



# ARANGKADA PHILIPPINES FORUM

*MOVING TWICE AS FAST*

JANUARY 26, 2012 | MARRIOTT HOTEL MANILA, PASAY CITY

FIRST ANNIVERSARY ASSESSMENT



1ST JFC INVESTOR CONFERENCE STREAMED LIVE



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# Methodology

*Arangkada Philippines*, sponsored by the Joint Foreign Chambers, and first published in December 2010 reflected the results of nine focus group discussions with the participation of nearly 300 Filipino and foreign investors over a period of more than 6 months. The recommendations of these investors were supplemented by research into the advocacies of leading Filipino domestic business associations and foreign chambers of commerce.

*Arangkada Philippines* was published and released to the press in December 2010 at the Department of Trade and Industry with Secretary Gregory L. Domingo, BOI Managing Head Cristino L. Panlilio and PEZA Director General Lilia de Lima. The 470 page document contains a total of 471 recommendations. *Arangkada Philippines* was converted into a virtual document on the two websites [www.investphilippines.info](http://www.investphilippines.info) and [www.arangkadaphilippines.com](http://www.arangkadaphilippines.com). Relevant information is posted on the website, which received over 13,000 visits from 100 countries in 2011 in the initial six months after launch of the website.

A year after its publication, more than 50 private sector experts collectively evaluated all of the 471 recommendations. These experts include senior consultants, former senior public sector officials, senior business executives, academics, and others. They evaluated each of the recommendations based on the following 6-star rating system.

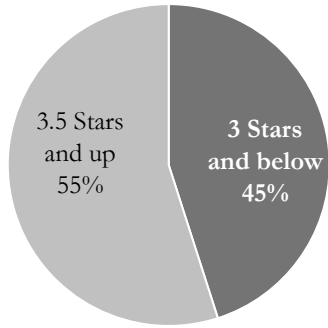


The results of their evaluation are presented in the following pages and will be posted on the website of *Arangkada Philippines*.

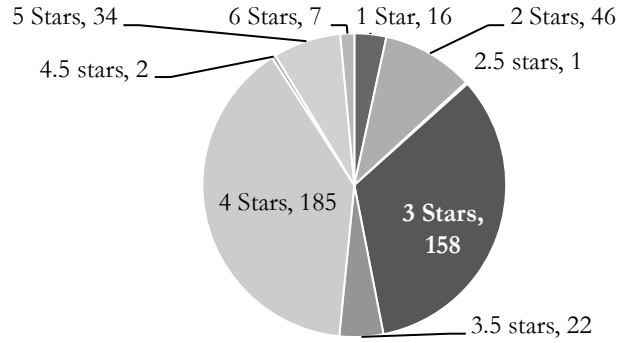
# Summary of Evaluations

	1 star: No Longer Relevant	2 stars: Backwards/Regression	2.5 stars: Backwards/Regression - Not Ongoing	3 stars: Not Ongoing	3.5 stars: Not Ongoing - Started	4 stars: Started	4.5 stars: Started - Substantial Progress	5 stars: Substantial Progress	6 stars: Completed
<b>Part 1: Growing Too Slow</b>				3		5			
<b>Part 2: Becoming More Competitive</b>								3	
<b>Part 3: Seven Big Winner Sectors</b>	12	24	1	100	12	105	2	21	6
<i>Agribusiness</i>		1		3	9	5			
<i>BPO</i>	3	4		7		7		7	2
<i>Creative Industries</i>		1		10		4		1	
<i>Infrastructure</i>									
Policy	1	3		9		7		3	2
Airports				5		6	2	2	
Power	2	5	1	4		9			
Roads & Rail		2		3		4			
Seaports				14		6			
Telecommunications		1		6		3			1
Water				3		6			
<i>Manufacturing</i>		1		7	3	6			
<i>Logistics</i>	3	2		9		7		3	1
<i>Mining</i>	1	3		13		13		3	
<i>Tourism, Medical Travel, and Retirement</i>	2	1		7		22		2	
<b>Part 4: General Business Environment</b>	1	26		55	10	75		10	1
<i>Business Costs</i>		5		4		7			
<i>Environment and Natural Disasters</i>		2		3		9			
<i>Foreign Equity and Professionals</i>		3		4		5			
<i>Governance</i>		1		4	3	5		3	
<i>Judicial</i>		2		4		5		1	
<i>Labor</i>		2		1		4		1	1
<i>Legislation</i>		1		4		8			
<i>Local Government</i>		3		3	4	5		1	
<i>Macroeconomic Policy</i>	1			14	1	13		1	
<i>Security</i>		5		4	2	4			
<i>Social Services:</i>									
Education				7		5			
Health & Population				3		4		2	
Poverty		2				1		1	
<b>TOTAL</b>	<b>13</b>	<b>50</b>	<b>1</b>	<b>158</b>	<b>22</b>	<b>185</b>	<b>2</b>	<b>34</b>	<b>7</b>

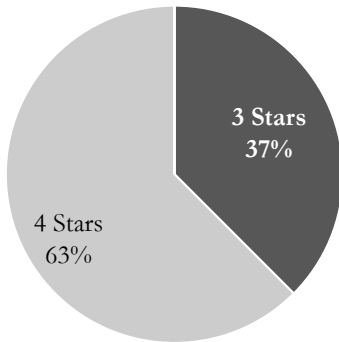
**Overall Ratings, percentage**



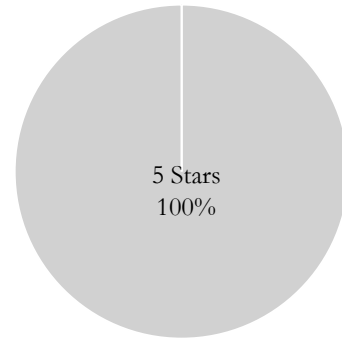
**Overall Ratings**



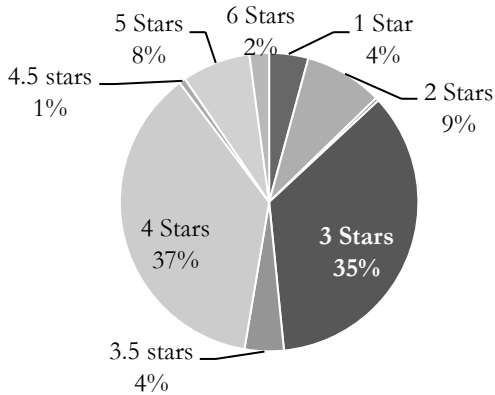
**Part 1, Ratings, percentage**



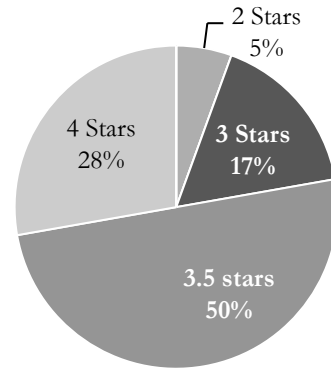
**Part 2, Ratings, percentage**



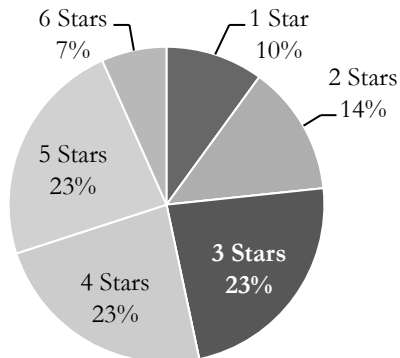
**Part 3, Ratings, percentage**



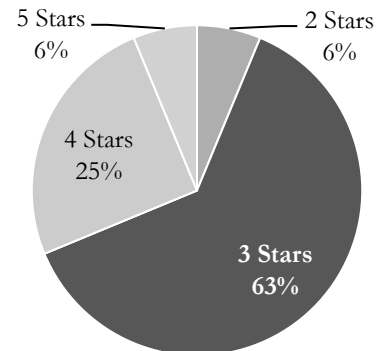
**Part 3: Agribusiness, Ratings, percentage**



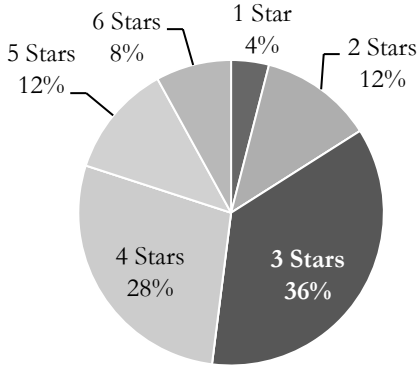
**Part 3: Business Process Outsourcing, Ratings, percentage**



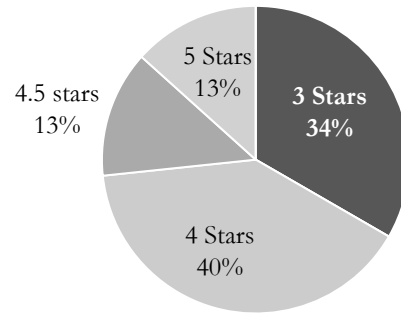
**Part 3: Creative Industries, Ratings, percentage**



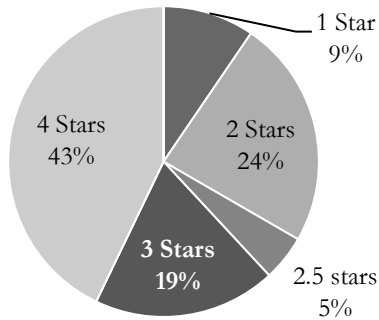
**Part 3: Infrastructure Policy, Ratings, percentage**



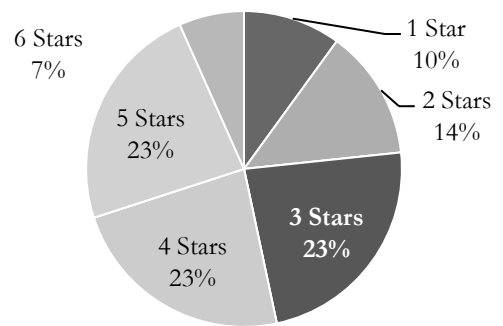
**Part 3: Infrastructure -Airports, Ratings, percentage**



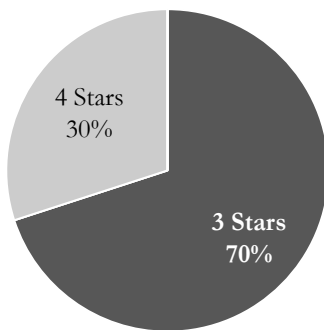
**Part 3: Infrastructure-Power, Ratings, percentage**



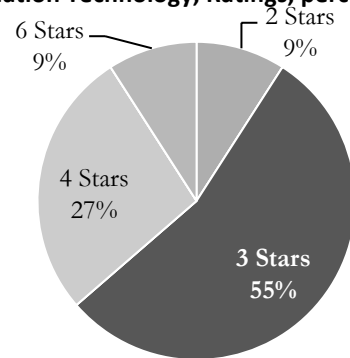
**Part 3: Infrastructure-Roads and Rail, Ratings, percentage**



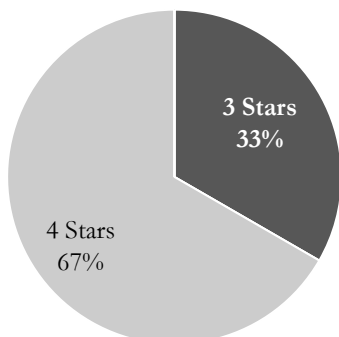
**Part 3: Infrastructure-Seaports, Ratings, percentage**



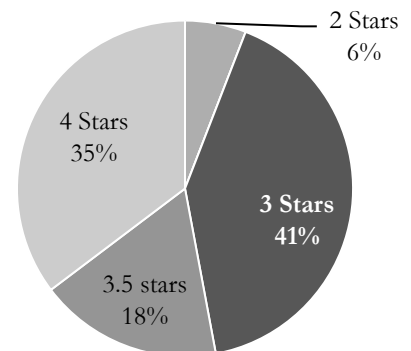
**Part 3: Infrastructure-Telecommunications and Information Technology, Ratings, percentage**



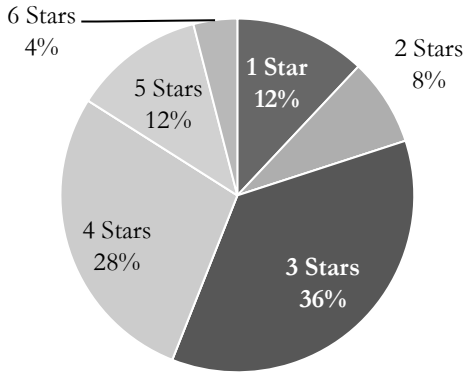
**Part 3: Infrastructure-Water, Ratings, percentage**



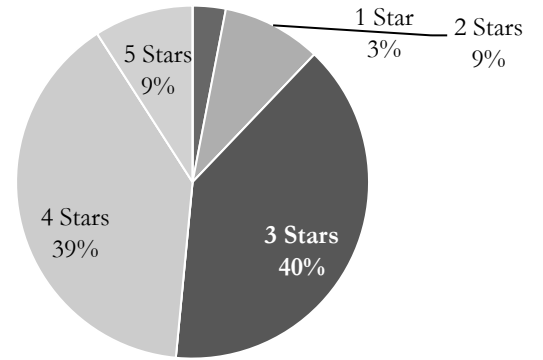
**Part 3: Manufacturing, Ratings, percentage**



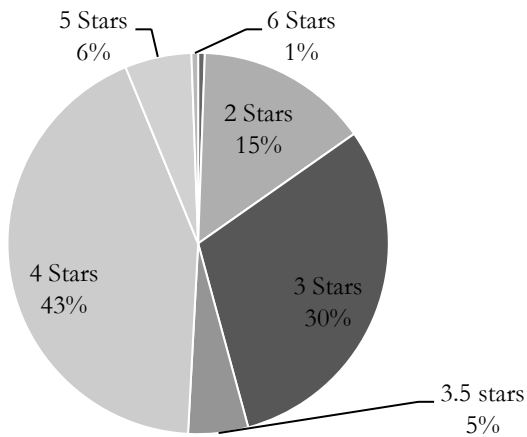
**Part 3: Logistics, Ratings, percentage**



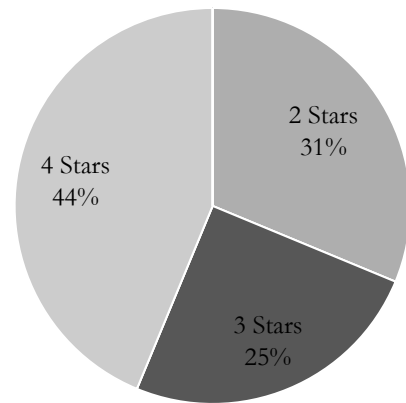
**Part 3: Mining, Ratings, percentage**



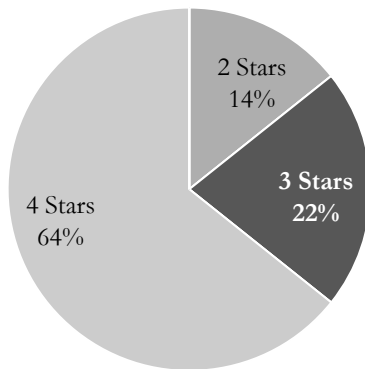
**Part 4: Overall Ratings, percentage**



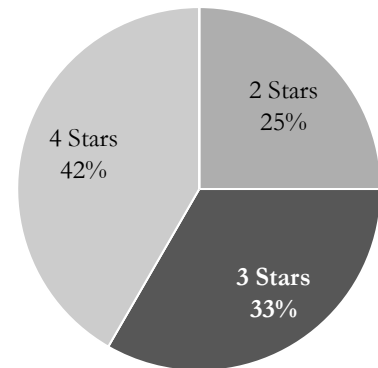
**Part 4: Business Costs, Ratings, percentage**



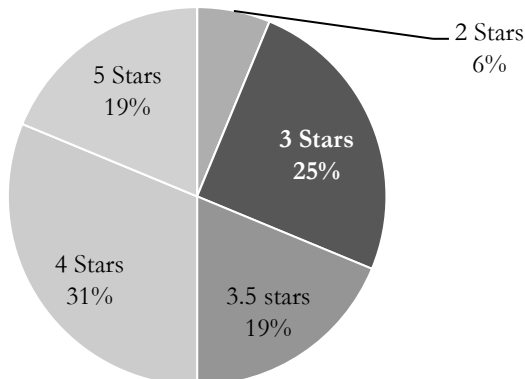
**Part 4: Environment and Natural Disasters,**



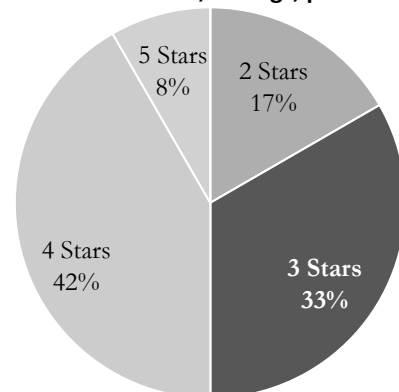
**Part 4: Foreign Equity and Professionals,**



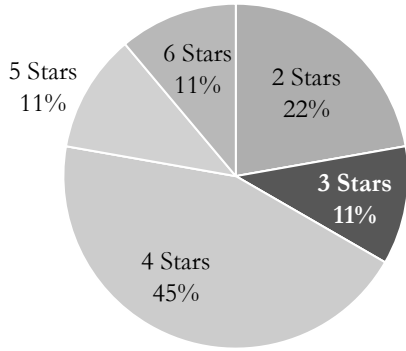
**Part 4: Governance, Ratings, percentage**



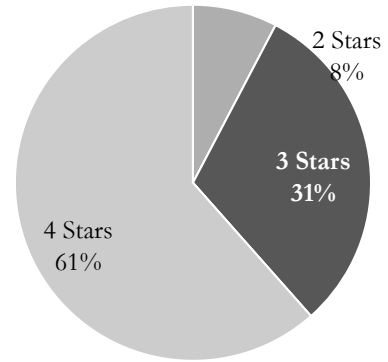
**Part 4: Judicial, Ratings, percentage**



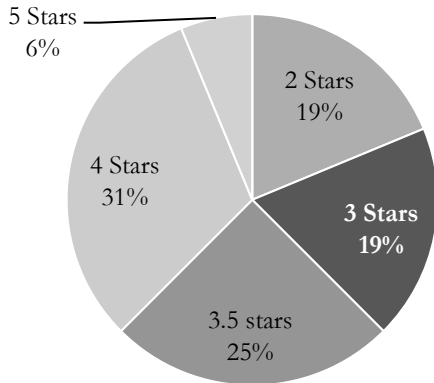
**Part 4: Labor, Ratings, percentage**



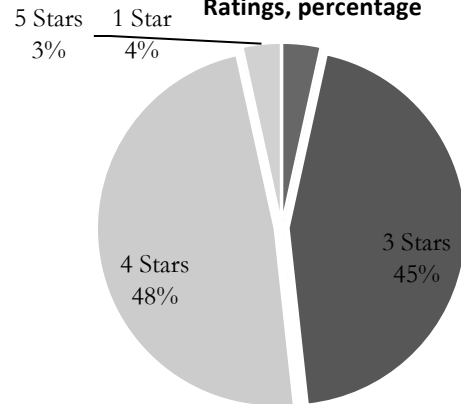
**Part 4: Legislation, Ratings, percentage**



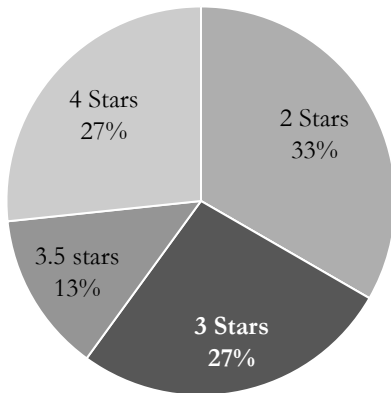
**Part 4: Local Government, Ratings, percentage**



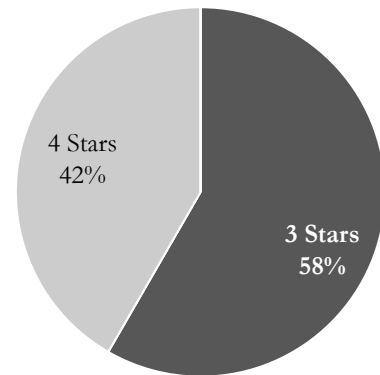
**Part 4: Macroeconomic Policy, Ratings, percentage**



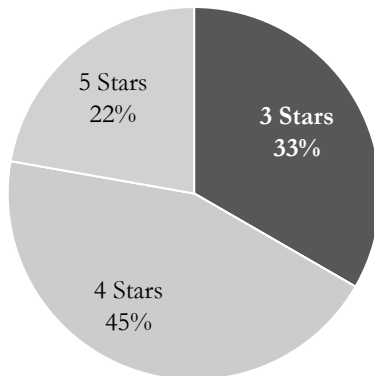
**Part 4: Security, Ratings, percentage**



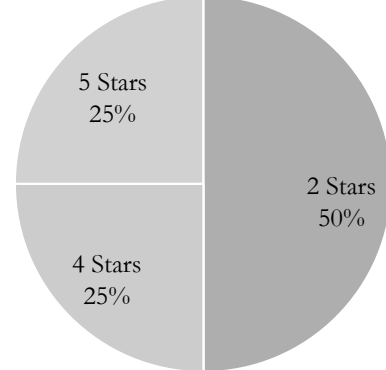
**Part 4: Social Services-Education, Ratings, percentage**



**Part 4: Social Services-Health and Population, Ratings, percentage**

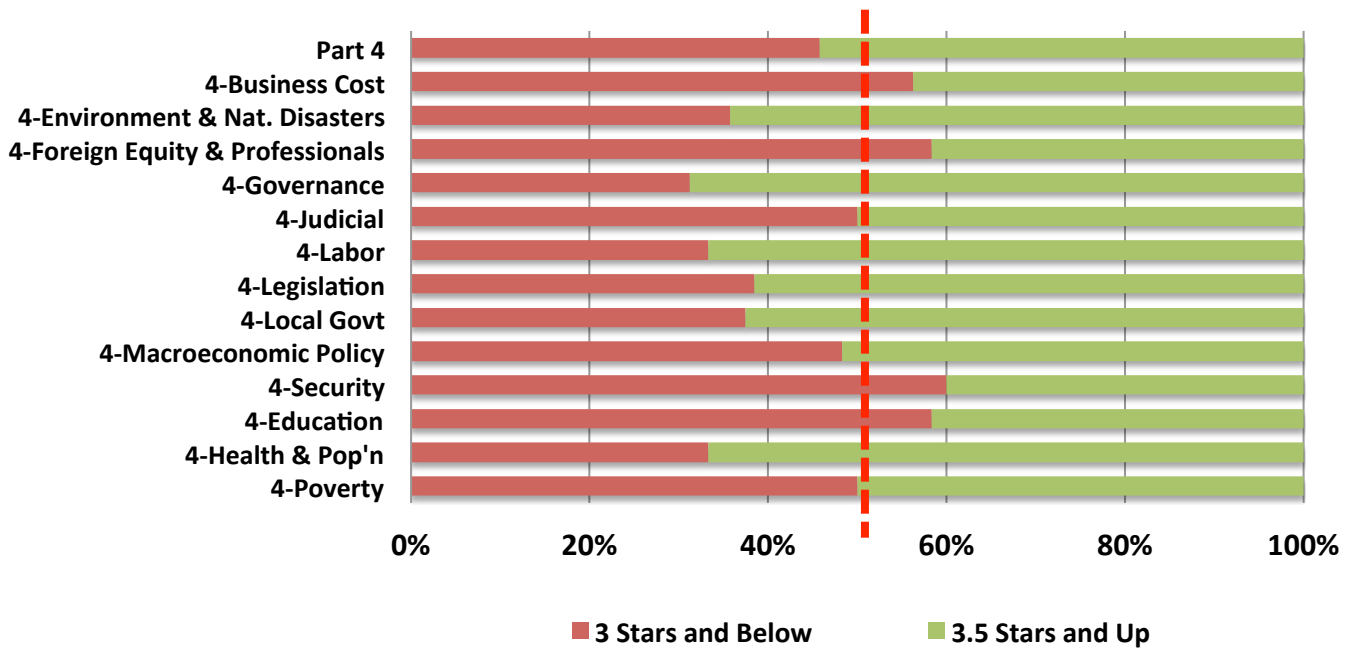
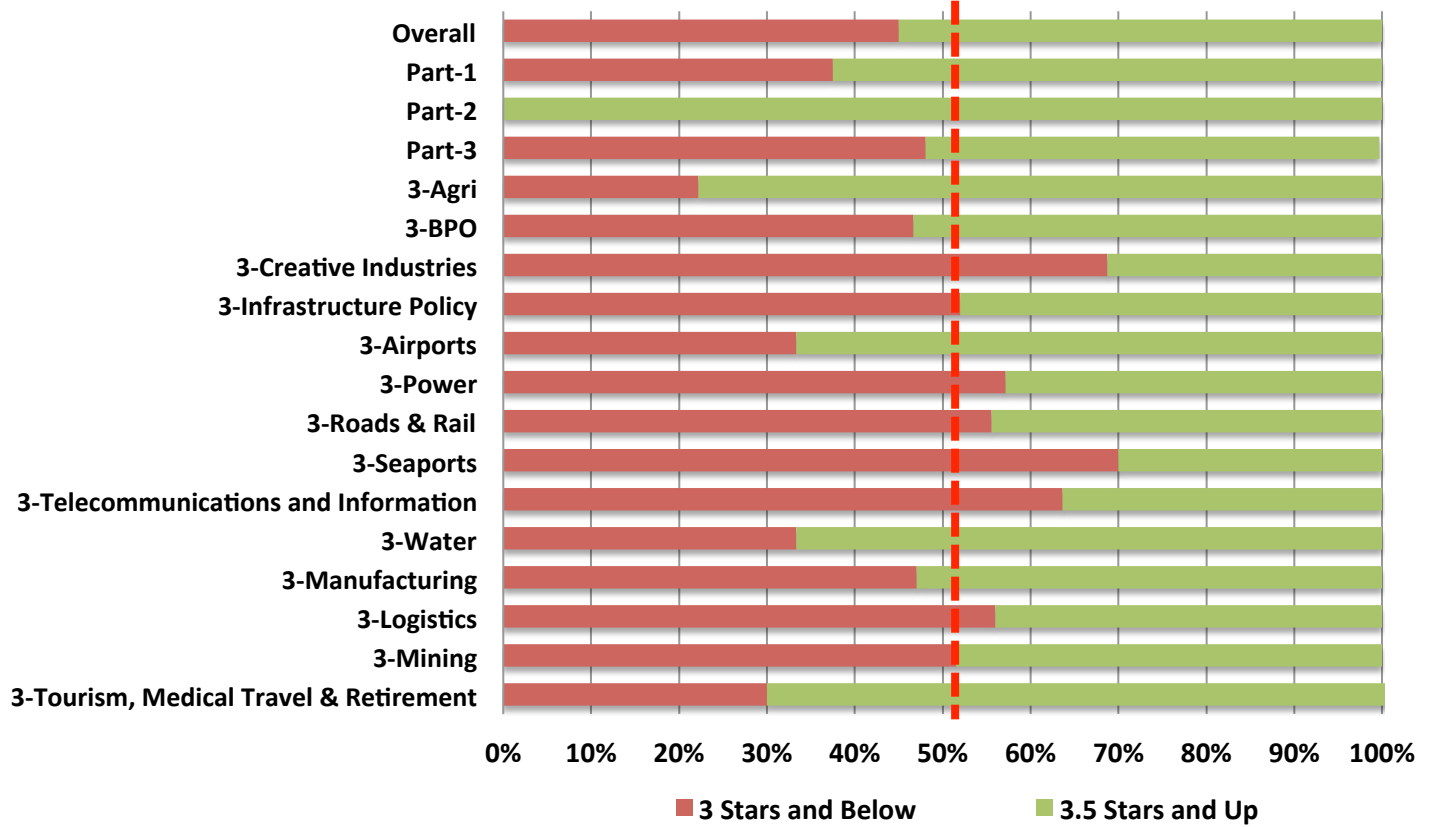


**Part 4: Social Services-Poverty, Ratings, percentage**



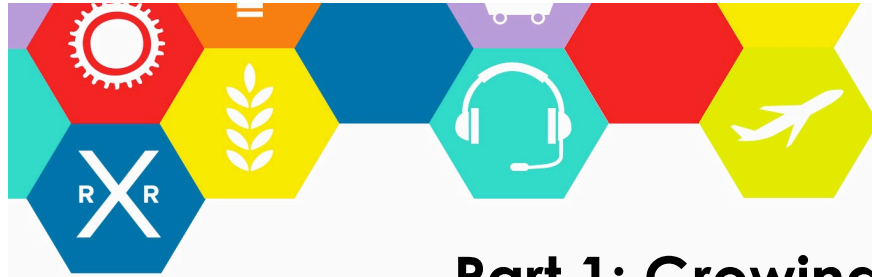


# Assessment Summary



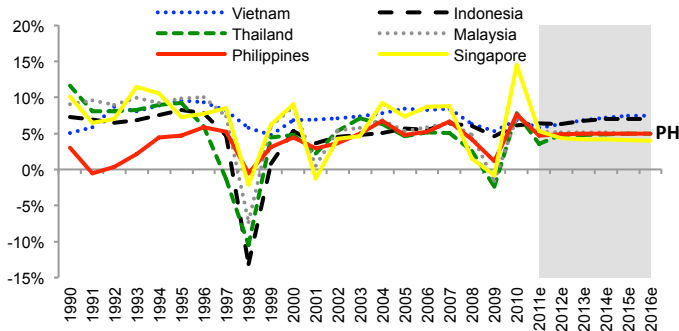
## Part 1: Growing Too Slow

The eight recommendations in Part 1 were rated as 63% started and 37% not ongoing. Among started are prioritization of job creation by the private sector, improvement in achieving export targets, effective tax collection and better government spending, and organization of a Special Experts Group which was done through the revitalized National Competitiveness Council. The recommendation of doubling GDP growth rate to 9% was rated as backward/regression as it was judged likely to finish 4% or lower in 2011.



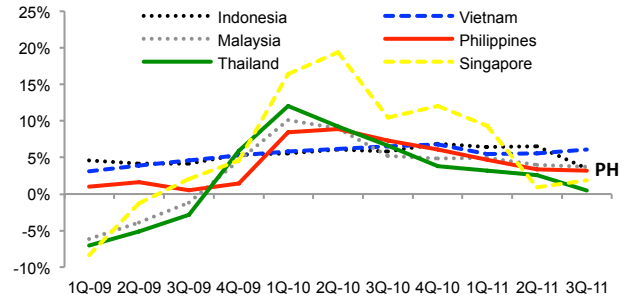
# Part 1: Growing Too Slow

**Real GDP Growth Rates, ASEAN-6**



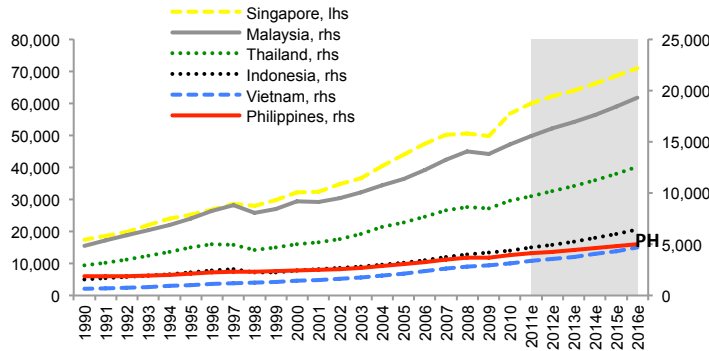
Sources: IMF WEO Sep 2011

**Real GDP yoy growth rates, quarterly, ASEAN-6, 1q2009-3q2011**



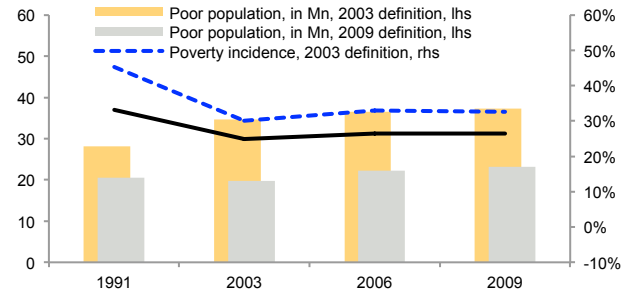
Sources: Respective national statistics offices

**Annual GDP per capita, PPP, US\$**



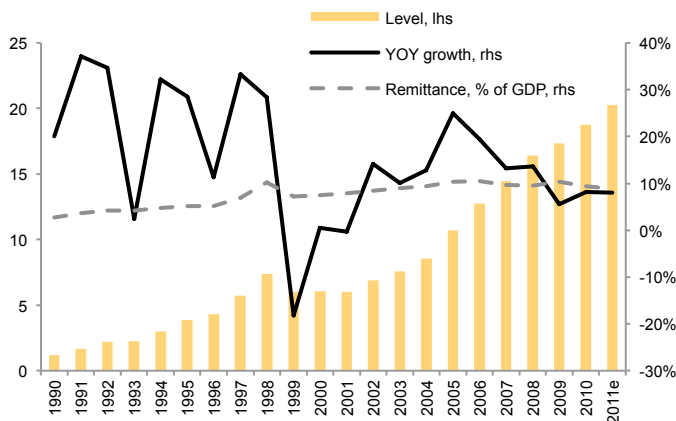
Source: IMF

**Poverty Trend in the Philippines (1998-2009)**



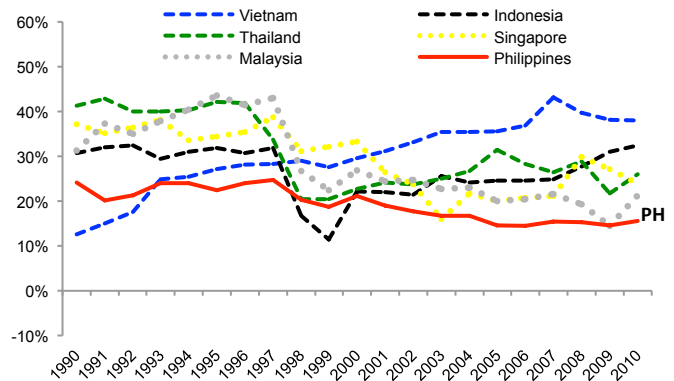
Sources: NSO and NSCB; The government recently revised the methodology in measuring poverty (regional food bundles were replaced by provincial food bundles).

**OFW Remittance, Bn US\$**



Source: BSP, 2011-author's estimate

**Gross Domestic Investments, as % of GDP, 1990-2010**



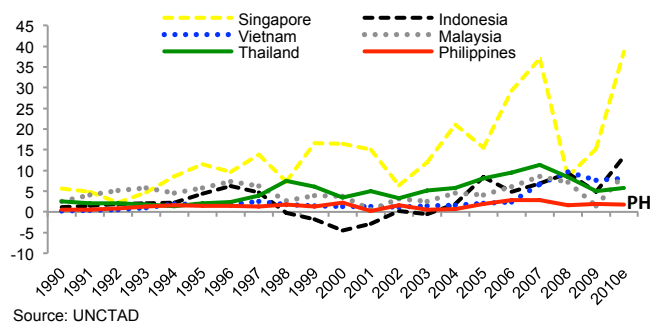
Sources: ADB and IMF

**Growth Rate of 11.6% Needed for the Philippines to Reach High Income Status in 2030**

Year	GDP billion US\$	Per Capita US\$	Population million
2010	179	1,905	94
2015	310	2,998	103
2020	537	4,747	113
2025	930	7,562	123
2030	1,600	12,087	133

Source: Amcham ICIP

**Net FDI, ASEAN-6, 1990-2010, Bn US\$**



Source: UNCTAD

**ASEAN-6 Average Annual FDI, Bn \$, 2000-2010**

Countries	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	AVE	% of Total
IN	-4.5	-2.8	0.2	-0.5	1.9	8.3	4.9	6.9	9.3	4.9	13.3	3.8	9%
MY	3.8	0.6	3.2	2.5	4.6	4.1	6.1	8.6	7.2	1.4	9.1	4.7	12%
PH	2.2	0.2	1.5	0.5	0.7	1.9	2.9	2.9	1.5	2.0	1.7	1.6	4%
SG	16.5	15.1	6.4	11.9	21.0	15.5	29.3	37.0	8.6	15.3	38.6	19.6	49%
TH	3.4	5.1	3.4	5.2	5.9	8.1	9.5	11.4	8.4	5.0	5.8	6.5	16%
VT	1.3	1.3	1.2	1.5	1.6	2.0	2.4	6.7	9.6	7.6	8.2	3.9	10%
<b>Total</b>	<b>22.7</b>	<b>19.5</b>	<b>15.9</b>	<b>21.1</b>	<b>35.7</b>	<b>39.9</b>	<b>55.1</b>	<b>73.5</b>	<b>44.6</b>	<b>36.2</b>	<b>76.7</b>	<b>40.1</b>	<b>100%</b>

**Recommendations**

**Evaluations**

1.

Double the GDP growth rate to 9% supported by a clear long-term industry policy.

The PDP targets a GDP growth rate of 7-8%, a level necessary for growth to be inclusive. The growth rate of 7.4% in 2010 (a year of election spending and recovery of exports from the financial crisis) was the highest in 34 years. However, in 2011, conservative public sector spending, weakening growth in major foreign markets, and supply chain interruptions in Japan and Thailand, dampened growth, which is likely to finish below 4%. Completion of substantial infrastructure projects is essential for higher investment levels and growth. Chapter 3 of the PDP is a modest beginning of an industry policy plan.



Backward/Regression

2.

Job creation by the private sector should receive extremely high priority.

Creating new jobs is a top GPH priority. In his FY2012 budget message President Aquino wrote "there is no time to waste...to achieve our goals to create an average of 1 million jobs every year." The PDP states "It is high growth that is sustained that massively creates jobs." Efforts are underway to narrow the mismatch of skills the educational system produces and skills businesses require. The NCC established an Education and HR WG which monitors implementation of key reforms in education. However, reforms to create better jobs, especially in agribusiness, manufacturing, and tourism, have not achieved sufficient momentum. Policy interventions concerning SMEs have had little success.



Started

3.

FDI should be targeted to reach over \$7 billion a year in 3-4 years.

Net FDI in 2011 is likely to be about the same as the \$1.7 billion in 2010, far below the \$7 billion target. However, record investment approval figures of the BOI in 2011 of \$8 billion indicate better prospects for 2012, and BOI has raised its target for 2012 to US\$ 3.5 billion in FDI and over P200 in local investment for a total of P400 billion. The other ASEAN-6 continue to outperform the Philippines in FDI.



*Not Ongoing*

4.

Export target of \$100 million in 5-6 years.

The GPH and Phil Export target doubling exports of goods and services to \$110 by 2016. Exports rebounded from a financial crisis low of \$49 billion in 2009 to \$64 billion in 2010 but are likely to end 2011 5-7% lower as foreign demand weakened. To achieve the \$110 billion target business costs (in relation to regional competitor economies) must be improved, especially power and transport inefficiencies and labor policies.



*Started*

5.

Adequate funds should be made available for international promotion.

Funds for overseas promotion remain too low to have increased impact. Some new funds are available for the DOT, but their use was delayed in 2011 while the new secretary reviewed the plans of his predecessor. The National Tourism Development Plan has not been approved and released as of December 2011.



*Not Ongoing*

6.

Remittances channelled into productive investments.

Adequate financial literacy training and investment programs for OFWs are not being implemented. The draft IRRs for PERA, which creates a savings vehicle for OFWs, were only released for comment in October 2011, although the law (RA 9505) was signed in January 2009.



*Not Ongoing*

7.

Double funds for growth-promoting expenditures through less waste in government spending, more effective tax collection, and selectively increasing taxes.

Doubling of funds for needed public spending will take several years. Implementation of the premier reform of the Administration of "Without corruption there will be no poverty" is resulting in less wasteful government spending. BIR is working to raise collection efficiency. Although more cases are being brought by the BIR and BOC against evaders, the conviction process is extremely slow. The GPH position on taxes remains to collect them more efficiently before considering new taxes, although an increase in the ACT is proposed.



*Started*

8.

Organize a Special Experts Group to recommend key reforms to make the economy grow at least 9%.

The revitalized NCC has 11 working groups where mid-level public and private sector experts meet monthly to pursue implementation of reforms to raise low rankings in the WEF, Doing Business, Transparency International, and Branding indices. In mid-2011 the JFC and Philippine Business Groups produced a Business Memo to the President on priority reforms that was given to the Economic Managers. The impact of these efforts is uncertain.

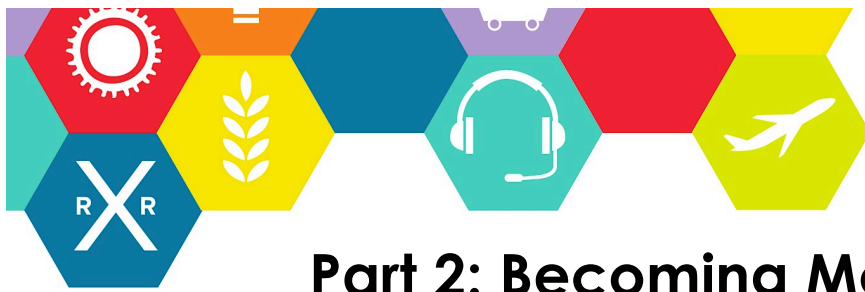


*Started*



## Part 2: Becoming More Competitive

The recommendations in Part 2 relates to improving rankings faster, maintaining high-rated strengths, and creating a national psychology to improve international competitiveness. All were rated as having substantial progress mostly due to the efforts of the National Competitiveness Council, which seeks to raise the country's ranking into the upper third of five global rankings.



# Part 2: Becoming More Competitive

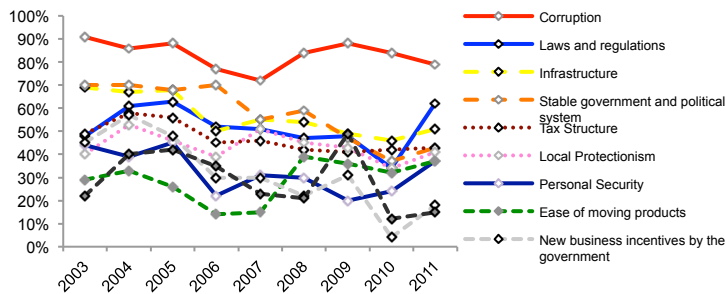
## Competitiveness Rankings of the Philippines 2010-2012

Survey Title	Year	RP ranking	Previous RP ranking	ASEAN-6 position	Trend
Best Countries for Business	2010	91 of 128	84 of 127	5 of 6	Deteriorated
Failed States Index	2011	51 of 177	53 of 177	6 of 6	<b>Improved</b>
Index of Economic Freedom	2011	115 of 179	109 of 179	4 of 6	Deteriorated
World Competitiveness Yearbook	2011	41 of 59	39 of 58	5 of 5	Deteriorated
International Property Rights	2011	87 of 129	80 of 115	6 of 6	<b>Improved</b>
Corruption Perception Index	2011	129 of 183	134 of 178	6 of 6	<b>Improved</b>
Human Development Report	2011	112 of 187	113 of 187	4 of 6	<b>Improved</b>
E-governance Readiness Survey*	2012	<i>not yet released</i>	78 of 183	-	-
Doing Business	2012	136 of 183	134 of 183	6 of 6	Deteriorated
Investing Across Borders*	2012	<i>not yet released</i>	87 countries	N/A	N/A
Paying Taxes	2012	135 of 183	124 of 183	5 of 6	Deteriorated
Global Competitiveness Report	2011	75 of 142	85 of 139	6 of 6	<b>Improved</b>
Global Enabling Trade Report*	2012	<i>not yet released</i>	82 of 125	-	-
Travel & Tourism Competitiveness	2011	94 of 139	86 of 133	6 of 6	Deteriorated
Environmental Performance Index*	2012	<i>not yet released</i>	50 of 163	-	-

\* This is a biennial report and due out in 2012.

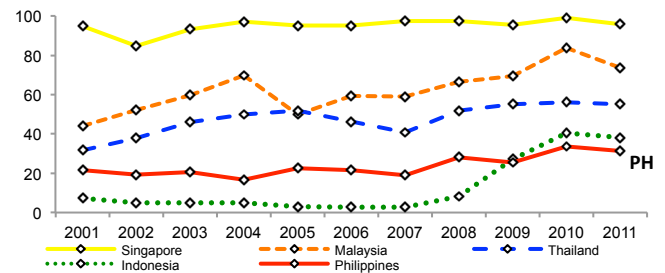
Sources: Forbes Magazine, Foreign Policy Magazine/The Fund for Peace, Heritage Foundation/Wall Street Journal, International Institute of Management Development, Property Rights Alliance, Transparency International, United Nations Development Programme, UN Public Administration Network, World Bank, World Economic Forum, and Yale Center for Environmental Law & Policy.

**Top Areas of Dissatisfaction, % of respondents, Philippines, 2003-2011**



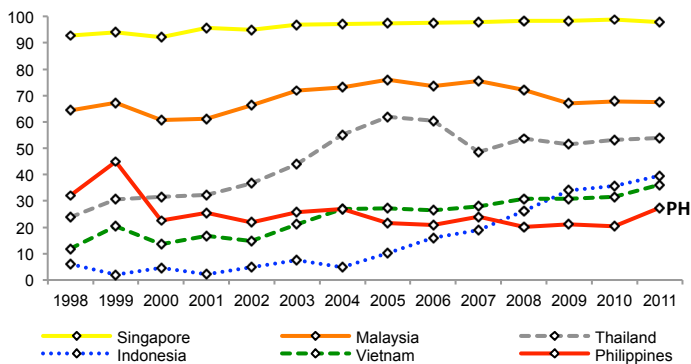
Source: AmCham Gallup Surveys

**IMD World Competitiveness, percentile rankings, 2001-2011**



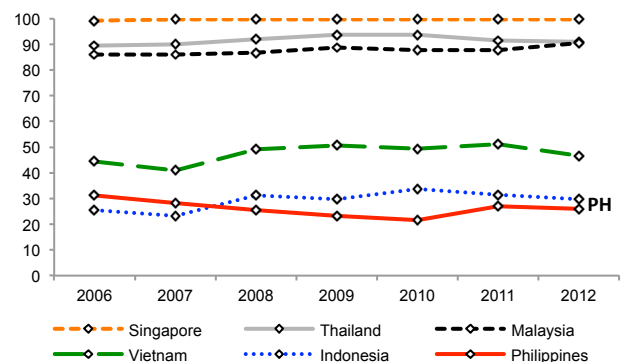
Sources: International Institute for Management Development and author's calculations

**Corruption Perceptions Index, percentile rankings, 1998-2011**



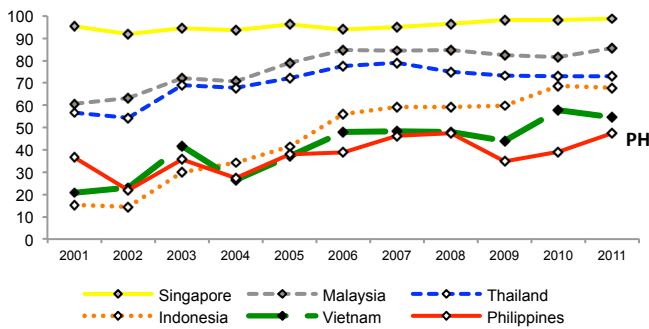
Sources: Transparency International and author's calculations

**Ease of Doing Business, percentile rankings, 2006-2012**



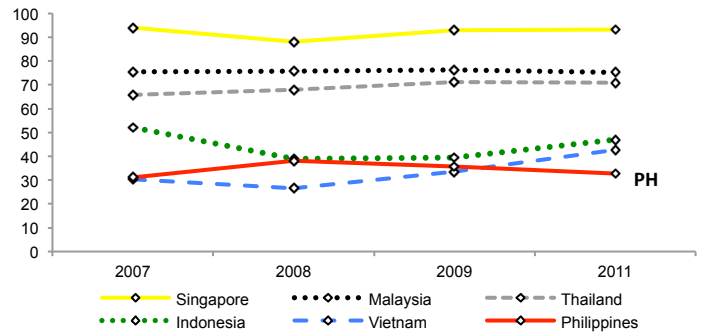
Source: World Bank

**Global Competitiveness, percentile rankings, 2001-2011**



Sources: World Economic Forum, author's calculation

**Travel and Tourism Competitiveness, percentile rankings, 2007-2011**



Source: World Economic Forum; No 2010 data

## Recommendations

**1.** Undertake aggressive efforts to improve rankings faster. Government and private sector should select areas of competitiveness most important to investors where the Philippines can move up and focus resources on improving these.

The NCC was reorganized in 2010 and is systematically preparing reforms through 11 Working Groups: Anti-Corruption, Budget Transparency, Business Permits & Licensing System (BPLS), Education and HR Development, ICT Governance, Infrastructure, Judiciary, National Single Window, Performance Governance System, Philippine Business Registry (PBR), and Power and Energy. NCC is seeking to raise the country's ranking into the upper third of the following global rankings: (1) IMD World Competitiveness Yearbook, (2) TI Corruption Perception Index, (3) WEF Global Competitiveness Report, (4) IFC-WB Doing Business Report, and (5) FutureBrand Country Brand Index.

★★★★★  
**Substantial Progress**

**2.** Identify areas where the Philippines is weakest. Maintain and improve high-rated strengths it has.

The weakest areas have been identified by the NCC. Reducing if not ending corruption is the highest priority of the Aquino Administration. If convictions of major grafters eventuate in the country's slow judicial system, the ranking in the TI Corruption Perception Index should improve. Over 15 cabinet secretaries have signed the Integrity Initiative pledge, joining nearly 1,000 businesses.

★★★★★  
**Substantial Progress**

**3.** Create a national psychology to improve international competitiveness ratings overall and in specific critical areas. The president could report on the state of national competitiveness.

Although the PDP discusses creating a "culture of competitiveness," aside from the NCC and parts of the Executive Branch there seems to be limited political will to improve the country's competitiveness in order to encourage investment and job creation. Businessmen are acutely aware of factors that increase their business costs. Unfortunately, many bureaucrats and politicians at the national and local level do not think in terms of improving competitiveness.

★★★★★  
**Substantial Progress**





## Part 3: Seven Big Winner Sectors

### **Agribusiness**

Almost 80% of the recommendations in Agribusiness were rated 3.5 stars and up. Fifty percent were rated not ongoing-started. Meanwhile, the recommendation on legislation was rated backward/regression due to the Agri-Agra Law and the Farm Land as Collateral bills not moving in Congress.

### **Business Process Outsourcing**

Seven percent of the recommendations in BPO were categorized as complete. BPAP identified industry champions in Congress to sponsor key bills. A business legal framework for the IT-BPO industry has been established. Three recommendations were ranked as no longer relevant: create interim solutions pending the passage of the Cybercrime prevention and Data Privacy bills, review of PD 1718, and the endorsement of the ethical best practices manual of the Philippine medical transcription industry.

### **Creative Industries**

More than 50% of the recommendations in Creative Industries were ranked 3 stars and below. Ten out of 16 recommendations are not ongoing. Most recommendations are for the action of the reconfigured Design Center of the Philippines. Meanwhile, developments have been made in the establishment of the Creative Industries Development Council.

### **Infrastructure Policy**

The Infrastructure Policy section has two completed recommendations namely to keep lump sum budgets to a minimum and to create reasonable timetables to address the long registration period of BOT projects. Another recommendation where there is substantial progress is the development of an online registry for information on infrastructure projects which DPWH, NEDA PPP Center, and DBM observe. The recommendation to strengthen the Pro-Performance Team created under the Arroyo Administration was shelved since it was discontinued under President Aquino.

### **Infrastructure: Airports**

Four of the recommendations in Infrastructure: Airports had substantial progress. A decision was made on the amount due to NAIA T-3 investors. The Pasay RTC ordered the GPH to pay \$176 million in May 2011. CAAP reported only a few issues remain to be resolved regarding the downgrading of CAAP by the USFAA and the EU. A multi-country project on the CNS/ATM is being implemented although there is delay by DOTC. Palawan is a priority for pocket open skies, and the Puerto Princesa Airport will be improved. Numbers of visitors have increased.

### **Infrastructure: Power**

Almost 60% of the recommendations in Infrastructure: Power were labeled 3 stars and below. Two recommendations were identified as no longer relevant: 1) credit enhancement to support project financing and power supply arrangements of new generating projects, and 2) donor agencies can help finance the longer tenor. Although still valid, the recommendation is considered not essential for peso and foreign currency dominated project financings.

### **Infrastructure: Roads and Rail**

In Infrastructure: Roads and Rail, a majority of the recommendations were rated 4 stars or started. All recommendations are being adopted by the DPWH including: Build expressways and national roads using PPP as well as DPWH funds. DBM plans to spend an increased amount in 2012 for roads and bridges. National government budget should focus on core road network. DPWH adopted a policy to upgrade National Arterial and Secondary roads. Use the modern planning tool Highway Development Management Program – 4. GHP agencies should post on their websites list of roads and bridge projects.

### **Infrastructure: Seaports**

While 30% of the recommendations in Infrastructure Seaports have been started, 70% are still not ongoing. Those started include: develop of an NCR/Central Luzon Transportation Master Plan, adopt a hub-and-spoke system, shift international container shipment volume from Manila to Batangas and Subic, develop a transport study of the capacity of ports, retain North Harbor as a domestic port and make Manila a cruise port, and remove unnecessary fees.

### **Infrastructure: Telecommunications and Information**

The recommendations in Infrastructure: Telecommunications and Information were rated as follows: 55% not ongoing, 27% started, 9% backward/regression, and 9% completed. While the status of the recommendation to create a national government data center and website has regressed, expansion of mobile services in remote areas was rated as completed. Cellular operators are required to cover 80% of the country and have collectively deployed 20,000 cell sites nationwide.

### **Infrastructure: Water**

While 33% of the recommendations in Infrastructure: Water are not ongoing, 67% have been started. Recommendations that have been started include: hearings at the Senate and House on a Water Reform or Water Regulatory Acts have been started in December 2011; President Aquino issued EO No. 62 to develop a master plan; a study commissioned by NEDA proposed to strengthen the NWRB; MWSS received WB assistance in finding alternatives to the Laiban water supply; and DPWH is implementing measures to prevent flooding and reduce garbage in waterways.

### **Manufacturing**

Most recommendations in Manufacturing were rated as not ongoing. The recommendation to rationalize holidays has regressed due to the increase in holidays with little advance notice. Among recommendations that were started are: for the private sector to make a statement for manufacturing companies to remain in the country, to diversify Philippine exports, to reduce cost of doing business, to increase E2M coverage for customs, to reduce unwarranted government interference, to link minimum wage policies to productivity enhancements, for GPH to engage in tripartite discussions, to fight smuggling, and to pass the Rationalization of Fiscal Incentives.

### **Logistics**

The recommendation in Logistics regarding PEZA organizing a meeting to coordinate actions to increase export cargo volume at Batangas was rated complete since PEZA, PPA, and export manufactures in Calabarzon met in 2011. Meanwhile, several recommendations were shelved namely modernization of Batangas port, introduction of more reliable new ships, and for importing companies to explore chartering ships.

### **Mining**

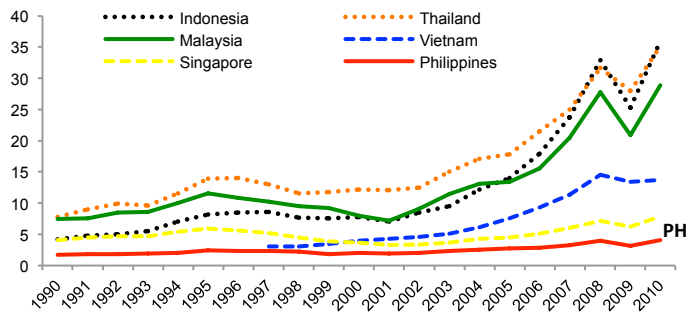
Half of the recommendations in Mining were ranked 3 stars and below. The recommendation on the implementation of the Minerals Action Plan and participation of the private sector in the Minerals Development Council was marked obsolete since the council was abolished pending development of a new minerals policy. The streamlining of exploration permits, ending LGU moratoriums, and having clear guidelines on resettling people have moved backwards.

### **Tourism, Medical Travel, and Retirement**

Out of the 34 recommendations in Tourism, Medical Travel, and Retirement, 70% are started, made substantial progress, or completed. Substantial progress has been made in increasing availability and capacity of hospital services and promoting non-controversial medical procedures. Reviewing the travel tax as a source of revenue was marked no longer relevant. Streamlining of the procedures on the imposition and collection of travel tax is a more pressing issue.

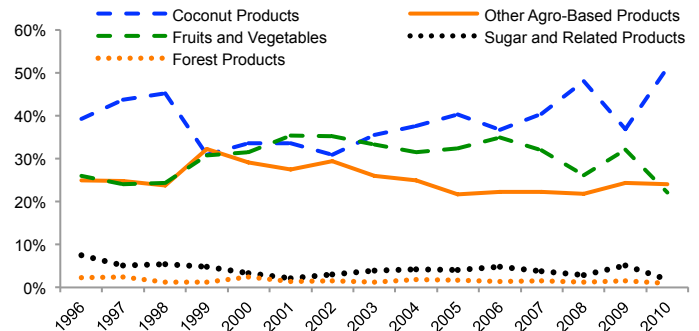
# Agribusiness

**Agricultural Goods Exports, ASEAN-6, Bn US\$,  
1990-2010**



Source: WTO; No data for Vietnam before 1997

**Distribution of Agricultural and Forest Goods Exports,  
1996-2010**



Source: NSO

## Recommendations

## Evaluations

**A.**

New FTAs present immense new market opportunities for both traditional and new agricultural exports.

The Philippines is exporting some chicken products to high value markets and is likely to start exporting pork from Mindanao in Q1 2012. Destinations include Malaysia, Singapore, and Japan. Mindanao pork exports are possible because of its FMD free status and lower imported raw material input costs from FTA countries such as Australia and Thailand. The GPH needs to do much more in educating farmers on AFTA and other FTAs. The GPH has started meeting with exporters to advise them of new opportunities.



**B.**

Increased efforts must be made to reduce the cost of farm inputs. Lowering the cost of farm inputs becomes even more important under a more competitive free trade regime.

The FTA with Australia has allowed feed wheat (a key ingredient for animal feed and a substitute for corn) to come in at zero tariff. This has helped stabilize production costs, as it also keeps domestic corn prices in check. Improvement of rural roads is on-going.



**C.**

Encourage ASEAN to develop common rules for their agricultural markets.

Use of technical import barriers, such as setting unrealistic/impractical product quality, packaging, labelling, or product handling standards is still pervasive. Harmonization of phytosanitary standards is currently being undertaken.



**D.**

There must be increased integration - backwards and forwards - in priority agriculture subsectors, such as grains/feeds and livestock and poultry growing.

Several big companies utilizing agricultural products have taken the initiative to procure directly from farmers. DA has been working with the private sector (e.g. PAFMI) on a corn e-trading system to allow farmer groups (coops) to sell directly to millers, bypassing middlemen. The system is in an advanced stage of development, but the major hurdle remains ensuring that the corn delivered is of the right quality.



**Started**

**E.**

Replicate the Unifruitti-La Frutera model combining foreign capital, Filipino agribusiness expertise, and Muslim land and workers in other conflict-affected areas.

This is happening, but on an exceptional basis, due to peace and order concerns.



**Not Ongoing - Started**

**F.**

Encourage firms and NGOs to engage in upstream "fair trade" development for upland farming communities.

A few firms/NGOs are doing this.



**Not Ongoing - Started**

**G.**

Development of new export crops and products must continually be encouraged.

There is not enough focus; mostly ad-hoc. The big push to develop coconut water exports is largely from the private sector. They are working mostly with dessicators but are trying to expand sourcing from coconut oil producers.



**Started**

**H.**

More zoning of agricultural lands should be done with priority given to export winner crops.

The National Land Use Act and the Land Administration Reform Act are progressing slowly. Neither has reached 2<sup>nd</sup> Reading in the House or Senate.



**Not Ongoing**

I.

A detailed study of the agricultural supply chain followed by actions to reduce redundant costs.

We are not aware of any updated studies that are taking place. Many studies have been done. More action steps are needed.

★★★★  
*Not Ongoing*

J.

Seek to reduce domestic shipping costs. Cabotage provisions should be reviewed, RO-RO system completed.

Development of RORO ports is ongoing. International RORO routes are being studied. There are some new lower cost shipping services in the market.

★★★★☆  
*Not Ongoing - Started*

K.

Encourage more tube wells.

This is not being emphasized enough.

★★★★☆  
*Not Ongoing - Started*

L.

Increase research and development and spending. Seed improvement should be a priority.

There is increased funding for R & D. Improved seed varieties are undergoing more trials.

★★★★★  
*Started*

M.

Information on Philippine agribusiness best practices should be better disseminated.

PCARRD is doing a lot, especially in publication and dissemination. However, GPH information campaigns are usually not sustained long enough and intensively enough to elicit changes in behaviour among farmers.

★★★★☆  
*Not Ongoing - Started*

N.

Effective network of analytical and testing laboratories in key regions.

Additional budget funding is being provided.

★★★★☆  
*Not Ongoing - Started*

**O.** Ramp up agricultural education and training programs. Create a stronger agribusiness development curriculum.

This is happening but lacks coordination.



**Not Ongoing - Started**

**P.** Farmer groups need support to establish strong cooperatives.

CDA doing some work but not enough. Many coops are formed for very short term objectives, such as vehicles for short term trading opportunities, but do not continue to exist beyond the life of said opportunity. There are no clear sustainable benefits offered to farmers to stick with the model.



**Not Ongoing - Started**

**Q.** Study the Agribusiness Investment Fund concept.

This is happening only on a private basis.



**Not Ongoing**

**R.** Legislative reforms should be undertaken. CARP should end in five years. Farm Land as Collateral law should be passed. Mandated lending policy in the Agri-Agra law should be made optional.

The Agri-Agra law is more restrictive in alternative investment outlets. The Farm Land as Collateral bill is moving very slowly in Congress.

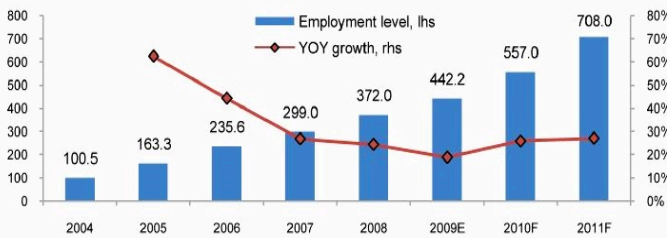


**Backward/Regression**

# Business Process Outsourcing

**IT-BPO Industry, employment, in thousands,  
2004-2011F**

**IT-BPO Sector Revenues, Bn US\$,  
2004-2011F**



Source: BPAP

Source: BPAP

## Recommendations

## Evaluations

**A.**

Strengthen the industry with a robust legal framework, passing five key bills and opposing legislation that harms the IT-BPO investment climate.

Most of the priority BPO bills have substantially progressed in the Congress. The amendment to the Labor Code removing the restriction on women working at night was signed as **RA 10151**. The **DICT** bill has been approved by the House on 3<sup>rd</sup> reading and is pending 2<sup>nd</sup> Reading in Senate. The **Data Privacy** bill has been approved by the House on 3<sup>rd</sup> Reading and is pending 2<sup>nd</sup> Reading in Senate. The **Cybercrime Prevention** Act is pending Committee Report in the House, and pending 2<sup>nd</sup> Reading in Senate and is a LEDAC priority. **Rationalization of Fiscal Incentives** passed 3<sup>rd</sup> Reading in the House and is pending Committee Report in Senate.

★★★★★  
**Substantial Progress**

**B.**

Quickly report out two bills - DICT and Cybercrime which, came close to final passage in the 14th Congress.

Both measures have moved in both House and Senate (see above).

★★★★★  
**Substantial Progress**

**C.**

Draft and pass a Holiday Rationalization Act which restricts the total number of national non-working holidays; Malacañang should continue to release no later than mid-year the schedule for the following calendar year of all national holidays.

The GPH continues to weaken competitiveness with additional holidays and inadequate advance notice. A bill to rationalize holidays (HB 4081) was introduced but no hearing was held and no companion bill in Senate. The 2012 holiday schedule was proclaimed late on 11/24 and proclaimed Chinese New Year as a new non-working holiday without consulting business. Meanwhile, two bills to create new non-working holidays (September 3 National Victory and Liberation Day and National Teachers Day) are moving in Congress. A letter voicing concerns on holiday policy, signed by 17 business groups, was sent to ES Ochoa.

★★★  
**Backward/Regression**



**D.**

In the Rationalization of Fiscal Incentives bill, there should be double deduction for training within the industry.

Unlike in the 14<sup>th</sup> Congress, the HWMC did not accept this proposed amendment, which has also been recommended to the SWMC.



**Backward/Regression**

**E.**

Identify champions in both House and Senate who will sponsor key bills and work for their passage.

BPAP is working very effectively with industry champions in both House and Senate.



**Complete**

**F.**

Request the next president to convene regular meetings of the Legislative Development Advisory Council (LEDAC).

The LEDAC has only met twice under the current administration. The House and Senate leadership have held their first Legislative Summit. While many bills are moving, better coordination through the LEDAC could increase their chances for enactment in the 15<sup>th</sup> Congress.



**Backward/Regression**

**G.**

Show how the Philippines is lagging behind competitors in terms of its IT-BPO sector business legal framework.

The advanced progress of key bills for the BPO sector is partially attributable to recognition of the need to update Philippine laws to keep up with competitors in establishing a supportive business legal framework for the IT-BPO industry.



**Complete**

**H.**

Pending passage of the Cybercrime Prevention and Data Privacy Acts, create interim solutions to address the primary concerns of industry stakeholders.

Not relevant since the Cybercrime Prevention Act is progressing in Congress and is a LEDAC priority.



**No Longer Relevant**

**I.** Review PD 1718 and explore how it can help companies on data piracy issues.

Not relevant since the Cybercrime Prevention Act is progressing in Congress and is a LEDAC priority.

  
**No Longer Relevant**

**J.** BPAP and other private sector associations should endorse the "ethical best practices manual" of the Philippine medical transcription industry. Recommend to the DTI the manual's inclusion in the revised Administrative Order (AO) on data privacy guidelines.

Not relevant since the Cybercrime Prevention Act is progressing in Congress and is a LEDAC priority.

  
**No Longer Relevant**

**K.** Develop a highly positive and supportive public environment for the industry, informing the media, public, and Congress of its contribution to the Philippine economy and correcting misperceptions. A special Task Force is needed.

BPAP has been holding informational activities for legislators and local government officials and also making presentations to national government officials.

  
**Substantial Progress**

**L.** The Task Force should also propose ways to modernize the Labor Code.

Philippine business groups (including BPAP) and the JFC work together on advocacy for reform of the Labor Code and with the tripartite government-employer-labor mechanism.

  
**Substantial Progress**

**M.** Propose amendments to the Labor Code that make it easier for companies to reasonably terminate employees and remove the prohibition on night work of women.

As noted under A above, the amendment to the Labor Code removing the restriction on night work of women was signed as RA 10151. Other Labor Code reforms will be discussed in the current initiative of DOLE under the Tripartite Labor Code Reform Project organized by AO 375 in August 2011.

  
**Substantial Progress**

**N.**

Industry and government should identify manpower requirement goals by sub-sector, function, and specialty.

BPAP has identified overall requirements. BPO sub-sector associations are working on sub-sector requirements. DOST-ICTO intends to prepare expanded growth plans for selected high-growth sub-sectors: healthcare outsourcing, IT outsourcing, IT-enabled creative industries, and voice/non-voice BPO/KPO.

★★★★★  
*Started*

**O.**

Adopt the National Competency Test at a regional (if not national) level.

Schools are interested in using the GCAT (formerly BNCT). Proposals for GPH funding support are being developed. CCAP has endorsed the test to its members. BPAP will target adoption of the GCAT by 10 leading companies in early 2012.

★★★★★  
*Started*

**P.**

Adopt an industry-wide technical and leadership management certification.

The former CICT commissioned UP professors to develop the curriculum for a Service Technology Management (STM) certificate course. The curriculum has been completed, and BPAP has prioritized the entry-level program (Service Management or SM). BPAP will assign the STM and SM program to project managers in early 2012.

★★★★★  
*Started*

**Q.**

Accelerate development of local managers. Introduce SSME as a program/degree in the Philippine educational system. Business schools should develop and train new service industry leaders.

The STM program (above) is based on SSME.

★★★★★  
*Started*

**R.**

Participate in the CHED technical panel in 2010 to suggest curriculum improvements.

BPAP has been working with CHED, including the relevant technical panels, on curriculum improvement. The PSIA has a representative on the IT panel.

★★★★★  
*Substantial Progress*

- S.** Increase the use of English on local television. BPAP has helped produce an industry-relevant TV show, but advocacy of the use of English on TV has not started.

★ ★ ★  
*Not Ongoing*
- T.** Develop an affordable Internet cafe English training program. We are not aware that this is ongoing.

★ ★ ★  
*Not Ongoing*
- U.** Develop a program to provide used computers to schools and install English software. Individual companies are providing or considering providing used computers, but there is no organized program to provide computers and training software. Such a program is not a priority for DepED. Computerized English training to supplement English teachers' deteriorated skills remains absent at the nearly 7,000 public high schools and is not a priority of the former GILAS project.

★ ★ ★  
*Not Ongoing*
- V.** Build a university specifically for careers in the IT-BPO industry. Taguig Representative Tinga has started MINT College. CCAP is planning a call center academy.

★ ★ ★ ★ ★  
*Started*
- W.** Reposition the IT-BPO career opportunity as world class. BPAP will roll out a campaign starting January 2012.

★ ★ ★ ★ ★  
*Started*
- X.** Develop a repatriation program for qualified Filipino talent overseas. The Brain Gain Network ([www.bgn.org](http://www.bgn.org)) encourages interaction between Philippine-based and expatriate Filipino professionals, students, etc. working in technology. Most Filipinos abroad are generally aware of technology opportunities in the Philippines and some return.

★ ★ ★  
*Not Ongoing*

**Y.** Locate operations in second and third-tier cities.

BPO companies are continually considering second and third tier cities for new sites. One successful example is Bacolod City, which now has the fourth largest BPO sector workforce (after Manila, Cebu, and Clark).

★★★★★  
*Substantial Progress*

**Z.** Promote the Philippine IT-BPO industry with a well-funded and aggressive international campaign.

GPH funding for promotion is extremely inadequate or currently unavailable. BPAP will continue to organize its own trade missions.

★★★  
*Not Ongoing*

**AA.** Philippine government should publicize a clearer policy supporting development of the IT-BPO sector.

Discussions are ongoing between the industry and relevant government agencies.

★★★★★  
*Started*

**BB.** LGUs should become more uniformly supportive of IT-BPO firms in their jurisdictions.

Consistency among LGUs is lacking. Some major cities are applying regressive costs.

★★★  
*Backward/Regression*

**CC.** Sector needs both wireless Internet and a higher-speed national broadband network.

Telecommunication companies continue to invest and upgrade facilities but without special incentives that would accelerate their investment.

★★★★★  
*Not Ongoing*

**DD.** Reduce operations costs. IT zones to access electric power discounts. Review current PEZA policy requiring density of 70 square feet per seat. Do more to reduce IT-BPO firm attrition rates.

Rising electricity costs remain a challenge.

★★★★★  
*Not Ongoing*

# Creative Industries

## Examples of Creative and Knowledge Workers

Clustered Industries Utilizing Creative Workers:	Clustered Industries Utilizing Knowledge Workers:
<ul style="list-style-type: none"> <li>• Advertising</li> <li>• Animation</li> <li>• Architectural and interior design</li> <li>• Brand, product and fashion design</li> <li>• Cultural exhibition and performance</li> <li>• Digital gaming and entertainment</li> <li>• Industrial craft</li> <li>• Mobile phone applications</li> <li>• Motion pictures</li> <li>• Music and performing arts</li> <li>• Radio broadcasting and TV</li> <li>• Toys and playthings</li> <li>• Visual arts</li> </ul>	<ul style="list-style-type: none"> <li>• Business process outsourcing</li> <li>• Engineering design</li> <li>• Financial services</li> <li>• Hardware and systems design</li> <li>• Legal services</li> <li>• Medical and healthcare services</li> <li>• R&amp;D and consulting services</li> <li>• Software development</li> <li>• Website development</li> </ul>

Source: Cesar Tolentino, *Framework for Clustering Creative Services, 2008*

## Creative goods exporters, Asian Developing Countries, 2006-2010

Global Rank 2010	Economies	Value (US\$, Mn)		Market Share %		Average yoy growth, %
		2006	2010	2006	2010	
1	China	62,715	97,754	19.8	25.5	9.7
4	Hong Kong	27,339	27,748	8.6	7.2	-0.7
8	India	9,023	13,796	2.9	3.6	15.5
13	Singapore	2,514	6,957	0.8	1.8	25.3
15	Thailand	3,869	5,434	1.2	1.4	7.3
24	Malaysia	2,988	4,009	0.9	1.0	5.7
--	Vietnam*	1,927	3,730	0.6	1.1	25.0
45	Philippines	--	528	0.1		-9.3

Source: UNCTAD Creative Economy Report database (2010 report).  
Note: a-Vietnam's latest data is 2009 (both level and market share); b - Philippines' data series only started in 2007;

\*2009 data was used for Vietnam. Thus, Vietnam does not have a global rank for 2010.

## Recommendations

## Evaluations

**A.**

Create a Philippine Creative Industries Master Plan.

The ECCP has yet to convene a planning session that will form a Creative Industries Council which will formulate a Creative Industries Master Plan. The Creative Economies Council of the Philippines (CECP), another private sector initiative, has promised to present a draft Master Plan, which it has yet to produce.

☆☆☆☆  
**Not Ongoing**

**B.**

Establish the Creative Industries Development Council.

Senators Villar and Guingona have agreed to combine their bills for the creative industries and the Committee Report for the Philippine Design Competitiveness Act (SB 3071) is pending 2<sup>nd</sup> Reading. Steps should be taken to introduce the same bill in the House and hold hearings.

☆☆☆☆☆  
**Substantial Progress**

**C.**

The private sector should organize a Creative Industries Initiative.

The ECCP is leading a consolidated effort to form a Creative Industries Council in collaboration with the AdBoard. The CECP is another private sector initiative but has yet to present any plans.

☆☆☆☆☆  
**Started**

**D.**

The GRP should actively facilitate creative industries by showcasing Philippine talent and releasing budgeted funds for trade shows.

This is the ultimate goal of the combined creative industry bill of Senators Villar and Guingona.



**Started**

**E.**

Protect Philippine intellectual property.

This is an activity that the reconfigured Design Center of the Philippines (DCP) will be mandated to monitor. The WIPO Copyright Treaty bill that strengthens IP laws has passed the House and is pending 2<sup>nd</sup> Reading in the Senate.



**Started**

**F.**

Re-create a Design Center of the Philippines.

This is the ultimate goal of the proposed Philippine Design Competitiveness Act of Senators Villar and Guingona.



**Started**

**G.**

Improve design curriculum and training facilities.

The reconfigured DCP will be mandated to implement this activity.



**Not Ongoing**

**H.**

Expand the Philippine design talent pool by making better opportunities available to Philippine designers working abroad.

The reconfigured DCP will be mandated to implement this activity.



**Not Ongoing**

I.

Encourage foreign professionals to practice and invest in creative industries in the Philippines.

The reconfigured DCP will be mandated to implement this activity.

★ ★ ★  
*Not Ongoing*

J.

Remove restrictions on foreign equity in advertising.

No activities yet in this area. The Congress has proposed amending the economic provisions in the Constitution, which would include the limit of 30% equity.

★ ★ ★  
*Not Ongoing*

K.

Re-brand the country's creative products and market them abroad as distinctively Filipino.

The reconfigured DCP will be mandated to implement this activity.

★ ★ ★  
*Not Ongoing*

L.

Create a Creative Center to showcase Philippine designs and conduct lectures.

It is not clear if the reconfigured DCP will be mandated to implement this program, but discussions with the DCP seem to indicate it will.

★ ★ ★  
*Not Ongoing*

M.

Encourage Philippine creative industry practitioners to sell what they create abroad. Design a program to bring overseas Filipino creative professionals back home.

The reconfigured DCP will be mandated to implement this activity.

★ ★ ★  
*Not Ongoing*



**N.**

Seek greater efficiency and cost savings in domestic production for export.

Philippine exports are losing competitiveness through currency appreciation and rising business costs.



***Backwards/Regression***

**O.**

Conduct foreign market studies to determine where local Filipino input has unique competitive value.

It is not clear if the reconfigured DCP will be mandated to implement this program, but discussions with the DCP seem to indicate it will. ECCP's Creative Industries Council is also pursuing a similar plan.



***Not Ongoing***

**P.**

Partner with larger foreign companies abroad with distribution networks.

It is not clear if the reconfigured DCP will be mandated to implement this program, but discussions with the DCP seem to indicate it will. ECCP's Creative Industries Council is also pursuing a similar plan.



***Not Ongoing***

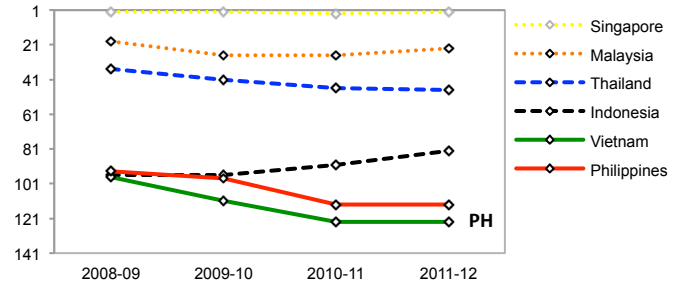
# Infrastructure Policy

## Key Infrastructure Indicators

Country	Household electrification rate <sup>1</sup>	Quality of electricity supply score (WEF, 2010) <sup>2</sup>	Electricity dist & trans losses as % of total supply (2008) <sup>3</sup>	Main (fixed) telephone lines per 100 inhabitants (2009)	Mobile phone per 100 inhabitants (2009)	Population with access to improved water sources, % (2008)	Population with access to improved sanitation, % (2008)	Road density - Population per km of road	Paved roads as % of total road network <sup>4</sup>
Indonesia	91.1	3.6	10.1%	14.8	69.3	80	52	521.4	59.1
Malaysia	97.8	5.7	2.3%	15.7	110.6	100	96	220.0	79.9
Philippines	83.3	3.4	12.6%	4.5	81.0	91	76	425.7	22.2
Singapore	100.0	6.7	5.1%	39.1	140.3	100	100	1,455.5	100.0
Thailand	99.2	5.7	6.1%	10.4	122.6	98	96	683.1	99.9
Vietnam	96.1	3.6	10.1%	34.9	100.6	94	75	604.5	39.0

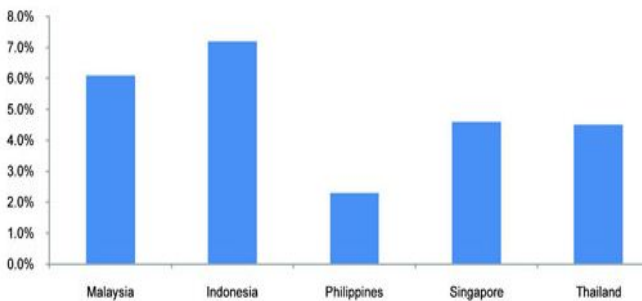
Sources: Demographic and Health Surveys, IEA, EIA, ITU, UNESCO, UN Statistical Data, ASEAN Secretariat, WEF, World Bank and respective public works offices  
 1 - Indonesia - 2007 data (DHS); Malaysia - 2005 (2009 Energy Outlook, ADB); Philippines - 2008 (DHS); Singapore - 2005 data (2009 Energy Outlook, ADB); Thailand (2009 Key Indicators, ADB); Vietnam - 2005 data (2009 Key Indicators, ADB)  
 2 - WEF GCR 2010-2011, Q: How would you assess the quality of the electricity supply in your country (lack of interruptions and lack of voltage fluctuations)? (1 = insufficient and suffers frequent interruptions; 7 = sufficient and reliable)  
 3 - Derived using International Energy Agency Data  
 4 - This refers to the entire road network; Indonesia - 2008 data (Public Works); Malaysia - 2006 data (Public Works); Philippines - 2005 data. Only national roads data are officially released after 2005 (Public Works); Singapore - 2007 (ASEAN)

## Quality of Overall Infrastructure Rankings, ASEAN-6, 2008-2012



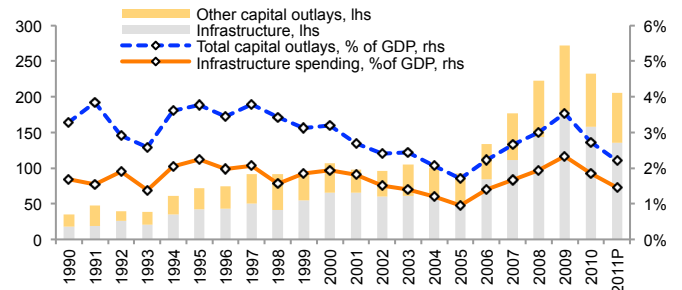
Source: WEF Global Competitiveness Reports; Note: Number of countries evaluated - 2008-09 (134); 2009-10 (133); 2010-11 (139); 2011-12 (142)

## Infrastructure Spending, ASEAN-5, % GDP, 1980-2009



Sources: BusinessWorld May 13, 2010 (Other countries, per DOF Usec Beltran's statement) and DBM (for the Philippines)

## National GPH's Infrastructure Spending and Other Capital Outlays, Bn Php, 1990-2011



Source: DBM, obligation basis; Note: Other capital outlays include capital transfers to LGUs (20% of IRA allocation for development projects), special shares to LGUs and other capital outlay items not classified elsewhere but net of corp equity.

## Status of 10 PPP Projects Targeted for 2011 Rollout

PPP Projects Targeted for 2011 Rollout*	Status End of 2011
1. CALA Expressway – Cavite side section	Target Submission of FS Dec 2011; NEDA review target Jan 2012; Target procurement & bidding date Feb 2012; Target bid and awarding date June 2012
2. NAIA Expressway – Phase 2	Approved by ICC; Target bid submission and awarding date January 2012; Project reportedly delayed by NEDA.
3. LRT Line 2 East Extension Project	Project reconfigured as hybrid PPP using ODA
4. LRT 1 South Extension Project	Project reconfigured as hybrid PPP using ODA
5. Privatization of LRT 1 O&M	Project put on hold when Sec. Roxas took office
6. Privatization of MRT 3 O&M	Project put on hold when Sec. Roxas took office
7. New Bohol Airport Development	No official statement from DOTC
8. Puerto Princesa Airport Development	DOTC Secretary announced in Dec 2011 that the project will be financed by Korean ODA and construction will commence in late 2012. Operations will be offered to private sector.
9. New Legaspi (Daraga) Airport Development	Under DOTC review
10. Privatization of Laguindingan Airport O&M	No official statement from DOTC; media sources place bid date in Q1 2012

\*Source: PPP book, launched November 17-19, 2010; NEDA PPP Center, December 23, 2011

## Additional PPP Planned Projects in 2011-2012

PPP Projects Planned in 2011-2012	Status End of 2011
1. Daang-Hari Expressway	Awarded December 2011
2. PPP for School Infrastructure	NEDA approved December 2011
3. Vaccine Self-Sufficiency Project Phase II	PDMF Application Approved
4. NLEX-SLEX Connector Project	Unsolicited
5. CIAC-LCC Terminal	BOD Approved

\*Source: PPP book, launched November 17-19, 2010; NEDA PPP Center, December 23, 2011

## Recommendations

## Evaluations

**A.**

Double infrastructure spending to 5% of GDP with PPP by harnessing available resources and capacities of the private sector for infrastructure development.

Instead of increasing spending on infrastructure using PPP, spending has gone down. In terms of harnessing the private sector, only 1 major PPP project has been bid for tender.

☆☆☆  
*Not Ongoing*

**B.**

Implement with full transparency several large PPP projects; create a pipeline of PPP projects.

There is considerable talk of a pipeline. 2012 will be an important year to determine if a pipeline of projects indeed is underway.

☆☆☆  
*Not Ongoing*

**C.**

Potential pilot PPP projects include two rail and three toll road projects.

The GPH has not implemented this recommendation. All promising projects have been referred to "further study" and thus further delay.

☆☆  
*Backward/Regression*

**D.**

Use foreign technical and financial assistance.

Several development agencies are assisting the government agencies.

☆☆☆☆  
*Started*

**E.**

Use available domestic capital of nearly PhP 1 trillion for infrastructure investment.

As of December 2011, only 1 project has been bid since the PPP Program was launched in November 2010. DOTC has proposed "hybrid" PPP with Official Development Assistance, which crowds out domestic capital.

☆☆  
*Backward/Regression*

**F.**

Create a coalition to promote good projects and good processes.

A broad coalition was established with those principles.

★★★★★  
*Substantial Progress*

**G.**

Amend the BOT Law.

The House and Senate have conducted hearings on the proposed amendments.

★★★★★  
*Started*

**H.**

Institute long range planning for infrastructure development; NEDA should consider a 10-year plan.

The Philippine Investment Plan has not been released. The NEDA and the NCC have announced an intention to prepare a plan looking forward 20 years.

★★★  
*Not Ongoing*

**I.**

Minimize removing projects from the PPP priority list; all priority projects should be solicited; all major projects should undergo review by NEDA-ICC.

Thus far, all projects have been solicited, but there has only been one, the 4 kilometer Daang Hari Expressway. Major projects are going through the NEDA-ICC.

★★★★★  
*Substantial Progress*

**J.**

Study setting up a Philippine Infrastructure Facility with a World Bank (WB) loan.

From unofficial reports, the Asian Development Bank is assisting in the establishment of an Infrastructure Facility.

★★★★★  
*Started*

**K.** Rescind or amend the EO on JVAs.

A policy change was promised in a NEDA press statement in December 2010. It said the GPH will amend the JV Guidelines so that all JV projects will pass through the NEDA-ICC approval process to ensure transparency, consistency in development policy decision, and appropriateness of risk allocation among parties. As of December 2011, there has been no revision.

★★★★  
**Started**

**L.** Require mandatory disclosure of projects under JVA.

As noted above, a policy change was promised in December 2010. As of December 2011, no policy has been issued.

★★★★  
**Not Ongoing**

**M.** Reduce cost overruns due to unsolicited inputs particularly from LGUs; Protect investors from political risks (TROs, LGU interference, right of way problems).

The issue of LGU exceptionalism and disregard for national policy remains serious. A DTI proposal for Domestic Economic Zones, which requires legislation, is one proposed solution. Another is to designate certain projects as "strategic" and not subject to LGU jurisdiction.

★★★★  
**Not Ongoing**

**N.** Review foreign equity restrictions on infrastructure.

The JFC issued a position paper (July 19, 2011) affirming that up to 100% ownership of BOT projects is allowed except for sales to the public (the "utility" function).

★★★★  
**Started**

**O.** Implement the National Transport Policy Framework and the National Transport Plan.

We have no current information.

★★★★  
**Not Ongoing**

**P.**

Build technical and legal capabilities of government agencies to prepare BOT projects.

AusAID, Asian Development Bank, JICA, USAID are providing assistance to various agencies including the PPP Center.

★★★★★  
*Started*

**Q.**

Government should create reasonable timetables to address the long registration period of BOT projects.

The rules shortening the timetable have been approved.

★★★★★★  
*Complete*

**R.**

Countryside Development Fund should be utilized for necessary infrastructure projects and not follow political considerations.

Renamed Priority Development Assistance Fund (PDAF) per DBM can be used for 8 categories of projects, only one of which is public infrastructure.

★★★  
*Not Ongoing*

**S.**

Submit supporting documents during the loan period.

We have no new information.

★★★  
*Not Ongoing*

**T.**

DBM should release funds on time.

Public fund releases for DPWH projects were delayed during H12011.

★★  
*Backward/Regression*

U.

Strengthen the Pro-Performance Team.

The Pro-performance team, based at the Presidential Management Staff under President Arroyo, was not continued under President Aquino.

  
*No Longer Relevant*

V.

Pass the Freedom of Access to Information Act.

As of December 2011, the FOI bills in both the House and Senate remain in the respective Public Information committees. In the House, hearings have been held and a TWG formed.

  
*Started*

W.

Develop an on-line registry for information on infrastructure projects.

Several department websites are quite informative regarding their projects, e.g. DPWH, NEDA PPP Center. DBM is posting PDAF projects for every member of Congress to encourage public monitoring.

  
*Substantial Progress*

X.

The private sector can create a website tracking the top 200-300 large infrastructure projects.

We are not aware that this is being done.

  
*Not Ongoing*

Y.

Lump sum budgets should be kept to a minimum.

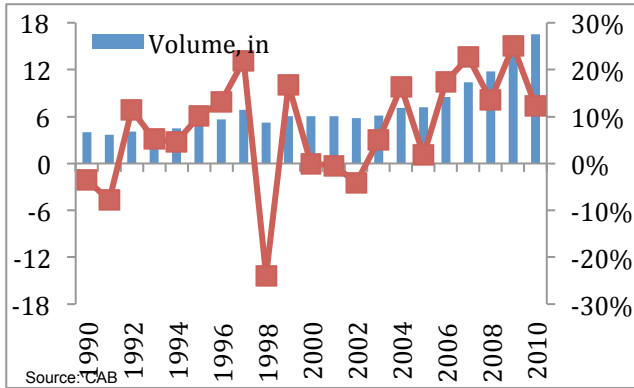
Lump sum budgets were a major source of corruption. Their removal is one of the main accomplishments of the Aquino Administration.

  
*Complete*

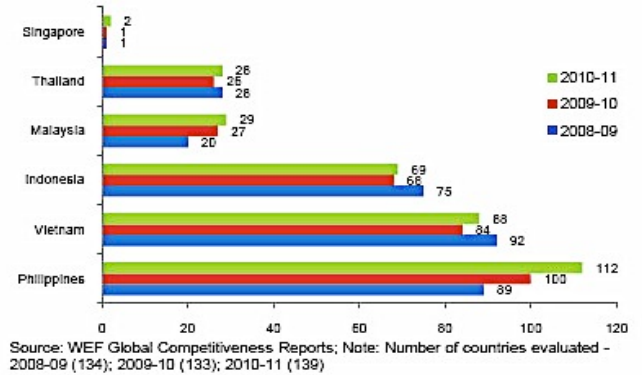


# Infrastructure: Airports

**Domestic Air Transport Passengers, 1990-2010**



**Quality of Air Transport Infrastructure Rankings, ASEAN-6, 2008-2010**



## Recommendations

## Evaluations

**A.**

Prioritize investments in airport terminal, runway, and communication facilities and development of an NCR/Central Luzon Transportation Master Plan.

The NCR/Central Luzon Transportation Master Plan has not been published. JICA has made a study regarding the future of NAIA, recommended that DMIA at Clark be developed as the primary gateway. Sec. Roxas has spoken about selling NAIA in order to finance the development of Clark and a fast train connection with Makati. **RECOMMENDATION:** Keeping and even expanding NAIA should be explored, given its ideal location, since it could be one of the best national capital airports in Asia.

★★★  
**Not Ongoing**

**B.**

One international airport per region.

This recommendation is being followed in most regions of the country, but the NCR should have at least two – NAIA and Clark – and possibly will need a third south of NAIA in 20 years.

★★★★★  
**Started**



C.

Priority should be given to Laguindingan; Mactan runway should be extended; and high-speed ferry links to Tagbilaran increased.

The new Laguindingan airport should open in 2012. Expansion of the Cebu terminal is ongoing. A new Bohol airport remains a priority rather than expanded ferry service from Cebu, but no decision has been made on its location. Meanwhile, the Tagbilaran terminal should be expanded, as it is overcrowded, with insufficient seating for passengers. A temporary expansion should be put in place.

★★★★★  
*Started*

D.

Eventually make Clark the primary international gateway; connect with a high-speed rail line.

The DOTC appears to be accepting the JICA recommendation to make Clark the primary gateway, but stakeholder consultations have not taken place. Given its distance from Makati, Clark is ideal for a LCC hub (and spoke) market, with some domestic and some spoke services from Asian legacy carriers and flights to the ME popular with OFWs. The rail link to Clark should have affordable fares and be able to handle heavy baggage requirements.

★★★  
*Not Ongoing*

E.

The local Expropriation Court should quickly decide the amount due to NAIAT-3 investors.

The Pasay RTC in May 2011 ordered the GPH to pay \$176 million. The owners, claiming \$841 million (\$470 million for construction and \$371 for additional expenses) have appealed to the CA. An appeal by the owners of the 2007 decision favoring the GPH by the International Center for Settlement of Investment Disputes is ongoing.

★★★★★  
*Substantial Progress*

F.

T-1 should undergo phased renovation.

In November 2011, the GPH announced plans to spend Php 1.16 billion to improve structural integrity, architectural, engineering, and design works for a "make-over" of the 30-year old Terminal 1. This appeared to be partially in response to the terminal unfortunately being rated one of the world's worst by the website "Sleeping in Airports" and a rating on the CNN travel site CNINGO.com as No. 5 on its list of "World's Most Hated Airports." **RECOMMENDATION:** Provide proper transit facilities at all 3 terminals for those with long layovers and especially for passengers considered to be restricted nationals, who are kept under immigration guard and even barred from toilets. **RECOMMENDATION:** Expansion of special immigration and customs lanes for preferred travelers should be considered.

★★★★★  
*Started*

G.

New fuel depot for NAIA is needed.

Moving the fuel depot is opposed by local residents, but doing so would free up space for expansion between T-1 and T-2. NAIA possession of the former Nayong Filipino 22.3 hectare property will allow for expansion of Terminal 2 and development of an International Cargo Terminal facility.

★★★★★  
*Started*

**H.**

There should be a second parallel runway, a terminal with a 20-million passenger capacity, and a high-speed rail to Clark.

A Master Transportation Plan for Central Luzon should consider expansion of Clark to handle passenger growth that NAIA cannot with its current terminal capacity (which in 2012 will be fully utilized). This should eventually include much higher flight and terminal capabilities and efficient rail interconnection. A new LCC terminal is Clark's most immediate need and will take over 3 years to tender, select, finance, and build. Runway capacity at Clark should be sufficient in the medium term.



**Not Ongoing**

**I.**

Resolve downgrading of CAAP by the USFAA and the EU.

According to CAAP briefings, only a few issues remain to be resolved, and a FAA inspection is expected to take place in the first half of 2012.



**Started - Substantial Progress**

**J.**

Removing discriminatory tax burdens such as the CCT and GPB.

The DOF supports this reform, on the condition of a compensatory revenue measure accompanying amendments to the Tax Code. Bills (HB 4302 and 4444 SB 3065) are pending in Congress. Airlines are also challenging CCT in the courts. KLM has decided to end its direct flights from Amsterdam to the Philippines in April 2012; these were the last direct flights from Europe. Other foreign carriers have been reducing flights and could end service. Delta flies 50% less than a few years ago. The country's connectivity to the outside world is not increasing, in part because of these discriminatory taxes, in contrast to other nations in the region who do not charge such taxes.



**Started**

**K.**

Relieve the burden from customs, immigration, and quarantine overtime, meal, and transportation charges for airlines and shippers.

This issue made good progress during 2011. Senior GPH officials (with the exception of BI and DA) support it. The BOC has ordered that its staff provide services in shifts without overtime and other special benefits but with night work pay differential. BOC and BI should build up staff at other airports, especially Puerto Princesa, Kalibo, and Davao. Disgruntled BOC employees have taken legal action seeking to preserve their CIQ overtime privileges. A SC ruling (being appealed) called on carriers to pay back customs charges until end 2010.



**Started**

**L.**

Charge the same take off and landing fees to international and domestic airlines.

We are not aware that this international best practice is being considered. Charging domestic carriers the same as international would help fund airport infrastructure requirements.



**Not Ongoing**

**M.**

Allow Asian low-cost carriers to compete in the domestic market.

We are aware of no efforts to reduce the 60% equity requirement for airlines operating domestic routes within the Philippines.

★ ★ ★  
**Not Ongoing**

**N.**

Complete Communications, Navigation, and Surveillance/Air Traffic Management project.

A major multi-country project is being implemented but has encountered delays as both of the DOTC secretaries in the Aquino Administration have insisted on project reviews.

★ ★ ★ ★ ★  
**Started - Substantial Progress**

**O.**

Make Palawan a Tourism Economic Zone, adopting pocket openskies.

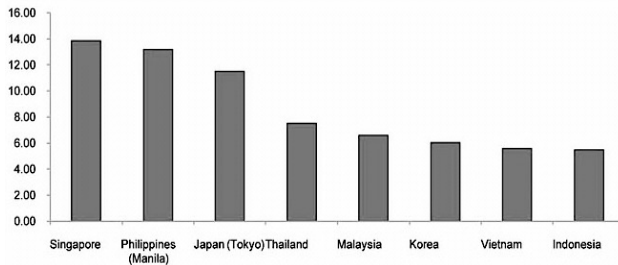
Palawan is receiving priority for open skies and continued improvement of infrastructure, including the Puerto Princesa Airport. NEDA has approved a major airport improvement and terminal expansion to be financed by Korean ODA. Destinations in Palawan, especially the Underground River (voted an international nature wonder), Coron, and El Nido, are receiving increasing numbers of visitors.

★ ★ ★ ★ ★  
**Substantial Progress**



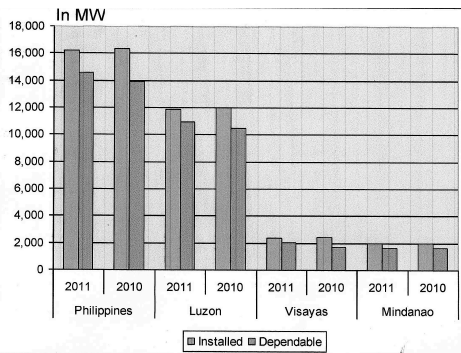
# Infrastructure: Power

**Industrial Electricity Tariffs, selected Asian Economies, USc/KWh, 2010**



Source: International Energy Consultants

**Ensured Sufficient Supply: Power, 2010-2011**



Improved availability of power supply via increased Dependable Capacity vis-à-vis Installed Capacity

Source: DOE

**Luzon Grid Comparative Gross Generation**

FUEL TYPE	2011		2010		Difference	
	GWh	%	GWh	%	GWh	%
Coal	10,056	41.32	10,878	42.92	-822	-7.56
Oil-Based	223	0.92	1,925	7.6	1,701	-88.4
Natural Gas	10,085	41.44	9,157	36.15	928	10.14
Geothermal	2,202	9.05	1,859	7.43	343	18.45
Hydro	1,725	7.09	1,481	5.85	245	16.52
Wind	35	0.15	29	0.12	6	20.79
Biomass	12	0.05	3	0.01	9	340.74
<b>Total</b>	<b>24,339</b>		<b>25,332</b>		<b>-992</b>	<b>-3.92</b>

Note: Preliminary data for the 1st Semester of 2011

\* Excludes Generation from Embedded and off grid for the 1st Sem 2011

Source: DOE

**Consolidated Energy Sector Financial Obligations as of June 2011**

Obligations (In Billion PHP)	PSALM	NPC	TRANSCO	TOTAL
Outstanding				
Liabilities	744.63	8.63	0.98	754.24
Contingent Liabilities	22.45	41	97.5	160.95
<b>Total</b>	<b>767.08</b>	<b>49.63</b>	<b>98.48</b>	<b>915.19</b>

Source: DOE

## Recommendations

## Evaluations

**A.** Declare open access on schedule before the end of 2010.

The ERC set the initiation of Open Access for December 26, 2011, but then deferred it until mid-to-late 2012 to enable the development of Registration and Billing and Settlement computer programs. Thus, the new target should be the end of 2nd quarter 2012.

★★★★★  
*Started*

**B.** PSALM should solicit and award bids from the private sector for the Agus and Pulangi hydro facilities during 2010.

DOE still is delaying the implementation of EPIRA in Mindanao due to intense pressure from local politicians. Hence, the rehabilitation and expansion of these hydro projects is being delayed. DOE should be charging market prices to reflect the real cost of replacing these hydro facilities and privatize them in 5 years to the highest bidder.

★★★  
*Backward/Regression*

**C.** Formulate an integrated energy policy and master plan giving clear direction for sources of energy, locations of power plants, capacity; must take climate change, energy efficiency, and availability of new technology into account.

DOE continues to hold investor fora, but has not yet formulated an integrated energy policy and master plan or made significant progress in this regard. DOE should not overplan, should remove roadblocks to investment, and make the playing field level to achieve full competition.



**Backward/Regression**

**D.** National Renewable Energy Board should create a roadmap.

The National Renewable Energy Board is functioning, but in the absence of a DOE integrated energy policy and master plan, it cannot create a roadmap to complement it with respect to renewable energy.



**Started**

**E.** Credit enhancement to support project financing and power supply agreements of new generating projects.

The situation as described in this item has not changed since 2010 and is not currently relevant.



**No Longer Relevant**

**F.** Encourage industrial, commercial, and institutional load customers, distribution utilities, and electric cooperatives to establish their creditworthiness.

Efforts are proceeding to accomplish this.



**Started**

**G.** Remove all foreign equity restrictions for power projects.

The Renewable Energy Act and its IRRs imposed additional restrictions with respect to foreign ownership and delayed the development of renewable energy projects. Current policy prohibits most of the world's renewable energy firms from investing in RE in the Philippines, except as minority partners, in which few are interested.



**Backward/Regression - Not Ongoing**

**H.** Ensure that contracts are strictly enforced. Rules and regulations must not change in the middle of project implementation.

The implementation of Open Access and Retail Competition will reveal whether the enforcement of power sales and ancillary services contracts will continue to be strictly enforced.

★★★★★  
*Started*

**I.** Partners such as ADB, IFC, and JBIC can help finance the longer tenor.

The recommendation still is valid, but not essential for peso-denominated and foreign currency denominated project financings.

★  
*No Longer Relevant*

**J.** Comply with the requirements of lending institutions in dealing with climate change issues; create the Clean Technology Investment Plan.

Best to allow lenders to decide whom to lend to among clean and competitive power producers.

★★  
*Backward/Regression*

**K.** Assist cooperatives in the transition to a privatized electric power industry.

Progress is being made via the National Electrification Administration and programs of the International Finance Corporation.

★★★★★  
*Started*

**L.** Develop a power plant on an isolated island such as Semirara.

We have no reports that this is happening.

★★★  
*Not Ongoing*

**M.** Study the potential of LNG as a greener alternative energy source.

The potential for imported LNG is being studied actively by both DOE and IPPs. As of now, the costs of LNG receiving and storage terminals are prohibitive, absent an anchor base-load power plant with an installed capacity of at least 1,000 MW.

★★★★★  
*Started*

**N.**

Merchant plants cannot succeed without a mature spot market to establish the correct price.

The WESM is functioning effectively, but its operations can be enhanced significantly via co-optimization of spot energy sales and reserve capacity and through relatively few changes in rules.



**Started**

**O.**

Implement open access; EPIRA requires removal of cost subsidies to reflect the true cost of electricity.

New base-load power generation projects have commenced construction within the Luzon, Visayas, and Mindanao grids and will begin commercial operations in 2013, 2014, and 2015, thereby offering the prospect of lower power costs.



**Started**

**P.**

Include nuclear power development in the national power development plan.

The catastrophic failures following the tsunami wave that overwhelmed the Fukushima nuclear power plant in Japan on March 11, 2011 have set back the development of nuclear power projects globally by at least a decade.



**Not Ongoing**

**Q.**

Congress should pass a resolution supporting consideration of the development of nuclear energy.

The catastrophic failures following the tsunami wave that overwhelmed the Fukushima nuclear power plant in Japan on March 11, 2011 have set back the development of nuclear power projects globally by at least a decade.



**Backward/Regression**

**R.**

Congress should pass an Energy Efficiency Act after full stakeholder consultation; support efforts of distribution utilities to reduce system losses.

Bills have been introduced in the House and Senate but are not progressing and seem unlikely to pass in the 15th Congress. Congress should not subsidize but keep the playing field level.



**Backward/Regression**

S.

Explore possibility of WESM sales of freely-tradable forward power supply contracts in relatively small denominations.

Over-the-counter trading of such forward contracts may begin to evolve after the initiation of open access and retail competition.

★★★  
*Not Ongoing*

T.

Interconnect the entire grid to enable producers to transport electricity to other parts of the country via the WESM.

The Luzon and Visayas grids already are interconnected via submarine cable and have an integrated wholesale spot market. The viability of interconnecting with the Mindanao grid via submarine cable has not been established as yet, but will be re-evaluated during 2012 by the National Grid Corporation of the Philippines.

★★★  
*Not Ongoing*

U.

Resolve constraints limiting the flow of power; NGCP should interconnect Luzon & Visayas grids via submarine cable with Mindanao grid.

This process is on-going, albeit slowly.

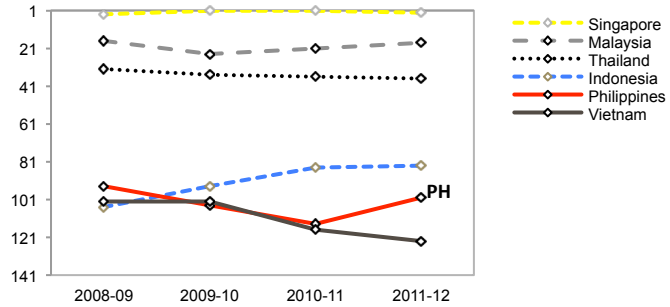
★★★★★  
*Started*





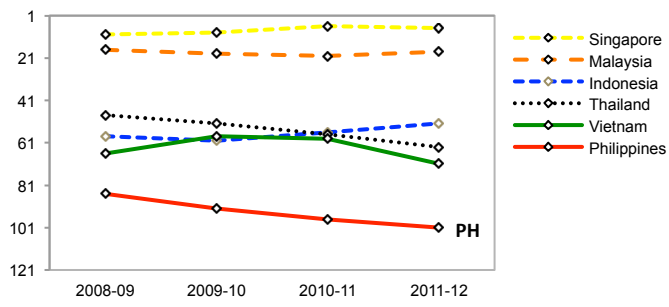
# Infrastructure: Roads and Rail

Quality of Roads and Rankings, 2008-2012



Source: WEF Global Competitiveness Reports; Note: Number of countries evaluated - 2008-09 (134); 2009-10 (133); 2010-11 (139); 2011-12 (142)

Quality of Railroad Infrastructure Rankings, 2008-2012



Source: WEF Global Competitiveness Reports; Note: Number of countries evaluated - 2008-09 (120); 2009-10 (114); 2010-11 (116); 2011-12 (123)

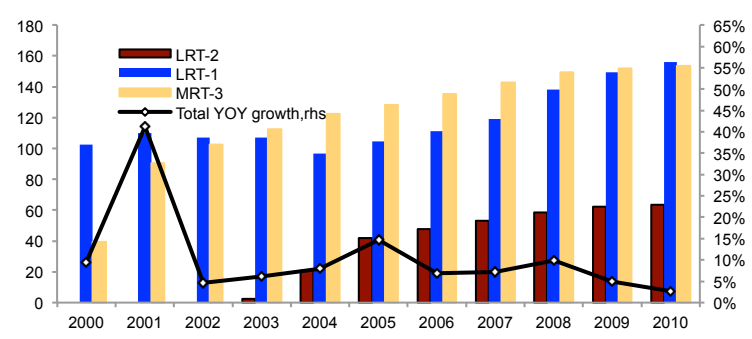
Key Infrastructure Indicators, ASEAN-6

	Road density - Population per km of road <sup>3</sup>	Paved roads as % of total road network <sup>3</sup>
Indonesia	521.4	59.1
Malaysia	220.0	79.1
<b>Philippines</b>	<b>425.7</b>	<b>22.2</b>
Singapore	1455.5	100.0
Thailand	683.1	99.9
Vietnam	604.5	39.0

Sources: IEA, EIA, ITU, WHO-UNICEF JMP, UN Stats Div, ASEAN Secretariat, World Bank and respective public works offices

1 - World Energy Outlook Database 2011 (IEA)  
 2 - Derived using US Energy Information Administration's data  
 3 - This refers to the entire road network; Indonesia - 2008 data (Public Works); Malaysia - 2006 data (Public Works); Philippines - 2005 data; Only national roads data are officially released after 2005 (Public Works); Singapore - 2007 (ASEAN Sec); Thailand - 2000 data (ASEAN Sec); Vietnam - 2004 data (ASEAN Sec)

Light Rail Ridership (LRT-1, MRT-2, & MRT-3), in Mn,



Sources: LRTA and MRT-C-DOTC; Note: LRT-2 and MRT-3 started operating in Apr 2003 and Dec 1999, respectively.

Present and Future Light Rail Lines, NCR



Source: DOTC

## Recommendations

## Evaluations

A.

Start to build expressways and national roads twice as fast, using PPPs as well as DPWH funds.

At end of 2011, only the construction of the 88-km SCTEX North Extension is underway. None of the major projects are under construction. The DPWH has adopted a policy of improving national highways and bridges but was slow to disburse funds in the first half of 2011, as it sought to reform procurement practices to end corruption. DBM budget documents describe plans to spend increasing amounts (P31.3 billion in 2011 and P38.5 billion in 2012) to improve national roads and bridges.



*Started*

B.

Build large intermodal provincial bus terminals north and south of Manila.

No reports have been received that these projects have started or are planned. They do not appear on lists of the NEDA PPP Center.



*Not Ongoing*

C.

National government budget should focus on the core road network.

Upgrading the quality and safety of National Arterial and Secondary Roads is a strategic policy of DPWH. The goal is to achieve an International Roughness Index (IRI) of 2.0 or below 3 to be at par with the Malaysia road network by 2016. Of the 2011 and 2012 budgets, highways receive 75% and 79% of total DPWH funding.



*Started*

D.

Major road and rail projects should be bid out competitively and evaluated and awarded transparently.

The largest PPP toll road project, the SLEX-NLEX Connector is being implemented as an unsolicited project; the Swiss challenge has yet to be published. The first solicited PPP project, the 4 km Dang Hari-SLEX Link Road, received two bids and was awarded to the Ayala group in December 2011. The 28 km CALA Toll Road and the NAIA Expressway Phase 2 PPP projects, which NEDA targeted for bidding in 2011, have been delayed. During 2011 no rail PPP projects were bid out; the DOTC was studying how to blend ODA for their construction with PPP solicitations for concessionaires to operate two projects to extend LRT-1 and LRT-2. LRT-7 has not commenced construction despite being "ongoing" for a decade.



*Backward/Regression*

E.

Use the modern planning tool known as HDM-4.

DPWH has stated Highway Development Management Program (HDM-4) planning is being adopted.



*Started*

**F.**

GRP agencies should post on their websites the list of road and bridge projects programmed for funding, based on HDM-4 .

While the DPWH does not usually post on their website the list of roads and bridges identified via HDM-4, the DBM website does contain such a listing for DPWH projects under the 2012 GAA: <http://www.dbm.gov.ph/Gaa2012/DPWH/DPWH.pdf>.

★★★★  
*Started*

**G.**

Build intercity rail and urban light rail, especially on Luzon, twice as fast. Accelerate rail construction on Luzon, using PPPs as well as DOTC funds.

Operationalized rail transport improvement projects include the upgraded Bicol PNR line and the start of operations of the 4-station MRT-1 North Extension, both initiated in the previous administration. Other major rail projects remain in the planning stage except for the suspended controversial PRC-funded Northrail project. DOTC Sec. de Jesus planned to bid O&M for the Metro Manila light rail system to the private sector, but this was shelved by his successor. Delays have long plagued the efforts of DOTC to implement rail projects.<sup>1</sup>

★★★  
*Backward/Regression*

**H.**

Correct the different gauges of the Northrail-Southrail linkage.

No information that this is ongoing or planned.

★★★  
*Not Ongoing*

**I.**

Enact an EO to create a single government agency to manage operations, maintenance, and planning of all light rail projects within Metro Manila.

No information that this is ongoing or planned.

★★★  
*Not Ongoing*

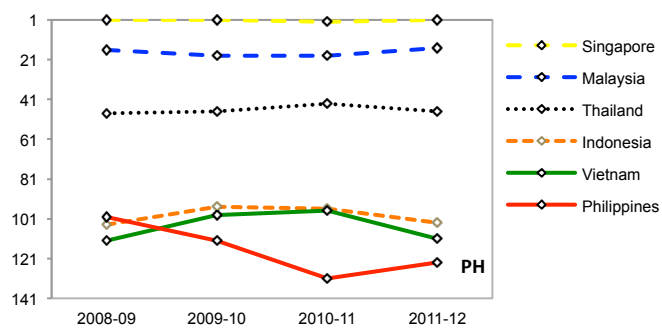
Endnotes:

1. Reasons given are the need for funded studies (although this was not really necessary for the LRT-1 South Extension and LRT-2 Extension) and to blend ODA funding for civil works with bidding out O&M concession agreements to the private sector. Sec. Roxas plans to build a fast train to connect Makati to Clark and to renegotiate the incomplete Northrail project with the PRC for this purpose.



# Infrastructure: Seaports

**Quality of Port Infrastructure Score, ASEAN-6, 2008-2012**



Source: WEF Global Competitiveness Reports; Note: Number of countries evaluated - 2008-09 (134); 2009-10 (133); 2010-11 (139); 2011-12 (142)

**Decongesting the Port of Manila**



## Recommendations

## Evaluations

**A.** **Develop NCR/ Central Luzon Transportation Master Plan.**

Lately the DOTC seems to be taking the initiative to evaluate the shipping industry's concerns and has invited stakeholders to several workshops. However, an integrated plan for airports, seaports, and their road and rail connections has not been prepared.



**B.** **Hub-and-spoke system is ideal with major ports highly developed for larger ships.**

International feeder vessels should connect to the international ports of Batangas and Subic. Government should promote these underutilized ports by giving incentives and disincentivize the Manila port. MCC has started weekly calls from Singapore going to Hong Kong and Kaohsiung, supported by ATI and Royal Cargo. Star Highway to South Super Highway has been largely completed. Phividec is becoming more widely used by international vessels that make direct calls for exports/imports.<sup>1</sup> Port privatization and modernization have not addressed the need to improve road spokes into the hub ports. To do this the hub and spoke policy first needs to be made. Issues to be addressed include: truck bans, anti-overloading law preventing loading in tandem, and pilotage.



**C.**

Major ports should include all needed infrastructure.

JICA has proposed upgrading facilities of both Cebu and Davao ports.

★ ★ ★ ★  
*Not Ongoing*

**D.**

Major RORO ports should have modern passenger terminals.

Some RORO port PRBs are being upgraded e.g. Calapan and Caticlan. The MNHPI has a planned passenger terminal to be completed by 2013.

★ ★ ★ ★  
*Not Ongoing*

**E.**

Port infrastructure should also include facilities to accommodate bulk and break bulk cargoes.

Some major ports have bulk and break bulk facilities. There is no visible effort to designate nor to rationalize receiving facilities for corn, grains, fertilizer, and coal which use private ports.

★ ★ ★ ★  
*Not Ongoing*

**F.**

Gradually shift international container shipment volume from Manila to Batangas and Subic.

A Singapore-Batangas-Kaohsiung service began in December 2011. JICA has recommended to DOTC limiting Manila capacity after completing BERTH6 and incentivizing international traffic at Batangas and Subic.

★ ★ ★ ★ ★  
*Started*

**G.**

Need for transport study to identify ideal capacity ports should have in relation to adjacent road network; establish cap on TEUs per port; develop inter-modal system with rail, roads, and waterways.

Started but by the DOTC. The PPA should actively support the drive.

★ ★ ★ ★ ★  
*Started*

H.

Retain North Harbor as a domestic port, shift foreign cargoes to Batangas and Subic and make Manila a cruise port.

Until such time, the berth used by the *Ang Pangulo* could be designated for cruiseships especially because it is close to the Manila Hotel. There seems to be a plan by SBMA to build a cruise port in Subic.

★★★★★  
**Started**

I.

PPA should consider creating a private corporation to develop ports and privatize the ports through an IPO.

There has been a long standing recommendation to split the PPA as regulator from a port operator. Indonesia has implemented this last year. Once this is done, the PPA could follow through with the recommendation.

★★★  
**Not Ongoing**

J.

Container shipping costs should be reduced.

For international trade, the Philippines is still considered a feeder economy. With labor issues in China, the Philippines could aggressively re-enter into manufacturing (assuming cost of power is addressed and labor can be rallied and motivated). Once volume is generated, the main mother ships can call in the Philippines directly, eliminating the costs of feedering. For domestic trade, the challenge is finding economies of scale, which is held back because of the size of consumer trade and the inefficiency of ports.

★★★  
**Not Ongoing**

K.

PPA should find innovative ways to cut costs and increase revenue aside from continuously increasing fees .

For international trade: The reason why shippers councils are angry at shipping costs is because "arrastre" costs are imposed by the port operator on the shipper. So if an exporter quotes FOB on his goods (meaning freight is paid by the buyer) the shipper is still charged arrastre, which can cost as much as the THC (Terminal Handling Charges) paid by the buyer. For domestic trade: Arrastre has been taken out from RORO shipping but not for full container or LCL operations. Arrastre is unique to the Philippines.

★★★  
**Not Ongoing**

L.

Domestic shipping costs can also be reduced by port modernization.

When the Manila North Harbor was privatized in 2010, all the rates went up. Cost reduction depends on a shipping operator's determination to offset any additional costs with greater efficiency and productivity.

★★★  
**Not Ongoing**

**M.** Extorting illegal fees from truckers should be stopped; rest areas should be provided along the nautical highway.

Stopping extortion is an initiative of the Truckers Association but remains a problem. There are also no rest areas. More truckers use GPS tracking and linking to highway patrols, but the service is expensive.

★★★  
**Not Ongoing**

**N.** MARINA must have greater political will to impose higher standards.

The draft Maritime Code, which strengthens the powers of the MARINA as the maritime authority, is being read by Congress. MARINA needs to have more experts in its organization and have the will to implement rules around international standards and practices.

★★★  
**Not Ongoing**

**O.** Amend the RORO policy to include chassis RORO.

Policy recommendations are with the DOTC.

★★★  
**Not Ongoing**

**P.** Remove unnecessary (as well as unauthorized) fees affecting RORO traffic.

Cha-Ro policy is part of this.

★★★★★  
**Started**

**Q.** RORO bills of landing should be more transparent.

By definition, RORO vessels list down the number of vehicles entering a vessel, but do not necessarily tally their contents.

★★★  
**Not Ongoing**

**R.** Cabotage restrictions require further discussion but should probably be eased.

We have no information that this is ongoing.

★★★  
**Not Ongoing**

**S.**

Pass and implement the new Marine Law.

The Maritime Code is now being read by Congress. Comments are still to be requested from the private sector.



***Not Ongoing***

**T.**

Activate the National Port Advisory Council (NPAC).

The NPAC is a forum with members from government and the private sector, created a decade ago but inactive. It is composed of private sector representatives who advocate shipping and trade issues with considerable success.



***Not Ongoing***



# Infrastructure: Telecommunications and Information Technology

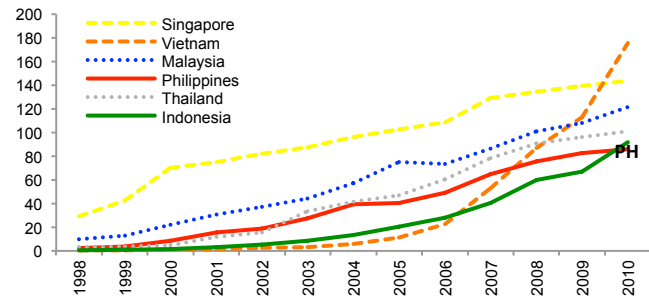
Access to Information and Communication Technology  
Indicators, selected countries, 2010

	2010 population, in mn	2010 Main fixed tel lines, mn	2010 Main fixed tel lines per 100 inhabitants	2010 Mobile phone subscription, mn <sup>1</sup>	2010 Mobile phone subs per 100 inhabitants	2010 proportion of households with computer	2010 proportion of households with Internet	2010 Estimated total internet users, mn	2010 Internet user per 100 inhabitants
China	1341.3	294.4	21.9	859.0	64.0	35.4	23.7	460.1	34.3
India	1224.6	35.1	2.9	752.2	61.4	6.1	4.2	91.8	7.5
Indonesia	239.9	38.0	15.8	220.0	91.7	10.8	3.9	23.7	9.9
Malaysia	28.4	4.6	16.1	34.5	121.3	41.0	25.1	16.0	56.3
Philippines	93.3	6.8	7.3	79.9	85.7	13.1	10.1	23.3	25.0
Singapore	5.1	2.0	39.0	7.3	143.7	84.0	82.0	3.6	71.0
Thailand	69.1	7.0	10.1	69.7	100.8	22.8	11.4	14.7	21.2
Vietnam	87.8	16.4	18.7	154.0	175.3	14.2	8.1	24.2	27.6

Source: ITU

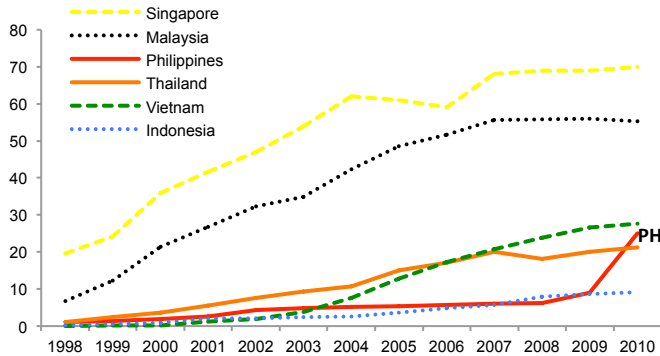
Notes: 1 - Includes both pre-paid and post-paid accounts

Mobile Phone Subscriptions, per 100 inhabitants, ASEAN-6, 1998-2010



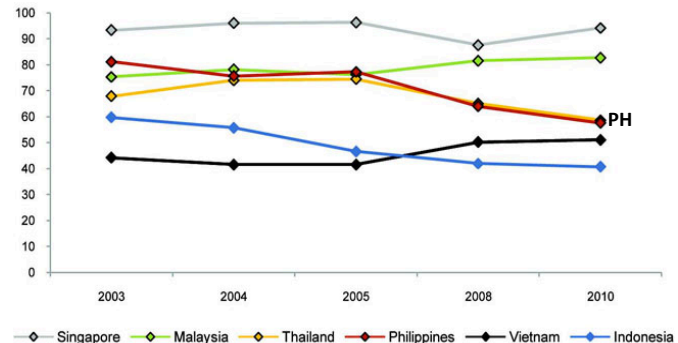
Sources: UN and ITU

Estimated Number of Internet Users, per 100 inhabitants, ASEAN-6, 1998-2010



Sources: UN and ITU

UN E-governance readiness, percentile rankings, 2003-2010



Sources: UN and authors' computations; Total countries: 2003 (173); 2004 (191); 2005 (179); 2008 (182); 2010 (183); No releases in 2006, 2007, and 2009.

## Recommendations

A.

Overhaul of RA 7925 (Public Telecommunications Policy Act), updating it to authorize full convergence.

There is little movement at this time. There seems to be no incentive for major telcos to support the convergence bill as they do not benefit from new competitors entering the market and being given similar privileges (authorization) to provide multimedia services.

☆☆☆  
Not Ongoing

## Evaluations

**B.**

Pass the long-overdue bill to create a DICT.

In the 15<sup>th</sup> Congress, proponents were led by Rep. Roilo Golez and Rep. Sigfrido Tinga (Chair, ICT Committee). In December 2011, HB4667 was approved on 3<sup>rd</sup> Reading. In the Senate, the main proponent is Sen. Edgardo Angara (Senate Bill No. 50), also supported by Sen. Loren Legarda; the bill is in line for 2<sup>nd</sup> Reading and could be completed in 2012. A key question the future of a DICT is the transfer of the CICT to an ICTO under the DOST. This reflects either: (i) different focus given to ICT development or (ii) a strategy for a transition.

★★★★  
*Started*

**C.**

Develop a national plan to double computer penetration in Philippine households and triple Internet penetration.

Increasing computer penetration has mainly been a private sector initiative (e.g., GILAS) and through shared facilities (like schools), not households. Government strategy is to encourage and promote public internet facilities through telecenters in municipalities and computer laboratories that provide access to government institutions, schools (e.g., then CICT's i-Schools Project, DTI's PCs for Public Schools), and the community at large. Initial efforts were developed in the Philippine Digital Strategy. This needs further TA to move into implementation.

★★★  
*Not Ongoing*

**D.**

Include a National Broadband Roadmap.

There is no comprehensive government-led National Broadband Roadmap apart from the Philippine Digital Strategy (2011-2016). Previous government efforts to increase broadband penetration had been plagued by controversy (e.g., NBN-ZTE, Cyber Education). ICTO is considering plans to develop a Broadband Roadmap in 2012.

★★★  
*Not Ongoing*

**E.**

Upgrade the speed of broadband and expand coverage.

There have been constant calls both from government (CICT) and the private sector (telcos) for fiscal incentives for the expansion of broadband services, particularly in the rural areas where there is an underserved population. But the 2011 Investment Priorities Plan of the BOI did not include any tax holidays for telcos. Other options, charging lower administrative fees from the NTC and the creation of a Universal Service Fund have also been proposed but have not seen fruition. Broadband is included in the Philippine Digital Strategy. Further, Telcos are rolling out 4G in 2012.

★★★  
*Not Ongoing*

F.

Create a plan for free wireless Internet services in public high schools and in densely populated areas.

Needs TA to develop in-depth roadmap, highlighting benefits, CapEx, timetable, etc. There is no centralized plan but there are scattered efforts both from the GPH (e.g., Community e-Centers and i-Schools) and private sector (e.g., Smart Schools Program) that provide both PCs and wireless internet service. A most recent effort is P&G's *eStudyante* program that aims to provide 1 million laptops to Philippine public schools, in partnership with Smart Communications and Synergeia Foundation. These projects are often free, at least initially. Some initiatives also come from the local governments themselves, like Alaminos City in Pangasinan, which established school-based internet hubs to interconnect all its barangays.

★ ★ ★  
*Not Ongoing*

G.

Create a national government data center and website.

This initiative was covered in the Philippine Digital Strategy. With the abolition of the CICT, it is unclear if the new DOST mandate and resources are sufficient to lead this task. The National Computer Center (under CICT) was tasked with creating a master plan for national information systems development, but for recent years has been focused on assistance in computerization, software, and individual agency website development. Some government agencies will implement their own Department Data Center, (i.e., DOJ, PNP, DOTC).

★ ★  
*Backward/Regression*

H.

Make e-governance a reality for most Filipinos.

Initially addressed in the Philippine Digital Strategy. DOST is still deciding on strategy for 2012 – 16. Task Force should follow the lead of NSO and DFA in terms of e-systems, which took several years to develop. However, online payment/transaction is still a challenge due to security concerns. Establishing partnerships with private banks and other financial institutions is critical. Back office processing should be a primary focus, as many government offices are merely present online but services are limited to providing forms, which still need to be printed and submitted in hard copy. Vertical and lateral data sharing within and among agencies, including LGUs, is also an issue.

★ ★ ★ ★ ★  
*Started*

I.

Use digital fund transfer technology for various government payments to citizens as well as payments to the government.

See comment for recommendation H, particularly on banks.

★ ★ ★  
*Not Ongoing*

**J.**

**Install a national GPS mapping and information system.**

GLOBE and SMART offer GPS service. The NAMRIA is the country's central mapping agency. However, other agencies also carry out surveying and mapping (e.g., DENR, LGU). NAMRIA has established a framework, the Philippine Reference System 1992 (PRS 92) for GPS mapping of the country. According to a 2009 UN Report, an EO was issued directing the connection to PRS 92 of all surveys by 2000. Due to backlog in densification and transformation of all surveys, this deadline was extended to 2010. Densification of the GPS stations to be more accessible to surveyors is in progress. Due to high cost of GPS equipment, local surveyors still adopt the conventional methods in most property surveys.



**Started**

**K.**

**Expand mobile phone service in remote areas with more cellular sites to benefit economic development and tourism.**

The Philippines has very high mobile phone penetration. Cellular operators are required to cover 80% of the country and collectively have deployed over 20,000 cell sites nationwide. Small fishing villages and remote mountainous areas have very limited or no coverage. SMART/SUN and GLOBE will begin to roll-out 4G services in 2012, starting with urban centers and then their provincial locations.



**Complete**



## Infrastructure: Water

### Recommendations

### Evaluations

A.

Establish an independent water regulator and a Department of Water.

In December 2011, Senate and House committees began hearings on bills called the Water Sector Reform or Water Regulatory Acts and are actively considering legislation to encourage development of water supply sources. A Water Reform Act focusing on structural reform and dovetailing regulatory reform is considered the best approach to improved management and development of the country's water resources.



*Started*

B.

Legislate a Water Reform Act that will establish a separate government agency for water regulation.

In December 2011, Senate and House committees began hearings on bills called the Water Sector Reform or Water Regulatory Acts and are actively considering legislation to encourage development of water supply sources. A Water Reform Act focusing on structural reform and dovetailing regulatory reform is considered the best approach to improved management and development of the country's water resources.



*Started*

C.

Prepare a master plan and integrated water policy on how to develop each water source.

The President has issued EO No. 62 series 2011 creating an Inter-Agency Task Force on Water led by DPWH and tasked to draft a masterplan for the development and management of the country's water resources & establish an institutional framework allowing for their better management.



*Started*

D.

In interim, Executive branch should continue its current policy of strengthening the NWRB.

The President has issued EO No. 62 series 2011 creating an Inter-Agency Task Force on Water led by DPWH. In addition, the strengthening of the NWRB is proposed in a study commissioned recently by NEDA on the water sector and the proper institutional setup for a water "superbody".



*Started*

E.

Allow the market to determine the wholesale price of water.

Such a market-oriented policy is ideal, but must be considered alongside affordability and customer willingness to pay. Striking this balance may require some level of government subsidy, pending validation via a well-conceived study on the economic cost of both ground and surface water supplies.



*Not Ongoing*

**F.**

For PPP water projects, the GPH should revisit its policy disallowing “take-or-pay” or sovereign guarantees.

As of now, there is little or no evidence indicating that the GPH will support PPP water supply and sanitation system projects with take-or-pay contracts, performance undertakings, or sovereign guarantees. Such contracts or guarantees are essential to attract investments in these projects and well-accepted practice -- even in developed countries.

★ ★ ★ ★  
*Not Ongoing*

**G.**

The GPH should begin working on plans for alternatives to the Laiban project such as the water supply projects of Sierra Madre and Wawa.

MWSS has received WB assistance to conduct a survey of potential water sources to augment current supply for Metro Manila that is expected to be completed by February 2012. It aims to identify and rank the potential new water sources to cope with projected demand increases over the next few years, including the Sierra Madre and Wawa projects. Beyond Metro Manila, Regions II, III, IV and VII expect water deficits by 2025.

★ ★ ★ ★ ★  
*Started*

**H.**

Maintain and improve irrigation systems, encourage private sector investment through privatization of irrigation.

The DANIA websites are silent regarding private sector participation in irrigation. Beyond rehabilitation projects, multipurpose dams for irrigation, flood control, water supply and hydropower should be considered, as their multiple benefits help justify their costs and the power benefits may be able to subsidize irrigation and public water supply.

★ ★ ★ ★  
*Not Ongoing*

**I.**

Implement measures to reduce silt and garbage in waterways and prevent flooding.

The DPWH is currently implementing measures to prevent flooding within priority river basins in response to the major damage and loss of life caused by flooding and landslides during recent typhoons. The participation of LGUs in solid waste management is vital/critical in achieving the goal of 100% cleanliness of the nation's waterways.

★ ★ ★ ★ ★  
*Started*

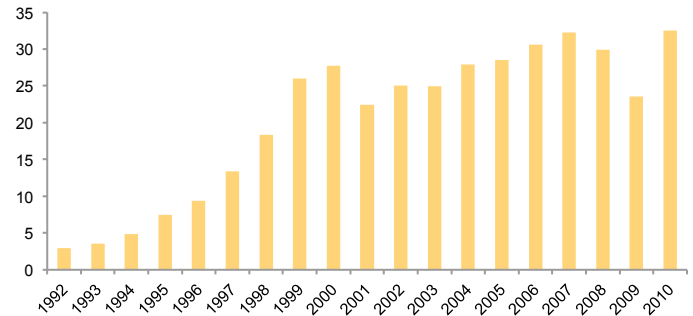
# Manufacturing

**ASEAN-6, exports of goods and services, % of GDP, 2007-2010**

	2007	2008	2009	2010
Indonesia	29.4	29.8	24.2	24.6
Malaysia	110.0	103.2	96.4	97.3
<b>Philippines</b>	<b>43.3</b>	<b>36.9</b>	<b>32.2</b>	<b>34.8</b>
Singapore	218.9	233.4	199.9	211.1
Thailand	73.4	76.4	68.4	71.3
Vietnam	76.9	77.9	68.3	74.4

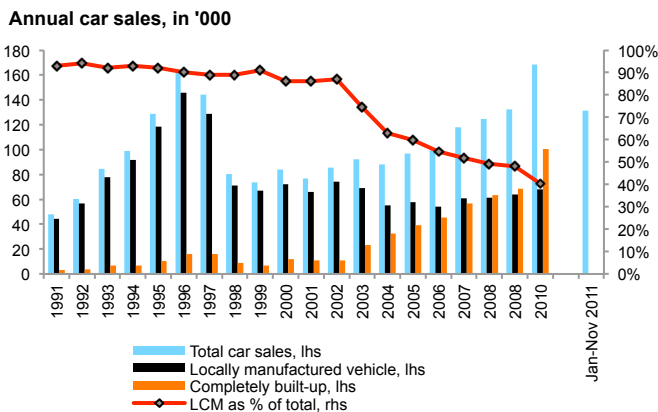
Source: UN and ASEAN Secretariat

**Electronic Exports, Bn US\$, 1992-2010**



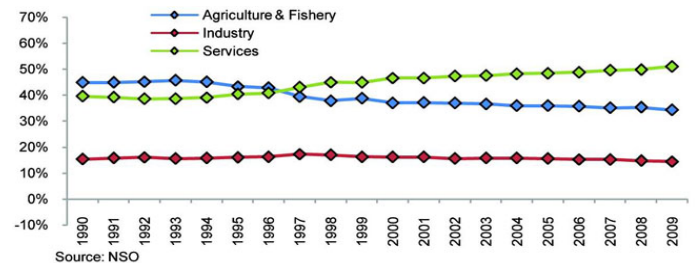
Source: NSO

**Decline in Locally Manufactured Vehicle Share of Car Sales, 1991-2011**



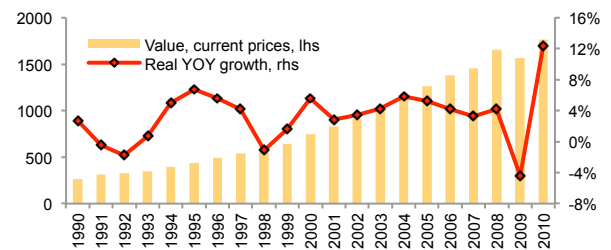
Sources: PACCI and CAMPI

**Employment distribution by sector, 1990-2009**



Source: NSO

**Manufacturing GVA, PHP Bn, 1981-2010**



Source: NSCB

## Recommendations

**A.**

Private sector should make a strong, collective statement to the government that reforms are need for global manufacturing companies to remain in the country.

Strong statements from the business community are being made by FPI, MAP, PCCI, PhilExport, and the JFC to save and expand manufacturing, which can create millions of jobs with better policies. The PDP states "Government shall formulate a comprehensive national industrial strategy," but this is barely underway. Nearly 1,000 firms and 15 Cabinet secretaries have signed the Code of Conduct of the private sector Integrity Initiative.



*Not Ongoing - Started*



**B.**

Increase the priority given to manufacturing and to make serious efforts to offer a competitive business environment.

Beyond chapter 3 of the PDP and the DTI's IPP, the GPH lacks a specific long-term plan to support manufacturing and reduce business costs harming competitiveness. PEZA remains highly-supportive of export manufacturing. The two-tiered wage system may eventually be beneficial. GPH holiday policy indicates a lack of concern for competitiveness.

☆☆☆  
**Not Ongoing**

**C.**

Clear overall policy supportive of the manufacturing sector from the president. There should be high level, dynamic collaboration between priority industries and the GPH.

This should be a well thought-out initiative, which will need very strong, consistent execution from concerned GPH agencies. There is a lack of consistency among executive agencies, as well as between executive and legislative branches, in promoting priority industries.

☆☆☆  
**Not Ongoing**

**D.**

There should be a clear overall policy supportive of the manufacturing sector from the president. There should be high level, dynamic collaboration between priority industries and the GPH. There should be a solid commitment from all government agencies to implement such policy.

Preparing a Master Plan will reportedly begin in 2012. The GPH has a strong Economic Team. In the long term, the Master Plan should be decoupled from changing priorities of incoming administrations to create policy continuity for priority industries. This would allow the country to increase credibility among investors.

☆☆☆  
**Not Ongoing**

**E.**

Professionalize the bureaucracy by limiting political appointees.

PEZA is a model for other agencies in consistent policy, fair application of rules, quick responsiveness, supportiveness of manufacturing, and the like.

☆☆☆  
**Not Ongoing**

**F.**

Diversify Philippine exports.

Electronics has grown with minimal GPH support and still has potential for growth with GPH support. Well-conceived and implemented industry roadmaps are needed to maximize realization of the potential opportunities in manufacturing, including agribusiness.

☆☆☆☆  
**Started**



**G.** Reduce costs of doing business.

There is awareness and discussion of the costs challenge, but too little is being done. Corruption may be declining in government procurement, but smugglers have not been prosecuted. Electricity and labor rates increased in 2011, and paid holidays are increasing. The two-tiered wage system could be helpful in the medium-term.

★★★★★  
*Started*

**H.** Consider removing or reducing the EVAT on electricity and fuel for domestic manufacturers.

This has not been seriously considered and would most likely be resisted by the DOF because of revenue loss, despite the substantial job protection/creation the policy would produce.

★★★★★  
*Not Ongoing*

**I.** Increase E2M coverage for customs.

At least at the Manila level, the BOC is becoming more computerized, reducing opportunities for human decision-making involving small bribes. However, collusion between traders and BOC personnel is not eliminated by E2M, but may be easier to detect using risk programs.

★★★★★  
*Started*

**J.** Reduce unwarranted government interference in industry matters.

While the new GPH has not ignored populist pressures when gasoline prices rise, it has not interfered in the free market for petroleum with price controls. When public transport drivers protested, it issued free coupons for diesel fuel. There has been no nationalization since NAIA IPT-3 in 2005. Regulatory challenges with FDA and other agencies continue to be an issue.

★★★★★  
*Started*

**K.** Link minimum wage policies to productivity enhancements.

A two-tiered wage system is slowly being introduced. The lower minimum wage should be close to the poverty level in each region, while the second tier will be industry and productivity based.

★★★★★  
*Not Ongoing - Started*

**L.** Security of tenure, government should continue to engage in tripartite discussions with labor groups and the private sector.

Extensive tripartite discussions were held in 2011, resulting in DOLE Department Order 18-A dated November 14, 2011 which requires contractors/subcontractors to provide employees benefits such as incentive leave, rest days, overtime pay, holiday pay, 13th month pay, separation pay, and social security benefits.



**Started**

**M** Rationalize holidays.

The number of non-working holidays in 2011 was almost the same as 2010. Little advance notice was provided for the new non-working holidays added following the initial proclamation in December 2010 of 16 holidays for 2010. Laws creating new non-working holidays continue to move forward in the House and Senate. Chinese New Year was proclaimed a holiday without consulting employers.



**Backward/Regression**

**N.** Fight smuggling vigorously.

Only a small beginning has been made in controlling this perennial blemish on the economy. Thousands of containers were "lost" in transshipment in early 2011. BOC intelligence funds are inadequate, and few cases are prosecuted. No one can remember when a major smuggler went to jail. BOC Commissioner Biazon says he will make a difference.



**Not Ongoing - Started**

**O.** Pass the Rationalization of Fiscal Incentives bill.

The House passed HB 4935 on August 15, 2011. The SWMC has held two hearings but has not completed a Committee Report.



**Started**

**P.** Allow duty and VAT-free importation of capital equipment for manufacturing in priority industries.

RA 9337 in 2005 applied the EVAT to capital equipment imports outside ecozones. Previously, it was refundable.



**Not Ongoing**

**Q.** Increase funding for and promotion of Philippine exports, inward foreign investment, and tourism.

Funds remain very inadequate.



**Not Ongoing**

# Logistics

## TEU Capacity and Utilization, Ports of Batangas, Manila and Subic

INTERNATIONAL PORTS	ANNUAL CAPACITY (in TEUs)	2010 TRAFFIC (in TEUs)	%
Subic Terminals 1&2	600,000	34,318	5.7
Batangas International Port	400,000	~5,000	1.3
<b>TOTAL</b>	<b>1,000,000</b>	<b>~39,318</b>	<b>3.9</b>

Note: Batangas International Port traffic became zero after RCL discontinued its service, but MCC commenced service in December 2011

### Recommendations

### Evaluations

A.

Promote the port of Batangas for CALABARZON-destined shipments and Subic for Central Luzon-destined shipments.

Batangas international port is utilized at less than 1% of capacity. Subic port at around 5%. The DOTC has started dialogues with all industry stakeholders to formulate long term plans. A JICA study in June 2011 recommends gradually shifting container traffic from Manila to Batangas and Subic in order to fully utilize capacity at the new facilities and no further expansion of Manila after MICT Berth 6 is operational.

★★★★★  
*Started*

A1.

Invite international feeder vessel operators to call at Batangas and Subic.

Batangas will have a feeder connection from Singapore, going out to Kaohsiung/Hong Kong operated by MCC Transport starting late December 2011. SBMA is promoting Subic by offering concessions to any feeder operator willing to come.

★★★★★  
*Started*

**A2.**

Request port operators to offer special promotional rates for feeder ships calling at Batangas and Subic.

Subic is willing to attract feeder operators with substantial concessions. Batangas Port, in cooperation with ATI, MCC, and Royal Cargo, are offering concessional storage, arrastre, and trucking rates.

★★★★★  
*Substantial Progress*

**A3.**

Promote the use of both ports with PEZA and SBMA.

PEZA and SBMA are promoting the ports of Batangas and Subic.

★★★★★  
*Substantial Progress*

**A4.**

PEZA should organize a meeting to coordinate actions to increase export cargo volume at Batangas.

Several meetings were organized in 2011 by PEZA and PPA with export manufacturers in CALABARZON.

★★★★★  
*Complete*

**B.**

Modernize port operations in Batangas to serve automotive companies in CALABARZON.

Batangas is suffering from severe under utilization and does not require further expansion at this time.

★  
*No Longer Relevant*

**C.**

Create a plan to eventually phase out international cargo at the port of Manila over five years.

Still in the "study phase." DOTC is sensitized to the issue but no decision to phase out Manila has been made.

★★★  
*Not Ongoing*

**D.** Develop Subic as a true freeport for logistics.

SBMA is aware of the concept and this recommendation but has not yet taken action. The political will to move forward to make Subic a "real Freeport" is not yet evident, even as the realization grows that Subic has an insufficient support base for the size of new port facilities built there.

★★★  
*Not Ongoing*

**D1.** Allow cargoes to freely enter Subic.

Covered by comment above.

★★★  
*Not Ongoing*

**D2.** Move customs out of the Subic freeport.

Covered by comment above.

★★★  
*Not Ongoing*

**D3.** Put in place tight safeguards against smuggling.

The GPH has intensified its actions against smugglers, but smuggling reportedly continues and convictions of major offenders have yet to be made.

★★★★★  
*Started*

**D4.** Promote an Asian Distribution Center of Goods.

Not ongoing and not aware of any activities to get this started.

★★★  
*Backward/Regression*

**E.** Allow transshipment of cargo in various modes.

Not ongoing and not aware of any activities to get this started.

★★★  
*Backward/Regression*

**F.** Government should provide CIQ services whenever needed.

Some GPH officials (DBM, DOT, DOTC, BOC) are supportive while some (BI) are not. Meanwhile, employees of the CIQ agencies have gone to court to restore their overtime benefits, which carriers have previously paid. Pending in courts.

★★★★★  
**Started**

**G.** Open the door to foreign investment along the entire multi-modal transportation chain.

Successer joint venture of Maersk lines with Aboitiz, MCC Transport, provides good domestic shipping services at reasonable cost. This model should be duplicated. Domestic distribution by foreign companies is tolerated despite cabotage. Customs brokers still try to impose a cartel type tariff in their personal capacities.

★★★★★  
**Started**

**H.** Allow direct deconsolidation of cargoes to PEZA bonded warehouses.

In December 2011, PEZA issued its first Letter of Authority (LOA) to a local company to provide this service.

★★★★★  
**Substantial Progress**

**I.** Take advantage of quick turnaround cycles and local BPO capability.

Not yet successfully started, but several companies are contemplating investments in this field.

★★★  
**Not Ongoing**

**J.** Facilitate IOR services to develop expanded access to internet trade.

Not yet initiated.

★★★  
**Not Ongoing**

**K.** Continue to implement recent reforms in customs practices; Extend E2M; Pass the Customs and Tariff Modernization Act.

Little progress to date. CTMA passed House on 3<sup>rd</sup> Reading.

★★★  
**Not Ongoing**

**L.** Reduce high domestic shipping costs. The MCC joint venture and some domestic shippers and freight forwarders are offering reduced costs of local transport.

★★★★★  
**Started**

**L1.** Liberalize rules that do not allow foreign companies to operate; encourage more joint ventures. This has started with the MCC joint venture, but there has been no further progress.

★★★★★  
**Started**

**L2.** Introduce more reliable new ships. Can be merged with recommendation above.

★  
**No Longer Relevant**

**L3.** Limit the age of ships that can be imported. No significant progress.

★★★  
**Not Ongoing**

**M.** Groups of importing companies should explore chartering ships.

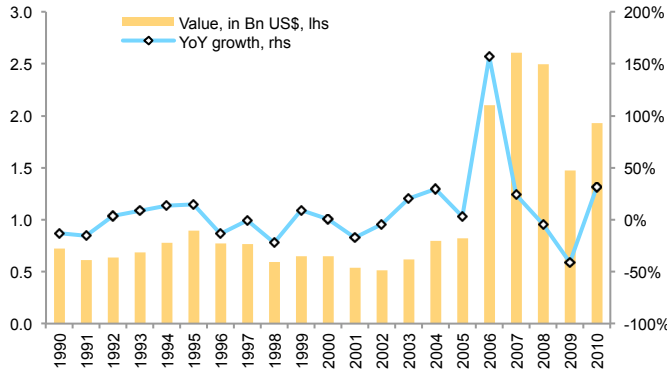
★  
**No Longer Relevant**

**N.** Develop better data for the logistics sector. No significant progress.

★★★  
**Not Ongoing**

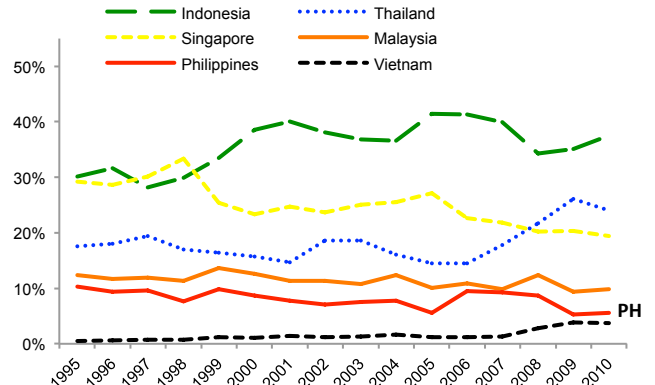
# Mining

**Philippines Mineral Products Exports, Bn US, 1990-2010**



Source: NSO

**Share in ASEAN-6 Total Mineral Products Exports, 2010**



Source: UNCTAD; Includes ores, metals, precious stones and non-monetary gold

## Recommendations

## Evaluations

**A.**

Speed up the growth of the mining sector by removing redundant approvals and non-performing daims.

DENR ordered MGB regional offices nationwide to cleanse 50% of pending and inactive mining applications by February 20, 2011 and June 30, 2011 for the remaining 50%. Before June 30, the MGB successfully completed its drive to cleanse its records and it has over-achieved the targeted number of 194 applications nationally. The MGB National Office appears to have removed the discretionary power of the regions by issuing directives with no wiggle room. There is uncertainty as to how canceled exploration areas will be opened for re-application in a transparent and technically sensible manner.

★★★★★  
**Started**

**A1.**

Further streamline the exploration permit approval process; permits should be granted transparently at the regional level within 6 weeks and renewed in one day.

No new applications have been accepted nor approved.

★★★  
**Backward/Regression**



**A2.** Applicants should be vetted strictly.

No apparent progress.

☆☆☆☆  
*Not Ongoing*

**A3.** Reduce ECC processing time and certificates of non-coverage.

No apparent progress.

☆☆☆☆  
*Not Ongoing*

**A4.** Allow pre-permitting access by firm to potential project lands.

There are no new implementing rules and regulations for this procedure, although some approvals have been given at a local level. Lack of control could lead to abuse.

☆☆☆☆  
*Not Ongoing*

**A5.** Continue processing of mining applications involved in mining cases.

No apparent progress.

☆☆☆☆  
*Not Ongoing*

**A6.** MGB should strictly monitor compliance by mining companies and cancel permits after two years of non-performance.

There is continued lack of performance monitoring, partly due to a shortage of qualified personnel and resources. However, progress is being made with the formulation of a current minerals development policy.

☆☆☆☆☆  
*Started*

**B.** Establish regional level one-stop shops.

We have no reports that this is ongoing.

☆☆☆☆  
**Not Ongoing**

**C.** Develop model best-practice regions.

No progress.

☆☆☆☆  
**Not Ongoing**

**D.** MGB should adopt Philippine Mineral Ore Resources Reserve Reporting Code.

Progress has been made. This needs further progress to certify qualified, competent persons by means of membership reciprocity. The Philippine Stock Exchange has adopted the Code, but due diligence similar to Canada or Australia is lacking.

☆☆☆☆☆  
**Substantial Progress**

**E.** Seek to end LGU mining moratoriums.

Some industry legal cases are in progress, but there is a lack of formal national government legal opinion and/or enforcement. In addition to local bans by several LGUs, a number of bills to ban mining in specific LGUs are also moving in the Congress.

☆☆☆  
**Backward/Regression**

**F.** Implement the simplified joint circular regarding release of mining taxes to LGUs.

Discussions are ongoing. HB 4410, which passed the House on 3<sup>rd</sup> Reading on May 16, 2011, promotes the direct remittance of the 40% LGU share of National Government collection. A joint circular was issued, but no one is tasked to monitor how well it is working.

☆☆☆☆☆  
**Started**

**G.** Continue dialogue to find common ground solutions to issues being raised against specific mining and exploration projects.

Ongoing but not consistent due to lack of dedicated resources.

☆☆☆☆☆  
**Started**

**H.**

Industry should actively monitor developments in the Congress and judiciary.

This is ongoing. Examples are participation in the 2012 minerals policy development consultations. The JFC (including AmCham, AnzCham, and CanCham) meet periodically with the House and the Senate and the Judiciary. The Chamber of Mines of the Philippines also meets with Congressional leaders.

★★★★★  
*Substantial Progress*

**I.**

Support revision of the 60-40 equity restriction provision in the Constitution.

No specific legislation has been introduced. The Congress has proposed amending the economic provisions in the Constitution, which could include the limit of foreign equity regarding natural resources.

★★★  
*Not Ongoing*

**J.**

Continue implementation of the Minerals Action Plan; continue active private sector participation in the MDC.

The recommendation is obsolete. The Minerals Development Council has been abolished. A new minerals policy is being developed.

★  
*No Longer Relevant*

**K.**

The GPH should work on 4 programs to industrialize: (1) promote downstream processing and manufacturing for copper, nickel, gold, and chromite; (2) develop community-based supplier industries and services; (3) improve government benefits from mining; and (4) better control exports of small scale mining and unprocessed minerals.

(1) There have been discussions on mandating an escalating percentage of raw material production to be processed in-country. There has been no discussion on what level of financial and/or technical support the GPH will provide to achieve this; (2) This is promoted by means of most project SDMPs; (3) The COMIP has demonstrated the financial benefits of responsible large-scale mining are 100% compliance but there is a 67% shortfall in 2008/09 revenue collection from industry as a whole if small-scale and non-metallic mining are included. Emphasis on revenue collection improvement is recommended; (4) No progress.

★★★★★  
*Started*

**L.**

Community building should commence from the first day.

This is ongoing. Exploration expenditures include a mandatory percentage for socio-environmental expenditures. However, there should be more enforcement.

★★★★★  
*Started*

**M.**

Mining firms should support labor intensive, community-run enterprises.

The SDMP does not have any mandatory provisions as to the percentage of supplies and goods coming from the impacted communities, unlike IFC/WB Guidelines with best effort percentages.

★★★  
*Not Ongoing*

**N.**

Increase the allocation of direct mining and milling costs for community development from 1% to 1.5%.

A DAO has been issued raising the Social Development and Management Program to 1.5% on Total Operational Costs, including Information, Education, and Communication (IEC) activities, but the DAO lacks IRRs.

★★★★★  
*Started*

**O.**

Private sector should help build the capacity of IPs.

There has been progress with the support of various sectors, such as Canadian Trade Commission IP Seminars focusing on entrepreneur development. But private sector support should be increased.

★★★★★  
*Started*

**P.**

Increase the budget and technical capacity of the National Commission on Indigenous Peoples.

There has been no progress.

★★★  
*Not Ongoing*

**Q.**

When resettling people, find habitation as close as possible to their traditional lands.

While this is a best practice requirement, there are no clear guidelines.

★★  
*Backward/Regression*

**R.** Companies should not pay stipends or occupation fees to local NPA. Payments to the NPA are illegal but reportedly still exist. Companies continue to be victims of attacks on equipment, apparently motivated by extortion cloaked in environmental rhetoric.

★★★  
*Not Ongoing*

**S.** Private sector should work closely with the MDC committee and the AFP to establish a joint mining security protocol. Despite abolition of the MDC, a new coordinating body should be established to deal with security threats. Some piecemeal but inconsistent efforts take place.

★★★  
*Not Ongoing*

**T.** Exploration companies should conduct security and social assessments in their areas. Responsible explorers conduct such assessments, however greater security is a sovereign GPH responsibility and requires more action.

★★★★★  
*Started*

**U.** Mining industry should work closely with the MGB. Capacity building of the MGB, including enforcement, is an ongoing dialogue, although little to no progress has been made in light of the absence of a clear Minerals Policy.

★★★  
*Not Ongoing*

**V.** Students following graduation who enter government service should be assigned to work with a local exploration or mining company. There has been no progress.

★★★  
*Not Ongoing*

**W.** Encourage more students to study subjects needed in the mining community. There has been some progress with relevant scholarship programs.

★★★★★  
*Started*

**X.**

Encourage mergers of local mining companies and list more on PSE.

There has been some progress with discussion on new listing rules for resources companies, such as listing by introduction.



*Started*

**Y.**

Carry out a public information campaign regarding mining and increase dialogue with concerned groups.

There has been much progress through initiatives from the Chamber of Mines of the Philippines and from industry, e.g., the Mining 101 Lecture Series.



*Substantial Progress*

**Z.**

Support the Mining Museum project in Baguio to establish a museum to educate Filipinos.

There has been some progress, as demonstrated by the 2011 Baguio Mining Safety Conference focus on the Mining Museum.



*Started*

**AA.**

Endorse the Extractive Industries Transparency Initiative (EITI).

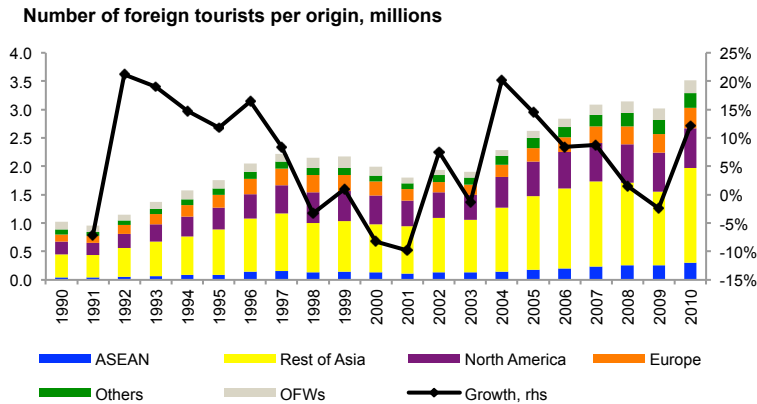
There has been much progress on this initiative through commitments from the USA and Australia to seriously consider the EITI and the current GPH commitment to transparency in the resources industry.



*Started*

# Tourism, Medical Travel, and Retirement

**Foreign Tourist Arrivals in RP, by origin, Mn,  
1990-2010**

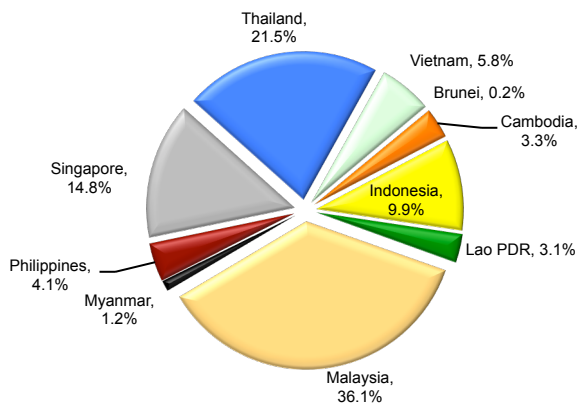


**Domestic Air Travel, Philippines, millions,  
growth, 1995-2011**

Year	Domestic Passengers	Dom Pax Growth
1995	4,948,540	
1996	5,603,877	13.2%
1997	6,831,431	21.9%
1998	5,382,029	-21.2%
1999	6,072,439	12.8%
2000	6,073,873	0.0%
2001	6,051,828	-0.4%
2002	5,798,842	-4.2%
2003	6,093,004	5.1%
2004	7,090,704	16.4%
2005	7,211,473	1.7%
2006	8,469,511	17.4%
2007	10,388,708	22.7%
2008	11,784,381	13.4%
2009	14,746,438	25.1%

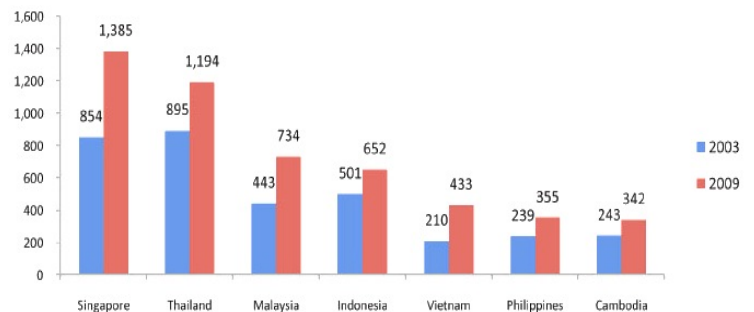
Source: CAB

**Distribution per Country of International Visitor  
Arrivals in the ASEAN Region, 2008**



Source: ASEAN Secretariat

**Incoming Flights per Week by Foreign Air Carriers  
to ASEAN, 2003, 2009**



Source: Orient Airline Guide and airline schedules

## Recommendations

## Evaluations

**A.**

Property rights should be facilitated for the new Tourism Enterprise Zones (TEZs).

There are existing guidelines formulated by TIEZA. Land titles in most LGUs are not yet digitized.



**B.**

Restrictions on foreigners should be liberalized in designated tourism and retirement zones to allow foreign ownership of land and retail facilities and the practice of professions.

There are initiatives to amend the PPP rules.



**C.**

Rules in the new TEZs should be consistent, simple, and stable and shielded from unnecessary intervention from LGUs; One Stop Shops in each TEZ.

These initiatives are ongoing.



**D.**

Reduce the time and cost of doing business for tourism enterprises.

The advocacy has started and is gaining support. However, there was regression when the BIR amended the common carriers regulation to only change the tax base. The regulation did not answer the call of the private sector, specifically the international air carriers, to level the playing field by allowing them to exercise the option to register as VAT entities. As a result of the slow progress in reform, the last European carrier, KLM, flying direct to the Philippines will terminate its direct flights by summer schedule of 2012.



**D1.**

Eliminate the discriminatory Common Carriers Tax (CCT) and the Gross Philippine Billings (GPB).

HB 4302 of Cong. Mandanas has been endorsed for 2<sup>nd</sup> reading. The same bill was filed by Sen. Recto as counterpart bill (SB 3065). DOF Sec. Purisima already announced that DOF will not object to the elimination of the common carriers tax but replacement revenue source should be identified. Note that both HB 4302 and SB 3065 will not be effective unless the existing tax treaties are amended to allow for the grant of exemptions. This process may take time and may serve as the next barrier even if the bill is enacted to law.





**D2.**

**Cease overtime CIQ charges to airlines.**

The Bureau of Customs issued Customs Administrative Order 7-2011 declaring 24/7 operations in international airports and seaports. The Bureau of Immigration has not yet followed Custom's action, but will hopefully do so after the DOJ indicated that they will have to follow the Cabinet decision.

★★★★★  
*Started*

**D2.1**

**Amend the 2010 Immigration Act to remove overtime charges.**

An enabling business climate for the airlines can be achieved through legislation, by deleting any provision that allows government agencies to charge overtime, meals and transportation allowances to the airlines. Tourism and trade are 24/7 business operations and government should match these services by the private sector in order to make the Philippines globally competitive like our Asian neighbors. The private sector has lobbied with the Committees on Justice of both Lower and upper houses to remove the provision on overtime from the 1940 Immigration Act.

★★★  
*Not Ongoing*

**D2.2**

**Amend the Tariff and Customs Code to eliminate overtime charges to shippers.**

The Customs and Tariff Modernization Act has been approved on 3<sup>rd</sup> reading in the House. This still contains a provision on overtime with deliberate and explicit enumeration of the airline in the list to be charged with overtime fees. The existing law does not include the word "airline" but the airlines were charged with overtime because the phrase "other persons served" was interpreted to include "airlines."

★★  
*Backward/Regression*

**D2.3**

**Remove overtime charges for Quarantine personnel.**

The Dept. of Agriculture is unwilling to provide quarantine service for free, but should follow the cabinet decision that CIQ services are to be provided by government 24/7 at government's expense.

★★★★★  
*Started*

**D3.**

**Review the need for the travel tax as revenue.**

The more pressing need is the streamlining of the procedures related to the imposition and collection of travel tax. There are so many exemptions.

★  
*No longer relevant*

**D4.**

Amend the Sanitation Code (PD 856); include a correct definition of wellness spa.

We have no current information in regard to this recommendation.

★ ★ ★  
*Not Ongoing*

**E.**

Increase the mobility of international business travelers/passengers/medical travelers and retirees by:

**E1.**

Review and reduce the cost in time and money of bureaucratic immigration policies and procedures.

We are not aware of any review, rationalization, or digitization of BI procedures, which continue to have a reputation for being burdensome to foreign visitors and residents.

★ ★ ★  
*Not Ongoing*

**E2.**

Introduce long term stay visa for two new categories of foreign nationals.

Talks with DOT, DFA, and BI have progressed to the point that BI Commissioner David has recommended creation of a Special Long Stay Visitor Visa. Meetings with Associate Commissioner Mison have been pursued and the new visa was supposed to be implemented in October 2011. However in November 2011 BI deferred further actions as it "falls within the Authority of the Department of Tourism... and DOT Secretary Ramon R. Jimenez, Jr. is at present, still preparing, the Philippine Tourism Blueprint." Next step is to go back to DOT to discuss the Long Stay Visa.

★ ★ ★ ★ ★  
*Started*

**F.**

Develop the meetings, conventions and exhibits market by promoting key tourist regions.

This is ongoing in different cities (e.g. Baguio, Cebu, Clark, Manila, Subic) almost entirely for domestic organizations but has potential for international patronage. The 2011 Ad Congress was held in Camarines Sur.

★ ★ ★ ★ ★  
*Started*

**G.**

Reduce differential and discriminatory charges that are higher for tourists.

We are not aware of any serious effort to regulate or discourage differential pricing, found, for example, in hotels that have weekend specials only available to local residents.

★ ★ ★  
*Not Ongoing*

**H.**

Correct human resource competitive disadvantages.

Included in the National Tourism Development Plan 2011-2016.



**I.**

Increase efforts to meet the manpower demand of hotels and restaurants; make local examination standards for massage therapists appropriate to high school graduates.

Included in the National Tourism Development Plan 2011-2016.



**J.**

Provide technical and marketing training for LGU tourism officers; improve services of tourism workers.

Included in the National Tourism Development Plan 2011-2016.



**K.**

Improve quality of data on tourism sector.

Included in the National Tourism Development Plan 2011-2016.



**L.**

Improve sanitation and waste management in local communities.

Included in the National Tourism Development Plan 2011-2016.



**M.** Allow more foreign dentists, doctors, medical technologists, nursing, optometrists, physical therapists, and teachers to practice their professions.

This issue has been taken up with NEDA and the PRC. No progress has been made but the discussions are ongoing.

★★★★★  
**Started**

**N.** Unbundle and standardize hospital and doctor fees.

The PPP Project Philippine Healthcare Initiative funded by the DEG and implemented by the RHC and TUV Rheinland is addressing this issue. PHI was launched in August 2011. It aims to address quality management issues and improve the general performance of hospitals, clinics, and medical facilities in the Philippines. PHI will create standards that are internationally accepted but tailored to needs of the Philippine Healthcare Environment. PHI will certify 15 medical facilities nationwide that trained to implement standards under the new system. Additionally, 30 local facilitators will be trained to assist the healthcare facilities that intend to be certified under PHI.

★★★★★  
**Started**

**O.** Increase availability and capacity of hospital services.

Will be addressed under PPP PHI. Additionally RHC and the JFC addressed the lack of a 24/7 Trauma Team in Metro Manila with St. Lukes Global City. As a response the first 24/7 Trauma Team in MM was formed in St. Lukes Global City in November 2011.

★★★★★  
**Substantial Progress**

**P.** Improve modern technology-driven documentation systems in hospitals.

Will be addressed under PPP PHI. Furthermore RHC together with the Global Healthcare Network (GHN) has started discussion with UP and UP- PGH to use the existing UP Telehealth Platform.

★★★★★  
**Started**

**Q.** System of accreditation of tourist, medical travel, and wellness facilities should be developed.

Accreditation standards and procedures are urgently needed by the industry, especially the LGUs that will serve as partner in the enforcement.

★★★★★  
**Started**

**R.** Non-controversial medical procedures should be promoted.

This can only be done after the quality management issues in private hospitals are addressed.

★★★★★  
*Substantial Progress*

**S.** Pursue negotiations of public insurance portability.

An advocacy coalition in discussing possible amendments to allow selected PH hospitals to be eligible for US Medicare patients.

★★★  
*Not Ongoing*

**T.** Encourage partnerships between Philippine hospitals and leading hospitals in target medical travel markets.

Will be addressed under PPP PHI. The Project will establish international partnerships with at least one healthcare organization in Europe, the United States, Japan, and Korea where there are potential clients for health and retirement.

★★★★★  
*Started*

**U.** Develop Philippines as regional medical center of excellence.

This is addressed under PPP PHI.

★★★★★  
*Started*

**V.** Develop commercially viable local wellness products.

The local private sector and the DOST are developing new products for wellness and nutrition (e.g. local organic products, helot massages, upscale spas and treatments).

★★★★★  
*Started*

**W.**

**Develop horizontal condominium projects.**

The first projects have been implemented without legal issues.



***Started***

**X.**

**Develop assisted-living facilities for retirees to meet international standards.**

RHC is in discussion with three nursing home providers in the Philippines. Furthermore initial talks with an international accepted accreditation agency has taken place in December 2011 to develop standards for nursing homes in the Philippines.



***Not Ongoing***

**Y.**

**Develop integrated retirement facilities that meet international standards.**

Recent projects have failed due to poor marketing and long term commitment of the developers. RHC is in discussion with two main property developers to start a model project. Possible sites on Mactan Island and in Tagaytay have been identified.



***Not Ongoing***



## Part 4: General Business Environment

### Business Costs

More than 50% of the recommendations in Business Costs were rated 3 stars and below. While initiatives to improve competitiveness and global rankings, enforce the Anti-Red Tape Act, and increase the use of e-governance have been started, most recommendations are not yet ongoing or have regressed. Recommendations that show no apparent progress are in the areas of reducing ground transport, telecommunications, and marine transport costs. Those ranked as backward/regression are high minimum wages, too many non-working holidays, delay in the implementation of open access, and lack of power cost relief/discounts.

### Environment and Natural Disasters

Most recommendations in Environment and Natural Disasters have showed progress. Nine of 14 were rated started. Chapter 10 of the Philippine Development Plan calls for the improvement of environmental quality for a cleaner and healthier environment and betterment of conservation, protection, and rehabilitation of natural resources. Two recommendations regressed: increasing access to water and sanitation facilities and improving drainages and other flood-control measures.

### Foreign Equity and Professionals

Almost 60% of the recommendations in Foreign Equity and Professionals were rated 3 stars and below. Among those recommendations that were started are: support efforts to remove economic restrictions from the 1987 Constitution; encourage foreign investment in education and foreign teachers and researchers to practice in the Philippines; prepare list of principles governing foreign ownership; review laws and IRRs on 60-40 public utility equity rules, and file bills to open the practice of profession.

### Governance

Almost 70% of the recommendations in Governance were rated 3.5 stars and above which means most recommendations fall under started, substantial progress, and completed. Substantial progress has been made in the reduction of corruption, President Aquino's principal policy reform. At least 15 Cabinet secretaries and 1,000 businesses have signed the Integrity Pledge. Significant improvements were also made by the GPH in the procurement process and spending efficiency, although overall public spending was slow in 2011. However, legislation to strengthen an anti-corruption legal framework has regressed.

### Judicial

Half of the recommendations in Judicial are ongoing. One recommendation has made substantial progress. Greater use of alternative dispute resolution (ADR) process is ongoing, and the success rate is encouraging. This has effectively reduced the backlog of cases. However, two recommendations moved backwards: oversee the environmental courts in administering the Writ of Kalikasan (due to the first ruling which banned mining on the Zamboanga Peninsula), and give adequate resources to the legal divisions of BOC and BIR.

## **Labor**

Forty-four percent of the recommendations in Labor have been started. The recommendation to maintain the low level of labor disruption of business operations and allow self-regulation of companies as reflected by the low number of strikes was rated as having substantial progress. While the recommendation to allow firms to provide same day services to overseas clients to provide employees substitute days off with pay without holiday premium was labeled completed with 2009 DOLE DA No. 2.

## **Legislation**

Eight of 14 recommendations in Legislation have been started. Among those are: hold regular LEDAC meetings, prioritize bills that improve competitiveness; pass investment climate reform bills; and use EOs to introduce reforms. The recommendation to seek to make the Foreign Investment Negative List more positive has regressed. The 9<sup>th</sup> FINL should be released early 2012.

## **Local Government**

Two of the recommendations in Local Government have regressed: steady reduction of the solicitation of bribes for bureaucratic services; and include language to make application of national laws clear in the LGU code. Substantial progress has been made in the efforts to intensify programs for LGU capacity building.

## **Macroeconomic Policy**

Under Macroeconomic Policy, 45% of the recommendations were ranked as started, while 48% as not-ongoing. Substantial progress has been made on the recommendation that the Aquino Administration should convey austerity, follow taxing and spending politics that are frugal, and avoid difficult to sustain populist policies.

## **Security**

The 33% of the recommendations in Security were ranked backward/regressed. The following recommendations have shown little or no results: improve Philippine rating in World Bank measure of political stability and absence of violence and terrorists; hold talks and negotiate with Philippine communists and seek longer ceasefire periods; implement defense modernization faster; limit firearms in civilian hands and reduce loose firearms; and encourage balance in foreign government travel advisories. The Mindanao 2020 Peace and Development Plan has been approved and released.

## **Social Services: Education**

While 58% of the 12 recommendations were not ongoing, 42% were started. Initiatives that have started include increasing the public education budget, adopting the K+12 model, intensifying investment in technology for high school education, strengthening tertiary level education, and strengthening the Dual Education or Dual Technical System.

## **Social Services: Health and Population**

Two recommendations related to legislation in Social Services: Health and Population have shown substantial progress: ceasing healthcare bills passed in Congress that do not achieve desired policy goals of improving health of the poorest and private sector should show support of the RH policy legislation and assist employees to have smaller families.

## **Social Services: Poverty**

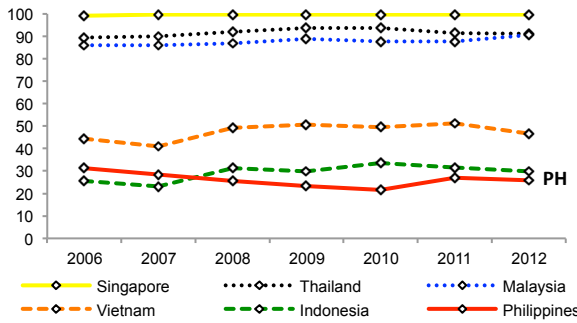
The percentage of poor is increasing. Reducing the incidence of hunger has shown little promise and has regressed. Government should conduct hunger monitoring annually. On the positive side, Philhealth has expanded its program to include more poor families. The Conditional Cash Transfer program has shown substantial progress.





# Business Costs

**Ease of Doing Business, percentile rankings, ASEAN-6, 2006-2012**



Source: World Bank

**Comparative Wages, selected countries, US\$ per day**

Country/City	Daily min wage, US\$	
	Min	Max
Vietnam	1.39	1.74
Cambodia	1.67	1.67
Indonesia/Jakarta	2.00	3.73
Thailand/Bangkok	4.55	6.24
Delhi/India	4.45	4.93
China/Shenzhen	5.37	5.37
China/Guangzhou	5.43	5.43
Malaysia	7.56	16.20
Philippines/NCR	8.80	8.80
Taiwan	17.96	17.96
Singapore	19.23	68.15
South Korea	26.53	26.53
Japan	56.31	70.82

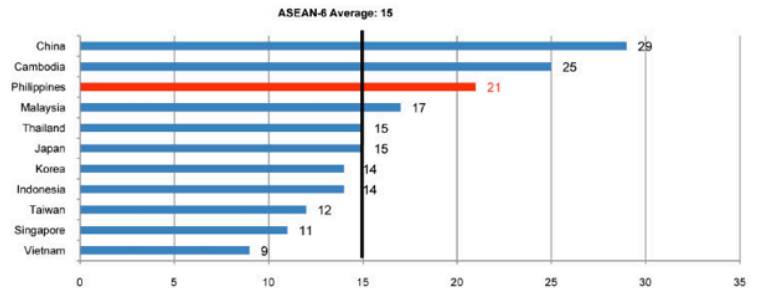
Sources: NWPC; As of August 2010 and related news reports, www.qppstudio.net, AmCham offices and respective national agencies. Note: Singapore does not have a legislated minimum wage. Malaysia has statutory minimum wage only in some sectors.

**Paid Holidays, Philippines, 1987-2011**



Source: RA's, EO's and holiday proclamations. The authors adjusted the number of holidays to include non-recurring holidays / sudden holiday

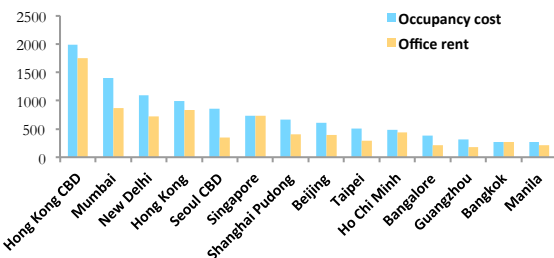
**National and Special and Non-Working Paid Holidays per year, selected Asian countries, 2010**



Source: AmCham offices

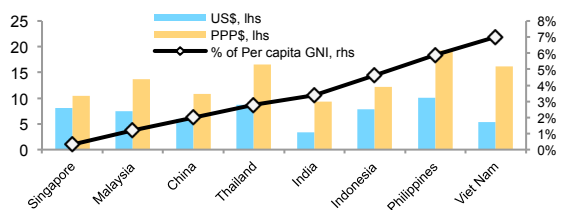
Note: In China workers are required to make up some of the holiday days off before or after the holiday. According to a government-mandated holiday schedule that took effect in 2008, workers were given 3 consecutive days off for the Mid-Autumn Festival, but they were required to make up two of those by working the Saturday and Sunday on either end of the holiday. This give-and-take arrangement is repeated for the National Day holiday, with employees enjoying seven straight days off except only three of those are official free days. The other four days will be made up over the weekends before and after. (China's Mandatory Vacation With a Catch, International Herald Tribune, October 1, 2010)

**Office Rents and Occupancy Costs, US\$/sq.m/yr**



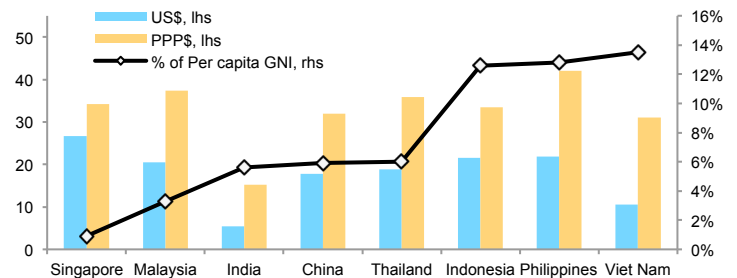
Source: CBRE Global Office Rent Nov 2010

**Mobile Phone Usage Cost, 2010**



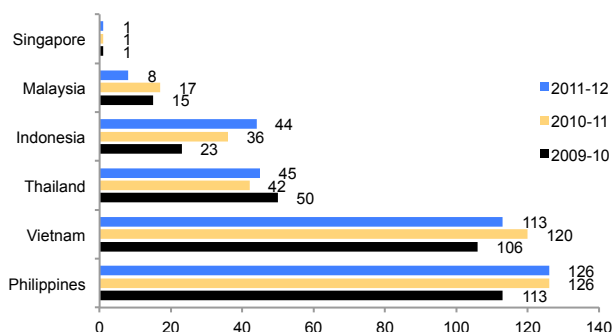
Source: ITU; The mobile cellular sub-basket corresponds to the price of a standard (low-user) basket of mobile cellular monthly usage determined by the OECD. It includes 25 outgoing calls per month (on-net, off-net and to a fixed line), in predetermined ratios, plus 30 Short Message Service (SMS) messages.

**Fixed Broadband Monthly Cost, 2010**



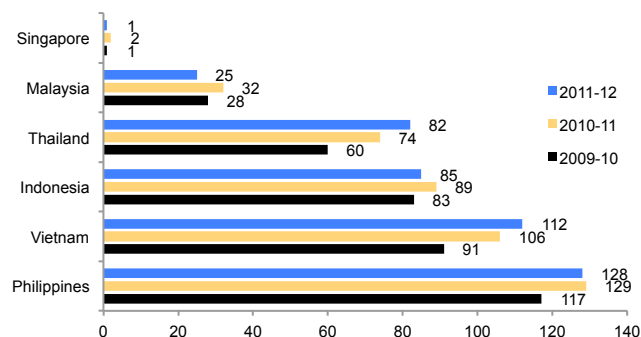
Source: ITU; The fixed broadband Internet sub-basket is calculated based on the price of the monthly subscription to an entry level fixed broadband plan.15

**Burden of GPH Regulation, rank, 2009-2012**



Source: WEF ; Total number of countries evaluated: 2009 (133), 2010 (139), 2011 (143)

**Burden of Customs Procedures, rank, 2009-2012**



Source: WEF ; Total number of countries evaluated: 2009 (133), 2010 (139), 2011 (143)

**Ease in paying taxes, overall and per sub-category, rankings, 2009-2012**

Country/Year	Overall ease of paying taxes				Tax payments				Time to comply				Total tax rate			
	09	10	11	12	09	10	11	12	09	10	11	12	09	10	11	12
Indonesia	116	127	130	130	151	154	158	162	103	106	107	112	72	76	77	67
Malaysia	21	24	23	28	33	37	40	46	49	47	43	40	53	58	58	62
<b>Philippines</b>	<b>129</b>	<b>135</b>	<b>124</b>	<b>135</b>	<b>145</b>	<b>147</b>	<b>149</b>	<b>155</b>	<b>67</b>	<b>72</b>	<b>70</b>	<b>72</b>	<b>131</b>	<b>132</b>	<b>118</b>	<b>129</b>
Singapore	5	5	4	4	6	6	6	7	18	17	15	15	25	29	28	32
Thailand	82	88	91	97	76	82	83	84	102	105	106	111	74	74	78	84
Vietnam	140	147	124	151	99	100	102	107	177	180	181	181	82	85	54	95

Source: Paying Taxes 2009 & 2010 by World Bank, PriceWaterhouseCoopers and IFC

Total number of economies evaluated: 2009=181; 2010=183; 2011=183; 2012=183

## Recommendations

## Evaluations

**A.**

Create a national culture to improve Filipino competitiveness.

While the Aquino administration is making strong efforts to improve governance, which should raise competitiveness ratings, there is no national campaign to be more competitive. President Aquino and his economic managers have not spoken forcefully about this issue. The NCC, where public and private sector leaders cooperate to improve the competitiveness rankings, has been revitalized. The NCC has decided to prepare a National Competitiveness Assessment and Plan, with the Competitiveness Assessment to be annual and the Plan to look ahead 20 years.

★★★★  
**Started**

**B.**

Continue and strengthen the National Competitiveness Council following a review of its mandate.

The NCC has been reorganized into 10 Working Groups with joint public and private sector representation. Each has a focus on making reforms that will raise low-ranked categories in the WEF, IMD, TI, and Branding annual global rankings. The NCC will prepare an annual National Competitiveness Assessment.

★★★★  
**Started**

**C.**

Introduce a more flexible minimum wage and/or piecework policy for distressed industries; develop new industrial zones with infrastructure that offer lower minimum wage rates.

DOLE is introducing a two-tier wage system and DTI has spoken about domestic economic zones; language to authorize the latter is contained in the House-passed bill on Rationalization of Fiscal Incentives. These are first steps, and their implementation is prospective and unproven. There is no plan to take aggressive steps that could attract foreign low-labor cost manufacturers, such as in footwear and garments, which could create large numbers of jobs for some of the 27 million Filipinos in the informal labor sector.



**Backward/Regression**

**D.**

Absolute moratorium on new non-working holidays; veto any legislation creating any new non-working holidays; some non-working holidays should be changed to working holidays.

There seems to be little understanding in the Congress or the Executive of the costs imposed on business by the country having too many paid holidays in comparison with regional competitors. Such holidays reduce competitiveness. 2011 had about as many non-working holidays as 2010, which was higher than previous years. In late 2011 the GPH declared Chinese New Year in 2012 a paid holiday for the first time. The House and Senate are passing bills to add Teachers Day, National Victory, and Liberation Day.



**Backward/Regression**

**E.**

Implement open access provision of EPIRA .

Electric power tariffs are the highest in Asia. Greater competition should reduce them. The ERC had scheduled open access to begin December 26, 2011. It has been postponed to September 2012 because of failure to put in place supporting infrastructure.



**Backward/Regression**

**F.**

Consider expanding power cost relief/ discounts.

The GPH was prepared to allow a program to expire at end/2011 providing reduced power costs for some 250 manufacturers in export zones. Industry associations argued strongly this would force members to cut back production and exports and some to close operations. The program was extended for a month. Combined with increased holiday/labor costs, an appreciating peso, and rising electricity costs, the competitiveness of Philippine manufacturing is being further eroded.



**Backward/Regression**

**G.**

Intensify the ARTFF and projects to improve the WB/IFC Doing Business ratings.

Anti-Red Tape efforts and reducing business costs efforts are being increased through the NCC WG on Transaction Costs and Flows, including the Business Process & Licensing System (BPLS).



**Started**

**H.**

Reduce red tape by assiduously implementing the Anti-Red Tape Act.

The Civil Service Commission reports increasing compliance by thousands of government offices, at the local as well as national level, with the ARTA. Its efforts should receive more publicity to raise citizen awareness. E-governance is advancing slowly in terms of making citizen interface with bureaucracy more efficient.



**Started**

**I.**

Encourage citizen feedback over the internet and through call centers at all major government agencies.

Efforts have started, but their effectiveness is not known. The single government information hotline is not yet launched. However, the DOF's program for citizens to report alleged violations of tax and customs laws has received over 1,000 reports, many of which proved to be actionable.



**Started**

**J.**

Anonymously validate the effectiveness of implementation of the Anti-Red Tape Act.

The Civil Service Commission is monitoring implementation of the Anti-Red Tape Act, including preparing report cards on different agencies.



**Started**

**K.**

Increase the provision of government services through e-governance.

E-governance is slowly improving but has far to go to be widespread. The quality of national and local government websites is improving. However, the ability of citizens to conduct business with the bureaucracy via the internet is progressing much slower. The business community supports creating a DICT to speed up the process of initiating e-governance nationwide.



**Started**

**L.**

New GPH rules and regulations should not be issued without approval of a central office; contain a sunset provision.

We are not aware of sunset provisions for public sector rules and regulations nor any central office that comments on rules. The practice of each agency issuing its own rules, sometimes without consultation with stakeholders and other agencies, continues.



**Not Ongoing**

**M.**

Exemptions from salary standardization could be made for critical front-line agencies; civil service salaries may be brought more into line with the private sector.

Exempting salaries of employees of critical agencies, such as BI, BIR, BOC, CAAP, from the salary standardization law, requires legislation. Teachers' salaries have been raised to the point where they are competitive with entry-level call center agents.

★ ★ ★  
*Not Ongoing*

**N.**

Reduce ground transport costs.

There has been no apparent progress in reducing ground transportation costs. Major infrastructure investments in road and rail are a prerequisite for goods and people to move efficiently at low cost. Three projects started in the previous administration (NCR South Rail rehab, Skyway Phase 2, and LRT-1 North Extension) became operational in the last 18 months but are insufficient to ease traffic. Major PPP projects for Skyway Phase 3 and LRT-1 South Extension scheduled to be contracted by end 2011 have been delayed. The PPP SCTEX extension, awarded in 2009, is ongoing.

★ ★  
*Backward/Regression*

**O.**

Reduce telecommunications costs.

There has been no apparent progress in reducing traditional telecommunication rates or increasing broadband speed. Skype, email, and other technologies enable businesses to lower communication expenses.

★ ★ ★  
*Not Ongoing*

**P.**

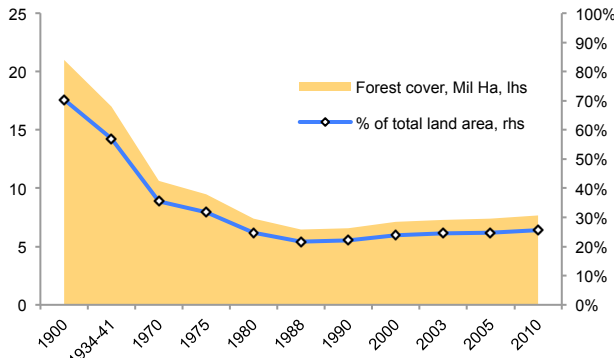
Reduce marine transport costs.

There are indications that marine transport costs may decline somewhat in the medium term if port modernization, privatization, and other reforms are made, more larger vessels transport goods by sea, and the RORO system expands further.

★ ★ ★  
*Not Ongoing*

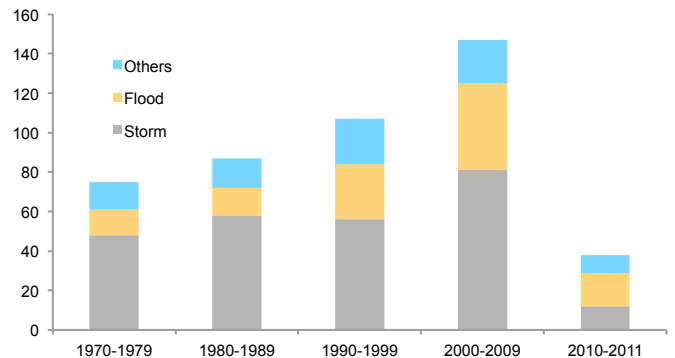
# Environment and Natural Disasters

**Philippine Forest Cover, 1900-2010, mil has, % total land area**



Sources: DENR, WB CEA 2009 and 2010 FAO Global Forest Resources Assessment Philippines Country Report

**Total Frequency of Natural Disasters, Philippines, per decade, 1970-2011**



Source: EM-DAT, The International Disaster Database; Note: Others include earthquakes, epidemics, extreme temp incidents, insect infestations, wet & dry mass movements, volcanic eruptions, and wildfires.

## Recommendations

## Evaluations

**A.**

**Environment: Solid Waste.** Implement the Solid Waste Management Act (RA 9003). Build sanitary landfills; improve garbage collection and recycling; establish clear rules and standards that would allow modern incineration technologies; amend the Clean Air Act to allow non-polluting clean incineration.

The PDP calls for improved environmental quality for a cleaner and healthier environment. The GPH has programs to reduce plastic bags and segregate solid waste to recycle, but they need expansion, more funding, and better implementation. Over 1,000 landfills around the country are holding increasing amounts of garbage for an increasing population. The 2011 fatal Baguio landfill disaster could be repeated. DENR has said that clean incineration, which is allowed under a Supreme Court decision, is being considered.

☆☆☆  
**Not Ongoing**

**B.**

**Environment: Air.** Implement the Clean Air Act (RA 8749). Clean Manila's air faster by removing all vehicles that fail to meet pollution standards. Crack down on corrupt emission stations. Replace 2-stroke with 4-stroke engines. Convert jeepneys and buses from diesel to natural gas.

The PDP calls for improved environmental quality for a cleaner and healthier environment. The DENR reports that by mid-2011 Metro Manila air pollution was reduced 32% from early 2010 from 166 to 113 pg/nm total suspended particulates. However, the air quality in Manila remains unacceptable and unhealthy. Smoke-belching vehicles may be fewer than before but are still too many. Traffic is very heavy. Conversion of 2-stroke tricycle engines and PUVs to cleaner fuels has long been talked about with few results, except for the conversion of taxis in Manila.

☆☆☆☆☆  
**Started**

C.

**Environment: Water.** Implement the Clean Water Act (RA 9275) to increase sewage systems and water treatment plants in all cities and municipalities in order to reduce water pollution.

The PDP calls for improved environmental quality for a cleaner and healthier environment. We have not researched data on the degree of CWA implementation, such as establishing Water Quality Management Areas and a national sewage and septage program. However, sewage largely remains the responsibility of each household and is a major cause of water pollution. Maynilad operates 3 water treatment plants, while Manila Water is building some 8 water treatment facilities. 100% sewage coverage supports restoring major rivers and Manila Bay. In October 2011, DPWH Secretary Singson was designated “water czar” to improve national water management.

★★★★★  
**Started**

D.

**Environment: Rivers.** Replicate the KapitBisig Para sa Ilog Pasig (KBPIP) project to clean and restore the Pasig River for other polluted waterways.

The PDP calls for improved conservation, protection, and rehabilitation of natural resources. The private sector is involved in campaigns and actions to clean the Pasig River especially the esteros that form the urban natural drainage system. DENR reports that 226 major companies participate in the Adopt an Estero Program. In October 2011, DPWH Secretary Singson was designated “water czar” to improve national water management.

★★★★★  
**Started**

E.

**Environment: Water.** Increase access to water and sanitation facilities for more Filipinos, in “waterless” municipalities and for residents of slums in urban areas.

The PDP calls for improved conservation, protection, and rehabilitation of natural resources. The DENR has assessed the water in rivers and esteros in most major urban areas as unfit for human activity. A small start has been made at cleaning them on a national basis. We are unsure whether increasing access to water and sanitation in waterless communities and urban slums is occurring faster than the population growth in these communities.

★★★  
**Backward/Regression**

F.

**Environment: Reforestation.** Reduce the rate of deforestation to zero. Protect remaining forests effectively and increase reforestation of damaged watersheds.

The PDP calls for improved conservation, protection, and rehabilitation of natural resources. By EO 23 President Aquino declared a total log ban in natural forests. EO 26 established National Greening Program to plant 1.5 billion trees on 1.5 million hectares in 6 years. DENR claims to have planted 69 million seedlings on in 2011 and plans to double up in 2012. Supportive legislation is moving in Congress.<sup>1</sup> Tragic flash floods caused by Typhoon Sedong in Mindanao highlight critical need to restore damaged watersheds. DENR reports 10.6 M bd. ft. of logs/lumber confiscated, 269 cases for illegal logging filed, and 215 wood processing plants closed.

★★★★★  
**Started**



**G.**

**Environment: Reefs.** Continue to fight illegal fishing methods that destroy reefs. Expand reef restoration programs and education of coastal communities.

The PDP calls for improved conservation, protection, and rehabilitation of natural resources. Only 5% of the country's coral reefs are in excellent condition. Their protection and restoration will enhance the country's fisheries and tourism. In April 2011, RA 10067 the *Tubbataha Reefs Natural Park Act* was signed. It provides more permanent local management structures, fiscal autonomy, and steeper penalties for violations. The act will vastly improve the Park's capability to protect its marine resources and help improve catch rates in the Sulu Sea.

★★★★★  
**Started**

**H.**

**Environment: Plastic Bags.** Educate the public to use reusable non-plastic bags and consider laws to reduce the widespread use of plastic that pollutes the marine environment and clogs waterways.

2011 marked the beginning of regulatory restrictions on plastic polluting streams, canals, and littoral waters of the Philippines. HB 4840, the Plastic Bag Regulation Act, which seeks to reduce their volume in landfills and waterways, has been approved on 3<sup>rd</sup> Reading in the House and requires Senate action to be enacted. Several municipalities have passed bans on plastic bags. DENR encourages reusable bags and has placed restrictions.

★★★★★  
**Started**

**I.**

**Disasters: Prevention.** Incorporate disaster prevention, not just disaster reaction, into planning, development, and education.

We are not aware that disaster prevention is being adequately followed on a national basis. Millions of Filipinos remain at risk in areas where sudden floods or landslides may occur. Introduction of hazard maps in 2011 is a useful start.

★★★☆☆  
**Not Ongoing**

**J.**

**Disasters: Typhoon Warning Systems.** Install Doppler radars, capable of predicting rainfall, with coverage of Luzon and Visayas. Improve alert systems when typhoons are approaching and when full dams need to spill water.

PAGSA planned to have 7 Doppler radars operational in 2011, which will assist in forecasting rain intensity and better predict severe flooding. The unexpected intensity of rainfall from Typhoons Ondoy in Metro Manila and Sedong in Northern Mindanao prevented wholesale evacuation of communities at risk. Better rainfall predictability should also reduce frequency of communities going to school or work only to be told to hurry home when a typhoon intensifies.

★★★★★  
**Started**



**K.**

Disasters: Flood. Seek to create flood-proof cities by undertaking extensive flood-control measures, improving drainage, building dikes and water retention facilities, and planting trees.

Limited programs to improve drainage are underway, but overall low-lying inhabited areas are unprotected by dikes, flood control diversions, etc. Replanting deforested watersheds is an increasing priority in view of the frequency of fatal floods. A proposed Laguna Lake diversion to Manila Bay is not underway. Given budgetary limits, GPH efforts are focused on identifying high-risk areas to allow evacuation. LGUs should increase efforts at solid waste management to reduce clogging of drainage.



**Backward/Regression**

**L.**

Disasters: Earthquakes. Develop and implement a program to make cities safer against major earthquakes. Make gas, electric, and water supply facilities more secure and make codes for building construction stricter following best practices to more advanced countries. Audit buildings and infrastructure for safety.

Philippine urban areas remain exposed to severe risks from earthquakes.



**Not Ongoing**

**M.**

Disasters: Hazard Maps. Prepare and publish Hazard Maps for earthquakes, flooding, volcanic eruption, tsunami, fire, and rising water levels due to climate change and other hazards.

The GPH has made a start with distribution by DENR/MGB of geohazard maps throughout the country. The maps use colors to warn of vulnerability to landslides, floods, and flashfloods, down to municipal and barangay levels. The maps are a scale of 1:50,000 and will be magnified 1 to 10,000. The maps will be available on multiple websites to aid media and local officials to warn residents living in hazardous zones. The program should be expanded to other hazards.



**Started**

**N.**

Global Warming. Implement the planning, educational and other tasks of the Philippine Climate Change Commission (PCCC) created in 2010 by the Philippine Climate Change Act (RA 9729) especially making the country better prepared to deal with natural disasters.

EO 43 issued in May emphasized the importance of preparing for climate change by designating one of 5 cabinet clusters the Cabinet Cluster on Climate Change Adaptation and Mitigation. The Philippine Climate Change Commission completed preparation of the National Climate Change Action Plan, approved by President Aquino in November 2011. The plan focuses on 7 strategic priorities to address the challenge of climate change. Local Climate Action Plans will be prepared next.

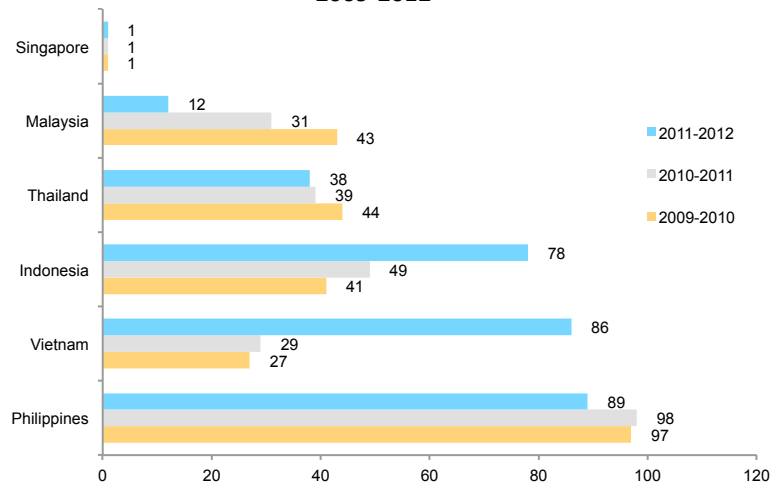


**Started**



## Foreign Equity and Professionals

Business Impact of Rules on FDI, ASEAN-6 rank, 2009-2012



Source: WEF ; Total number of countries evaluated: 2009 (133), 2010 (139), 2011 (143)

### Recommendations

### Evaluations

A.

Create a commission to review restrictions on foreign equity and professionals.

Other than the biennial administrative survey by NEDA to ask government agencies to report changes in the FINL, there is no known Executive Branch initiative that reviews restrictions with the policy direction of reducing the list. The JFC has recommended a systematic inter-agency review several times.

☆☆☆  
*Not Ongoing*

B.

Support practicable efforts to remove economic restrictions from the 1987 Constitution.

The Senate President and House Speaker have included in their legislative priorities amendments to the economic provisions of the Constitution through votes in the Congress. President Aquino stated he does not believe now is the time to amend the Constitution.

☆☆☆☆☆  
*Started*

**C.**

Encourage foreign investment in education and more foreign teachers and researchers to practice in the Philippines.

The liberalization of education is part of the constitutional reform advocacy under the Enrile-Belmonte Initiative and supported by various citizen groups. RA 7836 allows foreigners to teach in the Philippines subject to reciprocity and PRC approval.

★★★★  
*Started*

**D.**

Prepare a list of principles governing future foreign ownership of agricultural, commercial, and residential land.

The 2005 Commission that prepared recommendations re the 1987 Constitution made preliminary recommendations for limited foreign ownership of land for various purposes (agricultural, commercial, industrial, and residential). An update was drafted for a UA&P Roundtable Conference.

★★★★  
*Started*

**E.**

Adjust the FINL to make explicit that foreign ownership of land in horizontal condominiums, etc. is allowed.

Recommendations to NEDA and DTI to conform the FINL with a broad definition of condominium in RA 4726 and the HLURB Resolution No. R. 699-01 were rejected by NEDA as "legally untenable" in a May 6, 2011 letter.

★★  
*Backward/Regression*

**F.**

Review laws and IRRs for all regulatory agencies to determine the extent to which each can authorize exceptions to 60-40 public utility equity rules.

We are not aware of any efforts to review 60-40 requirements with a view to removing them or authorizing exceptions. Recommendations have been made by the private sector for reforms at PCAB, Marina, Tesda, and DENR. This is not a priority issue for the Executive Branch, although there is some recognition in the PDP that such restrictions impede foreign investment in the economy.

★★★★  
*Started*

**G.**

Maintain the "control test"; consider language for regulated public utility sectors similar to Section 6 of the EPIRA.

The uncertainty between control and grandfather tests in joint venture companies where foreign equity is limited to 40% continues. The Supreme Court's Gamboa decision has created increased uncertainty.

★★  
*Backward/Regression*

**H.**

Remove the practice of professions from the FINL and distinguish ownership of companies that provide services from professionals who provide services.

Recommendations to NEDA and DTI to remove the list of professions from the FINL were rejected by NEDA as “legally untenable.” NEDA argued that practicing a profession is classified as “doing business.” The opinion is contrary to the explicit provision on reciprocity of some 90% of existing laws regulating professions. Legislation to amend the FIA has been filed in Congress to remove the practice of professions from the FINL and allow foreigners to practice based on reciprocity, but the bill is not a priority. An omnibus amendment bill may also be needed.



**Backward/Regression**

**I.**

Encourage the PRC to relax its interpretation of reciprocity provisions.

No significant development. The Professional Regulatory Commission and the Association of Professional Regulatory Boards recognize the existence of a reciprocity provision in existing laws regulating professions. However, they point out that the problem comes in its operationalization. The JFC is meeting with the PRC to encourage a level playing field interpretation of reciprocity provisions. The PRC has yet to operationalize the reciprocity provision. The number of foreign professionals applying to and approved by the PRC in 2011 was very small.



**Not Ongoing**

**J.**

File bills to open the practice of professions now closed by law to foreign nationals.

Bills opening the practice of the five professions still closed to foreign nationals have been filed in Congress. The Environmental Planning bill has passed 3<sup>rd</sup> reading in the House, and the Committee Report is being drafted in the Senate. Committee hearings have been conducted on other bills in the House or the Senate.



**Started**

**K.**

Encourage changing the rule of the court to allow foreign lawyers to practice.

Little advocacy for this reform has taken place. The JFC raised it in a meeting with the Supreme Court Chief Justice, who made no comment in response. The legal provision should be included in any omnibus amendment to the laws on professions.



**Not Ongoing**

**L.**

Philippine diplomacy should seek increased opportunities for Philippine professionals to work abroad.

We have no information to evaluate whether any increase in diplomatic efforts to benefit Philippines professionals is underway.

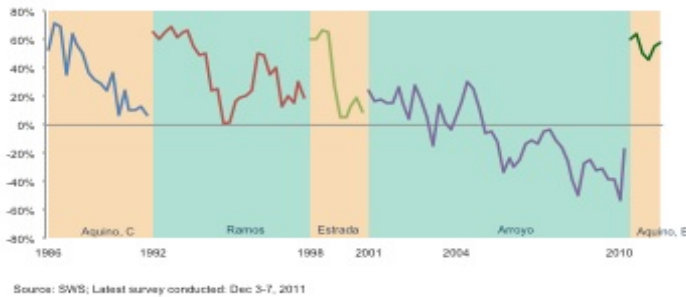


**Not Ongoing**

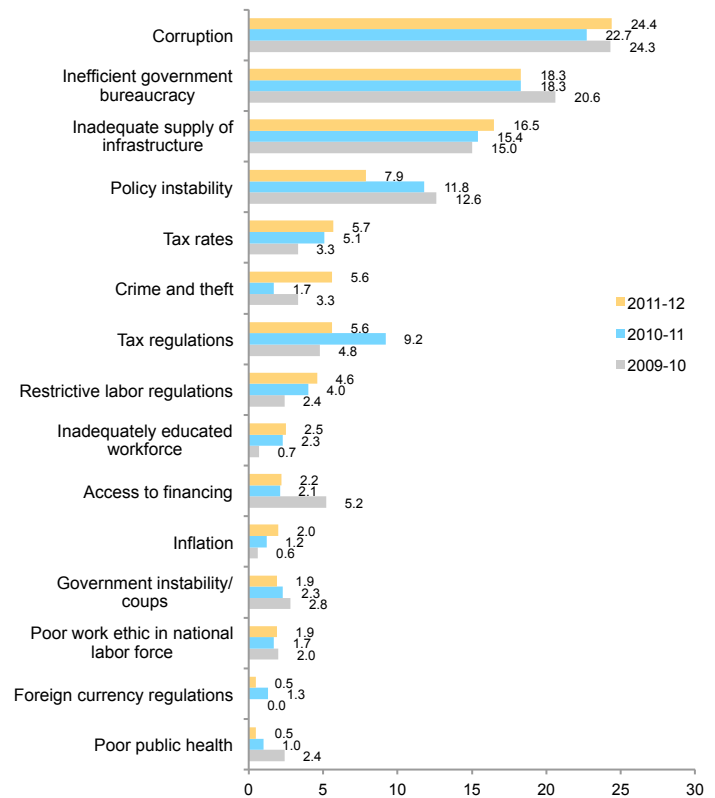


# Governance

**Net satisfaction ratings of Philippine President, 1986-2011**



**The most problematic factors for doing business in RP, 2009-2012**



Source: "GlobalCompetitiveness Reports" WEF. Note: From a list of 15 factors, respondents were asked to select the five most problematic for doing business in their country/economy and to rank them between 1 (most problematic) and 5. The bars in the figure show the responses weighted according to their rankings.

## Recommendations

**A.**

The GPH must demonstrate through consistent example political will to end corruption, using lifestyle checks and punishment of public officials and private sector persons who commit serious corrupt acts. GPH should join the Integrity Initiative of the private sector and follow its Integrity Code.

## Evaluations

The Aquino Administration has made reducing corruption its principal policy reform. It has joined the Open Government Partnership of the USG. It is tightening procurement practices of national government agencies to reduce corruption and disclosing details of public spending. BIR and BOC are filing more cases against smugglers and tax evaders. President Aquino attended the Integrity Summit, and at least 15 Cabinet secretaries have signed the Integrity Pledge.

★★★★★  
**Substantial Progress**

**B.**

Public officials and private persons found guilty of major corrupt activities should, after a fair trial, be severely punished, including imprisonment and seizure of assets. Cases against them should be widely publicized and anti-corruption laws amended periodically to assure that penalties serve as a deterrent.

Most “big fish” of Philippine corruption are free to swim and are rarely convicted. Cases (e.g. PCGG) have been filed against some, but the judicial process is glacial. Former president Arroyo and former COMELEC chairman Abalos were arrested on non-bailable election fraud charges in December 2011. Cases are reported in the media. HB 3019 increasing the penal sentence for corruption from 15 to 30 years has passed 2<sup>nd</sup> Reading in the House.



**Started**

**C.**

The Ombudsman must be impartial and investigate major allegations of official corruption, without favoritism or political considerations. The resources of the Office of the Ombudsman should be substantially increased.

In May 2011, Ombudsman Gutierrez resigned rather than face an impeachment trial on charges of failing to act against public officials allegedly involved in major corruption cases. Her well-respected successor will serve for 7 years and has begun to make her office more efficient and obtain additional resources and powers, both of which are very inadequate.



**Started**

**D.**

Government agencies should have websites where citizens can anonymously email information about corrupt activities.

The DOF website contains a section for citizens to report customs and tax violations from the public. The Contact Center ng Bayan, headed by CSC, P100 million funding and its bidding process has started.



**Started**

**E.**

The private sector should police its ranks to discourage corrupt actions with government agencies and implement integrity programs for businesses not to bribe public officials and to report corruption.

The anti-corruption stance of the new administration should inhibit - to an unknown degree - private individuals from engaging in corrupt deals. In 2011 nearly 1,000 companies signed the Integrity Pledge of MBC, ECCP, AmCham, and MAP.



**Started**

**F.**

Smuggling must be vigorously countered to protect legitimate businesses and collect public revenue, especially from petroleum imports.

Reports of thousands of container vans that evaded taxes in 2011 and seizure of hot cars, weapons, food, and other misdeclared imports indicate the persistence of smuggling. An Appeals Court decision led to resumption of controversial used car imports in CEZA. Prosecution of smugglers remains feeble.



**Not Ongoing**

**G.**

Further reform public sector procurement. Expand public sector e-procurement system. Reform project selection process and bidding procedures. Reduce waste in public expenditures.

Public sector spending efficiency has reportedly improved significantly in 2011 by agencies with large budgets (DepEd, DPWH) but spending was slower. There are plans to expand e-procurement.



**Substantial Progress**

**H.**

Increase public sector transparency by releasing more information on to the public and passing the Freedom to Information Act. Expand e-governance.

There is increased transparency in public spending, with more information available and no presidential orders to avoid legislative oversight hearings. The administration has not prioritized FOIA. There are programs to broaden e-governance in 2012 under DBM and DOST leadership. However, most interaction with government is still done in person.



**Not Ongoing - Started**

**I.**

Reduce the fiscal burden of GOCCs by limiting salaries, etc., rationalizing, privatizing, and closing those serving no public purpose.

The GOCC Governance Act (RA 10149) was signed June 6, 2011 to reform the many abuses of GOCCs, widely reported in media. No IRRs were required, and the new law is in effect. COA investigations into abuses are ongoing.



**Substantial Progress**

**J.**

Focus congressional CDF more on priority social infrastructure needs (education and public health).

Social infrastructure projects are among the large menu of projects members of Congress can choose, but they are not prioritized.



**Not Ongoing**

**K.**

Undertake civil service reforms, limiting political appointments and strengthening career professionals in senior positions. Pay competitive salaries at critical agencies.

Civil Service reform is not a current priority. Some departments (e.g. DOF, DFA, DTI) have career executives in undersecretary positions, while others (e.g. DOTC and BOC) do not. Low salaries for employees in sensitive agencies, such as BOC, BI, BIR, and CAAP, create problems of inefficiency and corruption. Contrast this situation with PEZA.



**Not Ongoing**

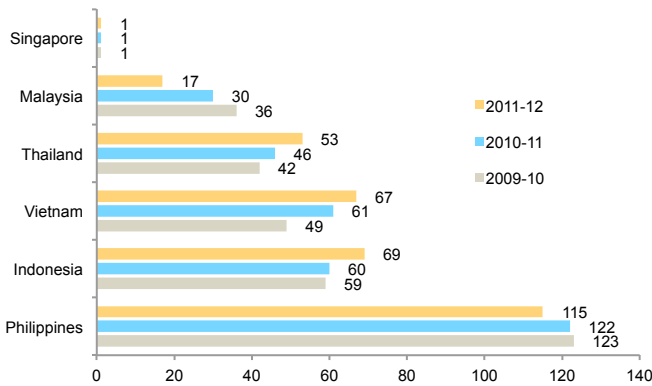
<p><b>L.</b> Reduce red tape and speed up bureaucratic decisions. Implement the Anti-Red Tape Act.</p>	<p>Much of the bureaucracy remains predisposed to over-regulate by paperwork, which adds to business costs. Sunset provisions are non-existent. The Philippines slipped slightly in the WB/IFC Doing Business ranking. Civil Service Commission reports increasing implementation of the Ant-Red Tape Act. E-governance is more goal than reality.</p>
<p style="text-align: center;">★★★★☆ <i>Not Ongoing - Started</i></p>	
<p><b>M.</b> Strengthen Corporate Governance.</p>	<p>Efforts by the Institute of Corporate Directors, effects of strengthened US accounting laws, widened enforcement of US, UK and other foreign corrupt practice laws, and anti-corruption programs of the new GPH appear to be having positive effects.</p>
<p style="text-align: center;">★★★★☆ <i>Started</i></p>	
<p><b>N.</b> Reduce abuse of intellectual property rights, including brand name forgery. This will encourage more FDI and remove the Philippines from the US Section 301 priority “watch list.”</p>	<p>Sale of illegal branded goods and copied digital products appear to continue relatively unabated, with sales in notorious NCR markets unimpeded. Prosecution of violations takes years. Amendments to strengthen the IP law are advanced in the Congress.</p>
<p style="text-align: center;">★★★★☆ <i>Not Ongoing - Started</i></p>	
<p><b>O.</b> Legalize jueteng to eliminate a major source of corruption for local police and politicians.</p>	<p>There is no current plan to legalize jueteng, but there are reports its incidence is declining.</p>
<p style="text-align: center;">★★★☆☆ <i>Not Ongoing</i></p>	
<p><b>P.</b> Strengthen anti-corruption legal framework by passing (a) Anti-Graft and Corrupt Practices Act amendments, (b) Ombudsman Act amendments, and (c) Whistleblowers Protection Act.</p>	<p>Amendments to each Act have been introduced in Congress, (a) has passed 2<sup>nd</sup> Reading in House, (b) is at committee hearing stage, and (c) a LEDAC priority, is pending 2<sup>nd</sup> reading in Senate.</p>
<p style="text-align: center;">★★☆☆☆ <i>Backward/Regression</i></p>	





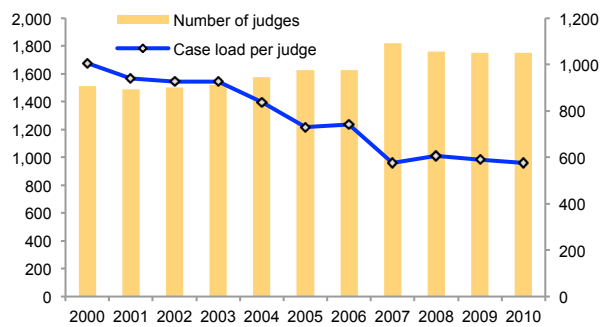
# Judicial

**Efficiency of legal framework in settling dispute, rank, 2009-2012**



Source: WEF ; Total number of countries evaluated: 2009 (133), 2010 (139), 2011 (143)

**Caseload per judge, annual average, 1990-2010**



Sources: Supreme Court of the Philippines and NSCB; 2010 data are estimates

**Supreme Court Decisions With Negative Impact on Business**

Year	Case	Impact
2001	Gamboa/PCSI	Supreme Court reversed 75 years of Philippine jurisprudence on foreign ownerships in a case involving PLDT shareholders. A motion for reconsideration is pending.
2008	Manulife	Supreme Court ruled that an agent of a life insurance company was an employee and not an independent contractor, which is the standard practice internationally. Upon the motion for reconsideration by Manulife the court changed its decision.
2008	Pandacan terminal LGU spot zoning	Supreme Court sustained an LGU decision rezoning an oil storage area from industrial to commercial and forcing its relocation.
2003/05	Subic Shipyard	Supreme Court reversed its 2000 decision that a shipyard is a public utility; in a 2003 SC Resolution it upheld that a shipyard is not a public utility and reaffirmed this decision in 2005.
2004	Mining Act of 1995	1 <sup>st</sup> decision prevented needed foreign capital from investing; 2 <sup>nd</sup> decision in Dec 2004 reversed previous decision and allowed foreign investment in large-scale mining via FTAA.
2003	Meralco	Disallowed a 20-year old accounting practice; ordered retroactive refunds that impair creditworthiness of the country's largest distribution utility; discouraged foreign bank lending to power projects.
2003	PIATCO	Voided a government contract of a consortium, involving US\$350 million German investment, which built the new passenger terminal, leaving it largely unused and deteriorating.
2002	International School Manila	Asserted foreign-hired and local-hired employees should receive same salaries, citing UN Universal Declaration of Human Rights.
2000	Subic Shipyard	Declared a shipyard a public utility and awarded contract to losing bidder 5 years after it awarded to Singaporean-led Keppel group (with foreign equity above 40% minimum for public utilities).
1997	Manila Hotel	Nullified a competitive tender for the privatization of a government-owned hotel awarded to a foreign investor, declared the hotel national patrimony, leaving the award of the contract to the only domestic bidder.
1991	Taiwan Naptha Cracker Plant	Overruled the approval by the Board of Investments of foreign investor group project originally in Bataan then moved to Batangas; the proponents abandoned the US\$1 billion project losing US\$25 million.

Source: AmCham

## Recommendations

## Evaluations

A.

Continue to increase judicial salaries and hire more judges, encouraging new judges to reduce the case backlog.<sup>1</sup>

The number of judicial vacancies has been increasing, while the judicial budget is slightly smaller but remains about the same as a % of GDP. Increases in salaries legislated several years ago were finally paid in August 2011. A disagreement has arisen between DBM and the SC, with the former arguing that the later is not transparent in how it spends its budget and the later asserting judicial independence.



*Started*

B.

Discipline errant judges who do not follow the rules of the court or the laws of the land.

Numerous judges and court personnel have been sanctioned administratively for ethical and legal violations. Nevertheless, insiders and the public wonder over “brazen” cases that have remained “ignored.”



*Started*

C.

Avoid capricious and arbitrary TROs, which too often are unfair to one party in a dispute.

Capricious TROs have been an indicator of judicial corruption. With improved discipline under the SC's administration, this problem has considerably attenuated but not disappeared. Under AM 07-7-12-SC (effective December 2007), a judge who issues a writ of preliminary injunction must decide the case on its merits in 6 months. The order was issued to end TROs and injunctions “for sale” which, once secured, gave the plaintiff incentives to let a case “sleep” for years. No TRO can be issued without a summary hearing, at least, except the 72-hour TRO issued by an executive judge.



*Started*

D.

The Supreme Court should request *amicus curiae* expert advice in cases impacting on the business environment.

Although justices admit they have little or no expertise in business or economics, they rarely use *amicus curiae*. But in other cases, the Supreme Court regularly uses *amicus curiae* input.



*Not Ongoing*

**E.**

Make greater use of alternative dispute resolution (ADR) and arbitration to resolve civil disputes outside of courts, which should reduce the backlog of cases and hasten justice. (Immediate action all courts and the private sector)

Greater use of ADR is ongoing with court-annexed mediation by mediators and judicial dispute resolution done by judges, not just for civil cases but also the civil aspects of criminal cases. The success rate is encouraging. The Rules of Procedure for Small Claims Cases (purely money claims P100,000 and below) mandates judges to settle them in the format of the barangay settlement hearing, with only one hearing date. If not settled, the judge decides the case on its merits, within the same day. The nationwide success rate of the Small Claims Court project is 87%.

★★★★★  
**Substantial Progress**

**F.**

To strengthen foreign arbitration by changing the “rules of the court.” Philippine law provides that all arbitration awards have to be confirmed by Philippine courts for execution. The courts should not reopen the cases only confirm them. Reopening of cases should be limited to proven gross negligence of the arbiters.

We are not aware of any change in practice. A change in the Rules of Court may not be needed because they provide for mere confirmation. The foreign law must also be introduced and proven.

★★★  
**Not Ongoing**

**G.**

Reduce the caseload of the Supreme Court by limiting acceptance of cases largely to cases involving national issues.

The Supreme Court continues to take cases not of major national significance and carries an extremely heavy caseload.

★★★  
**Not Ongoing**

**H.**

Create a special court for Strategic Investment Issues where justices are chosen based on familiarity with international investment and business issues and laws.

Special Courts for Strategic Investment Issues have not been created. The Supreme Court believes these issues can be handled in existing commercial courts whose judges have been received relevant special training. The problem is not creating new courts but the volume of cases before the commercial courts, which hinders speedy decisions.

★★★  
**Not Ongoing**

I.

Oversee the environmental courts in administering the Writ of Kalikasan so that application of Philippine environmental laws supports responsible mining practices and results in substantial socio-economic benefits for the Philippines.

The first ruling under the Writ of Kalikasan banned mining on the Zamboanga Peninsula, where a responsible foreign mining company has been operating for several years. The public needs to be better educated to initiate cases against serious abusers of the environment and not responsible firms, especially in the mining sector.



*Backward/Regression*

J.

The Ombudsman should increase its investigations of allegations of corruption against public officials. The Sandiganbayan conviction rate should continue its increasing rate of convictions for graft and convictions.

Both the Ombudsman and the presiding justice of the Sandiganbayan are recent appointments and respected individuals. Expectations are high that the Office of the Ombudsman will improve its ability to investigate and prepare cases. There are plans to increase the number of salas of the Sandiganbayan above the 5 and to allow a single judge to decide cases rather than 3. File fewer but highly significant cases against "big fish" the major offenders for major offenses, and avoid smaller cases against smaller officials clogging the dockets.



*Started*

K.

The legal divisions of the BOC and BIR should be given resources and management leadership to prepare smuggling and tax cases thoroughly to increase the chances for successful prosecution and conviction.

The legal division of the BOC has failed to investigate and move ahead with many oil smuggling cases involving imported oil. For successful prosecution, the prosecuting officer should be part of the investigation and case build-up.



*Backward/Regression*

L.

End harassment seizures of private businesses by sheriffs.

We have had no reports of seizures of property of foreign businesses in 2010. The sheriff's job is to execute the court's processes, not to go beyond the writ they are enforcing, else they be open to sanctions. Thus the absence of reports of sheriff seizures reflects an absence of court orders to take such actions.



*Started*

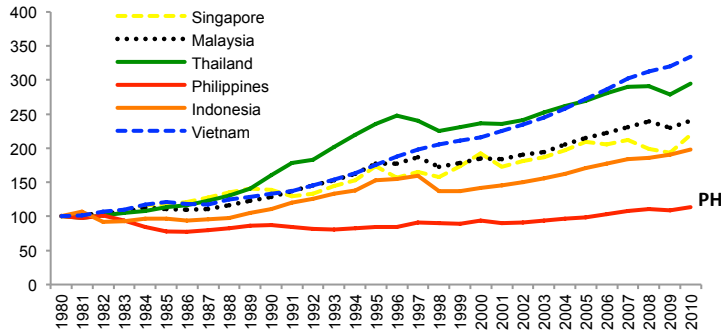
Endnotes:

1. Steadily raise the budget for the judicial branch from the present 0.008% of the national budget.



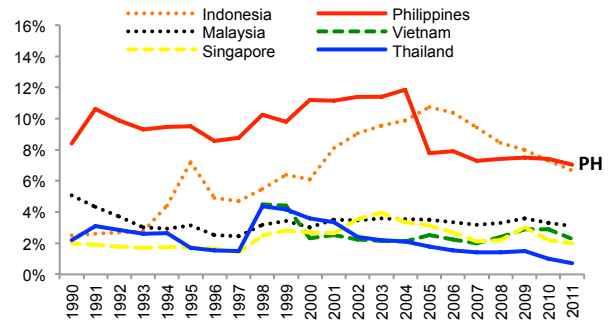
# Labor

**Labor Productivity Index, 1980=100, 1980-2010**



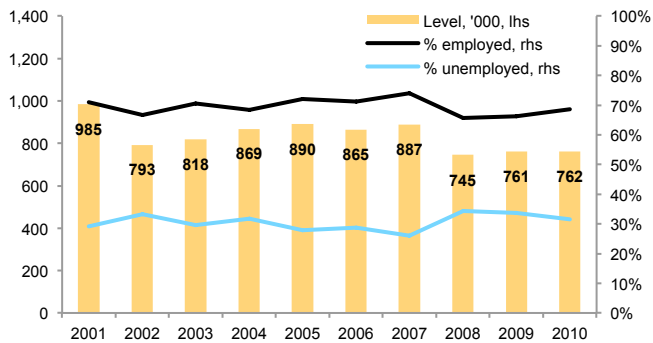
Source: The Conference Board; Note: Labor productivity per person employed is defined as GDP per person in constant 1990 US\$ converted at GK\$ PPP. "GK" stands for the originators of this PPP formula, Geary Khamis.

**Unemployment Rates, ASEAN-6, 1990-2011**



Sources: ILO, ADB and respective national statistics offices; Note: no data for Vietnam before 1997; Philippines revised the definition of "unemployed" in April 2005; Malaysia 2011 data (as of Oct 2011); 2011 data of Singapore and Thailand (as of 3Q2011)

**New entrants to the labor force, in '000, 2001-2010**



Source: DOLE-BLES

## Recommendations

A.

Modernize the 36-year old Labor Code to end the disadvantage it creates for the Philippines with regional competitors.

## Evaluations

There have been several attempts at wholesale revision of the 1974 Labor Code. Some provisions have stood the test of time, while others are archaic and restrict enterprises from competing globally. Application of the Code has been mostly populist, protecting workers in the formal sector, with harmful effects on the informal sector, comprising 75% of the workforce. The current initiative of DOLE to modernize the Code is under the Tripartite Labor Code Reform Project organized by AO 375 in 8/11. Meanwhile, certain legislation and DOLE Department Orders revise or correct grossly irrelevant provisions of th Labor Code.<sup>1</sup>



Started

**B.**

Rationalize holidays to approach the ASEAN average of 15 paid holidays a year.

(This issue is also discussed under Business Costs). The GPH is not undertaking a study to recommend fewer paid holidays to improve competitiveness. While there is a fixed list of regular national holidays, the Executive and Legislative branches of government add more holidays without consulting employers. In December 2011, Chinese New Year 2012 was added. Bills in Congress to observe paid holidays for teachers and to commemorate September 3, National Victory and Liberation Day are moving.<sup>2</sup>



**Backward/Regression**

**C.**

Allow firms providing same day services to overseas clients to provide employees, who work on Philippine holidays, substitute days off with pay without holiday premium.

This arrangement is covered by DOLE DA No 2, Series of 2009, and continues.



**Complete**

**D.**

Make wage increases consistent with inflation and productivity.

The National Wages and Productivity Commission is introducing the Two-Tiered Wage System, which consists of (a) a regional mandatory floor wage based primarily on the regional poverty threshold and (b) non-mandatory productivity pay to adjust wages above the floor. Over time this reform could correct the problem of recent minimum wage policy that was disconnected from productivity and linked to populism and inflation.



**Started**

**E.**

Further narrow the skill-jobs mismatch by revising curricula and training. Ensure that skills needed for the Seven Big Winner sectors are included in curricula. Increase interaction between TESDA and the private sector.

There is substantial recognition at leading public sector education agencies of the need to provide students with basic and specialized skills for employment in the 7 Big Winner Sectors. Getting the match right is a challenge, as the current large oversupply of PRC-certified nurses shows among the most adversely affected by unemployment is the youth sector. In 2010, out of 2.9 mn unemployed, 1.5 mn were in the 15-24 age group, constituting 51% of the unemployed and compared to the national unemployment rate of 7.4%. The mismatch between labor supply and labor demand occurs on 2 levels: educated employed and out-of-school youth.<sup>3</sup>



**Started**

**F.**

Create millions of new jobs, many of higher quality, through increased investment.

For over a decade, the Philippines has been experiencing jobless growth, with the labor force increasing each year by more than the new jobs created. The labor force in 2010 reached 38.9 million, of which 5.7 million worked in the formal sector and 27.2 million in the informal sector, with the remainder unemployed, underemployed, or non-working. To reduce chronic unemployment and underemployment, levels of sustained inclusive growth of 7% and above are required. Such high levels are only possible with higher domestic savings and investment, including FDI.



**Backward/Regression**

**G.**

Develop a package of incentives to attract manufacturers re-locating from China.

The GPH continues to offer fiscal incentives under EO 226 and laws for SEZs and PEZA. DOF proposals to end ITH would handicap Philippine competitive ability to attract manufacturing relocating from China and elsewhere. While some relocations are beginning under existing incentives, special labor incentives for relocating manufacturers – such as a 5 year holiday from minimum wages - are non-existent.<sup>4</sup>



**Not Ongoing**

**H.**

Maintain the low level of labor disruption of business operations. Allow self-regulation of companies.

Industrial peace - reflected in the low number of strikes - is an important selling point for investors in the Philippines. In the first 7 months of 2011, Indonesia had 53 strikes that disrupted business operations, while the Philippines and Thailand experienced only five each (in 2008). Self-regulation is a new concept being studied by DOLE, which would reduce direct regulation and inspection but expect companies to follow the laws and rules.



**Substantial Progress**

**I.**

Improve the speed and fairness of the adjudication of labor cases before the NLRC.

Employers have long complained that labor court adjudicators were biased towards workers and often sought payments to avoid higher awards in penalizing firms. The problem is recognized by DOLE and the NLRC. The speed in adjudication has increased recently, particularly with the introduction of the SENA (Single Entry Approach) where all types of cases or complaints may be filed at all DOLE offices – NCMB, NLRC or the regional offices.<sup>5</sup>



**Started**

Endnotes:

1. RA 10151, effective 6/21/11, repeals provisions prohibiting night-work by women. DOLE Department Order 18-A, effective 12/5/11, further tightened labor contracting rules. Security of tenure bills now pending in Congress tend to outlaw labor contracting and temporary employment and harm Philippines competitiveness and job generation.
2. These holidays are in addition to paid leave days for service incentive, maternity and paternity, solo parent, battered women, and gynecological leave.
3. In 2010, there were 1,178 mn college graduates (557,000) and undergraduates (621,000) who were unemployed, constituting 41.2% of the unemployed. It is easier for them to acquire the necessary competency commensurate with industry needs. This is not the case for the out-of-school youth in the elementary and secondary level who totaled 751,000. Unlike the educated unemployed, training alone may not be sufficient to improve their competency and enhance their chances of landing skilled jobs.
4. Consideration could be given to a program to attract labor-intensive manufacturers to move to Central Luzon near Clark and Subic by establishing zones with worker housing and low labor rates, replicating the global manufacturing hub of Dongguan, PRC.
5. Conciliation as the preferred mode of dispute settlement is also given primacy in both NLRC and NCMB. However, reforms to ensure more fairness in settlement of labor cases are still needed.



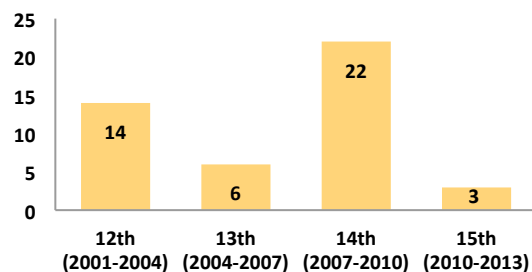
# Legislation

**Business and Economic Reforms Laws,  
by Congress, 2001-2011**

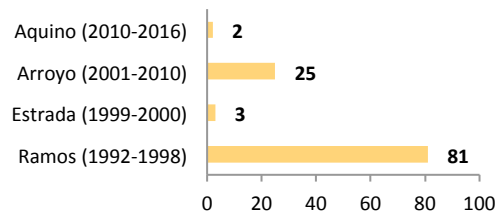
	Law	Law No.	Date Enacted
<b>12<sup>th</sup> Congress (2001-2004)</b>			
1	Alternative Dispute Resolution	RA 9285	2-Apr-04
2	Anti-Money Laundering Act of 2001 (AMLA)	RA 9160	29-Sep-01
3	AMLA Amendments	RA 9194	7-Mar-03
4	Clean Water Act	RA 9275	22-Mar-04
5	Documentary Stamp Tax Rationalization	RA 9243	17-Feb-04
6	Domestic Shipping Development Act	RA 9295	3-May-04
7	Dual-Citizenship Act	RA 9225	29-Aug-03
8	Electric Power Industry Reform Act	RA 9136	8-Jun-01
9	Government Procurement Reform Act	RA 9184	10-Jan-03
10	Judiciary Compensation Rationalization Act	RA 9227	23-Oct-03
11	Optical Media Act	RA 9239	10-Feb-04
12	Restructuring Excise Tax on Automobiles	RA 9224	28-Aug-03
13	Securitization Act	RA 9267	19-Mar-04
14	Special Purpose Vehicle Act	RA 9182	23-Dec-02
<b>13<sup>th</sup> Congress (2004-2007)</b>			
15	Anti-Red Tape Act	RA 9337	2-Jun-07
16a	Bases Conversion and Development Authority (BCDA) Amendments	RA 9400	20-Mar-07
16b	Amnesty for Businesses in Special Economic Zones and Freeports	RA 9399	20-Mar-07
17	Biofuels Act	RA 9367	12-Jan-07
18	Expanded Value Added Tax	RA 9337	24-May-05
19	Lateral Attrition Act	RA 9335	25-Jan-05
20	Special Purpose Vehicle Act extension	RA 9343	25-Jul-05
<b>14<sup>th</sup> Congress (2007-2010)</b>			
21	Anti-Camcording Act	RA 10088	13-May-10
22	Bureau of Food and Drugs Act Amendments	RA 9711	18-Aug-09
23	Civil Aviation Authority	RA 9497	4-Mar-08
24	Cooperatives Code	RA 9520	17-Feb-09
25	Credit Information System Act	RA 9510	31-Oct-08
26	Customs Brokers Act Amendments	RA 9853	15-Dec-09
27	Documentary Stamp Tax Exemption (PSE)	RA 9648	30-Jun-09
28	Financial Rehabilitation and Insolvency Act	RA 10124	18-Jul-10
29	Individual Income Taxes Rate Exemption	RA 9504	17-Jun-08
30	JPEPA Ratification		8-Oct-08
31	Magna Carta for MSMEs Act Amendments <sup>229</sup>	RA 9501	23-May-08
32	National Grid Corporation Franchise	RA 9511	1-Dec-08
33	National Tourism Policy Act	RA 9593	12-May-09
34	Personal Equity Retirement Account (PERA) Act	RA 9505	22-Aug-08
35	Philippine Deposit Insurance Corp. Amendments	RA 9576	29-Apr-09
36	Pre-need Code	RA 9829	3-Dec-09
37	Real Estate Investment Trust (REIT) Act	RA 9856	17-Dec-09
38	Renewable Energy Act	RA 9513	16-Dec-08
39	Residential Free Patent Act	RA 10023	9-Mar-10
40	Revised Kyoto Convention (RKC) Ratification		1-Feb-10
41	Tax Information Exchange Act	RA 10021	8-Mar-10
42	Tax on Life Insurance Premiums	RA 10001	23-Feb-10
<b>15<sup>th</sup> Congress (2010-2013)</b>			
43	Financial Rehabilitation and Insolvency Act	RA 10142	18-Jul-10
44	GOCC Governance Act	RA 10149	6-Jun-11
45	Repeal of Nightwork Prohibition for Women	RA 10151	21-Jun-11

Source: House and Senate Bills Index Offices

**Business and Economic Reforms Laws,  
by Congress, 2001-2011**



**Number of LEDAC Meetings per  
Administration, 1992-2011**





## Recommendations

## Evaluations

**A.**

President should hold regular LEDAC meetings.

Republic Act 7640, or the LEDAC Law, stipulates that the Council shall meet at least quarterly. President Aquino has convened only two LEDAC meetings (February 28 and August 16, 2011). There should be more frequent meetings to monitor LEDAC priorities moving - or not moving - in Congress. Four LEDAC priority measures have been enacted into law in the 15<sup>th</sup> Congress.



*Started*

**B.**

Prioritize bills that improve competitiveness, increase investment and revenue, and create jobs; deter market-inimical bills.

18 of the 36 LEDAC-priority measures improve competitiveness, increase investments, and create jobs. Deliberations on these bills, are not moving very fast, especially in the Senate. Some were approved on 3<sup>rd</sup> Reading in the House but remain at Committee level in the Senate. In the House, several market-inimical bills, including declaration of new non-working holidays and security of tenure, are advancing.



*Started*

**C.**

Pass legislation much more rapidly, especially for business and economic reforms.

There is considerable delay in the passage of business and economic reform legislation. Most “low-hanging fruit” legislation close to final passage in the 14<sup>th</sup> Congress (Freedom of Information Bill, Immigration Bill, Direct Remittance of LGU share in National Wealth Taxes, DICT Creation, Rationalization of Fiscal Incentives, Sustainable Forest Management, LPG Industry Safety and Regulation, Charter of Philippine Trade Representative Office, Cybercrime Prevention, and Anti-smuggling) has yet to be sent to President Aquino by the 15<sup>th</sup> Congress.



*Started*

**D.**

Pass many more investment climate reform bills in the 15<sup>th</sup> and 16<sup>th</sup> Congress.

While 18 of the LEDAC bills are investment climate reform bills, no target has been set for their passage. Many investment climate reform bills are identified in the Medium Term Philippine Development Plan, but no specific targets are set for their passage. The House does set targets for its priority policy reform measures to pass.



*Started*

**E.**

Use executive orders to introduce reforms quickly.

EOs 28 and 29 reorganized the CAB and set rules for open skies at 10 international airports but not NAIA. EO 45 designated the DOJ as a competition authority. These executive orders were intended to introduce reforms quickly. Legislation making the reforms more permanent is being deliberated in Congress. To address increasing cybercrime, P5 million has been set aside from the DOJ budget for an Office of Cybercrime, which will set up a crime information network linking law enforcement and government investigation agencies. A draft EO creating an Office of Cybercrime was submitted to the President for consideration. EO 47 transferred the CICT to DOST, created concern among investors that the GPH would downgrade ICT policy. Monitoring by industry of the implementation and effectiveness of this reorganization is required.

★★★★★  
**Started**

**F.**

Revising Implementing Rules and Regulations (IRRs).

The IRR of the Renewable Energy Act remains unamended. Amendments to the BOT Act IRR are stuck in clearance within the Executive Branch. The implementation of the Credit Information System is much delayed, while the final IRRs for REIT did not attract investors.

★★★★★  
**Started**

**G.**

The Executive Secretary should assess how a bill passed by Congress affects competitiveness and job creation.

There has been no significant development. The Executive Secretary is not mandated to review bills passed by Congress. An Executive Order could be issued directing concerned government agencies to assess laws for their impact on competitiveness and job creation and recommend policy changes.

★★★  
**Not Ongoing**

**H.**

Seek to make the Foreign Investment Negative List (FINL) more positive.

The 9th FINL is due for release in early 2012. It remains to be seen whether the new list will contain any liberalizations. For instance, the practice of profession by foreign nationals has been interpreted as "doing business" under the FINL and thus restricted to Filipinos. This is contrary to the explicit provision on reciprocity of some 90% of the laws regulating the practice of professions.

★★★  
**Backward/Regression**

**I.**

Simplify the present 45 laws regulating 46 professions to relax restrictions on foreign professionals and redefine reciprocity.

Most laws regulating professions contain a reciprocity provision. Only 5 (Environmental Planning, Pharmacy, Forestry, Criminology, and Radio and X-ray technology) out of 47 under PRC jurisdiction are restricted to Philippine nationals. The PRC and the Association of Professional Regulatory Boards recognize the reciprocity provision in existing laws but point to problems in their operationalization. There are pending bills amending the laws on the 5 restricted professions. The PRC has no policy to operationalize reciprocity provisions.

★★★★★  
**Started**

**J.** Clarify that foreign investors can own firms providing services.

There has been no significant development. There is a pending Senate bill amending the Foreign Investments Act to lower the employment threshold requirement from 50 to 15 employees and to clarify that the FIA does not apply to the professions.

☆☆☆☆  
**Not Ongoing**

**K.** Remove discrimination against foreign firms in Philippine government procurement.

There has been no significant development. RA 9184 applies to all government procurement activities, irrespective of funding source. There are pending bills seeking to amend RA 9184. Amendments to remove the current legal discrimination against foreign firms have yet to be introduced.

☆☆☆☆  
**Not Ongoing**

**L.** Encourage new investment in selected regulated public utility activities by using language similar to Section 6 of the EPIRA.

There has been no significant development.

☆☆☆☆  
**Not Ongoing**

**M.** Develop a comprehensive Philippine Legal Code and Code of Regulations.

The DOJ has created a Criminal Code Committee composed of criminal law experts and tasked to develop a New Criminal Code for a more effective administration of justice. Penalties in the current code have less relevance to 21st century conditions. A new Criminal Code will make law enforcement less complicated by codifying many laws after the Revised Penal Code (Act No. 3815) in 1930. The DOJ Criminal Code Committee has finished the draft of Book I of the new Criminal Code. Development of a comprehensive Philippine Legal Code and Code of Regulations is not underway.

☆☆☆☆  
**Started**

## Local Government

### Recommendations

### Evaluations

A.

Programs to make LGUs (provinces and cities) more efficient and competitive in attracting investment should be continued and even intensified.

There are bright spots at the LGU level - San Fernando, Iloilo, Bacolod, Cebu, Davao, General Santos, Calapan - with the assistance of foreign funded programs, i.e., the Performance Governance System of ISA. Traction and critical mass still need to be attained.



*Started*

B.

Give priority to the fastest-growing regions.

Regions 3, 4, 6, 7 and 11 are still the fastest growing regions but, overall, investors still complain of LGUs frequently shaking them down. This has caused big investors to bypass or leave the country for less costly as well as more transparent and predictable investment environments.



*Started*

C.

Expand e-governance services on their websites from providing information to enabling routine transactions and to providing information on budgets and procurement.

The July 2011 SWS Survey on Good Local Governance supported by USAID and TAF showed that details of local government transactions, budgets, and procurement cannot be easily seen or found. Compared to two years ago, many LGUs have started to update their websites to include these details in compliance with DILG's Full Disclosure Policy.



*Started*

D.

Increase efforts to correct the issues identified in the IFC Doing Business ratings.

An increasing number of LGUs are streamlining their business permits and licensing processes, in addition to the one-stop shops they establish during the first three weeks of January each year for the renewal of business permits.



*Started*

E.

Steady reduction in the solicitation of bribes for bureaucratic services.

July 2011 SWS Survey on Good Local Governance supported by TAF and USAID showed that LGUs only had +7% net satisfaction rating for eradicating graft and corruption. Only 40% of the respondents are satisfied with how LGUs addresses this concern. Compared to results of 2009 survey, perception of extent of corruption in local governments increased in July 2011.



*Backward/Regression*

**F.**

Observe incentives, such as exemption from local taxes, awarded by the national government to investors under national laws.

Currently, there is no mechanism by which approval and implementation of investment projects are coordinated, specifically when it comes to granting tax incentives and ROW acquisition. When the investment belongs to a preferred investment that is included in investment priority plans, the national government can issue a certification of pioneer status (6 years) and non-pioneer status (4 years) which the investor can show to the LGU to seek tax exemption. In short, exemption from local taxes does not automatically flow down from national to local. It has to be negotiated separately by the investor with the local government.

★★★  
**Not Ongoing**

**G.**

When the LGU Code is amended, language should be included to make the foregoing application of national laws clear. Declare certain investments as strategic to take them out of the influence of LGUs.

This will certainly face opposition from LGU officials. LGUs continue to make decisions on these investments because of their public safety mandate. Nat'l and local governments should agree on a common code of ethical and competitive conduct, and the application of a synchronized package of incentives and disincentives to regain trust and confidence in the Philippines.

★★  
**Backward/Regression**

**H.**

DILG and other departments should intensify programs for LGU capacity building.

DILG has Project C.U.R.E Red Tape or Comprehensive and Unified Response to Eliminate Red Tape in LGUs, and promotes local economic development through inter-LGU collaboration.

★★★★★  
**Substantial Progress**

**I.**

LGUs should choose which among the Seven Big Winner Sectors could be significantly promoted in their localities.

LGUs generally need to be assisted in the development of these sectors. LGUs view national government agencies as the providers of technical assistance to help them.

★★★★★  
**Not Ongoing - Started**

**I 1.**

Agribusiness. LGUs in key agricultural areas should strengthen their agricultural extension and training services for farmers and improve farm-to-market roads.

Ongoing but slow progress. LGUs need to be assisted by national government on this. Resources, technical capacity, and budget are usually lacking.

★★★★★  
**Not Ongoing - Started**

**I 2.**

BPOs. LGUs should respect the status of investor operations established in PEZA/IT zones. At the same time, guidelines should be developed and followed on which fees for local services (e.g. garbage collection) are acceptable.

Some LGUs have been leeching investors, turning them off in the process. Local fees and taxes can be opportunistic and inconsistent with national goals and measures.



**Not Ongoing**

**I 3.**

Infrastructure. LGUs should strongly support rapid implementation of priority infrastructure projects, including PPP projects, that will develop their regions, e.g. for tourism.

The GPH should put high priority on infra spending to reduce business costs and improve efficiencies, specifically, energy, transport costs, airports, seaports, highways, water, support facilities, financing, and other services.



**Started**

**I 4.**

Manufacturing and Logistics. LGUs should fully support manufacturing, and logistics, which provide local jobs, procurement, and LGU revenue, and prioritize reducing and minimizing business costs. Investments are long-term, done on the basis of existing rules and based on established zoning regulations. It is essential that LGUs maintain the rules long-term too and that LGUs avoid rezoning developed industrial zones.

Started but slow progress. LGUs need assistance on this. Resources, technical capacity, and budget are usually lacking.



**Not Ongoing - Started**

**I 5.**

Mining. LGUs should help develop local community support for national government policy to develop mining projects that observe social and environmental regulations.

The regulatory and enforcement mechanisms are not functioning the way they should to protect and promote the national interest. Too often LGUs support destructive small-scale mining and oppose responsible large-scale mining.



**Backward/Regression**

**I 6.**

Tourism, Medical Travel, and Retirement. LGUs can help mobilize local communities to make the local tourism experience better through a clean and safe environment, more efficient transportation, and the like. LGUs will have a greater role under the Tourism Act, becoming involved in master planning, tourism zone site selection, implementation of standards, putting one-stop shops in place, upgrading local infrastructure, and the like.

There are already a number of LGUs doing this. But technical capacity and budget are usually lacking. Most LGUs have a low capacity to govern wisely in support of competitiveness goals.

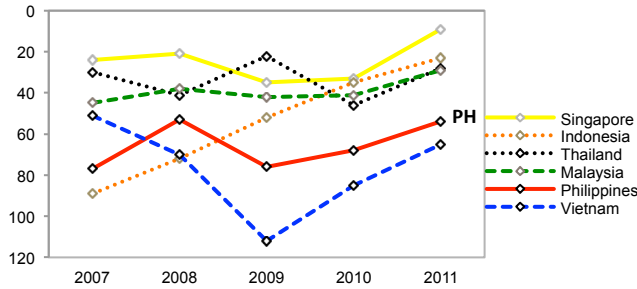


**Not Ongoing**



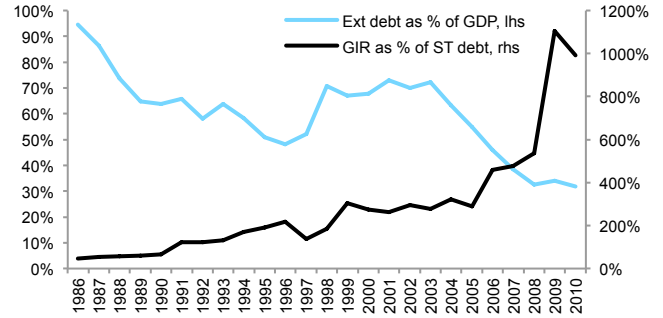
# Macroeconomic Policy

**Macroeconomic Environment/Rankings,  
ASEAN-6, 2007-2011**



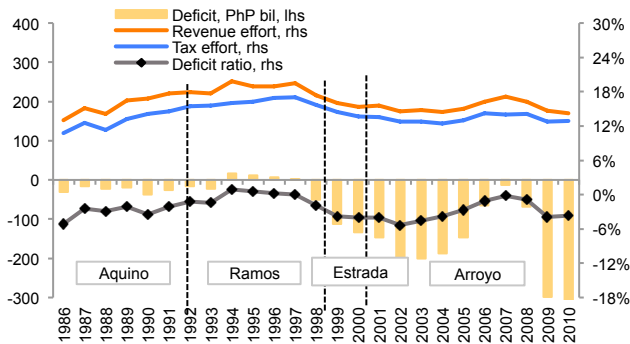
Source: WEF ; Total number of countries evaluated: 2007 (131), 2008 (134) 2009 (133), 2010 (139), 2011 (143)

**External Debt as percent of GDP, 1986-2010**



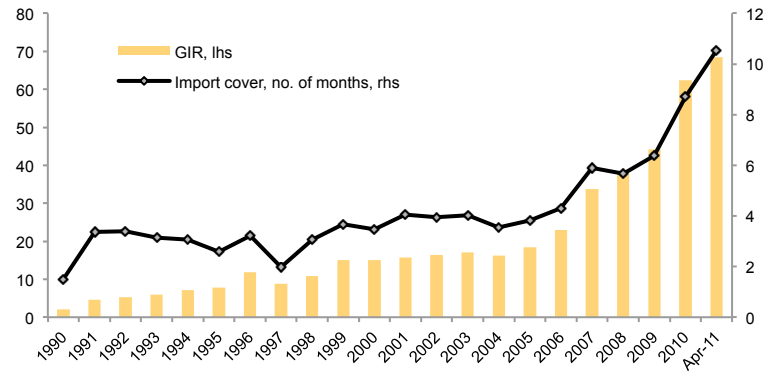
Source: BSP; Note: ST debt (original maturity)

**National GPH budget deficits, 1986-2010**



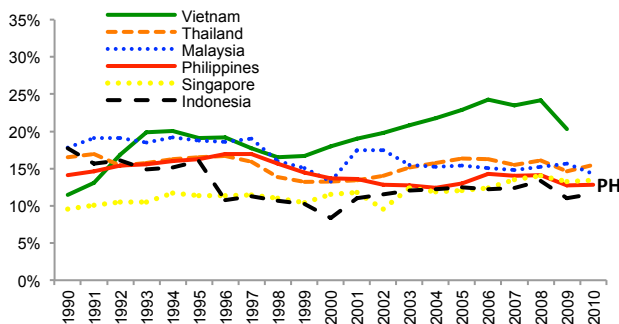
Source: BTR; Deficit ratio = NG deficit as % of GDP; Revenue effort = totals revenues as % of GDP; Tax effort = tax revenues as % of GDP

**Gross international reserves, US\$ Bn, 1990-2011**



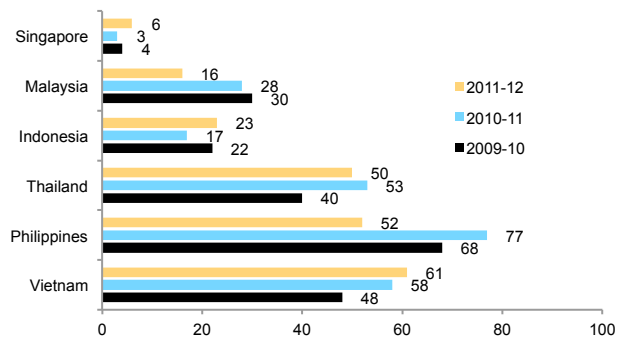
Source: BSP

**Tax Effort as % of GDP, ASEAN-6, 2010**



Sources: ADB and respective national statistics offices; 2010 data of Vietnam not yet released

**Extent and effect of taxation, rankings, ASEAN-6,  
2009-2012**



Source: WEF ; Total number of countries evaluated: 2009 (133), 2010 (139), 2011 (143)

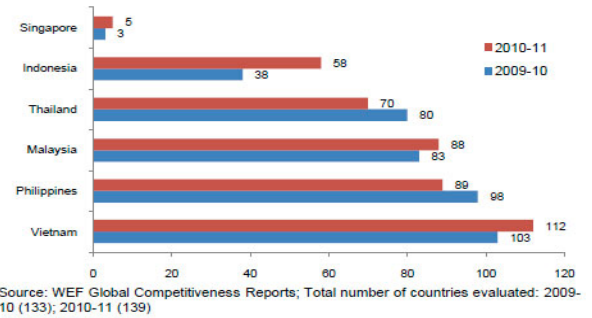


### Ease in Paying Taxes, overall and per sub-category, rankings, 2012

Country/Year	Overall ease of paying taxes				Tax payments				Time to comply				Total tax rate			
	09	10	11	12	09	10	11	12	09	10	11	12	09	10	11	12
Indonesia	116	127	130	130	151	154	158	162	103	106	107	112	72	76	77	67
Malaysia	21	24	23	28	33	37	40	46	49	47	43	40	53	58	58	62
<b>Philippines</b>	<b>129</b>	<b>135</b>	<b>124</b>	<b>135</b>	<b>145</b>	<b>147</b>	<b>149</b>	<b>155</b>	<b>67</b>	<b>72</b>	<b>70</b>	<b>72</b>	<b>131</b>	<b>132</b>	<b>118</b>	<b>129</b>
Singapore	5	5	4	4	6	6	6	7	18	17	15	15	25	29	28	32
Thailand	82	88	91	97	76	82	83	84	102	105	106	111	74	74	78	84
Vietnam	140	147	124	151	99	100	102	107	177	180	181	181	82	85	54	95

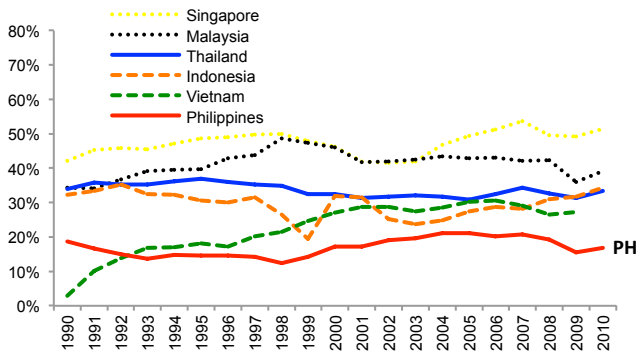
Source: Paying Taxes 2009 & 2010 by World Bank, PriceWaterhouseCoopers and IFC  
 Total number of economies evaluated: 2009=181; 2010=183; 2011=183; 2012=183

### Prevalence of trade barriers rank, ASEAN-6, 2009-2011



Source: WEF Global Competitiveness Reports; Total number of countries evaluated: 2009-10 (133); 2010-11 (139)

### Gross Domestic Savings, % of GDP, 2010



Sources: ADB and respective national statistics offices; No 2010 data for Vietnam

### Stock Market Capitalization, Bn USD, end of 2010

Stock Market Capitalization, Bn USD, end of 2010	Cap
Tokyo SE	3,827
Shanghai SE	2,717
Hong Kong SE	2,711
Bombay SE	1,631
National SE of India	1,596
Korea Exchange	1,091
Singapore Exchange	840
Bursa Malaysia	396
Indonesia SE	357
SE of Thailand	265
Philippine SE	197
Ho Chi Minh City Stock Exchange	28

Source: Annual reports of respective stock markets

## Recommendations

A.

Improve macroeconomic policy management and raise sovereign credit ratings. Seek to maintain relatively stable inflation and foreign exchange rates.

The GPH has managed to keep the economy stable amid heightened uncertainties in major economies abroad. Long-term foreign-denominated sovereign notes have enjoyed 2 separate upgrades (Moody's and Fitch) in 2010 to push the status within 1 or 2 notches below investment grade.<sup>1</sup> Volatility of the exchange rate was kept at acceptable levels throughout 2011.



B.

Gradually reduce national budget deficit to below PhP 100 bn and the CPSD to below 3% through improved revenue collection, followed by tax reform.

The GPH contained the deficit in 2011, more by constriction in spending than improvement in revenue collection. Jan-Nov 2011 deficit (P96 bn) is only a third of the programmed budget shortfall for the year (P300bn). Looking at components reveals that only the revenue side has kept pace with the program – only about 12% below of the target (P1.4 Tn) after 11 months (or 13% higher than Jan-Nov 2010). Spending is still more than 20% short of the plan (P1.7 Tn) and has declined by about 2.1% vs Jan-Nov 2010. This is understandable given that the GPH is trying to fix a very leaky disbursement system.<sup>2</sup>





**C.**

Through prudent debt management, reduce public external debt as % of GDP ratio and reduce interest payments as % of government expenditures.

The GPH has done a commendable job in regulating borrowings of the domestic economy from external creditors. External debt as % of GDP declined to 29% by end August from 30% at beginning of 2011. The current ratio is also substantially lower than the post-Asian financial crisis ratio of 61.4%. Both the public and the private sector ratios have been slashed substantially over the years.



**Started**

**D.**

Political leadership should convey an austerity message, follow taxing and spending politics that are frugal, and avoid difficult to sustain populist policies.

The Aquino Administration has introduced procedures to spend with less waste. Government should exert more effort to curb smuggling and to pass needed tax/fiscal reforms.



**Substantial Progress**

**E.**

Privatize more state assets. While major privatizations have been made (e.g. PAL, NCR water, NPC power plants, TRANSCO, and PNOC-EDC), many assets remain to be sold or leased (e.g. FTI), military facilities, SMC shares of Coco Levy Fund, other assets sequestered by the PCGG, and GOCCs that could be better run by the private sector.

The government has yet to decide concrete plans regarding remaining assets it has long planned to privatize. The PNR, for one, needs more capital infusion from the private sector.



**Started**

**F.**

Reduce corruption in public sector revenue collection and expenditure through more transparency, e-governance, competitive bidding, and enforcement at all levels of government.

There is some but insufficient progress. The GPH should pursue corruption cases strongly against politicians and government executives concerning misuse of funds of the Republic and should find ways to expedite the judicial process.



**Started**

**G.**

Continue the BOC's National Single Window Program interconnecting 40 government agencies involved in import/export transactions and the E2M Project, which will fully automate import/export processing at all major ports.

This project has been underway since mid-2000s but has not been fully implemented to date.



**Started**

**H.** Reduce and rationalize congressional pork barrel. Persuade Congress to control waste in government by reducing pork barrel and spending it better on priority projects.

Unless pork barrel becomes strictly audited by the DOF, substantial reduction in wastage of funds is unlikely. Pork barrel crowds out funding for other needed projects.

☆☆☆☆  
**Not Ongoing**

**I.** Improve collection of current taxes.

Yes, particularly trade-related taxes and duties.

☆☆☆☆  
**Started**

**I 1.** All taxes due the GPH should be collected from all taxpayers to reduce the huge losses from smuggling and tax evasion.

☆☆☆☆  
**Started**

**I 2.** Increase computerization of data to enable BIR and BOC to estimate taxpayer liabilities.

☆☆☆☆  
**Started**

**I 3.** Enable more e-transactions to reduce direct interaction between taxpayers and BIR personnel, especially outside BIR offices.

☆☆☆☆  
**Not Ongoing**

**I 4.** BIR and BOC should maintain the RATE and RATS programs and regularly initiate cases against tax evaders and smugglers, accompanied by publicity and successful prosecution.

☆☆☆☆  
**Started**

**I 5.** Pass Simplified Net Income Taxation (SNITS) legislation.

☆☆☆☆  
**Not Ongoing**

**J.** LGUs should be more efficient in updating and collecting local real estate and other taxes to improve their revenue base.

There is little progress on this front. LGUs rarely bother about efficiency as some prefer systems to extract extra-legal benefits than simple mechanisms for transactions of their constituents.

☆☆☆☆  
**Not Ongoing**

**K.** Implement new revenue-enhancement legislative measures and cease passing unwarranted tax leakage laws. Implement the Revised Kyoto Convention. Pass the Fiscal Responsibility Act, Rationalization of Fiscal Incentives bill, and Tariff and Customs Modernization Act.

FIR and CTMA have passed 3<sup>rd</sup> Reading in the House. The Congress has not passed any major revenue-eroding laws.

☆☆☆☆  
**Not Ongoing**

**L.** Comprehensive reform of taxes should be considered after revenue collection efficiency results are achieved.

**L 1.** Taxes and fees and their collection should be greatly simplified.

Public sector bureaucracies rarely can rationalize taxes and fees, without external pressure. The NCC can help with its efforts to reduce red tape and business costs.

☆☆☆☆  
**Not Ongoing**

**L 2.** Taxes should be more progressive than regressive. The poorest sector should be provided relief through conditional cash transfers and discount programs (e.g. Residential Electricity Lifeline Rate).

Income taxes and VAT are largely borne by workers in the formal sector and better-off consumers. CCT is a major ongoing reform.

☆☆☆☆☆  
**Started**

**L 3.** Taxes on corporate and personal income should be reduced (eventually to 25%) to incentivize working and compliance.

This reform - supported by many economists - remains politically difficult to achieve.

☆☆☆☆  
**Not Ongoing**

**L 4.** Taxes on consumption should be increased (eventually to a 15% EVAT). Other consumption taxes including ACT and fuel excise taxes should be increased.

This reform - supported by many economists - remains politically difficult to achieve.

☆☆☆☆  
**Not Ongoing**

**L 5.** Reduce or eliminate many of the fees and taxes that increase the cost and efficiency of doing business (e.g. airport fees, travel tax, CCT, CIQ charges, BOC de minimus, financial transaction fees, GPB, and port charges.)

The GPH inherently resists any potential loss of revenue no matter the logic of the reduction or elimination. For examples, DFA insists on charging PRC citizens for visas in China rather than supporting visas on arrival (which would boost tourist arrivals and indirect DOF revenue) when revenue might be collected by another agency.

☆☆☆☆  
**Not Ongoing**

**M.** Exemption of BIR and BOC employees from the Salary Standardization Act should be implemented.

The Philippines might learn from Singapore public sector's salary scheme. Give highly competitive pay packages to government workers and executives, especially in positions that require unique skills sets, but make them fully accountable.

★ ★ ★  
*Not Ongoing*

**N.** Settle TCC arrears due foreign investors who have paid taxes that were to be credited to subsequent tax liabilities or refunded. Allow cross-application of TCCs of BOC and BIR.

Budgeted funds have been increased to eliminate arrears within five years.

★ ★ ★ ★ ★  
*Started*

**O.** Increase the savings rate and strengthen domestic capital markets.

The gross domestic savings rate, by far the lowest of the ASEAN-6 remains stuck around 20%, for two decades. Links between firms and capital markets are weak. Banks are stringent lenders. Equities and bonds markets are small. SMEs have little access to credit. However, the BSP has programs to ease the burden, and the PSE is considering relaxed rule for IPOs by smaller firms.

★ ★ ★ ★ ★  
*Started*

**P.** Increase independence of regulatory agencies. Reduce "capture" of regulatory agencies.

The quality of appointees to GOCCs has improved.

★ ★ ★ ★ ★  
*Started*

**Q.** Reduce burden of government regulation. Encourage executive and Congress to "smarter" regulators in writing and administration of laws, protecting health and safety without slowing growth and job creation and avoiding undesirable effects on business costs, competition, and innovation

To balance government regulations and their impacts is quite a difficult task, even in the most sophisticated developed economies. For instance, while the authorities intend to make the business climate as attractive and least expensive as possible, they also have to deal with immediate fiscal needs, consumer concerns, and etc. Further, political interests are too often not congruent with what the economy really requires.

★ ★ ★ ★ ★  
*Not Ongoing*

**R.** Maintain policy predictability and stability. Maintaining policies in a predictable and stable fashion creates a positive climate for investors, who prefer that unpredictable risks are minimized.

Some years must pass before this recommendation can be evaluated. A long-term plan and reduced corruption may help minimize the pattern of incoming elected officials undoing the work of their predecessors.

★ ★ ★ ★ ★  
*Not Ongoing*

**S.**

Take advantage of new trading opportunities under the various new FTAs with Europe and the US. Educate local leaders about changes the Philippines should make for compliance.

FTAs work best for countries with high comparative advantage. In the Philippines, the cost of capital, labor, and intermediate materials is relatively high. While it is not easy to capitalize on the FTAs that the country has entered into, to not try is unacceptable. In almost all industries, the production chain is incomplete, reducing the ability of firms to capture economies of scale. Local SMEs are not designed to compete internationally.

★★★  
**Not Ongoing**

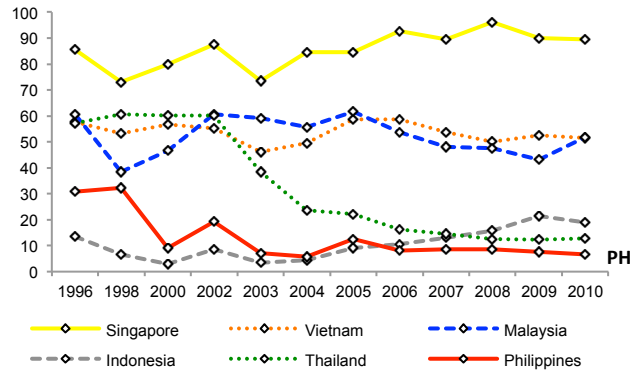
Endnotes:

1. The DOF has expressed optimism that S&P will follow in 2012, boosting Philippine standing in international credit markets. Inflation has remained benign. Business and consumer outlook (depicted in Business and Consumer Expectations surveys by the BSP) also shows increased confidence.
2. But, scrimping on infrastructure and social necessities cannot be a strategy for long periods or it will stall growth and improvement in welfare. The fiscal house should work more on improving tax performance especially BOC collections. BOC is 24% short of its year-end goal. The agency only recorded 4% growth compared with the same period last year.



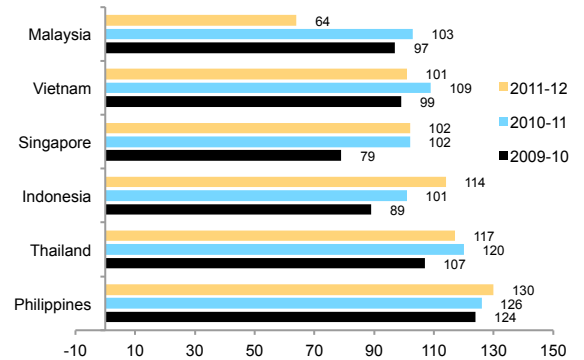
# Security

**Political Stability/Absence of Violence and Terrorism, percentile ranking, ASEAN-6, 1996-2010**



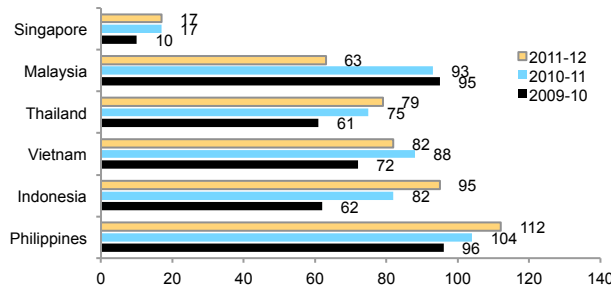
Source: World Bank

**Business Costs of Terrorism, rank, 2009-2012**



Source: WEF ; Total number of countries evaluated: 2009 (133), 2010 (139), 2011 (143)

**Business Costs of Crime and Violence, rank, ASEAN-6, 2009-2012**



Source: WEF ; Total number of countries evaluated: 2009 (133), 2010 (139), 2011 (143)

## Recommendations

## Evaluations

**A.**

Improve the Philippine country rating in the World Bank measure of political stability and the absence of violence and terrorism.

The Philippine rating declined from 2009 to 2010. National political stability has marginally improved since President Aquino entered office. Warlords and private armies are still prevalent in some provinces despite promises to dismantle them after the Maguindanao Massacre. Businesses, particularly agribusiness, extractive, and industrial firms remain hesitant to invest in rural areas due to threat of extortion, terrorism, and the like. Coordinated NPA attacks by a force of some 300 in Surigao del Norte in October 2011 set the country back considerably and made investors more hesitant to invest in Mindanao.

★★  
**Backward/Regression**

**B.**

Minimize conflict in Mindanao with the MILF and negotiate a settlement agreement.

While both the GPH and the MILF are re-engaged in Peace Talks, the most contentious issues (security forces, taxation, mineral wealth sharing, etc.) are unresolved. The process may follow a familiar pattern of on-again, off-again talks unless there is a drastically different approach, which President Aquino attempted with his meeting in Tokyo with MILF Chairman Murad. Clashes in late 2011 between MILF and AFP in Basilan were yet another scar for this seemingly intractable conflict.

★★★★★  
*Started*

**C.**

Contain and eliminate the ASG and minimize/prevent any presence of JI militants.

Thanks to military cooperation between the US and the Philippines, the ASG and JI have been somewhat neutralized. Sporadic bombings, such as the one in a Zamboanga hotel in December 2011, are probable.

★★★★★  
*Not Ongoing - Started*

**D.**

Reduce poverty faster in the poorest provinces in Mindanao.

SWS surveys reveal that more Filipino families consider themselves poor. Mindanaoans still feel disenfranchised. Lack of private investment continues to hamper Mindanao development despite considerable foreign aid and global development resources deployed to the region.

★★★  
*Not Ongoing*

**E.**

Complete and implement the Mindanao 2020 Peace and Development Plan.

The plan, which is quite general, has been approved and released and provides an excellent set of economic development priorities. Implementation will take years.

★★★★★  
*Started*

**F.**

Warlordism, primarily in Mindanao, must be suppressed.

While the GPH can point to some successes to eliminate private armies, the reality is that little has been done to destroy this dangerous paradigm. This goal has fallen somewhat off the administration's radar.

★★★  
*Not Ongoing*

**G.**

Hold talks and negotiate with Philippine communist political representatives and seek longer cease-fire periods.

Administration talks with Philippine communist leadership have had no results. More radical elements of the CPP/NPA are unwilling to negotiate. Poverty alleviation, social integration, and job creation are the best strategies to reach rebels in rural and neglected provinces.



**Backward/Regression**

**H.**

Extend government services, including health and education, and improve infrastructure in rural areas.

While not necessarily a sustainable poverty alleviation program, the CCT program has been extended and applauded. Weapons buy back and rebel integration programs have experienced modest success. The NPA still represents a threat in rural areas, particularly through extortion.



**Started**

**I.**

Successfully investigate and prosecute human rights abuses; Ampatuan massacre trial must be conducted in an expeditious and legally correct manner.

The trial is being scrutinized by the international community. Delays to date are unacceptable. There appears to be little sense of urgency. This should be an easy win for the GPH to combat the culture of impunity of political warlords and to prove its dedication to rule of law and human rights. Arrest of MG Palparan was ordered in late 2011.



**Started**

**J.**

Implement defense modernization faster.

Very slow, going backward. Besides limited equipment donations from the US, Australia, and others, the AFP is very poorly trained and equipped. The AFP requires substantially more funds and better discipline/management before it can carry out a truly effective modernization program. This challenge becomes more relevant as the South China Sea and Spratly disputes continue.



**Backward/Regression**

**K.**

Increase the size of and better equip the national and local police forces.

Local police, even in Manila, are still ill-equipped to deal with the diverse set of response situations they face - everything from a medical emergency to a hostage case or bombing to a bank robbery or car accident.



**Not Ongoing - Started**

**L.**

End extra-constitutional actions by any military units.

Highly publicized investigations into AFP corruption might have helped persuade younger officers to accept chain of command responsibility. But the military lacks leadership that inspires confidence and remains hampered with corruption from the top.



**Not Ongoing**



**M.**

Limit firearms in civilian hands and reduce loose firearms; pass Anti-Deadly Weapons Act.

Little is anything appears to be underway. There are few countries in the world with a more pervasive gun culture than the Philippines, which has the highest number rate in Asia.



**Backward/Regression**

**N.**

Do more to discourage kidnapping.

As long as there is widespread poverty in Mindanao, the kidnapping threat will persist. Better handling of kidnapping cases would go far to prove the GPH is on the right track. Authorities are sometimes complicit, to some degree, in kidnapping and other organized crime cases.



**Not Ongoing**

**O.**

Encourage more balance in foreign government travel advisories.

Foreign government travel advisories have not been credible or balanced for many years and need revisions. This goes far beyond what the GPH is capable of.

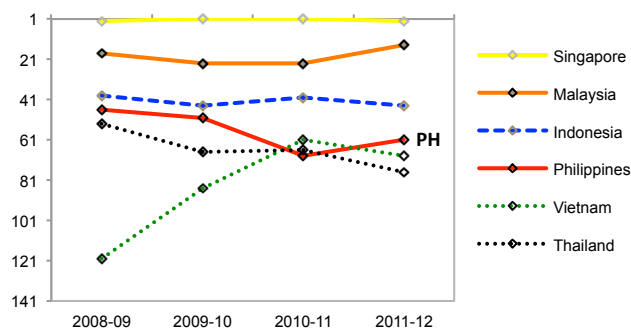


**Backward/Regression**



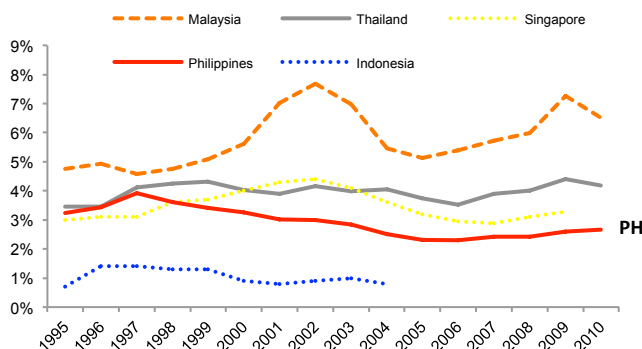
# Social Services: Education

**Quality of Education System, rank, ASEAN-6, 2008-2012**



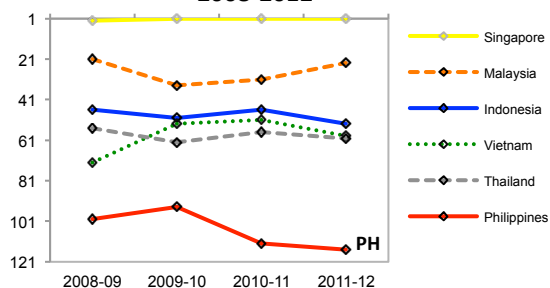
Source: WEF; Total number of countries evaluated: 2008 (134) 2009 (133), 2010 (139), 2011 (143)

**National GPH Spending on Education, % of GDP, ASEAN-5, 1995-2010**



Source: ADB Key Indicators Note: No data for Vietnam; Data series of Indonesia is only until 2004. No 2010 data yet from Singapore.

**Quality of Math and Science Education, ASEAN-6, 2008-2012**



Source: WEF; Total number of countries evaluated: 2008 (134) 2009 (133), 2010 (139), 2011 (143)

**Public expenditure per pupil as a % of GDP per capita, 2008-2010**

	All levels	Primary	Secondary	Tertiary
Indonesia	11.8	11.4	12.9	16.8
Malaysia	15.3	14.5	12.6	34.5
<b>Philippines</b>	<b>9.4</b>	<b>9.0</b>	<b>9.1</b>	<b>9.2</b>
Singapore	n.d.	11.5	17.5	28.7
Thailand	18.6	24.4	9.3	22.7
Viet Nam	21.3	19.4	17.0	60.6

Source: UNESCO

## Recommendations

A.

Commit to a large increase in the public education budget; double the average spending per student.

## Evaluations

In 2011 and 2012, the increase in the budget for the DepED has risen by 10-15% per year. This will put DepED onstream to realize goals of percent-to-GDP and per capita spending by 2016. The tertiary level budget has grown at a much lower rate and is focused on quality and not quantity (i.e. shortages and additional years of schooling) as in basic education. Doubling spending per student may take longer. Although a large classroom shortage remains, significant funds are being budgeted for textbooks, repairs and desks, chairs, and toilets. Teachers salaries of P17,099 at the entry level in the NCR are competitive with call center employees and have almost doubled over the last decade. The teacher/student ratio for basic education in the 2010/11 school year remains essentially the same as 2006-07.



**B.**

Extend basic education by two years and add one year before elementary school (the K+12 model).

The extension of basic education from 10 years to a K+12 cycle is underway but requires challenging adjustments in classrooms, teachers, and curriculum. Schoolyear SY 2012 will see start of new Grade 7, which will effectively be first year of the new HS. Possible problem: Grades 11/12 will not be rolled out until SY 2016 and 2017. Unless DepED and CHED figure out what to do with no university intake for those two SYs, there might be significant opposition from private universities and state colleges. This could be a possible election issue in 2015-2016 and a new president might scuttle the additional two years if it becomes a populist issue.<sup>1</sup>



**Started**

**C.**

Empower teachers by constantly improving their quality and their curriculum; Apply competency-based standards for teachers and provide more in-service training, while maintaining their welfare and morale.

There are discussions and plans in DepED on competency-based standards but no real movement yet on inservice training on a large-scale. In-service teacher training (e.g. new content/continuous education; multi-week university-based training) should be done during the summer months only (e.g. summer 2012) and not during the schoolyear. On the other hand, DepED should have used the summer of 2011 to roll out substantial teacher in-service training.



**Not Ongoing**

**D.**

Basic education and college curricula should be adjusted to increase the study of math and science.

Achievement scores in English, Math, and Science have improved for elementary school 6th grade students but not for HS seniors. There is no special emphasis on a new curricula for science and math in basic education other than reorganization of current curriculum from 10-12 years. **RECOMMENDATION:** A better science and math curricula should be a special effort done by leading subject specialists and academics in universities across the country rather than leaving this to the two bureaus within DepED (i.e. Bureau of Elementary Education and Bureau of Secondary Education). The SUCs are to receive increases in funding in FY12 to train students in skills for agriculture and fisheries, tourism, infrastructure, electronics, and BPOs.<sup>2</sup>



**Not Ongoing**

**E.**

Intensify investment in technology for high school education.

The program of GILAS to connect nearly 7,000 HS to the internet has been transferred from a private sector consortium to DepED to complete and maintain. DepED has a large IT budget to complete the interconnectivity of public HS but also should build more computer labs and connect these to the web. Equipping HS teachers with notebook computers and students with e-reader, is generally absent, although at least one pilot program is underway on Lubang Island and the private sector is beginning some related CSR projects. Doing so, will take a long time to attain.



**Started**

**F.**

Strengthen higher education by providing more resources for world class centers of excellence and expanding scholarships and loans for higher education.

CHED is moving to strengthen tertiary level education through a new classification scheme recently rolled out (SY 2011). This will go for "weeding out" poor-performing colleges (especially SUCs) and forcing consolidation into larger, more integrated units with high-performing universities. The tertiary sector has not received significantly more budget in 2011.<sup>3</sup>

★★★★★  
*Started*

**G.**

Encourage qualified foreign schools to operate and foreigners to teach.

There has been little change in the closed nature of the Philippine educational system that restricts foreign ownership, management, and teaching. Many Asian countries are more open. There has been some growth, though very little, in the number of international schools at the basic education level. Many of these are Philippine-registered but with international curricula including the IB diploma. This has not been the case at the tertiary level (and perhaps not as critical given the need to do F above first). Hiring of foreign teachers is an economic issue that might not be possible except for the highest-priced international schools.

★★★★★  
*Not Ongoing*

**H.**

Install English language computer training labs in high schools.

Computer labs have been set up at the HS level but these have not been dedicated to English language instruction solely or even significantly. Private sector donations through GILAS has been significant (see E above) but use for English language instruction is very limited. English skills will become even more important when the 11th and 12th grades are added to basic education, and HS graduates can enter immediately into the workforce.

★★★★★  
*Not Ongoing*

**I.**

Undertake a vigorous public campaign to emphasize the importance of English competency; encourage television and radio stations to use more English in their programs.

English is promoted but not used as the medium of instruction until Grade 4 onwards (DepED official policy). The program of PNOY is tri-lingualism: English for global communication; Filipino for national identity; mother tongue for culture and heritage. (UNESCO research on mother tongue supports this and can prove that English competency is not only possible but quite effective given multi-lingualism.) Encouraging TV and radio to use more English in their programs has not yet been a conscious program.

★★★★★  
*Not Ongoing*

**J.**

Recognize high schools and tertiary schools and students who score well on English tests.

Not aware that there is any program on this at this time.

★★★★★  
*Not Ongoing*

**K.**

**Strengthen the Dual Education/  
Dual Technical System.**

DepED is working on re-establishing technical-vocational education in public high schools on a large scale. The Department has started but has a very long way to go given that the tech-voc infrastructure was taken apart after the tri-focalization of education after 1992. TESDA has limited capacity to do a dual education/dual technical system.



**Started**

**L.**

**Expand the internship period to  
prepare students better for  
employment.**

A good idea, but one which is not yet widely practiced or even planned for at the university level. Most OJT programs have no real learning objectives and underutilize senior college students with rather menial work. Internships should be better planned and organized and should not waste the time of college students.



**Not Ongoing**

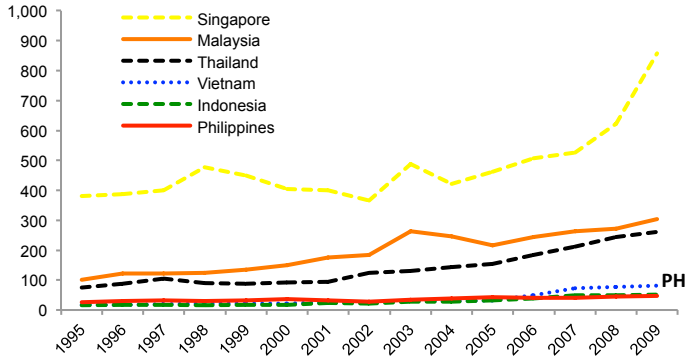
Endnotes:

1. **RECOMMENDATION:** The rollout should be completed within the PNOY Administration and a solution to the years of no/low university intake addressed early by CHED and DepED with the university sector.
2. Teaching of foreign languages at university level will require a large number of language specialists that are not readily available and may take some years to realize. DepED is introducing foreign languages (after English) in a pilot program: Spanish (in 54 high schools), Japanese (in 13), French (in 12), and German (in 9). Arabic and Mandarin are being added in SY 2011-12.
3. The DBM position of holding flat budgets for SUCs is to force them to (a) perform better in terms of academics, and (b) be more financially viable by charging higher rates for tuition and fees, while managing costs. Student loan packages have not been worked out yet with GFIs, though it has been the subject of discussion in CHED.



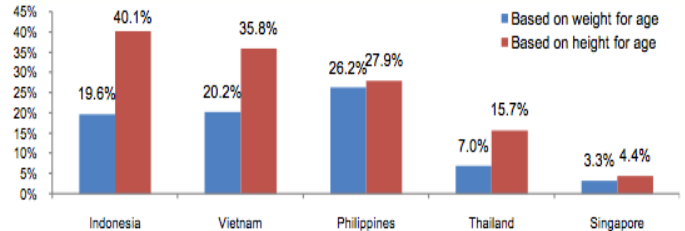
# Social Services: Health and Population

**Per Capita GPH Expenditure on Health, PPP (US\$), ASEAN-6, 1995-2009**



Source: WHO

**Malnutrition prevalence, % of children under 5, 2000-2008**



Source: World Bank; Latest data available: Indonesia - 2007; Philippines-2008; Singapore -2000; Thailand-2006; Vietnam-2006

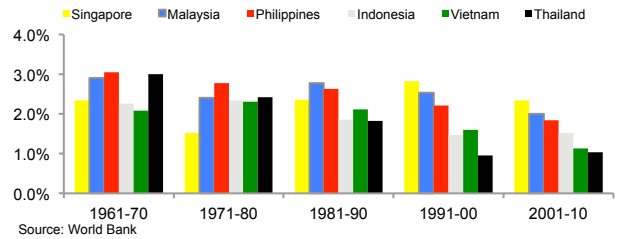
**Reproductive Health Indicators, selected Asian Countries**

	Contraceptive prevalence <sup>1</sup>		Unmet need for family planning <sup>2</sup>	
	%	Year	%	Year
Bangladesh	52.6	2008	16.8	2007
Cambodia	40.0	2005	25.1	2005
China	84.6	2006	2.3	2001
India	54.0	2008	12.8	2006
Indonesia	56.6	2008	9.1	2007
Japan	54.3	2005		
Korea, Rep.	79.6	2006		
Lao PDR	38.4	2005	27.0	2005
Pakistan	29.6	2007	24.9	2007
<b>Philippines</b>	<b>50.7</b>	<b>2008</b>	<b>22.3</b>	<b>2008</b>
Sri Lanka	68.4	2008	7.3	2007
Thailand	76.7	2006	3.1	2006
Vietnam	79.5	2008	4.8	2002

Sources: WHO and World Bank

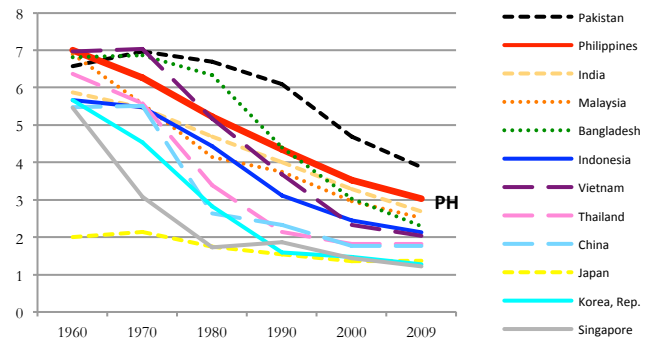
1 - The percentage of women aged 15-49 years, married or in-union,

**Average annual population growth, 1961-2009**



Source: World Bank

**Fertility rates (total births per woman), selected Asian countries, 1960-2009**



Source: World Bank

## Recommendations

A.

Double national spending on healthcare to 2.5-3% of GDP; direct spending to poorest Filipinos; government hospitals should be modernized, rationalized, and expanded; village health centers built; better equipment and staff needed.

There is an increase in budget for DOH, albeit slight in real terms. There is also a general provision for contraceptives which could become clearer and more effective with the passage of RH bill. A start has been made on an ambitious program to improve healthcare for more citizens, especially those least able to afford it. The administration plans to upgrade some 1,300 rural clinics and provincial hospitals.<sup>1</sup>



## Evaluations

**B.**

PhilHealth should be expanded to become Universal Health Care. Enrollment in Philhealth should be made mandatory; poorest Filipinos should be enrolled with no co-payments for services required.

Universal Health Care has been adopted as government policy but requires legislation and funding. Bills are advanced in both chambers of Congress and should be completed and enacted in 2012. Under the National Household Targeting system a total of 5.2 million indigent households will have Philhealth premiums funded by the government.



*Started*

**C.**

Cease healthcare legislation that does not achieve desired policy goals of improving health of the poorest.

Although there are legislative proposals in the Congress that would force selective drug price discounts and regulate infant formula, the 15th Congress appears less inclined to pass laws of this nature than the 14th Congress.



*Substantial Progress*

**D.**

Use the PPP model to improve public sector health services.

The DOH has shown strong interest in developing PPP projects for the private sector to play a greater role in financing, owning, and operating hospitals and other healthcare facilities. Two PPP projects in healthcare are expected to be bid out in 2012: the Vaccine Self-sufficiency Program and Modernization of the Philippine Orthopedic Center.



*Started*

**E.**

Government should set a target for an achievable population growth rate, increasing the contraception prevalence rate, and lowering the fertility rate; implement a reproductive health program to achieve the targets.

The Philippines has no specific targets and programs for reducing the population growth rate, increasing the contraceptive prevalence rate, and lowering the fertility rate. Setting targets is good per se but rather sensitive with the RH bill hanging in the balance.



*Not Ongoing*

**F.**

Private sector should support reproductive health policy legislation and assist employees to have smaller families.

Many companies follow the requirement in the Labor Code to provide contraceptives to employees in workplaces with more than 200 workers. Most large business associations and chambers favor the RH bill in the Congress. The business community should be more vocal, visible, and vigorous in its support for the passage and implementation of the RH bill.



*Substantial Progress*

**G.** Congress should pass a version of the Reproductive Health bill.

Reproductive health policy remains a very divisive issue, despite support for legislation from President Aquino and the Liberal Party. As 2012 begins, the Senate is near completion of debate on its RH bill. But the House has not commenced debate. Time to enact the bill in the 15th Congress could run out if final votes are not held early in 2012 and the bills moved to Bicam. Part of the RH bill may have to be made optional as a compromise.



**Started**

**H.** Government should reward poor families who have fewer children.

Government should reward poor families who have fewer children. There is no discussion of a policy to reduce government benefits for larger families. There would be stiff resistance from conservative groups should the government propose it. This is a good proposal that merits serious consideration.



**Not Ongoing**

**I.** PhilHealth should introduce a family planning requirement for hospital accreditation.

This is a good proposal that merits serious consideration.



**Not Ongoing**

Endnotes:

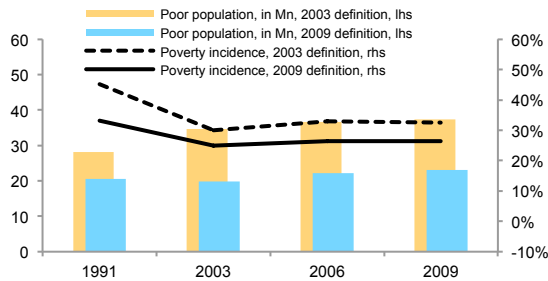
1. One of the main purposes of the CCT program is to bring young children into schools for immunization and nutrition. However, experts believe the MDG goals for lowering the under 5 malnutrition and maternal mortality rates will not be achieved by 2015.





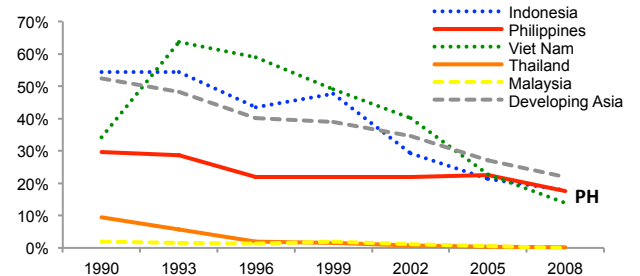
## Social Services: Poverty\*

**Poverty Trend, Official Estimates, Philippines, 1991-2009**



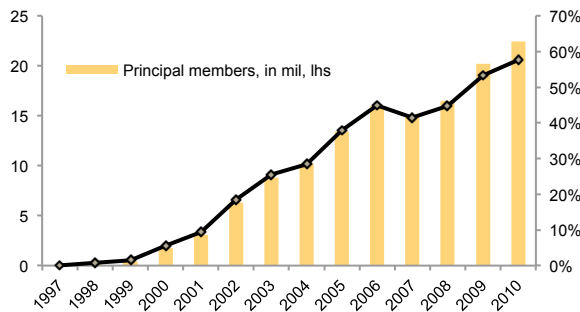
Sources: NSO and NSCB; The government recently revised the methodology in measuring poverty (national food bundles were replaced by provincial food bundles)

**Poverty Incidence, <US\$ 1.25-a-day, ASEAN 6, 1990-2007**



Source: Wand and Sebastian (2011). "Poverty in Asia and the Pacific: An Update." Asian Development Bank.

**PhilHealth Membership, 1997-2010**



Source: PhilHealth Insurance Corporation's annual reports and "Stats and Charts" reports

### Recommendations

### Evaluations

**A.**

Steadily reduce number of poor and poor as percentage of population.

Per official figures of 2003/2006/2009, the percentage is flat and the number is increasing. The next official reading, referring to 2012, is not expected until early 2014. It is absolutely urgent that the government upgrade its poverty monitoring to every year, from the present every three years. Alternatively, self-rated poverty (from SWS) is available quarterly, up to the present.

★★★  
*Backward/Regression*

**B.**

Reduce the incidence of hunger.

The last official figure is for 2008; the next reference year is 2013. It is absolutely urgent that the government upgrade its hunger monitoring to every year, from the present every 5 years. Alternatively, household-reported hunger (from SWS) is available quarterly, up to the present.

★★★  
*Backward/Regression*

**C.** Expand insurance coverage to include more poor.

For the first time, a program to expand Philhealth coverage to the neediest cohorts of the population is underway.

★★★★  
*Started*

**D.** Successfully implement the expanded CCT program to include all 6.9 million poor Filipino families.

CCT is moving swiftly, and is accompanied by ongoing independent spot-checking of field operations, and independent research on implementation and evaluation. The results of such research will start flowing sometime in 2012.

★★★★★  
*Substantial Progress*