amidst the rise of new business models and e-commerce transactions by including adequate data safeguards, a dispute settlement mechanism, and commensurate penalties to deter abuse. As envisioned, the proposed policy will establish a dedicated office to promote e-commerce growth, optimize e-commerce data relevant for policy formulation and program development, and represent the Philippines in international negotiations.

**Pass a Financial Account Regulation Act.** The enactment of a law that will regulate and criminalize acts of money mules and social engineering will enhance the BSP's coordination with the cybercrime units of the National Bureau of Investigation and the Philippine National Police.

**Enact legislation to protect the integrity of Philippine currencies.** The policy proposal aims to protect the integrity of currencies used in the Philippines and discourage nefarious currency-related activities by expanding the coverage of punishable acts under Republic Act No. 3815, or the Revised Penal Code, and increasing the penalties for counterfeiting currency; reproduction of legal tender currency; printing, reproduction, or publishing of false or fictitious instruments resembling

currency; mutilation of currency; counterfeiting of demonetized and commemorative currency; and hoarding of Philippine currency coins. The proposal also seeks to address the growing cost of minting low-denomination coins by implementing price rounding.

**Amend the Bank Secrecy Law.** The policy proposal seeks to amend Republic Act No. 1405, or the Bank Secrecy Law by granting the BSP full access to banks' deposits and other relevant information to strengthen its supervisory mandate over banks and address safety and soundness concerns. This will result in the effective enforcement of rules and regulations on anti-money laundering and counter terrorism financing and help the country exit from the FATF Grey List, thus, avoiding any risk premiums on interest rates. Moreover, amending the Bank Secrecy Law is critical in upholding the BSP's power to conduct and enforce monetary policy, ensure stable prices, and maintain the value of the peso. Greater confidence in the stability of the financial system will stimulate savings and investments as the country positions itself as a safe place to do business in.

**Ensure the appropriateness of labor policies.** The review of labor policies such as the appropriateness of expanding the eligible participants in Republic Act No. 10869, or the JobStart Philippines Act, and the provision of free and inexpensive trainings by government agencies and private institutions as authorized in Republic Act No. 10912, or the Continuing Professional Development Act will provide fresh perspectives that are necessary in formulating measures that shall facilitate the upskilling and reskilling of the workforce as required by the market.

**Harmonize and streamline government procedures.** The assessment of the implementation of Republic Act No. 11032, or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 will ascertain the extent of the achievement of its objective of improving government public service delivery.

**Evaluate the effectiveness of investments and competition.** The evaluation of the implementation of key investment and competition legislation will ensure executive compliance with the legislative intent of Republic Act No. 11203, or the Rice Tariffication Law; Republic Act No. 11293, or the Philippine Innovation Act; Republic Act No. 11337, or the Innovative Startup Act; Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises Act; Republic Act No. 11595, which amended the Retail Trade Liberalization Act of 2000; Republic Act No. 11647, which amended the Foreign Investments Act of 1991; and Republic Act No. 11659, which amended the Public Service Act.

**Review the charters of government financial institutions.** The review of the charters of the Development Bank of the Philippines, Land Bank of the Philippines, and Small Business Corporation is called for in order to update policies in accordance with international banking and financing trends and standards, and to facilitate the adoption of more tailored services to MSMEs.

Domain 6  
**Promoting  
Global Security  
and International  
Cooperation**



## Domain 6

# Promoting Global Security and International Cooperation

### Global Security

- 6.1 According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), the concept of global security evolved from the necessity to respond to the exigencies that nature and many other activities, particularly globalization, have placed on States. These are demands that no national security apparatus has the capacity to handle on its own and, as such, call for the cooperation of States.
- 6.2 According to the RAND Corporation, “global security” includes military and diplomatic measures that nations and international organizations such as the United Nations and North Atlantic Treaty Organization take to ensure mutual safety and security. In the Asian region, international organizations like the Association of Southeast Nations (ASEAN), ASEAN Regional Forum, Asia Cooperation Dialogue were also established to cultivate regional cooperation and understanding.
- 6.3 Over the years, and especially after the Cold War ended, the emphasis in the security debate has shifted from territorial security through armaments to security through human development with access to food and employment, and environmental sustainability.<sup>11</sup> Issues in global security now expanded to include ensuring maritime security, confronting terrorism, preventing pandemic diseases, establishing cyber security and stable financial markets, and bringing about peaceful democratization in transitioning countries. Because security concerns of one State cannot be realistically guaranteed without taking into consideration the security needs of other States, governments have invested more and more in cooperative arrangements to protect mutual concerns and to promote global security.
- 6.4 The expanded definition of security invokes a wider range of concerns. There are several dimensions of security that need to be addressed:<sup>12</sup>

- 1 Military, which refers to the need for arms to defend one's territory and people;
- 2 Political, which refers to the stability of a government and the ability of its leadership to secure itself and act independently, and to some extent, its intent or capability to pursue certain ideologies, and its capacity to administer measures against political repression, human rights abuses, religious extremism, and insurgency;
- 3 Economic, which denotes resources and fiscal stability, and the creation of employment and application of measures against poverty;
- 4 Societal, which covers language, culture, identity, and values systems especially those related to liberal democracy;
- 5 Environmental or ecological balance, which involves climate change, natural and health disasters, environmental degradation, resource depletion, and pollution; and
- 6 Human security, which is the right of the people to live in freedom and dignity, unburdened from poverty and despair, and with equal opportunities to enjoy their rights and develop their potentials. It also includes societal concerns such as child labor, sexual exploitation, trafficking in women and children, drugs, and protection from terrorism. In relation to human security, the State must institute measures against hunger and famine, secure food supply to combat malnutrition, and provide an effective health care and sanitation system

6.5 **Philippine National Security Framework.** The National Security Council (NSC) in the 1990s developed a similar and more cross-cutting framework. The Political, Economic, Socio-Cultural, Techno-Scientific, Environmental, and Military or the "PESTEM" framework includes the technological dimension which impacts tremendously upon the ability of States to protect their economic and physical security, and the international relations dimension that is often linked to and therefore construed in tandem with the military dimension.



- 6.6 National security as a policy of the Philippine government is viewed within the context of an expansive global community.<sup>13</sup> Accordingly, under the 12-Point National Security Agenda (2017-2022), the Philippines seeks to unify all efforts in order to promote greater progress and enhance the well-being of Filipinos.
- 6.7 The national security agenda also identified certain vulnerable sectors whose well-being need to be protected and promoted. Among these are the fisherfolk and inhabitants in and near the West Philippine Sea (WPS), Kalayaan Island Group (KIG) and Bajo de Masinloc, farmers who are increasingly marginalized by the effects of severe weather patterns, overseas Filipino workers in various foreign worksites and the families left behind, Filipinos in war-torn countries, communities in conflict-affected areas especially those affected by or in crisis because of extremism and anti-democracy ideologies, and indigenous peoples groups and communities. Needless to say, the security of territories and maritime zones entails continuing vigilance and international cooperation.

### International Cooperation

- 6.8 States have practiced international cooperation since well before Thucydides discussed diplomacy, treaties, and alliances over two thousand years ago. Yet the study of international cooperation is surprisingly young. The concept of cooperation, as understood, crystallized in the early 1980s<sup>14</sup> as the “coordinated behavior of independent and possibly selfish actors that benefits them all.” Accordingly, individual selfishness need not impede cooperation in situations of interdependence where one individual’s welfare depends on the behavior of others.
- 6.9 Cooperation occurs not only among individuals but also among collective entities such as firms, business aggrupations, political parties, ethnic organizations, terrorist groups, and nation-states like the Association of Southeast Asian Nations. Although international cooperation theory often defines international cooperation in terms of States, it can also involve other actors, especially intergovernmental

organizations and nongovernmental organizations that cooperate for different objectives across a wide range of issue areas: intergovernmental organizations work with States to combat global environmental problems, firms collaborate to speed up research on vaccines, non-government organizations campaign to save the elephant population and monkey eating eagle from extinction, and so on. Finally, international cooperation is not always a good thing, at least from the perspective of those excluded or targeted. For example, international sanctions involve cooperation against target countries (Martin, 1992a; Drezner, 1999)<sup>15</sup> while the nature and activities of commodity cartels, such as the organization of petroleum exporting countries, may be viewed to be “harmful” to consumer States despite its effort at self-regulation and fair pricing,.

- 6.10 The art of dealing with another in a peaceful way is called **diplomacy**. It can also be considered a science for maintaining peaceful relations, particularly between nations, and is therefore a tool to facilitate international cooperation. The classic role of diplomacy is the promotion, pursuit and defense of the national interest. Through diplomacy, the national interest is served when peace, healthy environments, global economic stability, among other things, are achieved and the benefits therefrom are enjoyed by many. However, because the world is constantly evolving and States navigate multiple interests, competitive foreign policy that pursues one-sided benefits and power has increasingly become outmoded especially because it takes international cooperation to confront and overcome global threats.
- 6.11 Sustainable “development diplomacy” skillfully navigates the fine lines and connections between a State’s interests, overseas cooperation, their own national development, and foreign policy objectives<sup>16</sup>. Most donors have expressed the desire for domestic benefits from their global development spending, emphasizing that giving and receiving countries have mutual interests to pursue. Development diplomacy is thus a dynamic form of relationship-building and it comports according to the need of States. The objective of attaining “global public good” has led government agencies into exploring and integrating the global dimension of their

domestic policies into actual programs. The shift away from concessional grants to soft loans, from direct poverty reduction investments towards public-private investments in infrastructure and productive sectors, and the use of non-financial instruments such as knowledge-based technical assistance, have become the popular modes of international cooperation.

- 6.12 Particularly in the post-pandemic era, international cooperation is important to the Philippines. It needs to take advantage of its power and influence and make the most of the opportunities to engage with other nations in positive and mutually advantageous ways, whether by providing manpower through skilled workers, or generating goodwill and cooperation in peacekeeping missions, or in pro-actively seeking partnerships with foreign cities and local government districts for cultural exchanges, trade opportunities, and technology transfers. It needs to explore ways and means, through international cooperation and diplomacy, to respond to the domestic challenges such as lack of jobs, terror threats, food insecurity, and the lack of resources to respond to climate change impacts.
- 6.13 Security has always been central to the practice and study of foreign policy and international politics. “For foreign policy to be at its strongest, there should be some national consensus behind it. Congress has a very significant role in developing this consensus by contributing to the policy dialogue, supporting political and policy decisions and by allocating the necessary resources”<sup>17</sup>.

## ISSUES AND CHALLENGES

### Global Security

#### 6.14 Terrorism

In Southeast Asia, the Philippines is the country most impacted by terrorism. Ensuring national security guarantees not only the safety and security of the people but also the stability of national institutions, and the strength of the country's economy. The challenges the country faces are inevitably linked to global threats such as terrorism, pandemics, food insecurity, political upheaval, climate change and other crisis situations. Inevitably, these are issues that should be addressed by the Legislature.

The Global Terrorism Index (2020)<sup>18</sup> notes that recent terrorist activity has been concentrated in Southeast Asia and sub-Saharan Africa, with the Philippines placing 10th out of 135 countries most impacted by terrorism, the only Southeast Asian country to be included in the top ten. The enactment of Republic Act No. 11479, otherwise known as the Anti-Terrorism Act (ATA), was guided by the country's obligations as a member state of the United Nations as set out in the United Nations Security Council Resolutions<sup>19</sup> on "Threats to International Peace and Security Caused by Terrorist Acts." These include UNSCR No. 1373 (2001), 2178 (2014), 1624 (2005) and 2341 (2017), the International Convention for the Suppression of the Financing of Terrorism (1999)<sup>20</sup>, and the ASEAN Comprehensive Plan of Action on Counter-Terrorism (2017)<sup>21</sup>. The ATA enables the prosecution of preparatory or contributory acts of terrorism, and addresses security threats posed by local terrorist groups such as the Maute and the Abu Sayyaf, and extremist networks such as the Islamic State of Iraq and the Levant (ISIL) and Jemaah Islamiyah<sup>22</sup>.

In addressing terrorism as a constantly evolving threat, States refer to the United Nations Global Counter-Terrorism Strategy (GCTS) framework (2006)<sup>23</sup>, which aligns international response to terrorism along four pillars: 1) Addressing conditions conducive to the spread of terrorism; 2) Preventing and combatting terrorism; 3) Building State capacity to prevent and combat terrorism, and to strengthen the role of the United Nations system in this regard; and 4) Ensuring the respect for human rights for all and the rule of law as the fundamental basis for countering terrorism. With respect to the first pillar, the country adopted the National Action Plan on Preventing and Countering Violent Extremism. The Plan identifies factors of radicalization and proposes intervention programs to be undertaken by the Department of the Interior and Local Government.<sup>24</sup>

The radicalization and recruitment of Filipinos by local and foreign extremist groups ultimately aim to carry out violent and inhumane terrorist activities and atrocities. The 2017 siege in Marawi City by ISIS militants caused the deaths of 1,655 people, destruction of over P17 billion worth of property, and the displacement of more than 300,000 persons. The bombing of a military camp in Indanan, Sulu, in 2019 is the first confirmed case of a Filipino who perpetrated the act of suicide bombing.<sup>25</sup> These incidents highlight the need for a legislative measure to address the violent extremism and radicalization being carried out through the internet and social media, and in vulnerable areas such as jails, schools, and conflict areas.<sup>26</sup> Such measure, however, must take into consideration the fourth pillar of the GCTS framework, to ensure that human rights are protected and the rule of law is upheld.

The challenge is in fighting terrorism while upholding basic human rights. In its report, the International Peace Institute (2021)<sup>27</sup> notes that the inclusion of an overbroad definition of what constitutes extremism and radicalization could endanger people who are at risk of being unjustly

labeled as “terrorists” such as human rights defenders, journalists, labor group members, indigenous peoples and environmental activists. In order to protect them against this kind of discrimination, there is a need to define, prevent, and penalize ‘red-tagging’ which according to Supreme Court Associate Justice Marvic M.V.F. Leonen, has “a chilling effect and makes it easy for military and paramilitary units to silence or cause untold human rights abuses on vocal dissenters...”<sup>28</sup>

#### 6.15 **Terrorism financing**

**There are new forms of financial instruments that may be used to commit crimes.** Current laws need to be updated to address the new forms of terrorism that have been abetted by the availability of technologies that have emerged over time. While the Philippines has already enacted Republic Act No. 10168, otherwise known as the Terrorism Financing Prevention and Suppression Act of 2012 and Republic Act No. 10175, or the Cybercrime Prevention Act, the new forms of financial instruments such as digital crypto currencies were not considered in the crafting of these laws but have been used more and more by terrorists and anti-establishment groups<sup>29</sup> to circumvent current statutes and subvert public order. Certainly, the ease in carrying out financial transactions online has also made it easier to transfer funds for terrorist activities. Clearly, there are certain policy gaps that need to be addressed. The government must therefore inquire into crypto currency transactions and their impact on the economy, on citizens, and national security.

**The Philippines is highly at risk for money laundering.** The Second National Risk Assessment (NRA), a government-wide activity undertaken to develop risk-based anti-money laundering and counter-terrorism financing actions and to facilitate the allocation of available resources to

control, mitigate, and eliminate risks, reported that the Philippines' risk to terrorism financing is high.<sup>30</sup>

One of the considerations for the high rating of the Philippines in the NRA assessment was the non-inclusion of tax crimes as predicate offenses to money laundering. In response to this, Republic Act No. 9160, or the Anti-Money Laundering Act of 2001, was amended in 2021 to include tax evasion as a crime and to designate tax crimes as predicate offenses to money laundering. Whether income is legally or illegally obtained, the failure to report it is still considered tax evasion. This could mean that proceeds generated from other unlawful activities, once established to have been amassed by a taxpayer but unreported for tax purposes, is evidence of the crime of tax evasion. Section 254 of the National Internal Revenue Code (NIRC), as amended, penalizes tax evasion "where the deficiency basic tax due exceeds P25 million per taxable year for each tax type covered and there has been a finding of probable cause by the competent authority."

**Institutions supervised by the *Bangko Sentral ng Pilipinas* (BSP) are among those associated with tax crimes.** The assessment also revealed that banks, investment houses, and insurance companies are the preferred channels in moving high-value proceeds and may have possible links to tax crimes. For lesser value proceeds, electronic money issuers, pawnshops, and money service businesses are generally used. Essentially, institutions supervised by the BSP overwhelmingly dominated the suspicious transaction reports associated with tax crimes. Cash transactions, such as cash deposits and withdrawals dominated the different suspicious transaction types, which is a cause for concern because of their inherent tendency to obscure the audit trail.<sup>31</sup>

## 6.16 Cybercrime and cyber security

Cybercrime threatens the safety of individuals and States in the modern, technology-driven world. The development of newer forms of cyber technology and digital systems and the increase in interconnectivity have also increased cyber threats. Cyberattacks on critical infrastructure can undermine national security, the economy, and the lives of many Filipinos. Over the years, the Philippines has become more susceptible to data breaches and privacy violations online. An estimated 76.01 million of the population as of January 2022 use the internet,<sup>32</sup> while an estimated 84.91% are mobile phone subscribers and 25.77% have active social networking profiles. As of 2021, the Philippines ranked 7th in the total number of internet users in the Asia-Pacific Region.<sup>33</sup> The Philippine National Police (PNP) has also noted the rising incidence of financially-motivated cybercrime and politically-influenced cyber-attacks on government by cyber actors in the Philippines. Based on the cybercrime statistics posted in the website of the Anti-Cybercrime Group of the PNP, the top reported cybercrime activities are conducted on social media.

Table 6.1

### Platforms of Reported Cybercrime Activities

Platform	Percentage
Social Media	79%
Telecommunication Company	9%
Messaging Apps	4%
Emails	2%
Online Selling Apps	1%

Table 6.2

### Top Reported Cyber Crime

Reported Cyber Crime	Percentage
Art. 135 RPC Swindling/Estafa (Online Scam)	32%
Sec. 4 (c) 4 RA 10175 (Online Libel)	20%
RA 9995 (Anti Photo and Video Voyeurism)	11%
Sec. 4 (b) 3 RA 10175 (Computer Related Identity Theft)	9%
Sec. 4 (a) RA 10175 (Illegal Access)	5%



Table 6.3

**Nature and Number of Reported Cybercrime Cases**

2020

Reported Cyber Crime	No. of Reported Cyber Crimes
Cyberbullying	28
Fake News/Website	330
Identity Theft	25
Online Fraud/Scam	55
Online Libel	19
Online Threat	12
Sextortion/Blackmail	25
Social Media Hacking	96

A total of 590 total cybercrime activities for 2020 was reported to the DICT Cybersecurity-National Computer Emergency Response Team, at an average of 49 reports per month. Cyberbullying tops the list of reported cybercrimes.<sup>34</sup>

Table 6.4

**Total Number of Hacking Incidents in The Philippines in 2019***By Region (in 1,000s)*

Reported Cyber Crime	Number of Incidents in Thousands
Region 4-A	467.39
NCR	257.08
Region 3	148.57
Region 4-B	49.53
Region 8	49.52
Region 12	34.18
Region 7	28.72
Region 5	27.8
Region 6	24.17
Region 1	20.03
CARAGA	19.5
Region 2	11.1
Region 11	11

Source: [www.statista.com](http://www.statista.com)

The various types of violations committed through the internet and digital platforms warrant a review of existing laws to strengthen enforcement especially against online sexual abuse against children, libel, and hacking. Because of the potential of digital/internet enabled violations to wreak havoc on financial systems, compromise the reliability of information systems, and abridge the constitutionally-protected right to privacy of individuals, Congress enacted Republic Act No. 8792, or the Electronic Commerce Act of 2000 which provides for legal recognition and admissibility of electronic data messages, documents and signatures as evidence in court cases, among other reforms. Yet, cyber hacking continues to be committed. In 2019, the number of hacking incidents in the country was approximately 1.14 million. The top three areas where these incidents occurred were in Regions IV-A, the National Capital Region, and Region III.<sup>35</sup>

In addition, the incidence of online sexual abuse against children has increased tremendously. A study funded by End Violence against Children and implemented by ECPAT,<sup>36</sup> International Criminal Police Organization, and the United Nations International Children's Emergency Fund, reports that one in five children aged between 12 and 17 was subjected to grave instances of online sexual abuse while using the internet in 2020.<sup>37</sup>

**There is no comprehensive National Cybersecurity Plan.** Currently, cybersecurity issues are mostly related to law enforcement, particularly on what agencies should take the lead.<sup>38</sup> Several measures filed in the 18th Congress sought to recognize the increasing importance of establishing an agency that shall be tasked to spearhead cybersecurity and a National Cybersecurity Plan that shall address cybersecurity threats and formulate strategies that will lead to a secure and resilient Philippine cyberspace. But a critical issue is human resources. The Philippines needs more information technology security (ITS) professionals to further boost the country's cybersecurity. In comparison with other South East Asian

Countries, the Philippines ranks lowest in terms of the number of certified ITS personnel.<sup>39</sup>

### 6.17 Digital competitiveness

**The Philippines is not digitally competitive.** Certain factors need to be considered to ensure effective and efficient implementation of cybersecurity laws. Foremost of these is the “digital readiness” and digital competitiveness of the Philippines which are far below what have been achieved by its neighbors. As of January 2022, the country ranked 89th out of 138 countries in mobile internet speed.<sup>40</sup>

Internet connectivity has changed lives in developed economies by creating ways to communicate and socialize, enabling the creation of new business models and industries, and by increasing the efficiency of firms and workers. It has also spurred innovations such as social media, online selling and the blending of these platforms that have impacted productivity and growth, and has changed the way public services such as healthcare, social welfare, and education are provided. It has been suggested that in developing countries, the internet has the potential to achieve even more as it allows the delivery of the knowledge economy of today without the need for some of the infrastructure that these countries have lacked for many years<sup>41</sup>. On the other hand, technology and connectivity have also engendered internet-based crimes that today require countries like the Philippines to install mechanisms that enhance their ability to apprehend cyber criminals in less time. This requires investments in equipment, infrastructure and private-public cooperation in enforcement.

**The country's information infrastructure is below par.** In this respect, the Philippines needs to undertake a comprehensive upgrade of its information systems and technology infrastructure. Currently, the Philippines' internet penetration rate is at 68% of the total population. The Kepios<sup>42</sup> analysis indicates that internet users in the Philippines increased

by 2.1 million (+2.8 percent) between 2021 and 2022.<sup>43</sup> The increase can be generally attributed to the community quarantine protocols imposed in the wake of the COVID-19 pandemic, which forced the population to conduct business and private transactions and classes online. Most of internet users are located in metropolitan areas where broadband and mobile systems are widely used. However, providing faster internet and broadband service, particularly outside of metropolitan areas will enable more people to access both public and private services. Given its avowed objectives and the expected good to be derived from it, Congress should inquire into the implementation of Republic Act No. 10929, or the Free Internet Access in Public Places Act, and the utilization of the mandated free public internet access fund to be taken out of the spectrum users fees collected by the DICT and other sources identified by the Department of Budget and Management.

#### 6.18 National defense capability

**There is a need to enact a new national defense policy.** Commonwealth Act No. 1, otherwise known as the National Defense Act of 1935 was envisioned to provide for the national defense policy of the country. Over the years, this law has been amended by several other laws which aimed to update certain provisions, define the role of the AFP, and enhance its capacity to protect and defend the security of the country. Under this law, “the employment of the nation’s citizens and resources for national defense shall be effected by a national mobilization which includes the execution of all measures necessary to pass from a peace to a war footing.” It mandated obligatory military service for all citizens and provided for the methods and procedures for the classification, selection, examination, induction, training, and release of all citizens from their military obligations.

Some of the laws that have been enacted to amend Commonwealth Act No. 1 are Executive Orders 292 s. 1987 and 115 s. 1955 (Magsaysay) which

created the National Security Council, Republic Act No. 7077, otherwise known as the Citizen Armed Force or Armed Forces of the Philippines Reservist Act, Republic Act No. 6975, or the Department of the Interior and Local Government Act of 1990 which removed the PNP from AFP jurisdiction and local government units from military jurisdiction, and Republic Act No. 9163, otherwise known as the National Service Training Program (NSTP) Act of 2001. A comprehensive review and codification of related laws is still necessary to consolidate all the enacted amendments as well as update and attune to the current times, the national defense and security requirements and the role of the Armed Forces of the Philippines (AFP).

**The dichotomy between internal and external defense also needs to be addressed to improve the effectiveness of the military and the police force.** Although the AFP is primarily tasked with the external defense of the country, its troops were assigned to undertake counter-terrorism and anti-insurgency activities. Since terrorism and insurgency are internal issues, it is the view of many that these are duties that fall under the responsibility of the Philippine National Police (PNP). The disengagement of the military from counter-terrorism activities and the modernization of the PNP should therefore be pursued.

**The AFP Modernization Program does not prioritize archipelagic defense.** The AFP is Army-centric, and improvements in capability, arms, equipment, and facilities are largely concentrated on the Philippine Army. Meanwhile, the slow and underfunded upgrade of its defense capability has rendered the AFP unable to effectively shore up the country's defenses and rights over territorial waters particularly in the West Philippine Sea/ South China Sea. It is important to further develop and transform the AFP into an externally-oriented tri-service Philippine defense force, and rationalize the distribution of resources among the three services.

Table 6.5  
**Comparative Summary of New Appropriations<sup>44</sup>**  
 FY 2020 - FY 2022

Particulars	Levels (Php Thousand)			Change Over			
	2020 RA 11465 (1)	2021 Adjusted (2)	2022 RA 11639 (3)	2021 - 2020		2022 - 2021	
				Amount (4)=(2)-(1)	Percent (5)=(4)/(1)	Amount (6)=(3)-(2)	Percent (7)=(6)/(2)
<b>Philippine Army</b>							
Personal Services	76,860,092	79,173,148	84,391,073	2,313,056	3.01%	5,217,925	6.59%
Maintenance & Other Operating Expenses	13,938,147	15,787,791	16,618,238	1,849,644	13.27%	830,447	5.26%
Capital Outlays	1,709,767	2,664,082	2,087,079	954,315	55.82%	(577,003)	-21.66%
<b>Total New Appropriations</b>	<b>92,508,006</b>	<b>97,625,021</b>	<b>103,096,390</b>	<b>5,117,015</b>	<b>5.53%</b>	<b>5,471,369</b>	<b>5.60%</b>
<b>Philippine Air Force</b>							
Personal Services	15,067,601	15,100,504	15,540,662	32,903	0.22%	440,158	2.91%
Maintenance & Other Operating Expenses	10,442,856	14,898,736	16,597,153	4,455,880	42.67%	1,698,417	11.40%
Capital Outlays	925,810	204,423	3,700,974	(721,387)	-77.92%	3,496,551	1710.45%
<b>Total New Appropriations</b>	<b>26,436,267</b>	<b>30,203,663</b>	<b>35,838,789</b>	<b>3,767,396</b>	<b>14.25%</b>	<b>5,635,126</b>	<b>18.66%</b>
<b>Philippine Navy</b>							
Personal Services	15,067,601	15,100,504	15,540,662	32,903	0.22%	440,158	2.91%
Maintenance & Other Operating Expenses	10,442,856	14,898,736	16,597,153	4,455,880	42.67%	1,698,417	11.40%
Capital Outlays	925,810	204,423	3,700,974	(721,387)	-77.92%	3,496,551	1710.45%
<b>Total New Appropriations</b>	<b>26,436,267</b>	<b>30,203,663</b>	<b>35,838,789</b>	<b>3,767,396</b>	<b>14.25%</b>	<b>5,635,126</b>	<b>18.66%</b>

To secure the country's territorial waters, the capacity of the Philippine Navy (PN) and the Philippine Coast Guard (PCG) to respond to illegal incursions along the country's borders must receive the highest consideration in resource allocation. Congress must review the budget allocations for the Philippine Navy and the Philippine Coastguard and properly equip these two service institutions to apprehend illegal fishing and other activities which have damaged the country's coral reefs and depleted its resources.

Table 6.6

### Comparative Matrix of Budgets for Capital Outlay as Against Total Budgets of the Philippine Navy and Philippine Coast Guard During Selected Fiscal Years<sup>45</sup>

*FY 2009 & FY 2010 (Arroyo Admin.), FY 2015 & FY 2016 (Aquino Admin.),  
FY 2020, FY 2021, FY 2022 (Duterte Admin.)*

Agency	Fiscal Year	Capital Outlay	Total Budget	% Share of Capital Outlay in Total Budget
Philippine Navy	FY 2009	₱30,000,000	₱10,472,762,000	0.29%
	FY 2010	₱105,000,000	₱10,620,362,000	0.99%
	FY 2015	₱498,113,000	₱13,450,574,000	3.70%
	FY 2016	₱233,389,000	₱16,273,018,000	1.43%
	FY 2020	₱1,350,512,000	₱29,053,943,000	4.65%
	FY 2021	₱1,917,504,000	₱31,552,115,000	6.08%
	FY 2022	₱2,085,257,000	₱32,977,396,000	6.32%
Philippine Coast Guard	FY 2009	₱557,750,000	₱2,996,435,000	18.61%
	FY 2010	₱205,000,000	₱2,250,375,000	9.11%
	FY 2015	₱947,451,000	₱5,607,980,000	16.89%
	FY 2016	₱135,067,000	₱6,187,032,000	2.18%
	FY 2020	₱4,268,199,000	₱15,221,318,000	28.04%
	FY 2021	₱217,785,000	₱13,209,231,000	1.65%
	FY 2022	₱2,842,414,000	₱19,300,594,000	14.73%

Source: [www.statistica.com](http://www.statistica.com)

In past administrations, the capital outlay for the PN and the PCG was given insufficient attention. For Fiscal Year 2022, the capital outlay or the acquisition of materiel, equipment, and transportation for the PN comprised 6.32% of its ₱32.977 billion total budget. On the other

hand, the PCG'S capital outlay comprised 14.73% of its total budget of Php19.3 billion.

Meanwhile, Republic Act No. 10349, otherwise known as the Revised AFP Modernization Program, if not extended, will expire in 2027. According to the CY 2020 Year End Report of the Department of National Defense on the implementation of the AFP Modernization Program, thirty (30) out of the forty-seven (47) projects under the Capability, Materiel, and Technology Development (CMTD) have been completed. The remaining seventeen (17) CMTD projects and six (6) Bases Support systems Development projects are ongoing.

**Given its financial constraints, the country needs to adopt a self-reliant defense posture through the development of a national defense industry.** The plan to redirect defense planning from a reliance on allies and outside support towards a posture of self-reliance was driven by the aspiration to chart an independent foreign policy and to lessen the country's dependence on other nations for economic development. Lazo and Mercader, in their paper entitled, "The AFP Self-Reliant Defense Posture (SRDP) Program: Leading The Nation Towards A New Direction", noted that nations like Sweden, Brazil, Argentina, India, Israel, Pakistan, South Africa and Taiwan have initiated their own versions of a self-reliant defense program and have been successful. The objective of attaining self-sufficiency and the findings of research studies became the bases for the adoption of the Philippine SRDP program and the issuance of Presidential Decree No. 415 in 1974. It was later amended by Presidential Decree No. 1081 in 1977.

Measures that sought to promote the development of a national defense industry were filed in the 18th Congress. These measures proposed to strengthen the domestic defense industry by mandating preferential acquisition from domestic providers with the end goal of limiting the



country's acquisition of materiel and components from foreign suppliers and achieve self-reliance. As envisioned, the SRDP would also promote the export of firearms and materiel manufactured by the local defense industry.

In relation to the government's efforts to strengthen the capacity of the AFP, it may be worthwhile to study the possibility of the AFP to resume its active participation in peacekeeping operations under the aegis of the United Nations. Taking part in peacekeeping is not only an act of solidarity with other nations, it also presents opportunities for Filipino soldiers to gain experience in post-war activities and knowledge of new military technologies, and to acquire arms and materiel upon completion of duties.

### 6.19 West Philippine Sea issues

The continuing excursions into the West Philippine Sea have increased the gravity of the negative impacts of these illegal activities on the environment and on the economy. The strategic significance and economic potential of the West Philippine Sea (WPS) as a whole cannot be overstated. The area is a major shipping route, with \$3.37 Trillion worth of global trade passing through it annually.<sup>46</sup> Thirty percent (30%) of global maritime oil trade passed through it in 2016.<sup>47</sup> It is resource-rich with reserves of 11 Billion barrels of oil and 190 Trillion cubic feet of natural gas, and potentially more undiscovered.<sup>48</sup> Its fishery resources are necessary to satisfy global food demand, which accounted for twelve percent (12%) of global fish catch in 2015.<sup>49</sup>

The competing national interests of States adjacent to the area have given rise to myriad issues and concerns. Central to these competing claims

is the KIG, which is a group of over fifty features and their surrounding waters that belong to the Philippines, located in what is internationally known as the Spratly Islands (or the Spratlys). There are features in the Spratlys, however, that are not part of the KIG. Philippine sovereignty over the KIG is contested by some States in the region, though the Philippines is only claiming those within its exclusive economic zone.<sup>50</sup>

Disagreements involve the sovereignty and ownership of islands, rocks, and reefs, including the sovereign rights over adjacent waters and seabed areas.<sup>51</sup> The competing claims have sparked conflict between and among claimant States. The incidents involving the Philippines have been well-documented by the media.

A critical but often overlooked aspect of the issues in the WPS is environmental degradation brought on by dredging for island development, and overfishing encouraged by government subsidies, harmful fishing practices, and large-scale clam harvesting. In recent years, some agencies have sounded the alarm over irreversible and widespread damage to the biodiversity and ecological balance caused by dredging not only in the WPS but also in the wider area of the South China Sea. The reclamation and dredging activities, as well as giant clam harvesting and artificial island building in the area have caused the destruction of over 160 square kilometers of coral reef systems,<sup>52</sup> and have threatened the livelihood of fishing communities.

A study by the Center for Strategic and International Studies (CSIS), “A Blueprint for Fisheries Management and Environmental Cooperation in the South China Sea,”<sup>53</sup> showed that over half of the world’s fishing vessels operate in these waters. From its research, the CSIS found that fish stocks have been depleted by seventy to ninety-five percent (70-95%) since the 1950s, and catch rates have declined by sixty-six to seventy-five

percent (66-75%) over the last twenty years. Fishery in the South China Sea is presently in danger of collapse.<sup>54</sup>

On 22 January 2013, consistent with the Philippines' rules-based approach to disputes in the WPS, the Philippines instituted arbitral proceedings against China before the Arbitral Tribunal under Article 287 and Annex vii of the UNCLOS. The Permanent Court of Arbitration (PCA), as the Registry for the proceedings, rendered its unanimous Award in favor of the Philippines on 12 July 2016 on (1) historic rights and China's nine-dash line; (2) status of features; (3) lawfulness of Chinese actions; (4) harm to the environment; and (5) aggravation of dispute.<sup>55</sup> Secretary of Foreign Affairs Teodoro Locsin stated, "The UNCLOS and the 2016 Arbitral Award are the twin anchors of Philippines Positions in activities in the South China Sea."

The ruling clarified the maritime entitlements of the Philippines in the KIG/Spratlys. The ruling actually benefited not only the Philippines but other countries with maritime claims against China as the Award invalidated China's asserted historic rights and its nine-dash line claim. The Tribunal emphasized that it does not rule on any question of sovereignty over land territory and does not delimit any boundary between the Parties.

The Philippines has been steadfast in protecting Philippine sovereignty and sovereign rights, and Philippine maritime entitlements. During the Duterte administration, the DFA issued over sixty (60) diplomatic protests covering a multitude of issues such as intrusion of foreign vessels in Philippine maritime zones, harassment of Filipino fisherfolk, and illegal harvesting of endangered marine species, among others.<sup>56</sup>

The delineation of the country's archipelagic sea lanes and its maritime zones have to be established by law to strengthen its legal claims over its territory. Republic Act No. 9522, otherwise known as the Archipelagic Baselines Law, declares the Philippines as an archipelagic state and uses the straight baseline method to determine sea boundaries with neighboring coastal states. To defend the country's claims and strengthen its capability to secure its maritime borders, several measures require enactment.

A Maritime Zones law will harmonize domestic legislation with the international regime for the oceans, further clarifying the nature and status of the waters connecting the various islands of the Philippines and the adjacent seas of the archipelago. A law delineating the territorial sea, contiguous zone, exclusive economic zone, continental shelf, and extended continental shelf will make clear the exclusive rights and sovereign rights, as well as obligations, in each maritime zone. It will also improve the performance of relevant agencies in enforcing maritime law and managing marine resources.

The delineation of the country's archipelagic sea lanes (ASLs) by legislation, on the other hand, will prevent arbitrary international passage in the Philippine archipelago. Legislation that will establish the country's sea lines should prescribe the rights and obligations of foreign ships and aircraft passing through Philippine territorial waters and airspace and protect the country's national interests. With officially-established ASLs, the Philippines can limit the passage of foreign vessels through the country's internal waters and airspace. Although the designation of ASLs will still permit innocent passage in archipelagic waters, it will allow the Philippines to suspend the right of innocent passage, on a non-discriminatory basis, when this is essential to the country's peace and order, and security.

The government can thus concentrate its maritime assets in areas with designated sea lanes to monitor the passage of ships more effectively and ensure security and safety of navigation.

#### 6.20 Intelligence and counterintelligence

The Government's intelligence and counter-intelligence programs, policies, and activities must be better coordinated. Intelligence is information gathered within or outside the Philippines that involves threats to the nation, its people, property, or interests; development, proliferation, or use of weapons of mass destruction; and any other matter concerning the Philippines' national security. In government and military operations, it also refers to evaluated information concerning the strength, activities, and probable courses of action of foreign countries or nonstate actors that are usually, but not necessarily, enemies or opponents. Intelligence can also provide insights to national and local governments not available elsewhere that warn of potential threats and opportunities, and assess probable outcomes of proposed policy options.<sup>57</sup> Counterintelligence refers to the exerted efforts of intelligence agencies to protect and maintain the secrecy of a country's intelligence operations. Its purpose is to prevent spies or other agents of a foreign power from penetrating the country's government, armed services, or intelligence agencies.<sup>58</sup> But in its broadest sense, including the practice of these activities by commercial organizations, Intelligence is considered as the center or foundation in the development of suggested courses of action through the gathering of relevant information. In cybersecurity, counterintelligence is used to support the information security triad of confidentiality, integrity, and availability (CIA). Many organizations practice aspects of CIA, but refer to it by different names, including data loss prevention malware reverse engineering and Network forensics.<sup>59</sup>

Due to its very nature, intelligence activities are free from public scrutiny and likewise not subjected to the usual stringent regular auditing requirement of the Commission on Audit (COA). National government agencies, government-owned or -controlled corporations, and local government units are allowed to allot a percentage of their annual budget for either confidential funds or intelligence funds. In 2015, the COA, along with the Department of Budget and Management, the Department of the Interior and Local Government, the Governance Commission for Government-Owned or -Controlled Corporations, and the Department of National Defense issued Joint Circular No. 2015-01, which provides for the guidelines on the entitlement to, release, use, reporting and audit of confidential and intelligence funds (CIF). The Joint Circular provides for strong internal controls in the release and utilization of the CIF as well as stricter accounting and auditing rules to prevent mishandling or improper application of the CIF. However, there is no provision in the Circular that limits the amount that may be allocated for CIF. Setting a cap on the CIF will enable greater responsibility, transparency, and accountability in the use of public funds, and free up resources to support other security priorities.

Executive Order No. 246, s. 1987 created the present National Intelligence Coordinating Agency (NICA) which is the primary intelligence collection and analysis arm of the Government in charge in carrying out overt, covert, and clandestine intelligence programs. Since then, a series of Executive issuances added new functions to the NICA relative to intelligence collection, counterintelligence measures and anti-terrorism efforts. The NICA serves as the focal point for direction, integration and coordination of all government activities involving national intelligence including the preparation of intelligence estimates of local and foreign situations for the formulation of national policies.

In 2003, then President Gloria Macapagal Arroyo issued Administrative Order 68 creating the National Intelligence Committee (NIC) as an advisory body to the NICA. In 2017, President Duterte issued Administrative Order No. 7 reorganizing the NIC and designating its members. The NIC is envisioned to serve as a vital mechanism for intelligence management and an instrument for promoting greater cohesion in the intelligence community.

Law enforcement agencies such as the National Bureau of Investigation, the Philippine National Police, AFP, and the Philippine Drug Enforcement Agency, among many others are represented in the NIC. However, indications of the low level of trust between these government intelligence units may be evidenced by the lack of coordination and communication which led to mis-encounters among their operatives. Some of these were fatal incidents, such as those between the PNP and AFP in June 2020 and between the PDEA and the PNP in February 2021.

The Philippine intelligence community needs to be streamlined and fortified to assure that timely, credible, and the most insightful intelligence information can be delivered to help policy makers make informed and timely decisions. In the same vein, counterintelligence analysis must also be strengthened and institutionalized. To ensure accountability and protect the interest of the public, Congress may create and task a body to monitor the government's management of intelligence funds to ensure that these are properly and responsibly utilized. After all, it is the Congress that allocates public funds and it must thus ensure that the same are wisely expended.

### 6.21 Other risks to global security

The expanded definition of global security considers other issues and challenges which transcend the purely military point of view. Nations seeking to secure their own peoples and interests have to consider the problems and risks brought about by events that may be out of human control such as the increasingly extreme weather patterns brought about by climate change. Also, upheavals in major economies, armed conflicts, and other events inevitably affect the security conditions in small, poor, or developing countries. These situations and events pose significant threats to nations across the globe, including the Philippines. The most important of these challenges are:

### 6.22 Disaster risk reduction and management

There is a dire need for a focal agency to manage a well-focused disaster response management program. Given the country's location in the Pacific "rim of fire" and its susceptibility to the effects of global warming, the country must continually improve and update its disaster preparedness and prevention policies and programs. Republic Act No. 10121, or the Philippine Disaster Risk Reduction and Management Act of 2010, was envisioned to provide a comprehensive, all-hazard, multisectoral, inter-agency, and community-based approach to disaster risk management through the formulation of the National Disaster Risk Management Framework. In 2019, about 1,487 (87%) provinces, cities and municipalities had completed their respective Local DRRM Plans, 1,267 (74%) had already formulated a Local Climate Change Action Plan, 1,134 LGUs had formulated a Comprehensive Development Plan, and 956 had adopted their respective Provincial Development and Physical Framework Plans/ Comprehensive Land Use Plans.<sup>60</sup> Yet, recent events demonstrate the lack of implementation, especially as to compliance with no-build and high-risk zone prohibitions, especially on slopes with soil topography



that are highly vulnerable to erosion during heavy rainfall.<sup>61</sup> The frequency of extreme weather events in the last 15 years and the disasters that resulted from them require the implementation of a well-focused disaster response and management program by a focal agency that shall be given the appropriate powers and functions to oversee the implementation of streamlined disaster risk reduction and management policies, coordinate disaster risk management at the local level, facilitate the delivery of services to affected communities and areas, and promote cooperation and partnerships among LGUs and with other nations on relief and response operations.

### 6.23 Food security

**Food insecurity is not only caused by domestic inefficiencies, it is triggered by external forces.** It is a concern that impacts on national and human security. It relates to food availability, access, and utilization. When food is adequately available to a person or when access to enough safe and nutritious food to maintain an active and healthy lifestyle is assured, then the person is considered “food secure.” The World Food Programme requires US\$21.5 billion to reach 147 million people in 2022. From 2019 to 2020, the number of undernourished people increased by 161 million. Small farmers, herders, and fishermen produce about 70% of the global food supply yet they are among the most vulnerable to food insecurity.<sup>62</sup>

Among the factors that affect food security are: climate change and extreme weather patterns which negatively impact agricultural productivity; uncontrolled conversion of agricultural lands for commercial purposes; disputes between nations such as the Ukraine-Russia armed conflict which affects the exportation and importation of agricultural products; inflation in major economies; increase in prices

in agricultural inputs; global health pandemics, and the lack of access of small agricultural producers to financing. In the 2021 Global Hunger Index, the Philippines ranked 68th out of 116 countries with sufficient data to calculate 2021 scores, indicating a moderate level of hunger.<sup>63</sup> However, the Social Weather Stations reported that its April 2022 survey found that about 12.2% of Filipino families or about 3.1 million Filipinos, suffered involuntary hunger – or being hungry and not having anything to eat at least once in the past three months (before the survey).<sup>64</sup>

**The country's supply of rice must be stabilized.** Globally, there is a threat of a "significant increase in commodity prices which affects the price of food for poor people especially in poor countries."<sup>65</sup> In the Philippines, the passage of Republic Act No. 11203, or the Rice Tariffication Law (RTL) is expected to decrease the price of rice and thus benefit the poor. The RTL also is expected to benefit rice farmers as tariffs collected from imported rice shall go to the Rice Competitiveness Enhancement Fund. Collections in excess of the Php10 Billion fund shall go to the Rice Farmer Financial Assistance. The RTL is expected to accelerate growth in agriculture and the economy.<sup>66</sup> In the meantime, Thailand and Vietnam have engaged in talks to raise the price of their rice exports to increase their leverage in the global market and improve farmer incomes.<sup>67</sup> The pandemic has likewise moved countries to observe export bans on products in consideration of domestic needs. Given the projected global food shortage and the probable further depletion of world rice stocks due to the possible substitution of wheat products by rice<sup>68</sup>, there is a compelling reason for the country to increase domestic rice production and to seek preferential terms from rice supplying countries such as Thailand, Vietnam, China and India.

**The threat of global inflation will affect markets in the foreseeable future.** Inflation in major economies such as the United States impacts tremendously on the economies of poor countries. In April 2022, inflation in the US was at 8.3%, in the European Union at 7.5%, and at 2.1% in China. In the same period, inflation in developing countries like the Philippines and Indonesia were at 4.9% and 3.5%, respectively.<sup>69</sup> Additionally, mostly because of lockdowns related to the pandemic, the Chinese economy has slowed down and this has negatively impacted the region and the world.<sup>70</sup>

**Biotechnology must now be considered a food security strategy.** Given the continuing growth of the population and extreme weather patterns which have drastically affected agricultural productivity, other strategies must be employed to improve the country's ability to produce food. Foremost of these strategies is the use of technology to increase the quantity of food produced, and fortify it to meet identified health deficiencies especially among the poor. Given the proven value of biotechnology in food production for economies of scale, and its potential to drastically reduce the dependence on chemicals to protect crops from insect infestation, there is a need to enact a policy mandating the safe utilization of biotechnology and to intensify international technical cooperation particularly in the area of agricultural biotechnology. In this respect, the Government should consider harnessing the abilities of Filipino scientists to spearhead biotech research as they did for rice in the past, and to develop the Philippines as an international food biotechnology hub or center so the country can access technology faster to address the needs of the growing population.

#### 6.24 **Environmental and health security**

**Environmental and health risks compromise national security and stability.** The COVID 19 pandemic demonstrated the weakness of the country's health infrastructure, technology and systems, and exhausted the country's resources. Given the serenity of resources, the country has to approach the management of communicable diseases from both the preventive and control aspects in a pragmatic and deliberate manner. This requires a dedicated institution that shall conduct scientific studies on diseases, promote the maintenance of healthy communities and best health practices, and provide expert technical advice during health emergencies. In addition, the framework for national-local collaboration, the respective roles of the national government, the local government units, and the private sector, and the coordinative mechanisms with international health organizations that the country should observe, should be cast in a law to ensure an organized and seamless response to pandemics and other health emergencies.

**Given the continued growth of the country's population, the efficient management of water as a resource must be prioritized.**

In recent years, Metro Manila and other parts of the country have been experiencing a shortage in water supply particularly during the summer months. Similarly, the adequacy and affordability of the supply of potable water globally has increasingly become a serious concern. In the 18th Congress, measures were proposed to address the water supply problem in the country. The increasing severity of the adverse effects of climate change is expected to result in supply irregularity which will, in turn, affect health, sanitation, and agricultural productivity. The government needs to establish a national framework for water resource management to solve the problem of overlapping and fragmented management of water resources and services.

There are currently ten (10) national government agencies that deal with water supply apart from about 13 national private service concessionaires throughout the country. Hence, a central water resource management agency is required to ensure integrated and coordinated planning and implementation of programs and projects that promote synchronized, sustainable, and science-based management of the country's water resources, and address the inefficiencies in the utilization of water resources, the reduction in water availability, declining water quality, recurrent water flooding, and other water-related issues in other parts of the country, including sanitation and irrigation.

#### 6.25 Fuel security

**The impending slowdown in the Malampaya Field production of natural gas will greatly hamper the country's development efforts.**

The ongoing Ukraine-Russia armed conflict highlights the problem of fuel insecurity in many parts of the world, especially of non-producing countries which are largely dependent on oil and gas for their energy requirements. Currently, the volume of gas that can be supplied by the Malampaya Field is expected to drop to 1,000 megawatts of equivalent power capacity in 2024. If no license extension is granted by the government, the project's service contract will expire at about the same time, and the volume of production will only be able to service about 6% of Luzon. This will affect the supply of energy to power plants. If no drastic action is taken, the Malampaya Field may eventually stop production by 2027.<sup>71</sup> This should encourage all sectors to address the inertia in the implementation of Republic Act No. 9513, or the Renewable Energy Act of 2008 to ensure the acceleration of renewable energy utilization in the country and to address reliability issues linked to it.

But more than renewable energy, the Government should look at formulating its energy demand mix to meet the country's transportation and electric power needs now and in the future. Of late, technology in the processing of coal, which heretofore was considered a "dirty energy source" is slowly making it a more sustainable energy source.

## International Cooperation

### 6.26 The Philippine foreign service

The potency of diplomacy as a tool for development and power consolidation can be maximized by a revitalized, technically-superior corps of foreign service professionals. The country's foreign service officers are also deployed to the sixty-five (65) Philippine Embassies, twenty-five (25) Consulates General, and four (4) Missions around the globe. However, while skilled in the area of foreign diplomacy, there is an apparent difficulty in foreign service posts to implement a strong "One-Country Team Approach" which impacts significantly in the marketing of the Philippines as a viable investment and tourism destination, as well as a source of highly-skilled workers and professionals. This may be due to a lack of interdisciplinary foreign policy formulation and diplomatic services management. "We are actually in need of officers and staff with expertise on other important subject areas such as technology, economics, trade and labor, terrorism and national security, among many others."<sup>72</sup>

The country's diplomats and foreign service workers have to be well protected even as they are expected to comply with international law and foreign service rules. Filipinos who serve in foreign service

posts do so with great sacrifice and courage. A study on the feasibility of enacting a law that specifies the rights and duties, diplomatic immunities and privileges of foreign service officers under international agreements should be conducted. Presidential Decree 1620, which grants the International Rice Research Institute the status, prerogatives, privileges, and immunities of an international organization, and the US Foreign Sovereign Immunities Act of 1976, which codifies the doctrine of sovereign immunity and provides that a foreign state (including a political subdivision, agency, or instrumentality of the foreign state) is presumed immune from the jurisdiction of US courts and may not be forced to submit to the jurisdiction of those courts unless a specific exception applies, are examples of laws with such intent.<sup>73</sup>

**The House of Representatives can be a valuable partner in shaping foreign policy and securing popular support for foreign policy implementation.** Congress should consider the Case-Zablocki Act<sup>74</sup> which requires the Executive to notify the US Congress about international commitments made by international agreements within sixty (60) days of being concluded by the Executive Department. While the review of treaties and international agreements is lodged with the Philippine Senate, the enactment of a policy similar to the Case-Zablocki will allow the House of Representatives to be an informed strategic partner of the Executive in creating and implementing foreign policies.

#### 6.27 **Culture as a pillar of foreign policy**

**The country's unique culture and heritage is not utilized to the country's advantage.** Philippine foreign policy is anchored on three pillars: 1) preservation and enhancement of national security; 2) protection of the rights and promotion of the welfare of overseas Filipinos; and 3) promotion and attainment of economic security.<sup>75</sup>

The Philippine Foreign Service Institute defines “cultural diplomacy” as “the exchange of ideas, information, art, and other aspects of culture among nations and their peoples in order to foster mutual understanding.”

Some Asian countries such as South Korea, China, Thailand, or Vietnam have set effective examples of how to use culture to promote their countries. For instance, South Korea has a strong global presence being known for the Korean wave (Hallyu) and K-industries such K-pop, K-drama, and food. Similarly, China, Thailand and Vietnam have promoted their food, arts and crafts, and audio-visual creations to create a strong presence globally. The Philippines must similarly harness its own historical and cultural assets for geopolitical gain. To further enlarge its sphere of influence, the country can also maximize the similarities, shared heritage and ties with other countries and intensify its relationship engagements with English-speaking countries like the Americas, with Latin countries, Catholic and Islamic countries, and the Pacific Austronesian countries.

**In terms of economic diplomacy, the Philippines has to be less bureaucratic, legalistic, and more bold and engaging.** More effort should be exerted in this aspect to push the country towards a better economic position. One of the strategies that the Philippines can adopt to promote development diplomacy is “to strengthen the country’s participation in the Asia-Pacific Economic Cooperation (APEC) and to fully integrate the country’s overseas economic assets into one aggressive team in each Foreign Service Post.”<sup>76</sup>

**So few are aware of the depth of the country’s soft power.** In examining the country’s foreign policy, the Philippines cannot rely mainly on the “Rule of Law” and foreign alliances for its external



defense. It must also employ other strategies such as recognizing and utilizing soft power to achieve national goals. Soft power, in contrast to hard power, is the ability to achieve preferred outcomes for the nation without using force or coercion.<sup>77</sup> The country's greatest source of soft power is its human resource such as its migrant workers who actively participate in the development of many countries, and Filipino artists, leaders, and influencers whose contributions to society are well-acknowledged.

As of September 2020, the number of Filipino workers abroad was estimated to be about 1.77 million.<sup>78</sup> In the same year, the total foreign exchange they remitted back to the economy reached Php 134.77 billion.<sup>79</sup> The passage of Republic Act No. 11641, otherwise known as the Department of Migrant Workers Act in 2021 reflects the important place overseas Filipino workers (OFWs) occupy in the country's foreign and economic policies. The law aims to protect the rights and promote the welfare of OFWs.

#### 6.28 **Protection of overseas Filipino workers**

**Affording protection to OFWs necessitates continuing dialogue and cooperation with Government representatives of host countries.** Republic Act No. 11641 enunciates the policy that the Philippines does not promote overseas employment as a means to economic growth and national development, and shall continue to make it a choice and not a necessity.<sup>80</sup> Despite this, it is very important that the government oversees the smooth implementation of the law in order to provide better protection to OFWs, especially to those who are deployed in conflict areas. Policies and related laws must be periodically reviewed to ensure that OFWs are deployed only to countries whose laws and regulations amply protect the rights and

welfare of workers, including migrant workers. As of April 2022, a total of 54 bilateral labor agreements and 5 regional multi-lateral agreements with 27 countries have been entered into by the government. Republic Act No. 8042, or the Migrant Workers and Overseas Filipinos Act of 1995, as amended by Republic Act No. 10022, mandates that the government “shall allow the deployment of overseas Filipino workers only in countries where the rights of Filipino migrant workers are protected.” Currently, Filipino workers are deployed in 223 countries.<sup>81</sup>

**The expense in litigating against crimes committed against OFWs in foreign countries should invite attention to the possibility of enacting a law that shall enable prosecution of these crimes in the Philippines.**

Through the years, OFWs have become victims of crimes abroad. Presidential Decree 1069, prescribing the procedure for the extradition of persons who have committed crimes in a foreign country, as well as Article II of the Revised Penal Code on the application of its provisions should be reviewed to determine the feasibility of enacting a law that shall enable prosecution in the Philippines of perpetrators of crimes such as illegal recruitment or human trafficking against OFWs, even if these crimes were committed outside Philippine jurisdiction.

#### **6.29 Strengthening international relations**

**Filipino nationals abroad exert influence in their respective areas of competence, and their active contribution in advancing the country’s national interests can help enhance international relations.**

By and large, Philippine global influence is fueled by many women as shown in their achievements throughout the years. Notable among them are former Commission on Audit Commissioner Heidi Mendoza who became a United Nations Undersecretary-General;

Tani Cantil-Sakauye, the 28th Chief Justice of the State of California; CANVA co-founder Melanie Perkins; Tony award-winning singer and actress Lea Salonga; NASA's first female Mission Operations Manager Angelita Castro-Kelly; famed Ambassador Rosario Manalo; the late Miriam Defensor Santiago, who was the first Filipino and the first Asian from a developing country to be elected in the United Nations (UN) as judge of the International Criminal Court; Rechie Valdez, who became the first Filipina to be elected as Member of Canada's Parliament, and fashion designer Monique Lhuillier. In addition, Filipino nurses who are known for their nurturing nature and their top-notch skills continue to be in high demand.<sup>82</sup>

The strength of the Filipino character has likewise been shown by many who have assumed leadership positions in the world stage such as Archbishop Luis Antonio Tagle, who has been the Prefect of the Congregation for the Evangelization of Peoples of the Roman Catholic Church since 2019; Paulo Garcia who is a Member of the Parliament of New Zealand; Tobias Enverga and Rey Pagtakhan who were also elected Members of Parliament in Canada. However, while recognition for Filipino leadership and influence have abounded, these have been mostly independently gained. These gains may be used cohesively to promote the unique brand and potential of the country and advance the country's interest.<sup>83</sup>

**Collaborative exchanges with other countries can be pursued at the congressional district level.** In the past, the collaborations at the local level with towns and cities of foreign countries for cultural, economic, educational, and technology exchanges have strengthened ties with many countries. This can be replicated at the district level and can very well benefit Filipino migrant workers. Similarly, the House of Representatives can help spread amity and goodwill by intensifying

parliament-to-parliament exchanges. As of 2022, the House has established friendship associations with the parliaments of thirty-nine (39) countries and with the European Union.

**There is a need to consolidate assets and resources to provide protection to Filipino nationals abroad.** To promote cohesion and effectively harness the untapped power of the Filipino diaspora, and afford better protection to all Filipino nationals abroad, the Congress may consider the merger of the Department of Foreign Affairs and the Department of Migrant Workers into a Department of External Affairs. As a governance option, this can effectively streamline functions and services for nationals abroad, facilitate the maximization of the potential of OFWs as the country's source of power and influence, and thus enable the effective implementation of Philippine foreign policy.

#### 6.30 **Updating passporting policies**

**Philippine law on passporting requires updating in the light of security issues and the consular service adjustments that have to be instituted.** The Philippines has enacted many laws that aim to protect the political rights of Filipino citizens. Among these are: Republic Act No. 8043, or the Intercountry Adoption Act of 1995; Republic Act No. 8552, otherwise known as the Domestic Adoption Act of 1998; Republic Act No. 8239, or the Philippine Passport Act of 1996; Republic Act No. 9225, or the Citizen Retention and Re-acquisition Act of 2003; and Republic Act No. 10928, which extends the validity of passports to ten (10) years for Filipino adult citizens, and five (5) years for Filipino minors.

Since Republic Act No. 8239 was passed more than 20 years ago, issues relative to travel, security, and the protection of political rights of individuals have been broached in proceedings in the House of Representatives. It is imperative to review the law in the light of other domestic laws such as Republic Act No. 8552 and Republic Act No. 9225 which impact on passporting. Considering the changes in technology, stiffer penalties should also be provided for passport offenses relating to the issuance, forgery, and improper use of passports and travel documents, multiple possession of passports, forgery of visas, and entry documents, and illegal withholding of passports. A new passport law should also comply with the latest technology set by the International Civil Aviation Authority while also protecting the passport information of Filipino travelers. All these improvements will enhance the enjoyment of the citizens' constitutional right to travel.

## WHAT HAS BEEN DONE

### Global Security

#### On terrorism

**Republic Act No. 9372**, or the Human Security Act of 2007, seeks to protect life, liberty, and property from acts of terrorism, to condemn terrorism as inimical and dangerous to the national security of the country and to the welfare of the people, and to make terrorism a crime against the Filipino people, against humanity, and against the law of nations.

**Republic Act No. 11479**, or the Anti-Terrorism Act of 2020, repealed RA 9372. It provides a more precise description of the circumstances by which the act of terrorism may arise and restricts its scope to those acts whose purpose is to intimidate the general public or a segment thereof, create an atmosphere or spread a message of fear, to provoke or influence by intimidation the government or any international organization, seriously destabilize or destroy the fundamental political, economic or social structures of the country, or create a public emergency or seriously undermine public safety. Advocacy, protest, dissent, stoppage of work, industrial or mass action, and other similar exercises of civil and political rights, which are not intended to cause death or serious physical harm to a person, to endanger a person's life, or to create a serious risk to public safety shall not be considered as an act of terrorism. It established an Anti-Terrorism Council to formulate and adopt plans, and preventive and counter-measures against terrorism.

### **On terrorism financing**

**Republic Act No. 10168**, or the Terrorism Financing Prevention and Suppression Act of 2012, reinforces the country's fight against terrorism by criminalizing the financing of terrorism and related offenses, and by preventing and suppressing the commission of said offenses through freezing and forfeiture of properties or funds while protecting human rights.

**Republic Act No. 10173**, or the Data Privacy Act of 2012, seeks to protect all forms of individual personal information. It created the National Privacy Commission which shall monitor and ensure compliance of the country with international standards set for data protection.

**Republic Act No. 11521**, An Act Further Strengthening the Anti-Money Laundering Law, Amending for the Purpose Republic Act No. 8160, Otherwise Known as the Anti-Money Laundering Act of 2001", as Amended, requires real estate developers and brokers, and offshore gaming operators to report covered and suspicious transactions, and punishes tax evasion amounting to more than ₱25 million. The law also authorizes the Anti-Money Laundering Council to freeze assets in relation to terrorism or terrorism-financing.

### **On cybercrime and cybersecurity**

**Republic Act No. 10175**, or the Cybercrime Prevention Act of 2012, improved the ability of law enforcement agencies to address criminal acts made through internet and digital technologies, reinforced law enforcement powers against lascivious or sexual exhibition over the internet to protect the youth and minors from sexual exploitation, clarified the crime of libel when perpetrated over the internet, increased the penalty for the commission of these acts, and created the Cybercrime Investigation and Coordinating Center.

**Republic Act No. 10697**, or the Strategic Trade Management Act (STMA), seeks to prevent the proliferation of weapons of mass destruction by providing for the management of the trade in strategic goods and penalizing activities prohibited by, or in contravention of, any orders or regulations issued by the National Security Council-Strategic Trade Management Committee (NSC-STMCom) to implement the provisions of the STMA.

### **On digital competitiveness**

**Republic Act No. 10929**, or the Free Internet Access in Public Places Act, mandates the installation of broadband hotspots in national government offices including their branches and satellite offices, public schools, libraries, parks, barangay reading centers, public hospitals and rural health units, airports and public transportation terminals.

### **On the national defense capability**

**Commonwealth Act No. 1**, or The National Defense Act, created an independent Philippine military, provided for the national defense policy of the Philippines, provided for the needs of the Armed Forces in peace and war, divided the country into military districts and military provinces as the President may direct, and provided for the composition and organization of the Army.

**Commonwealth No. 138**, or the Flag Law, provides that acquisition of any article by government offices, agencies, or corporations shall give preference to native products and domestic entities.

**Executive Orders 292 s. 1987 and 115 s. 1955 (Magsaysay)** created the National Security Council.



**Republic Act No. 1884**, entitled “An Act to Establish a Government Arsenal, Provide for its Operation and for Other Purposes”

**Presidential Decree No. 415, s. 1974**, authorizing the Secretary of National Defense to enter into defense contracts to implement projects under the self-reliant defense programs

**Presidential Decree No. 1081, s. 1977**, authorizing the Secretary of National Defense to enter into defense contracts to implement projects under the self-reliant defense program

**Republic Act No. 6975**, or the Department of the Interior and Local Government Act of 1990, removed the PNP from AFP jurisdiction and local government units from military jurisdiction, and provided for the organization of the Department of Interior and Local Government.

**Republic Act No. 7077**, or the Citizen Armed Force or Armed Forces of the Philippines Reservist Act, sought the creation and maintenance of a standing or regular military force in times of peace consonant to actual needs for the security of the State, but which can be rapidly expanded in the event of war, invasion or rebellion. The law required all male citizens between the ages of eighteen (18) and twenty-five (25) years who are not reservists to register for military instruction.

**Republic Act No. 9163**, or the National Service Training Program (NSTP) Act of 2001, seeks to promote civic consciousness among the youth and inculcate in them patriotism and nationalism. In pursuit of these goals, the youth shall be motivated, trained, organized and mobilized in military training, literacy, civic welfare and other similar endeavors in the service of the nation. The law also established a National Service Training

Program (NSTP), which shall form part of the curricula of all baccalaureate degree courses, and of at least two-year technical-vocational courses and which shall be a requisite for graduation.

### **On West Philippine Sea issues**

**Republic Act No. 9522**, Amending Certain Provision of Republic Act No. 3046, As Amended by Republic Act No. 5446, Defining the Archipelagic Baseline of the Philippines

**Republic Act No. 10349**, Revised AFP Modernization Program (2012), Extends the implementation of the AFP Modernization Program to another 15 years and provides for the submission of the Revised AFP Modernization Program to Congress. It created the Revised AFP Modernization Act Trust Fund to be funded out of the appropriations for the Revised AFP Modernization Program, and proceeds from the sale of military reservations, as may be approved by Congress.

### **On intelligence and counterintelligence**

**Executive Order No. 246, s. 1987**, Creating the National Intelligence Coordinating Agency (NICA)

**Administrative Order 68, s. 2003**, Strengthening of the National Intelligence Coordinating Agency to Direct, Coordinate Committee (NICA)

**Administrative Order No. 7 s. 2017**, Reorganizing the National Intelligence Committee to Provide Greater Unity and cohesion of the Intelligence Community

### **On disaster risk reduction and management**

**Republic Act No. 9729**, or the Climate Change Act of 2009, as amended by Republic Act Nos. 10174, and RA 10121, seeks to strengthen, integrate, consolidate and institutionalize government initiatives to achieve coordination in the implementation of plans and programs to address climate change in the context of sustainable development. It also provides for the creation of the Climate Change Commission, which is tasked to coordinate, monitor and evaluate the programs and plans of the government relating to climate change.

**Republic Act No. 10121**, or the Philippine Disaster Risk Reduction and Management Act of 2010, provides for the National Disaster Risk Reduction and mandates the creation of the Local Disaster Risk Reduction Management Office.

**House Resolution 1377**, Declaring a Climate Change and Environmental Emergency and Calling for the Mobilization of Government Agencies and Instrumentalities and Local Government Units Towards the Effective Implementation of Environmental, Climate Change Adaptation and Mitigation, and Disaster Risk Reduction and Management Laws

**House Resolution No. 1418**, Urging the Government of the Republic of the Philippines to Submit Its first Nationally-Determined Contribution (NDC) to the Secretariat of the United Nations Framework on Climate Change Before 31 December 2020

**Resolution 154** Expressing the Sense of the House of Representatives To Urge the Philippine Climate Change Commission to Submit the Philippine Nationally Determined Contribution (NDC) Conveying the Highest Possible Climate Ambition in Reflection of the Government's Strong Commitment to Contribute to Global Efforts to Advance Climate Justice As Part of the

Country's Commitment Under the Paris Agreement and in Solidarity with the Worldwide Vulnerable Countries' and the Global Community's Resolve to Address the Climate Emergency and to Drive the Country Towards a Sustainable Pandemic Recovery

### **On food security**

Various laws have established multi-specie hatcheries, technology verification stations, and mangrove crab hatcheries in various municipalities in the country.

**Republic Act No. 10969**, or the Free Irrigation Service Act, exempts all farmers with landholdings of 8 hectares and below from paying irrigation service fees for water derived from national irrigation and communal irrigation systems that are funded by the National Irrigation Administration.

**Republic Act No. 11203**, entitled "An Act Liberalizing the Importation, Exportation and Trading of Rice, Lifting For the Purpose the Quantitative Import Restriction on Rice, and For Other Purposes", mandated that tariff collections from rice imports shall be earmarked for the Rice Competitiveness Enhancement Fund. Collections in excess of the P10 billion shall form part of the Rice Farmer Financial Assistance.

**Republic Act No. 11598**, or the Cash Assistance to Filipino Farmers Act, authorizes the DA to provide direct cash assistance to farmers who are tilling two hectares and below of rice land until 2024, to be sourced from the annual tariff revenues in excess of P10B of the Rice Competitiveness Enhancement Fund created under RA 11203.

### **On environmental and health security**

**Republic Act No. 3931** entitled, An Act Creating the National Water and Air Pollution Control Commission, prohibits the disposal into any of the

water and/or atmospheric air of the Philippines, any organic or inorganic matter or any substance in gaseous or liquid form that shall cause pollution of such waters or atmospheric air. It mandates the National Water and Air Pollution Control Commission to determine if pollution exists in any of the waters and/or atmospheric air of the Philippines.

**Republic Act 6234**, entitled "An Act Creating the Metropolitan Waterworks and Sewerage System and Dissolving the National Waterworks and Sewerage Authority, And For Other Purposes".

**Presidential Decree No. 198**, otherwise known as the Provincial Water Utilities Act of 1973, provides for the creation, operation, maintenance and expansion of reliable and economically viable and sound water supply and wastewater disposal system for population centers in the Philippines. It also provides for the creation of the "Local Water Utilities Administration" which shall establish and monitor standards and regulations, and provide technical assistance and a specialized lending institution to local water utilities to ensure the effectivity of their operations.

**Republic Act No. 10969**, or the Free Irrigation Service Act, exempts farmers with up to 8 hectares of land from paying irrigation service fees to the National Irrigation Administration (NIA), condones the unpaid irrigation fees, penalties and loans of the covered farmers, and mandates the construction and maintenance of the necessary irrigation facilities.

**Republic Act No. 9275**, or the Philippine Clean Water Act of 2004, aims to pursue a policy of economic growth in a manner consistent with the protection, preservation and revival of the quality of the country's fresh, brackish, and marine waters. For this purpose, the law seeks to include in a framework for sustainable national development, programs and

mechanisms that will address the need for effective and efficient water quality management as well as pollution prevention and control.

**Presidential Decree No. 1067 s. 1976**, otherwise known as the Water Code of the Philippines, sought to integrate and consolidate all laws pertaining to the ownership, utilization, development, conservation and protection of the country's water sources and adopted a single framework for such purpose.

### **On fuel security**

**Presidential Decree No. 87 s. 1972**, Oil Exploration and Development Act of 1972, seeks to hasten the discovery and production of indigenous petroleum through the utilization of government and/or private resources.

**Republic Act No. 9367**, or the Bio-Fuels Act of 2006, aims to reduce the country's dependence on imported fuels with due regard to the protection of public health, the environment, and natural ecosystems, and consistent with the country's goal of sustainable economic growth.

**Republic Act No. 9513**, or the Renewable Energy Act of 2008, aims to reduce the country's dependence on fossil fuels, which, aside from its harmful emissions, is subject to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy. Towards this end, the Act pushes for the acceleration of the exploration and development of renewable energy resources, provides for the increase in the utilization of renewable energy, encourages the development and utilization of renewable energy resources, establishes the necessary infrastructure and mechanism to carry out the mandates specified in the Act and other existing laws.

**Republic Act No.11285**, or the Energy Efficiency and Conservation Act, established a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation, including the use of efficient energy technologies and systems, and delineated responsibilities of various government agencies and private entities in energy conservation.

## International Cooperation

### **On the Philippine foreign service**

**Republic Act No. 7157**, otherwise known as the Philippine Foreign Service Act of 1991, sought to strengthen Philippine Foreign Service by upgrading the qualifications of the Career Foreign Service Corps; strengthening the capability of the Career Foreign Service Corps to conduct studies, analyses and evaluation of events, both domestic and international; ensuring broad representation of the Philippine society in the foreign service by providing equal opportunities in the enlistment and recruitment of officers and employees; and ensuring security of tenure, competitive salaries, and the maintenance of a merit-based system for selection and promotion.

### **On culture as a pillar of foreign policy**

**Republic Act No. 11904**, or the Philippine Creative Industries Development Act, seeks to develop and promote the country's creative industries, establish financial-enabling mechanisms for the creative industries, nurture the creative industries human resources, create employment, and provide incentives to encourage and sustain entrepreneurship and the arts, and proposes the formulation of the Philippine Creative Industry Development Plan by a committee headed by the Secretary of the Department of Trade and Industry, with the Director General of the National Economic and

Development Authority and the representatives of the 9 creative industry domains as members

### **On the protection of OFWs**

**Republic Act No. 8042**, or the Migrant Workers and Overseas Filipinos Act of 1995, aims to afford full protection to labor, local and overseas, organized and unorganized, and promote full employment and equal employment opportunities for all by providing access to adequate and timely social, economic and legal services to Filipino migrant workers.

**Republic Act No. 10022**, entitled "An Act Amending RA 8042, Otherwise Known as the Migrant Workers and Overseas Filipinos Act Of 1995, As Amended, Further Improving the Standard of Protection and Promotion of the Welfare of Migrant Workers, Their Families and Overseas Filipinos in Distress, And for Other Purposes

**Republic Act No. 11641**, or the Department of Migrant Workers Act, seeks to protect the rights and promote the welfare of Overseas Filipino Workers through the creation of the Department of Migrant Workers. The Department is tasked to provide timely and responsive services to address the various needs of overseas Filipino workers regardless of their status

**Presidential Decree No. 1069 s. 1976**, Prescribing the Procedure for the Extradition of Persons Who Have Committed Crimes in a Foreign Country

### **On strengthening international relations**

Establishment of Friendship Associations with the Parliaments of the European Union and thirty-nine (39) other countries



Membership in the ASEAN Inter-Parliamentary Association and active participation in the activities of its various Committees

Participation in the International Conference of Asian Political Parties

### **On updating passporting policies**

**Republic Act No. 8043**, or the Inter-Country Adoption Act of 1995, which provides the documentary requirements for the adopted or prospective adoptive child of a non-Filipino citizen.

**Republic Act No. 8552**, or the Domestic Adoption Act of 1998, which provides the documentary requirements for the adopted or prospective adoptive child of a Filipino citizen.

**Republic Act No. 8239**, or the Philippine Passport Act of 1996, which provides for the requirements in the acquisition of a passport.

**Republic Act No. 9225**, or the Citizen Retention and Re-acquisition Act of 2003, which requires certain documents as proof of citizenship.

**Republic Act No. 10928**, entitled "'An Act Extending the Validity of Philippine Passports, Amending For The Purpose Section 10 of Republic Act No. 8239, Otherwise Known as the 'Philippine Passport Act of 1996', and for other purposes", extends the validity of passports to ten (10) years for Filipino adult citizens, and five (5) years for Filipino minors.

## WHAT NEEDS TO BE DONE

### Global Security

#### **On terrorism**

Enact a law to address the violent extremism and radicalization being conducted through the internet and social media, and in vulnerable areas such as jails, schools and conflict areas.

Amend Republic Act No. 11479 to define and prohibit “red-tagging”.

Enact a law that shall define the rights and fundamental freedoms of human rights defenders and set the mechanisms for the protection of these rights and freedoms.

#### **On terrorism financing**

Conduct an inquiry into crypto currency transactions and their impact on the economy.

#### **On cybercrime and cybersecurity**

Enact a policy that shall provide for improvements in the capacity of law enforcement agencies, including the Department of Justice, to address criminal acts made through internet and digital technologies consistent with Republic Act No. 10173, or the Data Privacy Act of 2012.

Establish an agency that shall be tasked to improve cyber security and infrastructure protection considering the threats and security concerns within cyberspace.

Establish a National Cybersecurity Plan which shall address cybersecurity threats, improve the country's information and communications technology frameworks in order to enhance the delivery of services to the public, protect the information of the State and its citizens, defend against cyber threats and acts of terrorism, and create measures that will lead to a secure and resilient Philippine cyberspace.

Increase investments in programs that shall capacitate government personnel to respond to cybersecurity threats.

Enact a law that shall promote the development and certification of the country's ITS human resources and the generation of a cadre of qualified and competent cybersecurity professionals.

### **On digital competitiveness**

Inquire into the current status of the implementation of Republic Act No. 10929, or the Free Internet Access in Public Places Act and the utilization of the mandated free public internet access fund to be taken out of the spectrum users fees collected by the Department of Information and Communications Technology and other sources identified by the Department of Budget and Management.

### **On the national defense capability**

Review the budget allocations for the Philippine Navy and the Philippine Coastguard and properly equip these two service institutions.

Conduct a comprehensive review of and codify related laws on national defense and security and consolidate all the enacted amendments as well as update and attune to the current times, the national defense and security requirements and the role of the AFP.

Review the National Service Training Program Act, determine the adequacy of budgetary allocations for the Reserve Force given its role in disaster response and relief operations, and enact a new, updated policy.

Enact a law institutionalizing a Philippine self-reliant defense posture program and promote the development of a national defense industry pursuant thereto.

Urge the Government to convey to the United Nations its interest to deploy Members of the AFP as members of peacekeeping forces as an act of solidarity with other nations.

### **On the West Philippine Sea issues**

Enact a maritime zones law that will harmonize domestic law with the international regime for the oceans, and further clarify the nature and status of the waters connecting the various islands of the Philippines and the adjacent seas of the archipelago in order to improve the performance of relevant agencies in maritime law enforcement.

Enact a law designating the Philippine Archipelagic Sea Lanes.

### **On intelligence and counterintelligence**

Conduct a study of Executive Order 246, s. 1987 to determine the feasibility of enacting a Charter for NICA to strengthen and institutionalize counterintelligence collection and analysis.

Create a Joint Oversight Committee on the Use of Intelligence Funds to monitor the government's management of intelligence funds and to ensure that these are properly and responsibly utilized.

### **On disaster risk reduction and management**

Harmonize Republic Acts Numbered 9729, 10174, 10121 and designate a focal agency to implement a well-focused disaster response and management program with the appropriate powers and functions to oversee the implementation of streamlined disaster risk reduction and management policies, coordinate disaster risk management at the local level, facilitate the delivery of services to affected communities and areas, and promote cooperation and partnerships with other nations on relief and response operations.

### **On food security**

Enact a law mandating the establishment of a policy for the safe use of biotechnology.

Enact a law that shall provide for a framework for the respective roles of the national government, local government units, and the private sector during health emergencies, and the coordinative mechanisms to be observed by health authorities and the foreign service in relation to

international health organizations to ensure an organized and seamless response to pandemics and other health emergencies.

Enact a law providing for stronger measures to preserve agricultural land and regulate its conversion for non-agricultural purposes, to help ensure food security.

### **On environmental and health security**

Establish a dedicated institution that shall conduct scientific studies on diseases, promote the maintenance of healthy communities and best health practices, and provide expert technical advice during health emergencies such as the COVID-19 pandemic.

Establish a national framework for water resource management to solve the problem of overlapping and fragmented management of water resources and services.

### **On fuel security**

Enact a new law that shall provide incentives to attract new investments in the exploration and production of indigenous oil and gas.

Conduct an inquiry in aid of legislation into the implementation of Republic Act. No. 9513, or the Renewable Energy Act of 2008, to determine the status of the country's fuel security and to align policy on energy security with the country's economic development plans.

Closely monitor the implementation of Republic Act No.11285, or the Energy Efficiency and Conservation Act.

Monitor the developments in clean coal technology and assess the adequacy and quality of the country's coal reserves.

Inquire into the status of the Philippine Energy Plan (2020-2040) that the Department of Energy is mandated to update annually and require the Government to render a report on the implementation of the Plan.

## International Cooperation

### **On the Philippine foreign service**

Amend Republic Act No. 7157, or the Philippine Foreign Service Act of 1991 to strengthen the career foreign service, reorganize the Foreign Service Corps, establish additional consulates where necessary, create new positions as needed, institutionalize a one-country team approach in the implementation of foreign policies, and address the financial needs of the Department of Foreign Affairs.

Urge the Government to strengthen the country's participation in the APEC and create a Subcommittee under the appropriate Standing Committee of the House of Representatives that shall monitor the policy trends and agreements in the APEC, with the view of aligning legislation and investments with APEC goals and aspirations.

Enact a policy that will require the Government to notify the Congress, within a reasonable period of time, about the international commitments made under executive agreements it has entered into with other States.

### **On culture as a pillar of foreign policy**

Urge the Government to strongly promote cultural exports such as Philippine films, food, literature, arts and crafts, and fashion.

Urge the Government to integrate Philippine heritage, arts, and crafts in tourism programs.

Urge the Government to leverage the country as an educational center and medical tourism destination

### **On the protection of OFWs**

Oversee the smooth implementation of RA 11641, or the *Department of Migrant Workers Act*, in order to provide better protection to OFWs, amid the pandemic, and especially to those who are deployed in conflict areas.

Study the viability of enacting a law that shall enable prosecution in the Philippines of perpetrators of crimes such as illegal recruitment or human trafficking against OFWs, even if these crimes were committed outside of Philippine jurisdiction.

Study the feasibility of enacting a *Mutual Legal Assistance on Crucial Matters law* as to institutionalize the process of providing assistance in the investigation and prosecution of criminal offenses, and in judicial proceedings related to criminal matters.



**Periodically review all policies and related laws** to ensure that OFWs are deployed only to countries whose laws and regulations amply protect the rights and welfare of workers, including migrant workers.

**Monitor the Government's efforts in pursuing bilateral labor agreements and other effective instruments with host countries to help afford better protection to OFWs.**

### **On strengthening international relations**

**Intensify parliament-to-parliament exchanges and cooperation.**

**Study the feasibility of merging the Department of Foreign Affairs and the Department of Migrant Workers into a Department of External Affairs.**

### **On updating passporting policies**

**Enact a new passport law** that shall be consistent with the latest technology set by the International Civil Aviation Authority in order to protect the passport information of Filipino travelers, among other objectives.

**Impose stiffer penalties on passport offenses** relating to the issuance, forgery, and improper use of passports and travel documents, multiple possession of passports, forgery of visas, and entry documents, and illegal withholding of passports.

**Domain 7**  
**Fostering Good**  
**Governance,**  
**Public Order and**  
**Security, and the**  
**Rule of Law**



## Domain 7

# Fostering Good Governance, Public Order and Security, and the Rule of Law

### **Good Governance**

- 7.1 Good governance is central to creating and sustaining an environment that fosters strong and equitable development and is an essential complement to sound economic policies (World Bank). It is participatory, transparent, accountable, effective, equitable, and promotes the rule of law. Good governance ensures that political, social, and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources (UNDP).
- 7.2 Good governance is essential to economic, social, and political development. It helps ensure that certain enabling conditions for economic development, covering the areas of investment, the production, distribution, and consumption of goods, and fair distribution of state resources are obtaining; that everyone can expect equal protection under the law, regardless of class or affiliation, and the commitments of the political leadership and adherence to the rules and regulations of the political establishment can be depended upon.
- 7.3 Good governance and the rule of law are important parts of the national security concept. In a regime of democracy, they strengthen human security and promote social cohesiveness.

### **Public Order and Security**

- 7.4 Public order and security are strongly linked to the concept of national security as they cover issues involving the security of the State, such as internal threats posed by armed extremist groups and insurgents, criminality, disasters, and health pandemics, and those pertaining to the protection of its sovereignty and territorial integrity.

- 7.5 Promoting the national interest involves the protection of the people, their way of life, welfare and well-being, the strengthening of the country's democratic institutions, and safeguarding its territorial integrity and sovereign rights.

### **Rule of Law**

- 7.6 The Rule of Law is the foundation for the development of communities where peace and justice prevail and opportunities abound. It underpins development, accountable government, and respect for fundamental rights (World Justice Project). It is strongly linked to the concept of national security as it covers issues and challenges including those involving individual rights particularly protection of the public from abuses committed by law enforcers; democratic values; restriction of human rights particularly on torture, political imprisonment without due process, enforced disappearances and extrajudicial killings; liberties in the name of national security and democratic control.
- 7.7 The Rule of Law is essential in the protection of fundamental rights and the promotion of civil justice and criminal justice. The advancement of the Rule of Law at the national and international levels is essential for sustainable development and the full realization of all human rights and fundamental freedoms where people—especially women, the youth, indigenous people, people with disabilities, and more broadly, civil society—can have their voices heard (UNDP).

## ISSUES AND CHALLENGES

### Good Governance

#### **7.8 Balance of power among the three separate branches of government, and autonomy of the Constitutional Commissions**

James Madison, in *The Federalist Papers*, No. 47 (1788), theorized that the accumulation of all powers—Legislative, Executive, and Judiciary—in the same hands, whether of one, a few, or many, and whether hereditary, self-appointed, or elected may justly be pronounced the very definition of tyranny. There are practices in Philippine governance that tend to put into question the independence of the three branches of government, as well as the autonomy of the constitutional commissions. The re-appointment without limit of members of the Judicial and Bar Council (JBC) by the elected President is observed to be one such practice. Out of the seven (7) JBC members, four (4) are appointed by the President, favoring thus the position that may be taken by the Executive branch on any issue or matter brought to the courts. In a similar way, the appointment of members of constitutional commissions is confirmed by a political body consisting of members of Congress who are selected based on party representation. This can put to doubt the independence of constitutional bodies and compromise the goals of democracy and democratic governance, which are tenets of national security.

#### **7.9 Competency of government employees**

Inadequately-trained employees are likely to turn in poor job performances and to show increased levels of work-related stress. In “A Cascade of Failures: Why Government Fails and How to Stop It”, Paul Light states that the causes

of failures of government are the inefficiencies and inadequacies in: a) policy, b) resources, c) structure, d) leadership, and e) culture. Most government failures are due to multiple causes that come together and intensify over a period of time. The challenges faced by the Philippine bureaucracy are multiple, but none, however, bear more far-reaching implications than the lack of a desire to invest in the upgrading of competencies and to properly motivate civil servants to deal with negative elements of institutional political culture. The Civil Service Commission (CSC) Competency-Based Recruitment and Qualifications Standards (CBRQS) require the inclusion of competencies in the minimum qualification standards (QS) requirements (in addition to eligibility, education, experience, and training) to improve the assessment of a candidate's fitness to a particular job (Figure 7.1).

Figure 7.1

### Competency-Based Recruitment and Qualifications Standards



Source: <http://www.csc.gov.ph>, Civil Service

The CSC aims to integrate competencies in human resource systems of government agencies starting with recruitment. With the implementation of its CBRQS program, the CSC recognizes that hiring and retaining the best employees will lay the foundation for developing high-performing, competent, and credible civil servants, and enticing them to work in

the bureaucracy. The CSC's Civil Service Institute implements programs designed to immerse new entrants and incumbents to the basic tenets of public service focusing on values formation, competency development and knowledge of the bureaucracy.

Employee development is one of the key factors that promote employee retention. Training programs help employees perform their best, consequently benefiting agencies as they may likely lead to higher employee productivity. United States-based organizations allocate on the average 11% of their company budget on employee training and development (Freifeld, 2018). Meanwhile, data from the Philippine Statistics Authority (PSA) show that the Philippines' Annual Training Cost for 2015 (Table 7.1) amounts to P5.63 billion for all employment sizes, of which 75.7% (P4.26 billion) was spent for training for agencies with 200 workers or more; 14.5% (P814.7 million) for agencies with 20-99 workers; and 9.8% (P552.7 million) for agencies with 100-199 workers. As to the investments made to train workers at various levels, a total amount of P3.57 billion was spent for rank and file employees; P1.11 billion for managers/executives; and P946.8 million for supervisors/foremen.

Table 7.1

### Annual Training Cost, Philippines

*By Employment Size and Types of Workers, 2015*

Employment Size	Levels in Million Pesos				
	Total	Percent Share	Managers/ Executives	Supervisors/ Foreman	Rank and File
All sizes	5,629.8	100.0	1,111.0	946.8	946.8
20-99 workers	814.7	14.5	218.2	180.5	180.5
100-199 workers	552.7	9.8	131.0	123.5	123.5
200 workers or more	4,262.4	75.7	761.9	642.8	642.8

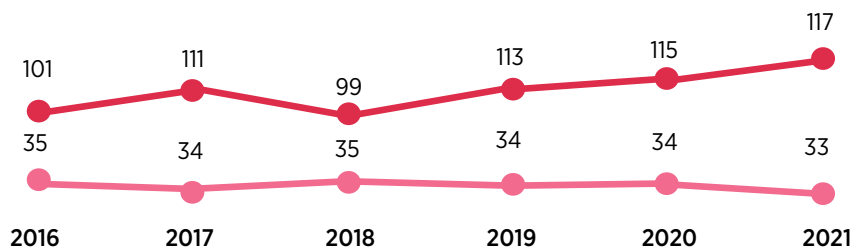
*Source: Philippine Statistics Authority, 2015/2016 Integrated Survey on Labor and Employment (ISLE).*

### 7.10 Public accountability and integrity in government service

Corruption is a major obstacle in achieving the twin goals of ending extreme poverty by 2030 and boosting shared prosperity for the poorest 40 percent of people in developing countries (World Bank). It comes in different forms all of which adversely impact government service delivery, such as when officials and employees ask or receive bribes or favors to perform routine tasks or to favor clientele requests. Corruption affects the quality of contracted projects or infrastructure when, due to a lack of caution in determining the competent bidders, relatives, friends or allies who lack the capability or track record to perform the contract are favored. The Corruption Perception Index 2021 report of Transparency International (TI) cites that the Philippines ranked 117th (2021) from 101st (2016) among 180 countries, and scored 33 (2021) from 35 (2016), where a score of zero means a country is “highly corrupt” and a score of 100 denotes that a country is “very clean” (see Figure 7.2). Interestingly, the global COVID-19 pandemic which the world has had to cope with in the last two-and-a-half years, has been “used in many countries as an excuse to curtail basic freedoms and sidestep important checks and balances” (Transparency International 2021).

Figure 7.2  
Corruption Perception Index, Philippines

By Ranks and Scores - 2016-2021



Source of of basic data: CPI 2021, Transparency International  
Score: 0-highly corrupt, 100-very clean; Rank: 1-clean, 100 corrupt  
Population: 180 countries and territories

—●— Global Rank —●— CPI Score



### 7.11 Digitalization and efficiency of services

The Government also has not prioritized the digitalization of official transactions, documents, and office protocols. During the webinar hosted by the Department of Science and Technology, Ideacorp Corporate Executive Officer Emmanuel Lallana pointed out that the National Government still scored low on data governance as evidenced by the fact that agencies could not exchange data quickly. For sure, the unavailability of, if not ineffectual online platforms used for the filing of documentary administrative requirements, titles of properties, certificates from the Philippine Statistics Authority (PSA) or the Department of Foreign Affairs (DFA), and import-export documents, among others, hampers the availment of government services and results in inefficiency and loss of opportunity on the part of public service customers. Moreover, indigents and vulnerable persons who have to physically queue up in government institutions due to lack of online platforms are rendered more vulnerable to risks such as damage of important documents, exposure to disease and fixers, and possible harm.

Table 7.2  
**Online Service Index, ASEAN**  
 2014-2020

Country	2014	2016	2018	2020
Brunei	0.36	0.51	0.72	0.63
Cambodia	0.17	0.05	0.25	0.45
Indonesia	0.36	0.36	0.57	0.68
Lao PDR	0.14	0.28	0.17	0.19
Malaysia	0.68	0.72	0.89	0.85
Myanmar	0.02	0.16	0.23	0.26
<b>Philippines</b>	<b>0.48</b>	<b>0.67</b>	<b>0.88</b>	<b>0.73</b>
Singapore	0.99	0.97	0.99	0.96
Thailand	0.44	0.55	0.64	0.79
Timor-Leste	0.20	0.22	0.31	0.44
Vietnam	0.42	0.57	0.74	0.65

Source of data: E-Government Survey 2014-2020, UNDESA

Table 7.2 shows the Online Service Index (OSI) scores that measure the evolution of e-government services (smart services) in terms of availability, quality, connectivity and diversity of channels and the use by the public of these services. From 2014 to 2020, the Philippines, along with Singapore, Vietnam, Brunei, and Cambodia, recorded fluctuations in their yearly OSIs. Although the Philippines' OSI improved from 0.48 in 2014 to 0.88 in 2018, it slid to 0.73 in 2020.

#### **7.12 Conflicting or unharmonized policies of the National Government and local governments and the uneven competency of local government personnel**

Certain policies at the national and local levels are not harmonized. This increases the cost of compliance and enforcement, and consequently affects the efficiency of public service delivery. Several LGUs still fail to address the most basic needs of their constituents, lack mechanisms for transparency and accountability, and need to exercise autonomy from the national government (The Asia Foundation). There are also problems regarding personnel and the quality of human resources in local governments, and doubts about their competency to govern and provide welfare to the people still persist (Atienza, 2006).

#### **7.13 Participatory governance as a tool for development**

The inability of sectors and local leaders to plan and work harmoniously limits decision-making on issues, plans and programs that have future effects on the community. This has raised concerns about the attainability of the country's inclusive growth agenda which is largely dependent on the solid commitment and effective partnerships among the government, civil society groups, citizens' groups, peoples' organizations, the academe and development partners (KDC, WB).

#### **7.14 Dual mandates of government agencies as regulator and operator: the value of competition**

Some public enterprises are vested with revenue-generating mandates that conflict with their regulatory functions. In many cases, these regulatory bodies use their powers to (a) promote revenue generation—a classic case of benefiting from their own regulations, and (b) discourage competition (to protect its commercial interest) at the expense of public interest. This likewise violates the principle of competitive neutrality, which requires that significant government business activities which are in competition with the private sector should not have a competitive advantage or disadvantage simply by virtue of government ownership and control. Key examples are the Philippine Amusement and Gaming Corporation (PAGCOR), a government-owned and controlled corporation that not only operates but also regulates and grants licenses for casino gaming and other games of chance, and the Philippine Ports Authority, which is mandated to establish, develop, regulate, manage, and operate a national port system.

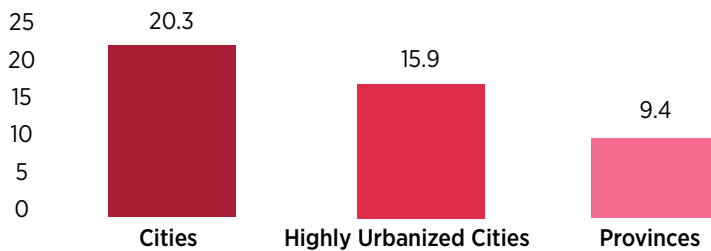
#### **7.15 Land and real property valuation and management system**

The valuation of real property bears upon many governmental activities like expropriation, sale or lease of public assets, and transfer of titles of ownership. The existing valuation system in the country, however, has been characterized as inefficient. This has led to huge revenue losses, costly delays in program implementation, and public confusion when valuing private assets (CPBRD, 2010). The Bureau of Local Government Finance also observed that while some provinces may have updated their Schedule of Market Values (SMVs), there are many who use outdated property values. Much like their provincial counterparts, cities within and outside Metro Manila are also using outdated property values. In particular, the estimated age of property values in Tuguegarao City is 29 years behind (1990), while other cities within and outside Metro Manila are outdated by 20-26 years.

For four years (2010-2013), cities have lost up to an estimated P20.3 billion in real property taxes due to outdated SMVs and a lack of aggressiveness in tax collection (Figure 7.3). Of such amount, about P15.9 billion in taxes from 51 metropolitan areas and highly urbanized cities were foregone due to outdated SMVs. Meanwhile, foregone revenues of provinces for the period amounted to P9.4 billion.

Figure 7.3  
**Foregone Real Property Tax Collections**

(In Billion Pesos) 2010-2013



Based on latest available data  
 Source of basic data: BLGF & WB Phil. Urbanization Review, 2017

Moreover, the current valuation system of land, improvements, and properties encourages tax evasion due to the lack of valuation standards and methods that ideally should be observed uniformly by the Bureau of Internal Revenue (BIR) and all LGUs. There is also poor compliance with the mandate of the Local Government Code of 1991 to regularly conduct a general revision of market values, property assessments, and classification of real property. There is also no efficient system for the management of the database on property valuation.

### **7.16 Cancellation of legal encumbrance annotated in reconstituted Certificates of Title**

The process of administrative reconstitution is hampered by the tedious and costly process of cancelling the annotation of the legal encumbrance even if the encumbrance no longer exists. This is particularly true in the case of the reconstitution of an original certificate of the title filed in the registry of deeds but was lost due to fire or *force majeure*.

### **7.17 Reckoning with political dynasties**

When the electorate vote for candidates merely on the basis of popularity, candidates who may be more capable and deserving are not given the opportunity to lead or rule. In this sense, politically-entrenched families narrow the choices for leadership. This situation does not promote hard work and good governance because then the motivation for politicians is simply to maintain the network of alliances that secure a family's political hold on power.

### **7.18 The role of the political party system**

Political parties can be abusive if they control power in a particular society. They encourage polarization and have a tendency to prioritize themselves to gain power. They can also promote the loss of individuality when less attention is paid to individual voices. They invite corruption if they have too much strength or leverage within a society. There is a need to professionalize the political party system in the Philippines so that political parties are not merely vehicles for winning elections (Gaille, 2017). The role of the political party system needs to be upheld as it covers the following: 1) selecting candidates to run for office, 2) keeping the other political parties in check, 3) keeping the public informed on issues, and 4) organizing the government (World View).

### 7.19 Upholding the integrity of the elections

In every election cycle, unscrupulous groups and individuals find new and innovative ways of circumventing election laws, rules and regulations in all stages of the election process—from voter registration, to the filing of certificates of candidacy and substitution of candidates and nominees, to the campaign period, and up to the casting of votes particularly with respect to persons with disabilities, senior citizens, and other persons with vulnerabilities. All these raise doubts on the earnestness of efforts to prevent voter disenfranchisement and disinformation. Reports of premature transmission of results and other irregularities involving vote counting machines also bring to fore serious questions and concerns on the integrity of the automated election system. In the recently-concluded May 2022 elections, about 1,867 voting machines exhibited glitches and 51 were replaced. These issues may be minimized or altogether avoided by a serious review of the current automated system, its strengths and weaknesses, the serviceability of counting machines and other election paraphernalia, and the gaps and loopholes in the law that compromise the integrity of the system. In Congress, due perhaps to questions about the security vulnerabilities of the country's automated election system, measures have been filed seeking the replacement of the current system to a hybrid one that shall employ the manual counting of votes at the precinct level and the electronic transmission of canvassed results. This could, however, bog down the canvassing process and further increase the vulnerability of the system to manipulation.

## Public Order and Security

### 7.20 Internal and external threats to security

The Global Peace Index of the Institute for Economics and Peace in Sydney, reported that in 2022, the Philippines ranked 125th out of 163

independent states/territories with a score of 2.33. Notably, the Philippines ranked behind most ASEAN member states including Singapore, Malaysia, and Vietnam.

Table 7.3  
2022 Global Peace Index Scores

ASEAN Countries	Overall		Level of Safety and Security	Extent of Ongoing Conflict	Degree of Militarization
	Rank	Score			
Cambodia	62	1.88	2.08	1.63	1.93
Indonesia	47	1.80	2.10	1.64	1.49
Laos	51	1.80	2.07	1.40	1.94
Malaysia	18	1.47	1.97	1.01	1.20
Myanmar	139	2.63	3.11	2.70	1.74
<b>Philippines</b>	<b>125</b>	<b>2.33</b>	<b>2.68</b>	<b>2.46</b>	<b>1.69</b>
Singapore	9	1.32	1.31	1.00	1.84
Thailand	103	2.09	2.62	1.90	1.48
Vietnam	44	1.78	2.06	1.40	1.82

Note: Lower numerical score means better performance (Ranking out of 163 economies)

Source: Global Peace Index 2022 ([www.visionofhumanity.org/GPI-2022](http://www.visionofhumanity.org/GPI-2022), accessed on 15 June 2022)

In terms of the severity or gravity of the impact of terrorism, the Philippines is ranked first in the ASEAN and 10th in the entire world. The communist rebellion being waged by the Communist Party of the Philippines and its armed wing, the New People's Army, continues to pose a threat to peace and order even as the AFP reported that the number of NPA-influenced territories has decreased and their ranks have been decimated through the AFP anti-insurgency campaigns. The economic setback and the increase in poverty incidence resulting from the pandemic may trigger a resurgence in NPA-sponsored insurgency. According to the Department of National

Defense, there were 232 NPA-initiated violent incidents in 2020, 59% of which were committed in Mindanao, 24% in Luzon, and 17% in the Visayas.

Also, the Muslim separatist struggle waged by non-state armed groups and extremist movements remains a major threat to stability in resource-rich but impoverished parts of southern Philippines (Mindanao). The occurrence of suicide terrorism in Mindanao in recent years was driven by the ideology of violent extremism promoted by foreign terrorist groups. In the study entitled “Countering Violent Extremism in the Philippines: A Snapshot of Current Challenges and Responses”, Rhoades and Helmus asserted that poverty and economic hardship, ethnic and religious marginalization are push factors of extremism, while material incentives, in-person networks, and online propaganda are pull factors. According to the study, the combined effects of push and pull factors help encourage vulnerable populations to join terrorist or violent extremist groups. The same study noted that Islamist extremist groups were responsible for inflicting the greatest number of casualties from 2011 to 2018, causing 2,264 deaths and injuries during that period.

The National Security Policy 2017-2022 cites the Abu Sayyaf Group (ASG) as the foremost terror group operating in the country, had actively inflicted severe socio-political and economic disruptions, and is known for its bandit-like tactics and kidnap-for-ransom activities in Mindanao. In addition to the ASG, other local terrorist groups such as the Ansar al-Khilafah Philippines, Maute Group, Bangsamoro Freedom Fighter, and Daesh-inspired entities have the potential to inflict various forms of violent attacks not only in Mindanao but in other parts of the country. The ouster of the democratic government of Afghanistan by the Taliban is expected to aggravate the resurgence of extremism and brings to fore the issue of border security and arms smuggling.



### 7.21 Modernization of the Armed Forces of the Philippine (AFP)

The AFP is ill-equipped to deal with both internal (communist, Islamist insurgents) and external threats to security. The country's defense spending remains relatively small compared to those of its neighbors in the region. Based on data from the Stockholm International Peace Research Institute, in 2021, military expenditures by the Philippines in terms of share of GDP (%) were as follows:

Table 7.4  
2021 Military Expenditures

ASEAN Countries	% Share of GDP	Per Capita (USD)	% of Government Spending
Brunei	3.3	1,025.7	10.5
Cambodia	2.3	38.0	8.6
Indonesia	0.7	29.9	3.9
Malaysia	1.1	116.9	4.0
Myanmar	3.3	38.5	15.4
<b>Philippines</b>	<b>1.0</b>	<b>36.8</b>	<b>3.8</b>
Singapore	3.0	1,884.9	15.3
Thailand	1.3	94.4	4.8

Source: Stockholm International Peace Research Institute (SIPRI 2021)  
Retrieved from <https://milex.sipri.org/sipri> (Accessed on 10 June 2022)

Moreover, heightened threat perceptions in Europe and Asia and increasing great power competition indicate there will be greater long-term demand for defense systems. Based on The Military Balance 2022 of the International Institute for Strategic Studies, European defense spending in 2021 grew by 4.8% in real terms, greater than in any other region. According to the same document, defense spending in Asia has been resilient, with little evidence that the pandemic disrupted planned defense expenditures.

Based on the Financial Accountability Report (FAR No. 1) posted in the AFP website, the implementation of the Revised AFP Modernization Program is slow as evidenced by the 36% disbursement rate, and 81.9% obligation rate of the P17 billion appropriations in 2020. One identified reason for the delays in the implementation of the Program is the tedious and circuitous procurement process of the AFP. Like all other government entities, procurement by the AFP is governed by Republic Act 9184, or the Government Procurement Reform Act. Moreover, the Revised AFP Modernization Program also imposes a restrictive provision on the purchase of major equipment and weapons system because it limits the procurement to those being used in the country of origin or by the armed forces of at least two countries.

Notably, the challenge for the AFP is not only to beef up its hardware capabilities but to reform itself at the organizational level to meet emerging, diverse, and more complex challenges. The National Defense Act of 1935 remains the primary legislation that governs matters of defense and security for the country. As such, in order for the AFP to be responsive to modern challenges, policies and principles governing and affecting national security and defense have to be updated continually. The AFP has to formulate and implement organizational and structural reforms to ensure a more balanced development of the Army, Navy, and Air Force, and to address issues pertaining to the role and organization of its reserve forces, a fairer budget allocation for its three branches, rationalization of its recruitment plans, and the strategic acquisition of assets.

The necessity of augmenting the AFP's Reserve Force is reinforced by experiences from the pandemic and recent disasters such as Typhoon Odette. More trained reservists are needed in disaster and relief operations especially when there are multiple and simultaneous crises. The existing

pool of human resources trained in calamity response and relief work has been strained due to the increased occurrence of disasters.

### **7.22 Capability of the Philippine National Police (PNP) to respond effectively to criminality**

There is a need to transform the PNP into a modern and competent police force that is able to carry out policing and law enforcement functions competently, deliver timely and responsive frontline public safety services, and pursue a comprehensive and integrated approach against transnational crime and emerging forms of criminality.

Based on the 2022 Staffing Summary of the Department of Budget and Management, the PNP has a total of 226,510 uniformed personnel to police a population in excess of 100 million. According to the PNP, the current police to population ratio is 1:572 while the national standard is 1:500. On the other hand, the United Nations recommends one police officer for every 450 citizens (DBM Website and Senator Ronald Dela Rosa in SB 231, July 2019). Data from the PNP show that as of May 31, 2022, thirteen (13) out of the 17 regions do not meet the ideal police to population ratio of one (1) policeman for every five hundred persons (Sec. 27, RA 6975). Table 7.5 shows the police to population ratio based on the 2015 census. Region 4-A has a police to population ratio of 1:1,251, which translates to an actual shortage of 19,174 personnel.

The operational readiness and mission capability of the PNP rest on an effective logistics program. However, the police organization's basic equipment remains incomplete and inadequate. The Table 7.6 shows the logistical requirements of the PNP, which indicates a negative variance for the following: mobility (44%), firearms (19%), communications (62%),

internal security operations (ISO) and anti-terrorism (60%), civil disturbance management or CDM (49%), and investigative equipment (41%).

Table 7.5

**Schedule of Police to Population Ratio**

As of 31 May 2022

1	2	3	4	5	6
Office/Units	Population (2015 Census/ 2016 Implemented)	PNP Strength	Police to Population Ratio (2/3)	Ideal PNP Strength (2/500)	Personnel Shortage (5-3)
PRO 1	5,567,647	9,268	1:601	11,135	1,867
PRO 2	3,823,267	9,081	1:421	7,647	(1,434)
PRO 3	12,426,831	12,155	1:1,022	24,854	12,699
PRO 4A	15,967,832	12,762	1:1,251	31,936	19,174
PRO 4B	3,282,634	6,286	1:522	6,565	279
PRO 5	6,421,561	10,861	1:591	12,843	1,976
PRO 6	8,348,358	12,623	1:661	16,697	4,074
PRO 7	8,193,845	10,577	1:775	16,388	5,811
PRO 8	4,918,535	10,031	1:490	9,837	(194)
PRO 9	4,020,858	7,840	1:513	8,042	202
PRO 10	5,194,531	9,408	1:552	10,389	981
PRO 11	5,520,788	9,078	1:608	11,042	1,964
PRO 12	4,703,288	7,533	1:624	9,407	1,874
PRO 13	2,876,480	6,789	1:424	5,753	(1,036)
PRO COR	1,907,536	8,673	1:220	3,815	(4,858)
PRO BAR	4,422,599	7,718	1:573	8,845	1,127
NCRPO	14,789,349	22,845	1:647	29,579	6,734
PNP HQs	N/A	2,981	N/A	N/A	(2,981)
NUSs	N/A	36,495	N/A	N/A	(36,495)
<b>Total</b>	<b>112,385,939</b>	<b>213,010</b>	<b>1:528</b>	<b>224,774</b>	<b>11,764</b>

Note: Sec. 32 of RA 6975 (provides that the police-to-population ratio shall not include the mobile forces that may be created for counter-insurgency operations and other contingencies).

Sources: PNP Directorate for Personnel and Records Management, and RA 6975

Table 7.6

**Logistical Requirements on Basic Equipage***As of 07 July 2022*

Equipment	Requirement	On-hand	Variance	Filled up (%)	Variance to be filled up (%)
Mobility	40,180	22,605	17,575	56.0	44.0
Firearms	472,129	382,284	89,845	81.0	19.0
Communication	152,852	58,485	94,367	38.0	62.0
ISO/Anti-terrorism	301,477	121,517	179,960	40.0	60.0
CDM	80,830	40,912	39,918	51.0	49.0
Investigative	8,971	5,255	3,716	59.0	41.0

*Source: PNP Directorate for Logistics***7.23 Capacity of the PNP to counter extremism and terrorism**

The capacity of the PNP to respond to extremist and terror threats needs to be enhanced so that the AFP can be relieved of the burden of responding to domestic threats. Ideology-based armed threat groups, terrorist groups, and auxiliary threat groups are the country's internal security threats. In the last decade, the more strident criticism in the internal policy environment is over the utilization of the military in the anti-insurgency program. In response, the government assigned the PNP a more active role in the anti-insurgency campaign and made it a member of the National Task Force to End Local Communist Armed Conflict (NTF-ELCAC). A heightened, more active role in the anti-insurgency campaign was targeted under the 2011-2016 Internal Peace and Security Plan (IPSP) which sought a "whole-of-nation approach" to achieving peace and security by transferring internal security functions from the AFP to the PNP. An increased role of the police in maintaining internal security is expected to free the military to focus on maritime security and territorial defense. It may be recalled that Republic Act 6975 mandated the PNP to assume the "primary responsibility on matters affecting internal security, including the suppression of insurgency."

A related challenge is how to strengthen and modernize civilian public safety agencies, such as the Philippine Coast Guard, towards a coordinated and integrated internal peace and security system.

#### **7.24 Poor disaster risk management and response capability**

Climate change is a major contributor to the increasing occurrence of natural disasters and emergencies. While local government units serve at the frontline in disaster management, the non-traditional threat to security as posed by climate change necessitates a strategy of expanded public safety, one which entails the modernization and training of public safety agencies in the Philippines, among other measures. This requires an increased role for the Reserve Force in disaster response operations and increased fund allocations for its organization, operations, and training. The AFP, the PNP, and other disaster agencies simply do not have adequate personnel to implement disaster response protocols and to deliver humanitarian assistance in areas compromised by disasters and other emergencies.

The coordination between the public and the private sectors during disasters and emergencies also has to be formalized in a protocol. The experiences in the last ten years have proven that the private sector has more logistical resources at ground level. These learnings should be used in the formulation of protocols and standards of practice for humanitarian rescue operations and relief distribution. The absence of a standard protocol that incorporates the roles of various government personnel and private sector entities and the procedures to be observed before, during, and post-disaster phases has delayed response time and will lay to waste resources that are available but are largely untapped.

### 7.25 **Illegal drug distribution and use is facilitated more and more by communications technology**

Predicate crimes such as drug trafficking are components of larger crimes such as racketeering, money laundering, and terrorist financing, the commission of which extensively utilize communications technology. The advances in technology, the increased use of the internet as a result of the global pandemic, and the global demand for fast transactions, have encouraged drug traffickers to increasingly use internet-based fund transfer services, online-booked courier services, and internet messaging applications to communicate with their cohorts and buyers. Equally alarming to the Philippine Drug Enforcement Agency (PDEA) is the persistence of illicit market sites in the Darknet, an overlay network within the Internet, that can only be accessed with anonymity proxy networks. The PDEA reported that a cursory sweep of darknet sites offering illegal substances and services revealed brisk business in illegal drugs such as Kush and Crystal methamphetamine/methamphetamine hydrochloride, among others. Based on the PDEA Report (#RealNumbersPH Year 5), from 01 July 2016 to 28 February 2022, the total value of seized drugs, and laboratory equipment was P76.01 billion, and 1,075 drug dens and clandestine laboratories were dismantled. A total of 4,230 children aged 4-17 involved in illegal drug activities were rescued during anti-drug operations. Out of the country's 42,045 barangays, 24,375 have been declared drug-free.

In his paper, "Public Health Policy and Interventions: Health Science Perspective", Dr. Jose Bienvenido M. Leabres cited statistics from the Department of Health (DOH) showing that as of 2021, the country only has sixty-four (64) drug rehabilitation centers with a total authorized bed capacity of 4,840. He asserted that these facilities are inadequate given the Dangerous Drugs Board 2019 estimate of 1,679,122 persons in the country who are currently using drugs (PWUDs).

Of the 1.68 million PWUDs, an estimated 16,751 cases fall under severe substance use disorder. Thus, there is an actual gap of 11,911 beds needed for individuals assessed to have severe drug dependence and who require in-patient rehabilitation.

Individuals with mild to moderate forms of substance abuse, around 67,000 to 124,000 cases, may be required to avail of outpatient treatment and recovery clinics (TRCs). However, the DOH currently has only twenty-seven (27) TRCs which can serve around 6,774 clients, or a gap of around 240-468 additional facilities for outpatients.

The challenge is not merely to curb criminality but also to provide opportunities for rehabilitation and socio-economic development of criminals and affected citizens and communities. Lasco and Yarcia, in their article entitled 'The Politics of Drug Rehabilitation in the Philippines', observed that "drug treatment and rehabilitation remains largely compulsory in the Philippines, with evidence-based initiatives in some communities seen as the exception to general forced treatments that often have little or no scientific basis." They cited the report of the United Nations Office on Drugs and Crime and UNAIDS which noted that "the Philippines continues to detain people who use drugs in closed settings, often against their will, without sufficient human rights safeguards and forces them to undergo rehabilitation for an average duration of ten months." Lasco and Yarcia also cited other rehabilitation-related problems, including severe overcrowding and substandard compulsory facilities. Moreover, they found only a slight difference between jails and rehabilitation centers in terms of both philosophy and practice, even as jails now serve as centers for compulsory treatment. As such, Lasco and Yarcia, in their conclusion, suggest a discussion on the following: 1) the kind of rehabilitation that should be carried out; 2) for whom should rehabilitation services be delivered; and 3) how to genuinely expand responses to drug-related issues in a manner that goes beyond criminal and medical frameworks.



### **7.26 Complaints against the method of law enforcement investigations**

The issues against law enforcers primarily pertain to their methods of investigation which resulted in the unsuccessful prosecution of cases, the violation of human rights, or the unjust imprisonment and detention of persons. Based on Country Reports on Human Rights Practices for 2020 (United States Department of State, Bureau of Democracy, Human Rights and Labor), the Philippine Commission on Human Rights reported three cases of abduction and forced disappearance (from January to June 2020) that were perpetrated by members of the AFP in two instances and by a national police member in the other. As of June 2020, the CHR had investigated 27 cases of alleged torture, 22 of which allegedly involved members of the PNP. From January to August 2020, complainants reported five cases of alleged military and law enforcement involvement in human rights abuses to the Office of the Ombudsman, involving killings, injuries, unlawful arrest, and torture.

### **7.27 Maintaining order and keeping the peace in the cities, communities, and the countryside**

In his article entitled 'A Framework for Homeland Strategy: Building Internal Capacity and Broadening Public Safety and Security', former Philippine Public Safety College president Ricardo De Leon recognized the need for and importance of a homeland strategy which proceeds from both a national security and national development perspective. He articulated that the homeland strategy is "an orchestrated security and development approach with the essential component of the legitimate use of force and/or police powers in law enforcement, countering terrorism, and other internal security functions within the country, its coastlines, and territorial seas." According to him, the homeland strategy focuses on non-traditional security threats (such as natural disasters, pandemics, illegal drugs, crime networks, corruption), and its implementation is carried out through the

civilian functions of government. Notably, responding to, mitigating, and managing disasters, emergencies and pandemics is one of the key courses of action deemed by De Leon as crucial to realizing the strategic objective of ensuring that Filipinos can live in a free, peaceful, stable, and just society where they can prosper and develop their full potential. Climate change and the problems engendered by the volatility and uncertainty of the natural environment transcend local, national, and regional governance, hence, public safety services should be expanded to accommodate these exigencies.

Broadening and modernizing public safety for internal peace and security is a component of the homeland strategy. It rationalizes the use of state forces within the country and the acquisition of resources to support the goals of internal security. Currently, peacekeeping and even community building are tasks undertaken by the AFP. Such tasks would have to be gradually transferred to the PNP if there were already a homeland strategy in place. According to De Leon, “the military in modern democracies are kept from protracted peacekeeping operations in LGUs under a state of normalcy, and from the politics of local governance.”

### **7.28 Increasing incidence of cyberattacks**

The mounting incidence of cyberattacks signifies a concomitant threat to critical infrastructure. A cyberattack is both a traditional and non-traditional threat with a strategic impact on the country’s security and economy. More than 7,000 Philippine companies encountered ransomware attacks in 2020, based on a Kaspersky Security Network Report, as reported by The Manila Times. The same report stated that web threats in the Philippines rose more than 59% to some 44.4 million detections in 2020. Other critical infrastructure which are vulnerable to attacks include those for transportation and communications; electric power and energy installations; economic

and financial systems; dams and water systems; and water, food, and agriculture infrastructure.

### **7.29 Lack of adequate mechanisms to track and apprehend authors of online falsehood manipulation or the electronic communication of falsehood**

The level of technology today has provided an avenue for the dissemination of false information, lies, and deception. This disinformation has the potential to create confusion and distrust among the people.

### **7.30 Increased incidence of crimes involving violence against children**

According to the Department of Justice, cases of online sexual abuse and exploitation of children (OSAEC) in the Philippines increased by 264.6% or 202,605 more reports during the imposition of the enhanced community quarantine (from March to May 2020) compared to the 76,561 cases during the same period in 2019.

The Office of Cybercrime of the Department of Justice reported that thirty-three (33) convictions from January 2018 to December 2020 involved violations committed through information and communications technology. According to the report, the conviction rate was affected by the following issues and challenges: (a) the COVID-19 pandemic, (b) unavailability of electronic evidence that would prove the existence of online sexual abuse and exploitation of children (OSAEC), (c) incapacity of internet service providers to disclose subscriber information relating to the identified internet protocol address of the criminal due to technical limitations, (d) uncooperative victims who do not press charges against facilitators who are usually within their circle of trust, and (e) advancement of technology that makes it more difficult for law enforcers to detect instances of OSAEC.

### **7.31 Susceptibility of the country to transnational crimes such as drug trafficking, human trafficking, and terrorism due to its porous borders**

This makes border security challenging, costly, and necessitates the provision of more resources. Enhancing the security of the country's borders is necessary given its vulnerability to terrorism and transnational crimes. Promoting border security can be seen not only as a challenge but as an opportunity to implement a well-crafted and well-integrated homeland strategy for the protection of citizens. In this regard, the work of the Philippine Coast Guard, Bureau of Customs, and Bureau of Immigration, among others, is vital.

### **7.32 The need to harmonize immigration policies and improve immigration services**

Commonwealth Act. No. 613, or the Philippine Immigration Act of 1940, established the Bureau of Immigration of the Philippines and the visa policy of the country. As such, the principles, procedures, and even the penalties prescribed in the law have to be attuned to the present time. Immigration law provides the guidelines for immigration personnel who serve as the country's gatekeepers and the basis for determining who may enter the country, how long they may stay, and when they must leave. Since 1940, several laws that were passed served to amend the provisions of Commonwealth Act No. 613 such as the Alien Registration Act of 1950, the Administration Naturalization Law of 2003, the Administrative Naturalization Law of 2000, the Anti-Trafficking in Persons Act of 2003, the Migrant Workers and Overseas Filipinos Act of 1995, Republic Act No. 8756 which amended provisions of the Omnibus Investments Code, Republic Act No. 8247 which exempted aliens who had acquired residency under Executive

Order No. 324 from the coverage of the Alien Social Integration Act of 1995, among others. There is a need therefore to integrate all amendments into a new, updated immigration policy that adopts current international immigration practices and is aligned with international law and conventions. Finally, providing for reforms in the Bureau of Immigration organization will enhance immigration services, curtail corrupt practices, and boost the morale of this critical human resource group.

## Rule of Law

### 7.33 Clogged court dockets and inordinate delay in the resolution of cases

The Philippine court system has been perennially plagued by clogged court dockets, understaffed courts, unfilled judicial positions, and overworked judges and staff. Based on available data, there are some 1.2 million cases pending in the nation's courts, with only around 1,620 judges to resolve them. This translates to an average caseload of 741 cases per judge, which exceeds the recommended manageable caseload of 500 cases for municipal and metropolitan trial courts, and 300 cases for regional trial courts. The following table shows that case inflow exceeds the outflow of cases.

Table 7.7

**Summary of On-going and Resolved Cases**

Particulars	No. of Cases
<b>Pending Cases</b>	
as of Dec. 31, 2019	652,401
as of Dec. 31, 2020	647,689
<b>Case Inflow</b>	
Newly Filed/Raffled Cases	652,401
Revived/Reopened Cases	647,689
<b>Case Outflow</b>	
Decided/Resolved Cases	378,052
Archived Cases	62,284
<b>Total Case Input</b> (Pending cases as of Dec. 31, 2019 + Case Inflow)	
<b>Total Case Disposal (Case Outflow)</b>	440,336
<b>2020 Docket – Supreme Court</b>	3,833

Source: 2020 Judiciary Annual Report

### 7.34 Outdated Criminal and Civil Codes

The Revised Penal Code and the “New” Civil Code were enacted more than 50 and 70 years ago, in 1932 and 1949, respectively. Various amendments to these codes have been made over time, but several obsolete aspects of criminal and civil law still remain codified in them, leaving it to the courts to interpret these provisions in a manner that is responsive to current situations.

### 7.35 Promotion and protection of human rights

The concept of human rights has been diminished in recent years, due in part to the proliferation of unverified, false and misleading information regarding the promotion and protection of human rights and fundamental

freedoms guaranteed by the Constitution and international treaties and conventions. Some quarters of society view human rights advocacy as a front for communism, rebellion, or worse, terrorism.

The Commission on Human Rights has received complaints about extrajudicial or extralegal killings perpetrated particularly against human rights defenders, lawyers, and suspects in illegal drug trade, among others. While there are existing policies aimed at preventing torture and other cruel, inhuman and degrading treatment and punishment committed against persons deprived of liberty, discriminatory practices against women, the lesbian, gay, bisexual, and transgender community, persons with disabilities, and other marginalized sectors of society, such policies need to be strengthened through relevant human rights legislation.

### **7.36 Overcrowded jails and national penitentiaries**

As of October 2021, the congestion rate of national penitentiaries operated and managed by the Bureau of Corrections (BuCor) ranged from 140% (Sablayan Prison and Penal Farm, Occ. Mindoro) to 385% (Davao Prison and Penal Farm). The New Bilibid Prisons (NBP) in Muntinlupa has a congestion rate of 341%.

For provincial, city and municipal jails operated and managed by the Bureau of Jail Management and Penology (BJMP), the average congestion rate for 356 congested jails across the country stands at 389.2%. As of May 31, 2021, there were 105,742 detainees nationwide, or about 88% of the total jail population of 119,675. Additionally, there were 9,745 who were sentenced to 3 years and below, and 4,188 who were serving sentences ranging from 3 years and 1 day, to life imprisonment.

Table 7.8

**Actual Jail Population**

As of May 2021

Region	No. of Jails	No. of Detainees	Sentenced	
			3 years & below	3 years & 1 day to life
NCR	40	23,050	2,518	48
I	20	2,363	24	21
II	20	1,942	27	113
III	39	8,139	352	89
CALABARZON	62	20,386	2,137	319
MIMAROPA	19	1,471	18	37
V	35	2,511	159	123
VI	38	6,962	184	707
VII	41	17,953	1,039	908
VIII	38	1,658	41	77
IX	20	3,845	263	567
X	27	4,637	323	509
XI	13	4,443	203	320
XII	15	2,983	49	218
CAR	12	1,833	2,400	58
CARAGA	20	983	N/A	68
BARMM	11	583	8	6
<b>Total</b>	<b>470</b>	<b>105,742</b>	<b>9,745</b>	<b>4,188</b>

Source: BJMP Website ([www.bjmp.gov.ph](http://www.bjmp.gov.ph))

Table 7.9

**Regional Congestion Rate of BJMP Facilities**

As of May 2021

Region	No. of Jails	PDL Population	Ideal Capacity	Congestion Rate (%)
NCR	37	24,216	4,640	521.9
I	11	1,731	465	372.3
II	13	1,851	984	188.1
III	35	8,196	1,423	576.0
CALABARZON	60	22,789	4,644	490.7
MIMAROPA	11	1,462	449	325.6
V	23	2,730	987	276.6
VI	34	7,584	3,287	230.7
VII	36	19,625	4,929	398.2
VIII	14	1,572	743	211.6
IX	13	4,175	976	427.8
X	18	5,453	2,146	254.1
XI	10	4,678	1,274	367.2
XII	13	3,178	784	405.4
CAR	10	1,812	513	353.2
CARAGA	10	871	475	183.4
BARMM	8	524	175	299.4
<b>Total</b>	<b>356</b>	<b>112,447</b>	<b>28,895</b>	<b>389.2</b>

Source: BJMP Website ([www.bjmp.gov.ph](http://www.bjmp.gov.ph))



The highest congestion rate was posted by Region III. Thirty-five (35) of BJMP jails are over their capacity which, as of May 31, 2021 had a total population of 8,196, or 576% over its ideal capacity.

### **7.37 Maritime laws and settlement of maritime disputes**

Delays in the litigation and adjudication of maritime disputes is due mainly to congested court dockets and the complex nature of maritime laws and procedures. Maritime law may be defined as the corpus of rules, concepts, and legal practices governing the business of carrying goods and passengers by sea. What makes the implementation and enforcement of Philippine maritime law complex is that it is not governed by a single law but by various statutes. These are the Philippine Code of Commerce, New Civil Code of 1952, Carriage of Goods by Sea Act, Insurance Code of 1981 on marine insurance, 1997 Rules of Civil Procedure, and Presidential Decrees (notably PD 1521) and the rules and regulations promulgated by many agencies, such as the Philippine Maritime Industry Authority (MARINA), the Philippine Overseas Employment Administration (POEA), and the Philippine Coast Guard (PCG), that are also mandated to administer maritime and maritime-related work.

Additionally, the Philippines has not adopted the International Convention Relating to the Arrest of Sea-Going Ships, adopted in Brussels on 10 May 1952. Neither has it enacted legislation to guide the implementation of the International Convention for the Unification of Certain Rules Relating to the Immunity of State-Owned Vessels or any of the international conventions on maritime liens and mortgages that have been ratified by the Philippines (Maritime Law Handbook).

## WHAT HAS BEEN DONE

### Good Governance

#### **On the balance of power among the three separate branches of government, the autonomy of the constitutional commissions**

**Republic Act No. 9946** entitled “An Act Granting Additional Retirement Survivorship and Other Benefits to Members of the Judiciary, Amending For The Purpose Republic Act No, 910 As Amended, Providing Funds Therefor And For Other Purposes” provides for increased benefits of members of the judiciary, including educational benefits for one (1) child.

**Republic Act No. 10709** entitled “An Act Providing For Thirty (30) Days Forfeitable Leave Privileges Annually To All Judges of the First Level Courts” granted non-monetary benefit to members of first level courts similar to that enjoyed by judges of the regional trial courts and justices of the Court of Appeals and the Supreme Court.

**Republic Act No. 11691**, or the Judiciary Marshals Act, created the Office of the Judiciary Marshalls and placed it under the control and supervision of the Supreme Court through the Office of the Court Administrator. The Office has concurrent jurisdiction over the investigation of crimes and other offenses committed against justices, judges, court officials and personnel, the various halls of justice, courthouses, and other court properties. The Office of the Judiciary Marshalls is primarily responsible for the security, safety, and protection of the members, officials, personnel, and property of the Judiciary, including the integrity of the courts and its proceedings.

### **On the competency of government employees**

**Republic Act No. 11466**, or the Salary Standardization Law of 2019, provides for the adjustments of salaries of civilian government personnel of the national and local government yearly within four years after approval of the law.

**Republic Act No. 10071**, or the Prosecution Service Act of 2010, provides for the increase in the number of prosecutors nationwide, the upgrading of their ranks, salaries, and retirement benefits to the level currently enjoyed by the other members of the Judiciary.

**Republic Act No. 11643** entitled “An Act Granting Survivorship Benefits to the Surviving Legitimate Spouse and Dependent Children of a Deceased Retired Member of the National Prosecution Service and Appropriating Funds Therefor” placed the benefits of the members of the prosecution service at par with their counterparts in the Judiciary. This is expected to encourage prosecutors to remain in the prosecution service rather than aspire to move to the judiciary for professional and financial advancement.

**Republic Act No. 10575**, or the Bureau of Corrections Act of 2013, provides for the powers, functions, and structure of the Bureau of Correction, upgraded the qualifications for appointment of BuCor personnel; established the Philippine Corrections Academy for its commissioned officers, mandated a continuing training program for personnel through the Corrections Training School, and the implementation of an attrition system for personnel.

**Republic Act No. 9406** entitled “An Act Reorganizing and Strengthening the Public Attorney’s Office (PAO), Amending For The Purpose Pertinent Provisions of Executive Order No. 292, Otherwise Known As The “Administrative Code of 1987”, As Amended, Granting Special Allowance

to PAO Officials And Lawyers, And Providing Funds Therefor". This law provides for the increase in the number of public attorneys so that there will be a public attorney per court, and upgrades their ranks, salaries, and retirement benefits to the level enjoyed by public prosecutors.

**Republic Act No. 9417** entitled "An Act To Strengthen the Office of the Solicitor General By Expanding And Streamlining Its Bureaucracy, Upgrading Employee Skills And Augmenting Benefits, And Appropriating Funds Therefor" expands and streamlines the OSG bureaucracy, upgrades employee skills, and augments the benefits of Solicitors.

### **On public accountability and integrity in the government service**

**Republic Act No. 6713**, or the Code of Conduct and Ethical Standards for Public Officials and Employees, prescribes the code of conduct and ethical standards for public officials and employees to uphold the time-honored principle of public office being a public trust, grants incentives and rewards for exemplary service, stipulates prohibited acts and transactions, and provides penalties for violations thereof.

**Executive Order No. 2, s. 2016**. This presidential issuance mandates the Executive Branch to operationalize the people's constitutional right to information and State policies and the requirement of full public disclosure and transparency in the public service. It mandated the offices under the Executive Department to prepare their respective People's Freedom of Information Manual which provides for the procedure for the filing and processing of requests for access to information, remedies in case of denial of access to information, and the administrative liability against erring public officers or employees who violate the policy.

**Republic Act No. 10660** entitled “An Act Strengthening Further the Functional And Structural Organization of the Sandiganbayan, Further Amending Presidential Decree No. 1606, As Amended, And Appropriating Funds Therefor” sought to streamline the operations of the Sandiganbayan by increasing the number of divisions, reducing the required number of its concurring justices in a division to render a judgment or final order from a unanimous vote of three to a simple majority of two justices, and eliminating the need to form a division of five justices in case of a non-unanimous vote.

**Executive Order No. 06, s. 2016** institutionalized the Citizens' Complaint Hotline and established the 8888 Citizen's Complaint Center (CCC). It provides a mechanism where citizens may report their complaints and grievances against government agencies, officials, and employees for corrupt practices or acts constituting bureaucratic red tape.

### **On the harmonization of the policies of national government agencies and LGUs**

**Project Repeal** is a public-private partnership initiative of the National Competitiveness Council (NCC) that was supported by various government agencies such as the Department of Trade and Industry, Department of Finance, Department of Budget Management, Department of Tourism, Department of Labor and Employment, among others. It aims to identify and respond to different causes of service delays such as rules and regulations that are not responsive to certain policy goals, inefficient procedures and systems on administrative management, and inefficiencies in the communication and information exchange within, between, and among organizations and external stakeholders. It also aims to make the “repeal system” or the system of removing and streamlining processes and rules more evidence-based and participatory in order to facilitate the conduct of business in the country.

**Republic Act No. 7160**, or the Local Government Code of 1991, as amended, established the system of local governance and defines the powers of provincial, city, municipal and barangay governments in the Philippines. It provides for a more responsive local government structure instituted through a system of decentralization whereby local government units are delegated more powers, authority, responsibilities and resources.

**Republic Act No. 9418**, or the Volunteer Act of 2007, mandates the government to coordinate, facilitate, and encourage the participation of the volunteer sector in national development and international cooperation. It allows foreign volunteer organizations to operate in the country such as in providing technical assistance that are not locally accessible in priority development areas within the framework of technical cooperation and socio-cultural exchange.

### **On the dual mandates of government agencies as regulator and operator**

**Republic Act No. 10149**, or the GOCC Governance Act of 2011, aims to promote the financial viability and fiscal discipline of government-owned and controlled corporations (GOCCs) by creating the Governance Commission for GOCCs with a mandate to evaluate the performance and relevance of GOCCs, and to determine whether they should be reorganized, merged, streamlined, abolished or privatized.

### **On land and real property valuation and management system**

**DOF Local Finance Circ. No. 3-92 (1992)**. This circular provides for the Guidelines for Equitable Land Valuation for Socialized Housing pursuant to Sec. 13 of RA 7279, otherwise known as the Urban Development and Housing Act of 1992 Urban Development and Housing Act of 1992.

**Republic Act No. 10951** entitled “An Act Adjusting the Amount or the Value of Property and Damage on Which a Penalty is Based and the Fines Imposed Under the Revised Penal Code, Amending for the Purpose Act No. 3815, Otherwise Known As “The Revised Penal Code, As Amended” provides for an adjustment in the amount or the value of property and damage on which a penalty is based and the fines imposed.

**Republic Act No. 9646**, or the Real Estate Service Act of the Philippines, provides for the development of a corps of technically competent, responsible and respected professional real estate service practitioners, whose standards of practice and services shall be globally competitive. The proper and effective regulation of the real estate service profession is expected to promote the growth of the real estate industry.

### **On the delays in the cancellation of legal encumbrance annotations in reconstituted Certificates of Title**

**Presidential Decree No. 1529 s. 1978**, or the Property Registration Decree, mandated the codification of laws relative to the registration of property. It also mandated the Land Registration Authority to update and codify the various laws relative to the registration of property, and strengthened the Torrens system by adopting safeguards to prevent anomalous titling of real property.

**Land Registration Authority (LRA) Circular No. 17-2021** mandates the use of LRA Guides for the improved entry of mandatory registration information for transactions in the registries of deeds.

**Republic Act No. 26** entitled “An Act Allowing Administrative Reconstitution of Original Copies of Certificates of Titles Lost or Destroyed Due to Fire, Flood and Other Force Majeure, Amending For the Purpose Section One

Hundred Ten of Presidential Decree Numbered Fifteen Twenty-Nine and Section Five of Republic Act Numbered Twenty-Six”, provides for the procedures for the reconstitution of a Torrens Certificate of Title that was lost or destroyed and the protection of any party whose right or interest in the property was duly noted in the original copy of the title at the time it was lost or destroyed, but entry or notation of which has not been made on the reconstituted title. The law provides a prescriptive period of two years within which to annotate such right or interest on the reconstituted title and the manner by which such annotation or encumbrance can be canceled judicially.

**Republic Act No. 6732** entitled “An Act Allowing Administrative Reconstitution Of Original Copies Of Certificates Of Titles Lost Or Destroyed Due To Fire, Flood And Other Force Majeure, Amending For The Purpose Section One Hundred Ten Of Presidential Decree Numbered Fifteen Twenty Nine And Section Five Of Republic Act Numbered Twenty Six” amended Republic Act No. 26 by allowing administrative reconstitution of the original copies of Certificates of Titles lost or destroyed due to fire, flood, and other *force majeure*.

### **On political dynasties**

**Republic Act No. 10742**, or the *Sangguniang Kabataan* Reform Act of 2015, provides that officials of the *Sangguniang Kabataan* must not be related within the second civil degree of consanguinity or affinity to any incumbent elected national official or to any incumbent elected regional, provincial, city, municipal, or barangay official, in the locality where he or she seeks to be elected.



### **On strengthening the political party system**

**Republic Act No. 7941** or the Party-List System Act provides that an elected party-list representative who changes political party or sectoral affiliation during the term of office shall forfeit his or her seat, and shall not be eligible for nomination as party-list representative under the new party or organization if the change in political party or sectoral affiliation was done six (6) months prior to an election.

### **On upholding the integrity of elections**

**Republic Act No. 8436**, as amended by RA 9369, entitled "An Act Authorizing the Commission on Elections to Use An Automated in the May 11, 1998 National or Local Elections and In Subqsequent National or Local Electoral Excercises, Providing Funds Therefor and For Other Purposes"

**Republic Act No. 10366** authorizes the Commission on Elections to establish precincts with accessible polling places exclusively for persons with disabilities and senior citizens.

## **Public Order and Safety**

### **On internal and external threats to security**

**Commonwealth Act No. 1 (1935)** entitled "An Act to Provide for the National Defense of the Philippines, Penalizing Certain Violations Thereof, Appropriating Funds Therefor and For Other Purposes" created an independent Philippine military, provided for the national defense policy of the Philippines, provided for the needs of the Armed Forces in peace and war, divided the country into military districts and military provinces as the President may direct, and provided for the composition and organization of the Army.

**Republic Act No. 6975**, or the Department of the Interior and Local Government Act of 1990, as amended by Republic Act No. 8551, or the PNP Reform and Reorganization Act of 1998 provided for the organization of the DILG to consist of the Department Proper, the existing bureaus and offices of the Department of Local Government, the National Police Commission, the Philippine Public Safety College, and the following bureaus: the PNP, the Bureau of Fire Protection (BFP), and the Bureau of Jail Management and Penology (BJMP); provided for the composition, powers and functions of the PNP; and provided for the structure of the BFP and BJMP. BJMP, and the ranks of their respective personnel.

**Republic Act No. 8551**, or the Philippine National Police (PNP) Reform and Reorganization Act of 1998, provided for the reform and reorganization of the PNP by amending certain provisions of Republic Act No. 6975 entitled, “An Act Establishing the PNP Under a Reorganized Department of the Interior and Local Government.” The Act specifies the powers and functions of the National Police Commission; provided for the authority of the Commission to reorganize the PNP; provided for general qualifications for appointment to the PNP as officer or member; and provided for the creation, powers and functions of the Internal Affairs Service tasked to proactively conduct inspections and audits on PNP personnel and units.

**Republic Act No. 9184**, or the Government Procurement Reform Act, provided for the modernization, standardization and regulation of the procurement activities of the government, allows for procurement by electronic means, established a single portal to serve as the primary source of information on all government procurement, provided for the establishment of a single Bids and Awards Committee by each procuring entity for its procurement, and required that all procurement shall be done through competitive bidding, except as provided for in Article XVI (Alternative Methods of Procurement) of the Act.

**Republic Act No. 10349**, or the Revised AFP Modernization Program (2012), extended the implementation of the AFP Modernization Program to another 15 years and required the submission of the Revised AFP Modernization Program to Congress. It created the Revised AFP Modernization Act Trust Fund to be funded out of the appropriations for the Revised AFP Modernization Program and proceeds from the sale of military reservations, as may be approved by Congress.

**Republic Act No. 11589**, or the Bureau of Fire Protection Modernization Act, strengthened the Bureau of Fire Protection (BFP); mandated the BFP, in coordination with the DILG, to establish and implement the BFP Modernization Program aimed at enhancing the capability of its personnel and acquisition of state-of-the-art facilities and equipment; mandated that the BFP Modernization Program will consist of the following components: (1) Fire Protection Service; (2) Force Restructuring and Organizational Development; (3) Capability, Material and Technological Development; (4) Specialized Services Development; and (5) Human Resource Development; and established the (6) BFP Modernization Trust Fund.

**Republic Act No. 11479** seeks to prevent, prohibit and penalize terrorism, and repealed RA 9372, otherwise known as the "Human Security Act of 2007." The law defines terrorism as acts intended to, among others, cause death or serious bodily harm to any person, government facility, public or private property, critical infrastructure, and other acts intended to intimidate the general public, create an atmosphere of fear, provoke the government, seriously destabilize or destroy the fundamental political, economic, or social structures of the country, or create a public emergency or seriously undermine public safety. It specified the rights of a person charged with or suspected of committing any of the defined acts, including the right to be informed of the nature and cause of the arrest. It also prohibits torture or coercion in the investigation of acts of terrorism and established an Anti-

Terrorism Council which shall, among other functions, formulate and adopt plans, programs, and preventive and counter-measures against terrorism in the country.

**Republic Act No. 11917**, or the Private Security Services Industry Act, repeals Republic Act No. 5844 or the Private Security Agency Law, and grants a 5-year license to exercise the security profession and be recognized as a private security professional qualified to perform such duty, and provides for the conditions wherein the license to operate of any private security agency may be cancelled.

### **On disaster risk management and response capability**

**Republic Act No. 11469**, or the Bayanihan to Heal as One Act, or Bayanihan I, granted the President emergency powers to mitigate the transmission of COVID-19, and prevent overburdening of the healthcare system, provide emergency subsidies to around 18 million low-income households, and “COVID-19 special risk allowance” to all public health workers, among others.

**Republic Act No. 11494** or the Bayanihan to Recover as One Act, or Bayanihan II provides for COVID-19 response and recovery interventions. The Act extends assistance, subsidies and other forms of socioeconomic relief to citizens; provided for emergency subsidies to low-income households, unemployed, involuntary separated, and displaced workers or employees; and mandated the procurement and distribution of supplies for viral testing, among other provisions.

**Republic Act No. 11517** entitled “An Act Authorizing the President to Expedite the Processing and Issuance of National and Local Permits, Licenses and Certifications in Times of National Emergency” authorizes the President to streamline regulatory processes for new and pending

applications and renewals of permits, licenses, clearances, and certifications or authorizations during national emergencies.

**Republic Act No. 11523**, or the Financial Institutions Strategic Transfer (FIST) Act, allows banks and financial institutions to dispose or outsource the management of non-performing assets and non-performing loans to financial institutions strategic transfer (FIST) corporations, thereby improving the liquidity of the financial sector and enabling banks and financial institutions to use this liquidity to extend credit to more sectors.

**Republic Act No. 11525**, or the COVID-19 Vaccination Program Act of 2021, authorized the procurement of COVID-19 vaccines and ancillary supplies or services through the DOH or the National Task Force Against COVID-19 (NTF), either jointly or in cooperation with any government agency or instrumentality or LGU.

### **On the campaign against illegal drugs**

**Republic Act No. 9165**, or the "Comprehensive Dangerous Drugs Act of 2002" as amended by Republic Act No. 10640 strengthens the anti-illegal drugs proliferation campaign of the government by strengthening the policy on the custody and disposition of confiscated dangerous drugs, plant sources, controlled precursors, and essential chemicals, paraphernalia, and laboratory equipment.

**Republic Act No. 10586**, or the Anti-Drunk and Drugged Driving Act of 2013 ensures road safety by penalizing the act of driving under the influence of alcohol, dangerous drugs, and similar substances.

**Republic Act No. 11313**, or the Safe Spaces Act, recognized the equal right of men and women to security, and safety in the streets, public places, online, workplaces, and educational and training institutions, defined the duties of LGUs, the role of the DILG, and the responsibilities of implementing bodies in preventing gender-based sexual harassment in streets and public places, and provided for the penalties for gender-based sexual harassment.

**Republic Act No. 11468**, or the National Day of Remembrance for Road Crash Victims, Survivors, and Their Families Act, designated the 3rd Sunday of November every year as the National Day of Remembrance for road crash victims, survivors, and their families, ensures its meaningful observance, and upholding the value of human life.

**Republic Act No. 10175**, or the Cybercrime Act of 2012, improved the capacity of law enforcement agencies to address criminal acts made through the internet and digital technologies, strengthened law enforcement against lascivious or sexual exhibition over the internet to protect the youth and minors from sexual exploitation, described the crime of libel when perpetrated over the internet, increased the penalty for the commission of these acts, and created the Cybercrime Investigation and Coordinating Center.

**Republic Act No. 11521**, entitled "An Act Further Strengthening the Anti-Money Laundering Law, Amending for the Purpose Republic Act No. 9160, Otherwise Known as the Anti-Money Laundering Act of 2001, As Amended", included real estate developers and brokers, and offshore gaming operators, as persons required to report covered and suspicious transactions, and punishes the act of tax evasion amounting to more than P25 million. The law also authorizes the Anti-Money Laundering Council to freeze assets in relation to terrorism or terrorism-financing.

**Executive Order No. 15, s. 2017 (06 March 2017).** Inter-Agency Committee on Anti-Illegal Drugs (ICAD) and Anti-Illegal Task Force to Suppress the Illegal Drug Problem in the Country mandates the PDEA to initiate and undertake a national campaign for drug prevention and control programs, and enlist the assistance of any department, bureau, office, or agency of the government in the campaign against anti-illegal drugs.

**Resolution issued by the Supreme Court designating certain branches of the Regional Trial Courts as Special Courts for Drug cases (A.M. No. 00-8-01 SC, 01 August 2000)** addresses delays in the resolution of drug cases and authorizes Special Courts to try and decide drug cases regardless of the quantity of the drugs involved.

**Administrative Memorandum No. 21-06-08-SC,** requiring law enforcement officers to wear body cameras in conducting arrests addresses reports and complaints regarding civilian deaths resulting from the execution of warrants issued by trial courts.

### **On the rising incidence of crimes involving the exploitation of and violence against children**

**Republic Act No. 11188,** or the Special Protection of Children in Situations of Armed Conflict Act, provides special protection of children in armed conflict from all forms of abuse, neglect, cruelty, discrimination, and other conditions prejudicial to their development taking into consideration their gender, culture, ethnic and religious background.

**Republic Act No. 11596,** entitled “An Act Prohibiting the Practice of Child Marriage and Imposing Penalties for Violations Thereof” declared unlawful the facilitation of child marriage, the solemnization of child marriage, and the cohabitation of an adult with a child outside wedlock, and sets penalties for these acts.

**Republic Act No. 11642**, or the Domestic Administrative Adoption and Alternative Child Care Act, ensures that a child without parental care, or at risk of losing it, is provided with alternative care options such as adoption and foster care; reorganized the Inter-Country Adoption Board (ICAB) into a one-stop quasi-judicial agency to be known as the National Authority for Child Care (NACC), created a Regional Alternative Child Care Office for each region, and made the legal adoption process more simple, expeditious and inexpensive.

**Republic Act No. 11229**, or the Child Safety in Motor Vehicles Act, provides for the mandatory use of a child restraint system for special protection of child passengers in motor vehicles.

### **On harmonizing immigration policies and improving immigration services**

**Commonwealth Act No. 613**, or the Philippine Immigration Act of 1940, provided for the establishment of the Bureau of Immigration, prescribed its organization, the policies on the admission of aliens, documentation of non-immigrants, admission of immigrants, visa policies, and the functions of Boards of Special Inquiry, among other provisions.

**Republic Act No. 562**, or the Alien Registration Act of 1950

**Republic Act No. 7919**, or the Alien Social Integration Act of 1995, authorized the integration of aliens with unlawful residence status into the mainstream of Philippine society, subject to national security and interest and in deference to internationally recognized human rights.

**Republic Act No. 8042**, or the Migrant Workers and Overseas Filipino Act of 1995, provided for mandatory repatriation of underage migrant workers,



mandated the establishment of a shared government information system for migration and provided for the exemption of the migrant worker from the payment of travel tax and repatriation bond, among other provisions.

**Republic Act No. 8247**, entitled “An Act Exempting Aliens Who Have Acquired Permanent Residency Under Executive Order No. 324, From the Coverage of Republic Act No. 7919, Otherwise Known as the Alien Social Integration Act of 1995” Amending for the Purpose Certain Provisions of Said Act and For Other Purposes

**Republic Act No. 8756**, entitled “An Act Providing for the Terms, Conditions and Licensing Requirements of Regional or Area Headquarters, Regional Operating Headquarters, and Regional Warehouses of Multinational Companies, Amending for the Purpose Certain Provisions of Executive Order No. 226, Otherwise Known as the Omnibus Investments Code of 1987”

**Republic Act No. 9139**, or The Administrative Naturalization Law of 2000, provided for the acquisition of Philippine Citizenship for certain aliens by administrative naturalization.

**Republic Act No. 9208**, or the Anti-Trafficking in Persons Act of 2003, recognizes the equal rights and inherent human dignity of women and men enshrined in universally-accepted human rights instruments and other international conventions to which the Philippines is a signatory, penalizes acts of trafficking of persons and acts that promote trafficking, provides for the protection of trafficked persons including nationals of a foreign country, including the privilege of continued presence in the Philippines for the length of time prescribed by the Inter-Agency Council Against Trafficking.

## Rule of Law

### **On the matter of clogged court dockets and the inordinate delay in the resolution of cases**

Several Republic Acts created additional trial court branches nationwide. As of December 31, 2020 there are a total of 2,465 courts, forty-five percent (45%) or 1,119 of which are Regional Trial Courts.

**Republic Act No. 11576** expanded the jurisdiction of municipal and metropolitan trial courts in order to rationalize the distribution of cases among first-level and second-level trial courts. The law increased the maximum value of property, money or damages claimed in civil cases and complaints that first-level courts can resolve up to ₱2 million, which can now fall under the Rules on Summary Procedure to facilitate the speedy resolution of money claims.

**Republic Act No. 11459**, or the Judges-at-Large Act of 2019, created 100 Regional Trial Court judge positions and 50 Municipal Trial Court judge positions nationwide. Judges-at-large are not assigned to a permanent court sala but are detailed to any court in the country in the exigency of the service and as public interest may require. The law aims to address the problem of court congestion due to the lack of judges in the first and second-level courts.

### **On the promotion and protection of human rights**

**Republic Act No. 9745**, or the “Anti-Torture Act of 2009”, penalizes torture and other cruel, inhuman and degrading treatment or punishment.

**Republic Act No. 9344**, as amended by RA No. 10630, or the “Juvenile Justice and Welfare Act of 2006”, provided for the protection of children

at risk and children in conflict with the law (CICL) and mandated child-appropriate proceedings in court and the implementation of diversion, intervention, and rehabilitation programs for CICLs.

**Republic Act No. 9262**, or the Anti Violence Against Women and Their Children Act of 2004, defined the crime of violence against women and children (VAWC), provides protective measures for victims of such violence, and prescribed penalties for VAWC.

**Republic Act No. 7309** entitled "An Act Creating a Board of Claims Under the Department of Justice for Victims of Unjust Imprisonment or Detention and Victims of Violent Crimes and For Other Purposes"

**Republic Act No. 11188**, or the Special Protection of Children in Situations of Armed Conflict Act, provides special protection of children in armed conflict from all forms of abuse, neglect, cruelty, discrimination, and other conditions prejudicial to their development taking into consideration their gender, culture, ethnic and religious background.

On April 17, 2012, the Philippines ratified the Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment of Punishment and is obliged to establish, designate, or maintain an existing institution as its national prevention mechanism within a year of its ratification of the Protocol (Article 17, OPCAT).

### **On the matter of overcrowded jails and national penitentiaries**

**Republic Act No. 10575**, or the Bureau of Corrections Act of 2013, provided for the powers, functions and organizational structure of the Bureau of Corrections (BuCor). It also authorized the BuCor to design, formulate and implement land-use development plans and policies on lands it

owns, and provided standards for the operational and standard design of prison facilities, reformation facilities and administrative facilities. The law mandated the maintenance of a custodial personnel-to-inmate ratio of 1:7 and reformation personnel-to-inmate ratio of 1:24.

**Republic Act No. 9263**, or the “Bureau of Fire Protection and Bureau of Jail Management and Penology Professionalization Act of 2004”, aimed to professionalize, restructure, and upgrade the personnel of the BJMP. The law provided for the composition, power, and functions, of these two agencies and upgraded the qualification standards of BFP and BJMP personnel, mandated the establishment of a performance evaluation system, and standardized the base pay, retirement, and other benefits of BJMP and BFP.

**Republic Act No. 10592** entitled “An Act Amending Articles 29,94, 97, 98 and 99 of Act No. 3815, As Amended, Otherwise Known As The Revised Penal Code” grants good conduct time allowance to persons deprived of liberty. This law expands the application of the good conduct time allowance (GCTA) for prisoners even during preventive imprisonment. It also expands the definition of ‘good conduct’ by not limiting it to conspicuous and satisfactory good behavior but also defines it as ‘non-commission of any crime or offense during the period of imprisonment.” Through the GCTA, the issue of overcrowding of jail facilities will be addressed as under the law, prisoners who have reduced sentences will be qualified for release from jails.

## WHAT NEEDS TO BE DONE

### Good Governance

#### **On the balance of power among the three separate branches of government, the autonomy of the constitutional commissions**

Enact a law that shall impose a term limit to regular members appointed by the President. This shall prevent continuous reappointment to the JBC.

**Amend the Constitution to strengthen the independence of the Commission on Appointments.** This reform proposes changes in the composition of the Commission on Appointments which reviews and recommends appointments to the constitutional commissions (COA, COMELEC, SC). Instead of being made up of Senators and House Members only, it is proposed that Commission's membership be made up of regular and *ex-officio* members. The regular members shall come from the academe, the Integrated Bar of the Philippines, the organization of retired members of the constitutional commissions, and the private sector. The *ex-officio* members shall be the incumbent chairpersons of the constitutional commissions and a member each from the Senate and House of Representatives.

**Enact a law strengthening the organization and protecting the independence of the Commission on Elections (COMELEC)** by reclassifying and upgrading all positions in its field offices and by creating additional positions. This proposal also seeks the repeal of Section 55 of the Omnibus Election Code that requires the COMELEC to rely on LGU funding for office space for its staff, and the allocation of adequate funds

to the COMELEC for this purpose. In addition, the allocation of additional resources to the COMELEC is also proposed to support the activities of its accredited organizations, the Parish Pastoral Council for Responsible Voting or PPCRV, and the National Citizens' Movement for Free Elections or NAMFREL.

### **On the competency of government employees**

**Uphold meritocracy by rationalizing qualification standards of government positions, upgrading the salary grades of highly-technical positions, providing incentives for good performance, and giving due recognition and importance to the career executive service.** It is proposed that the qualification standards for appointment in the public service be rationalized. The upgrading of the salary grades of positions that require highly-technical skills such as those occupied by scientists, teachers, nurses, and doctors is likewise proposed. Further, it is proposed that the appointment of at least one career official to the positions of Undersecretary and Assistant Secretary, respectively, in all departments and agencies, be made mandatory.

### **On public accountability and integrity in government service**

**Pass a law mandating the establishment of a People's Council in every local government unit.** The proposed People's Council shall be composed of representatives of civil society organizations accredited by the local Sanggunian. The proposed law should provide a mechanism by which citizen's views and opinions in different areas of governance are heard or considered in order to promote transparency and integrity in all government transactions.

**Enact a Freedom of Information Law.** The proposed law shall operationalize the people's constitutional right to information and the policy of full public

disclosure and transparency not only in the executive branch but in all government agencies and instrumentalities.

**Amend Republic Act No. 6713 (Code of Ethics and Ethical Standards For Public Officials and Employees)** to enhance and automate the system of filing and monitoring of Statement of Assets and Liabilities (SALNs) of public officials and employees, and guarantee public access thereto.

**Amend Republic Act No. 6981 on witness protection, security, and benefits.** This proposed measure seeks to provide more protection and benefits to State witnesses, including witnesses in legislative inquiries in aid of legislation. The proposed RA 6981 amendments shall include a provision granting 1) hospitalization benefits while in the program regardless of cause, and 2) free public education for the witness' minor or dependent children during the lifetime of the parent-witness.

**Enact a policy providing for whistleblower's security, protection, and benefits program.** The proposed Whistleblower's Security, Protection and Benefits Program aims to encourage citizens to report alleged violations of law, improper use of governmental office, gross waste of funds, abuse or gross neglect of duty on the part of any public officer or employee, and private entity. The program shall provide for the physical protection and security of a whistleblower against reprisal such as locating them in government safehouses and providing security escorts when necessary. It shall likewise provide for the grant of certain benefits to whistleblowers such as financial incentives or rewards and immunity from suit, or exemption from criminal liability for testifying as witnesses.

**Amend Republic Act No. 6770 or the Ombudsman Act of 1989 to strengthen the institutional capacity of the Office of the Ombudsman (OMB).** This proposal seeks to grant the following additional powers to the OMB: 1) Exclusive jurisdiction over cases cognizable by the *Sandiganbayan*; 2) Authority to direct the head of other agencies to implement its order of removal, suspension, demotion, censure or prosecution against a public officer or employee; 3) Exclusive jurisdiction over cases cognizable by the *Sandiganbayan*; 4) Empower the OMB to employ the wire-tapping technique; 5) Authority to employ wiretapping in investigations; 6) Compulsory power to secure the attendance of witnesses, production of documents or records; 7) Power to examine and access bank and non-bank accounts, records or deposits; 8) Authority to represent the government in all proceedings involving cases within its jurisdiction without prior consent from other legal offices such as the Office of the Solicitor General; 9) Authority to deputize private lawyers to act as investigators or prosecutors of graft cases; 10) Authority to create and administer its own witness protection and whistleblowing program, and 11) Immunity of graft investigators and prosecutors from criminal, civil, or administrative liability in the performance of their lawful duty.

### **On the harmonization of the policies of national government agencies and LGUs**

**Enact a policy that shall mandate the institutionalization of the conduct of public consultation and coordination** before any project is implemented, and the involvement of all LGUs, their residents, and national government agencies in the implementation of projects directly affecting the local community.



Enact a law to expand and modernize the *Katarungang Pambarangay justice system*. The law aims to professionalize the systems at the barangay level that are directly involved in the barangay justice program. It should provide for the conduct of the barangay justice training program, the mandatory continuing barangay justice education, and for the salary, incentives, and benefits of barangay justice workers.

### **On the dual mandates of government agencies as regulator and operator**

Revisit the charters of GOCCs with hybrid mandates and enact a policy to delineate efficiently the mandates of agencies that exercise both proprietary and regulatory functions.

Amend Republic Act No. 10149 to provide for a more efficient manner of managing the funds and fees generated by government-owned and controlled corporations with both regulatory and operational functions, including how these funds are to be distributed to intended beneficiaries.

### **On digitalization and service efficiency**

Enact a policy mandating the digitalization of information management and other services. The proposed measure seeks to make public services easier to access and facilitate information-sharing within office units. Under this proposal, agencies shall determine which office systems need to be digitalized, and mandates the conduct of an inventory of documents and records to be included in the digitalized information management system and those to be managed outside the system. The proposed measure shall provide for the proper training of personnel funding support for the program.

### **On the land and real property valuation and management system**

Enact a law strengthening the Bureau of Local Government Finance (BLGF) and mandating the provision of capacity-building programs to build competency in property valuation. Include a provision for mandatory training of personnel on the proper valuation of properties and effective reporting procedures.

Mandate the harmonization of systems of concerned national government agencies through the creation of a central hub to handle the processing of requests for property registration and transfer of titles, and the provision of the requisite funding and logistics for its efficient operation.

Amend the pertinent provisions of Republic Act Nos. 26 and 6732 to provide for an efficient process of administrative reconstitution of lost titles and the cancellation of legal encumbrances.

### **On upholding the integrity of elections**

Pass a law to amend the Automated Election System Act and plug the gaps and loopholes in the automated election system.

Strengthen the voters' registration system by enacting a law that would require proof of residence for registrants and provide harsher penalties for persons who circumvent voter's registration rules and regulations.

Amend Section 6, Art. IX-C of the Constitution to provide for the establishment of a two-party system.

**Enact a law providing for a Political Party Development Fund.** This proposed measure shall provide for the criteria for the allotment of the development fund, and guidelines for the utilization thereof.

**Enact a campaign finance policy.** This proposal seeks the provision of funding for the campaign activities of candidates, political parties, political action committees, and for policy initiatives and referenda. It shall also provide for the proper accounting of these funds.

**Amend Republic Act No. 10366** to allow senior citizens, persons with disabilities and other vulnerabilities to cast their vote a day before the scheduled election day, and establish accessible polling places within the premises of the municipal or city hall exclusively for the use of such persons.

**Enact a law providing for an absolute ban on the substitution of candidates after a certain period** to prevent the abuse of the substitution mechanism for candidates and nominees.

**Pass a law imposing stiffer penalties for vote-buying,** and provide standards for the efficient conduct of electoral campaigns and the system of prosecuting people engaged in vote-buying activities.

**Pass a law to increase authorized campaign expenditures.** The proposed law shall also provide for the allowable disbursements of candidates per voter.

**Strengthen the COMELEC** by upgrading its plantilla and creating additional position items, where necessary. The proposed measure shall mandate the allocation of adequate funds to allow the COMELEC field units to procure appropriate office space and be physically independent of local government units.

## Public Order and Safety

### **On internal and external threats to security**

**Extend the period of implementation of the AFP Modernization Act** and revise it accordingly to include the acquisition of new information and communications technology.

**Amend the Government Procurement Act** to abolish the requirement of publication of full specifications of defense equipment procurement which could be inimical to national security. This proposal also includes the grant of authority to the government to purchase major equipment or weapons system used in the country of origin or in any other country, thus hastening the acquisition process.

### **Promote a self-reliant posture and develop a national defense industry.**

To foster the progressive growth of the industry and hasten defense self-sufficiency of the country, this proposed policy seeks to strengthen and revitalize the Self-Reliant Defense Posture (SRDP) Program, incentivize private sector participation in the industry, rationalize defense acquisition, and create the Office of the Undersecretary for Defense Technology Research and Industry Development under the Department of National Defense.

**Amend the National Defense Act of 1935.** This proposal includes the establishment and definition of defense conditions, or DEFCON, that shall guide defense forces in securing the nation during calamities, internal disorders, and incidents triggered by external forces that tend to, or actually threaten the security of the State. The proposed measure shall provide for a legal framework for a defense strategy and shall lay down policies, principles and concepts relating to national defense and security. Under this proposal, a National Command Authority shall be created to provide prompt operational decision analysis on internal and external threats. It shall also provide for the broad functions, composition, organizing principles, and development of reserve forces, and define their responsibilities in the conduct of internal security operations.

**Provide additional resources to the Reserve Force for operations, maintenance, capital outlay, and training.** Expand the Reserve Force and enhance their capacity to contribute to disaster relief activities at the community level by allocating sufficient funds to support the implementation of a national training program on disaster relief management.

**Strengthen the National Defense College of the Philippines (NDCP) as a resource institution.** Improve military and civilian competencies on national security administration by allocating adequate resources to the NDCP to support the development of higher-level programs and training in relation to security and development, and by providing for further development and training of NDCP faculty.

**Enact a law establishing a revitalization and capability enhancement plan for the Philippine National Police.** Establish a PNP modernization program to enhance the organization's capability to undertake its internal security mandate.

**Establish a program to counter and prevent violent extremism.** Under the proposed Program to Prevent and Counter Violent Extremism (PCVE), those engaged in violent extremism shall be encouraged to return to the fold of the law and become productive citizens. The proposed measure shall provide for the creation of an inter-agency committee that shall implement the program, and provide for benefits and forms of assistance to returnees and their families.

**Amend Republic Act No. 8551 to strengthen the Internal Affairs Service of the PNP** and make it more independent, impartial, effective and efficient in promoting higher standards of integrity and discipline in the PNP. The proposed policy shall introduce reforms in the administrative disciplinary machinery of the PNP, and strengthen the functions of the People's Law Enforcement Board.

**Amend Republic Act No. 6975** to upgrade the rank structure of the BFP and BJMP to a level commensurate to their critical role in maintaining peace and order, and put their pay grades at par with that of the PNP, AFP and Philippine Coast Guard.

Rename the Department of the Interior and Local Government (DILG) to the Department of the Interior and Homeland Security, and enhance its capability in responding to internal security threats such as natural disasters, terrorism, human trafficking, drug trafficking, and smuggling. This proposed policy shall provide for the development of a homeland security strategy and the institutionalization of an integrated civilian public safety system. It shall likewise define the powers and functions of the proposed Department of the Interior and Homeland Security. In crafting this policy, the integration of disaster response management into the proposed Department of the Interior and Homeland Security is an option that should receive serious study. The Department can likewise be mandated to take the lead role in providing capacity building programs on emergency and disaster response to the personnel of public safety agencies and local government units.

Enact a policy to empower LGUs to protect their territory against security threats, in coordination with the Philippine Coast Guard and the PNP. This measure seeks to establish local border control councils that shall recommend action plans to the LGUs to strengthen border control and security.

Enact a policy to prohibit the operation of super trawlers in Philippine territorial waters. This measure seeks to protect the country's fisheries and aquatic resources by prohibiting the operation of super trawlers—large fishing vessels over 130 meters in length, that have processing and refrigeration facilities onboard.

**On improving disaster risk management and response capability**  
Mandate the National Disaster Risk Reduction and Management Council to issue a protocol that shall stipulate the roles and coordination points

of public and private entities during disasters and emergencies in order to avoid delays in response time and avoid waste of resources that are available but are largely untapped.

Create a database of merchants-suppliers of relief and rehabilitation products, and a database on the relief volunteers in each region.

Mandate the identification and issuance of a list of low-lying and high-risk areas of the Philippine territory that are vulnerable to rising sea levels as a result of climate change, require all LGUs to strictly prohibit human settlement in these areas, and provide sanctions for violations therefor. This proposed measure seeks to mandate the creation of an updated national hazard map as a major step towards risk management as it will enable the people to better prepare for natural disasters by identifying the possible areas that are vulnerable to natural disasters.

Mandate the representation of the youth in the Disaster Risk Reduction and Management Council in the national and local government levels to empower them and harness their energy and skills in disaster risk reduction and response.

Institutionalize a system of effective fund administration of cash donations or humanitarian aid from local or foreign donors and sponsors intended for legitimate victims of natural or man-made disasters, crises or tragedies or emergencies.

Mandate the establishment of climate-resilient evacuation centers in all cities and municipalities. This proposal seeks to mandate the construction of climate-resilient evacuation centers in all cities and municipalities to serve as immediate and temporary shelter for people who have been displaced



as a result of disasters and other emergencies. To ensure the serviceability and integrity of these facilities, the Department of Public Works and Highways (DPWH) shall be mandated to formulate the architectural design and standard specifications of this facility.

### **On the campaign against illegal drugs**

**Amend Republic Act No. 9165, or the “Comprehensive Dangerous Drugs Act of 2002” to strengthen the fight against illegal drugs and attune policy with the changing dynamics and complexities of the campaign against illegal drugs.** The proposed policy shall provide stronger penalties for planting of evidence by law enforcement officers, incompetence, and delays in the prosecution of anti-illegal drug cases.

**Create “Anti-Drug Abuse Councils” (ADACs)** in all provinces, cities, municipalities, and barangays all over the country as the main implementing organ for the prevention, rehabilitation, and monitoring of drug dependency cases. Under this proposal, LGUs shall be mandated to appropriate at least 2% of their annual budget to fund the creation and operation of the ADACs.

**Mandate real-time sharing of information between government agencies regarding illegal drug trafficking.** This proposal seeks to mandate all government agencies involved in the arrest and investigation of drug criminals, closure of clandestine drug laboratories, and extradition of drug criminals to cooperate closely, especially in the sharing of important information to ensure the success of these enforcement activities.

**Enact a law that shall institutionalize the establishment of “Drug Courts”** in every judicial region that would exclusively hear, try and decide cases involving illegal drugs. This would expedite the resolution of cases involving

violations of RA 9165, and help declog the case dockets of regional trial courts designated as “Special Drugs Courts” that also hear non-drug related cases.

**On addressing cybersecurity threats and penalizing cybercrimes**

**Amend Republic Act No. 10175 or the Anti-Cybercrime Act of 2012** by prohibiting and penalizing the sending of unwanted, unsolicited digital communication that is sent out in bulk via email, text messages, phone calls, or social media. In addition, this measure proposes the creation of special courts to be presided over by judges who are competent in ICT and information security. The proposed measure shall likewise include provisions that ensure procedural due process for the guidance of law enforcement officers in the pursuit of cybercriminals, in keeping with constitutional principles on human rights.

**Amend Republic Act No. 10173, or the “Data Privacy Act of 2012”** by aligning it with the international standards on data privacy and protection. This proposed policy shall likewise address data privacy challenges and other cross-border data processing concerns in support of the country’s digital transformation towards a knowledge-based economy.

**Enact a National Cybersecurity Law** to protect public and private institutions, businesses, and citizens from cyber risks and threats as encapsulated in the National Cybersecurity Plan 2022 of the Department of Information and Communications Technology. This proposal aims to create an environment that will promote the trust and confidence in government networks and ICT systems, and thus contribute to the country’s digital transformation.

Enact a policy that defines and penalizes acts of online falsehood and manipulation to combat the proliferation of misleading and deceptive news and information that sow panic and chaos and are thus threats to security. This proposed policy seeks to protect and promote the rights of the people to factual, accurate, and truthful information.

### **On combatting crimes and addressing other public order and safety issues**

Provide stiffer penalties for the act of driving under the influence of alcohol, dangerous drugs and other similar substances.

Enact a law that shall define the offenses of illegal discharge of firearms and indiscriminate firing and provide stiffer penalties therefor. Under this proposal, the penalty of cancellation of a firearm license or permit and the perpetual disqualification from being granted a firearm license or permit shall be imposed on offenders.

Penalize the act of throwing hard objects at motor vehicles. This proposal seeks to penalize a person who throws stones, rocks, bottles, wood, metal, or any hard object at motor vehicles that may tend to obstruct the driver's vision and thus lead to accidents and vehicle damage, or cause the death or physical injury of motorists and pedestrians.

Impose stiff penalties for the offenses of stealing or vandalizing of government road and traffic signs, warning devices, accessories and other facilities. Under this proposal, individuals who steal or vandalize government road and traffic signs, warning devices, accessories, and other

facilities installed by the national and local governments for the purpose of cautioning motorists of imminent dangers along the road shall be penalized.

**Increase the maximum number of Barangay Public Safety Officers (BPSOs).**

This measure seeks to remove the 20-tanod limit under Section 393, paragraph (d) of Republic Act No. 7160 by using as basis for the increase in the number of BPSOs the number of residents in a barangay.

## Rule of Law

**On the matter of clogged court dockets and the inordinate delay in the resolution of cases**

Enact a law that shall provide benefits to lawyers in the Public Attorney's Office (PAO) and thus make a career in the PAO attractive to good and competent lawyers. This proposal seeks to increase the average gross pay of PAO lawyers, grant additional benefits, including hazard pay equivalent to 25% of their basic salary and survivorship benefits to surviving legitimate spouse and dependent children. It also proposes the issuance of service firearms to PAO lawyers.

**On the promotion and protection of human rights**

Pass a law to amend RA 7309 entitled "An Act Creating A Board of Claims Under the Department of Justice For Victims of Unjust Imprisonment And Victims of Violent Crimes And For Other Purposes" and increase the amount of compensation for victims of unjust imprisonment or detention and victims of violent crimes.

**Enact a policy to strengthen the functional and organizational structure of the Commission on Human Rights.**

**Enact a policy establishing preventive mechanisms against torture and other cruel, inhuman or degrading treatment or punishment of persons deprived of liberty.**

**Enact a policy that comprehensively prohibits discrimination.** The proposed policy shall promote and protect the fundamental rights of every person, regardless of sex, age, class, status, race, ethnicity, color, disability, religious and political beliefs, sexual orientation or gender identity against any form of discrimination.

**Enact a policy that shall define “hate speech” and penalize the commission thereof.** The proposed policy shall define hate speech as “speech that advocates or incites discrimination, hostility or violence towards a person or certain group of people”, and shall prescribe a penalty therefor.

**Enact a policy providing protection to human rights defenders.** The proposed policy shall define the rights, fundamental freedoms, and responsibilities of human rights defenders, and provide effective mechanisms for the protection and promotion of these rights and freedoms.

**Enact a law upholding the right to religious freedom.** The proposed policy aims to protect and uphold the fundamental and inalienable right of every person to freely choose and exercise one’s religion and beliefs and to act and live in accordance with one’s conscience, as guaranteed under Section 5, Article III of the Constitution and other international human rights instruments and shall provide for a Magna Carta on Religious Freedom.

**On the matter of overcrowded jails and national penitentiaries**

**Amend the “BuCor Act of 2013”.** The proposed policy shall mandate the formulation of a five- or 10-year roadmap to decongest the facilities of the Bureau of Corrections.

**Pass a policy to create a separate facility for persons deprived of liberty due to conviction of heinous crimes.** This proposal seeks to provide funding and establishment of a separate and secured facility for those convicted of heinous crimes and high-risk or high-profile crimes.

**On harmonizing immigration policies and improving immigration services**

**Enact a law that shall replace Commonwealth Act No. 613 and harmonize all policies pertaining to immigration.** This proposed policy shall declare that immigration policies, rules and regulations are to be applied as instruments for the promotion of the domestic and international interests of the country. The proposed measure shall provide for the protection of national borders and areas of alien entry, provide for the expansion of the powers of the Commissioner of the Bureau of Immigration, increase the number of the visa types from 7 to 15, and provide for personnel benefits such as night shift differential and overtime pay, and the creation of an Immigration Trust Fund that shall be earmarked for equipment and facilities modernization, payment of employee benefits, and for training and career development programs.

**On updating the Revised Penal Code and the Civil Code**

**Pass a law to create a Code Commission** that shall be mandated to update these laws within a specific period of time and to incorporate all provisions relating to criminal acts and the penalties thereto that are provided for in various laws within a specified period of time.

**On facilitating the adjudication of maritime disputes**

**Pass a law creating a Maritime Court.** This proposal considers the increasing number of maritime disputes shall provide for an efficient system for the purpose of adjudication of admiralty disputes occurring within Philippine waters.

# Domain 8 Achieving Fiscal Stability and Enhancing Public Financial Management





## Domain 8

# Achieving Fiscal Stability and Enhancing Public Financial Management

- 8.1 Fiscal policy plays an important role in supporting robust and equitable economic growth. This is especially underscored in the light of the unprecedented COVID-19 pandemic and the resulting economic fallout. The country's Gross Domestic Product (GDP) contracted by 9.6% in 2020 from a 6.1% expansion in 2019. The registered 5.7% GDP growth in 2021 suggested an eventual economic recovery that further increased to 8.3% in the first quarter of 2022. Real GDP in the first quarter of 2022 exceeded the pre-pandemic GDP level in the same period in 2019 (PSA, 2022).
- 8.2 In the labor market, a record-high 17.7% unemployment rate or about 7.3 million Filipinos, aged 15 years old and over were jobless as of April 2020. As the economy slowly recovered, the unemployment rate declined to 7.1% in March 2021; however, underemployment remains high at 16.2% (PSA, 2021, 2022). The number of poor Filipinos<sup>84</sup> increased to 26.1 million individuals in the first quarter of 2021, from 22.1 million individuals in 2018. Average family expenditure also declined to P113.7 thousand in 2021, from P120.8 thousand per year in 2018 (PSA, April 2022). While income inequality narrowed in 2021 (compared to 2018), it remains a concern as the total income of families in the 10th income decile in 2021 was still nine (9) times lower than the income of the highest income group (Ibid.).
- 8.3 Government responses to these conditions should therefore be swift, concerted, and commensurate to the severity of the public health crisis, with fiscal tools taking a key role. Restoring growth is essential in mitigating fiscal challenges ahead. At the macro level, fiscal policy will help ensure macroeconomic stability; at the micro level, tax and expenditure policies can boost growth when better employee benefits and investment incentives are provided, human capital investments are increased, and when their combined effects enhance total factor productivity.
- 8.4 The slowdown in economic activity has resulted in a 9% drop in government revenues in 2020. Collections amounted to only P2.9 trillion in 2020 compared to its pre-pandemic level of P3.1 trillion in 2019. In 2021, while revenues rose by 5% to P3.0 trillion, revenue effort declined however to 15.5%, from 16.1% in 2019.

As the fiscal deficit grew, the Government intensified borrowings to sustain extra spending for the COVID-19 response. According to the Bureau of the Treasury (BTr), the Government needs to raise at least P249 billion every year, in incremental revenues, to cover debt payments. In restoring fiscal space post-COVID-19, it is critical to strengthen domestic resource mobilization through appropriate revenue measures that can efficiently mobilize potential revenues without hurting the economy's growth prospects and expand the Government's fiscal space for growth-income-and-equity-enhancing expenditures such as infrastructure, healthcare, and social protection. This can be done by expanding the tax base through an efficient and fair tax system, increasing tax compliance, and improving tax administration. These revenue measures are expected to result in improved social outcomes.

- 8.5 Aside from the decreased revenue collection, another contributory factor to the widening fiscal deficit is the 11.3% rise in expenditures in 2020. In fact, the fiscal gap rose to 48% in 2020 from the annual average of only 21% (from 2010 to 2019). As the 2020 and 2021 budget deficits reached P1.37 trillion and 1.67 trillion, respectively, the National Government borrowed a record-high P2.50 trillion in 2020 and P2.25 trillion in 2021, compared to P876 billion in 2019 (BTr, 2022). In turn, debt principal and interest payments increased to P962.5 billion in 2020 and P1,204.1 billion in 2021, definitely higher than the debt and interest payments of P842.4 billion in 2019.
- 8.6 Sustainable inclusive growth cannot be achieved without addressing the issue of poverty and inequality. Government expenditures on health care and education were found to reduce income inequality in Asia and the rest of the world (see Table 8.1).

Table 8.1

**Estimated Marginal Impact of Government Spending on Income Inequality***In Percentage*

Spending Type	Asia	Rest of the World
Social protection	0.490	-0.276
Education	-0.486	-0.034
Health	-0.241	-0.330
Housing	2.162	-0.614

*Note: Note: Minus sign indicates improved equality.**Source: Claus et al. 2014 as cited in ADB Working Paper Series (2014)*

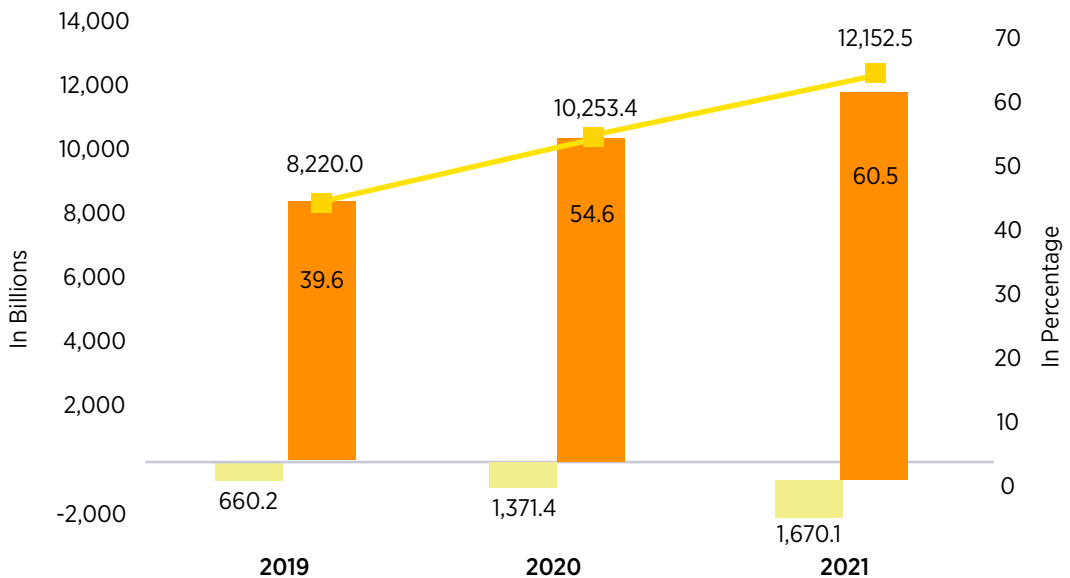
- 8.7 Achieving a sustainable fiscal position is not only about improving revenue performance, but also about efficient budget planning, allocation, procurement, and expenditure evaluation.
- 8.8 Public financial management (PFM) tools such as medium-term expenditure and budget priorities frameworks facilitate the achievement of fiscal discipline and allocative and operational efficiency. These tools ensure that the Government spends within its means and focuses its limited resources on key public services that contribute most to achieving its inclusive growth and development goals. The institutionalized use of credible financial and performance monitoring, evaluation, and reporting tools also ensures transparency and accountability in government financial transactions.

## ISSUES AND CHALLENGES

### 8.9 Ballooning fiscal deficit is a key concern

The National Government fiscal deficit ballooned to P1.7 trillion in 2021, 21.8% higher compared to P1.4 trillion in 2020 and P660.2 billion in 2019 (see Figure 8.1).

Figure 8.1  
**Fiscal Position**  
 2019-2021 (In Billions)



Note: NG Outstanding debt includes guaranteed debt  
 Source: Source: Bureau of the Treasury

Legend: Deficit (light green bar), NG Outstanding Debt (orange bar), Debt to GDP Ratio (yellow line with square marker)

The National Government's outstanding debt-to-GDP ratio of 60.5% at the end of 2021 is not only the highest in 17 years but one that has already breached the internationally-accepted threshold. In pre-pandemic 2019, the debt-to-GDP ratio was only about 39.6%. In the first quarter of 2022, the outstanding debt level was P12.7 trillion—about P1.9 trillion higher than the P10.8 trillion level in the same

period in 2021. The persistent widening of the budget deficit, if uncontrolled, poses risks to the country's investment grade ratings. A negative outlook implies a possibility of a credit rating downgrade, which could mean higher interest rates on external borrowings.

### 8.10 The urgency of fiscal consolidation and resource mobilization

A fiscal situation characterized by high debt-to-GDP ratios that exceed the prudential limit of 60% of GDP, may require the pursuit of fiscal consolidation or measures to restore the health of public finances which is a prerequisite for sustainable economic growth (OECD, 2011). A high debt-to-GDP ratio raises debt-market concerns on fiscal solvency, that may lead to interest rate hikes on sovereign bonds and downgrades in credit ratings that make it more costly for the Government to borrow. Higher long-term interest rates and debt levels also hamper future economic growth, increase the vulnerability of public finances to volatile market sentiments, and reduce the scope for fiscal policies to counteract future economic crises (OECD, 2011).

The Government is considering fiscal consolidation to decrease the budget deficit, which stood at 8.6% of GDP in 2021, to 6.1% in 2023, 5.1% in 2024, and 4.1% in 2025 (DBCC, 2022). It aims to reverse, in a span of 10 years, the additional P3.2 trillion debt incurred by the Philippine government due to the COVID-19 pandemic (DOF, 2022). Although there are proposals to reduce the budget share of less urgent mandatory expenditures, such as the pensions of military and uniformed personnel (Reyes, 2022), emerging fiscal consolidation measures largely depend on increasing government revenues rather than implementing large expenditure cutbacks.

The revised medium-term fiscal program as of May 24, 2022, indicates that the Government will incur budget deficits exceeding a trillion pesos a year, and thus needs to borrow the corresponding amount in 2022 to 2025 to finance the deficit. As shown in Table 8.2, actual borrowings from 2022-2025 will have to exceed

the more than P1 trillion-peso projected budget deficit in order to cover the amortization of the debt principal which is an off-budget item. From 2019-2021, the amortization of the debt principal, on average, accounted for 60% of annual debt-service payments which reached P1.2 trillion in 2021 (BTr, 2022). As early as 2023, the National Government will start amortizing the principal of pandemic-induced loans.<sup>85</sup> With high levels of debt service, the budget will have less space to accommodate productive expenditures for economic recovery.

Table 8.2

### Revenue and Expenditure Trends

*In Trillion Pesos*

Year	Revenues	Expenditures	Budget Deficit
2019	3.14	3.80	0.66
2020	2.86	4.23	1.37
2021	3.01	4.68	1.67
2022	3.30	4.95	1.65
2023	3.63	5.09	1.45
2024	4.06	5.39	1.33
2025	4.55	5.72	1.17

*Sources of basic data: Bureau of the Treasury, Cash Operations Report; Development Budget Coordination Committee (DBCC), 2022 Fiscal Program as of 24 May 2022 and DBCC Joint Statement for the 181st DBCC Meeting to review the medium-term macroeconomic and fiscal assumptions for FY 2022 to 2025*

While urgent, fiscal consolidation amid the ongoing COVID-19 pandemic is challenging as the options for expenditure cutbacks except for wasteful spending are limited considering the need to spend more for economic recovery, health, and social protection. Financing the budget through higher levels of borrowings is also not feasible as it could lead to slower economic growth, spiralling debt levels, and fiscal and economic crises (DOF, 2022). Thus, the Government will have to consider raising more revenues, improve tax administration, and redirect resources from unnecessary expenses to productive spending, as the best options for fiscal consolidation (Ibid.).

Given the limited space for expenditure cutbacks and the increase in borrowing, a sound medium-term to long-term domestic resource mobilization is a necessity. If the Government can address roadblocks that lead to revenue leakages such as weak tax compliance through underreporting or misrepresentation of income by taxpayers and weak tax administration (ADB, 2021), it can improve the efficiency of tax administration, increase taxpayer compliance, and further expand the tax base to cover the untaxed segments of the economy such as digital transactions.

Imposing new taxes is a sensitive issue especially to an economy that is still on its way to full recovery. It needs to be pursued carefully as overtaxing an economy on the mend is counterproductive to growth. In this regard, the Government may need to explore some strategic options for expenditure-based fiscal consolidation.

The failure to undertake fiscal consolidation could force the Government to finance debts with additional borrowings, which could lead to increased interest payments and, in turn, crowd out government expenditures, a dire situation that will stifle economic growth (DOF, 2022). However, the risks and trade-offs of fiscal consolidation must be carefully managed. Consolidating too early to protect fiscal health may quell recovery, but waiting too long may close the window of opportunity.

### 8.11 **Pandemic, global shocks, and climate change as threats to economic growth**

Government revenue mobilization may be affected by pandemic shocks such as the possibility of a resurgence of COVID-19 cases due to new COVID-19 variants. This may prompt the Government to impose stricter quarantine measures that can again result in a slowdown in economic activities. According to the DOF, the Government needs to expand the economy by more than 6% annually in the next five (5) years to ensure that the Philippines grows out of the debt incurred from the pandemic.

Oil price volatility and fuel supply disruptions as a result of the Russia-Ukraine conflict are likely obstacles to growth. Because the Philippines is a net importer of oil and gas, any increase in global commodity prices can add to inflationary pressures. In June 2022, the headline inflation of the Philippines further edged up to 6.1% year-on-year, the highest recorded inflation since October 2018. It also exceeded the government full year target of a 4.5%-5.5% inflation rate. The uptick in inflation for the month of June is mainly driven by food and energy-related commodity prices. Although government revenues from domestic-based taxes may rise due to the increase in the prices of taxable products, total government expenditures may also increase due to the escalation in prices of supplies, transportation services, and capital outlays. This indicates the need to expand the government's budget. Higher inflation may also weigh down on the economy and therefore affect government revenues as businesses would have to cut down on production due to more expensive inputs, and household spending becomes weaker due to higher commodity prices.

The tightening of US monetary policy may also weigh on economic growth with the increasing cost of borrowing. The risk of debt vulnerability runs high, especially for economies facing high external debt service burdens. (Park, 2022; Guilde-Wolf et al, 2022).

#### **8.12 Natural disasters and climate change impacts on agriculture and infrastructure may also pose fiscal risks**

According to the DOF, the country has incurred around P500 billion in losses due to climate-induced hazards from 2010 to 2020. As the frequency of disasters has increased and the cost of relief and rehabilitation has become burdensome, a disaster risk financing and insurance (DRFI) program may be considered to ensure that financial shocks from rapid and slow onset impacts are dealt with effectively. A DRFI will further reduce pressure on public spending post disaster, facilitate better fiscal management of disaster risks, and ensure that funds are released quickly.



On the other hand, supporting the imposition of carbon or green taxes will not only raise revenues for the Government but will also help reduce carbon emissions.

### 8.13 Improving tax administration and compliance

Tax administration is important in addressing revenue challenges. The complicated tax system, particularly registration and payment procedures, is a major concern of businesses, especially micro, small and medium enterprises (MSMEs) which comprise about 99.5% of business enterprises in the country. Despite being smaller in size, MSMEs face a lot of challenges. They are heavily burdened in terms of higher tax compliance costs and have limited administrative capacity.

The rationale for looking into taxpayers' segmentation is that each group of taxpayers has different characteristics, information needs, and compliance behaviors. This means that each group requires different services and an in-depth understanding of the risks they present to revenue performance. To manage these different segments effectively, revenue authorities need to develop and implement strategies such as public rulings, taxpayer education and services, and more targeted audits that reflect the characteristics and compliance issues faced by each group, especially MSMEs (Chongvilaivan and Chooi, 2021).

The Asian Development Bank Institute (2018) identified the following as common challenges in tax administration: 1) improving voluntary tax compliance; 2) improving efficiency of tax administration and reducing compliance costs for taxpayers; and 3) more utilization of ICT resources to modernize tax administration. Informality, especially amongst smaller enterprises, brought about by weak tax enforcement, inefficiencies of tax administration, and tax avoidance behaviors, among others, is another issue. All these contribute to the country's tax gap problem. Improving tax administration by simplifying the registration, tax filing, and payment procedures will thus help improve tax compliance and reduce compliance costs.

#### 8.14 Fiscal implication of the Supreme Court decision on the Mandanas-Garcia case

The Supreme Court ruling on the Mandanas-Garcia case<sup>86</sup> substantially increases the share of local government units (LGUs) in national tax collections (Manalo, et al, 2021). From P695.5 billion in 2021, the National Tax Allotment (NTA) significantly increased by 37.9% to P959.0 billion in 2022, the first year of implementation of the ruling (BESF, 2022). With less resources, National Government agencies are expected to refrain from performing devolved functions and services—and to prioritize subsidies for local projects only to financially-constrained and poor LGUs.

Compared to the National Government, LGUs have lower spending efficiency. The additional revenues resulting from the Supreme Court ruling on the Mandanas-Garcia case may worsen the underspending of local governments as they have lesser capacity to absorb such huge increase in revenues. This will, in turn, lead to wasted opportunities to bring essential services to communities that need them most. The World Bank (2021) noted significantly lower budget execution rates in capital outlays than personnel services or maintenance and other operating expenses in LGUs, resulting in the overall lower budget execution. In addition, a review of audited local government financial reports surfaced issues on implementation for local infrastructure projects. Hence, there is a gnawing apprehension that a surge in new revenues may lead to a significant decline in budget execution.

Although the implementation of the Court's ruling on the Mandanas-Garcia case effectively increases the NTA, formerly the internal revenue allotment (IRA) of LGUs, it does not correct the inefficiency and inequities brought about by the existing distribution formula of the NTA/IRA. The revenue shares by LGU level are not equitable or commensurate to their expenditure responsibilities. With the scheduled full devolution of functions by 2024 under Executive Order No. 138,

s. 2021, various national agencies will be phasing out or reducing the scope of their programs. Provinces will receive 23% of the NTA, as will the cities that have more revenue-generating capacity, and they will absorb many of the devolved functions and services. Increasing the NTA without the redistribution of revenue allotments for each LGU level in respect of their expenditure functions will only perpetuate existing inequities.

Meanwhile, the equal sharing criterion of the NTA formula encourages the creation and further fragmentation of LGUs. Fragmentation poses a threat to the viability of LGUs, especially in respect of their financial capacity and readiness. Moreover, the income classification of LGUs which continues to serve as the basis for the targeting of fiscal transfers and assistance to financially-constrained LGUs is outdated and has to be updated regularly.

#### 8.15 Expanding the fiscal space for productive expenditures

The increasing debt and debt-service obligations, budget deficit, and mandatory expenditures will constrict the fiscal space for more capital and other productive expenditures. A key option for expanding the fiscal space for productive expenditures is to institute reforms on National Government spending which has largely focused on Current Operating Expenditures (COE). From 2003-2022, COE, on average, accounted for 78.7% of total annual expenditures (Reyes, 2022). Personal Services (PS), which account for 38% of COE and 30% of total annual spending, have been growing due to (i) mandatory expenditures for the pension of military and uniformed personnel (MUPs), and (ii) the continued implementation of the Salary Standardization Law (SSL). In comparison, infrastructure spending, on average, accounts for only 16.2% of total annual expenditures. This National Government budgeting pattern has to change because it stifles long-term growth.

### 8.16 Unsustainable MUP pension scheme

Pension reform is usually part of the fiscal consolidation agenda in many countries. In the Philippines, a key issue is the unsustainable pension scheme for MUP. Unlike the contributions-based pension system for civilian employees in both government and the private sectors, the MUP is entirely government-subsidized. The MUP pension rates are also indexed to the base pay of counterparts in active service. Thus, when the base pay of MUPs in active service increases, MUP pensions also increase. As a result, the budget allocations for MUP pensions have been taking a larger share of new appropriations in the annual budget. In 2015, MUP pensions amounted to P60.1 billion and by 2019, has further risen to P77.5 billion. For 2022, the budget allocation for the pensions of MUP and veterans is P163.9 billion, equivalent to 11.7% of the total annual Personal Services budget. The payment of pension arrearages arising from the indexation policy in the current MUP pension scheme accounts for the continuing increase of National Government budgetary allocations for this purpose.

### 8.17 The absence of an integrated and stable legal framework for public financial management (PFM)

Executive issuances and the provisions of the General Appropriations Act provide the legal bases for the ongoing implementation of modern fiscal reforms to strengthen PFM. However, the absence of a law institutionalizing such modern reforms, heightens the risk of reform reversibility, and may undermine efforts to maintain predictable, prudent, efficient, transparent, and results-oriented fiscal management that is crucial to inclusive economic growth.

#### ◆ Institutional Framework

The institutional framework for PFM in the Philippines remained fragmented as several government agencies with overlapping mandates are involved in the implementation and oversight of PFM systems. It dilutes accountability and raises concerns on fiscal data comparability and integrity (ADB, 2019).

- ◆ **Budget credibility** remains an issue as the Government has been unable to accurately meet expenditure and revenue targets.
- ◆ **Shared fiscal discipline**

The exercise of fiscal discipline and responsibility remains weak. Many laws mandating certain expenditures have not been implemented due to failure to indentify specific funding sources. Of the 340 laws that were partially funded or unfunded as of December 2021, 306 have unspecified budgetary requirements. Many expenditure bills approved by the Congress do not specify revenue sources, making funding unpredictable once these bills are enacted into law.
- ◆ **Budget predictability**

Insufficient appropriations for ongoing, priority and implementation-ready foreign-assisted projects (FAPs) under the Build! Build! Build! Program have delayed project implementation. Because of the absence or insufficiency of agency-specific appropriations, the local counterpart requirements for FAPs with approved loan agreements may be charged against the Unprogrammed Appropriations-Support to Foreign Assisted Projects (UA-SFAPs) which, however, may not be sufficient to meet the local counterpart requirement. Moreover, since these FAPs are funded out of loans or borrowings for which interest payments will have to be paid, the Government's disbursement and deficit program will necessarily increase.
- ◆ **Budget utilization efficiency**

The inefficient budget utilization by government agencies is worrisome as it undermines economic recovery. Disbursement performance reports of the Development Budget Coordination Committee (DBCC)<sup>87</sup> show that actual government spending for the fiscal year is often lower than programmed allocations. Moreover, only 70.9% of the 2020 annual appropriations of National Government departments was disbursed.<sup>88</sup>

The disbursement-to-appropriations ratio further declined to 68.4% in 2021. Gaps in the implementation of the cash-based budgeting system such as extending the one-year validity of appropriations continue to weaken the incentives for agencies to utilize their annual appropriations within the fiscal year.

◆ **Weak link between planning, budgeting, implementation, and evaluation**

The weak linkage between planning, budgeting, implementation and evaluation constrains the efficient allocation and use of limited government resources. The absence of a legal framework institutionalizing the regular conduct and use of evaluations in government hampers the continuous improvement of government performance. It also results in the renewal of funding for programs, activities and projects with unclear outcomes and impacts, thus undermining allocative efficiency.

◆ **Slow procurement process**

The COVID-19 pandemic has demonstrated the need for a government procurement framework to enable quick and effective government response to extreme disaster and emergency situations. The weak capacity of the government for emergency procurement contributed to delays in the delivery of medicines, vaccines, and other supplies critical during emergencies. The World Bank (2021b) notes that governments faced unprecedented challenges in dealing with the pandemic due to the lack of clear guidance on public procurement. It pointed out that governments with a well-developed framework for emergency procurement were better prepared to deal with the pandemic (Ibid., p. 33).

◆ **No access to real-time budget information**

The absence of a fully operational government integrated financial management information system (GIFMIS) constrains fiscal policymakers and managers from accessing and using real-time budget information

to guide budget formulation, execution and oversight. The GIFMIS Committee created under Executive Order No. 55 approved the GIFMIS design in 2013, and implemented its prerequisites such as the Treasury Single Account, Unified Code Accounts Structure, Revised Chart of Accounts, and Performance-Informed Budget Framework. However, instead of developing a full GIFMIS, the Committee decided to set up a key GIFMIS component, the Budget and Treasury Management System (BTMS), that was supposed to be operational in 2017. The rollout of the BTMS was put on hold, subject to the review of the GIFMIS Committee.

◆ **Transparency and accountability issues**

Public expenditure and financial accountability (PEFA) assessments highlight the country's weaknesses in the areas of budget accounting, reporting, and external scrutiny. Various agencies do not comply with the requirement to post updated and complete budget and financial accountability reports (BFARs) in their websites. They also do not use open-data formats that are much easier to use for budget oversight purposes. People's participation in PFM processes is also low.

◆ **Management of contingent liabilities**

Contingent liabilities, arising from government guarantees in public-private partnership (PPP) contracts and GOCC debts, are a continuing source of fiscal risk. Information on the Government's financial exposure is not readily available since PPP contracts are not open to the public. Existing laws, policies and rules on the monitoring and management of Government's fiscal liabilities in PPP contracts are also unclear. There is no institutionalized framework, protocols, and guidelines for the booking, accounting, auditing, monitoring, and evaluation of PPP projects.

### 8.18 **Weak evaluation culture in government**

Evaluations help ensure that government interventions result in the delivery of intended outputs and outcomes. They provide evidence-based guidance in identifying and prioritizing efficient and effective government interventions. Many agencies monitor the outputs of their programs and projects, but rarely measure outcomes and impacts. The institutionalization of a strong evaluation culture is constrained by highly uneven capacities to conduct project evaluations and use the data produced to guide policy and program planning, budgeting, and implementation.

### 8.19 **Weak fiscal transparency in the oil, gas and mining industries**

Fiscal transparency in the oil, gas, and mining industries needs to be cultivated and the standards for this need to be enshrined in legislation. Efforts to institutionalize the Extractive Industries Transparency Initiative (EITI) in the Philippines<sup>89</sup> are hampered by the absence of an enabling law addressing legal barriers to comprehensive disclosure by mining companies. Information is scant on the matter of “beneficial ownership” or about who really owns and profits from mining, oil, gas, and coal activities in the country.



## WHAT HAS BEEN DONE

### Domestic Resource Mobilization

The enactment of strategic laws in the previous Congresses, some of which are landmark legislation, and issuances from the previous administrations enabled the Government to raise much-needed additional revenues.

#### **On enhancing fiscal stability through tax reforms**

**Republic Act No. 11523** or the Financial Institutions Strategic Transfer (FIST) Act, allows banks and financial institutions to dispose or outsource the management of non-performing assets and non-performing loans to financial institutions strategic transfer (FIST) corporations, thereby improving the liquidity of the financial sector and enabling banks and financial institutions to use this liquidity to extend credit to more sectors.

**Republic Act No. 11534** or Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, improves the equity and efficiency of the corporate tax system by lowering the tax rate, widening the tax base and reducing tax distortions and leakages.

**Republic Act No. 11467** entitled "An Act Amending Sections 109, 141, 142, 143, 144, 147, 152, 263, 263-A, 265, and 288-A, and Adding a New Section 290-A to Republic Act No. 8424, As Amended, Otherwise Known as the National Internal Revenue Code of 1997, and For Other Purposes" further increases the excise tax rates on alcohol, heated tobacco, and vapor products.

**Republic Act No. 11346** entitled "An Act Increasing the Excise Tax on Tobacco Products, Imposing Excise Tax on Heated Tobacco Products and

Vapor Products, Increasing the Penalties for Violations of Provisions on Articles Subject to Excise Tax and Earmarking a Portion of the Total Excise Tax Collection from Sugar-Sweetened Beverages, Alcohol, Tobacco, Heated Tobacco and Vapor Products for Universal Health Care, Amending for This Purpose Sections 144, 145,146,147,152,164,260,262,263,265,288,and 289, Repealing Section 288(B) and 288 (C), and Creating New Sections 263-A, 265-B, and 288-A of the National Internal Revenue Code of 1997, As Amended By Republic Act No. 10963, and For Other Purposes”.

**Republic Act No. 10963**, or the Tax Reform for Acceleration and Inclusion (TRAIN) Law restructures the personal income tax schedule, simplifies the estate and donor’s tax schedule, repeals 54 provisions on VAT exemptions and zero-rating under special laws to broaden the VAT base, restructures excise tax on automobiles, increases tax rates on petroleum products, sweetened beverages, and cigarettes, and increases domestic stamp tax, among others.

**Republic Act No. 10001**, entitled “An Act Reducing the Taxes on Life Insurance Policies, Amending for the Purpose Sections 123 and 183 of the National Internal Revenue Code of 1997, As Amended” reduces the taxes on life insurance policies from 5% to 2% of gross premiums.

**Republic Act No. 9238**, entitled “An Act Amending Certain Sections of the National Internal Revenue Code of 1997, As Amended, By Excluding Several Services from the Coverage of the Value-Added Tax and Re-Imposing the Gross Receipts Tax on Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions and Other Non-Bank Financial Intermediaries Beginning January 01, 2004”, imposes a final tax on banks, non-tax, and other financial intermediaries at 1%-7%.

**Republic Act No. 8424**, or the Tax Reform Act of 1997 imposes a final tax on passive income and gains on sale of shares of stock at 1%-25%.

**Republic Act No. 11239** entitled “An Act Abolishing the Road Board and Providing for the Disposition of Motor Vehicle User’s Charge (MVUC) Collections, Amending for the Purpose Republic Act No. 8794, Entitled “An Act Imposing a Motor Vehicle User’s Charge on Owners of All Types of Motor Vehicles and For Other Purposes”.

**Republic Act 8794** entitled “An Act Imposing a Motor Vehicle Users Charge on Owners of All Types of Motor Vehicles and For Other Purposes”

### **On improving efficiency in tax administration**

**Republic Act No. 11569** entitled “An Act Extending the Estate Tax Amnesty and For Other Purposes, Amending Section 6 of Republic Act No. 11213, Otherwise Known as the “Tax Amnesty Act” provides for the extension of the deadline to avail of the estate tax amnesty under RA 11213 until 14 June 2023.

**Republic Act No. 11213** entitled “An Act Enhancing Revenue Administration and Collection by Granting an Amnesty on All Unpaid Internal Revenue Taxes Imposed by The National Government for Taxable Year 2017 And Prior Years with Respect to Estate Tax, Other Internal Revenue Taxes, And Tax on Delinquencies”.

### **On addressing climate change impacts**

**Republic Act No. 10174** amended the Climate Change Act of 2009 to establish the People’s Survival Fund, a long-term finance stream to enable the government to effectively address climate change. This is an annual fund that may be accessed by LGUs for their climate adaptation projects.

**Republic Act No. 9729** or the Climate Change Act of 2009, creates a comprehensive framework to systematically integrate the concepts of climate change and disaster risk reduction into the country’s development plans and policy formulation.

## Public Financial Management

The National Government has initiated key public financial management (PFM) reforms to achieve fiscal discipline, allocative efficiency, operational efficiency, fiscal transparency and accountability, and an orientation towards achieving key targets.

### **On improving government fiscal discipline**

**Republic Act No. 10149** or the GOCC Governance Act of 2011 aims to promote the financial viability and fiscal discipline of government-owned and controlled corporations (GOCCs) by creating the Governance Commission for GOCCs, and mandating it to evaluate the performance and relevance of GOCCs and to determine whether they should be reorganized, merged, streamlined, abolished, or privatized.

### **On promoting allocative and operational efficiency**

**Republic Act No. 11639**, or the FY 2022 General Appropriations Act, required the continued implementation of key budget reforms such as the Unified Accounts Code Structure (Sec. 2); the General Appropriations Act as the Allotment Order (Sec. 3); publication by the Bureau of the Treasury of information relating to all Special Accounts and Funds deposited in the National Treasury (Sec. 11); early procurement activities of agencies even before the enactment of the national budget (Sec. 20); climate budget tagging (Sec. 41); Cash Budgeting System (Sec. 68); and Transparency Seal (Sec. 102).

**Republic Act No. 9184**, or the Government Procurement Reform Act of 2011, provides for the modernization, standardization, and regulation of the procurement activities of the government.

## WHAT NEEDS TO BE DONE

### Domestic Resource Mobilization

Strengthen domestic resource mobilization over the medium- to long-term. The following proposed measures aim to help restore fiscal space by expanding the tax base, increasing tax compliance, and improving tax administration.

**Enact a policy to make passive income and financial intermediary taxes simpler, more fair, more competitive regionally, and easier to collect.** This proposed measure aims to simplify the taxation of passive income, financial services, and transactions by reducing the number of combinations of tax bases and rates from 80 to 36, by harmonizing tax rates on interests, dividends, capital gains, and business taxes imposed on financial intermediaries. A single rate of 15% shall be applied on interests, dividends, proceeds or gains from equity, and debt instruments to promote equity and stimulate growth in the financial market. This measure also proposes to impose a phased-in annual tax reduction for listed shares traded in the stock market, harmonize taxes on banks, non-banks, and other financial intermediaries at 5%, and subject health maintenance organization (HMO) contracts, pensions, pre-need plans, and non-life insurance policies to VAT (at 12%) and life insurance policies to a 2% premium tax. The revenue impact for the next five (5) years of implementation of this measure is estimated at P11.1 billion (DOF, 2019).

**Enact real property valuation standards.** This proposed measure seeks to promote the development of a just, equitable, and efficient asset valuation

system. It also seeks to broaden the tax base used for property and property-related taxes imposed by the National Government and local government units (LGUs), with a view to increasing their revenue collections. This measure will require the development and maintenance of an up-to-date electronic database of the sale, exchange, lease, mortgage, donation, transfer, and all other real property transactions and declarations in the country. Further, this measure will require that the valuation or appraisal of all real property, whether taxable or tax-exempt, shall be based on prevailing market values in the locality where the property is situated, in conformity with the valuation standards that will be adopted.

**Impose a 12% VAT on digital transactions.** Under this proposal, online transactions shall be subject to VAT to level the playing field for traditional and digital businesses. The proposed law shall define clearly the coverage of digital services to include third parties, platform providers, and suppliers of digital services as digital service providers. Online advertisement services, digital services running on subscription fee, and supply of digital goods and services through the internet shall be subjected to VAT and a simplified automated registration system for non-resident digital service providers shall be established. The Government is estimated to gain P154 billion in revenues for the first five (5) years of the implementation of this proposal (DOF).

**Enact a policy to impose a motor vehicle road user's tax (MVRUT).** This proposed measure aims to adjust MVRUT rates and raise revenues for public infrastructure spending, particularly road construction and maintenance. It shall provide for an effective annual increase in the MVRUT rates without the need for administrative intervention. This measure proposes to further allocate incremental revenues from the rate adjustment of the modernization of public utility vehicles, particularly for the equity subsidy of public transport

operators consolidated as transport cooperatives, and government programs to be undertaken for the prevention of deaths due to road accidents and the provision of assistance to accident victims. The Government is expected to generate incremental revenues of P219.7 billion within a period of five (5) years from the enactment of this measure.

**Create a fiscal regime and revenue-sharing arrangements for the mining industry.** This proposed measure seeks to rationalize and create a single fiscal regime for all mineral agreements, such as mineral production sharing agreements (MPSAs) and financial and technical assistance agreements (FTAAs). To date, almost all mining contracts are under MPSA whereby the Government grants the contractor the exclusive right to conduct mining operations but without a title over the contract area. To become MPSA-eligible, the contractor should at least be 60% Filipino-owned. An FTAA, on the other hand, allows 100% foreign participation, with the foreign contractor providing all financial, technical, and entrepreneurial resources. Furthermore, the proposed restructuring of the mining fiscal regime is expected to enhance the equitable share of the Government in the utilization of natural resources without compromising the need of the mining sector for a reasonable return on its investment. The DOF estimates that the Government will be able to generate incremental revenues of P37.9 billion within a period of five (5) years from the enactment of this measure.

**Pass a law institutionalizing the Extractive Industry Transparency Initiative<sup>90</sup>.** The measure proposes to institutionalize a monitoring system to facilitate tracking by host LGUs of proceeds from national wealth utilization, and to check compliance by companies of their environmental and social obligations. It also provides for the development and maintenance of a “beneficial ownership” registry for easier tax administration, and to prohibit company anonymity that encourages corruption.

**Enact a comprehensive gaming tax.** The comprehensive fiscal regime for the gaming sector aims to harmonize and clarify rules on taxation of the gaming sector, based primarily on the POGO tax regime. It aims to ensure that revenues in the gaming sector are properly monitored, efficiently collected, and properly allocated, through safeguards and transparency measures, audit mechanisms, information exchange among agencies, and other revenue monitoring and enforcement measures.

**Impose a new excise tax on plastic bags.** This measure seeks to impose an excise tax of twenty pesos (P20.00) for every kilogram of plastic bags removed from the place of production or released from the custody of the Bureau of Customs. Under this proposal, the proceeds from the tax collected shall be earmarked to help finance the projects of LGUs pursuant to Republic Act No. 9003 or the “Ecological Solid Waste Management Act of 2000.” The production, use, and disposal of single-use plastic products are associated with significant adverse externalities to the environment. The measure will therefore help encourage the utilization of environment-friendly alternatives to plastic bags while generating additional revenues for the Government. It is expected that the Government will generate new revenues amounting to P27.1 billion within the first five (5) years of the implementation of this proposed measure (NTRC, 2019).

**Enact a carbon pricing instrument.** This measure aims to introduce an appropriate carbon pricing policy that provides an economic incentive to reduce greenhouse gas emissions. Under the proposal, the Government shall impose a Carbon Tax, which shall be a fixed fee per unit of emission. This type of tax promotes decarbonization in a cost-effective way and also generates much-needed public revenue that can be used to stimulate investment in low-carbon technologies and processes.



**Enact a measure to promote ease in the payment of taxes.** This measure seeks to (1) introduce a medium taxpayer classification and create a corresponding BIR special unit for better service and tax administration; (2) create registration facilities for non-resident taxpayers and remove the annual registration fee; (3) establish a Taxpayer's Bill of Rights and Taxpayers' Advocate Office that will ensure that the rights of taxpayers are protected and systemic problems within the BIR are identified and mitigated; (4) enhance the portability of tax transactions especially for small taxpayers by removing venue restrictions in the filing of returns and payments of taxes; and (5) remove the distinction between sales invoices and official receipts, and use the former to substantiate all VAT transactions for the sale of either goods or services. Through these tax administration reforms, the Government could gain P73.1 billion worth of revenues in the first five (5) years of their implementation.

**Amend the Local Government Code of 1991 to define and clarify the functions that are fully devolved, delegated, or shared between the National Government and LGUs, and the corresponding expenditure responsibilities.** The measure also proposes to provide capacity-building support to LGUs will improve their implementation and service delivery capacity.

## Public Financial Management

To maximize the beneficial effect of PFM to fiscal stabilization and to improve fiscal discipline, promote allocative and operational efficiency and fiscal transparency and accountability of the National Government, the enactment of the following measures is proposed:

**Establish a contributory pension system for MUPs.** This proposed measure aims to lessen the fiscal strain that future pension payments will lay on the National Government (NG) budget by mandating the following sharing scheme between an employee and the government to the MUP pension systems: (i) first three years: 5% employee share, 16% NG share; (ii) next three years: 7% employee share, 14% NG share; and (iii) years thereafter: 9% employee share, 12% NG share (similar to GSIS). This measure also requires MUPs to contribute to the MUP Trust Fund, 45% of which shall be utilized for the establishment of a life insurance plan with death, accident, and disability benefits, another 45% for the establishment of a Provident Fund, and the 10% for the payment of disability pension. To address the country's deteriorating fiscal situation, the adoption of the Executive's proposal for non-indexation of MUP pension to the base pay of active MUP is highly recommended.<sup>91</sup>

**Enact a policy that will institutionalize budget modernization reforms.** To resolve the fragmented PFM legal framework, the passage of a law that shall clarify and define the distinct PFM roles and oversight responsibilities of the Congress, the DBM, COA, DOF and spending agencies of the National Government is proposed. To ensure the efficient allocation and use of limited resources, this proposed measure shall provide for stronger and coordinated mechanisms for results-oriented planning, budgeting, programming, execution, and evaluation within and across government agencies. It aims

to promote shared fiscal discipline and responsibility by requiring that expenditure bills to be passed by the Congress specify their revenue sources and provide information on their fiscal implications.

To improve budget predictability, the proposed measure requires the provision of sufficient counterpart funding of the National Government for ongoing, implementation-ready and priority foreign-assisted projects (FAPs), especially those funded by concessional loans. To control the budget deficit, a limit on the share of Unprogrammed Appropriations in the total national budget shall be set to minimize the charging of non-deficit neutral expenditures under this budget item.

To provide stability to ongoing budget reforms and to address the persisting issue of underspending, this measure proposes to (i) institutionalize a **cash budgeting system** that shall provide for the one-year effectivity of budget appropriations to encourage agencies to fully utilize their budget allocations within the fiscal year, and (ii) authorize government agencies to conduct early procurement activities, except awarding projects to suppliers of goods and services, even as the proposed national budget for the succeeding fiscal year is still being deliberated by the Congress.

In order to improve fiscal management and facilitate evidence-based policymaking and oversight, this measure proposes to mandate the development and operationalization of a GIFMIS that shall integrate the fragmented financial information systems of various government agencies, and to require the Government to make available real-time agency-level budget information that is crucial to decision-making during budget planning, formulation, and execution.

Mechanisms for fiscal transparency and accountability are likewise proposed to assure Congressional access to the real-time budget information from the

GIFMIS. Stronger Transparency Seal requirements are likewise proposed to ensure that government agencies post updated, complete and user-friendly budget and financial accountability reports (BFARs) in agency websites. The participation of civil society in budget accountability mechanisms will also be proposed. Finally, fiscal risk transparency and management will be improved by mandating the regular tracking and reporting of the National Government's contingent liabilities.

**Enact a National Evaluation Policy.** This proposal aims to institutionalize a strong culture of evaluation in government to ensure that government interventions continue to be relevant, efficient, effective, and coherent. Among other provisions, it proposes the creation of a National Evaluation Council (NEC) to spearhead initiatives to build and strengthen the capacity of government agencies to conduct, manage and use credible evaluations in support of results-based planning, formulation, budgeting, implementation, and oversight of key government interventions, including flagship infrastructure projects.

**Amend the Government Procurement Reform Act (GPRA).** This measure seeks to make government procurement processes more efficient and transparent. It proposes the establishment of a capacity-building program to improve the competence of agency personnel in handling government procurement functions. The measure also proposes the creation of a procurement office in each government procuring entity (PE), to be supported by competent technical staff to undertake procurement planning, bidding, and contract management. The procurement office in each PE shall have sufficient position-items with appropriate carrying qualification standards pertaining to procurement training and skills. It also proposes to institute a code of conduct and licensing program for government procurement practitioners. For more

efficient procurement, it seeks to strengthen GPRA provisions to enable more agile and accountable government procurement in times of extreme disaster situations. Finally, to leverage government procurement for environmental sustainability, the measure encourages the procurement of goods and services that have a low environmental impact.

**Institutionalize a system for the regular audit of intelligence funds.** The measure aims to uphold accountability in the use of intelligence funds by defining what constitutes authorized utilization. To balance the need for fiscal transparency and confidentiality of intelligence activities, it proposes the creation of a Joint Oversight Committee on the Utilization of Intelligence Funds (JOCUIF) to oversee the financial management and expenditures of government agencies involved in the conduct of intelligence activities. Under this measure, the COA shall be mandated to conduct independent audits of intelligence funds and to report the results of its audit findings to the JOCUIF. In addition, agencies involved in intelligence activities shall be mandated to report to the JOCUIF on their actions to address COA audit findings and observations.

**Enact a financial disclosure policy for all government entities.** This proposal seeks to require the disclosure of information relating to the fiscal management of all government entities, including GOCCs and LGUs. Under the proposal, public documents to be disclosed include those relating to income, expenditures, procurement, and loans. The measure requires the conduct of special audits of GOCCs, apart from those conducted by the COA, and mandates the President of each GOCC to report to the President and to Congress the measures undertaken to address adverse audit findings.

Promote fiscal equalization in determining LGU shares in National Tax Allotment (NTA). The measure seeks to amend Section 3 (d) of the Local Government Code of 1991 to introduce the principle of fiscal equalization. It proposes that the share of LGUs in the NTA shall take into account the disparities in revenue generating capacity relative to their expenditure needs.

### **Oversight, budget priorities, and fiscal stabilization strategies**

Study the existing pension system of the Judiciary and Constitutional Commissions, with the end in view of instituting appropriate pension reforms as part of fiscal consolidation.

Study the fiscal implications of bills raising the salaries and other personnel benefits of government employees, and their effects on the private sector. To the extent possible, minimize the creation of new government offices.

Refocus budgetary appropriations towards infrastructure, social protection, and other expenditures with high economic multiplier effects.

# End Notes

## **Domain 1: Revitalizing Agriculture And Attaining Food Security**

- 1 Total factor productivity (TFP) in agriculture is measured by growth in output, net of growth in inputs (WB, June 2020). It is an indicator of how efficiently agricultural land, labor, capital, and materials (agricultural inputs) are used to produce a country's crops and livestock (agricultural output) (IFPRI, 2020).

## **Domain 3: Pursuing Human Development and Social Cohesion**

- 2 QS University Rankings for Asian 2022; QS World University Rankings by Region - <https://topuniversities.com/regional-rankings> accessed on 5-20-22
- 3 The BARRM has its own wage board and is beyond the authority of the National Wages and Productivity Commission (DOLE, 2022).
- 4 In 2018, when there was a controversy of the NEDA pronouncement of P10,000 budget being enough for a family of five to survive, several estimates cropped up: P42,000 by former Socio-economic Planning Secretary Ernesto Pernia; P39,000 by Partido ng Manggagawa National Chairman Renato Magtubo; and P20,000 by Caritas Manila executive director Fr. Anton Pascual.
- 5 About P12,200 or almost half (48.3%) of this amount is for food which translates to about P81.3 daily food budget for each family member. Details of the estimate can be found at <https://www.ibon.org/flw-ao-feb-2022/>.

## **Domain 5: Strengthening Industry and Services and Enhancing Productivity**

- 6 The growth rate of TFP indicates the portion of real output growth which is not accounted for by increases in inputs of labor and capital. It is commonly used as a measure of productive efficiency in that it measures how much output can be produced from a certain amount of inputs.
- 7 The PSA categorizes enterprises by total employment: micro with 1-9, small with 10-99, medium with 100-199, and large with 200 or more.

8 The concentration index or the Herfindahl-Hirschmann Index is computed as

$$H_j = \frac{\sqrt{\sum_{i=1}^n \left(\frac{x_{ij}}{X_j}\right)^2} - \sqrt{\frac{1}{n}}}{1 - \sqrt{\frac{1}{n}}}$$

where  $H_j$ = country,  $x_{ij}$ = value of export for country  $j$  and

product  $i$ ,  $X_j = \sum_{i=1}^n x_{ij}$ , and  $n$ = number of products. The value ranges from zero (0) to one (1), with an index value closer 1 indicating high concentration of exports on a few products.

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## **Domain 8: Achieving Fiscal Stability and Enhancing Public Financial Management**

- 84 As measured by poverty incidence among the population or the proportion of poor Filipinos whose per capita income is not sufficient to meet their basic food and non-food needs.
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- 87 Composed of the principals of the four member agencies (DOF, NEDA, BSP, and OP) and is chaired by the DBM Secretary. The DBCC primarily reviews and approves the macroeconomic targets, revenue projections, borrowing level, aggregate budget level and expenditure priorities and recommends to the Cabinet and the President of the consolidated public sector financial position and the national government fiscal program.
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A group of five children are running happily on a grassy path in a park. The background is filled with lush green trees, creating a bokeh effect. The children are dressed in casual summer clothing. One boy in the foreground is wearing a grey t-shirt with 'STARWARS' and a blue lightsaber graphic. A girl in the center is wearing a purple and white striped shirt and a dark blue skirt. Another boy on the right is wearing a white patterned shirt and light blue pants. Two other children are running in the background.

# Thematic Workshops

*Presentations of Experts*

Domain 1

**Revitalizing Agriculture and Attaining Food Security**

**ROEHLANO M. BRIONES, PhD**

Senior Research Fellow

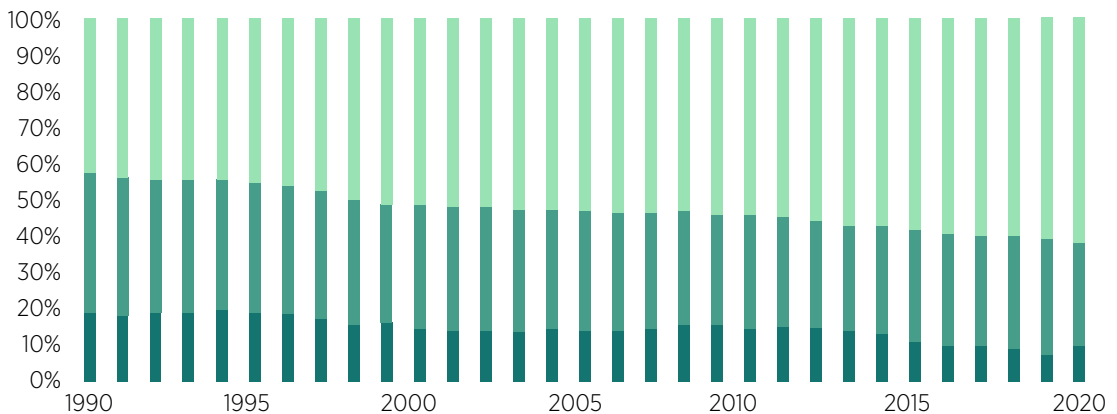
Philippine Institute for Development Studies

**The State of Philippine Agriculture**

At the outset, Dr. Briones stated that the Philippine agriculture is in a moribund state. He showed that the share of Agriculture, Forestry, and Fishery in the country's Gross Domestic Product (GDP) in 2020 was only 10%. Relatively, the growth of agriculture was weak compared to the services and manufacturing sectors. The agriculture sector exhibited weak growth since the 1990s when it had an average growth rate of 2.1% - 3.5% in the 2000s, and down to only 1.7% in 2010-2019. Dr. Briones emphasized, however, that the growth rates of Philippine agriculture were comparable to those of the countries in East Asia and the Pacific Region, Latin America and Caribbean, but quite low compared to Sub-Saharan Africa.

Figure 9.1  
**Agriculture's share in GDP**

2019-2021 (In Billions)



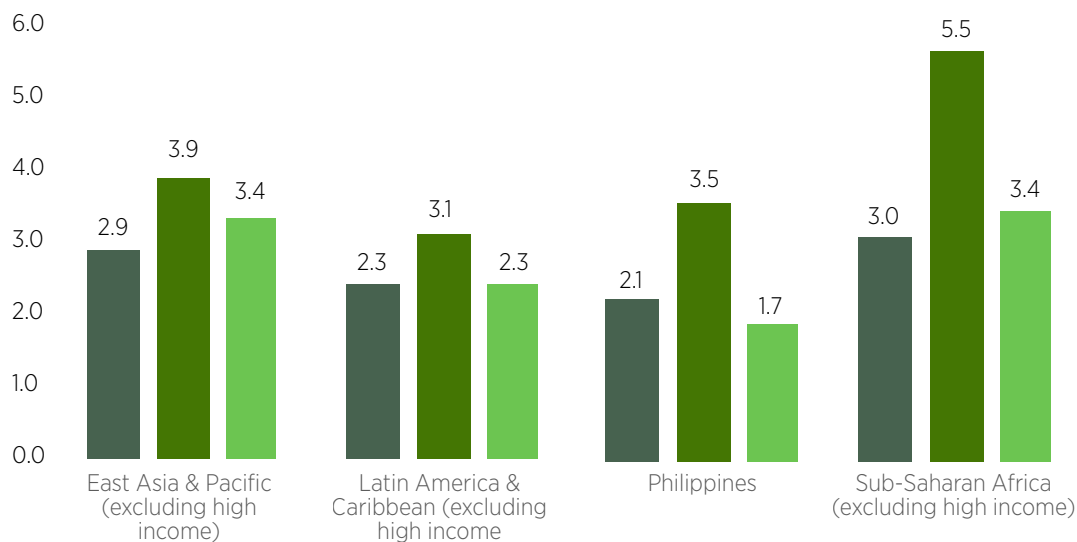
Source: Briones, Roehlano M., (26 April 2022) ■ Agriculture, Forestry & Fishing ■ Industry ■ Services

Dr. Briones explained that because of the sector’s weak growth, many agricultural workers tried to find other employment opportunities outside of agriculture. This led to the a decline in the number of workers engaged in agriculture beginning in 2011, and the increase in land-to-worker ratio. The sector’s labor force now only constitutes a little above 20% of total employment.

Figure 9.2

**Agriculture’s weak growth**

(Briones, Roehlano M. *The need to revitalize agriculture in the country*. 26 April 2022)



Source: Briones, Roehlano M., (26 April 2022)  
 Philippine Statistics Authority

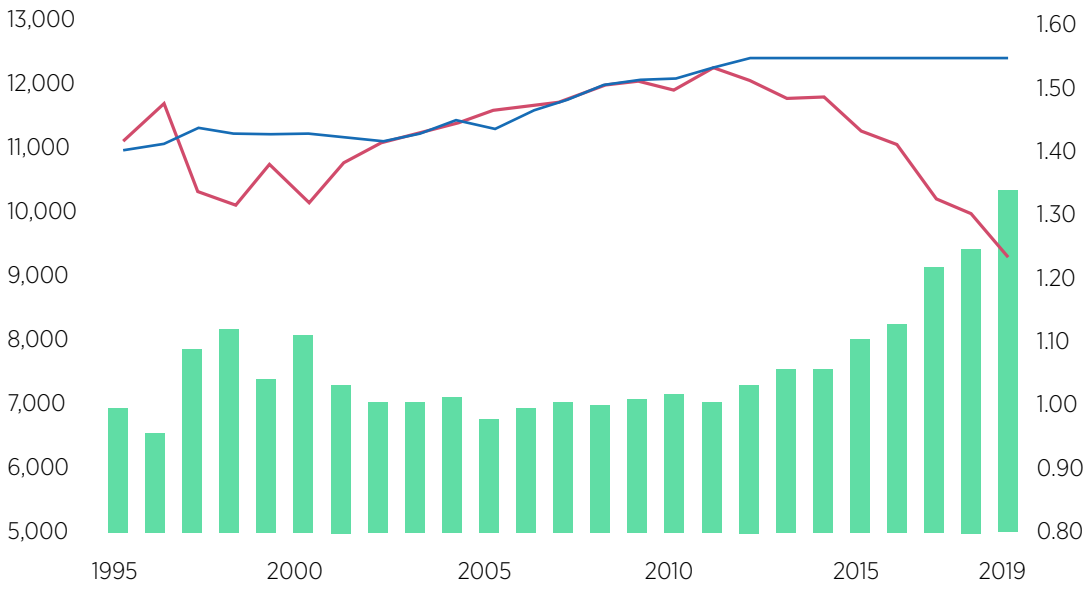
■ 1990s ■ 2000s ■ 2010s

Moreover, Dr. Briones stated that the growth of the sector’s Total Factor Productivity (TFP), which measures output per average input, is mediocre at best, and negative at worst. Based on the data from the United States Department of Agriculture, the total factor productivity growth rate of Philippine agriculture was only 0.4% from 1961-1970, while it grew by 2.6% from 1971-80, which



was comparable to other Southeast Asian countries. However, the TFP of the country's agriculture collapsed during the period 1981-1990 when it grew by only 0.6%, and slightly increased in 1991-2000 and 2000-2010 with 1.6% and 1.5% growth, respectively. However, TFP growth turned negative at -0.3% in 2011-2016. Dr. Briones pointed out that even with increasing inputs, outputs have been declining.

Figure 9.3  
**Decline in the Agricultural Labor Force**



Source: Briones, Roehlano M., (26 April 2022) Philippine Statistics Authority

In addition, compared to neighboring countries, the value of Philippine agricultural exports has not substantially increased since 1980. The country exported agricultural products worth US\$2,412 billion in 1980; US\$1.683 billion in 1990; US\$2.299 billion in 1997; US\$2.026 billion in 2000; US\$4.129 billion in 2010; and US\$7.225 billion in 2019.

Table 9.1  
**Comparison of Agricultural Productivity of Asian Countries**

	1961-70	1971-80	1981-90	1991-00	2000-10	2011-16
Philippines	0.4	2.6	0.6	1.6	1.5	-0.3
Indonesia	2.1	1.4	0.5	1.1	3.0	1.9
Malaysia	2.9	2.5	3.1	1.6	2.5	0.7
Myanmar	-0.4	1.6	-0.3	3.7	5.5	-1.8
Thailand	1.0	2.4	-0.6	3.0	1.9	2.0
Viet Nam	0.0	1.6	1.6	1.8	2.8	2.0
Bangladesh	-0.1	0.6	-0.8	0.1	2.5	1.1
India	0.8	0.4	1.5	0.8	2.3	2.5
Pakistan	2.4	0.1	2.8	1.0	-0.1	0.4

Source: Briones, Roehlano M. 26 (April 2022)

Table 9.2  
**Comparison in the Share of Agricultural Exports to Total Exports of Selected Southeast Asian Countries**

	1980	1990	1997	2000	2010	2019
<b>Indonesia</b>						
Agriculture exports	4,774	4,154	8,548	7,764	35,967	42,953
Share in total exports	22	16	15	12	23	26
<b>Philippines</b>						
Agriculture exports	2,412	1,683	2,299	2,026	4,129	7,225
Share in total exports	42	21	9	5	8	10
<b>Thailand</b>						
Agriculture exports	3,712	7,786	13,021	12,220	35,136	42,982
Share in total exports	57	34	23	18	18	17
<b>Vietnam</b>						
Agriculture exports			3,063	3,954	16,835	29,943
Share in total exports			33	27	23	11

Source: Briones, Roehlano M. 26 (April 2022)

In contrast, in 2019, Indonesia, Thailand and Vietnam exported agricultural products worth US\$42.95 billion, US\$42.98 billion, and US\$29.94 billion, respectively. The share of agricultural exports in the country's total exports steeply declined from 42% in 1980 to only 10% in 2019.

### **The Role of Agriculture in the Philippine Economy**

Notwithstanding the dismal situation of Philippine agriculture, Dr. Briones averred that the sector still has a big role to play in the modern economy. First and foremost, agriculture is the source of food supply, especially for the labor force. He said that the country should not be too dependent on food imports as global events, such as the Russian invasion of Ukraine, can affect international food supply. He explained that the revitalization of agriculture is still critical for meeting the population's food requirements.

Secondly, Dr. Briones cited that agriculture has indirect contributions to other sectors of the economy. He explained that agriculture is the source of materials and inputs, as well as a possible source of skilled labor for other sectors. For instance, in terms of value-added, the largest sub-sector in manufacturing is food, beverage, and tobacco, with a share of 39% in 2000. In 2020, its share increased to 57%. Additionally, the domestic value-added share in food, beverage and tobacco exports has been consistent since 1995 at 80%; 87% in 2000; 86% in 2005; 88% in 2010; 88% in 2015; and 85% in 2018. This means that these export products have high local or domestic content compared to other exports which largely contain imported parts and materials such as computers, electronics, and optical products.

Moreover, Dr. Briones cited the study of Estudillo *et.al* about the positive effects of the Green Revolution and land reform in boosting the income of farmers, and enabling them to support their children's education. Consequently, these children found more rewarding jobs in sectors outside of agriculture. But Dr. Briones stressed that while agriculture can produce skilled labor for other

sectors, its potential as an economic driver can be achieved only if agricultural productivity and the incomes of farmers are increased.

Figure 9.4  
**Agriculture's Indirect Contribution to Manufacturing**

2019-2021 (In Billions)

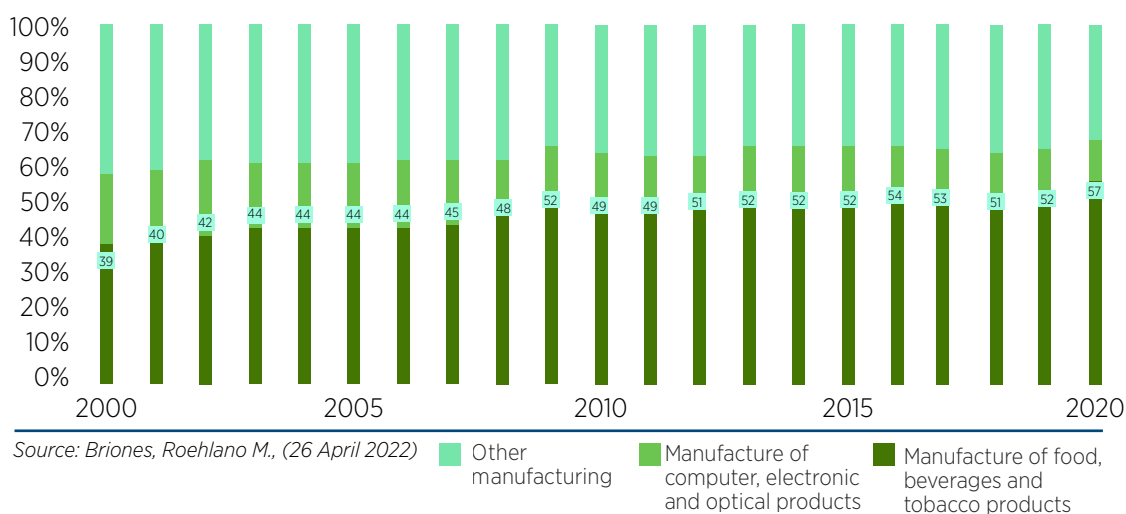


Table 9.3  
**Agriculture's Value-Added Share In Exports**

	1995	2000	2005	2010	2015	2020
<b>Food, beverages and tobacco</b>						
Gross exports, USD million	2,089	886	3,371	4,965	4,301	5,501
Domestic VA share (%)	80	87	86	88	88	85
<b>Manufacturing</b>						
Gross exports, USD million	16,336	20,257	27,722	38,223	39,074	46,718
Domestic VA share (%)	71.3	73.0	58.5	66.3	73.2	68.4

Source: Briones, Roehlano M., (26 April 2022)

## Agricultural Development and Poverty Alleviation

Furthermore, Dr. Briones underscored the critical role of agriculture in poverty alleviation. In 2018, 53% of the total number of poor households belonged to the agriculture sector. This means that the revitalization and sustained development of agriculture has the potential to lift more than half of poor households from poverty and contribute to the achievement of inclusive development in the country.

Dr. Briones explained that there was a substantial reduction of poverty incidence in the agricultural sector from 2015 to 2018 because there was a massive migration of skilled agricultural labor who wanted to find more remunerative employment to other sectors like services and industry. When this happened, the sector had to offer better terms of employment to keep other skilled workers stay and continue working in agriculture.

Table 9.4

### Magnitude of poor farmers and fisherfolk, 2015-2018

(In Thousands)

	2015	2018
CAR	120.7	
Region I	130.7	49.4
Region II	164.5	138.4
Region III	170.5	79.0
Region IV-A	174.7	61.2
Region IV-B	152.5	75.3
Region V	371.4	198.8
Region VI	369.3	191.7
Region VII	340.8	198.7
Region VIII	296.7	206.8
Region IX	313.4	213.5
Region X	364.2	196.4
Region XI	212.1	154.4
Region XII	378.8	275.4
CARAGA	141.5	122.7
BARMM	424.0	444.8
Philippines	4,137.2	2,668.8

This virtuous cycle contributed to the increase of agricultural wages and consequently to drastic reduction of poverty in agriculture during the said period. Dr. Briones maintained that revitalizing agriculture is feasible. He underscored that raising agricultural productivity will drastically reduce poverty in the country.

Table 9.5  
**Distribution of poor households, 2018**

	2015	2018
Rice farmers	21.3	6.7
Corn farmers	42.8	8.4
Sugarcane farmers	17.2	0.2
Coconut farmers	44.5	5.8
Other crop farmers	33.7	6.7
Livestock producers	22.3	0.5
Chicken producers	23.6	0.2
Poultry producers	8.5	0.1
Hog raisers	11.5	0.8
Fisheries producers	32.4	0.6
Crop workers	34.9	19.6
Livestock workers	16.1	0.6
Fisheries workers	28.4	3.0
All agriculture	31.6	53.0
All Households	15.4	100.0

Source: Briones, Roehlano M., (26 April 2022)

## Recommendations

Dr. Briones made several recommendations geared towards the revitalization of agriculture and the attainment of food security:

- ◆ Repeal the provision in the Charter of the Sugar Regulatory Administration that provides quantitative restrictions on sugar, and the provision in the Fisheries Code which creates an import permit system

- ◆ Amend the Local Government Code of 1991 to provide a consolidated agricultural extension service bureaucracy at the provincial level for a more efficient delivery of extension service to farmers
  - ◆ Enact a National Land Use Policy to reform property rights, clearly define public and inalienable lands, and determine which lands can be used for agriculture and aquaculture. The proposed measure should also allow the middle class and young entrepreneurs to own at least 20 hectares of agricultural lands for agricultural production and agriculture-related businesses
  - ◆ Develop “agriprenueurship” courses and other multi-disciplinary courses which include life sciences, IT, and others to attract young entrepreneurs to invest or work in agriculture
  - ◆ Promote strong partnerships between big business and farmers for agricultural development
  - ◆ Ratify the Regional Comprehensive Economic Partnership.
- 

### **FERMIN D. ADRIANO, PhD**

Undersecretary for Policy and Research

Department of Agriculture

Dr. Adriano pointed out several issues plaguing the agricultural sector and suggested solutions for them. He cited the fragmentation of land into minuscule sizes which resulted in a decline in farm productivity. This, in turn, further led to lower farm incomes mainly because of the inability of small farms to utilize modern farm machinery and technology and the loss of the economies of scale.

Thus, he suggested the revision of the hectareage ceiling on land ownership to facilitate farm consolidation and clustering as a solution to this apparent issue. He also cited attempts to drastically revise the Rice Tariff Law (RTL) and to revert back to the old Quantitative Restrictions (QR) on rice regime, and emphasized that these should be prevented. He reasoned that the benefits of RTL far outweigh its costs and that reversion to the old QR regime might trigger a re-assessment by the multilateral and bilateral partners of the government on their commitment to reform the country's agricultural sector.

Dr. Adriano also recommended the passage of the livestock industry competitiveness enhancement bill. According to him, the livestock, poultry, and corn sectors contribute almost thirty percent (30%) to the country's agricultural gross value added (GVA), but that these sectors are inadequately funded. He added that hogs and poultry products are major sources of protein for Filipino consumers. However, he underscored that malnutrition, stunting, and protein deficiency are scandalously high in the Philippines. Consequently, he sees a need to re-organize livestock and poultry-related agencies and link them to the animal feeds sector such as the corn sector. He also encouraged the creation of a separate body that shall be charged with the regulation of these sectors, as well as the conduct of research and development to further boost their productivity.

He endorsed the establishment of a Department of Fisheries and Aquatic Resources that is separate from the DA. He argued that the nature and requirements of farming and fishing are vastly different. He emphasized that under the existing setup, fisheries and aquatic resources have not been given proper attention because of the priority over land cultivation. He added that the country's coastal area is twenty (20) times bigger than its land area, yet it has not attained sufficiency in fish supply. He stressed that fish is the major source of protein for Filipinos.



Dr. Adriano also recommended the following:

- ◆ Increase budgetary support for high-value crops (HVCs). While the HVCs sector holds enormous export potential, it is severely unfunded. In addition, Dr. Adriano stressed that it is not enough to invest in productivity-enhancing measures, and that the country should also invest in research in terms of varietal improvement, processing, packaging, and prolongation of the shelf life of these HVCs as these are critical if the sector is to become a major foreign exchange earner for the country. He also took note that neighboring ASEAN countries with developed agricultural sectors have more crop diversification compared to those with a lesser developed agricultural sector.
- ◆ Institutionalize climate-resilient agricultural practices. He asserted that damage to agricultural commodities usually reach ₱20-25 Billion a year depending on the destructive intensity of the natural calamities that strike the country. He elaborated that these costs are expected to rise because of the worsening climate change situation. Thus, he underlined the urgent need to promote and scale up the practice of climate-resilient agriculture.
- ◆ Review the Local Government Code of 1991. Many of the agricultural support services, including extension services, have already been devolved to the local government units as early as the 1990s. It has been difficult to implement national productivity-enhancing programs because many of the extension workers that are embedded in the LGUs are not agriculturists and are not updated on the latest agricultural information and technology.

Because the Supreme Court's ruling on the Mandanas-Garcia case is now in effect, Dr. Adriano sees the increase in the budget

of the LGUs and a likely corresponding decrease in the budget of the DA. He suggested that the corresponding mechanisms to uphold the accountability of the LGUs must be put in place.

- ◆ Harness state universities and colleges (SUCs) for agricultural development. There are more than one hundred twenty (120) SUCs in the country, the majority of which have agriculture, fishery, and forestry program offerings. Dr. Adriano suggested that they be required to assist in the development of agricultural communities surrounding their campuses by providing technical knowledge and skills to farmers and fisher folks and by promoting the formation of cooperatives or associations. He explained that this will partly address the inadequacy of extension workers under the LGUs.

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## **ROLANDO DY, PhD**

Executive Director

Center for Food and Agribusiness

University of Asia and the Pacific

Dr. Dy emphasized the vital role of agriculture and the enhancement of agricultural productivity as a strategic imperative in attaining food security. He explained the concept of Total Factor Productivity (TFP) which refers to “how efficiently inputs are used in the production process”. Sometimes referred to as “multi-factor productivity”, he said that it is the most informative measure of long-term productivity. He cited Philippine agriculture TFP growth in the 1980s of only 0.83% per year, which went down to 0.39%, and then dramatically increased to 2.06% in the 2000s, and subsequently declined to 0.92% in 2011-

2019. He noted, however, that the available data on total factor productivity is only for crops and does not include fishery, aquaculture, and forestry, which are also critical components of agriculture.

Table 9.6

**Annual Growth of TFP Percent Per Year in Selected ASEAN Countries**

	1980s	1990s	2000s	2011-2019
Cambodia	0.87	2.92	5.61	4.65
Indonesia	0.37	0.04	3.01	3.19
Malaysia	2.87	0.36	3.45	-0.61
Philippines	0.83	0.39	2.06	0.92
Thailand	-1.05	2.71	1.61	1.02
Vietnam	1.43	2.25	2.32	1.06

*Source: Dy, Rolando, 2002*

Moreover, Dr. Dy said that in terms of agriculture TFP growth, the Philippines is a laggard when compared to ASEAN countries, most especially Cambodia and Indonesia, which achieved consistent increases in agriculture TFP over time.

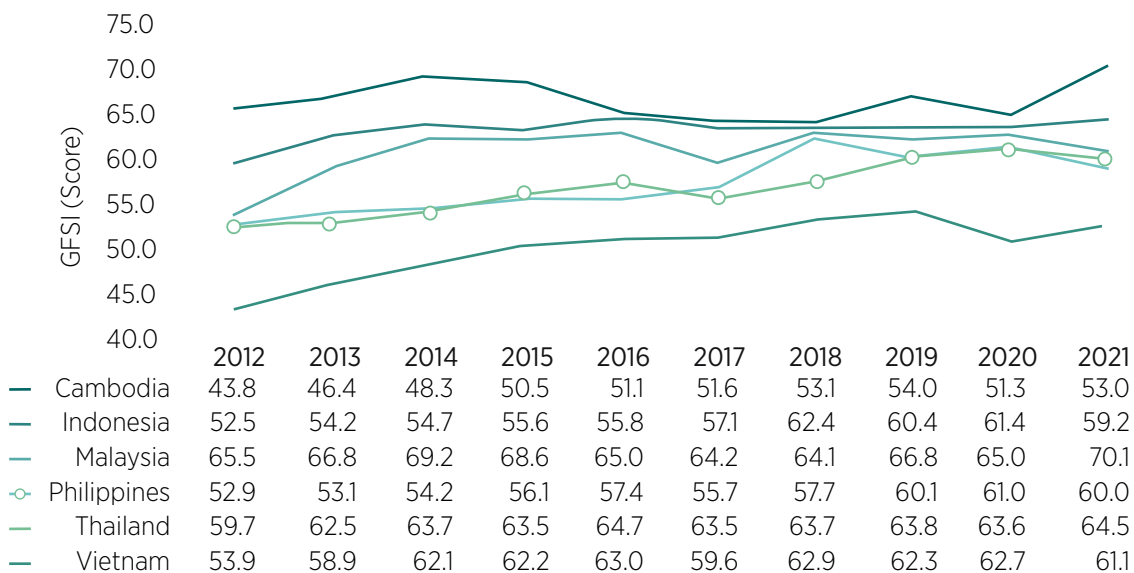
Dr. Dy also cited the case of Vietnam, where the TFP of crops like cashew nuts, black pepper and coffee which are known worldwide is high. Vietnam is the number one producer of these commodities and exports them globally.

He explained that food security means food availability, food access, and food utilization. He cited the Global Food Security Index (GFSI) which is being used to see what has been done by countries towards achieving the UN Sustainable Development Goal of ending hunger by 2030. GFSI covers dimensions of food security from a food systems approach - assesses drivers of food security based on affordability, availability, quality and safety and natural resources and resilience. He also noted the spillover effects of the Russian-Ukraine war on food security.

Dr. Dy cited the report of the Economist Intelligence Unit, which showed that GFSI scores improved and reached their peak in 2019 across the reporting countries, and then declined in the past two years as nations struggled with the COVID-19 crisis, climate change, and strife. However, he noted that the Philippines and other ASEAN countries have improved their GFSI scores from 2012- 2021.

Lastly, as countries continue to adjust with the pandemic, Dr. Dy emphasized that food security should be a matter of the highest priority of every nation, and the strategies to achieve it must be multi-pronged. He recommended

Figure 9.5  
**Selected ASEAN: Global Food Security Index**  
 2019-2021 (In Billions)



Source: Dy, Rolando (26 April 2022)

that because no country can produce and export all kinds of crops and other agricultural products, countries like the Philippines should instead focus on the production of selected high-value crops to increase agricultural productivity and attain food security.

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### **RAUL Q. MONTEMAYOR**

National Business Manager and Program Officer  
Federation of Free Farmers Cooperatives, Inc.

Mr. Montemayor focused his responses on three (3) points.

#### **1. How agricultural productivity can be induced**

Mr. Montemayor opined that raising the income of farmers can be achieved either through high prices for their products or by improving their productivity because even when prices are low, larger yields result in higher income. He also observed that high prices would eventually be passed on to consumers.

He also asserted that increasing hectarage is a simplistic approach to the problem of low productivity. He took exception to the position that the fragmentation of land due to agrarian reform caused the decrease in agricultural productivity. He expressed the opinion that a more in-depth study should be conducted by the Department of Agriculture (DA) to determine whether or not fragmentation alone was the cause of the lowering of agricultural productivity. He suggested that there may have been factors that coincided with land fragmentation which consequently impacted on productivity.

He disputed the correlation between land size and productivity and, as an example, cited that Japan and Korea have smaller land sizes for agricultural

purposes than the Philippines, but whose productivity levels are very high. He cited Thailand too, claiming that Thai farmers have larger lands to till, but that the Philippines has better yield performance in palay despite the smaller farmer landholding. He added that the reason why Thailand can export agricultural products is because their agricultural land areas are bigger than their population. In addition, he cited that farmers in Vietnam have even smaller land sizes, sometimes comprising only of half a hectare per farmer, and yet they have very high yields and are able to export rice.

He asserted that countries that implemented agrarian reform like Japan and Korea underwent structural transformation. He cited that these countries not only gave lands to farmers, they also helped the farmers increase their incomes. When the farmers were able to accumulate savings and capital, the demand for goods and services increased, and this created jobs in the cities. He explained that these jobs were able to absorb excess labor from farms. When this happened, these countries underwent consolidation and clustering which is the natural progression in agricultural development. He explained that the consolidation is the natural result of the evolution of the transformation of agriculture.

He cautioned against consolidating without going through the other intermediate steps because this will result in the displacement of farm labor. To illustrate, he cited the effect of agrarian reform on the banana industry wherein the beneficiary farmers leased out the lands awarded to them to companies, making them laborers in their own farms. He stated that this is also why the use of farm machines has met a lot of resistance from farm laborers. He further pointed out that at some point, the country needs to achieve better economies of scale, but that this has to happen in natural progression.

In terms of high value crops (HVCs) like vegetables, he opined that a hectare is already too big for farmers to handle, and advocated for Filipino farmers to concentrate on labor-intensive cultivation (as opposed to land-intensive cultivation), that thrives on economies of scale such as the US and Argentinian experience in rice and corn farming. He observed that the Philippines can never approximate the scale of operation in these countries because the topography and the agricultural environment are different there, which are the reasons why the Philippines cannot compete with land-intensive cultivation. He expressed the belief that labor-intensive cultivation is more advantageous to the country at the moment due to the relatively small agricultural land sizes.

Besides consolidation, he also underscored the importance of providing basic support such as infrastructure, marketing, credit, and crop insurance, among others. In addition, he recommended a study of how farmers can be motivated to move from mono crop production to crop diversification which, in his opinion, is an even better approach to productivity than consolidation. Farmers cannot rely on palay alone because when prices of palay go down so will their incomes. He averred that farmers should augment their incomes by planting and selling vegetables, growing livestock and even investing in inland fishery production.

He also expressed the belief that the programs of the DA are too compartmentalized. He explained that if a rice farmer wants complementary vegetable production, the rice program would direct the farmer to the HVCs program. Likewise, if the farmer expressed a desire to raise livestock alongside rice production, the DA will then direct the farmer to the livestock program. He shared that his organization has been pushing for a farm system approach wherein rice farmers are encouraged to grow a variety of crops as well as produce livestock.

## **2. How food security can be promoted and the role of trade in attaining this objective**

Mr. Montemayor observed that as it relates to food security, trade is an issue that has riled up a lot of people in the agricultural sector.

He said that his organization has no problem with trade, per se. He even agreed that the country needs to import agricultural products if necessary. He also recognized the fact that trade to some extent can induce competitiveness and innovation once Filipino farmers are exposed to competition. However, he expressed the belief that if Filipino farmers are exposed to free trade abruptly, their products will be outpriced by cheap imports and they will suffer great losses.

He said that the best example of this is the impact of the Rice Tariffication Law (RTL) on farmers. He disputed the claim that the law has produced more benefits than it has entailed costs, averred that an analysis of official PSA data shows the actual opposite. He underscored that based on data of the Philippine Statistics Authority, the RTL did not result in the reduction of rice prices as promised. He asserted that the decrease in the price of rice is not too large and that the losses suffered by the farmers are much bigger than whatever the consumers have gained through the reduction of rice prices. He stressed that because of the RTL, the cost of palay went down. He claimed that farmers have uniformly complained about this.

He added that the promised enhancement of trade that will result in lower prices and the expected efficiency and productivity in the farming sector did not happen as well. While the law opened the markets, it did not provide for the necessary interventions for the farmers, he said. He also pointed out that



the opening up of the country's markets was too abrupt and this resulted in the influx of cheap imported rice in volumes that the country could not absorb.

He said the country needs a clear strategy on how to calibrate trade liberalization. He emphasized the need to improve the productivity of farmers and to meet food security goals first. He emphasized that the market will not take care of the needs of farmers because it has a different perspective. He then expressed hope that in the mandatory review of the RTL this year, the effects of rice tariffication on farmers' productivity can be independently analyzed.

He lamented the DA's idea that "If we cannot produce it a cheaper price, let's just import". He said that this is what destroys many sectors in agriculture. He noted that the DA has even pushed for lower tariffs for pork and chicken, and that despite the objections of many from the agriculture sector, the DA is pushing through with the lowering of tariffs on rice, corn, and sugar. He emphasized that only when the country really focuses on helping rice farmers become productive and competitive will the latter be able to supply the country's needs even during times of crisis.

He also noticed the shift in the DA's primary focus from helping farmers to helping consumers, and prioritizing financial institutions with respect to bilateral and multilateral agreements, especially on the RTL. He pointed out that the Asian Development Bank (ADB) extended the Philippines a loan on the condition that it implements the RTL. He noted that the ADB even conditioned the release of the loan's second tranche on the continued implementation of the law.

### **3. Budgets for agricultural development**

Mr. Montemayor remarked that instead of asking for more money, the DA should make sure that it spends funds wisely and avoid wasting resources either through inefficiency or corruption.

He noted that the DA's report on its budgetary accomplishments have only two (2) main performance parameters: 1) the disbursement ratio or how much of the budget was spent; and 2) the physical accomplishments which is comprised of the number of machines it distributed, the bags of seeds distributed, and the number of training courses conducted. He observed that the report hardly has any presentation on what the impact of all those interventions has been in terms of incomes, cost of production, productivity, and effects.

He also took issue with the budgeting system of the Department of Budget and Management (DBM). He explained that when one presents a budget, the DBM prioritizes the activities for which an agency has disbursed funds as allocated. He said that a new project is proposed, it will be placed in Tier 2 where it has a very little chance of getting funded. He advocated for results-oriented budgeting instead of a disbursement-oriented one. He expressed the hope that the House depart from annual budgeting and instead allow long-term budgeting which will be less susceptible to changes in leadership of the DA. He proposed that the budget of the DA be held available for three to five years.

### **Legislative Priorities**

Mr. Montemayor recommended the passage of a Land Use Code and a Water Code. He noted that the House of Representatives has passed the Land Use Code for several Congresses already but that so far, it has not been passed by the Senate. He hoped that the legislators and stakeholders alike will keep trying until the law is passed.

He averred that the agrarian reform program, despite all the reports on its accomplishments, is still beset by problems.

He also encouraged a revisit of the Coconut Levy Law. He asserted that coconut farmers are not happy about the said law because it did not provide for farmers' representation in the determination of the utilization of the funds. He expressed

the hope that Congress can rectify this situation given the repeat assertion of the Government that the funds belong to the farmers.

Lastly, he asked for the representation of farmers and other stakeholders in the policymaking process of the DA.

## Domain 2

**Protecting the Environment and Adapting to Climate Change**

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**NIEVA T. NATURAL**

Director IV

Agriculture, Natural Resources, and Environment Staff  
National Economic and Development Authority

Dealing with the COVID-19 pandemic has required a massive shift in thinking and reevaluation of the methods that have been used to get things done. One area of concern has been the environment and how people have been affected by climate change. Reversing the effects of climate change and caring for the environment have thus become the top strategic priorities as these are essential factors of economic recovery and progress.

Director Nieva Natural outlined the NEDA's three-point priorities on the protection of the environment and the preservation of natural resources. She gave an overview of the agency's Updated Overall Philippine Development Plan, which has a timeframe of five years (2017 - 2022). The PDP Framework is the NEDA's action plan to help boost the Philippine economy through concrete steps that aim to holistically address the challenges faced by Filipino. The end goal of the PDP Framework is to achieve the national goal of a "matatag, maginhawa, at panatag na buhay".

She averred that the NEDA seeks to expand Chapter 20 of the Strategic Framework - Ensuring Ecological Integrity, Clean and Healthy Environment. The COVID-19 Pandemic caused some setbacks in the progress initially made on the transformative ENR actions. She reported that it also revealed the vulnerability of resource-dependent communities, and emphasized the need for a clean and healthy environment to support public health and economic recovery.

The following problem areas were identified by the NEDA:

- ◆ **Sustaining biodiversity and ecosystem services.** There is a need to improve services intended to sustain biodiversity and to protect fragile ecosystems. This includes terrestrial ecosystems (forest and land), mineral resources, coastal and marine ecosystems.
- ◆ **Terrestrial ecosystems (forest and land).** There has been a marked improvement in forest cover, as well as in forest rehabilitation and protection services. However, the budget for such activities has been reduced, and there have also been issues on zoning and overlapping land claims.

For these issues, Director Natural recommended the passage of a National Land Use law, a law instituting a Sustainable Forest Management Program, and a law prescribing the country's forest limits.

- ◆ **Mineral resources.** While there is an increase in small-scale mining activities or the *minahang bayan*, and a general demonstration of good mining practices, there are still challenges to be addressed in terms of health and safety practices, unclear environmental targets for rehabilitation, and inequitable distribution of royalties.

Dr. Natural recommended a review of Republic Act No. 7942, or the Philippine Mining Act of 1995, as some provisions may already be outdated, and Republic Act No. 7076, or the People's Small Scale Mining Act of 1991, to improve the coverage of the term "*minahang bayan*". She also suggested the institution of improvements in the processing of application for mining permits to facilitate the application process, and the strengthening of penal provisions against violations.

- ◆ **Coastal and marine ecosystem.** There have been significant improvements in this aspect that have been sustained by a holistic and integrative approach to coastal and marine resource management.

To support these improvements, Dr. Natural recommended the passage of laws instituting an integrated coastal management program, the establishment of the Philippine Rise Marine Resource Reserve, and laws establishing the country's maritime zones and Philippine archipelagic sea lanes.

- ◆ **Air and water quality.** Air quality in some highly urbanized areas showed improvement after strict implementation of COVID-19 protocols. High fecal coliform values were detected in priority water bodies for public water supply and food production. Eight (8) out of fifteen (15) water bodies for recreational use passed water quality standards. Data on air quality from other cities are still unavailable due to poor equipment maintenance. There are also inadequate water treatment facilities and insufficient measures to address other sources of pollution. The lack of a policy on ship waste management also aggravates the environmental pollution problem.

Dr. Natural recommended the review of Republic Act No. 8749, or the Clean Air Act, and Republic Act No. 9275, or the Clean Water Act, to further strengthen measures on environmental protection, including the penalties for violations thereof, the creation of an apex body to oversee the water supply and sanitation sector, and the passage of a law to ensure maritime safety and security, and the prevention of ship-sourced pollution.

- ◆ **Sustainable consumption and production.** The increasing demand for more natural resources has strained the environment, and poor

and unregulated waste management practices have made environmental protection more challenging. While there are solid policies and programs in place promoting sustainable consumption and production, implementation and enforcement of these policies remain limited.

Director Natural pointed out that the proposed action plan for sustainable consumption and production is divided into the short-term (2022-2023), medium-term (2023-2030), and long-term (2030-2040) plans. To support this action plan, she sought the passage of key reforms such as a food waste management policy, electronic waste management policy, an extended producer responsibility (EPR) policy, and sustainable public procurement reforms.

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### **SONNY N. DOMINGO, PhD**

Senior Research Fellow,  
Philippine Institute for Development Studies

In his comprehensive assessment of environmental issues and enforcement of related laws, Dr. Sonny N. Domingo highlighted the need to improve key areas, considering that most of the environmental subsector outcomes in 2021 were lower than their baseline targets. He then discussed issues and the required policy changes for each key area.

#### **On Forest Protection**

On the forestry sector, he noted that the country's forest cover has increased, but the increase was below the 2021 target. The area of forestland under effective management increased in 2021, but fell short of the aim for the year. Targets

set for decreasing denuded and degraded forestlands, and increasing the delineated production and protection forests were also not met. The forestry sector is still beset by illegal logging, with cases taking a long time to prosecute. He added that the devolution of forest management to local government units is not complemented with labor and fiscal resources. As a result, the responsibility of apprehending illegal loggers fell on Community Environment and Natural Resources Officers (CENROs) who often have inadequate security or legal support, who do not occupy regular position items, and who are given low wages. He cited that one forest guard is responsible for monitoring 4000-7000 hectares of forestland.

Responding to these challenges, the Department of Environment and Natural Resources (DENR) reinforced the science-based and technology-driven LAWIN Forest and Biodiversity Protection System for forest and biodiversity protection. In response to the difficulties in enforcing environmental laws, the DENR issued Administrative Order No. 2021-28, creating the Environmental Law Enforcement and Protection Service.

Dr. Domingo underscored that the programs and interim measures that have been implemented must be supported by legislation, foremost of which is the amendment or repeal of the decades-old Presidential Decree No. 705, or the Forestry Reform Code of the Philippines. He also recommended that the law enforcement and protection service formed under DENR AO 2021-28 be institutionalized through a law. He suggested the placement of the DENR's enforcement service under the Forest Management Bureau, or under a new bureau. Likewise, Dr. Domingo cited the urgency of enacting a National Land Use law in order to ensure the alignment of land classification with local planning. He also sought the institutionalization of the Natural Capital Accounting and Payment for Ecosystems services.

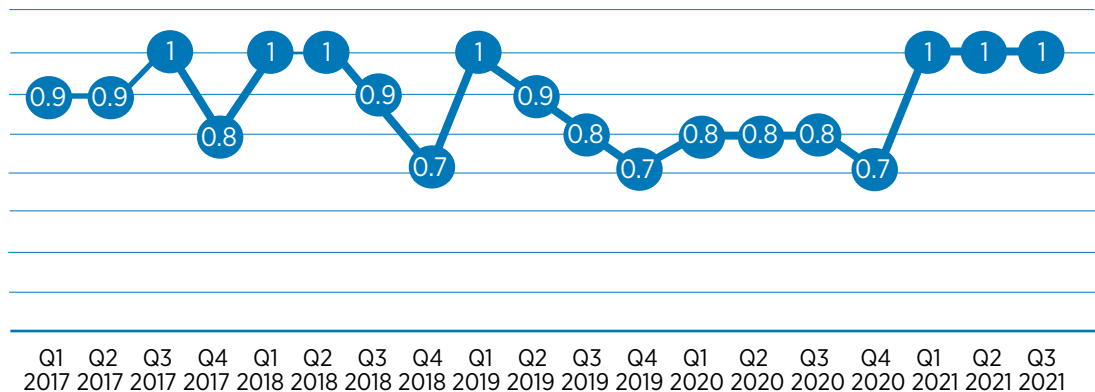


## On Large-scale and Small-scale Mining

Dr. Domingo emphasized the need to balance the environmental and social costs of mining *vis-à-vis* the economic benefits derived from it. In his presentation, he showed that mining and quarrying account for, at most, 1% of the gross domestic product from 2017 to 2021.

He cited figures that show the economic contribution of mining during a period of restriction. To recall, the moratorium on new mineral agreements was imposed in 2012, and on open pit mining, in 2017. These were eventually lifted by virtue of Executive Order No. 130, and DENR Administrative Order 2021-40, both issued in 2021, with the aim of revitalizing the mining industry and stimulating economic development. He observed that the ban on mining activities actually resulted in the proliferation of uncontrolled and illegal mining activities due to lack of monitoring.

Figure 9.6  
Share to GDP of Mining and Quarrying (in Percent)



Source: Domingo, Sonny (2022)

To address the issues related to large-scale mining, he suggested several policy reforms, including the restructuring of the fiscal regime in mining to distribute the benefits derived from such economic activity among LGUs, mining

communities, and indigenous peoples and the provision of tax incentives for mining research innovation. He also underlined the need to develop a downstream mining industry and promote minerals processing. Finally, he drew attention to the need to segregate the Mines and Geosciences Bureau from the DENR to clearly delineate mining promotion services, which basically facilitates extractive activities, from environmental protection services.

Dr. Domingo averred that as much as 70% of the output on mining comes from small-scale mining, but that bulk of that output is unaccounted for. A significant number of small-scale miners operate outside legal parameters, as more than 80% of operations are not registered. There are also limited *Bangko Sentral* ng Pilipinas buying centers in the regions that host mining operations, thus prodding operators to sell to the black market. Issues as regards undocumented workers, child laborers, and occupational and safety hazard concerns in the small-scale mining industry must also be addressed.

These issues point to the need to amend Republic Act No. 7076, or the People's Small-Scale Mining Act of 1991, to effect important changes, such as in the definition of small-scale mining, which must be expanded and clarified to distinguish it from artisanal mining and large-scale mining. The composition of the Provincial/City Mining Regulatory Board must also be expanded to include representatives of LGUs, up to the barangay-level, as well as representatives of indigenous peoples. The law should also encourage value-adding to extracted minerals so that more jobs are generated.

### **On the Violation of Indigenous Peoples' Rights Over Ancestral Domains**

According to Dr. Domingo, an assessment of environmental issues is inevitably tied to the discussion of the rights of indigenous peoples, as most of the extraction of natural resources occur in ancestral domains. For instance, mining operations require the free and prior informed consent (FPIC) of ICC/IPs. Currently, the

FPIC process does not validate the legitimacy of indigenous political structures, which may compromise the entire consent process. In this regard, there is a need to strengthen the NCIP as an institution, and to improve the FPIC process.

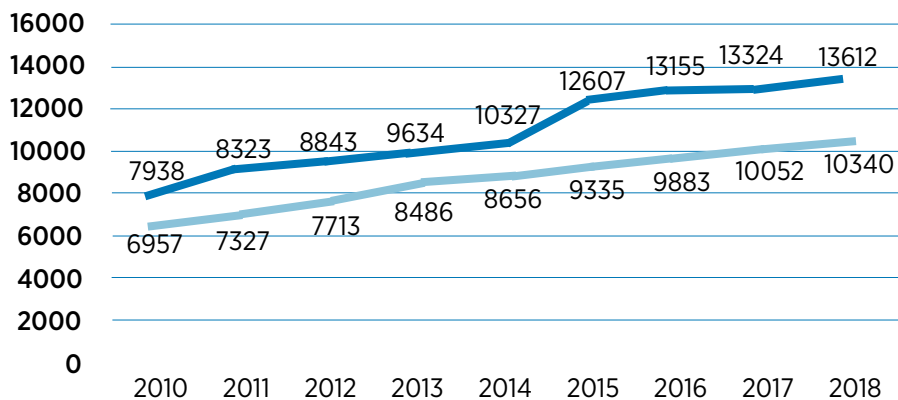
### On Solid Waste Management

In regard to solid waste management, Dr. Domingo asserted that LGUs need to invest heavily in order to comply with the requirement under Republic Act No. 9003, or the Ecological Solid Waste Management Act of 2000, to shift from open dumpsites to sanitary landfills by 2006. This mandate was not fully realized during the stipulated period, although the DENR has reported almost complete compliance in 2021.

Other issues relate to the increase in biomedical wastes from households due to the COVID-19 pandemic. He also noted the increasing interest in incineration, as a way of managing solid waste, and in other waste-to-energy (WTE) options. The tables below show the compliance with the law in terms of established materials recovery facilities (MRFs) and sanitary landfills (SLFs).

Figure 9.7

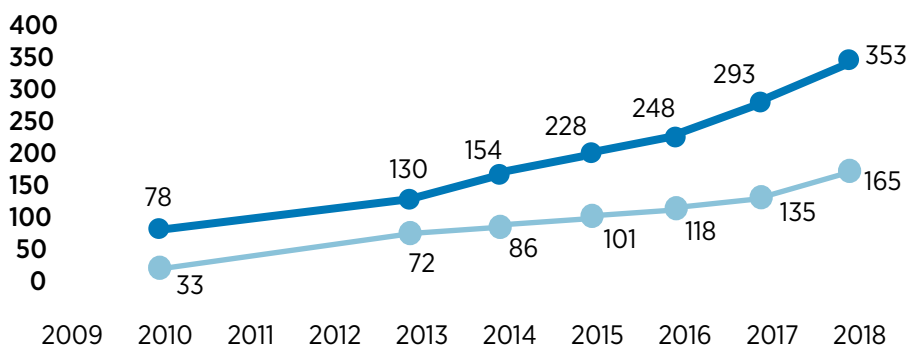
#### Number of Established Materials Recovery Facilities (MRFs) from 2008-2018



Source: Domingo, Sonny (2022)

— Servicing Barangays — Established

Figure 9.8

**Number of Established Sanitary Landfills (SLFs) from 2010-2018**

Source: Domingo, Sonny (2022)

● Servicing Barangays ● Established

Dr. Domingo stated that the policies to address the problem of solid waste have long been in place. However, policy and institutional direction and implementation need to be harmonized. The laws must be complemented with infrastructure investment from both the public and private sectors. Adequate funding must be allotted for SLFs. He also cited the need to enhance national and subnational cooperation to ensure compliance with and full implementation of Republic Act No. 8749, or the Philippine Clean Air Act of 1999, and RA 9003, or the Ecological Solid Waste Management Act of 2000.

The COVID-19 pandemic also necessitated changes such as in providing greater worker protection for those handling wastes, as well as the possibility of implementing clean-air compliant incineration, or other up-to-date technology options.

### On Waste Water Management

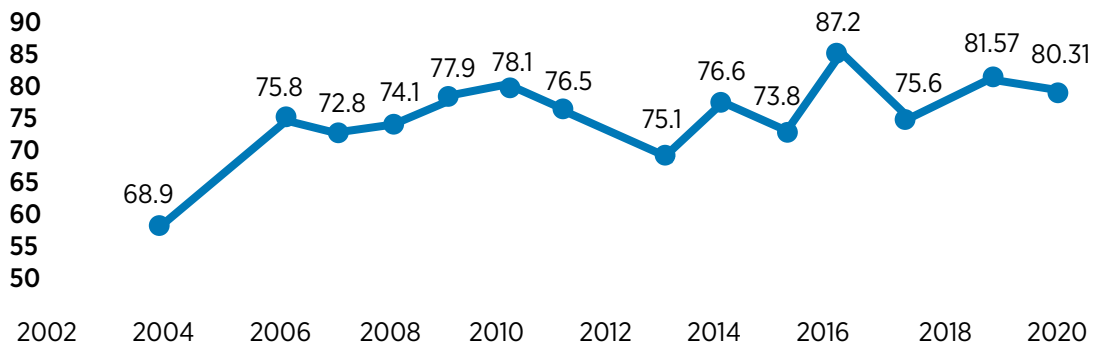
To protect the country's natural resources, it is also essential to manage wastewater. Dr. Domingo conveyed that the national basic sanitation coverage fluctuates from year to year as households can slip from "improved" to

“unimproved” status in succeeding years. More than 75% of the population has access to sanitation facilities, but around 3-4% still resort to open defecation. Improving access to sanitation facilities is targeted under the National Supply and Sanitation Master Plan (NSSMP).

In order to fully protect the country’s water resources, Dr. Domingo recommended the review of Republic Act No. 9275, or the Philippine Clean Water Act of 2004 with the view of providing an overarching framework and national plan for water resource management. Under the law, different agencies have different mandates over various aspects of water resources. In addition, he noted that although the National Water Resources Board is vested with oversight powers over water quality management areas, it has limited powers and has no regional offices.

Figure 9.9

### Basic Sanitation Coverage



Source: Compiled from various sources (APIS, FIES, PH Water Supply and Sanitation Master Plan 2021)

### On Climate Change Mitigation and Adaptation and Disaster Risk Reduction and Management

Dr. Domingo cited that from 2000 to 2019, the Philippines consistently ranked fourth among the countries most affected by climate change as it is situated

along the typhoon belt. Dr. Domingo emphasized that climate change brings with it increases in temperature and in the frequency of the occurrence of stronger typhoons. He also noted that the estimated losses from the impact of extreme weather patterns are pegged at 0.54% per unit GDP. He cited that the country has committed to a GHG emissions reduction and avoidance rate of 75% for the period 2020 to 2030.

Elucidating on the public investment for climate change and disaster risk reduction, Dr. Domingo cited that Quick Response Fund (QRF) allocations have been lodged in the budget of the respective departments, and allocations for response mechanisms and intervention have been increased.

In addressing climate change, he sees the need to improve the crafting of local development plans, and to incorporate therein the plans for disaster risk reduction. Dr. Domingo also stressed that the country must pursue the nationally-determined commitment toward a low carbon economy. Institutional avenues for community and stakeholder participation must also be strengthened.

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**EMMA E. PORIO, PhD**

Principal Investigator

Coastal Cities at Risk in the Philippines:

Investing in Climate and Disaster Resilience

Ateneo de Manila University

According to Dr. Porio, the world is at a crucial time and efforts to grapple with climate change is no longer just about saving the environment and protecting the country's natural resources, it is about addressing the larger scale impact

of these changes on humanity and the urgent need to mitigate potentially disastrous consequences, especially since the pandemic has exacerbated the crisis already being confronted by the nation.

She explained further that the climate crisis is not just about the damage to the environment. She emphasized that it has given rise to increased incidence of heart and lung diseases due to poor air quality, increased the occurrence and changed the range of vector-related diseases spread by ticks and mosquitoes (such as dengue, leptospirosis), increased the frequency of extreme weather events such as typhoons, floods, hurricanes, and droughts, and has caused crop failure and food insecurity.

The effects of the climate crisis extend far beyond the environment. These effects are a major cause of poverty incidence and widening inequality. Aside from these, it has also caused new vulnerabilities in the most exposed and sensitive populations, including women, children, persons with disabilities, the elderly, and members of the LGBTQ community.

In order to deal with these daunting challenges, Dr. Porio sees an urgent need for programs and policies that are science-based and gender-sensitive, and for socially inclusive risk governance policies and models that will promote individual, family, community, institutional, and national resilience. She also pointed out that the country has some very strong policies but that these are not well-implemented.

Dr. Porio described the various initiatives that could be implemented, the most important of which is investing in disaster preparedness and climate resilience. She explained that there must be systemic change in order to address this massive challenge, and that the local government units must be empowered to help attain resilience in the communities. She cited the City of Muntinlupa as an example of a resilient local government unit that has formulated and adopted a disaster risk and resilience management program. This accomplishment

illustrates how all sectors of the community can work together to achieve resilience especially in times of disasters.

She also emphasized the need for an integrated, multi-scalar approach to disaster risk and disaster resilience governance, and underscored that resilience frameworks must be designed to address the dynamic interactions between sectors, as well as along the different decision-making levels. Other factors such as gender, generation, and social geographies also have to be considered.

Dr. Porio averred that one of the biggest risks the country is facing is the rise of sea levels. As an archipelagic nation, the country is in even greater danger. A one-meter rise in sea levels is projected to affect 64 out of 81 provinces, and will cover at least 703 out of the 1,610 municipalities. Aside from this, rising sea levels will also inundate almost 700 million square meters of land. This particular risk can also be further exacerbated by eroded ecosystems, the presence of vulnerable marginalized communities, and the privatization of coastal and upland commons.

In view of these challenges, Dr. Porio emphasized the value of collaboration, and how this can lead to innovation that can address the changes brought about by the climate crisis.

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## **LEA GUERRERO**

Country Director

Greenpeace South East Asia-Philippines

Ms. Lea Guerrero, Executive Director of Greenpeace Philippines drew the interconnection of climate change and the environment. At the outset, she emphasized that problems and solutions must be viewed from a systems



perspective. Development cannot be separated from the environment and the welfare of people. In the same vein, she explained, the climate crisis is not just about extreme weather changes or disasters, but also about poverty and inequality. Adaptation is not just about reacting to crises or changes, but also about building resilience and ensuring that policies are coherent.

In addition, she stated that the current development paradigm of the country relies on extraction and the concept of infinite growth. She underscored the need to break out from the business-as-usual system, and to think of out-of-the-box solutions for problems. Both long-term and short-term solutions must be implemented in order to secure the country's future. These may include the complete transition to renewable energy, and the eradication of plastic packaging to reduce plastic wastes.

### **A brief window for action**

Ms. Guerrero underscored the urgency of addressing the climate crisis. Quoting the Summary for Policymakers of the Intergovernmental Panel on Climate Change, she said that "climate change is a threat to human well-being and planetary health. Any further delay in concerted anticipatory global action on adaptation and mitigation will miss a brief and rapidly closing window of opportunity to secure a livable and sustainable future for all." (IPCC SPM.D.5.3)

She enumerated the following key messages of the IPCC report:

1. Climate risks are appearing faster and will get worse sooner than previously assessed.
2. Every further bit of warming makes things worse, but limiting warming to 1.5°C would keep the world more adaptable.
3. We have entered a critical decade.
4. To succeed, adaptation must build on rights and needs, anticipating the true scale and nature of changes.
5. The world is not prepared. It needs bigger systemic changes, based on

realistic projections of the future, and to succeed, nations need to be rooted in equity and justice.

Highlighting the gravity of the situation, She said that Filipinos are already suffering from climate impacts, and that worse things may happen in the future. She said that climate change is also about food security and water security because they also impact poverty alleviation measures and the stability of the economy. Thus, she emphasized, climate change will be the defining issue of the next administration. The next president will serve during the decade which is the most crucial window for climate action. She reiterated that addressing the climate crisis entails urgent, long-term, and systemic solutions.

### **The Climate Agenda**

Ms. Guerrero asserted that plans for economic recovery from the impacts of the pandemic must include climate action. There should also be coherent strategies beyond disaster response that address long-term vulnerabilities. She stated that adaptation programs must be consistent with the aim of building resilient communities which are better able to adapt to the impacts of a changing climate, while forging solutions sensitive to local realities.

She also asserted that climate action and climate justice must be mainstreamed across all local and national government policies and programs. A rapid and just transition to a low-carbon pathway must also be instituted through a massive uptake of renewable energy solutions.

Moreover, she said that businesses must be made to align with the 1.5 degrees Celsius commitment in the Paris Agreement. There must also be mechanisms for corporate accountability which should include corporate reporting, environmental monitoring, imposition of penalties for greenwashing and denialism, and support for development research.

## Legislative proposals

Ms. Guerrero discussed some of legislative proposals that could address some of the environmental and climate related problems. She suggested the following actions:

1. Enact legislation to address plastic pollution with a lifecycle perspective, with provisions banning non-medical single-use plastic such as multi-layered sachets, cutlery, cups, bags or plastic lobo and bottles, and mandating plastic reduction targets for corporations and public entities through a national roadmap to eliminate single-use plastics in key sectors.
2. Prohibit the use of unsustainable, hazardous, and unjust waste management technologies such as waste-to-energy, co-processing, and plastic-to-fuel technologies.
3. Impose a comprehensive waste importation ban.
4. Ratify the Basel Convention Ban Amendment.
5. Revoke Executive Order No. 164 which establishes the country's nuclear power program.
6. Revisit and align the Philippine Energy Plan to climate science and urgency, to steer the country toward energy transition.
7. Reinstigate the ban on open pit mining and the moratorium on new mining permits, and focus instead on building a just and green economy.

In closing, she asserted that the government must enable a recovery that will require the economy and society to tackle the climate crisis and promote positive environmental and health outcomes.

## Domain 3

**Pursuing Human Development and Promoting Social Cohesion**

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**PHILIP ARNOLD P. TUAÑO, PhD**

Project Manager

Human Development Network

Dr. Tuaño anchored his presentation on the highlights of the Philippine Human Development Report 2020/21, which was prepared by the Human Development Network, with the theme, “Socioeconomic Mobility and Human Development in the Philippines”.

At the outset, he defined “socio-economic mobility” as the ability of individuals and families to move across social classes or categories on the basis of merit, capacity, or effort. He then cited the trends in poverty incidence, such as : (1) there was a very slow rate in poverty reduction from 2006 to 2015 but a higher rate in 2018; (2) the level of income inequality has barely changed; and (3) there is an increase in the number of the “economically secure” or middle class, but that many continue to be among the “vulnerable” who are composed of individuals and families whose incomes and expenditures place them below the poverty line due to their inability to adequately maintain secure levels of living over time. He observed that the Philippine socioeconomic structure has become increasingly complex.

In this context, he stated that the challenge to policy makers is to develop frameworks that: (1) accommodate the growing heterogeneity of challenges that people confront, and take into account the differentiated capacities and needs of households and individuals in the entire process of upward social mobility; and (2) track the movement and transition among households.

## Growing differentiation

Dr. Tuaño presented the growing differentiation that revealed a: (1) decline in the proportion of those who are very poor and poor from 2007 to 2018; and (2) growth in the middle (vulnerable, economically secure, and upper-middle class) categories. With such data, he deduced that the Philippine society has grown beyond the poor-rich dichotomy towards a growing proportion of those in the middle.

In supplement, he said that a compact way to describe the growing differentiation or mobility is by means of a transition matrix showing directional welfare mobility and the proportion of households across different income, wage, and occupation, among other socioeconomic variables at the origin and destination. Thus, he presented the transition matrix graph below that showed the relative stickiness or non-stickiness of conditions from 2003 to 2009. He explained that: forty-one percent (41%) of the very poor in 2003 were in the same state in 2009, but the rest of them moved upward; and forty-five percent (45%) of the poor, fifty percent (50%) of the vulnerable, sixty-four percent (64%) of the economically secure, and fifty-one percent (51%) of the upper middle-class households remained in the same status.

Table 9.7

### Households expenditure class 1997-2018 (as a percentage of total households)

(as a percentage of total households)

Expenditure Class*	1997	2000	2003	2006	2009	2012	2015	2018
Very Poor	12.63	14.67	13.31	12.79	8.84	9.70	6.36	3.60
Poor	22.81	23.77	22.15	23.06	22.63	22.98	20.67	17.25
<b>Vulnerable</b>	<b>28.62</b>	<b>27.74</b>	<b>28.28</b>	<b>27.75</b>	<b>30.16</b>	<b>29.81</b>	<b>31.15</b>	<b>32.91</b>
<b>Economically secure</b>	<b>29.44</b>	<b>27.73</b>	<b>29.85</b>	<b>29.72</b>	<b>31.22</b>	<b>30.74</b>	<b>34.62</b>	<b>38.97</b>
<b>Upper-middle class</b>	<b>6.03</b>	<b>5.68</b>	<b>6.14</b>	<b>6.44</b>	<b>6.87</b>	<b>6.51</b>	<b>6.93</b>	<b>7.01</b>
Top class	0.47	0.42	0.27	0.25	0.28	0.26	0.27	0.26

**Not only a poor-rich dichotomy but growing proportions in the middle: vulnerable, economically secure, and upper middle class categories**

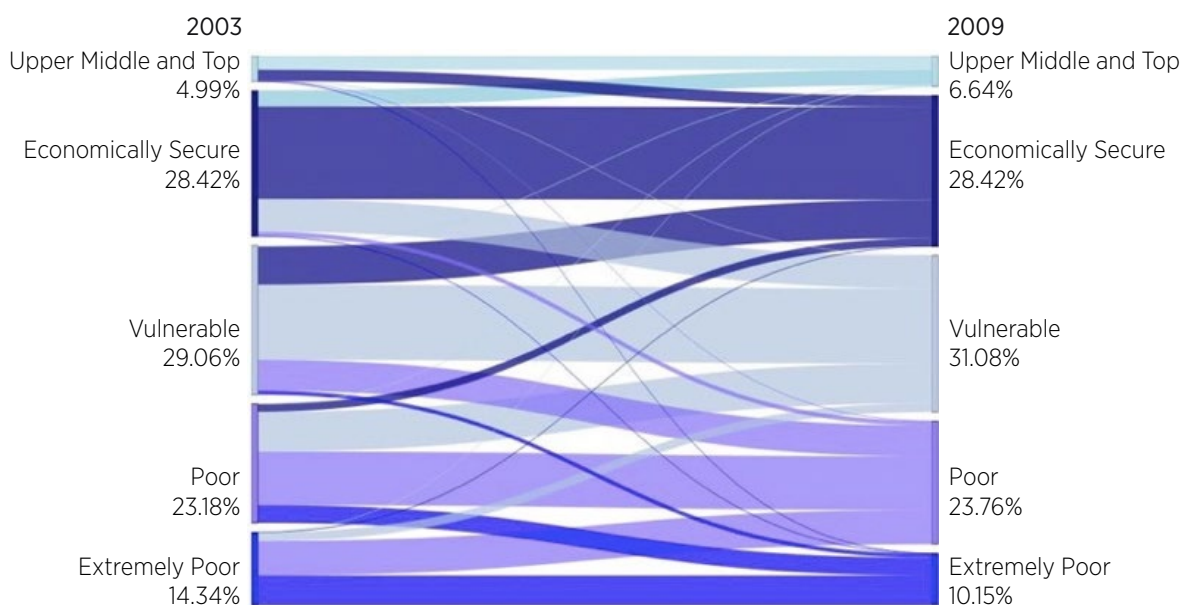
Source of Data: HDN computations from Family Income and Expenditure Surveys, various years

Note: Figures may not add up to 100% due to rounding. Daily per-capita expenditures of (a) extremely poor: (\$1.9 or less); (b) poor: (\$1.9, \$3.1); (c) vulnerable: (\$3.1, \$5.50); (d) economically secure: (\$5.5, \$150); (e) upper middle class (\$15, \$50); and (f) top \$50 or more

Figure 9.10

**Transition Matrix Graph**

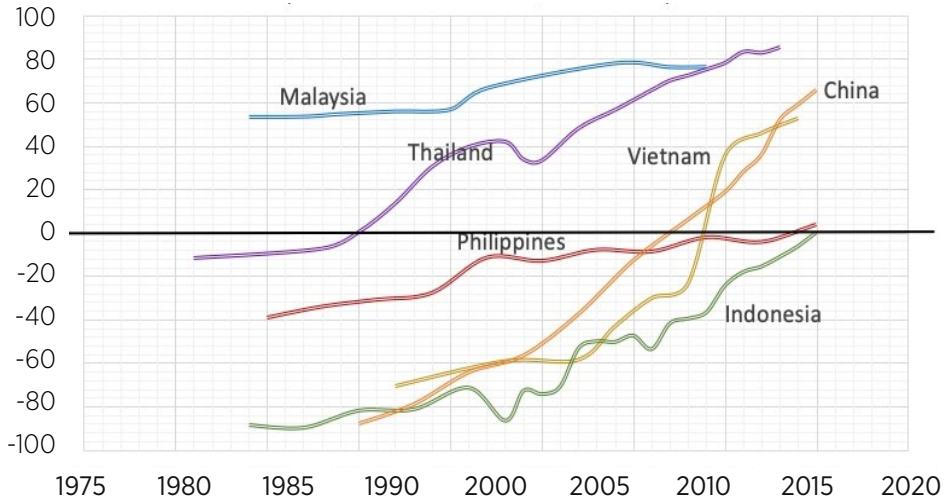
*Proportion of households that moved/stayed in different expenditure classes, 2003 and 2009*



Source: *Philippine Human Development Report, 2020-2021*

He also presented the trend of middle-to-poor share difference (MPSD) for the Philippines and some selected countries from 1981 to 2015. He said that in the Philippines, the size of the middle class came to exceed that of the poor only in 2015. The Philippines' MPSD of 3.82 should be compared with Thailand's score of 85.4 (2013), Malaysia's 76.7 (2009), China's 65.8 (2015), and Vietnam's 52.8 (2014). Only Indonesia turned in a slightly worse performance of 0.31 (2015). With this data, he averred that the Philippines' progress is decidedly moderate. According to the World Bank (2018), the Philippines has reduced extreme poverty to low levels, although the share of the middle class is still limited and the share of the vulnerable remains large. But as with the country's human development indicators, the numbers are not as impressive as those of its Asian neighbors, and significant efforts will be needed to achieve the progress other countries have reached.

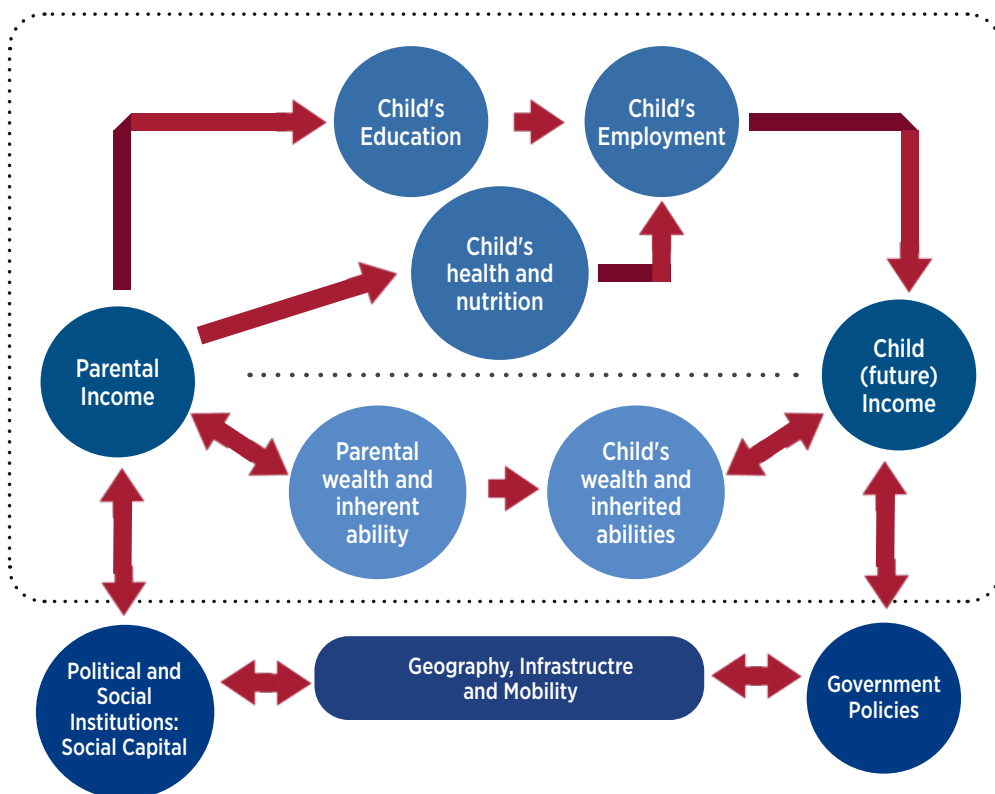
Table 9.11

**Middle-to-Poor Share Difference (MPSD)***Among Selected Asian Countries, 1980-2015**Source HDN computations using data from World Bank PovCalNet***Framework for understanding socioeconomic mobility**

Dr. Tuaño presented a framework for understanding social mobility. He explained that movements are primarily derived through transmission of income from the parent to the child. Other transmission mechanisms that affect the household's movement are: (1) the child's education, health, and nutrition, which affect the child's employment and future income; and (2) parental wealth and inherent ability, which are passed on from one generation to another. All of this happen within the background of political and social institutions, social capitals, geography and infrastructure, and government policies.

Figure 9.12

**Framework for Understanding Socio-economic Mobility**



Source: Philippine Human Development Report, 2020-2021

**Factors Affecting Socioeconomic Mobility**

Dr. Tuaño enumerated the following factors that affect socioeconomic mobility:

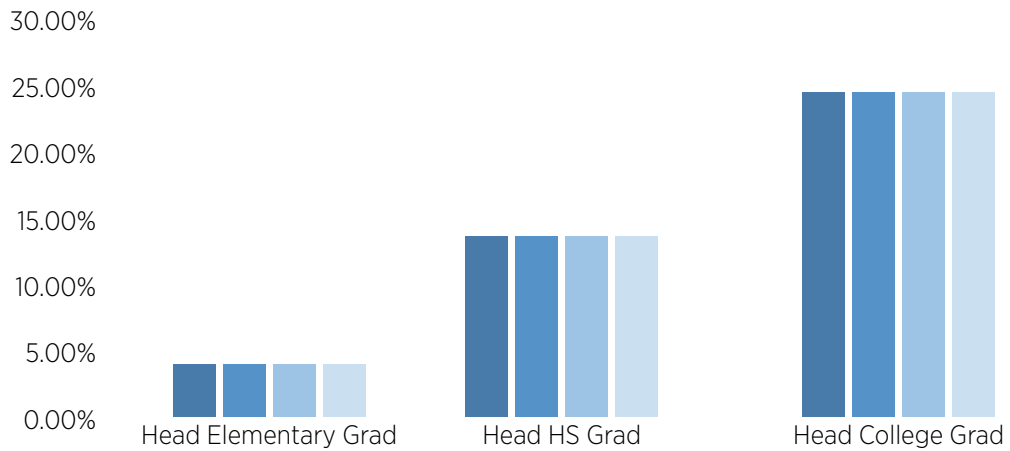
**a. Education**

He stressed that education: (1) increases one’s information on earning opportunities; (2) enhances decision-making capability; (3) enriches social relations; (4) makes one suitable for a variety of occupations; (5) qualifies one to pursue the next higher level of schooling; and (6) increases the capacity of the household to mobilize resources and cross-invest in other forms of human capital, among others.



Figure 9.13

### Probability of Moving Up Economically Through the Educational Attainment of a Household Head



Source: *Philippine Human Development Report, 2020-2021*

■ Extremely Poor ■ Poor ■ Vulnerable ■ Economically Secure

#### b. Health

Dr. Tuaño emphasized that important aspects of health status can be passed on from one generation to the next. This occurs through genetic, environmental, and socioeconomic channels, so that parents with better health are more likely to give birth to and raise healthy children.

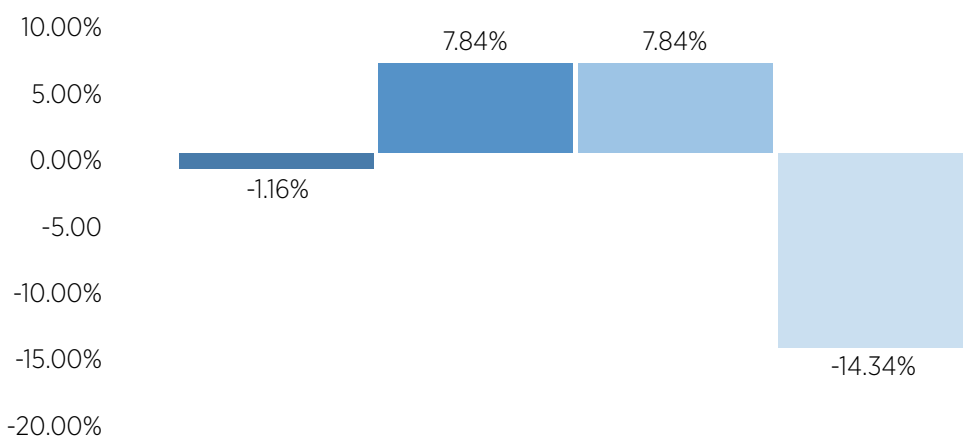
#### c. Employment

He highlighted that stable employment provides better incomes and reduces the risk of stagnating or falling over time. The market for labor is among the main channels that connect parents' background with the welfare of their children. Stagnant, inefficient, or biased labor markets that fail to recognize talent and reward education are obstacles to intergenerational income mobility, since there are fewer opportunities for work. In contrast, dynamic labor markets encourage the parents to invest more in their children's human capital, thus,

strengthening the association between parents’ and children’s incomes. Well-functioning labor markets, therefore, increase the returns to education and promote intergenerational investments in human capital.

He also mentioned the following factors that show association of labor market conditions and socio-economic mobility: (1) the greater the proportion of household members who are working the greater the probability of decreasing the risk of staying in poverty for longer periods of time; (2) the nature of occupation also affects welfare. Households relying mostly on wages in nonagricultural sectors experience shorter poverty than those dependent on agricultural wage employment. The figure below shows the probability of climbing with change from agriculture to non-agriculture; (3) overseas employment also impacts on household welfare.

Figure 9.14  
**Probability of Economic Improvement with a Change from Agriculture to Non-Agriculture Employment**



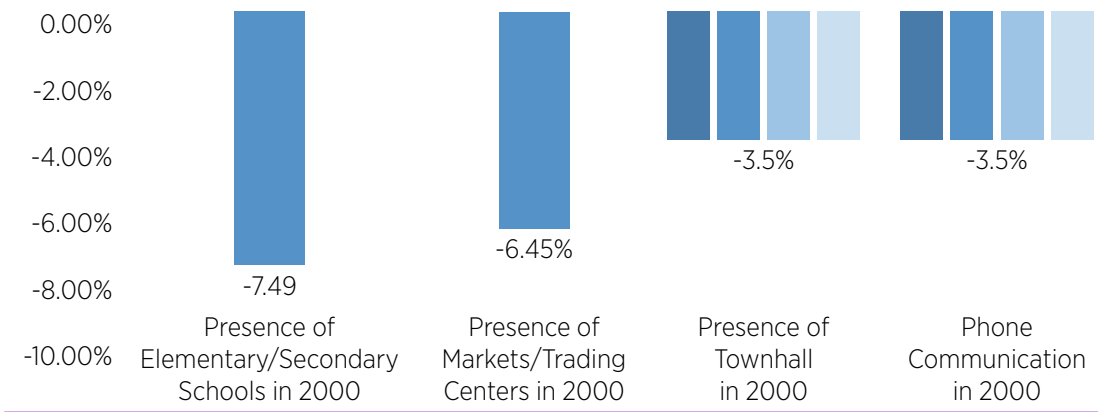
Source: *Philippine Human Development Report, 2020-2021*

Extremely Poor Poor Vulnerable Economically Secure

### d. Location and geography

Dr. Tuaño emphasized that geography and access to basic services and infrastructure reduce poverty risk. Thus, living in the proximity of townhalls, presence of phone connections in the area, and access to markets and schools decrease the probability of sliding.

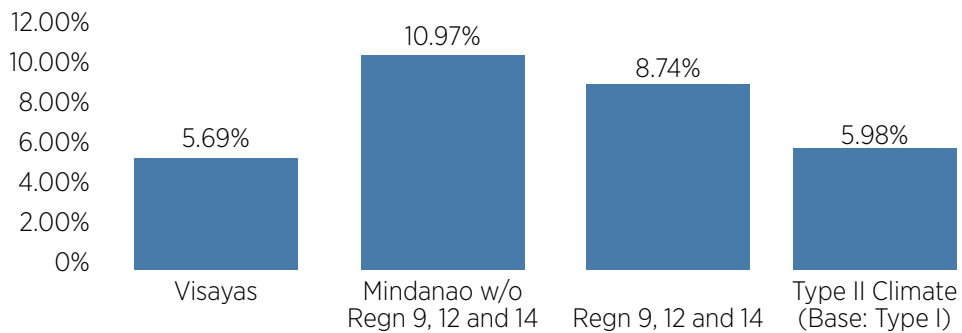
Figure 9.15  
**Probability of Moving Up Economically Through the Educational Attainment of a Household Head**



Source: Philippine Human Development Report, 2020-2021

Extremely Poor Poor Vulnerable Economically Secure

Figure 9.16  
**Probability of Economic Improvement with a Change from Agriculture to Non-Agriculture Employment**



Source: Philippine Human Development Report, 2020-2021

Figure 9.16 shows that households in the Visayas, Mindanao, and on the eastern coast are more likely to slide.

### e. Financial and physical assets

He stressed that the bulk of income and bequests of financial and property assets will occur among the upper classes. Those belonging to the upper middle and top classes have the highest share of total savings as shown in the table below. Financial and land markets are also often biased against small savings, i.e., lower returns for smaller-sized financial instruments.

Table 9.8

#### Share in Total Saving and Average Household Saving Per Class

*As Proportion of Average Saving Per Household by Economic Category (2015)*

	Share in Total Saving (%)	Share in Total Household Population (%)	Average Household Saving of Class as Proportion of Average Saving per Household
Extremely Poor	2.33	9.61	0.242
Poor	7.31	23.34	0.313
Vulnerable	19.25	30.59	0.629
Economically Secure	45.95	30.83	1.490
Upper Middle and Top Class	25.16	5.63	4.643

*Source: HDN Computations from FIES 2015*

### Implications for Policy

Dr. Tuaño highlighted the need to:

1. Adopt a differentiated strategy that takes into account the requirements of the entire process of upward social mobility. The bureaucracy should also go beyond sectoral approach and adapt a more geographical focus for policy and program implementation;
2. Reorient the policies and public institutions to ensure the ability of the government to financially support and identify the needs of the

different groups. Dr. Tuaño averred that establishment or improvement of information systems should also be a priority, in order to make more efficient deidentification and tracking of households over time. He also cited the importance of the national ID system especially for household surveys, among others; and

3. Highlight the importance of policies and programs that improve intergenerational mobility, especially among the poorest households.

To conclude, he encouraged policymakers to target interventions that will equalize opportunities and achieve outcomes that are germane to the needs of the different groups.

### **ANICETO C. ORBETA, JR., PhD**

President

Philippine Institute for Development Studies

Dr. Antonio Orbeta, Jr's presentation on Human Development and Economic Growth centered on education and its relative effect on society. He divided his presentation into the three levels of Philippine Education, namely basic education, higher education, and technical and vocational education and training, highlighting the current status in each category, why it is in such state, and ways to improve existing conditions.

#### **Basic education**

Comparing the country's schools and its counterparts in other countries, Dr. Orbeta said the Philippines is at par when it comes to school attendance. However, when it comes to learning potential, a study that he participated in showed a learning gap of 5.5 years. The learning crisis became evident with the below-average performance of 15-year-old Filipino students in the Program for

International Student Assessment (PISA) in 2018, as well as for Grade 4 students in the Trends in International Mathematics and Science Study (TIMSS) in 2019. Both assessments measured students' proficiency in science, math and reading, and correlated scores to a country's per capita income, to measure their level of development. It was also apparent that students in private schools fared better in said assessments than their counterparts in the public school system.

Despite this situation, Dr. Orbeta emphasized that education remains to be a good investment, with a relatively high rate of return. However, the forced shift to remote learning as a result of the pandemic revealed challenges that have to surmounted, especially the discrepancy in access to online learning between students in the private and public schools. The same study observed that private schools have better access to online learning, while public schools rely mainly on printed modules.

The study found that too much focus was given to access to education and that the quality of education was neglected. It also found that the education sector failed to build a culture of understanding, learning from, and informing the students of the poor results in the achievement exams, which plays a crucial role in reforming the education system.

He noted that many students performed well in assessment exams, but that the overwhelming number of poorly-performing students pulled down the average scores.

The government's educational policies also undermine the ability of better performing private schools to further contribute to the education system.

### **Ways to move forward**

Dr. Orbeta emphasized that improving quality is key. Instead of following models from other countries, whose context may differ from the Philippines', the country must promote and develop what he called a "virtuous cycle of learning and teaching" which may be used to guide educational policies.

A clear indicator of quality must likewise be established, which will be the basis for improvement and resource allocation, as well as effective levers for improving quality using the country's experiences and data. Meanwhile, existing programs should be assessed continuously and checked for fidelity of implementation and the achievement of desired objectives.

He recommended the development of remedial programs for students who lag in performance, which has proven to be effective in raising average test scores. He added that a policy framework for harnessing the strengths of the private sector can also be established by expanding the utilization of better-performing private schools using a voucher system.

He stressed that the use of technology can be harnessed to make it more learner-centered and to promote greater interaction among students, teachers and parents. Instead of focusing on online classes, which only private schools are able to utilize to a great degree, other forms of technology, like cellphones for example, may be used to increase interaction between parents and students who are administered this so-called "learning modules" by teachers.

### **Higher education**

Dr. Orbeta underscored that similar to the country's basic education performance, higher education posted a high attendance rate. But quality is uneven and low on average, as evidenced by the less than 40% passing average in licensure examinations. Also, about 60% successful examinees are not able to practice their professions. Faculty qualification is also low, with less than 20% possessing post-graduate degrees (master's and doctorate degrees). Less than 30% of higher education institutions (HEIs) have accredited programs.

Equity in access to education likewise remains elusive as seen in a 2019 study on the enrolment rate by income decile, which shows that 49% of the higher decile are able to attend higher education, while only 17% among the poor are

able to do so. The study revealed that the poor are still underrepresented even in public HEIs, despite free access to tertiary education.

The country's capacity for research and development (R&D) is underdeveloped due to the following reasons: 1) students are not exposed to research culture and are focused on passing board examinations; 2) collaboration between universities and industry in research and development is still in its emergent stage, and; 3) there is a dearth in science and technology (S&T) manpower in the country.

All these are exacerbated by the seeming marginalization of the private sector, which has experienced an 0.8% decline in enrolment share yearly, a trend that was evident even before the introduction of the free tuition law.

### **Ways to move forward**

Dr. Orbeta stressed that there is a need to address the uneven and low on average quality of education by 1) enforcing a policy through legislation of closing programs which successively fail to produce professional board passers; 2) encouraging more HEIs to become centers of excellence and development, and; 3) promoting voluntary accreditation.

To address inequitable access, a better financing scheme would be superior to the existing free tuition policy, which is not pro-poor, per se, but a subsidy to both poor and non-poor students. The grant-in-aid proposal in the UniFAST law, for example, would be better at targeting poor households, and more sustainable in funding the education of children from these households.

Dr. Orbeta emphasized that developing an R&D culture in HEIs shall address the country's underdeveloped innovation ecosystem. He underscored that to serve national education objectives, the country should harness the strengths of the private education sector.



## Technical and vocational education and training

Dr. Orbeta made the following observations based on the 2017 study on the country's technical and vocational education and training (TVET):

- ◆ Both enrolment and certification figures are rising, which is a good indication of quality.
- ◆ Compared to enterprised-based training program, there is an increased proportion of graduates in community-based mode, giving rise to questions on the qualifications of trainers, the availability of proper facilities, and whether or not training is demand-driven.
- ◆ Sectoral distribution of graduates corresponds to fast-growing sectors of the economy, with tourism and social community development continuing to be in the top 3.
- ◆ There is an interesting composition and reason for taking TVET, with a high turnout of enrollees among college graduates and undergraduates whose reasons are mainly for skills upgrading.

Enterprise-based trainings are not promoted enough, and issues such as on incentives remain, which the law on Apprenticeship should address. Too much emphasis given on equity resulted in neglect of the efficiency objective. Lastly, college student and graduates enroll in TVET either to gain employable skills or to protect themselves from labor market changes.

### Ways to move forward

To address the job-skill mismatch, Dr. Orbeta recommended the conscious alignment of TVET to industry needs and the promotion of enterprise-based training. Twenty-first century skills should likewise be incorporated in the curriculum to upgrade students' competencies. He also recommended the improvement of the TESDA's capacity for regulation and testing of modalities to encourage more private sector participation.

A balance between training needs for equity concerns and the promotion of training in cutting-edge technology should be struck in order for the education sector to produce outcome-oriented and demand-driven results. In addition, flexible delivery of TVET such as the TESDA Online Program should be established, and teachers should be trained to develop online content in order to make training readily available.

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### **DIOSDADO M. SAN ANTONIO, PhD**

Undersecretary, Curriculum and Instruction  
Department of Education

Undersecretary Diosdado San Antonio concurred with Dr. Tuano's point about education being a key driver of socio-economic mobility, sharing his own experience as a poor student who later became a recipient of educational assistance from a generous relative, and who now is in the position to pay it forward.

He expressed appreciation for Dr. Orbeta's presentation which mentioned the Department of Education's (DepEd) Sulong Edukalidad program which was undertaken even prior to the release of the international large-scale assessment cited in the presentation. He underscored that quality has been the DepEd's main thrust and that the overwhelming challenges in improving quality can be overcome with the help of all sectors of society.

Among the DepEd's present undertakings, Undersecretary San Antonio discussed the Education Futures program which allows non-government partners to participate in the formulation of the Basic Education Development

Plan for 2030, the DepEd's basic education research fund for teachers and learning leaders that is expected to help improve quality, and the updated version of the K-12 curriculum, which he said will be presented by end of June, 2022.

### **Education: Key to building social cohesion and human development**

In his presentation, Undersecretary San Antonio underscored the DepEd's 12-year goal – as embodied in RA 10533, or the Enhanced Basic Education Act of 2013 - of empowering basic education graduates with strong, life-long foundations, the competence to engage in work and be productive, the ability to fruitfully coexist with local and global communities, capability to be autonomous, creative and to exercise critical thinking, and the capacity and willingness to transform others.

He disclosed that from 2019 to 2020, the net enrollment rate, expressed as the ratio of enrollment at the right age over the school age population, for the elementary level is at 94%, and 83% for the secondary level. He cited that while there is a large gap between the participation rate in both levels, access to basic education in the Philippines has improved in the last five years.

In comparison, total enrolment in senior high school from SY 2019-2020 (3.19million students) grew by 1.3% in SY 2020-2021 (3.23 million students), despite the decrease in enrolment in the elementary and junior high school levels due to the pandemic. This highlighted two key facts: 1)the substantial role non-DepEd schools continue to play, despite the decline in enrolment, and 2) the strong gender equity ratio at the senior high school level, with girls comprising 53% of the enrollees in both years. It also became evident that female learners enjoyed an advantage with the change in learning modality brought about by the pandemic.

Undersecretary San Antonio enumerated several socio-economic factors which affect participation in basic education and the achievement of quality education, such as community and social support, income and employment, and physical resources. These factors may impact the gains attained in making education accessible to all school-age children, out-of-school youth, and adults. He added that there are schools in remote areas and communities that lack basic services.

The DepEd's Last Mile Schools is geared towards addressing these problems. Section 4(a) of Republic Act No. 10533, or the Enhanced Basic Education Act of 2013 also sets a standard of curriculum development that is learner-centered, inclusive, and developmentally appropriate. The law also gave the DepEd full autonomy and responsibility over curriculum planning, organization, and the innovative development of the educational system, and to promote the creation of school networks. The law also recognized institutional diversity of schools.

He cited the profound challenges the pandemic posed, and noted that the disparities experienced by students could undermine social cohesion. While schools can remove some barriers to quality education, the socio-economic disadvantages will continue to create a feeling of disempowerment. He also pointed out that other public services and policy areas play a vital role in any long-term, large-scale change.

Despite the threats and challenges brought about by the pandemic, opportunities for human development and social cohesion likewise opened for the education sector. These include opportunities to refocus on inclusion and address the more structural and fundamental inequalities inherent in the education system and to reimagine schools; to develop the Learners' Agency; to encourage an innovative culture; to ensure better technology integration; to promote innovative and collaborative partnerships, and to recognize and appreciate the value and power of stakeholders.

Challenges	Solutions
Financing public education	Financing public education should be continued to make it within the reach of disadvantaged families. Any decrease in budget spending may jeopardize gains made in recent years.
Effective Distance Learning Strategies/ Support Particularly for Young Learners	Strategies and support measures should be developed to help parents assist their children effectively
Implementation of Schools' Remedial Measures	Learning recovery programs should be initiated to address difficulties in the delivery of remedial interventions to learners who have no access to technology
Significant Changes in the Teaching and Working Conditions	Adequate support must be made readily available to teachers to ensure better job performance
Weak Digital Learning Infrastructure	Lack of devices and poor internet connectivity should be addressed not just by strengthening the digital infrastructure alone, but also by developing flexible curricula that can be taught in person or online
Youth's Transition from Education to Work	Creation of job opportunities, especially for the youth who opt to work after they graduate from the K-12 curriculum

Undersecretary San Antonio noted that the first and most immediate contribution of a successful school education is a direct reduction of the extreme insecurity that results from this basic deprivation, which serves as a barrier to achieving resiliency and inclusive human development and social cohesion.

**JUDITH DE GUZMAN**

Co-Program Analyst

Human Development Report Office

United Nations Development Programme

Ms. De Guzman anchored her presentation on Sustainable Development Goal (SDG) Number 4, which is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. As the nations of the world are now in the concluding decade of delivering on the SGD promise, she stressed the significance of targeting the needs of the marginalized and vulnerable individuals in the society, such as girls, refugees, migrants, rural farmers, and indigenous populations, among others.

**New threats to human security in the anthropocene that demand greater solidarity**

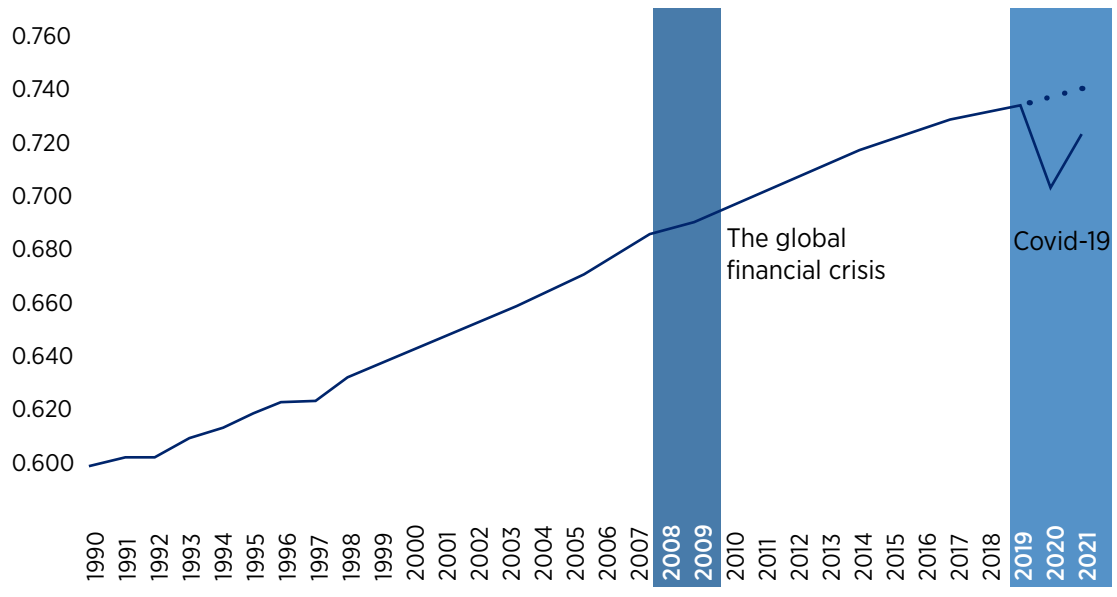
Ms. De Guzman cited the recently released 2022 Special Report on human security that focused on the “new threats to human security in the Anthropocene, demanding greater solidarity.” She noted the following report highlights: (1) The world is faced with a developmental paradox. Even though people live longer, healthier, and wealthier lives, these advances failed to increase the people’s sense of security; (2) The strong association between declining levels of trust and increased feelings of insecurity; (3) The COVID-19 pandemic has caused an unprecedented decline in Human Development Index values. Citing figures that show such decline, she averred that the world is now living in “Anthropocene” or the age where humans affect the very foundations of the planet; (4) Hunger increased globally affecting around 800 Million people in 2020; (5) About 2.4 Billion people suffer from food insecurity; (6) The rapid phase of digital expansion gave rise to conflict and inequalities; (7) Six (6) in seven (7) people worldwide have been plagued by feelings of insecurity; and (8) Various threats in the Anthropocene context have been identified, and these include inequalities, violent conflict, digital technology threats, health threats, and other threats, including climate change.

### Data for inclusive and participatory governance

Ms. De Guzman averred that the Philippine Human Development Report (PHDR) 2020/21 highlighted the need for a differentiated strategy that takes into account the requirements of the entire process of upward social mobility. She underscored that high quality data is critical in the targetting and assessment of differentiated needs, as well as in ensuring accountability, participation, and empowerment. She cited Brazil's Cadastro Unico (Unified Registry for Social Programs) as an example of a registry for programs and policies directed at low income populations.

Figure 9.17

#### Covid-19-adjusted Human Development Index Value



Source: 2022 Special Report on Human Security  
New threats to human security in the Anthropocene Demanding greater solidarity

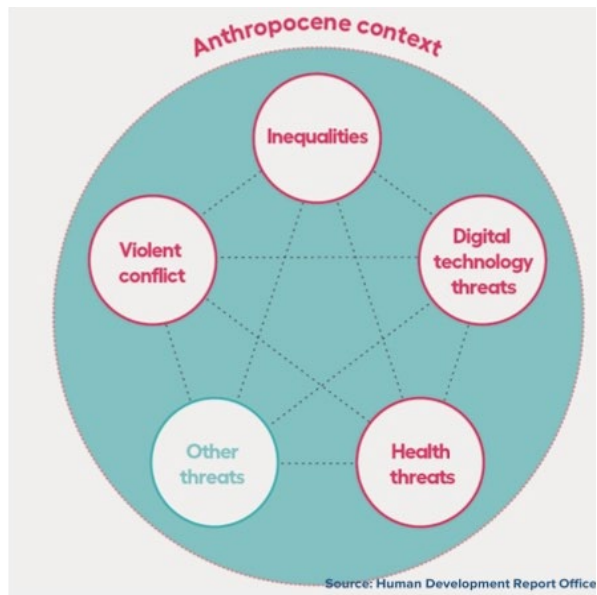
Figure 9.18

### Human Security in the Anthropocene - A new Generation of Threats

**Data showed that 6 in 7 people worldwide have been plagued by feelings of insecurity**

(relative to perceived threats across different dimensions of daily life in personal and community security, socioeconomic security and violent conflict).

**There is a growing sense of insecurity among people despite years of development growth prompting calls for solidarity and refocusing development efforts.**



### Decentralization and local government empowerment

Ms. De Guzman observed that the local government units (LGUs) play a critical role in the development of more comprehensive responses to address the different needs of the population. However, she noted that the LGUs are confronted with these challenges: (1) some LGUs have been slow to adopt innovative governance strategies, such as, using technology; and (2) the disparity among LGUs in terms of technical capacity and preparedness for the implementation of the Supreme Court ruling on the Mandanas-Garcia case.

She deduced that there is a need to: (1) examine the institutional, social, and economic factors relative to the capacities and performances of LGUs to strengthen their preparedness for greater autonomy and responsibility; and (2)



strengthen the role of the civil society in mechanisms for local planning and budgeting, service delivery, and social accountability, given the scenario of increased internal revenue allotment.

### **Social Protection**

Ms. De Guzman noted the articulation in the PHDR 2020/21 that policies and programs should improve intergenerational mobility to reduce the susceptibility to downward mobility.

According to the Philippine Statistics Authority, poverty incidence among the population increased to 23.7% during the first half of 2021, from 21.1% in the same period of 2018, which translates to 3.9 Million more Filipinos living in poverty. To address this concern, she stressed the need to: (1) sustain high coverage of social protection programs until full economic recovery; (2) design policy measures to extend social protection to workers in the informal economy, mainly the micro, small, and medium enterprises; (3) foster the progressive formalization of enterprises and employment; and (4) design social protection programs to ensure protection, empowerment, and meaningful participation of women, youth, and indigenous peoples, among others.

### **Resilience-building**

Ms. De Guzman also cited the PHDR 2020/21 aim to mitigate the risks to Filipinos from adverse natural and economic events and to allow the poor, vulnerable, and even the economically secured, to cope with setbacks caused by severe economic events, and by natural and human induced disasters. She espoused the application of the resilience lens in achieving the goals of the 2030 Agenda for Sustainable Development and the SDGs, and stressed the need to invest in increasing resilience: (1) to help prevent and curtail economic, environmental, and human losses that result from a crisis, thereby reducing human suffering and protecting development gains; and (2) to protect the most vulnerable and marginalized, thereby ensuring that no one is left behind on the path to sustainable development.

### **Social cohesion and solidarity**

She defined “social cohesion” as the extent of trust in the government and within society and the willingness to participate collectively towards a shared vision of sustainable peace and common development goals. Social cohesion is integral in overcoming fragility and addressing violence and terrorism. It is also a counterpoint to social exclusion that leads to unequal development.

Existing data showed the paradox of progress with polarization. Research shows that human development is characterized by a decline in social attitudes and by deeper polarization related to socio-political views, less trust in institutions, lower tolerance for dissenting views and opinions, the spread of misinformation or disinformation, and hate speech, among others.

In this context, it is therefore necessary to pursue and promote social cohesion to facilitate more inclusive governance. She cited examples of focus areas for social cohesion programs, such as supporting an inclusive historical narrative, facilitating dialogue and mediation processes, supporting networks and infrastructures for peace, supporting women and youth as actors, and mainstreaming social cohesion into socio-economic recovery, education, and local governance.

As a final point, she asserted that sustaining peace is an integral component to pursuing human development. Therefore, she encouraged delivering on peace dividends, sustaining the gains of peace processes, and taking into account prevention as integral to sustaining and strengthening the agenda on peace building, governance, and development.

## ROMEO C. DONGETO

Executive Director

Philippine Legislators' Committee on Population and Development Foundation, Inc.

Mr. Dongeto informed that since 1989, the Philippine Legislators' Committee on Population and Development Foundation, Inc. (PLCPD) has developed policy champions and worked on human development legislation to improve the quality of life of Filipinos. He also conveyed that in preparation for the 19th Congress, the PLCPD has began the process of ascertaining its priority legislative agenda and advocacy directions. He emphasized that this preliminary step includes policy scanning and analysis, and consultations with partners from the government, civil society, and international development organizations.

He recalled that the PLCPD advocated specific themes in its legislative agenda for the 18th Congress, such as:

1. Children's Rights;
2. Women's Rights;
3. Prevention of Violence Against Women and Girls;
4. Sexual and Reproductive Health and Rights;
5. Rural Development and Adequate Housing; and
6. Health and Tobacco Control.

### Significant legislation

Mr. Dongeto then briefly enumerated significant pieces of legislation espoused by PLCPD. These are:

1. RA 10354 - The Responsible Parenthood and Reproductive Health Act of 2012 (15th Congress);
2. RA 11036 – Mental Health Act (17th Congress);
3. RA 11166 – Philippine HIV and AIDS Policy Act (17th Congress);

4. RA 11210 - 105-Day Expanded Maternity Leave Law (17th Congress);
5. RA 11223 - Universal Health Care Act (17th Congress);
6. RA 11188 - Special Protection of Children in Situations of Armed Conflict Act (17th Congress);
7. RA 11596 - An Act Prohibiting the Practice of Child Marriage and Imposing Penalties for Violations Thereof (18th Congress);
8. RA 11648 - An Act Providing for Stronger Protection Against Rape and Sexual Exploitation and Abuse, Increasing the Age for Determining the Commission of Statutory Rape, Amending for the Purpose Act No. 3815, As Amended, Otherwise Known As "The Revised Penal Code," Republic Act No. 8353, Also Known As "The Anti-Rape Law Of 1997," and Republic Act No. 7610, As Amended, Otherwise Known As the "Special Protection of Children Against Abuse, Exploitation and Discrimination Act (18th Congress);
9. RA 11642 - Domestic Administrative Adoption and Alternative Child Care Act (18th Congress); and
10. RA 11650 - Instituting a Policy of Inclusion and Services for Learners with Disabilities in Support of Inclusive Education Act (18th Congress).

He noted that the bill on special protection against online sexual abuse and exploitation of children (SB 2209 and HB 10703) is pending in the Conference Committee, while the Expanded Anti-Trafficking Bill (SB 2449 and HB 10658) is awaiting action by the President.

Mr. Dongeto remarked that despite the approval of both Houses, the bill on regulating vape or vaporized nicotine and non-nicotine products (SB 2239 and HB 9007) is being opposed by health and children's rights advocates. He argued that it reverses policy gains promoting public health and protecting children from accessing electronic cigarettes and heated tobacco products.

He also cited reports on the negative impacts of COVID-19 pandemic and the lockdowns imposed by the government, and other restrictions that matter in

terms of government accountability, such as the following:

1. Disrupted delivery and access of women to essential family planning and maternal and child health services, especially those from low-income families;
2. Huge increase in gender-based violence in the country as reported by the Philippine National Police;
3. Evident rise in HIV cases in the country has been reported in 2021 with a total of 12,341 new HIV infections, up by 54% from the 8,036 new cases detected in 2020. Lockdowns and other restrictions may have discouraged people from seeking HIV testing and treatment services; and
4. Women and children are disproportionately affected by the pandemic, and apart from its negative impact on women's reproductive health, girls also consider their education to be most affected, with almost half (49%) of them thinking that they have slim chances of returning to school. It has also affected young women's mental health and social skills. It is causing them anxiety and stress especially about their family not having enough money for food and other basic services, and whether or not education services will resume or is still possible.

### **Policy considerations**

Mr. Dongeto submitted the following policy proposals for the consideration of the 19th Congress:

1. a national policy geared towards the prevention of adolescent pregnancies and the institutionalization of social protection services for adolescent parents;
2. a Magna Carta of Workers in the Informal Economy to establish, protect, and fulfill the rights of informal workers, and provide them sustained opportunities for transitioning to a higher level of development;
3. the creation of a Department of Fisheries and Aquatic Resources to efficiently address the needs of the fisheries sector through proper institutional focus, provision of sufficient technical expertise, and adequate

government support and funding for the development, conservation and utilization of the country's fisheries and aquatic resources;

4. Review the implementation of Republic Act 8749 (Philippine Clean Air Act of 1999) given the worsening air pollution in the country;
5. Review the implementation of Republic Act 10354, or the Responsible Parenthood and Reproductive Health Act of 2012, particularly the mandates on the provision of comprehensive sexuality education and social protection;
6. Allocation of sufficient funds for the implementation of RA 10354 and other significant laws recently enacted; and
7. In keeping with the expanding devolution highlighted by the implementation of the Supreme Court ruling on the Mandanas-Garcia case, legislate innovative policies that shall foster greater accountability of local government

## Domain 4

**Accelerating Infrastructure and Digital Transformation**

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**ENRICO L. BASILIO, PhD**

Regulatory Reform Support Program for National Development (RESPOND)  
University of the Philippines, Public Administration Research  
and Extension Services Foundation

At the outset, Dr. Enrico L. Basilio stated that there are three issues currently besetting the transportation industry:

1. Conflict of interest where the regulator is also involved in commercial operations;
2. The stifling of the country's ability to trade with other countries due to the steepness of charges being imposed and the failure to promote competitive neutrality in regard to the issuance of permits to develop and operate commercial private ports;
3. The lack of an efficient road network especially at the local level and the need for a comprehensive road infrastructure development program.

Dr. Basilio asserted that even during the pandemic, the Philippine Ports Authority (PPA) implemented new and increased rates for the following: crantage fee at the Manila North Harbor; arrastre (cargo handling charge at the port of Manila (MCT and South Harbor), and Batangas Port for foreign empty containers; cargo handling at the Port of Manila (MICP) and South Harbor in 2021; as well as Tier 2 and 3 New Rates for select ports. He reported that industry shareholders vigorously opposed the said measures, citing that these effectively increased the rates by as much as 100%. Compared to its ASEAN neighbors, the Philippines (Manila) remains to have the highest tariff in port cargo handling, surpassing Singapore by 31% and Vietnam (Saigon) by 258% for 20-foot laden containers.

Meanwhile, for 40-foot laden containers, the country charges 60% more than Singapore does, and 300% more than Vietnam (Saigon).

While noting that the PPA has remitted to the national government PhP 17.17 Billion dividends during the current administration--- more than double its total dividends for the period 2010-2015, he posed the concern that these revenues are received at the expense of stakeholders.

Dr. Basilio proposed the decoupling through legislation of the regulatory and commercial mandates of transport regulatory bodies, such as those of the PPA and the Maritime Industry Authority (MARINA), and the Civil Aviation Authority of the Philippines (CAAP). The current PPA, whose functions include being a port developer, operator and regulator may be converted into a public enterprise, and the option to privatize it may be considered at a later time. The function of the PPA as a regulator may be transferred to the MARINA. As port regulator, the MARINA can focus on improving the efficiency and competitiveness of ports by allowing inter-port competition and encouraging more private sector participation. He observed that the current policy regulates against competition to protect the commercial interest of public port authorities at the expense of public interest. He also noted the inefficiencies in the management of ports and the fact that only a small number of private commercial ports are in operation. He then recommended the issuance of guidelines on local charges imposed by international shipping lines, and the promotion of private sector participation in port operations.

He also noted that currently, the Civil Aviation Authority of the Philippines (CAAP) plays multiple roles - that of being an airport operator and regulator of the aviation industry, with powers to undertake safety investigations. Dr. Basilio proposed the creation of a National Transport Safety Board which shall assume the role of CAAP in ensuring safety of passengers and undertaking investigations on airport concerns. He also proposed for the CAAP to remain



as the primary regulatory body in the aviation industry, and the transfer of its commercial operations to a new public enterprise to be known as the Philippine Airport Authority or Philippine Airport Development Corporation.

He likewise recommended the rescission of Letter of Instruction 1005-A, series of 1980, which authorizes the PPA to set the criteria to determine the qualified contractor or operator for all Port Districts in the country, to streamline the procedure for processing and selecting the awardees of special permits, memoranda of agreement and management contracts under its franchising-granting power, and to intensify the collection of all port charges, including the government share from all cargo-handling contractors, and all back accounts, among other mandates.

On the issue of high container freight rates, Dr. Basilio noted that cargo rates have steadily increased worldwide in 2019-2021 even during the pandemic, and peaked in July 2019 and October 2021.<sup>1</sup> He then identified that the lack of both a regulatory agency and regulations to oversee the determination/setting of charges imposed by international shipping lines are the reasons for the arbitrary impositions of local charges. He also raised concerns as to whether local taxes were paid thereon.

He then noted that the House of Representatives already passed in December 2021, House Bill No. 10575, which enhances the competitiveness of Philippine maritime trade by providing the appropriate regulatory framework for the efficient movement of goods, and prohibits international shipping lines to impose local charges other than those which are internationally-accepted and promotes competition among transport and logistic providers.

Dr. Basilio also discussed the third issue in infrastructure development, which is the development of the country's road network. He cited that the Philippine Road Network of 2020 is composed of 210,000 kilometers, of which 33,018

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<sup>1</sup> Source: Presentation of Mr. Michael Raeuber, CEO of Royal Cargo (Arangkada Forum, December 2021).

kilometers are national roads (comprised of primary, secondary and tertiary); and 177,595 kilometers are local roads (provincial, municipal, city, and barangay). He stated that as a percentage of the total road network, national roads which is under the mandate of the DPWH, comprises only 16% thereof. On the other hand, local roads and the development thereof are under administration of the respective local government units.

He observed that while the ratio of paved roads to unpaved roads in the national level is at 97.18%, local road development has only achieved a minimal 18.85%. He attributed the huge gap in development on LGU dependence on the Internal Revenue Allotment. Further, he emphasized that the local road networks are practically economic roads that should get therefore get more attention in terms of investment. He cited that improving provincial roads that comprise 35% of the local road network can cost around PhP705.9 Billion, which roughly translates to the one-year budget allocation of the DPWH. He then posited that if only the national government allocates PhP100 Billion for the development of all local roads rather than wait for the LGU concerned to have the capacity to undertake these projects, the economic turn-around that the country is aspiring for can be achieved at much faster rate.

He then noted the increasing fund allocations for the DPWH across all administrations -- under President Gloria Macapagal-Arroyo, the average annual DPWH budget was at PhP100 Billion; President Benigno S. Aquino increased it to PhP300 Billion; and during the administration of President Rodrigo R. Duterte, the amount reached PhP500 Billion.

Dr. Basilio also cited that the budget allocation for the development of farm-to-market-roads has also steadily increased over the years, from PhP7 Billion in 2016 with a target of 737 kilometers, to PhP11.8 Trillion in 2021, with a target of 830 kilometers.<sup>2</sup>

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<sup>2</sup> GAA 2016-2021

He also observed that even if the internal revenue allotment (IRA) for LGUs will increase by 20% when the Supreme Court ruling on the *Mandanas et al v. Executive Secretary* case is implemented, this will still not be substantial enough to pave all local roads. The DPWH, he said, should be given a bigger role in bridging the huge gap in local road development, noting that it still has to ensure the minimum specification and performance standards are met. He cited that if the government can allocate the estimated PhP705.9 billion over the 6-year term of an administration, then the local road backlog can be completed within that term. He opined that theoretically speaking, it is possible for LGUs to implement certain infrastructure projects through the DPWH if there is lack of LGU expertise in undertaking these, such as for procurement of projects or for construction supervision.

With regard to the need for a comprehensive law on transportation and the new provision in the amended rules and regulations issued with respect to the Build, Operate, Transfer (BOT) law on “Material adverse Government Action”, Dr. Basilio underscored that it is not a transport plan per se that is necessary, adding that the government regulator should be an “unbiased referee” and its acts should be beyond reproach. He cited that even shifting cargo from Batangas port to Subic port still requires a declaration by the Secretary, upon recommendation of the Philippine Ports Authority. In a properly regulated environment, there is no conflict of interest and the regulator has the capacity to manage regulatory risks and the ability to implement projects in a timely manner.

He also asserted that even if it is a private contractor who undertakes an infrastructure project, it should be incumbent upon the government to check compliance with the required permits, and to acquire the right-of-way (ROW) for the project. He cited the recently-passed law which requires ROW to be based not on zonal valuation but on market valuation. He expressed the hope that the new administration will focus on harnessing the resources and expertise of the private sector in infrastructure development to catalyze the country’s economic recovery.

To accelerate infrastructure development, he proposed the following: 1) Mandate the DPWH to undertake the construction of “economic roads” (provincial, city, and municipal roads); and 2) Allocate at least PhP100 Billion per year for 6 years to address local road gaps. He expressed optimism in the strategic potential of these measures to enhance connectivity and network development, provide seamless support to the supply chain, and improve road quality according to the National Road Standard. These can dramatically reduce transport cost, travel time, the incidence of accidents, and increase convenience in road utilization. It will also support the overall economic recovery programs of the government.

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## **MARY GRACE MIRANDILLA-SANTOS, PhD**

Vice President

Better Internet Philippines (BIP)

Doctor Grace Mirandilla-Santos of Better Internet Philippines (BIP) posited that digitalization or digital infrastructure remains to be at the core of the Philippines’ COVID recovery plan. She cited that a big part of digitalization refers to internet connectivity, and that better internet service refers to accessibility, reliability, affordability, and security. She, however, lamented that internet service is still not available in many barangays in the country, particularly in the rural areas, and where available, service remains to be expensive and slow. She explained that when compared with members of the ASEAN, the country’s internet service is of low quality in terms of accessibility, quality, and affordability.

She discussed how internet connectivity positively impacts a country’s economic growth as well as improves peoples’ ability to generate wealth by increasing household income, as much as 1.35 %- 1.38% of the Gross Domestic Product in the case of developing countries. She expounded that “better internet”

means has the following characteristics: 1) It is accessible - it is available in every community, not just in the city and municipal centers; 2) It is reliable - pertaining to the capacity to render stable and consistent connection as declared by the Internet Service Provider; 3) It is affordable - basic entry level internet should cost less than 2% of monthly Gross National Income per capita, or the average household income; and 4) It is secure - the connections and platforms preserve the confidentiality, integrity and availability of information and the activities that consumers do online.

Dr. Mirandilla-Santos pointed to the antiquated laws and other legal obstacles that tend to restrict market players, resulting in costly and inefficient services. She stated that these circumstances result to the stifling of competition and innovation. She emphasized that concomitant to improving internet connectivity is the improvement of cybersecurity and the mitigation of threats and other related cybersecurity risks. She underscored the need for policy reforms that address digital connectivity and cybersecurity challenges.

In addition, Dr. Mirandilla-Santos emphasized that before the onset of the COVID-19 pandemic, several provinces had very poor access to digital infrastructure, and the gap on internet service was experienced at the barangay level. She noted that majority of the barangays at the national level reported not having access to the following infrastructure: 63.7% did not have access to cellular towers; 70.2% did not have access to fiber optic cables; and 87.8% did not have access to free wi-fi. Moreover, regions like the Cordillera Administrative Region, the Oriental and Occidental Mindoro-Marinduque-Romblon-Palawan or Region IV-B, and the Bangsamoro Autonomous Region in Muslim Mindanao had the lowest free wi-fi connection rate of 3.3%, 1.6% and 0.9%, respectively.<sup>3</sup> She also revealed that majority of Filipino households have identified that the high cost of internet subscription is the main reason why they do not use the internet.

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<sup>3</sup> Department of Information Communication Technology (DICT)  
National ICT Household Survey, 2019

She also lamented that wired or cable internet providers have to contend with licensing concerns; lack of middle mile; costly and cumbersome acquisition of rights-of-way; and multiple permits and requirements. Moreover, only franchise holders can operate wireless internet services. She reported that at present, only the Philippine Long Distance Telephone, Globe and the Philippine Government own their respective cable stations, hence, to connect the country to the rest of the world, data transmission services should be open to all interested industry participants. Asked on whether or not it is feasible to remove the legislative franchise requirement for prospective internet service providers who are willing to operate in unserved and underserved areas, she referred to Republic Act No. 11032, or the Ease of Doing Business Act, and global best practices, which could be considered as basis to argue for the waiver of the franchise requirement in favor of a simplified qualification and registration process. But she also asserted that even if technological innovations are updated at a rapid pace, there is still a need to regulate the industry in the digital economy. She emphasized that 1) quality of service, 2) protection of consumers, 3) competition promotion, 4) data privacy, 5) cybersecurity, are the areas that still require policy regulation.

When asked about what the best technology is (satellite vs. fiber optic), Dr. Mirandilla Santos averred that it is not beneficial to recommend a specific technology for a particular area, and that a feasibility study is necessary to determine this. Generally speaking, international studies show that satellite technology is the most cost-efficient because it does not require terrestrial installations; however, a feasibility study is necessary to analyze cost impact given the different location and physical or geographical realities.

She then recommended consideration of the following reforms:

1. Enact a policy promoting open access in data transmission. The proposed measure should establish a regulatory framework for data and broadband transmission

2. Enact a law promoting the use of satellite-based technologies. Deregulate the use of satellite-based internet technologies to connect unserved and underserved communities
  3. Enact a Spectrum Management policy. Introduce transparency, equity, and competition in radio spectrum management
  4. Issue an Executive Order Providing for Minimum Information Security Standards. Improve the security of critical cyber information infrastructure for all public institutions
  5. Enact a Cybersecurity and Infrastructure Protection policy. Introduce a framework for protecting and promoting cybersecurity
  6. Introduce information security provisions in key digital legislation
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### **JANET S. CUENCA, PhD**

Director

Bureau of Trade and Industrial Policy Research

Department of Trade and Industry

#### **Review of the ‘Build, Build, Build’ Program: Implications on the Philippine Development Plan 2017-2022**

Dr. Cuenca presented her paper on the Duterte-led government’s Build, Build, Build (BBB) Program. She described the program itself and the projects that comprise it, and examined its implications on the targets of the Philippine Development Plan (PDP).

She stated that the study can guide the crafting of future public policy relating to accelerating infrastructure development and prioritization of infrastructure projects, considering the huge fiscal implications of the same.

## Overview of the BBB Program

Launched in 2017 to address the persistent issues and challenges in the infrastructure sector, the BBB Program was intended to accelerate infrastructure development and usher in the envisioned “Golden Age of Infrastructure” of the Philippines in the medium-term by: 1) intensifying investments on public infrastructure while addressing implementation bottlenecks, 2) ensuring readiness of infrastructure programs and projects in the pipeline, and 3) enhancing the absorptive capacities of implementing agencies in project preparation, development, and implementation.

The BBB Program covers priority infrastructure Programs, Activities, and Projects (PAPs) under the Public Investment Program (PIP) for 2017-2022 that are consistent with the objectives and strategies set out in the PDP (i.e. Chapter 19 on Accelerating Infrastructure Development). Projects under the BBB Program are likewise supportive of targets set out in the PDP Results Matrices (PDPRM).

The BBB Program consists of Infrastructure Flagship Projects that include major capital project undertakings. These projects are urgently-needed and are envisioned to be game-changing. The government is supposed to facilitate the processing, approval, and implementation of the identified flagship projects; and ensure that the identified flagship projects will be substantially implemented or completed by 2022.

Initially, there were seventy-five (75) high-impact projects included in the BBB Program. This list was revised in October 2019 to include more but smaller projects that were feasible in terms of technology and available funding (with 100 projects), but these were further revised in the 3rd quarter of 2020 due to challenges caused by the pandemic (with 104 projects).

Chapter 19 of the updated PIP identified 5,856 infrastructure PAPs on transportation, water resources, information and communications technology



(ICT), power, social, and other public infrastructure, amounting to total investment targets of PhP3.123 Trillion over the medium term.

Among the infrastructure implementing agencies, the Department of Public Works and Highways got the lion's share of the investment requirement, with over PhP1.312 Trillion for 1,095 PAPs, even more than the Commission on Higher Education, although the latter had more PAPs pegged at 2,711.

Based on the PIP investment Targets by Infrastructure Sector, the Transport sector got 74.4% of total investments, Water Resources got 12.89%, Social programs got 5.03%, ICT got 3.17%, Other projects got 2.70%, and Power projects got 1.76%.

Relative to IFPs, there were two completed projects including the Angat Water Transmission Improvement Project under water resources sector and Luzon Bypass Infrastructure Project under the ICT sector. Majority of projects were under the Transport and Mobility sector.

### **Implications of the BBB Program**

The spending priority given to infrastructure development in 2020 was remarkable at PhP 693.56 Billion, as against PhP 627.5 Billion in 2019, which was allotted for communications, roads and other transport subsectors. The said amount comprised 16.9% of total appropriations for FY 2020, which was higher than the budget share of the Education subsector under the Social Services sector.

Dr. Cuenca then compared the investment targets under the PIP (PhP 3.1 Trillion) and the budget for the IFP (PhP 4.1 Trillion), amounting to a total of PhP 7.2 Trillion or almost 91% of the PhP 8 Trillion budgetary requirement (in pursuit of the "Golden Age of Infrastructure" in the medium-term). Undoubtedly, the fiscal costs were tremendous.

She cited the arguments of the International Monetary Fund pertaining to infrastructure investments. First, the IMF espouses that increasing public investment in infrastructure is critical to maximizing its returns in succeeding years. Second, the full potential of economic benefits that may be derived from public investments in infrastructure has not been realized thus pointing to a need to improve the efficiency of public investment in the sector. Relative to the best-performing countries among emerging market economies, the country's efficiency gap was about 23% in terms of public investment in infrastructure.

Although the quality of infrastructure was perceived to be good, the IMF in 2019 observed that the Philippines could generate more and better infrastructure per capita by reducing the cost of production. Increasing public investment management efficiency to maximize spending is critical for the Philippines to achieve its infrastructure needs.

The PDP/PDP Results Matrices Linkage, a document that identifies societal goal, intermediate goals, and identified outcomes as well as the indicators, aggregate outputs, and targets for each sector that are necessary for the performance assessment, identified the PDP's intermediate outcomes under the strategic framework for accelerating infrastructure development, which include: (a) efficiency, transparency, and participation in governance is enhanced, (b) competitiveness and productivity of economic sectors increased, (c) gaps in basic infrastructure for human capital development reduced, (d) safety and security against natural and man-made disasters, especially for the poor, improved, and (e) innovative solutions and technologies encouraged/adopted to increase growth potential. However, Dr. Cuenca observed that thus far, she has not seen a report that shows the actual accomplishments under the PIP.

Dr. Cuenca also noted that even before the ruling on the Mandanas *et al* v. Executive Secretary case, the function to undertake the construction and maintenance of roads was already devolved to LGUs, but that the reality is that

the latter only has limited funds, such that it is the DPWH which now maintains local roads. Moreover, when funds are downloaded to LGUs, allocation becomes discretionary upon the them and so there is no certainty as to the amount of funds that can be allocated for local road development.

## Conclusion

Dr. Cuenca underscored that the potential benefits of the BBB Program are great, especially when reckoned in the context of the PDP Results Matrices. However, it is equally important to examine the contributions of BBB Projects in attaining annual PDP targets given the Program's huge fiscal costs. Notably, the combined budget requirements for priority infrastructure PAPs in the updated PIP and listed IFPs (as of August 19, 2020) amounted to PhP 7.25 Trillion, which is about 91% of total cost estimates over the medium term.

Consequently, strengthening public investment is critical in maximizing the return from infrastructure investment in succeeding years. Public infrastructure investments have brought about the full potential of economic benefits and thus, there is a need to improve public investment efficiency.

In terms of actual projects, the August 2020 list of IFPs shows a responsiveness to PDP targets in the areas of ICT, transport and mobility, water resources, and power and energy. Nevertheless, Dr. Cuenca pointed out, there were no major capital projects to address PDP targets in the area of social infrastructure such as school buildings and health facilities, and technology adoption and innovation. The attainment of relevant PDP targets will depend heavily on priority PAPs in the PIP.

Dr. Cuenca suggested that the actual contribution of the BBB Program in achieving PDP targets can be determined through NEDA's monitoring of various projects and their accomplishments in the context of the PDP Results Matrices. A study on how far the various projects under the BBB Program has met targets

(actual accomplishment vis-à-vis targets) is useful information that can guide implementers in identifying issues and challenges and subsequently draw up appropriate policy measures. Data and information that the NEDA will gather will be useful in assessing the real impact of the BBB Program on the economy and wellbeing of the citizenry.

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## **VICTOR ANDRES “DINDO” MANHIT**

President

Stratbase Albert Del Rosario (ADR) Institute

### **Is the Philippines digitally-ready?**

At the outset, Prof. Manhit posed the question as to whether the Philippines is indeed digitally ready. For instance, statistics show that only 63% of the adult population in the country use the internet. Moreover, internet use is not distributed equally, with NCR recording 84%, the rest of Luzon at 65%, Visayas at 62% and Mindanao at 47%. The Institute for Management Development (IMD) also revealed that the Philippines' digital competitiveness dropped 12 places, from 46<sup>th</sup> in 2017 to 58<sup>th</sup> in 2021.

He reported that in terms of digital skills, the Philippines ranked 12th out of the 19 East Asia and Pacific economies based on multiple factors that underpin digital skill levels. Weak and under-resourced education systems and worker resistance to reskilling and upskilling remain as significant challenges. Prof. Manhit averred that the country needs to equip people with sufficient skills so that they can secure gainful employment.

He also noted the state of the country's cybersecurity, citing Kaspersky's global ranking which placed the Philippines at 4th in terms of the number of

online threats. The International Telecommunications Commission (ITU) Global Cybersecurity Index placed the Philippines 13th out of 18 selected Asia-Pacific countries that lag behind ASEAN neighbors such as Thailand, Indonesia, Malaysia, and Vietnam.

### **The Philippines as an emerging digital economy**

Despite this low digital performance, Prof. Manhit posited that the advancement of the country as an emerging digital economy cannot be gainsaid. The pandemic catalyzed the growth of the digital economy, doubling its size to US\$17 Billion, and introducing 12 million new digital consumers, driven by government initiatives and mass digital adoption due to the pandemic. In fact, the Philippines is the fastest growing digital economy in Southeast Asia, with a projected valuation of US\$40 Billion by 2025.

Prof. Manhit averred that businesses are increasingly using digital platforms and will continue to do so in the future. Statistics show that 39% of consumers believe that they would not have survived the pandemic if not for digital platforms, the average number of which were used to access consumer demand online. The majority of digital merchants are likely to increase their usage of digital financial services or digital tools, as digital platforms have clearly made businesses more resilient to the pandemic.

Based on a survey conducted by the Social Weather Station (SWS) in October 2021, 89% of respondents agreed that the benefits of digital technology such as strong cell phone signals, fast e-banking and social media can greatly help create jobs and businesses. This shows that digital technology is widely-accepted. Likewise, 94% of respondents agree that the government should build, upgrade, and extensively expand the country's digital infrastructure to improve speed, reliability and access to the internet nationwide, while 82% of respondents agreed that the growth of the Philippine economy will be accelerated if the government collaborates with the private sector in improving the state of digital infrastructure and services.

## Policy recommendations

Given the issues in key areas like internet usage and access, digital skills, and cybersecurity, and the inevitable transition of the country to a digital economy, Prof. Manhit recommended the consideration of certain policy reforms.

He emphasized that the government must invest in digital infrastructure and accelerate the implementation of the National Broadband Plan. In this regard, he forwarded the recommendation for the Government to invest in strategic digital infrastructure that are aligned with ongoing private telecommunications network expansion and upgrading. As the SWS survey showed, even the public at large believes that a meaningful collaboration between the public and private sectors will accelerate the growth of the Philippine economy.

Professor Manhit cited recent developments that require investments in the field of power and telecommunications resilience and recommended the adoption of new policies and the passage of legislation that will promote climate change resiliency and sustainable development such as through the establishment of criteria for the upgrading and modernization of infrastructure services. He also proposed a review of the Retail Competition and Open Access Act (RCOA) issuances of the Department of Energy and Section 31 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA) to allow more industries and businesses to utilize renewable energy. For instance, if telecommunications companies were allowed to utilize solar energy in their telecommunications towers, then efficiency may increase and costs are reduced.

The government’s institutional capacity to enforce existing anti-cybercrime laws also needs to be developed, and the capacity of the PNP-Anti Cyber Crime Group (ACG) to deploy anti-cybercrime technologies needs serious funding allocations and partnerships with cybersecurity providers. In particular, the Government must enhance protection against online sexual abuse and exploitation of children and against online piracy.

In the case of OSAEC, government regulators, internet service providers, law enforcement officers, and legislators should establish an integrated framework for responding to OSAEC-related cases. Some policy gaps that need to be addressed pertain to: (i) provisions in Republic Act No. 4200, otherwise known as the "Anti-Wiretapping Act," which mandates that evidence of OSAEC violations secured through wiretapping is deemed inadmissible; (ii) prohibition in Republic Act No. 10173, otherwise known as the "Data Privacy Act of 2012," on the release of personal information of OSAEC violators by personal data controllers thereby hampering OSAEC investigations; and (iii) Republic Act No. 10175 or the "Cybercrime Prevention Act of 2012," where real-time collection of traffic data has been declared unconstitutional, hence, prohibiting ISPs from sharing OSAEC-related traffic data with law enforcement agencies.

He also observed that the country will be denied a vibrant digital economy if online piracy continues to proliferate. Hence, Prof. Manhit urged the government to empower ISPs so that they can immediately access information about instigators of intellectual piracy as soon as they are detected, and to institute site blocking mechanisms. He also cited a need to establish a solid Intellectual Property Regime to safeguard intellectual property rights.

On the allegation that the Republic Act No. 9136, or the Electric Power Industry Reform Act of 2001, brought about higher electricity rates even with its retail competition and open access provisions, Dr. Manhit admitted that the country needs more investments on power generation. He averred that if the country allowed more players and renewable energy companies to participate in the industry, then costs will go down, and will be beneficial to end users.

## **Conclusion**

In sum, Prof. Manhit urged the government to harness the expertise and experience of the private sector to develop the country's digital competitiveness in an ever-evolving digital global economic environment.

He averred that the country needs a people-centric approach that will harness digital technology as power tools that will help the country prosper in a rapidly evolving digital landscape. Digital readiness, he underscored, is about empowering people and adopting a development governance mindset and requires a developmental paradigm shift from backward, cumbersome, and corruption-prone bureaucratic processes, and to a solutions-focused one that fosters efficiency, transparency, accountability, and growth.

Professor Manhit observed that the growth of the digital economy in the country shows the ability of Filipinos to innovate regardless of the slowness of government action. Despite the catching up that the country has to do vis-s-vis the global pace of digitalization, the Filipino people are using what they have and trying to learn as fast as they can on their own. Thus, if the Philippines were to venture successfully into the emerging digital economic system, the country's next leaders must be champions of digital transformation as a strategy for recovery, inclusive growth, and global competitiveness.



## Domain 5

**Strengthening Industry and Services and Enhancing Productivity**

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**ATTY. ELMORE O. CAPULE**

Senior Assistant Governor and General Counsel  
Bangko Sentral ng Pilipinas

At the outset, Atty. Capule commended the performance of the 18th Congress which passed several laws geared towards pump-priming the economy to hasten the country's recovery from the ill-effects of the pandemic. He also expressed hope for the possible passage of the bill amending the Agri-Agra Credit Act of 2009 which requires banks to allocate at least 25% of their total loanable funds to the agriculture sector, with a 10% quota set for agrarian reform beneficiaries.

For the 19th Congress, he said the Bangko Sentral ng Pilipinas (BSP) is recommending the passage of five priority policy reforms, namely: 1) amendments to the Secrecy of Bank Deposit Law; 2) a law mandating the protection of the integrity of currencies used in the Philippines; 3) a law regulating money service businesses (MSBs); 4) a law regulating digital payment transactions; and the 5) a law regulating the use of financial accounts.

Atty. Capule averred that the current law protecting the secrecy of bank deposits is already obsolete and that the Philippines is the only country to date that has a law constraining the prudential supervision of its central bank since it restricts the depth of information and records that the BSP can look into. The World Bank and the International Monetary Fund jointly recommended the grant to the BSP of unimpaired access to information on all customer accounts, and the ability without constraints, to employ and share depositor information for any prudential purpose in order that it can fulfill its supervisory mandate and address safety and soundness concerns.

Atty. Capule suggested the passage of a measure that authorizes the BSP to look into or examine bank deposit accounts of the stockholders, owners, directors, trustees, officers or employees of an entity that is subject to the supervision of the BSP, the representative or agent, the related party, or any of the conspirators of the person involved in fraud, serious irregularity or unlawful activity, including those identified during the course of the BSP's investigation of closed banks. The data or information gathered therein shall be for the exclusive use of the BSP and shall not be shared with any person or entity except the Securities and Exchange Commission, Philippine Deposit Insurance Corporation, Anti-Money Laundering Council, Department of Justice, and the courts, provided that the sharing is necessary to prevent or prosecute any offense or crime. Atty. Capule stressed that the proposed amendment will result in the effective implementation and enforcement of laws and rules and regulations on anti-money laundering and anti-financing of terrorism (AML/CFT), and consequently, the country's exit from the Grey List of the world's central AML organization, the Financial Action Task Force (FATF). He emphasized that being grey-listed results in the increase in the cost of transacting with foreign financial institutions and delay in transactions, which could mean a 2-4% reduction in annual foreign currency remittances. Countries in the grey list may experience any of the following: 1) face economic sanctions from the International Monetary Fund (IMF), World Bank, and the Asian Development Bank; 2) problem in getting loans from these multilateral financing institutions and other countries; 3) reduction in international trade; and 4) international boycott.

Ultimately, the proposed reform will support the country's economic recovery and higher growth aspirations, as well as bolster the public and the global community's trust in the country's domestic banking system. The proposal, he said, is being supported by numerous Philippine and foreign business groups.

Atty. Capule cited the following objectives of the proposed measure to regulate the use of financial accounts: 1) reinforce the continuing efforts of the BSP to

maintain and protect the integrity of the currency; 2) address new forms and methods of counterfeiting using new and advance technology that endanger the integrity of banknotes and coins in Philippine currencies and acceptable foreign currencies; 3) minimize the financial losses incurred by BSP in infusing more notes and coins to the financial system; 4) promote the circulation of coins and their primary purpose as a medium of exchange and address artificial coin shortages that pose reputational risk to BSP; and 5) obviate any gaps and questions on the sufficiency of the authority of BSP to investigate, make arrests, and conduct searches and seizures in criminal acts concerning currency. In addition, he said the proposed bill aims to address the growing cost of minting (the process of producing coins) of low-denomination coins such as the 1 and 5 sentimo coins, and expand the coverage of punishable acts under the Revised Penal Code in relation to Philippine and foreign currency notes and coins and increase penalties therefor.

He also cited the proposal for the passage of a law that shall regulate MSBs. He discussed the need for a specific legal framework governing MSB transactions, and a clear policy providing for BSP's powers and functions in relation to the supervision, examination, regulation and licensing of MSBs, taking into account international best practices. He asserted, that this will effectively fulfill the primary objective of the BSP to maintain price stability and provide an environment that shall be conducive to a balanced and sustainable economic growth.

He also discussed the proposal to enact a law regulating digital payments which is aimed at facilitating transactions, arrangements, or exchanges of goods and services by promoting the universal use of safe, affordable, and efficient digital payments in financial transactions of the government and the general public. The proposed measure is aligned with the National Government's mandate to adopt digital payments for government disbursements and collections. Atty. Capule highlighted the potential of the digital mode of payment to facilitate the disbursement of government funds and collection of payments, promote

financial inclusion, reduce the risk of graft and corruption, and thus generate greater savings for the government. Likewise, he said the proposed measure is consistent with the BSP's Digital Payments Transformation Roadmap of converting at least 50% of the total volume of retail payments into digital form and having at least 70% of Filipino adults onboard the formal financial system by 2023. He noted that a similar measure has been approved in the House of Representatives but it is still pending in the Senate.

Atty. Capule briefly discussed the proposal to regulate the use of financial accounts which is aimed at providing a deterrent to financial cybercrimes, and protecting the financial industry and the transacting public by regulating and criminalizing the acts of money mules, social engineering schemes such as phishing, and other offenses in relation thereto. It also seeks to empower the BSP by granting the BSP the authority to investigate cases involving violations and apply for cybercrime warrants and orders mentioned in Chapter IV of Republic Act 10175 or the Cybercrime Prevention Act of 2012. Moreover, the proposed bill is envisioned to facilitate the coordination between the BSP and law enforcement agencies such as the cybercrime units of the National Bureau of Investigation and Philippine National Police in the investigation of cases and in enforcing and implementing cybercrime search warrants and related orders.

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### **RAFAELITA M. ALDABA, PhD**

Undersecretary

Competitiveness and Innovation Group

Department of Trade and Industry

### **The economic performance of the industries and services sector**

Undersecretary Aldaba shared that just before the pandemic, the Philippines was an economic star, driven by strong and sustained manufacturing and

services growth for 10 years. She said the average annual growth rate of the manufacturing and services sectors declined to just -9.8% and -9.1%, respectively in 2020, but eventually rose to 8.8% and 5.4%, respectively in 2021. However, the agriculture, forestry, and fishing sector continued to post negative growth rate from 2010 to 2021.

Despite rapid growth in manufacturing and services in recent years, she said structural transformation remains elusive as the share of manufacturing to both output and employment remains stagnant. While the Philippine economy is considered to be a service-oriented economy, services activities are concentrated in low-value and less productive sectors such as wholesale and retail and repair of motor vehicles and motorcycles.

She reported that the Philippines depicts a unique trend compared to its ASEAN peers in terms of industrialization, because its manufacturing share has been on a downward trend except at the start of 2010 when the economy showed a manufacturing resurgence. Such resurgence, she said, must be sustained in order to absorb low-value employment in the agriculture sector.

In terms of international trade, the country's trade participation has increased over the years (share of total trade to the Gross Domestic Product: 55% in 2000; 65% in 2021) but has been characterized by greater import dependence vis-à-vis export performance, particularly in the export of goods. From P333 billion in 2000, the country's trade deficit has risen to P1.82 trillion in 2021. She attributed this to the huge trade deficit in manufactured goods which, she pointed out, was cushioned by significant trade surpluses in services. She added that while the country's exports of electronics, machineries, and information and communications technology services has increased, it still lags behind its ASEAN neighbors in terms of export volume and export diversification.

The country was able to attract more foreign direct investments throughout the years which led to the accumulation of more productive capacity in the domestic economy. Investments led to greater export capacity and participation in different global and regional value chains. However, the country's level of investment is still dwarfed by the investment inflows into other ASEAN countries.

With regard to labor productivity, Undersecretary Aldaba stated that there is a momentum of continuous growth that is driven by productivity in the industry and services sectors. She also shared that while agriculture remains to be the least productive, it has posted significant growth in recent years.

### **The Industrial policy for economic recovery, digital transformation poverty alleviation and shared prosperity**

At present, the Department of Trade and Industry (DTI) is implementing a new growth model, the Inclusive Innovation Industrial Strategy(i3S) framework. It builds on the competition-innovation-productivity nexus that serves as channel through which investments, employment, and growth are generated. The goal of the new growth model is to enhance productivity for sustaining economic growth propelled by innovation-centered and science and technology-based industrialization. Implementing this new model along with horizontal policies, Dr. Aldaba averred, will unlock economic opportunities by addressing the major constraints to industrial growth which include complex or costly business procedures; high cost of power, domestic shipping and connectivity; lack of ports, airports, and road infrastructure; lack of raw materials and parts in the domestic market; lack of skilled workers; and weak linkages in manufacturing, agriculture, and services, among others.

Under the i<sup>3</sup>S framework, a dynamic industry ecosystem will be achieved through the following: innovation and entrepreneurship that shall promote research commercialization and the creation of new products, services, and business

models; upgrading or improvement of workforce skills particularly digital skills; establishment of linkages between manufacturing, agriculture, and services; and an enabling economic environment through local government unit (LGU) competitiveness, automation, simplification of processes, and the provision of sufficient energy supply, logistics services and infrastructure across the country.

Undersecretary Aldaba averred that innovation in the Philippines has been gaining momentum and that the country has remained resilient in this area even with the pandemic. Based on the Global Innovation Index, the country continues to perform above expectations for its level of development and was awarded as “innovation achiever” for the third time in 2021. Nonetheless, she said the country still needs to overcome barriers and challenges as its innovation rankings remain low in the following fields: expenditure on research and development (R&D); digital infrastructure or connectivity; investments on artificial intelligence; availability of scientists and engineers; scientific and technical publications; and patent applications.

Undersecretary Aldaba also cited the DTI’s 2019 Survey on Technology Utilization of Manufacturing Companies in the Philippines which revealed that most manufacturing micro, small and medium enterprises (MSMEs) in the Philippines are either in the “very low” or “low” technological readiness category in relation to Industry 4.0. Synonymous with smart manufacturing, Industry 4.0 is the realization of the digital transformation in industry or manufacturing that is expected to facilitate real-time decision making, and enhance productivity, flexibility and agility. (Source: IBM website). Barriers to Industry 4.0 transformation include lack of financial capability; enterprises not familiar or not considering transitioning to industry 4.0; poor digital infrastructure; lack of skills, knowledge, and expertise; market conditions; and other related reasons. These barriers can be surpassed through the implementation of internal corporate strategy reforms, the widening of access to loans to fund transition costs, in-house R&D, and skills development and management training.

Undersecretary Aldaba observed that overall, Philippine manufacturing still has low technology utilization: 58% have no manufacturing equipment connected to the network; 53% control and track manufacturing activities manually through a paper-based system; 46% have no established cyber security procedures and programs; 44% have no maintenance system and repairs are done reactively; 35% control documents and collect data using paper-based approach; and only 6% start work orders via an advanced planning and scheduling system interfaced with a manufacturing execution system (MES) that uses predictive analytics.

Accordingly, the top five manufacturing industries which recorded the highest overall technology utilization are those that deal with: other non-metallic mineral products; 2) paper and paper products; 3) computer, electronic and optical products; 4) motor vehicles; and 5) pharmaceutical products. Relatively, large foreign-owned, ecozone locators and exporting manufacturers have recorded the highest technology utilization across all manufacturing dimensions in the country.

To boost innovation and digital transformation in the manufacturing sector, the DTI has partnered with leading technology companies and global development partners. This partnerships are expected to facilitate the adoption of the Smart Industry Readiness Index (SIRI) in the Philippines. SIRI, developed by the Singapore Economic Development Board, is a suite of frameworks and tools intended to help manufacturers – regardless of size and industry – start, scale, and sustain their manufacturing transformation journeys. It covers three major blocks, namely: Process, Technology, and Organization which are each comprised of pillars and dimensions that shall be used in the assessment of Industry 4.0-readiness of enterprises. This assessment will guide enterprises in formulating their respective Industry 4.0 transformation roadmaps.

In line with the abovementioned initiatives, the DTI is working on the establishment of an Industry 4.0 pilot factory which will house cutting-edge



manufacturing technologies like advanced robotics, intelligence-of-things which is the integration of artificial intelligence technologies with internet-of-things or the network of physical objects connected to the internet, drones, and virtual and augmented reality for factory simulations, among others. It is also establishing an SME Academy and Innovation Center to promote manufacturing innovation and develop the human resource capabilities of small and medium enterprises to ensure resilience and competitiveness in the Fourth Industrial Revolution. Training, demonstrations or simulations, and case applications of Industry 4.0 technologies and solutions will be conducted in the Pilot-Factoring in the SME Academy to accelerate the digital transformation of Philippine enterprises.

With the creation of the proper environment and implementation of innovation-centered programs through the Philippine i3S, domestic firms and industries can unleash their full potential and take advantage of market opportunities, overcome challenges, and act as an engine for sustained inclusive growth, job creation, and poverty reduction.

Undersecretary Aldaba also highlighted the recent passage of Republic Act No. 11697, or the Electric Vehicle Industry Development Act that aims to build the electric vehicle ecosystem and make the Philippines a manufacturing hub for electric vehicles and strategic electric parts for both the local and export markets. She also reported that the DTI has implemented incubation and acceleration programs for startups pursuant to Republic Act No. 11337, or the Innovative Startup Act, which aims to assist startups validate their solutions and scale up within and outside the Philippine market. Since 2017, the DTI has featured 121 Philippine startups in 26 international events in 10 countries located in 3 continents.

Other key laws enacted from 2018 onwards that will foster competition, innovation, boost investments, and bring in new technologies, capital, new business models, and know-how, and will create an enabling environment for innovative businesses are the Philippine Innovation Act, CREATE law, Ease of

Doing Business Act, and laws amending the Retail Trade Liberalization Act, Foreign Investment Act and the Public Service Act.

In addition, Undersecretary Aldaba cited some key DTI programs currently being implemented such as the Creative Industry Development Program, aimed at providing strategic directions for the development of Philippine creative industries, which are expected to lead to improved competitiveness, enhanced capability, increased productivity, export promotion and development, and compliance with global standards for greater market access. Program components include live entertainment and performing arts; audio visual sector, specifically film; animation; game development; marketing services; creative process outsourcing; and creative freelancers.

She also informed that Regional Inclusive Innovation Centers (RIICs) have been created and are geared towards connecting and integrating the innovation and entrepreneurial ecosystem of the country. These RIICs are a network of innovation agents that shall collaborate to commercialize market-oriented research and spur competitiveness, which ultimately will result in the generation of better employment opportunities, more entrepreneurial activities, and sustainable economic prosperity in the regions. These innovation agents include industries, universities, government agencies, LGUs, startups, MSMEs, R&D laboratories, science and technology parks, incubators and investors, among many other agents in the ecosystem. To date, more than a hundred MSMEs have been assisted by RIICs, more than 80 industry-academe R&D projects have been initiated, and more than 40 higher education institutions have been tapped to participate in RIIC-facilitated activities and programs.

### **Suggested legislative priorities for the 19th Congress**

The DTI has formulated the Securing Manufacturing Revitalization and Transformation (SMART) Program to encourage the engagement of the manufacturing sector in innovation and digital transformation activities. The program aims to support the adoption of Industry 4.0 technologies, solutions,

and business models; industry-led innovation and R&D; global value chain upgrading; standards development; and technology-intensive investments especially in rural areas. It fully supports the flagship industrial strategy of the Government as it is consistent with the Philippine Development Plan, the i3S, and the inclusive Filipinnovation and Entrepreneurship Roadmap, which contains strategies that are expected to enhance the ability of businesses to seize market opportunities and address the challenges of the Fourth Industrial Revolution. The DTI is seeking funding support for this program.

The DTI is also proposing the allocation of P25-30 billion to support small, medium, and even large companies for a period of 3 years through soft loans, vouchers, incentives (through the Strategic Investment Priority Plan), better standards, safeguards, the reduction of trade barriers, and the provision of fixed investment or production volume incentives similar to the Comprehensive Automotive Resurgence Strategy program.

Undersecretary Aldaba also recommended the passage of a law establishing the national quality governance infrastructure to boost the competitiveness of Philippine industries as well as to ensure the manufacturing and provision of safe and quality products and services, respectively.

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### **RAMONETTE B. SERAFICA, PhD**

Senior Research Fellow

Philippine Institute of Development Studies

Dr. Serafica used the Porter's Diamond Model to frame her comments. According to the model, the government does not control competitive advantage and can only influence it through policies that have the following four (4) characteristics:

it enhances a country's position in the factors of production relevant to the industry; it raises the quality of domestic demand necessary for upgrading; it ensures the presence of supporting and related industries; and it influences firm strategy, structure, and rivalry to encourage competitive behavior. The role of policies is to stimulate dynamism and upgrading.

Dr. Serafica pointed out that to achieve high productivity, an industry must have access to the factors of production such as education and training, science and technology, and infrastructure that includes digital connectivity. According to Porter, what is important is how these factors are created, upgraded and made more specialized to a particular industry. The efforts to upgrade must always be ongoing and not just a one-time investment, because world standards continually change. Thus, Dr. Serafica explained, certain factors which are relevant in developing knowledge-based industries must be prioritized, and these are human resources, infrastructure, digital connectivity and technology, and policies strengthening intellectual property protection.

She also referred to the factor of "demand condition" which Porter defined as the single most important factor to measure competitive advantage particularly in services that are intangible. She explained that through spending, the Government can help boost domestic demand of goods and services. According to Porter, what is important is the quality of demand and that the policy side must principally lean towards improving the quality of domestic demand. Porter also propounded that the role of the government is to be a buyer of many goods and services. She proposed the adoption of key strategies that can intensify demand conditions and spur innovation in services such as providing consumer protection, education, upskilling and retooling of workers, promoting a culture of high quality of Philippine products and services, encouraging more participants in government procurement through a more liberalized accreditation process, and for government to take the lead role in procurement of goods and services.

Dr. Serafica also discussed the importance of “related and supported industries” which consists of clusters and networks and regional policy. She averred that a country must have globally competitive suppliers and buyers because its success is measured not by achievements in isolated industries but in clusters of industries that are linked through vertical and horizontal relationships. It has been observed that employment and productivity growth are higher in clustered industries and firms belonging to industrial districts tend to have higher rates of return and are more innovative. Another way to support innovation in industries is through networking. Joining and being a member of a network is all about cooperation and this can be forged either through formal or flexible agreements. It can be facilitated through geographical proximity, institutional coordination and physical opportunities, shared spaces and facilities and international communication. Relative to this aspect, Dr. Serafica suggested that the government should address failures in market coordination that prevent growth in clusters and networks or those that discourage collaboration and innovation.

Finally, she discussed the importance of “firm strategy, structure, and rivalry” or the context in which firms are created and managed. This consists of competition and trade policies, investment liberalization, and export promotion. Dr. Serafica cited Porter’s concept that in areas without competition, a dominant and domestic firm will rely on local factor cost instead of investing in upgrading. Thus, competition, enabled by a strong competition policy, will accelerate the rate of upgrading in an economy.

Dr. Serafica concluded by reiterating key policy areas needing priority action and emphasized the need for specific measures that intensify demand conditions, improve regulatory governance, and ensure decent work in the digital economy. She also underscored the importance of the passage of policy reforms that foster digital workforce competitiveness, protect freelance workers, promote digital careers, and the establishment of a framework for national digital transformation.

**MARIA SOCORRO G. BAUTISTA, PhD**

Professor

School of Economics

University of the Philippines

In her commentary on the presentation of Atty. Capule, Dr. Bautista stated that the role of the *Banko Sentral ng Pilipinas* (BSP) in monetary policy is traditionally on the demand side. She stressed that it is also important that the BSP help the supply side of the economy in relation to strengthening industries and services and enhancing productivity. She explained that in a broader sense, the BSP contributes to macro stability by controlling inflation, which affects real interest rates and which consequently impacts on consumption, savings, and investment decisions.

On the role of BSP as a regulator, Dr. Bautista opined that the bank secrecy law plays a big role in constraining bank supervision. Thus, she recommended the repeal of the law to enhance the BSP's ability to access information on bank deposits. She said the law should not only punish tax evaders and money launderers but should also improve the conduct of monetary policy and supervision of the financial system. She suggested that data on deposits should also be available to other departments of the BSP and to researchers like herself. She conveyed that the approval process is quite rigorous for researchers because a permit has to be secured from the Monetary Board before data can be accessed. She emphasized that access to information is key in improving monetary policy and in enhancing inclusivity especially for MSMEs.

Dr. Bautista also underscored that in ensuring compliance with the law, or in providing for deterrence against acts that are contrary to law, it is important that policymakers not only increase the penalties against violations, but actually provide the certainty that violators are actually punished. Taking note of the safe

harbor clause in the proposed bill amending the Secrecy of Bank Deposits Law, she posted the question on who will be responsible for making the decisions on whether or not a suit is frivolous. She opined that what is important is the certainty of punishing those that will be caught violating the law and not just merely increasing the penalty for breaching the law. Citing the incident of the Bangladesh cyber heist where a Philippine bank was implicated, Bautista noted that up to the present time, the public does not have any knowledge on whether the parties involved were truly apprehended. She emphasized that even with good laws, the expected results from reforms may not be achieved if they are not implemented properly.

Another concern Dr. Bautista raised is the inclusion of the Philippines in the FATF Grey List which has subjected the country to increased monitoring for “dirty money” threats. A challenge to the BSP, she said, is for the Philippines to be eliminated from the grey list.

Dr. Bautista expressed doubts on the necessity of another law mandating the protection of the integrity of currencies citing that there is already a law that punishes acts of counterfeiting.

In relation to the proposal for the enactment of a policy regulating the use of financial accounts, Dr. Bautista asked how this proposal is different from the thrust and coverage of Republic Act No. 10175, or the Anti Cybercrime Act of 2012. She noted that the presentation of the BSP recommended for the proposed law to provide it with the power to investigate and apply for the issuance of cybercrime warrants. She raised the point that it may be cumbersome for the BSP to be deeply involved in policing cyber criminals which is not one of its core functions. She suggested that for purposes of monitoring, it may be sufficient that the BSP refers information on incidents involving phishing or other cybercrimes to the National Bureau of Investigation.

On the proposed Digital Payments Act, Bautista emphasized that improving the security of transactions will not only protect consumers but more importantly, bolster the trust of foreign investors in the banking system.

Reacting to figures showing the manufacturing growth rate in the Philippines (an average of 5.6% from 2010 to 2019), Dr. Bautista observed that the Philippine manufacturing industry has not really soared higher than 4 or 5% in the past two (2) decades, which is decidedly low when compared to the average manufacturing growth rate posted by Malaysia, at 18%. She also noted that during the 2009 financial crisis, the growth rate of the manufacturing sector dipped, but not as much as was observed in the services sector.

She also agreed with the observation that the services sector is highly concentrated in the low value sector. According to Dr. Bautista, this is not wrong as long as it is prevalent in populated areas. She also underscored that inducing activity in the high quality service sector which includes the business process outsourcing industry does not necessarily mean hiring employees with college degrees, citing a study that shows that the highest rate of unemployment is sometimes depicted in urban centers where many residents have college degrees.

To help the economy recover and become resilient, Dr. Bautista suggested for the country to transition first into a digital economy. She also explained the difference between a financial crisis and a health crisis like the COVID-19 pandemic. In a financial crisis, the BSP can offer blanket protection for all bank deposits to maintain the confidence of the public. Unfortunately, during the COVID-19 pandemic, the Philippine economy suffered massively due to continuing structural problems.



In relation to the law liberalizing the entry of foreign investments, Dr. Bautista emphasized that it is important that the country is able to acquire new technologies from such investments.

With regard to the recently-enacted Electric Vehicle Industry Development Act, Dr. Bautista asked whether the aim of the government is to manufacture electric cars in the Philippines or to help industry players in the market find areas of comparative advantage in the new economy. She recommended increasing government investments in public goods that will provide certain advantages to market participants. This, she said, will make the Philippines more attractive to investors.

## Domain 6

### Promoting Global Security and International Cooperation

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#### **H.E. CARLOS D. SORRETA**

Ambassador Extraordinary and Plenipotentiary  
Philippines

At the outset, Ambassador Sorreta averred that “security” has always been central to the practice and study of foreign policy and international politics. He emphasized that for foreign policy to be at its strongest, there should be some national consensus behind it. He acknowledged the very significant role of Congress in developing this consensus by contributing to the policy dialogue, supporting political and policy decisions and by allocating the necessary resources.

Ambassador Sorreta explained that national and global security has six dimensions: military, political, economic, societal, environmental, and human security. He stated that whenever conflicts arise between groups of people, there emerges the need for arms and to defend one’s territory and people; hence, the military dimension. The political dimension refers to the stability of the government and the ability of its leadership to secure itself and act independently, and to some extent, it pertains to the intent or capability to pursue certain ideologies. The economic dimension denotes resources and fiscal stability. The societal dimension covers language, culture, identity, and values systems, especially those related to liberal democracy. The environmental or ecological balance dimension includes climate change, and natural and health disasters. The human security dimension is anchored on the right of citizens to live in freedom and dignity, free from poverty and despair, and with equal opportunities to enjoy their rights and develop their potential.

He underscored that according to the United Nations (UN), human security does not entail threat, or the use of force or coercive measures, and that human security cannot and does not replace State security. He added, however, that when States fail to respond to a human security crisis, others not involved in the conflict, whether State or non-State actors, feel free to act even without the mandate of the UN, reflecting the frustration of civil society on the latter's inability to deal with serious human security problems.

Ambassador Sorreta informed that national and global security have largely been state-centric and that, when it comes to security, the UN Charter deals only with States, as exemplified by the "non-force or force actions" under its Chapter VII (Actions with Respect to Threats to the Peace, Breaches of the Peace, and Acts of Aggression) which are all measures in the context of states. He posited that to achieve security under such military or physical defense context, there are three options that a State may consider taking – deterrence, arms control, or disarmament, the first being the prevailing mode. Even in deterrence, however, an arms race could result when States try to build up their own defensive capabilities. So, in formulating its security plans, a State invariably has to define who "the enemy" is. Ambassador Sorreta underscored that this is critical because the State's posture is defined by it. He proffered that conceptually, the enemy is not another State but mistrust, and the potential for misunderstanding and miscues.

He discussed two schools of thought on international relations – *realism*, the dominant outlook, and the *liberal and normative approach*. Advocates of the latter believe that norms regulate power; for realists, however, power and interest dominate policy. According to the former, States exist within an international system which has no order and where, ultimately, security will depend on the States' capability and their power to further their respective national interests. Realists contend that as long as the world is divided into nation-states, national interest will remain the essence of international politics.

Under realism, international law is nothing but a set of strategic considerations that can be consulted in a game of international politics. The law, therefore, does not constrain States' behavior; only force and power do.

Ambassador Sorreta then described neo-classical realism, a sub-school of realism, and its two types, defensive and offensive. He elucidated that for those of the defensive persuasion, security will be ensured if a State has enough weapons or resources to fend off any enemy or threat; those of the offensive persuasion would only feel secure if a State has sufficient power to beat everybody else. He observed that most leaders and policy-makers are realists. He also noted that there is a stigma attached to realism because this viewpoint favors national interest even when it contradicts international norms.

Ambassador Sorreta dwelt on the importance of bias in formulating policy and how it renders arduous the objective assessment of security threats and the progress in addressing such threats, or even the understanding of what constitutes progress towards global security. He opined that the inability to properly determine security threats can lead to even more insecurity because it can result in miscues. Miscues in properly assessing situations or threats could give rise to unilateralism and biases may engender abuses, such as human rights violations and failure to resort to or exhaust more peaceful measures. Biases and stereo-types can also generate extreme security postures – from paranoia to complacency. Another critical aspect in global security, he added, is the people's appreciation of what threat a country poses to other countries.

Although there is a need for an objective view of security, the situation in international relations is far more complex, the ambassador stressed. Often there is no perfect knowledge about the real circumstances; but because a decision has to be made, risk assessment and risk management skills in analyzing global security is important. Despite the difficulty of having an objective basis for policy decision, internally, at least, an attempt should be made in order to

identify so-called “red lines” or “trigger lines. Ambassador Sorreta emphasized that there are matters that may not contribute to peace when made public, and cautioned against publicizing such trigger lines as they could be diluted or rendered insignificant.

He discussed other concepts in global security – security complex, indivisible security, and securitization. Security complex refers to a situation in which the security concerns of states are deeply interconnected to the point that one State’s security needs cannot be realistically studied without taking into consideration the security needs of other states. The fear or threat content of security complex breeds rivalry among states and the remedy for that rivalry lies in cooperation which can only be found in global security initiatives among states. Despite the legal fiction that states are sovereign, the global complex creates different classes depending on power and ability to project power. Thus, States sometimes have no choice but to join one complex or the other.

The concept of indivisible security is the alternative to the security complex, he averred. Its proponents argue that there should be no alliances or blocs so that there are no enemies. This gives life to the legal fiction of “sovereign equality”. This is not popular, he surmised, because it is based on a positivistic and normative approach.

Expounding on the concept of “securitization”, Ambassador Sorreta stated that an issue becomes securitized when an audience collectively agrees on the nature of the threat and supports extraordinary measures. He remarked that there has been a tendency to securitize issues close to the heart of people with certain agendas, but this dilutes the very limited time and resources of countries. He cited migration as an example of a securitized issue for both receiving and sending states.

### **On the Ukraine-Russia Conflict**

The Philippines joined the rest of the world in condemning the humanitarian abuses in Ukraine but could not take a stronger position more quickly to avoid any complications in the effort to safely evacuate the thousands of Filipinos in the conflict zone. Ambassador Sorreta noted that in terms of global security, the inevitable conclusion is that Russia is not considered a threat to the North Atlantic Treaty Organization (NATO). He claimed that such a situation removes the reason for NATO to actively engage in war and rationalizes the defensive posture taken by the West. Nonetheless, he admitted that anti-Putin and anti-Russian biases will persist.

### **On the South China Sea**

Ambassador Sorreta contended that the South China Sea issue can only be resolved in a meaningful and lasting way through negotiation. The question therefore is when to negotiate – whether it should be before or after an armed confrontation. He averred though that it is very difficult to negotiate because the parties have taken strong positions, and that it will require very creative diplomacy to try to create the atmosphere that is conducive to negotiations.

### **On the China-Taiwan issue**

Ambassador Sorreta acknowledged that the current situation presents an extremely difficult policy position considering that from a legal perspective, Taiwan is not a state but a part of China. He believed that China will not invade Taiwan but if it does, the act shall technically not be considered aggression on the part of China, and thus objecting to it would be on humanitarian grounds. He likewise expressed the need to protect Filipinos working in Taiwan.

### **Policy recommendations**

Ambassador Sorreta recognized the numerous laws passed for the benefit of overseas Filipinos – from the Migrant Workers and Overseas Filipinos Act

of 1995 (Republic Act No. 8042) to the Department of Migrant Workers Act (Republic Act No. 11641). But he insisted that there is still a gap in terms of human security and migrant Filipinos. He noted that the country's penal code is Byzantine in its extreme territoriality - for while Philippine courts cannot acquire jurisdiction over a person who murders a Filipino in Paris, for instance, someone who counterfeits Philippine currency could be prosecuted in our courts even though every element of the crime is committed outside Philippine territory. He implied that the country can emulate Spain which now practices the concept of universal jurisdiction, which means that any case could be brought before the Spanish courts, citing as an example the trial of General Augusto Pinochet of Chile who was prosecuted in Spain.

He recalled that he had previously proposed to the Department of Justice the amendment of Article 2 of the Revised Penal Code to afford more protection to workers against illegal recruitment and human trafficking. He revealed that in many illegal recruitment cases, all elements of the crime transpire outside the Philippines. He expressed hope for the passage of legislation that will extend the protection of Philippine law to migrant Filipino victims.

In conjunction with the above recommendation, Ambassador Sorreta pushed for the strengthening of the country's network of extradition treaties to enable it to enforce extended jurisdiction over these cases. This is an important deterrent against erring employers who may plan to flee to a country with which the Philippines has such an agreement. Specifically, he suggested that Presidential Decree No. 1069 (the Philippine Extradition Law) be amended, observing that this 1977 statute deals only with outgoing extradition.

To ensure the safety of citizens, Ambassador Sorreta pushed for legislation that will make it mandatory for Filipino citizens to leave a certain country and be repatriated back to the Philippines when the Government instructs their forced evacuation.

## **H.E. JESUS S. DOMINGO**

Ambassador Extraordinary and Plenipotentiary  
Philippine Embassy to New Zealand

Ambassador Jesus “Gary” S. Domingo discussed his own “Ying-Yang Framework”, which can be used in foreign relations and policy analyses. He said that cultures and countries are either relatively more Yin or Yang, which are complementary, rather than opposing, forces. Recognizing and accepting this kind of duality among nations will help countries determine what arena they can excel in as well as the spheres that they are relatively weak in and which other countries can compensate for, and thus achieve harmony and cooperation in a diverse world.

### **The Yin and Yang**

According to Ambassador Domingo, nations categorized as Yang are “paternal” in nature. Traits associated with the Yang world are active, assertive, dominating, initiating, logical, and conscientious. They also observe the principle of cause and effect and put premium on quantity. Considering these traits, they excel in industry and business. Western and Asian cultures fall under this category.

On the other hand, the Yins are considered “maternal.” They possess the opposite traits of the Yangs, such as being patient/passive, introspective, compassionate, yielding, nurturing, intuitive, creative, and ambivalent. They believe in synchronicity and put premium on quality. They shine in the spheres of hospitality, care, and compassion. According to Ambassador Domingo, Pacific Islander cultures tend to be Yin.

### **The Filipino Nature**

Ambassador Domingo averred that the Philippines has a “hybrid culture”, with the Pacific Islander culture at its core. Being a Pacific island, the country’s culture



is family-oriented. On the negative side, he said that this culture possesses the insular “smallness” outlook. This characteristic was described in Nick Joaquin’s “Heritage of Smallness” – an essay that emphasized how Filipinos are contented to do small things, preventing them to go beyond what is small and easy, and achieve development.

Other cultures that shaped the Filipino nature are Spanish, American, and Asian. Ambassador Domingo said that Christianity, Latin culture and heritage, colonial mentality, and deference to foreigners are among the influences of Spaniards. Meanwhile, the Americans influenced the country’s system of education and government, promoted the use of English language, and somehow infused the hyper-competitive, crab mentality into the local culture. However, he maintained that Filipinos are “Asian by flavor and not by essence.”

As a synthesis, he said that the branding and successes of Filipinos are as individuals or as families with strong tribal identities. They are strong in faith and are caring, traits that are more feminine and maternal. Conversely, the Filipinos’ sense of unity is not as strong and they have a tendency to prefer employment over entrepreneurship, which is one of the reasons why the Philippines lags in terms of business and industry.

### **The Global Influence of Filipinos**

Typical of a Yin culture, Philippine global influence is fueled by women. This is shown in the many achievements that Filipinas all over the world have achieved throughout the years. Notable among them are: former Commission on Audit Commissioner Heidi Mendoza who became a United Nations (UN) Undersecretary-General; US pop star Olivia Rodrigo; Canva co-founder Melanie Perkins; Tony award-winning singer and actress Lea Salonga; NASA’s first female Mission Operations Manager Angelita Castro-Kelly; and famed Ambassador Rosario Manalo. Also in the list are the late Miriam Defensor Santiago, who was the first Filipino and the first Asian from a developing country, to be elected

in the United Nations as judge of the International Criminal Court; and Rechie Valdez, who became the first Filipina to be elected as A Member of the Canadian Parliament. Ambassador Domingo noted that Filipinos are influential in the area of physical beauty and style as can be evidence by the many Filipinas who have won international beauty pageants. They are likewise acknowledged for their nurturing nature, and this is borne by the fact that there is a continuing demand for Filipino nurses all over the world.

Ambassador Domingo also mentioned certain prominent Filipinos who have taken positions of leadership and influence such as Manila Archbishop Cardinal Luis Antonio Tagle who was chosen by Pope Francis to be a member of the Congregation for the Eastern Churches in addition to being Prefect of the Congregation for the Evangelization of Peoples. Ambassador Domingo noted that while Filipinos are gaining ground internationally, these strides are independently gained. He stressed the need to use these gains more deliberately in order to advance the country's interest.

### **Philippine Foreign Policy: Reality Check and Proposed Reforms**

Article II Section 7 of the 1987 Philippine Constitution states that "The State shall pursue an independent foreign policy. In its relations with other States, the paramount consideration shall be national sovereignty, territorial integrity, national interest, and the right to self-determination. Ambassador Domingo also noted that Philippine Foreign Policy is anchored on three pillars: preservation and enhancement of national security; protection of the rights and promotion of the welfare of overseas Filipinos; and promotion and attainment of economic security. He suggested that cultural diplomacy should be included in these pillars.

In examining the country's foreign policy, Ambassador Domingo said that the Philippines cannot rely mainly on the "Rule of Law" and foreign alliances for its external defense. He raised the need to transform the Armed Forces of the

Philippines (AFP), which is army-oriented and focused on counterinsurgency, into an externally-oriented tri-service Philippine Defense Force where the Air Force and the Navy are co-equals. He also introduced the concept of Philippinidization wherein a “weaker state backed by a powerful country goes to great lengths to restrain from opposing a great power by resorting to economic and diplomatic rapprochement at a strategic level, but continues to strengthen its national security and infrastructure on the operational level.”

Ambassador Domingo pointed out that the Association of Southeast Asian Nations (ASEAN) is only of limited utility to the Philippine interest. He explained that ASEAN is not a military or defense alliance like the North Atlantic Treaty Organization (NATO), is far from being like the European Union, and cannot be a substitute for the UN. Likewise, he disclosed that other ASEAN members-states are political and economic rivals of the Philippines, hence membership in the ASEAN may sometimes be disadvantageous.

Recalling his point that the Philippines is only partially Asian and that its culture is a hybrid of Islander, Spanish and American cultures, he said the country must harness its own historical and cultural assets for geopolitical gain. He then suggested the intensification of ties with English-speaking countries like the Americas, Latin countries, Catholic and Islamic countries, and the Pacific Austronesians whom share common cultural values with the Philippines.

He also underscored the importance of forging closer ties with other parliaments through friendship associations and other cooperative endeavors.

On the concept of development diplomacy, Ambassador Domingo averred that the Constitutional limitations on foreign direct investments and the “Filipino First” principle have badly weakened the Philippine economic competitiveness. In terms of economic diplomacy, he said that the country tends to be bureaucratic, legalistic, and timid, thus more effort should be exerted in this aspect to push

the country towards a better economic position. Among the strategies that he suggested to promote development diplomacy were to strengthen the country's participation in the Asia-Pacific Economic Cooperation (APEC) and to fully integrate the country's overseas economic assets into one aggressive team in each Foreign Service Post.

Ambassador Domingo also proposed amendments to Republic Act No. 7157 or the "Philippine Foreign Service Act of 1991." These amendments may include provisions that foster cognitive diversity in the Department of Foreign Affairs (DFA) through the hiring of people from various disciplines that are necessary for undertaking the mandate of the Department; mandate the automation of passporting and consular services; establish an undersecretary position for Consular Affairs; allow the deployment of DFA personnel to serve with Manila Economic and Cultural Office (Taiwan); require all DFA officers and personnel to undergo military, business, and social work trainings; and reiterate the policy of observing the "One Country Team Approach." Ambassador Domingo also recommended the eventual merger, at some future time, of the Department of Foreign Affairs with the Department of Migrant Workers into a Department of External Affairs, considering that the country's external asset is mainly manpower.

Ambassador Domingo also emphasized the need to craft implementing rules and regulations for all treaties and UN Resolutions signed by the Philippines, stating that this will facilitate the implementation of these instruments.

Moreover, Ambassador Domingo underscored the need to re-assert the Philippines' multilateral leadership in the United Nations (UN) by resuming peacekeeping duties. He called on Congress to urge the Government to convey to the UN the country's interest and willingness to participate in peacekeeping operations. He noted that peacekeeping duties are not only beneficial to host countries and the international community, but to Filipino peacekeeping forces as well since these opportunities build capacity in post-conflict peacebuilding

and political normalization, disarmament, and the restoration of the rule of law, among others. At the end of their tour of duty, peacekeeping forces are often allowed to bring home the equipment that are assigned to them.

Pointing out the benefits of utilizing the influence of Filipinos abroad, he suggested that the country support qualified Philippine candidates to obtain positions in the UN and other international organizations, and help overseas Filipinos get elected or obtain memberships in foreign parliaments.

He also suggested the consolidation of international security technical agencies, the removal of taxes on humanitarian relief goods, putting emphasis on gender leadership, the enactment of a Pandemic Preparedness law, the review and revision of Climate Change laws, establishment of the Executive-Legislative-Business-Academic Expert Group for International Cooperation, the identification of “champions” among Congress Members for key issues; and the creation of “friendship groups” for specific countries and pro-Philippine lobbies in foreign parliaments.

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### **ATTY. ANDRE C. PALACIOS**

Professor, University of the Philippines College of Law

Chairperson, Integrated Bar of the Philippines-Committee on International Law and International Affairs

Attorney Andre C. Palacios underscored the role of Congress in defining, shaping, and implementing foreign policy. He said that while the President is the primary architect of foreign policies, Congress is its co-architect. Specifically, Congress can do the following: concur with international treaties/agreement, legislate policy, provide for the budget of the government, confirm the appointment of government officials, and provide political support.

Atty. Palacios said that the Senate is mandated to concur with treaties or international agreements as stated in Article VII, Sec. 21 of the 1987 Constitution, which provides that “No treaty or international agreement shall be valid and effective unless concurred in by at least two-thirds of all the Members of the Senate.” He also noted that for its part, the House of Representatives plays an important role in crafting legislation in line with the country’s foreign policy. The House also allocates resources to promote global security and international cooperation as it is in this chamber where the annual budget for the operations of the Government originates. As a co-equal body of the Executive Branch, the Congress provides political support to the President and the foreign service, Atty. Palacios added.

Discussing how the Congress can concretely provide support, Atty. Palacios underscored the importance of enacting laws that will “domesticate” international agreements. He explained that international treaties or agreements, to which the Philippines is a signatory, are binding in the Philippines and become part of Philippine law as sources of legal rights and obligations. Without a statute enacted by Congress, the provisions of these agreements may cause confusion as it is not contextualized within the Philippine setting. He lauded Congress for enacting laws that implement the provisions of the Genocide Convention 1948, Geneva Convention 1949, Convention Against Torture 1985 and the Rome Statute 1998.

In this respect, Atty. Palacios sought the enactment of statutes that will allow the country to fulfill its obligations and exercise its rights under the United Nations Convention on the Law of the Sea (UNCLOS). Particularly, he put forward certain bills that were considered in the 18th Congress that he believes should be refiled in the 19th Congress, and these are: the amendment of the Baselines Law in consideration of the UN Arbitral Tribunal Award in the South China Sea Arbitration; a bill declaring the country’s maritime zones; a bill establishing the archipelagic sea lanes in the Philippines’ archipelagic waters; and the bill seeking to create a West Philippine Sea Authority.

Atty. Palacios also suggested the passage of a law that specifies the rights and duties of those serving in the foreign service and which provides for certain diplomatic immunities and privileges pursuant to international agreements. He cited Presidential Decree 1620 and the US Foreign Sovereign Immunities Act of 1976 as examples of laws with such intent. He also cited Presidential Decree No. 1620 which grants the International Rice Research Institute the status, prerogatives, privileges, and immunities of an international organization. He also recommended the review and possible amendment of Presidential Decree No. 1069, which prescribes the procedure for the extradition of persons who have committed crimes in a foreign country, to make it more attuned to existing extradition practices

Lastly, Atty. Palacios asked Congress to consider looking at the Case- Zablocki Act which requires the Executive to notify the United States Congress about international agreements that were already concluded by the Executive Department. He said that the enactment of such law will allow Congress to be an informed strategic partner of the Executive in creating and implementing foreign policies.

## Domain 7

**Fostering Good Governance, Public Order and Security, and the Rule of Law**

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**MARIA FE VILLAMEJOR-MENDOZA, PhD**

Professor of Public Administration and Public Policy  
University of the Philippines National College of Public  
Administration and Governance

**Fostering good governance and the rule of law**

Doctor Mendoza commenced her presentation by revisiting the concepts of good governance and the rule of law based on several indices. She cited three principles that will strengthen the rule of law, namely:

- Effective and thorough investigation of all crimes, including situations where there is reason to suspect the involvement of state officials
- Refrain from using the criminal process to punish anyone for political expression, or to infringe upon the principle of judicial independence
- Provision of effective legal protection for government whistleblowers who release information of public interest to the media or the public

She stated 19 Characteristics of good governance:

- Participatory
- Sustainable
- Legitimate and acceptable to the people
- Transparent
- Promotes equity and equality
- Able to develop the resources and methods of governance
- Promotes gender balance
- Tolerates and accepts diverse perspectives
- Able to mobilize resources for social purposes



- Strengthens indigenous mechanisms
- Operates by rule of law (cornerstone of good governance)
- Efficient and effective in the use of resources
- Engenders and commands respect and trust
- Accountable
- Able to define and take ownership of national solutions
- Enabling and facilitative
- Regulatory rather than controlling
- Able to deal with temporal issues
- Service-oriented

Doctor Mendoza pointed out that the various governance indicators and country ratings in each indicator are regularly disseminated in the following reports:

- Open Budget Index
- Ease of Doing Business
- Economic Freedom Index
- Global Competitiveness Index
- Corruption Perceptions Index
- Worldwide Governance Indicators
- World Justice Project-Rule of Law Index

She shared that among the indicators used to measure governance in the aforementioned indices are the following:

- Polity Score
- Civil Liberties
- Political Rights
- Press Freedom
- Voice and Accountability
- Political Stability and lack/absence of Violence
- Law and Order
- Rule of Law

- Government Effectiveness
- Control of Corruption/Corruption Perception
- Regulatory Quality

She presented a graph on the Philippines' performance scores in the six dimensions of governance in the Worldwide Governance Indicators (WGI) from 1996-2019 (during the regimes of President Ramos, Estrada, Arroyo, Benigno Aquino III, and Duterte), wherein the country attained its lowest score at negative 0.88 (for the indicator political stability under Pres. Duterte's administration), and its highest score at 0.26 (for the indicator Voice and accountability under Pres. Ramos administration).

### **Initiatives in promoting good governance and the rule of law**

Doctor Mendoza averred that the Executive branch and other bodies have promoted good governance through the Philippine Development Plan (PDP) 2017-2022. The PDP is anchored on the current administration's 10-point socioeconomic agenda and takes into account the Sustainable Development Goals. Chapter V of the PDP 2017-2022, the "*Malasakit*" sub-paradigm, aims to enhance the social fabric by ensuring a people-centered, clean and efficient governance. She explained that the objective of the PDP is to improve the country's rankings in global governance indices such as the World Governance Index (WGI), Corruption Perception Index (CPI), Global Competitiveness Index (GCI) and Open Budget Index (OBI). The PDP includes strategies to reduce corruption, achieve seamless service delivery, enhance administrative governance, strengthen the civil service, and fully engage and empower citizens.

She pointed out that two good governance reforms have been enacted into law: Republic Act No. 11032, or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 and Republic Act No. 11055, or the National ID System. She said another priority reform is a law mandating freedom of information.

Relative to the rule of law, she invited attention to Chapter VI of the PDP 2017-2022, Pursuing Swift and Fair Administration of Justice. She averred that the country should perform better in terms of the World Justice Project, and should introduce necessary reforms in the justice system.

She also cited that there are certain pending legislative proposals that the Executive branch supports, namely, the proposed Criminal Investigation Act, the bill seeking amendments to the Judiciary Reorganization Act, the bill seeking to strengthen the National Prosecution Service, the creation of new courts that are adequately staffed, the creation of additional positions for judges and public attorneys, and additional correctional facilities.

Professor Mendoza likewise suggested a review of certain policy proposals, including the current administration's 10-point policy agenda that is meant to hasten economic recovery after the COVID-19 pandemic. She also cited Ambisyon 2040, the Duterte Administration's development agenda that envisions a prosperous, healthy and resilient middle-class, high-trust, smart and innovative society.

She invited attention to the United Nation's Sustainable Development Goal #16 which aims to significantly reduce all forms of violence, conflict and insecurity and promote the rule of law.

### **Possible policy initiatives for the 19th Congress**

Professor Mendoza opined that the legislative priorities for the 19th Congress should not be based on the old norms because of current conditions that the country has to respond to. She averred that there is a need to build capacity for governance due to the challenges posed by poverty, gender inequality, environmental degradation, the need to create jobs, the information and communications technology revolution, global competitiveness, corruption, patronage politics, the COVID-19 pandemic and the May 2022 elections. She

pointed out that less than 58% of the country has internet access, and that the country scored low in the World Governance Index (WGI), the Corruption Perception Index (CPI) and other global governance indices.

She asserted that for there to exist a good system of governance for sustainable development, women must be involved in decision-making at all levels. On poverty alleviation, she recommended the passage of education reforms to ensure access to opportunity, and social investments such as through sustainable livelihood programs like the Angat Buhay Program.

On the matter of the management of natural resources, Professor Mendoza asserted that the State, civil society, and the private sector should collaborate to protect the environment.

She also recommended the development of a platform to deepen human rights appreciation in democratic governance.

She recommended the enactment of laws mandating freedom of information, a prohibition against political dynasties from holding or running for elective positions, the proposed People's Empowerment Council, amendments to the Revised Omnibus Election Bill, and revisions to the Party List System. With respect to the goal of strengthening institutional capacities, she spoke about the necessity to reorganize the Philippine Administrative System, and the enactment of laws that aim to foster open and accountable governance, and create such as a Governance Council, address patronage in the civil service, and improve the vetting process in the selection of Constitutional Commission members.

Doctor Mendoza also sought the consideration of governance strategies such as the following:

- Reducing corruption by promoting public awareness of anti-corruption drives, implementation of prevention measures and strengthening of deterrence mechanisms

- Achieving seamless service delivery by adopting a whole-of-government approach in delivery of key services, implementing regulatory reforms and improving productivity of the public sector
- Enhancing administrative governance by right-sizing the bureaucracy, strengthening results-based performance management, public financial management and accountability

On the topic of the rule of law, she suggested the following policy directions

- Enhance civil, criminal, commercial and administrative justice systems by institutionalizing the Justice Sector Coordinating Council, strengthening economic justice; and delivering justice in “real-time”
- Improve sector efficiency and accountability by delivering fair and equal justice, and promoting accountability through an engaged citizenry
- Enact laws providing for policies for criminal investigations, amendments to the Judiciary Reorganization Act and the strengthening of the National Prosecution Service
- Create new courts that are adequately staffed
- Create additional positions for judges and public attorneys
- Provide additional correctional facilities
- Enact amendments to the Immigration law and reorganize the Bureau of Immigration
- Strengthen the Office of the Government Corporate Counsel
- Strengthen the policy governing the confiscation of ill-gotten wealth
- Repeal or amend outdated laws and issuances which impede the country’s competitiveness, such as the undertaking pursued by Congress and the National Competitive Commission called Project Repeal
- Enact a Whistle Blowers Protection law
- Provide better protection to witnesses under the Witness Protection Program

- Address the injustice wrought by unjust imprisonment or detention
- Modernize the Public Attorney's Office
- Enact a Public Disclosure Act
- Conduct an audit of the utilization of Intelligence Funds
- Consider the findings on Philippine Performance according to the Worldwide Governance Indicators (WGI), World Justice Project and other indices of good governance and the primacy of the rule of law and use them as bases for reform proposals
- Consider the policy agenda contained in the Philippine Development Plan, the Duterte administration's 10 point-agenda and its proposed priority legislative agenda as possible areas for legislation in the 19th Congress

### **On the conflicting mandates of government agencies**

On the current situation where some public enterprises are vested with commercial (revenue-generating) mandates that conflict with their regulatory functions, Dr. Mendoza asserted that this violates the principle of competitive neutrality'. The case of the Philippine Gaming Corporation (PAGCOR), however, is complicated basically because of the mandated donations or allocated shares of income that are supposed to be given to certain organizations and causes such as for the social development fund of the President, or for welfare programs for children in distress. There are many provisions in the charter of the PAGCOR that have to be reconciled with the proposal for privatization or reform. Some sectors take the position that government should not pursue development goals through funds derived from gambling. But in considering this option, policymakers have to grapple with the fact that there are laws that mandate the PAGCOR to allocate amounts for specific social welfare purposes and that the government will lose access to these funds if the PAGCOR is privatized.

In the case of the Philippine Ports Authority (PPA), Prof. Mendoza informed that there have been proposals to decouple the port regulation powers of the

PPA and its authority to operate ports commercially. While the issue has been given attention, it will take a while to resolve because some corporations were granted the authority to bid for contracts to operate some private ports. These cases highlight the issue of regulatory capture, particularly in the situation where government owned or controlled corporations become hybrid instruments of the State that cannot be clearly assessed or vetted against the current concepts on the legal limitations of the powers and functions of national agencies and the commercial nature of private enterprises.

The proposals in Congress have to be studied further before the issue of competitive neutrality is resolved to the satisfaction of both the beneficiaries of government corporate funds and the government itself. She suggested a revisit of the Governance Commission Act of 2011.

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### **PLTGEN RICARDO F. DE LEON (RET), PhD**

President

Philippine Public Safety College

#### **Public order and security**

Doctor De Leon discussed the concept of public safety which is the integrated and holistic pursuit of general welfare to enhance and sustain the quality of life. He explained that this definition centers on the community. He cited Article 16 of RA 7160, or the Local Government Code which provides for nine (9) general welfare mandates: the preservation and enrichment of culture, the promotion of health and safety, enhancement of the right of the people to a balanced ecology, encouragement and support for the development of appropriate and self-reliant scientific and technological capabilities, protection of public

morals, enhancement of economic prosperity and social justice, promotion of full employment of inhabitants, maintenance of peace and order, and the preservation of the comfort and convenience of inhabitants.

He defined “public safety and security” as the state and condition of integrated pursuit for inclusive people welfare/well-being to enhance and sustain the quality of life for its citizens. He added that public safety and security is based on an evolving idea of public interest in a complex environment.

Another aspect of public safety, he said, is the promotion of national security. He cited the goals and strategic objectives of the National Security Plan 2017-2022 of the current administration, which are to strengthen public safety, law and order and the administration of justice, sustain and enhance socio-political stability, bolster solidarity-based and sustainable economic development, safeguard territorial integrity and sovereignty, protect and preserve ecological balance, advance cultural cohesiveness, promote moral and spiritual consensus and contribute to international peace.

He also discussed the framework of democratic governance. He explained that in a globalized, highly-interconnected world that occasions a complex and uncertain environment, the fundamental security framework must be able to recognize the different system boundaries. The democratic governance framework speaks of a national system which, in order to be effective, must be able to holistically comprehend two other intimately interconnected systems, that is, the domestic system which focuses on internal security (domestic security), security issues and challenges of national concern and external security, on the one hand; and the international system which is concerned with domestic development, development issues and challenges of national concern (security of international order) and regional global development, on the other hand. At the center of the domestic and international systems is the critical condition government we must be aware of and address, the two systems being irrevocably intertwined.



Doctor De Leon asserted that in viewing democratic governance, homeland security must be able to focus on internal security and attend to the security issues and challenges of national concern. But the concept of homeland security also recognizes the fact that domestic development is affected by regional developments which impact on both internal and external security.

This holistic framework of democratic governance, in effect, posits that strengthening the homeland requires attention not only on the country's external affairs and its defense strategy but also to public safety and internal affairs, the criminal justice system, local government and civil emergency management, and public safety capability, among others. With due regard to these concerns, there can be a reasonable expectation of peace.

Thus, in determining a legislative agenda for the 19th Congress, he stressed the importance of possessing a good appreciation of the global issues affecting national security.

In addition, the condition of peace must always be preserved. He averred that public value is maintained where the development is people-centered and if it satisfies the aspirations of Filipinos. In terms of law and order, it is critical for law enforcers to have a better appreciation of the necessity of building trust, how to gain community support or how to connect with the people so that they, in turn, will obey the law and law enforcers.

He also asserted that only when the external and internal domestic policy are harmonized can a cycle of studying and designing plans follow. This involves the definition of a problem, looking at the core national interests, public safety, and security which are dimensional factors, and obtaining peace conditions. These should all be considered in policy agenda setting, policy formulation, policy adoption, policy implementation and policy assessment, all of which must be geared towards the furtherance of the Philippine national interest.

Citing an article from Policy Horizons Canada, Dr. de Leon briefly discussed the emerging global challenges within the dimensions of national security. With respect to culture, he opined that factors such as digital technologies and social media have resulted in the erosion of Philippine culture and history. With respect to society, he asserted that there is a need to build better lives across the gender spectrum, to address shifting dynamics of privilege and marginalization, and to address the challenges of living in a crisis-laden environment. With respect to technology, he proposed a deeper introspection of the needs of humanity, its preservation amid the evolving bio age, and balancing risks and benefits in the emerging surveillance society. On the economy, he said policy makers should take into account global health and wellness in the 21st century, and the challenges and opportunities of working in the digital economy. On governance, he asserted that because truth comes under fire in a post-factual world, it is important to consider the changing nature of security and conflict. Policymakers should envision and establish governance systems that will work within this context. On the aspect of environmental security, he averred that policy has to consider the pervasive contamination of the natural environment and the carrying capacity of the planet.

Doctor de Leon added that achieving or maintaining security will require national integration and the forging of a commonly-shared identity. The national will and morale, and the national character must be reflected in norms, values, beliefs and the people's way of life. This, according to him, are the socio-cultural factors.

He also discussed the following psycho-social factors (cognitive domain) that are likewise important:

- interrelation of social factors and individual thought and behavior
- changing beliefs, attitudes, and behaviors of both individuals and groups
- area of social cognition, schemas represent self-consistent views of reality
- what individuals perceive and what they remember

In ending his presentation, Dr. de Leon reiterated the importance of building trust. He proposed the orientation of peace officers towards gaining community support. Noting the importance of providing civil defense services especially during emergencies, he cited the importance of maintaining a ready Reserve Corps and suggested that the members thereof should not be confined to the Armed Forces but should likewise be trained and fielded in the police force, or in the fire and jail management services.

Finally, he proposed the establishment of a Department that addresses both local governance and homeland security considerations. He emphasized that investments in modernization should not be confined to the country's armed forces for its external defense, but should likewise be directed towards strengthening domestic or internal security. He averred that the concept of a Department of the Interior and Homeland security which the Philippine Public Safety College shall propose takes into consideration the security needs of the country given its archipelagic nature, the challenge of addressing drug proliferation, the incursions into Philippine waters by foreign vessels and the consequent need to protect the country's political and economic sovereignty, among others.

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### **ATTY. NICHOLAS FELIX L. TY**

Assistant Secretary and  
Officer-in-Charge, Office of the Undersecretary

Atty. Ty recognized the important role that the DOJ, the Department of the Interior and Local Government (DILG), law enforcement agencies, as well as the Courts play in the administration of justice and in the realization of the Rule of Law. He emphasized the said agencies are the key pillars of the Justice sector.

The Rule of Law, according to Atty. Ty requires laws to be clear, stable, well-publicized, and applied to all, as the opposite is bound to create discontent and lead to disorder. In upholding the Rule of Law, the State must be wary that it does not Rule By Law or that the administration of justice is reduced to the application of rules, or the Law of Rules.

“Ruling by law”, he explained, is a state wherein laws are used to further the interest of the select few. It connotes the instrumental use of law as a tool of political power. It means that the State uses the law to control its citizens but does not allow the law to be used to control the State. A “law of rules” situation, on the other hand, is when laws are too detailed or when the State micromanages the administration of justice to the extent that it becomes too cumbersome and difficult to follow.

He agreed with the suggestion to prioritize the enactment of certain policy reforms in the next Congress such as the amendment of the Witness Protection Law, the enactment a Whistle-blower’s Act, the modernization of the Bureau of Immigration, and the law improving the Public Attorneys system.

He also shared the observation that many controversial proposals have to do with the need to balance the enjoyment of individual rights with other laws that seek to curtail them in the service of the greater good. He said legislators should stand firm and uphold the policies that can benefit the majority as long as they remain within the context of the rule of law. He recalled how the Anti-Terrorism Act which drew a lot of flak from various interest groups eventually got the support of the Supreme Court. He assured that fears concerning the law have already been addressed through the crafting of the rules and regulations to implement the law and informed that the motions for reconsideration of the Supreme Court ruling on the Anti-Terrorism Act have finally been denied.

## JUSTICE RAUL B. VILLANUEVA

Court Administrator

Supreme Court

Justice Villanueva focused on the topic of Rule of Law particularly in enhancing the capability of the Judiciary. He lamented that despite being one of the three branches of government, the Judiciary is allotted less than 1% of the country's annual budget. This greatly affects the Judiciary's capability to respond to legislation such as the creation of new courts which entails additional court personnel and facilities that will allow said courts to function.

He expressed gratitude to the Legislature and President Rodrigo Duterte for passing the law which grants hazard pay to Judges and judicial officers but hopes the same can be extended to First Level Courts. He also conveyed the sentiments of fellow judges for the Judiciary to be given full recognition of its fiscal autonomy and expressed its desire to be allowed to defend its budget directly before Congress instead of being made to submit its budget proposal to the Department of Budget and Management (DBM) which unilaterally reduces it. He also requested for the strengthening of the mandate of the Judicial Bar Council (JBC).

Justice Villanueva expressed his support for the improvement of the national security plan and the establishment of a Department of Homeland Security as proposed by PPSC President Ricardo De Leon. He added that if the creation of said department is not feasible at this time, then perhaps the improvement of the capabilities of Armed Forces of the Philippines and the Philippine National Police can be prioritized instead. This, according to Justice Villanueva, will be a big help in improving internal security and ensuring the proper and adequate administration of justice.

**LEOPOLDO N. BATAOIL**

Mayor, Municipality of Lingayen

Province of Pangasinan

Mayor Bataoil shared his experiences as a first-term Mayor of the town of Lingayen which are quite unique since most of them coincided with the COVID-19 pandemic. During his term, Mayor Bataoil served through community lockdowns, restrictions, and even COVID-19 itself as he himself got infected in 2019. Despite this, he remained active in seeking out opportunities to showcase good governance in the middle of the crisis. He stated that he made it his mission to transform the local government into one that is responsive, professional, transparent, and has the political will needed to achieve its goals within a given timeframe.

The Mayor made improvements to what he considers to be the “face” of the LGU which is comprised of the Plaza, the Municipal Hall, and the Municipal Market. To improve the access to and convenience of availing business-related government services, a one-stop-shop for government services was set up within the municipality in compliance with the orders of the Department of the Interior and Local Government. The said office is able to process business permits, related clearances, and issue licenses.

He reported that the local government was able to procure 32 brand new rescue vehicles for all the 32 barangays under its jurisdiction. One rescue boat, several dump trucks and several more vehicles were also procured. Other projects such as improvements to the Lingayen slaughterhouse, the Lingayen Municipal Hall, and creation of several Regional Health Units were also completed without the local government resorting to borrowing.

He discussed other initiatives such as various agricultural projects the local government implemented, such as the establishment of a fish sanctuary with an artificial reef, in the middle of the Lingayen Gulf. He tapped on these natural advantage of the area to provide an answer to the challenge of food security for the town's growing population.

To attract tourist and investors, Mayor Bataoil improved interconnectivity through the construction of roads such as the Lingayen-Binmaley-Dagupan Bypass Road, a 4-lane, 6-kilometer bypass road which starts at the intersection of Pangasinan-Zambales Road and Lingayen Labrador Diversion Road, traversing Lingayen Proper to Barangay Poblacion, in the municipality of Binmaley. The project includes the construction of four bridges, installation of road-safety devices, drainage, slop protection structures and an overpass. Improvements to tourist spots like the Limahong Shrine, the Lingayen Baywalk have been made, the Mayor shared.

When asked to comment on what public order and safety issues need to be addressed through legislation during the next Congress, Mayor Bataoil said that amendments to Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act of 2002 are needed to better combat the problem of the illegal drug trade in the country. Upgrading criminal liabilities and increasing the number of Dangerous Drugs Board (DDB) members are possible amendments that can help expand the capability of agencies tasked to deal with the problem. With respect to the campaign against criminality, he believes increasing the number of the police force is needed.

## Domain 8

### **Achieving Fiscal Stability and Enhancing Public Financial Management**

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#### **YOLANDA R. REYES**

Director IV

Department of Budget Management

#### **Challenges in Public Financial Management**

In her presentation, Director Yolanda Reyes discussed the issues prevalent in public financial management and proposed reforms to address the same. She described the current challenges faced by the Department of Budget Management in financial management which consists of five key issues.

##### **1. Expenditures without revenue sources**

The first issue pertains to unattainable expenditures of the government which are made without a corresponding revenue source that will fund such expense. Director Reyes stated that the National Expenditure Program (NEP) for 2022 shows that over 340 laws requiring allocation of up to PhP516.2 billion are either unfunded or partially funded. She attributed such deficiency to the lack of fiscal space of the government and added that 306 of these laws do not indicate budgetary requirements, thus aggravating the difficulty of determining funding for their implementation.

To address the issue, Dir. Reyes proposed the inclusion in the bills of a provision indicating the specific revenue source and financial implications, such as the annual funding requirements or potential revenue loss consistent with the best practice of financial management policies. She added that expenditure laws with substantial funding requirements may need to be revisited to ensure not only the predictability and sustainability of funding, but to ascertain whether or not the intent of such laws have been attained. In this way, the government can



effectively evaluate its priorities and realistically implement laws based on the available sources of funding.

## **2. Expenditures due to high personnel services costs and pension requirements**

Director Reyes presented data indicating that for FY 2022, the National Government allotted 6.05% of gross domestic product (GDP) or PhP1.405 trillion for personnel services and 5.5% of GDP or PhP1.182 trillion to infrastructure outlays. This disregards the best practice observed in financial management for the budget to prioritize projects with high economic multiplier effect and return, particularly capital projects, instead of funding infrastructure investments with long-term borrowings. She observed that operating expenses comprise 78% of annual total expenditures, whereas capital outlay comprise 16% of the total expenditures. She observed that personnel expenditure is expected to accelerate with the implementation of the increase in salaries of government employees.

Further, she stressed that the allocation for veterans pension has grown at an annual average rate of 12%, and cited that the current allocation for this is PhP163 billion. She underscored that pension schemes are non-contributory allocations which therefore increase the government's financial risk.

Director Reyes recommended the conduct of a study on the proposals seeking to raise the salaries and other personnel benefits of government employees to compare the proposed salary rates and benefits to those given to employees in the private sector. She encouraged that instead of regularly increasing the salaries of government employees, the Government should consider providing non-monetary benefits because salaries are easily overtaken by inflation and taxation which in turn erode the net take-home pay of employees.

She suggested the formulation of a contributory pension system for military and uniformed personnel (MUP) to lessen the contribution of government, and of a comparative study to compare the pension schemes of the private sector and military pension schemes of other countries to that of the current pension scheme for the country's MUPs.

Lastly, she urged Congress to revisit existing laws that impact on the cost of personnel services, including the Salary Standardization law, the Magna Carta benefits of select government employees, the indexation of the MUP pension rates, and Joint Resolution No. 1, series of 2018, on the increase of base pay of MUPs and other purposes.

### **3. Modernization of the Philippine Budget System**

Director Reyes also asserted that the fragmented legal framework for public financial management (PFM) should be consolidated to strengthen discipline in the use of resources. She cited the 2016 Public Expenditure and Financial Accountability (PEFA) Assessment which indicated that the Philippine legal framework on PFM is weak in the areas of budget reliability, accounting and reporting, and external scrutiny. This increases the tendency towards policy reversibility and should be mitigated because it is critical that the government's financial management is stable, predictable, and transparent.

To respond to this weakness, she proposed the passage of a Budget Modernization bill, the provisions of which should include the strengthening of the cash budgeting system (CBS) and the digitalization of public financial management. The CBS strengthens the fiscal discipline of government which is critical at this point when it is implementing policies towards economic recovery from COVID-19. Discipline entails efficient programming, procurement and the coordination of agencies in these processes which, in turn, will ensure that projects

are implementation-ready, thus obviating delays in implementation, completion, and settlement of obligations. In addition, Director Reyes recommended that the requirement under E.O. 91 (series of 2019) for the settlement of obligations of authorized projects within the end of a fiscal year and for incurred obligations up to three (3) months from the validity of the law appropriating such payment, be reviewed and institutionalized through legislation.

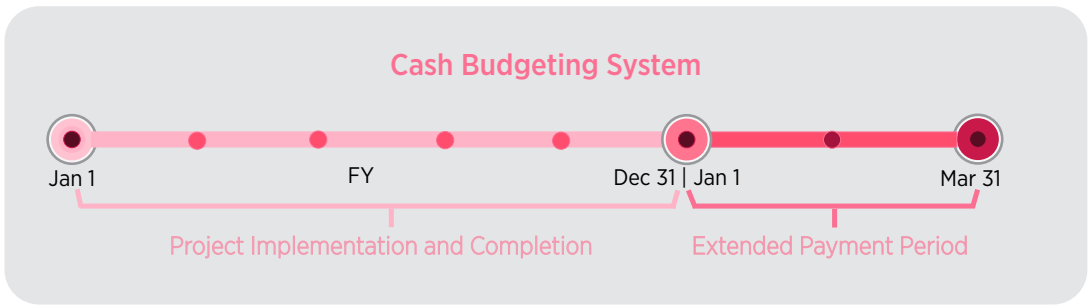
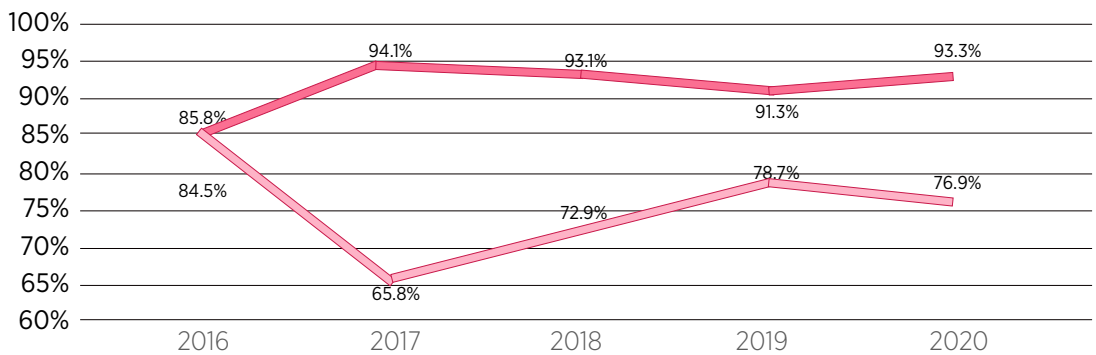


Figure 9.19

**Obligation and Disbursement Performance of All NGAs (2016-2020)**



Source: Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB) (2016-2020)

Note: The data covers Total NGAs' Current Year Budget and Continuing Appropriation

Director Reyes also proposed that funds transferred between or among government agencies and local government units (LGUs) be considered as “disbursed” only when the transferred amounts have been actually paid out to suppliers of goods delivered or services rendered, inspected, and accepted. She added that the CBS aims to address the implementation lag caused by the concurrent obligations of agencies that implement several authorized projects at the same time. She compared the obligation and disbursement performance of government agencies from 2016-2020 to illustrate the importance of reforming the budget management system.

The CBS was adopted in 2019 to ensure the efficient implementation of the government’s PFM. The table above shows that when the CBS was implemented, the level of disbursement increased to 78.7%, narrowing the gap between obligation and disbursement rates. Institutionalizing the CBS through a law will ensure that efficiency gains continue and redound to the advantage of the government.

#### **4. Reallocation of budgetary requirements**

Director Reyes also brought attention to the decrease of allocation for ongoing priority and implementation-ready foreign-assisted projects (FAPs) in the NEP and General Appropriations Act (GAA) from 49.5% and 78.6% in the fiscal year of 2021, respectively. She warned that the National Government’s financial position remains precarious. She reported that compared to the pre-pandemic revenue generating level of 16.1% of GDP, the government’s revenue efforts remain subdued with a projected revenue rate of 15.9% of GDP until 2024. This should prompt the National Government to reallocate budgetary requirements to infrastructure and implementation-ready projects to realize immediate returns of investment.

Director Reyes also manifested that the Supreme Court ruling on the Mandanas-Garcia case and the debt status of the government given the borrowings made to fund the Build-Build-Build Program constitute considerable pressure on the fiscal management of the National Government. She cited the position of the National Economic Development Authority that the insufficient budget for 2021 is one of the main reasons for the failure of the Government to achieve physical targets for projects and programs. Director Reyes pointed out that the unprogrammed appropriations for FAPs is insufficient to offset the reduction in funding for programs and projects in the past two years.

Director Reyes called upon partners and research offices in Congress to present an analysis of the fiscal impact of FAPs and to present this during budget deliberations. She cited that a 3% threshold for FAPs based on the total proposed expenditure should be observed when setting the budget to ensure minimal impact of added expenditures and debt of the government.

### **5. Overlaps and redundancies in expenditure**

Finally, Dir. Reyes manifested that there are existing service overlaps in the National Government which result in the consumption of more resources. The government should clearly define the roles and responsibilities in both the national and local levels to avoid duplication in the procurement of goods and the delivery of services to the public.

In light of the Supreme Court ruling on the Mandanas-Garcia case, Dir. Reyes advised a clearer delineation of devolved, delegated, or shared functions of the National and Local governments, and the respective expenditure responsibilities therefor. She also urged the amendment of Section 17 of the Local Government Code and the pursuit of legislation which rationalizes the functions and responsibilities of LGUs.

## MA. TERESA S. HABITAN

Former Assistant Secretary, Department of Finance

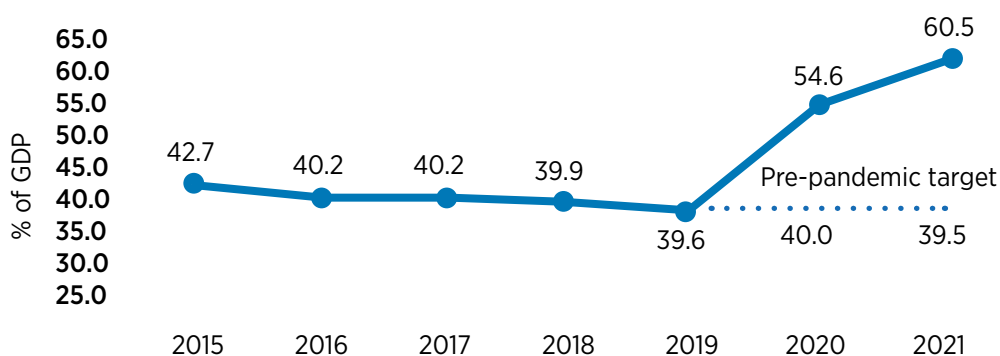
Chancellor II, Philippine Tax Academy

### Recent developments

Ms. Habitan shared that the country's budget deficit in 2021 reached Php1.7 trillion or equivalent to 8.6% of GDP, as government spending increased amid the COVID-19 pandemic. She affirmed that while the national government's outstanding debt as a share to GDP was at a record-high of 60.5% in 2021, it is still sustainable, citing that the Philippines had maintained its high investment-grade credit ratings throughout the crisis.

Figure 9.20

### National Government Debt-to-GDP Ratio



Source: Habitan, Teresa (April 2022)

The actual revenue collection of Php3 trillion in 2021 – Php2.7 trillion of which came from actual tax collection – shows a 5.24% year-on-year growth between 2020 and 2021. From 2022 onwards, revenue collection is expected to continue its upward trend, as shown in the table below, and eventually exceed expenditure growth. Ms. Habitan said that this may be attributed to the gradual reopening of the economy, increased volume of imports, and revenue collection agencies' digitalization efforts.

Table 9.9

**Fiscal Program for 2022 to 2024**

Particulars (in PHP)	2020 Actual	2021 Actual	2022 Revised	2023 Revised	2024 Revised
Revenues	2,856.0	3,005.5	3,304.1	3,624.4	4,048.8
as percent of GDP	15.9%	15.5%	15.3%	15.5%	15.9%
o.w. Tax revenue	2,504.4	2,742.7	3,139.6	3,457.9	3,880.2
as percent of	14.0%	14.1%	14.6%	14.7%	15.2%
GDP	4,227.4	4,675.6	4,954.6	5,059.3	5,347.3
Expenditures	23.6%	24.1%	23.0%	21.6%	21.0%
as percent of GDP	(1,371.4)	(1,670.1)	(1,650.6)	(1,434.9)	(1,298.5)
Deficit	-7.6%	-7.7%	-7.7%	-6.1%	-5.1%
as percent of GDP	17,938.6	19,387.2	21,546.2	23,456.6	25,490.7

Source: Approved Development Budget Coordination Committee levels on 14 December 2021

Ms. Habitan emphasized that fiscal discipline and the enactment of key economic reforms made the country better prepared for soaring pandemic-induced expenditures. Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion Act, Republic Act No. 11213 or the Tax Amnesty Act, Republic Acts No. 11346 which increased the excise tax on tobacco products, Republic Act No. 11467, which increased the *ad valorem* and specific tax rates on alcohol and tobacco products, among others, allowed the government to raise Php577.5 billion in incremental revenues from 2018 to 2021 and enabled immediate resource mobilization for the COVID-19 pandemic response.

Aside from fiscal stimulus measures dubbed as the Bayanihan 1 and 2 Acts, Ms. Habitan also highlighted that the passage and full implementation of the Corporate Recovery and Tax Incentives for Enterprises Act and Financial Institutions Strategic Transfer Act will enhance the country's path to economic

recovery, particularly for the corporate and banking sectors. She added that the recent enactment of strategic laws, namely, (1) the Retail Trade Liberalization Act of 2000, (2) the Foreign Investments Act of 1991, and (3) the Public Service Act will further ensure long-term economic recovery.

### **Key issues and challenges**

Ms. Habitan presented the following key issues and challenges:

1. Ballooning fiscal deficit. Spending on infrastructure, health programs, and debt service for new loans may increase pressure on fiscal deficit and is therefore a major concern as it will also affect the country's investment-grade credit ratings.
2. Record-high national debt as a result of the pandemic. The government had to incur additional debt that reached higher levels than originally planned to finance the budget deficit and COVID-19 pandemic response, which includes vaccine procurement and the social amelioration provided to citizens. Moreover, higher debt and interest payments over the next few years, and lower revenues due to reduced economic activity, restrain the government's ability to spend on infrastructure, education, healthcare, and other programs that boost economic growth and recovery.
3. Continuing threats to growth. Aside from possible resurgence of COVID-19 infections due to new and highly transmissible variants and the loosening of restrictions amid the May 2022 election-related activities, natural calamities and the oil price volatility in the world market due to the geopolitical conflict between Russia and Ukraine continue to pose threats to growth and recovery.
4. Fiscal implication of the Supreme Court ruling on the Mandanas-Garcia petition. As LGUs get higher national tax allocation as a result of the Supreme Court ruling, there are concerns regarding their lower spending efficiency (compared to the NG) as well as their capacity to absorb a significant increase in revenues which may result in underspending and consequent gaps in service delivery.



5. Impacts of climate change. A 2019 report by the Institute for Economics and Peace showed that the Philippines is among the countries most at risk from the climate crisis. The threat posed by natural hazards caused by changing climate is high due to the country's geography.

### **Fiscal consolidation for economic recovery**

To aid economic recovery and sustain the country's long-term investments in health, education, infrastructure, and job creation, Ms. Habitan underscored several points regarding fiscal consolidation. She said that restoring fiscal space and the timely rollout of a fiscal consolidation plan will help mitigate the risk of investment-grade credit rating downgrades, which in turn will keep the country's debt payments and overall borrowing costs manageable. A policy mix of tax administration improvements to plug leakages; updated policy proposals that build on past reforms; and new taxes will help narrow the budget deficit and pay off government debt.

Ms. Habitan manifested her optimism that Congress will pass the remaining tax reform proposals of the Duterte administration this year, such as the Property Valuation Reform bill and the Passive Income and Financial Intermediary Taxation bill that are expected to keep the Philippines attractive to investments. She also advised the consideration of the proposed MUP Pension reform bill and the proposed capital market development reforms to allow for fiscally sustainable pension systems.

To address concerns and optimize the benefits from higher LGU shares as a result of the Supreme Court ruling, Ms. Habitan recommended that the National Government should define the re-devolved functions of the LGUs. She called on the National Government to provide capacity-building support to LGUs to improve their implementation capacity and overall service delivery. She averred that if the goals of the National Government and LGUs are well-aligned, service delivery gaps can be minimized.

Finally, Ms. Habitan posited that the government should provide clearly defined climate change plans and regulations to encourage businesses, despite their concern about the high capital cost of these policies, to take part in these plans and programs. She added that awareness and educational campaigns are necessary for companies and consumers alike.

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### **DR. ROSARIO G. MANASAN**

Former Senior Research Fellow

Philippine Institute for Development Studies

Reacting to the presentations on achieving fiscal stability and enhancing PFM by Director Yolanda R. Reyes and retired Department of Finance Assistant Secretary Ma. Teresa S. Habitan, Dr. Rosario G. Manasan echoed the issues and challenges on the fiscal front and the need for fiscal consolidation to address these.

Dr. Manasan summarized the fiscal issues as follows:

1. Large fiscal deficits in 2020 to 2021 and projected tapering in 2022 to 2023;
2. Record-high national government debt of 55% and 60% of GDP in 2020 and 2021, respectively;
3. Continuing concern on the COVID-19 pandemic;
4. Year-round natural calamities;
5. Oil price volatility and concomitant food supply shortage due to the Russia-Ukraine war; and
6. Supreme Court ruling on the Mandanas-Garcia petition, particularly on the lack of clarity in revenue-sharing and expenditure assignments for the National Government and the LGUs.

Additionally, she cited that a tightening of the monetary policy of the United States of America may influence the Philippines to move in the same direction, thereby putting even more pressure on fiscal adjustments. This is in lieu of an accommodative monetary policy to address the pandemic and ensure fiscal stability.

Dr. Manasan suggested several options to pursue fiscal consolidation. First, she pushed for pension reform not only of MUP but also of members of the Judiciary and constitutional commissions. According to Dr. Manasan, these pension systems, which are non-contributory and are mostly pegged at the salaries of the incumbent, put even more pressure on the fiscal resources of the National Government.

She agreed with the proposed imposition of new and higher tax rates and enactment of the following measures:

1. Real property valuation restructuring;
2. Passive income and financial intermediary taxation rationalization;
3. Fiscal regime and revenue-sharing arrangements for the mining industry;
4. Digital economy taxation; and
5. Motor vehicle user's charge reform.

Dr. Manasan also recommended that the National Government-LGU expenditure assignments be clarified. She echoed the need to revisit and unbundle broadly-defined functions that will be fully devolved to LGUs to avoid redundancies in service delivery. After she cited issues on healthcare, infrastructure, and solid waste management, Dr. Manasan advised a review of Section 17 of the Local Government Code of 1991 on the assignment of functions to various local government levels. She also raised a concern about the equitability of LGU shares in the allotment of national taxes as interpreted by the Supreme Court in its ruling on the Mandanas-Garcia case. She urged the determination of the

fiscal capacity of LGUs to assume the functions and provide the services to be re-devolved pursuant to the new national tax allotment sharing scheme.

Lastly, Dr. Manasan proffered the suggestion to institute PFM reforms, focusing on the CBS, and amending the Procurement Law accordingly. In the meantime, she proposed the increased use of a multi-year contractual authority for infrastructure projects and the establishment of an integrated PFM information system to enable close-to-real-time generation of financial reports.

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### **KENNETH ISAIAH I. ABANTE**

Professor, Faculty of Inter-Disciplinary Studies  
Ateneo de Manila University, and  
Managing Director for Practice and Partnerships  
WeSolve Foundation, Inc.

Mr. Abante discussed three main points during his presentation, namely: the proper prioritization of the PhP5 trillion budget, the benefits of enabling the participation of disenfranchised groups in budget deliberations, and a proposal to create a local government capacity support fund pursuant to the Supreme Court ruling on the Mandanas-Garcia petition to further empower LGUs in the performance of their functions.

### **Budget priorities**

Citing the estimates of civic groups, Mr. Abante averred that to achieve equitable recovery from the economic impact of COVID-19, about PhP1.2 trillion pesos and PhP100 billion in unprogrammed appropriations are needed to subsidize the labor sector and the transportation industry, respectively. In addition, Mr.

Abante suggested the allocation of funds for the following programs that can impact certain marginalized groups positively:

Organization	Proposal
Alliance of Health Workers	PhP176 billion for additional benefits to healthcare workers
Action for Economic Reform	Establishment of health information systems and affordable testing and contact tracing facilities
<i>Sentro ng mga Nagkakaisa at Progresibong Manggagawa</i>	PhP192 billion for social amelioration of laid-off workers and for skills training for the unemployed
<i>Samahan ng mga Nagkakaisang Pamilya ng Pantawid</i> and Cure COVID Network	PhP550 billion for social protection, including cash subsidy assistance to PWDs, and updated targeting of Listahanan, also known as the National Household Targeting System for Poverty Reduction
<i>Aral Pilipinas</i> Coalition	Additional allocation on top of the PhP2 billion approved funding for hiring of teachers, provision of transportation and PPE, allowances, flexible learning options, classroom facilities, and scholarship grants
Move-as-One Coalition	PhP150 billion to support transport workers and commuters

### Participation in budget deliberations

Mr. Abante emphasized the importance of the participation of disenfranchised groups during budget deliberations to properly prioritize and shape the budget according to the needs of the marginalized. He referred to the concept of “problem ownership” wherein members of society who experience the problems to be addressed by legislation could offer the best solutions to such problems. He proposed the implementation of programs and projects involving civic groups that would empower them to formulate project proposals, such

as an action research project that would collect data and information from implementing agencies. He also suggested data sharing among government agencies and civil society groups.

### **Absorptive capacity of LGUs**

Lastly, Mr. Abante proposed the creation of a local government capacity support fund for LGUs so they can efficiently act on certain matters which are mandated by law. The proposed fund is particularly aimed at strengthening LGU service capacity through staff augmentation in the area of transportation and assistance to persons with disabilities.





# **Roster of Experts and Resource Persons**



## **WORKSHOP ON THE PROPOSALS OF THE HOUSE OF REPRESENTATIVES SECRETARIAT FOR THE LEGISLATIVE AGENDA OF THE 19TH CONGRESS**

### **Domain 1: Revitalizing Agriculture and Attaining Food Security**

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Philippine Institute for Development Studies

Fermin D. Adriano  
Undersecretary for Policy and Research  
Department of Agriculture

Rolando Dy, PhD  
Executive Director  
Center for Food and Agribusiness  
University of Asia and the Pacific

Raul Q. Montemayor  
National Business Manager and Program Officer  
Federation of Free Farmers Cooperative, Inc.

### **Domain 2: Protecting the Environment and Adapting to Climate Change**

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Emma E. Porio, PhD  
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### **Domain 3: Pursuing Human Development and Promoting Social Cohesion**

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