



The Philippines: Shaping Our Future

September 2014



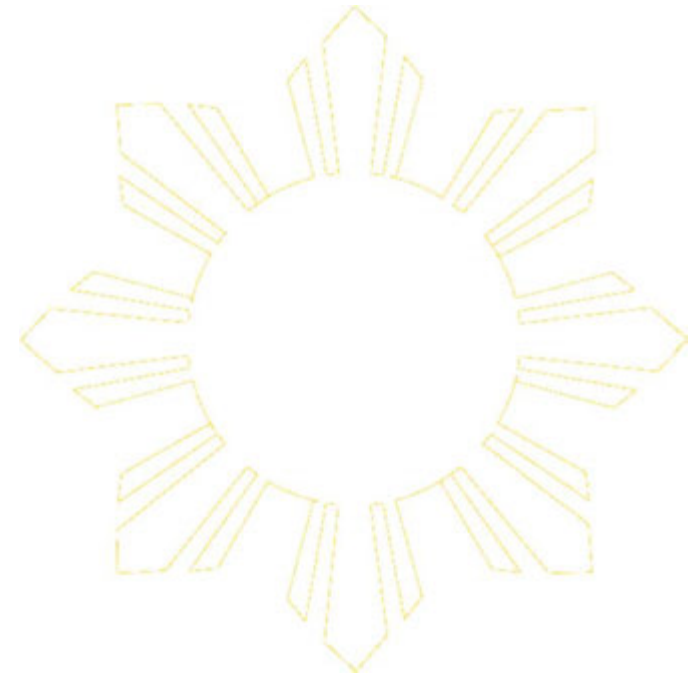


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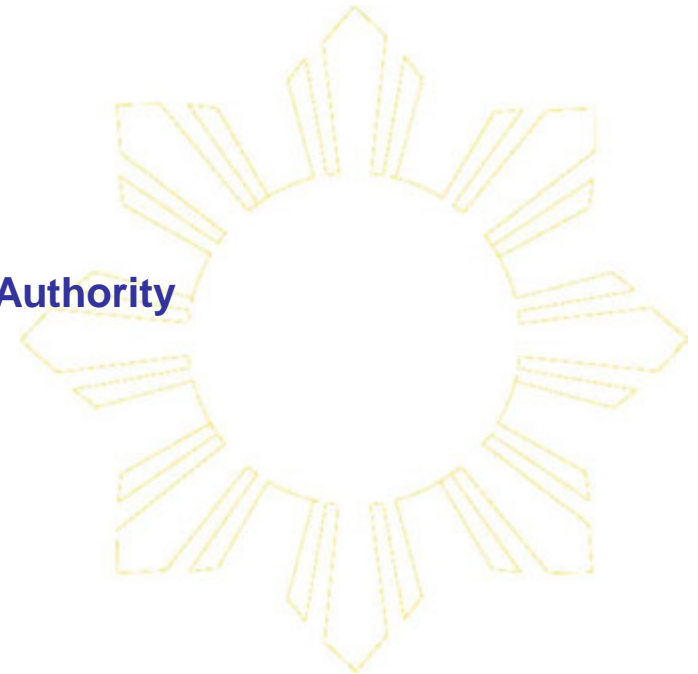
I. Macroeconomic Performance and Outlook





Real Sector

National Economic and Development Authority





Outline

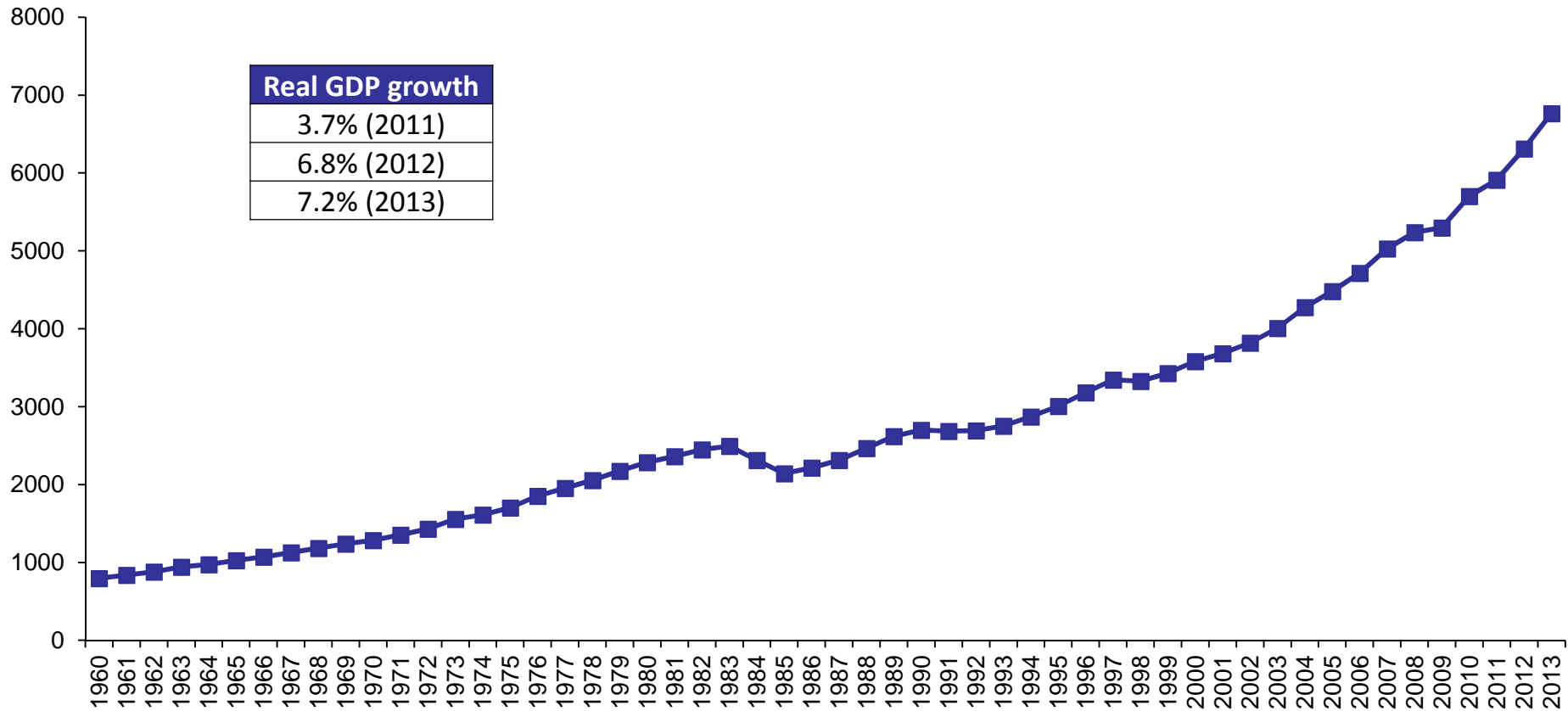
- I. Recent Economic Performance and Updated Philippine Development Plan Assessment
- II. 2014 and 2015 Policy Thrusts and Plans
- III. 2014 and 2015 Prospects and Outlook



The Philippine Economy on High Trajectory Growth

Philippine GDP at 2000 prices, 1960 to 2013

(PHP bn)



Sources: Philippine Statistics Authority (PSA) and National Economic and Development Authority (NEDA)



Solid Growth in Manufacturing and Fixed Capital Signifies Improving Economic Structure

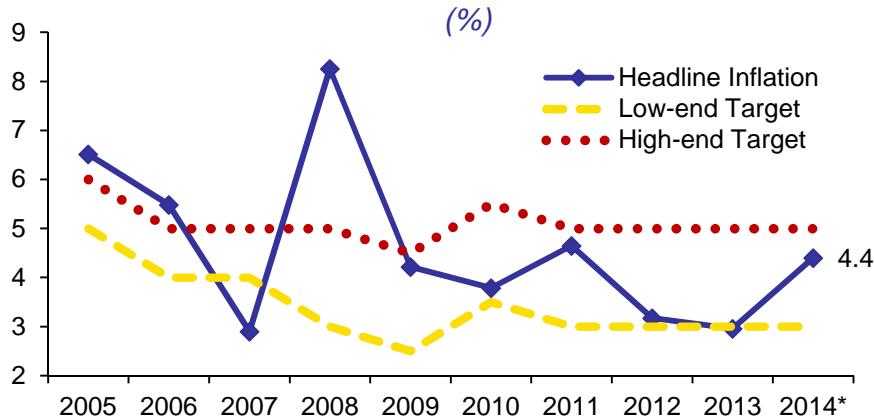
	2013		Jan – Jun 2013		Jan – Jun 2014	
GDP Growth	7.2%		7.8%		6.0%	
By Industrial Origin	Share to GDP (%)	Growth Rate (%)	Share to GDP (%)	Growth Rate (%)	Share to GDP (%)	Growth Rate (%)
Agriculture	10.4	1.1	10.2	1.6	9.9	2.2
Industry	32.8	9.3	33.1	10.9	33.3	6.6
<i>Of which: Manufacturing</i>	<i>22.7</i>	<i>10.3</i>	<i>22.6</i>	<i>9.9</i>	<i>23.2</i>	<i>8.8</i>
Services	56.8	7.2	56.7	7.2	56.9	6.4
By Expenditure						
Household Final Consumption	69.4	5.7	67.6	5.3	67.3	5.6
Gov't Final Consumption	10.7	7.7	12.2	11.1	11.6	0.9
Capital Formation	22.1	29.9	19.7	41.7	19.3	3.9
<i>Of which: Fixed Capital</i>	<i>21.3</i>	<i>11.9</i>	<i>21.3</i>	<i>15.5</i>	<i>21.6</i>	<i>7.6</i>
<i> of which: Public Construction</i>	<i>1.8</i>	<i>14.9</i>	<i>2.1</i>	<i>30.0</i>	<i>1.9</i>	<i>-2.6</i>
<i> Private Construction</i>	<i>6.9</i>	<i>9.3</i>	<i>6.7</i>	<i>22.5</i>	<i>6.5</i>	<i>3.5</i>
<i> Durable Equipment</i>	<i>10.7</i>	<i>15.5</i>	<i>10.6</i>	<i>11.7</i>	<i>11.3</i>	<i>13.6</i>
<i>Changes in Inventory</i>	<i>0.9</i>	<i>143.9</i>	<i>-1.6</i>	<i>64.6</i>	<i>-2.3</i>	<i>-53.0</i>
Exports	44.6	-1.1	45.3	-9.1	47.7	11.8
Imports	46.8	5.4	45.2	-1.1	45.0	5.7

Source: PSA



Robust Growth Continues to be Supported by Sound Macroeconomic Fundamentals

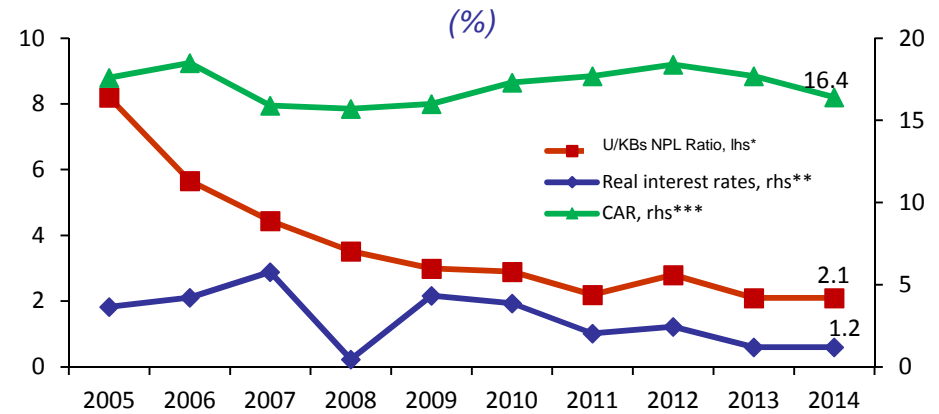
Manageable inflation



Note: Actual inflation figures are based on the 2006 CPI series

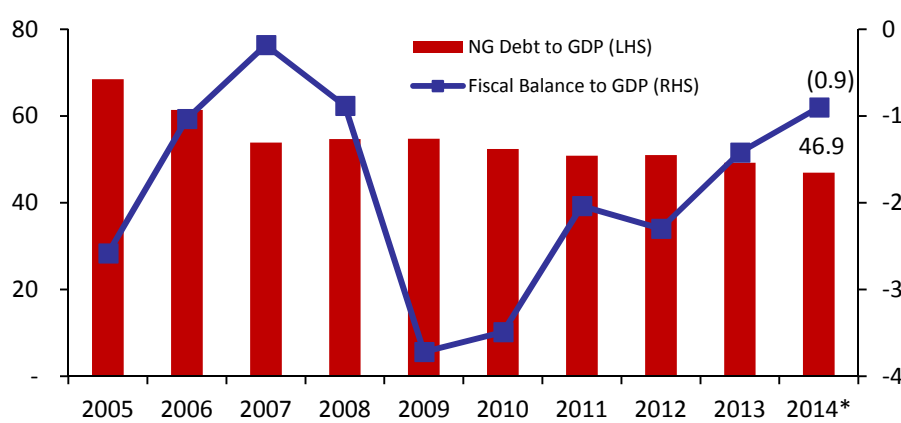
*Jan - Aug 2014

Favorable interest rate environment and stable banking system

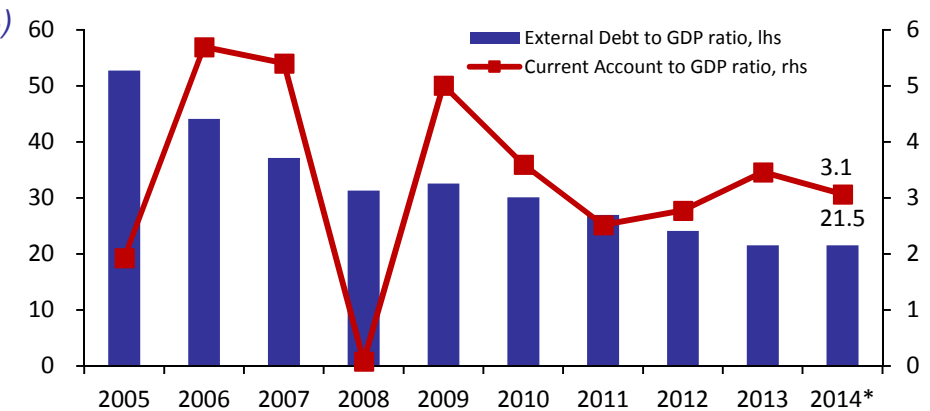


* as of June 2014 ** Jan - Jun 2014 *** end of Mar 2014

Sustainable fiscal and external position



* end Jun 2014



*Jan - Mar 2014



The Country Enjoys an Unprecedented Level of Confidence Among International Business Community

Long-term sovereign credit rating has greatly improved under the Aquino Administration

MOODY'S	STANDARD & POOR'S	FitchRatings KNOW YOUR RISK
As of July 23, 2009 Ba3 Outlook: Stable	As of November 12, 2010 BB Outlook: Stable	As of August 9, 2010 BB Outlook: Stable
As of October 3, 2013 Baa3 Outlook: Positive	As of May 8, 2014 BBB Outlook: Stable	As of March 25, 2014 BBB- Outlook: Stable

Achieved great strides in Ease of Doing Business Rankings, 2009-2014

COUNTRY	2014 189 economies	2013 185 economies	2012 183 economies	2011 183 economies	2010 183 economies	2009 181 economies
Philippines	108	133	136	134	144	141

Source: Doing Business Report, World Bank and International Finance Corporation

Global Competitiveness Ranking, 2009-2015

COUNTRY	2014-2015	2013-14	2012-13	2011-12	2010-11	2009-10
Philippines	52	59	65	75	85	87

Source: The Global Competitiveness Report, World Economic Forum



Employment is Improving but We Need to do More...

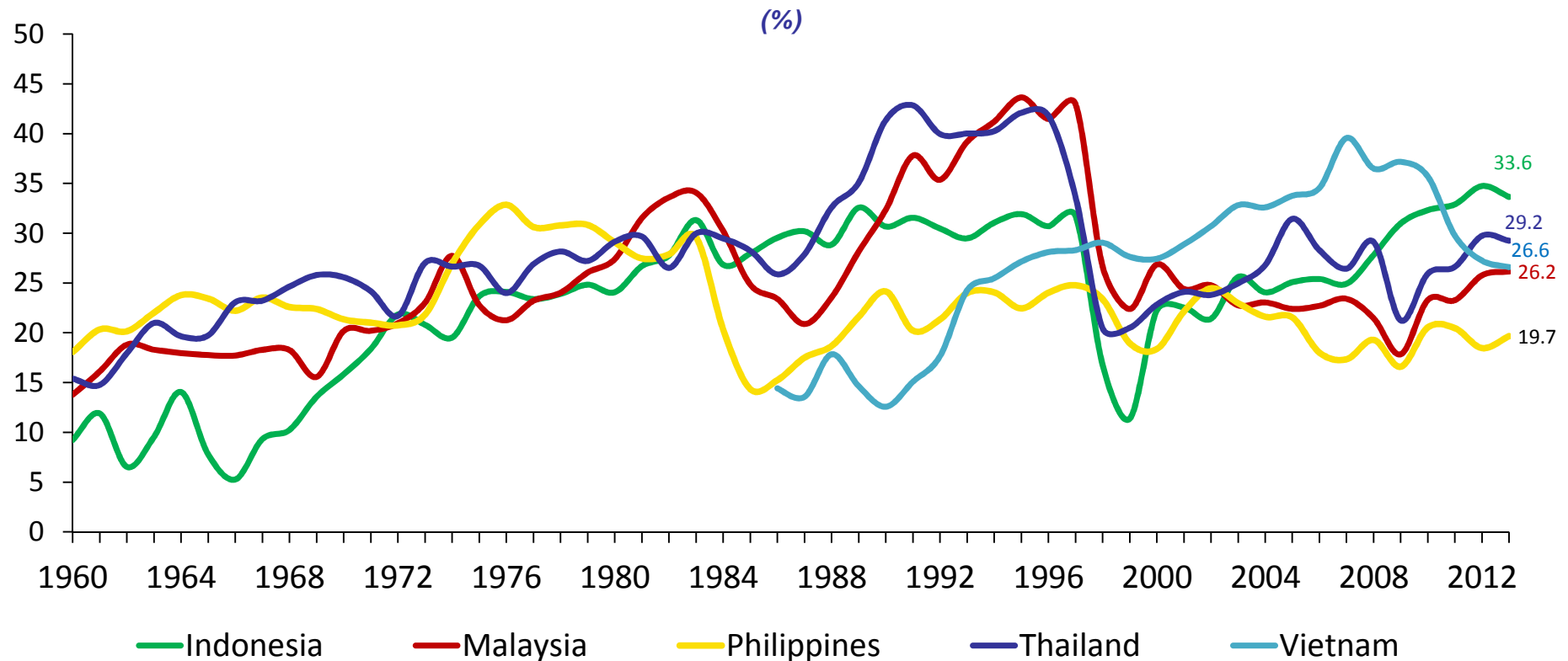
Indicator	Ave 2010	Ave 2012	Ave 2013	July 2013*	July 2014*
Labor Force Participation Rate (%)	64.1	64.2	63.9	63.9	64.4
Employment Level ('000)	36,035	37,600	38,118	37,390	38,451
Wage and Salary Workers (% to total employment)	54.5	57.2	58.1	58.3	58.4
Unemployment Level ('000)	2,859	2,826	2,905	2,961	2,778
Unemployment Rate (%)	7.3	7.0	7.1	7.3	6.7
Underemployment Level ('000)	6,762	7,514	7,371	7,169	7,050
Underemployment Rate (%)	18.8	20.0	19.3	19.2	18.3

* Excludes Leyte
Source: PSA



Amid the Gains, the Philippines Still Needs to Address Constraints to Investments and Capital Formation...

Share of Gross Capital Formation to GDP

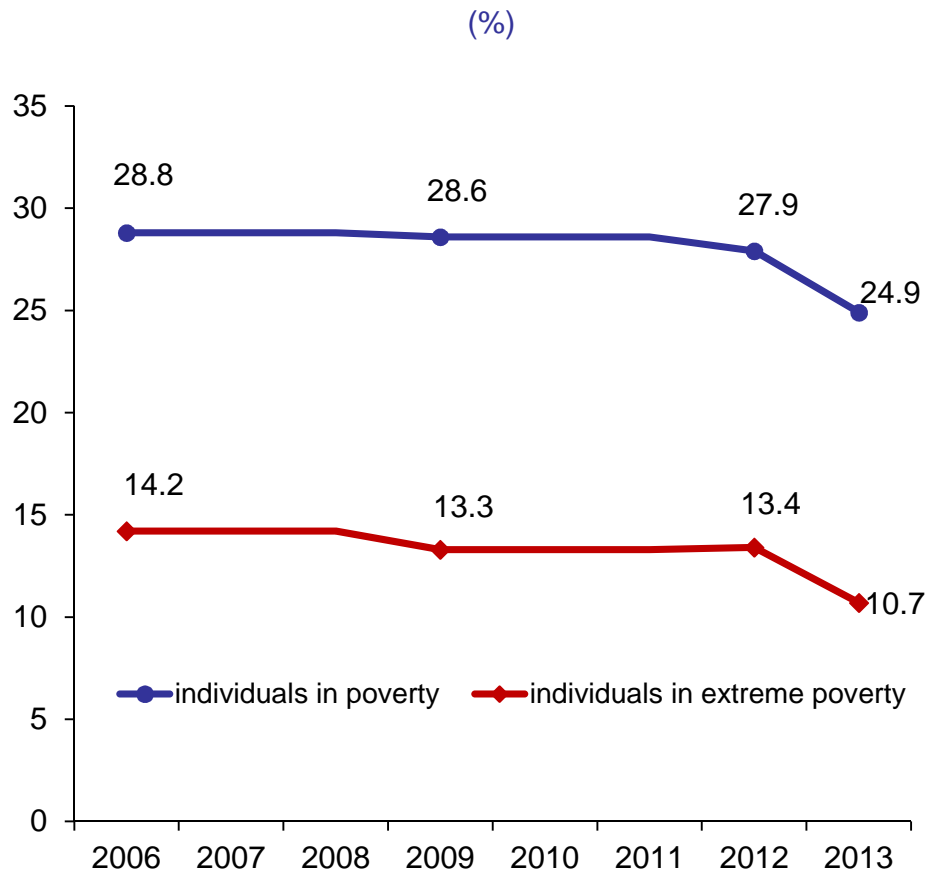


Source: World Development Indicators, World Bank (accessed Sept. 3, 2014)



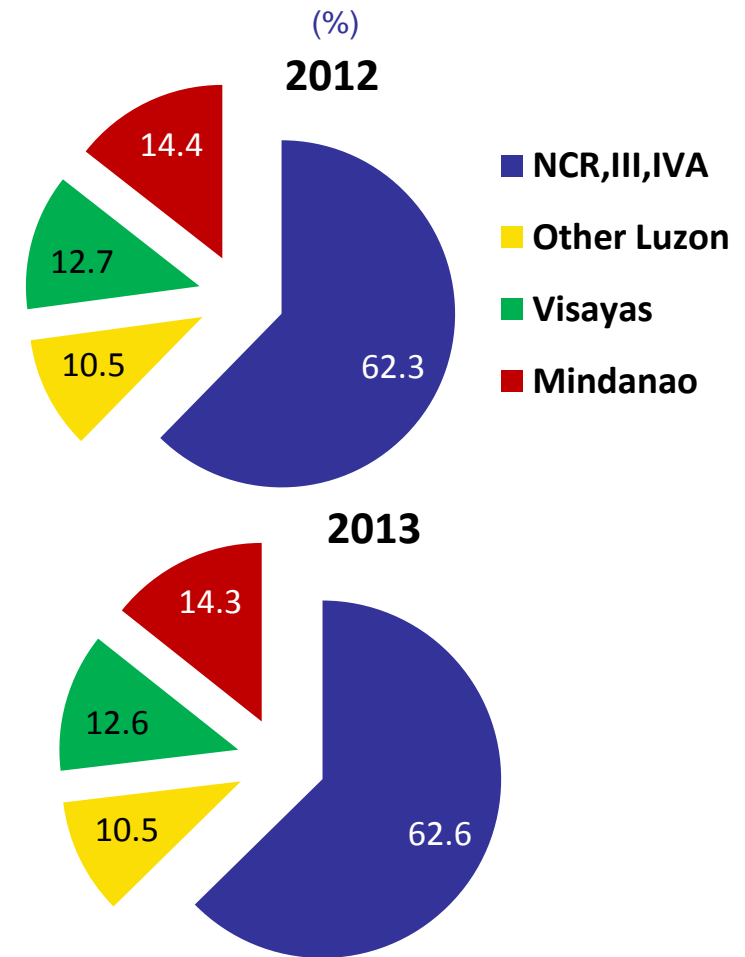
... and Push for Stronger Interventions to Achieve Inclusivity

Poverty statistics, 1H 2013



* National Capital Region
 Source: PSA

Share of NCR*, Regions III and IV-A to annual GDP





To Address Inclusivity and Support Higher Growth, Positive Actions with Sectoral and Spatial Focus will be Undertaken

Building credible and effective institutions

- Continue intensifying governance, institutional reforms
- Ensure policy consistency and predictability
- Enhance regulatory efficiency
- Industrial peace

Accelerating infrastructure development

- Focus investment in connective infrastructure, in most promising places
- Streamline processes

Equalizing development opportunities

- Invest in human capital



Inclusivity of Growth Also Means Pursuing Multidimensional Strategies to Improve Social Outcomes

- Continually promote better business environment
- Accelerate infrastructure development program
- Intensify programs to increase productivity and strengthen the linkage between farmers and agro-industrial sectors
- Accelerate the resurgence of manufacturing sector and the development of other high-employment generating sectors
- Improve jobs and skills matching
- Intensify the use of online labor market information systems



Resources will be Focused on Strategic Industry and Service Sectors

Growth sectors	Strategic plans and roadmaps
Manufacturing	<ul style="list-style-type: none">Comprehensive National Industrial Strategy (based on the industry roadmaps with focus on increasing linkages)
Agro-industry	<ul style="list-style-type: none">Programs to increase linkage between Agriculture and Industry and Services, e.g., Integrated Coconut Industry and Poverty Reduction Roadmap
Tourism	<ul style="list-style-type: none">Tourism Development ProgramTourism cluster destinations: Central Visayas, Metro Manila & CALABARZON, Central Luzon, Western Visayas, etc.
IT-BPM	<ul style="list-style-type: none">Next Wave Cities
Logistics	<ul style="list-style-type: none">National Logistics Plan
Construction	<ul style="list-style-type: none">Core Infrastructure Investment Program



Members of the 16th Congress are Moving Towards Passing Priority Measures to Set Better Conditions for Inclusive Growth

Common priority measures between the Legislative and the Executive branches

1. Freedom of Information Act	10. National Land Use Act
2. Whistleblowers' Protection Act	11. Land Administration Reform Act
3. Amendment to Witness Protection Act	12. Acquisition of Right-of-Way of Government Infrastructure Projects
4. Fiscal Incentives Rationalization	13. Rationalization of Mining Revenues
5. Amendment to BOT Law	14. Defining Forest Boundaries
6. Amendment to BSP Charter	15. Children in Situations of Armed Conflict*
7. CMTA (Customs and Tariff Modernization Act)*	16. Internal Displacement
8. Water Sector Reform Act	17. Magna Carta for the Poor
9. Amendment to Cabotage Law	18. Bangsamoro Basic Law

Other priority measures of the Executive branch

19. Removing investment restrictions in specific laws cited in the Foreign Investment Negative List (FINL)	23. Revision of the Criminal Code
20. Civil Service Code Reform	24. Delineation of the Philippine Maritime Zone/Archipelagic Sea Lanes
21. Competition Law	25. Uniformed Personnel Pension Reform Bill
22. Amendment of the Human Security Act	26. Amendments to RA 10353 or the Anti-Enforced Disappearance Act

* Not included in the List of Priority Measures of the Executive Branch but was marked as priority of the Cabinet/Agency concerned, per list provided by Office of the Deputy Executive Secretary for Legal Affairs



With All These Strategies in Place, We are Confident That We can Achieve Sustainable and Inclusive Growth in 2014 and Beyond

Medium Term Philippine Development Plan Targets

Indicators	Baseline (2012)	Annual Plan Targets		
		2014	2015	2016
Gross Domestic Product (%)	6.8	6.5 -7.5	7.0-8.0	7.5-8.5
Unemployment rate (in %)	7.0	6.8	6.7	6.6
Underemployment rate (% of employed)	20.0	19.0	18.0	17.0
Poverty Incidence (% of population)	25.2	24.0	22.5	19.0
Multidimensional Poverty (in %)	28.2 (2008)	21.0	19.0	17.0



Government is Prepared to Mitigate External and Domestic Risks

External

- Mixed signals from United States' Quantitative Easing (QE) Program
- Slowdown in large emerging economies, particularly China and India
- Still fragile growth recovery in Euro area
- Geopolitical tensions in the Middle East and Russia-Ukraine region

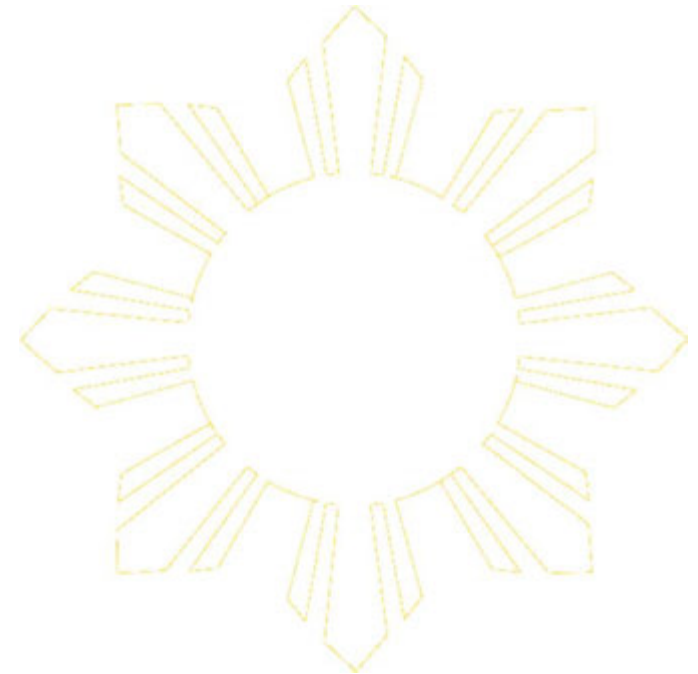
Domestic

- Disasters arising from natural hazards (e.g., typhoons, prolonged monsoon rains, El Niño in the 2nd semester of 2014 – now with 60% to 65% probability)
- Possible spike in commodity prices (e.g., petroleum, power, food)
- Delays in infrastructure and reconstruction projects
- Destructive coconut scale insect infestation
- Logistics bottlenecks



Monetary, External and Financial Sectors

Bangko Sentral ng Pilipinas





Outline

- I. Major Accomplishments YTD 2014
- II. Legislative and other Reform Measures for 2014-2016
- III. Risks to the Inflation Outlook
- IV. Macroeconomic Outlook/Targets for 2014-2015
- V. BSP Initiatives to Empower SMEs



Policy/Reform Milestones and Their Impact

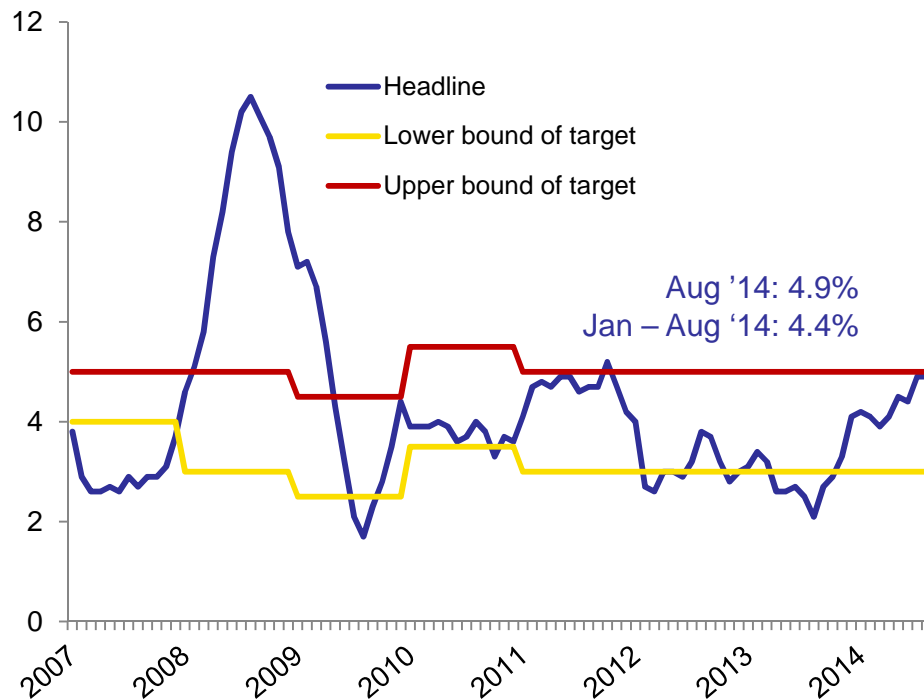
	Policy	Impact
Monetary Sector	<ul style="list-style-type: none"> ▪ Raised key policy interest rates by a total of 50 bps to 4.0 percent for the overnight borrowing or reverse repurchase (RRP) facility and to 6.0 percent for the overnight lending or repurchase (RP) facility (25 bps each on 31 July 2014 and 11 September 2014) ▪ Increased the rate on the Special Deposit Account (SDA) facility by a total of 50 bps to 2.5 percent across all tenors (25 bps each on 19 June 2014 and 11 September 2014) ▪ Raised banks' reserve requirement rate by one percentage point to 19 percent effective 4 April 2014 and further to 20 percent effective 30 May 2014 	<ul style="list-style-type: none"> ▪ Price stability and non-inflationary growth
External Sector	<ul style="list-style-type: none"> ▪ Adopted the new peso effective exchange rate (EER) indices which involved shifting from arithmetic to geometric formulation and from base year to chained indices ▪ Liberalized further the foreign exchange (FX) regulations with respect to the procedures and documentary requirements for the registration of inward foreign investments and other investments (BSP Circular no. 838 dated 20 June 2014) 	<ul style="list-style-type: none"> ▪ Strong external position and stable foreign exchange rate
Financial Sector	<ul style="list-style-type: none"> ▪ Promoted further capital market development by requiring the listing of Long-Term Negotiable Certificates of Time Deposits (LTNCTDs) with an accredited exchange (BSP Circular No. 824 dated 30 January 2014) ▪ Enhanced the reportorial requirements on microfinance operations to provide new data needed to effectively supervise banks providing microfinance services (BSP Circular No. 836 dated 13 June 2014) ▪ Defined salary loans and enhanced the reporting templates used by banks and non-stock savings and loan associations to accurately measure its volume, and to ensure that the exposures of these institutions to said loans are well-managed (BSP Circular No. 837 dated 18 June 2014) ▪ Expanded microprudential regulations toolkit thru the adoption of prudential real estate stress test (REST) limit for universal/commercial banks (U/KBs) and thrift banks (TBs) on their aggregate real estate exposures (BSP Circular No. 839 dated 27 June 2014) 	<ul style="list-style-type: none"> ▪ Efficient, sound, competitive and inclusive financial sector



Inflation Remained Within Target Amid Various Upside Pressures

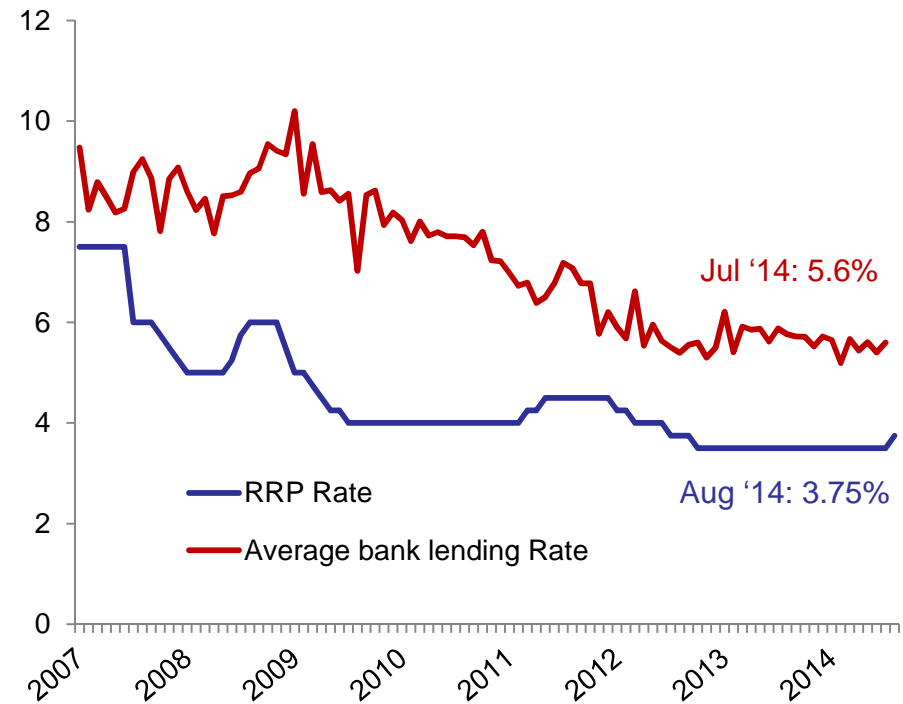
Inflation remains manageable but close to the upper-end of the target

Headline Inflation vs. Target (%)
2007 – August 2014



Calibrated monetary policy actions contributes in warding off inflationary pressures

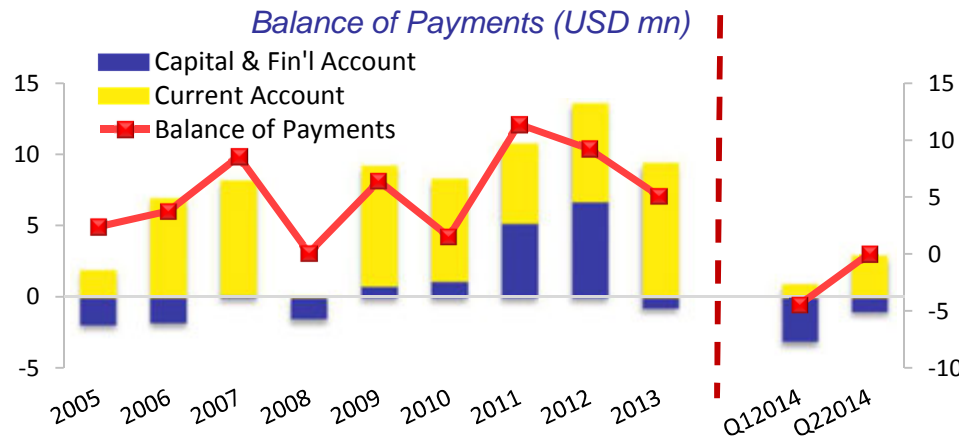
RRP Rate and Average Bank Lending Rate (%)
January 2007 – August 2014



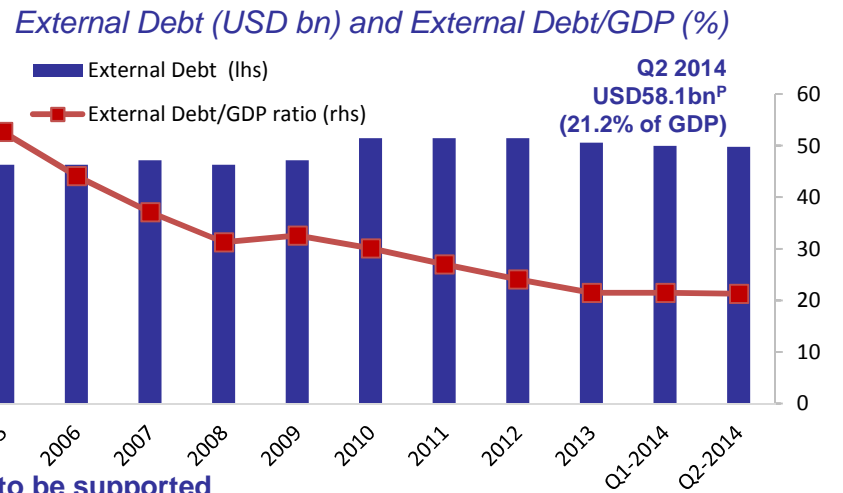


Strong External Payment Dynamics Proven to be an Effective Risk Mitigant

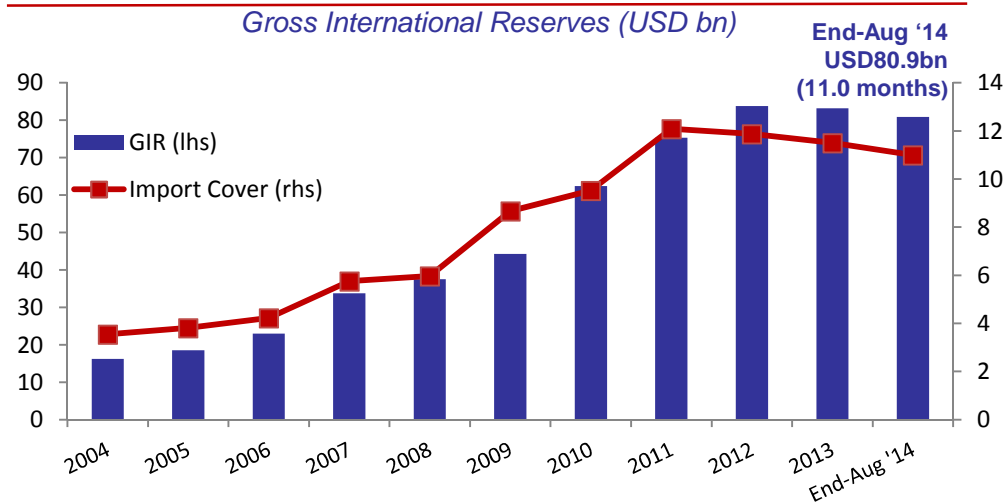
Sustained current account surplus supports the BOP account



External debt continues to exhibit a downtrend



The country's FX reserves continue to be supported by OF remittances, receipts from BPO and tourism

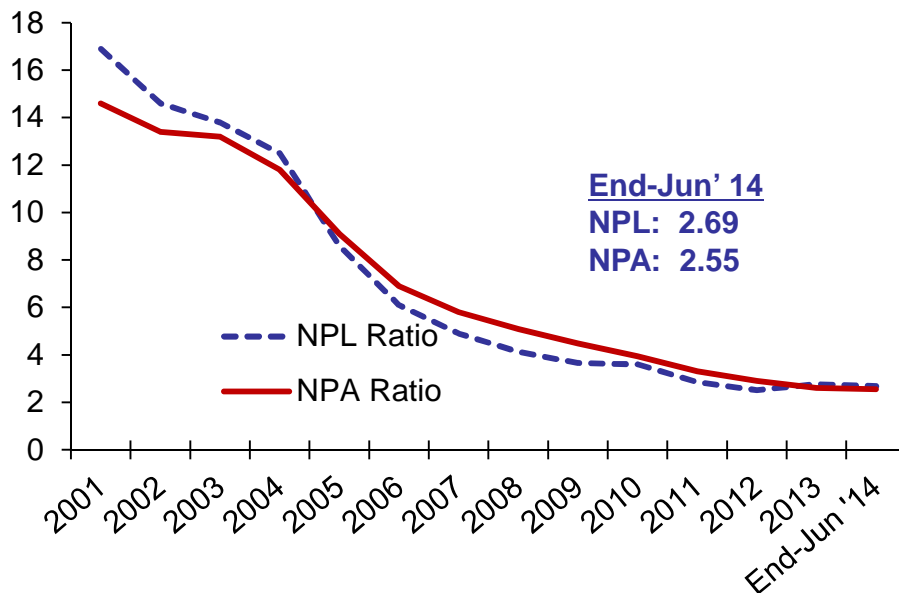




Banking System Continued to be an Efficient Intermediator of Funds

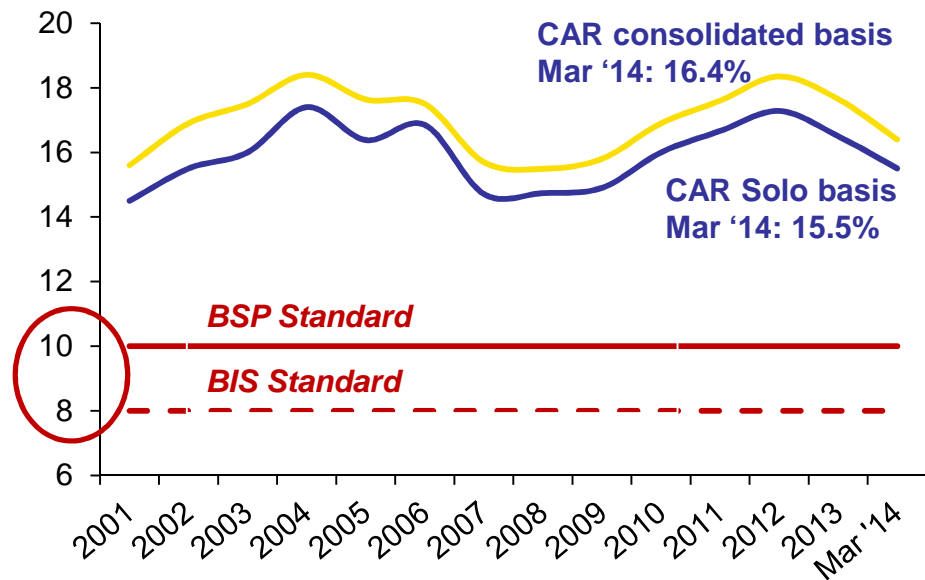
Sustained bank reforms help improve the quality of banks' asset and loans

Gross Non-Performing Loans and Non-Performing Assets to Gross Assets Ratios (%) (Philippine Banking System)



Philippine banks remain adequately capitalized

Capital Adequacy Ratio (%) (Philippine Banking System)



Notes:

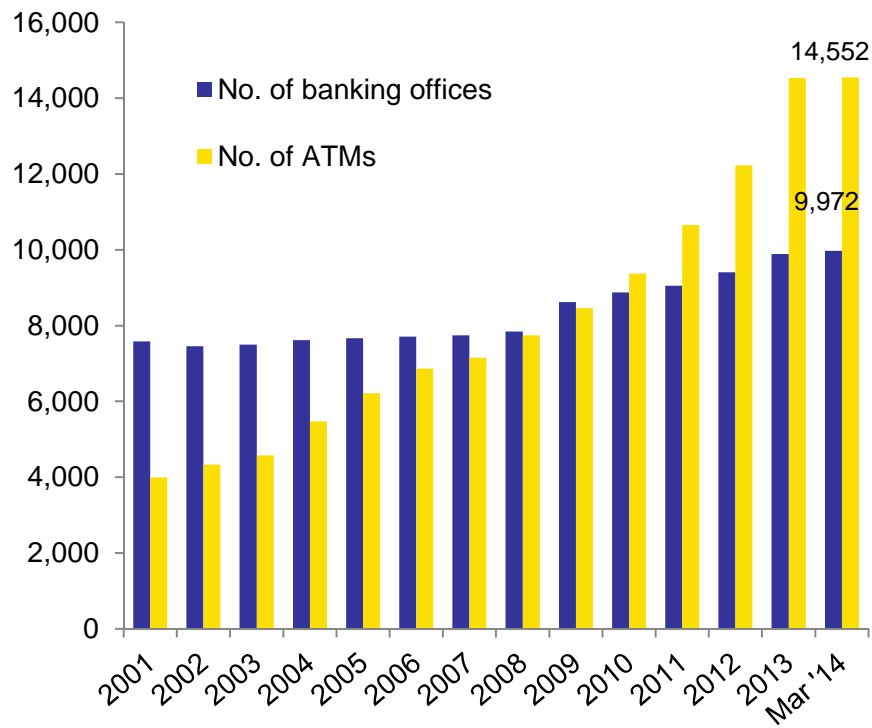
- End-period data: NPL ratio (inclusive of interbank loans)
- Starting January 2013, figures are computed as prescribed under BSP Circular No. 772. Gross NPL represents the actual level of NPL without any adjustment for loans treated as "loss" and fully provisioned
- CAR 2001-2011 data is on the Philippine Banking System; data for 2012 onwards is on U/KBs.



Efforts Toward Promoting Financial Inclusion Continue to Bear Fruits

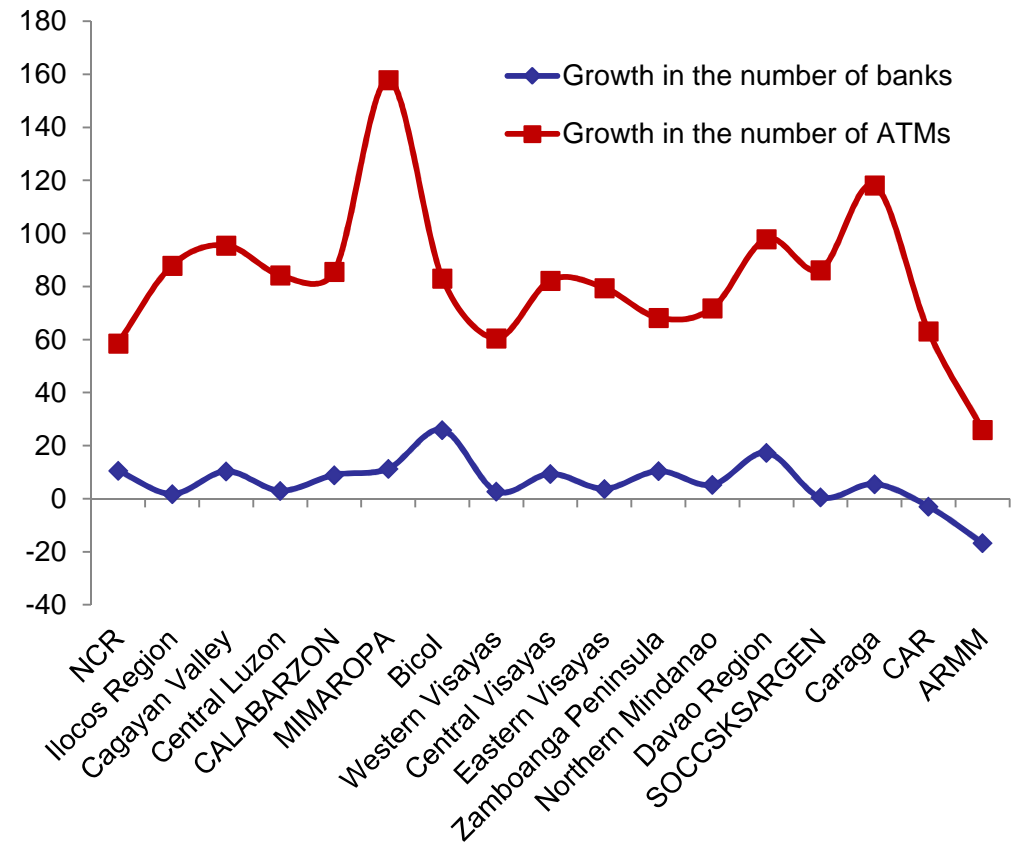
Philippine banks' physical presence continues to expand

Number of Banking Offices and ATMs
2001 to March 2014



Growth of ATMs sustains acceleration since 2009

Regional Growth Rates (%) in the Number of Banking Offices and ATMs
2009 vs. March 2014



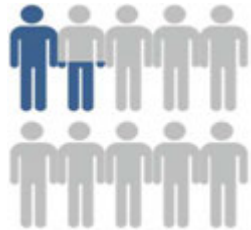


Increased Access to Finance



37%

of the 1,634 cities and municipalities do not have a banking office



15%

of total population lived in unbanked cities and municipalities

370



2012



465

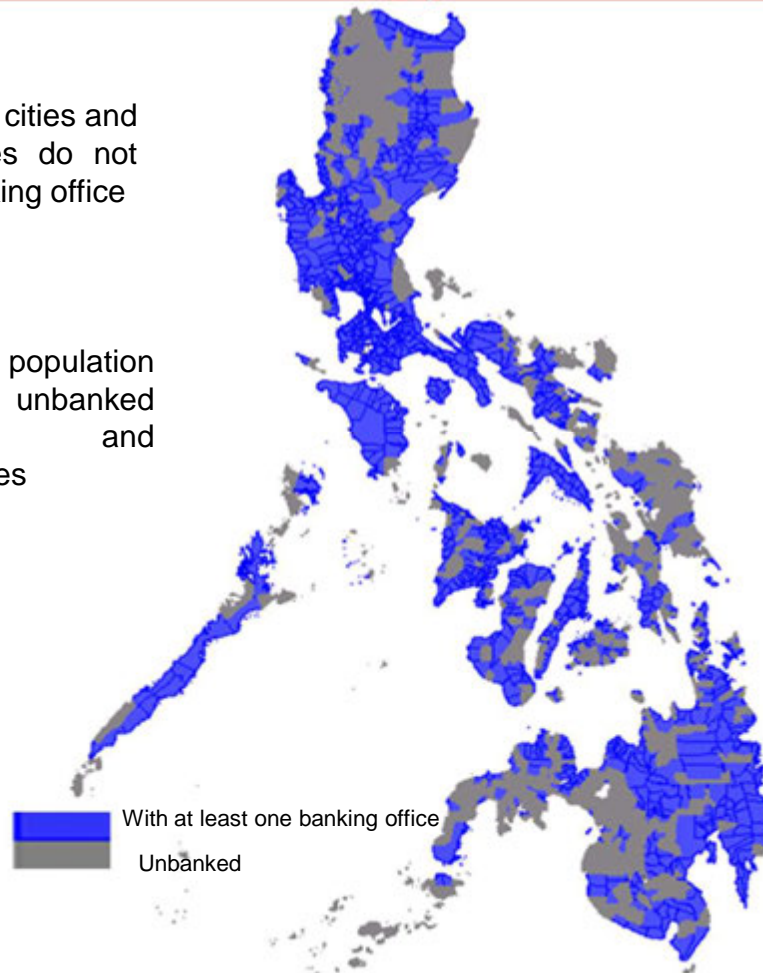


2013

Number of operating micro-banking offices (MBOs)

56 municipalities are served by MBOs alone

Note: All data as of end-year 2013



archipelagic barriers pose a big challenge to financial access

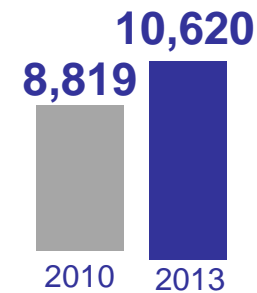
For every 10,000 adults,



1 bank

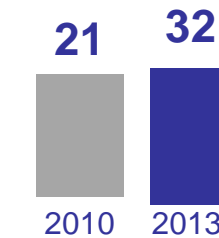


2 ATMs



20%

Increase in number of e-money agents



52%

Increase in number of e-money issuers (EMIs)

Source: BSP





Improved Usage of Financial Services

DEPOSITS AND LOANS



No. of deposit accounts
45.4mn accounts in 2013 from 41.8mn in 2012

Amount of deposits
PHP7.6tr in 2013 from PHP5.7tr in 2012

Amount of loans
PHP4.25tr in 2013 from PHP3.34tr in 2012

MICROFINANCE



No. of micro-deposit accounts
1.5mn accounts in 2013 from 1.1mn in 2012

Amount of micro-deposits
PHP2.96bn in 2013 from PHP2.3bn in 2012

Amount of microfinance loans
PHP8.7bn in 2013 from PHP8.4bn in 2012

E-MONEY



No. of e-money accounts
26.7mn accounts in 2013 from 25.3mn in 2012

No. of e-money transactions
217mn in 2013 from 188mn in 2012

Amount of e-money transactions
PHP350mn inflows in 2013 from PHP308mn in 2012
PHP346mn outflows in 2013 from PHP305mn in 2012

SMEs



Around **836,600** MSMEs with outstanding loans from banks amounting to **PHP385bn**

% SMEs with a deposit account at a formal financial institution
97.9%

% SMEs with an outstanding loan or line of credit
30.5%

Notes:

- All data as of end-year 2013
- Source: BSP and 2009 World Bank Enterprise Surveys (average for small and medium enterprises) for SME data; No comparative figures for SME data



Enhancing the Credibility and Integrity of the BSP in Achieving its Legal Mandate

I. Proposed Legislation for 2014 onwards

- **Amendments to the BSP Charter.** The proposed bill aims to achieve the following objectives: (a) enhance monetary stability functions; (b) enhance supervision for financial system stability; and (c) ensure a financially stronger BSP.
- **Payments and Settlements System.** The proposed bill provides a legal framework to guarantee that payment and settlement systems in the country are efficient, safe, reliable, affordable and meets global standards. The bill also empowers the BSP to regulate all types of payment and settlement systems in the country.
- **Check Truncation.** The proposed bill aims to provide the legal framework for check truncation in the Philippines by allowing the presentment of the image and electronic payment information relating to an original check.
- **Anti-Hoarding of Legal Tender Philippine Currency Coins.** The proposed bill seeks to maintain the stability of the Philippine currency by discouraging private hoarding of coins and by encouraging the public to deposit their money in banking institutions.
- **Credit Surety Fund.** The proposed bill seeks to institutionalize the Credit Surety Fund (CSF) to enhance the accessibility of micro, small and medium enterprises (MSMEs) to the credit facility of banks and for other purposes

II. Planned Projects/Activities

- **Corporate Sector Database Project.** The BSP and the Philippine Statistics Authority (PSA) recognize the need for the Securities and Exchange Commission (SEC) to develop a corporate sector database given the importance of corporate data/statistics in policymaking.
- **Development of an Administrative Reporting System to Generate Investments Data/Statistics.** The administrative form is intended for more frequent reporting and more comprehensive coverage of investment statistics.
- **Housing and Real Estate Statistics.** The proposed Residential Real Estate Price Index (RREPI) is envisioned as a measure of the movements in residential property prices, nationwide and across emerging highly urbanized areas in the country, which could serve as important inputs to the BSP's monetary and financial policies as well as for planning by the private sector and other government agencies.



Key Risks to the Inflation Outlook

Upside risks:

- Possible uptick in food prices as a result of tight domestic supply conditions and disruption in distribution channels
- Pending petitions for adjustments in utility rates and possible power shortage
- Higher-than-expected liquidity growth

Downside risks:

- Slower global economic activity
- Fiscal underspending



Macroeconomic Outlook/Targets for 2014-2015

	Actual		Targets/Projections	
	2013	2014	2014	2015
GDP Growth (% , 2000=100)	7.2	6.0 (H1)	6.5 – 7.5 ^{a/}	7.0-8.0 ^{a/}
Headline Inflation (% , 2006=100)	3.0	4.4 (Jan-Aug)	3.0 – 5.0 ^{a/}	2.0-4.0 ^{a/}
Merchandise Exports Growth (%) Based on the BPM6 concept Based on the Philippine Statistical Association (PSA) data	-3.6 8.8	0.3 (Jan-Jun) 8.3 (Jan-Jun)	6.0 ^{b/} n.a.	8.0 ^{b/} n.a.
Merchandise Imports Growth (%) Based on the BPM6 concept Based on PSA data	-3.1 0.5	3.6 (Jan-Jun) 5.4 (Jan-Jun)	9.0 ^{b/} n.a.	10.0 ^{b/} n.a.
OF Remittances ^{1/} Amount (USD bn) Growth Rate (%)	23.0 7.4	13.5 (Jan-Jul) 5.8	24.1 ^{b/} 5.0 ^{b/}	25.3 ^{b/} 5.0 ^{b/}
Balance of Payments (USD bn)	5.1	-3.5 (Jan-Aug)	1.1 ^{b/}	n.a.
GIR (USD bn)	83.2	80.9 (End-Aug)	85.3 ^{b/}	88.0 ^{b/}

^{a/} Based on projections adopted by the Development Budget Coordinating Committee (DBCC) on 20 June 2014

^{b/} Based on BSP projections as approved by the Monetary Board on 5 June 2014

^{1/} Cash remittances coursed through banks



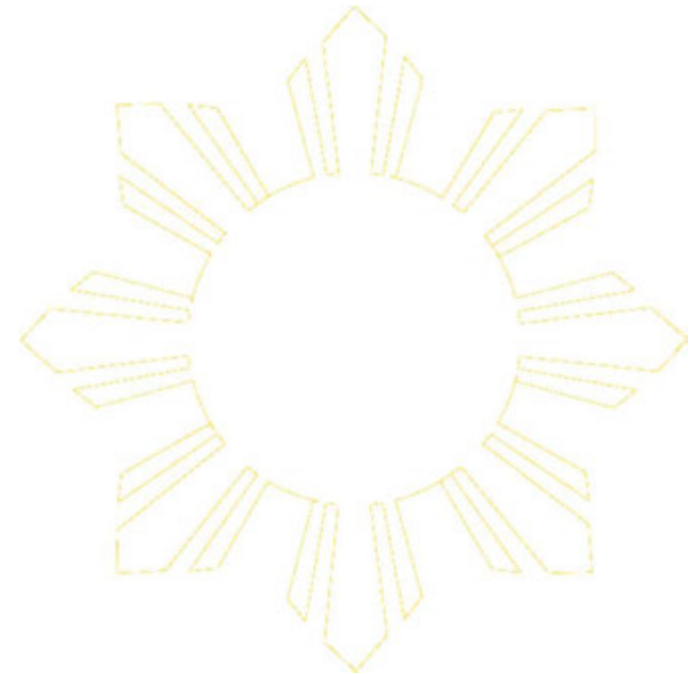
BSP Initiatives to Empower MSMEs

<p>Policy, Regulation and Supervision</p>	<ul style="list-style-type: none"> ▪ The BSP is consistently ranked as one of the best in the world in the provision of regulatory environment for microfinance by the EIU Global Microscope on the Microfinance Business Environment since 2009 ▪ Conducted the National Retail Payment System Workshop in June 2014, a follow-on activity after the National Payment System Workshop in 2013, to set common understanding of efficient and inclusive models of fund transfers and payments among relevant stakeholders.
<p>Financial Education and Consumer Protection</p>	<ul style="list-style-type: none"> ▪ Conducted 28 Economic and Financial Learning Program (EFLP) roadshows in key cities and municipalities nationwide since its implementation in 2010, benefitting over 39,000 participants ▪ Conducted Financial Literacy Sessions for the participants of the Pantawid Pamilyang Pilipino Program (4Ps) and Trainers Trainings on Savings, Budgeting and Consumer Protection module for the field implementers of the Sustainable Livelihood Program (SLP) of the Department of Social Welfare and Development (DSWD) in 2013-2014 ▪ The Monetary Board (MB) approved the adoption of the Financial Consumer Protection Framework to institutionalize consumer protection as an integral component of banking supervision in the country on 14 May 2014.
<p>Data and Measurement</p>	<ul style="list-style-type: none"> ▪ Institutionalized information-sharing with other BSP departments as well as external agencies handling inclusion-related data through the BSP Inclusive Finance Advocacy Staff (IFAS) ▪ Mapped out financial service access/distribution points: <ul style="list-style-type: none"> - Banking offices went up by 31% to 9,972 as of end-March 2014 from 7,585 in 2001 - ATM network accelerated by 275% to 14,552 as of end-March 2014 from 3,882 in 2001
<p>Financial Inclusion Advocacy</p>	<ul style="list-style-type: none"> ▪ Spearheaded the implementation of the Credit Surety Fund (CSF) program <ul style="list-style-type: none"> - As of 18 August 2014, 31 CSFs in various LGUs have been organized covering 464 cooperatives/NGOs. ▪ Ensured the smooth flow of remittances through the use of the Philippine Payments and Settlements System (PhilPaSS) REMIT System <ul style="list-style-type: none"> - Since its implementation in 2010, the PhilPaSS-REMIT System has processed 1,403,845 transactions with a corresponding value of PHP56.7bn, as of end-June 2014



Revenue Collection and Debt Management

Department of Finance





Outline

- I. NG Fiscal Performance
- II. NG Fiscal Program
- III. DOF Legislative Priorities



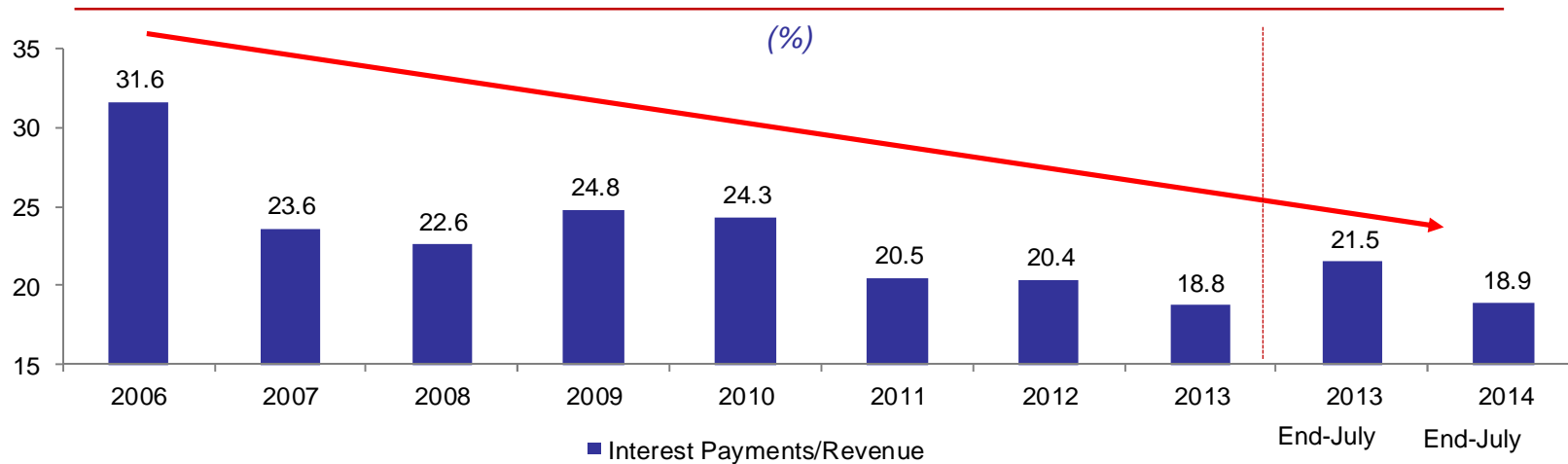
Double Digit Total Revenue Growth in the First 7 Months of 2014

	2013 Jan-Jul Actual (PHP bn)	2014 Jan-Jul Actual (PHP bn)	Growth Rate (%)
Total Revenues	984.1	1,100.5	11.8
Tax Revenues	<u>875.5</u>	<u>976.0</u>	11.5
BIR	693.8	763.2	10.0
BOC	172.8	203.9	18.0
Other Offices	8.9	9.0	1.5
Non-Tax Revenues	<u>108.3</u>	<u>122.6</u>	13.2
Income from Treasury Operations	30.8	37.9	22.9
Privatization	<u>0.4</u>	<u>1.9</u>	428.8
Expenditure	1,088.6	1,156.2	6.2
Surplus/(Deficit)	(104.5)	(55.7)	-46.7

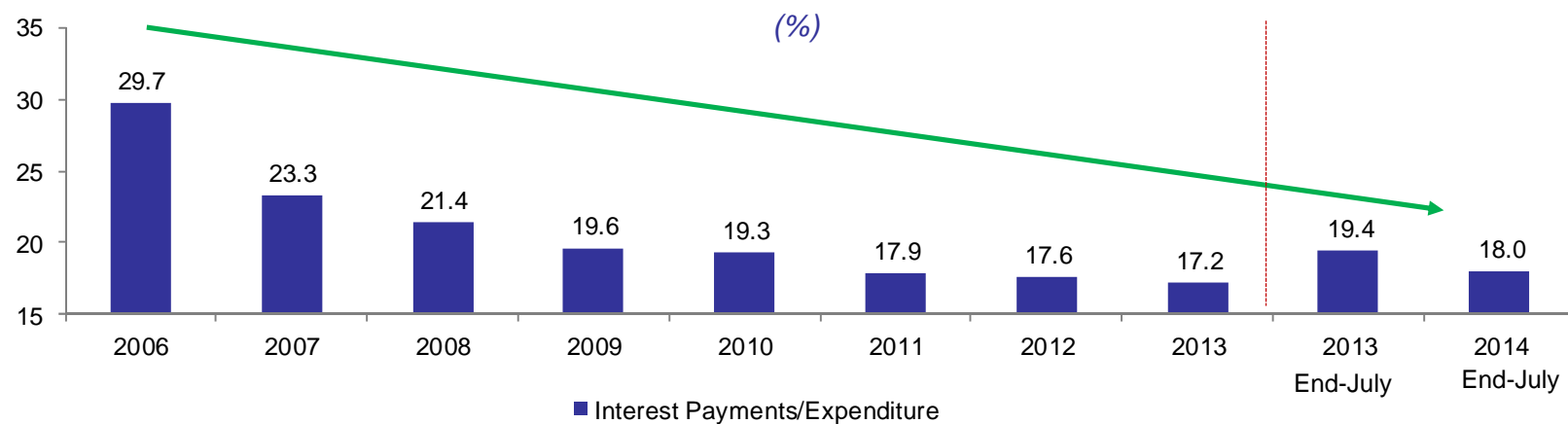


Creating More Fiscal Space

Revenues allocated to interest payments have declined drastically




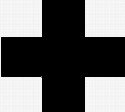


More funds are being allocated to productive spending as share of interest payment to expenditures declines





Better Compliance → Social Gains

Increased revenue efforts → Greater spending on social services and infrastructure

Agency	2010 GAA (PHP bn)	2014 GAA (PHP bn)	2014 vs. 2010
 DepEd	191.1	309.5	62% ↑
 DOH	30.0	90.8	203% ↑
 DPWH	141.8	219.9	55% ↑
 DSWD of w/c CCT	16.1 9.2	83.4 62.6	418% ↑ 580% ↑

Notes: DepEd includes the School Building Program and transfers from Miscellaneous Personnel Benefits Fund (MPBF); DOH includes budgetary support to attached corporations and transfers from MPBF; DPWH includes budgetary support to attached corporations; DSWD includes transfers from MPBF; CCT- Conditional Cash Transfer, GAA – Government Appropriations Act
Source: DBM



Investment Grade Ratings Bode Well in Raising the Philippines International Profile as a Competitive Investment Destination

STANDARD & POOR'S

Upgrade to BBB/Stable (May 8, 2014)

MOODY'S

Upgrade to Baa3/Positive (October 3, 2013)

FITCH RATINGS

Affirmation of BBB-/Stable (March 25, 2014)

**RATING & INVESTMENT
(R&I) INFORMATION, INC.**

Upgrade to BBB/Stable (July 9, 2014)

**JAPAN CREDIT RATING
AGENCY (JCRA)**

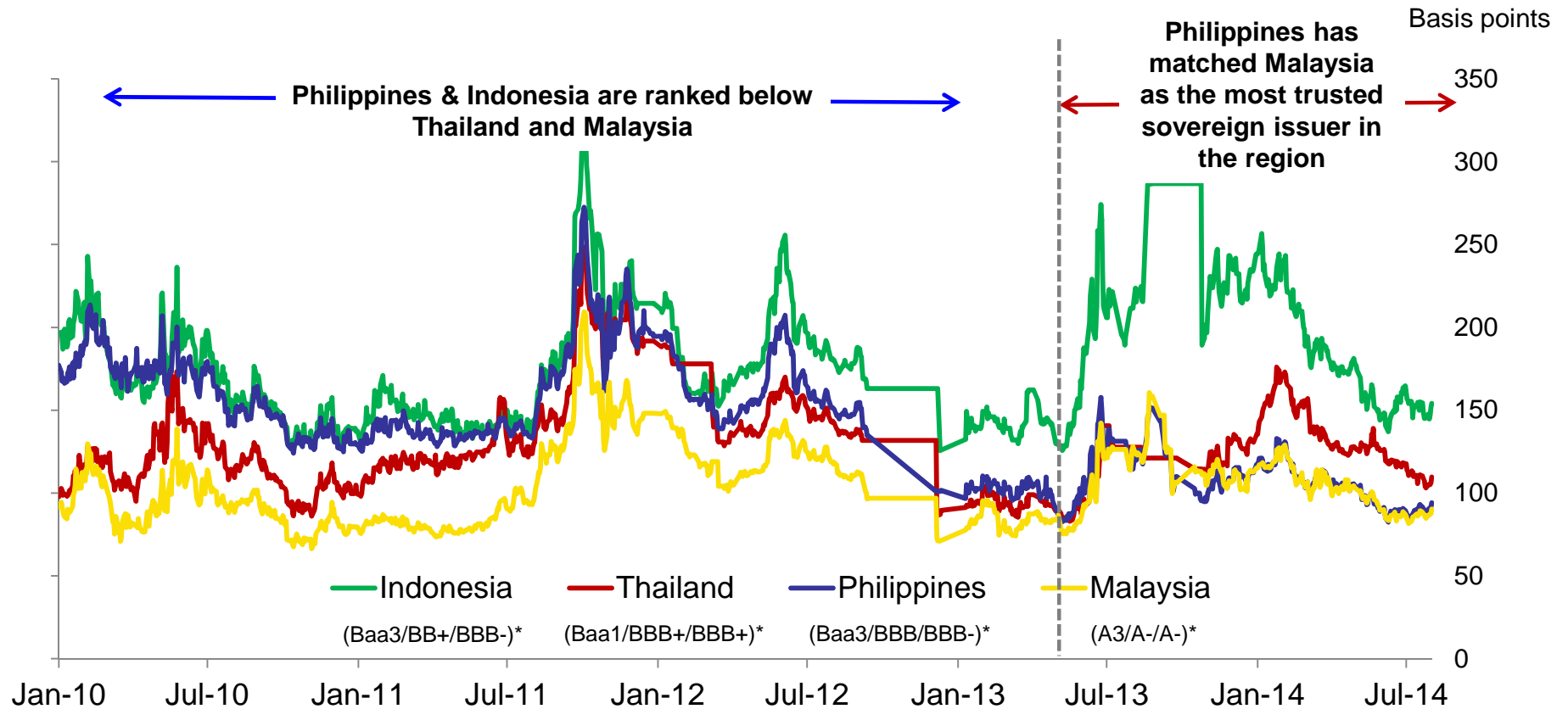
Affirmation of BBB/Stable (May 30, 2014)

NICE Ratings, Inc.

Upgrade to BBB-/Positive (September 1, 2014)



Tightening of Credit Default Swap (CDS) levels



...investor confidence in Philippine debt securities has surpassed Indonesia and Thailand and is now on par with Malaysia

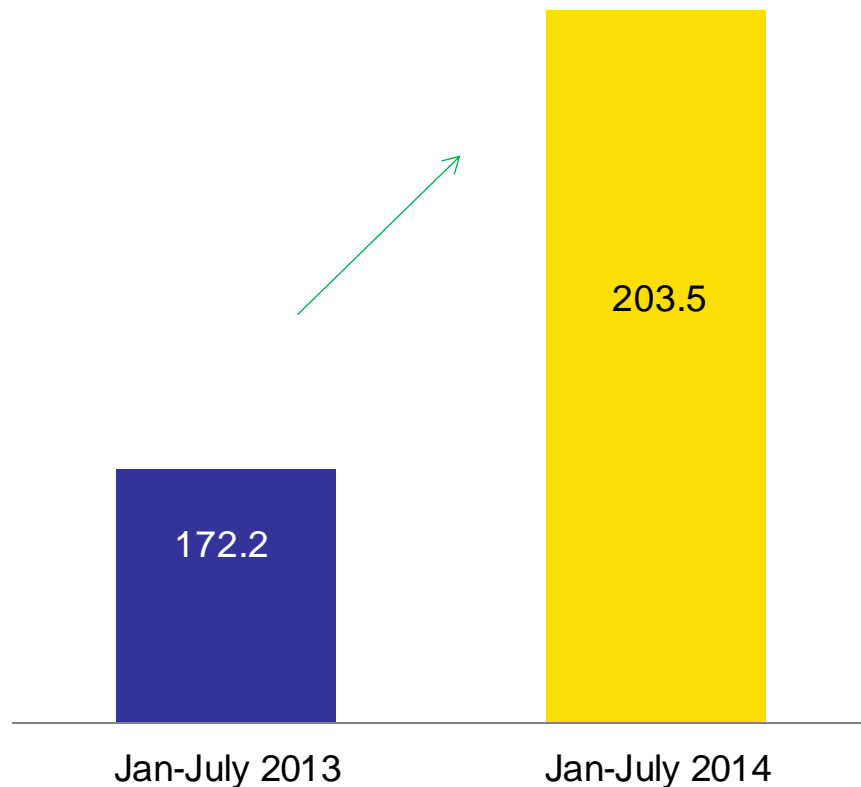
*Sovereign rating by Moody's/S&P/Fitch



Reforms in the Bureau of Customs

Customs cash collections grew 18.1%

(PHP bn)



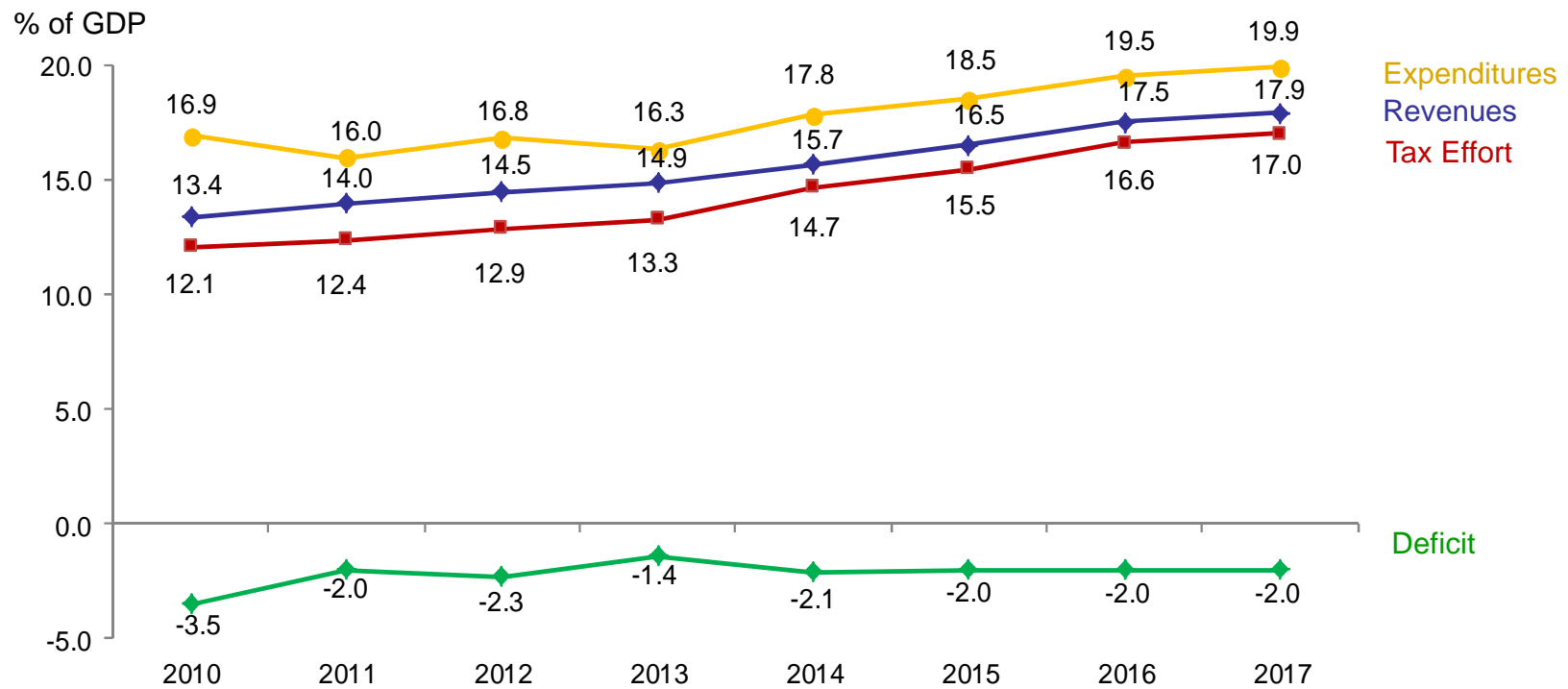
A result of reforms, such as:

- The appointment of a new Commissioner, six (6) new Deputy Commissioners, new staff and personnel movement
- Creation of new offices under the DOF, tasked to review current systems in revenue-generating agencies and to modernize operations:
 - Office of Revenue Agency Modernization
 - Customs Policy Research Office
 - Moving the Post Entry Audit functions to the DOF Fiscal Intelligence Unit



Medium-Term Fiscal Program

Strong commitment to fiscal consolidation to enhance long-term sustainability





2015 Fiscal Program

In line with medium term fiscal objectives

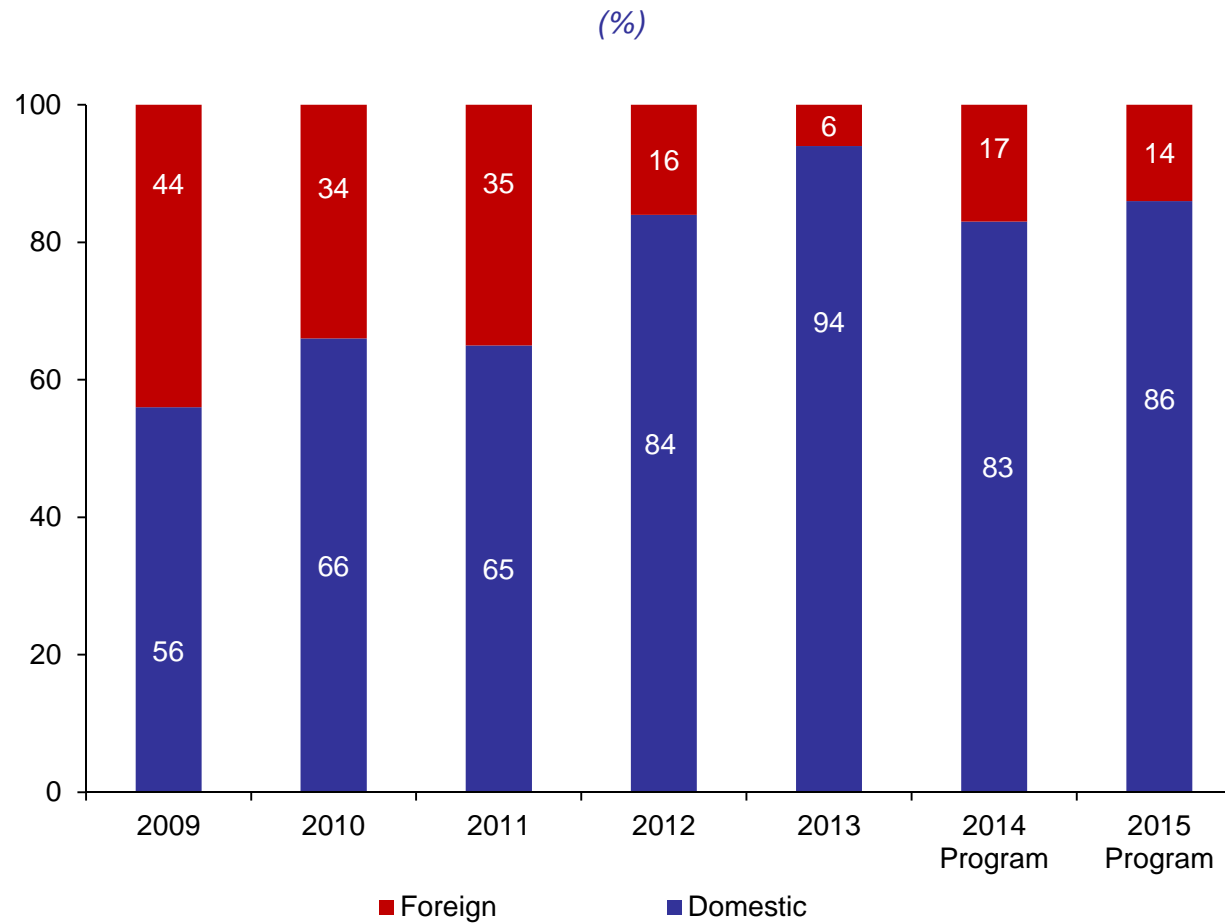
	2013 Actual (PHP bn)	2014 Program (PHP bn)	2015 BESF (PHP bn)	Growth Rate 2014 vs. 2015 (%)
Total Revenues	1,716.1	2,018.1	2,337.3	15.8
<i>% of GDP</i>	<i>14.9</i>	<i>15.7</i>	<i>16.5</i>	
Tax Revenues	<u>1,535.7</u>	<u>1,879.9</u>	<u>2,194.4</u>	16.7
<i>% of GDP</i>	<i>13.3</i>	<i>14.7</i>	<i>15.5</i>	
BIR	1,216.7	1,456.3	1,720.8	18.2
BOC	304.9	408.1	456.5	11.9
Other Offices	14.1	15.5	17.1	10.3
Non-Tax Revenues	<u>177.5</u>	<u>136.1</u>	<u>140.9</u>	3.5
Income from Treasury Operations	47.5	35.6	37.3	4.8
Privatization	<u>2.9</u>	<u>2.0</u>	<u>2.0</u>	0.0
Expenditure	1,880.2	2,284.3	2,621.0	14.7
Surplus/(Deficit)	(164.1)	(266.2)	(283.7)	6.6
<i>% of GDP</i>	<i>-1.4</i>	<i>-2.1</i>	<i>-2.0</i>	



Prudent Liability Management

Increasing reliance on domestic financing sources and improved debt sustainability

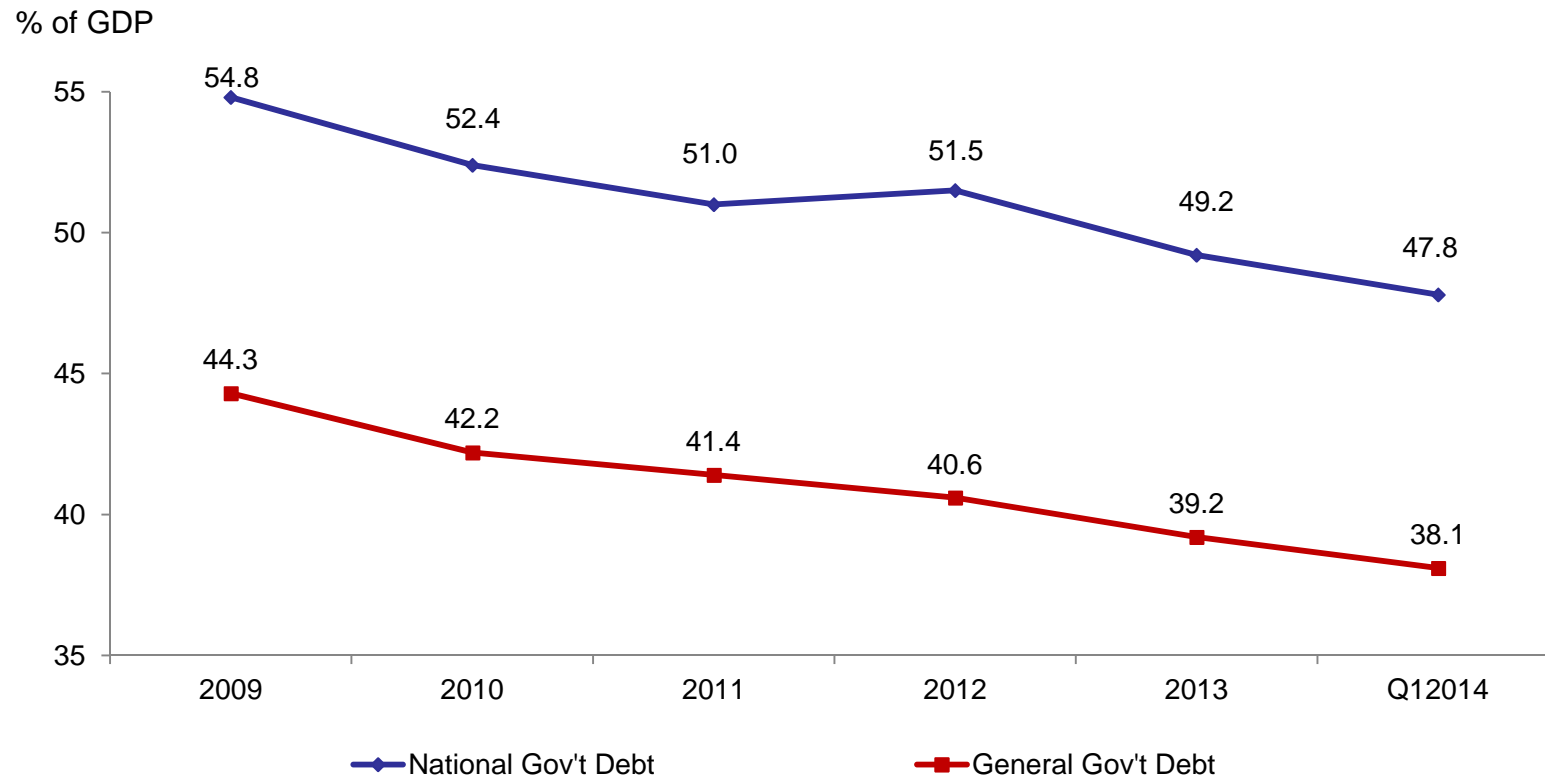
National Government Financing





Improved Debt Metrics

Further consolidation of debt creating a sustainable fiscal environment

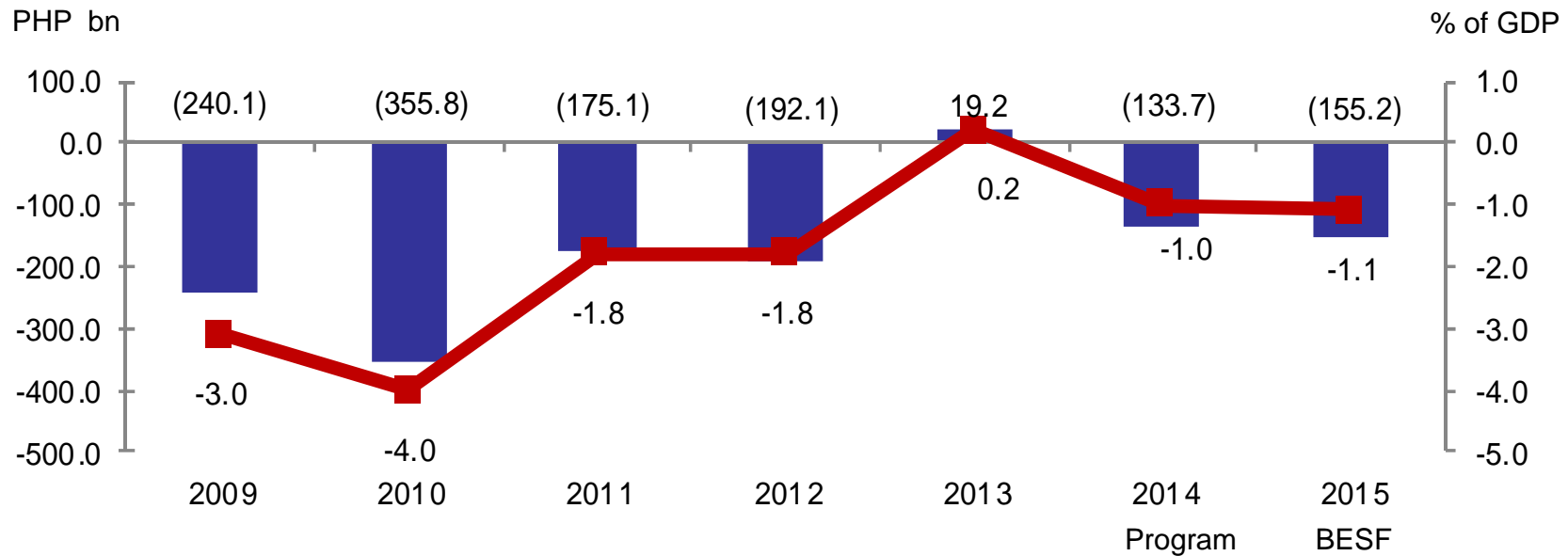


■ GG Debt is composed of the National Government debt (less the debt held by the Bond Sinking Fund), the debt of Social Security Institutions (GSIS, SSS and PhilHealth) and the Local Government Units (LGU)



Consolidated Public Sector Financial Position

To remain low at 1.1% of GDP due to lower NG deficit and improved GFIs and LGUs performance



Note: GFI – Government Financial Institutions
Source: 2015 Budget of Expenditure and Sources of Financing (BESF), DBM



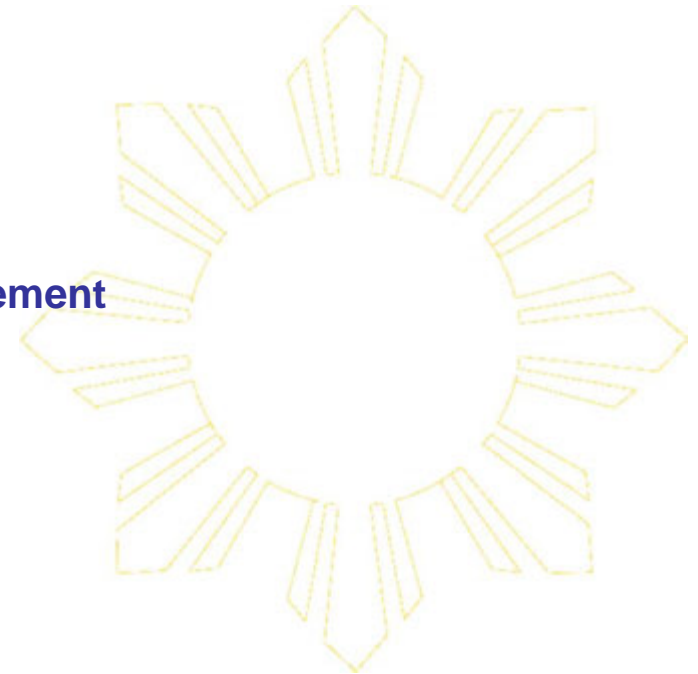
DOF Legislative Priorities

Fiscal Incentives Rationalization (FIR)	<ul style="list-style-type: none">■ The bill seeks to institute structural reforms and policy to enhance transparency and accountability in the grant and administration of tax incentives■ Status: - Pending in the Committee on Ways and Means in the House and in the Senate - FIR Bill by DOF & DTI transmitted to the OP, Speaker of the House and Senate President
Tax Incentive Management and Transparency Act (TIMTA)	<ul style="list-style-type: none">■ The bill seeks to foster transparency and accountability in the grant of tax incentives and to institutionalize a system of monitoring and reporting tax expenditures■ Status: - Pending in the Committee on Ways and Means in the House and in the Senate - DOF Bill transmitted to the OP, Speaker of the House and Senate President
Customs Modernization and Tariff Act (CMTA)	<ul style="list-style-type: none">■ The bill aims to promote and secure international trade, protect government revenue and modernize customs and tariff administration by adopting customs policies, rules and procedures which are clear, transparent and consistent with international agreements and customs best practices■ Status: - Pending in the Committee on Ways and Means in the House and in the Senate - DOF Bill transmitted to the OP, Speaker of the House and Senate President
Valuation Reform Act	<ul style="list-style-type: none">■ The bill seeks to institutionalize reforms in land and real property valuation which will translate into improved real property and related taxes■ Status: Pending in the Senate Committee on Ways and Means and Local Government and House Committee on Government Reorganization
Fiscal Regime for Mining Industry	<ul style="list-style-type: none">■ The bill proposes the adoption of a single fiscal regime for the mining sector and a simple formula in determining the revenue sharing arrangement between the government and mining companies■ Status: The Mining Industry Coordinating Council has submitted the draft bill to the President for His Excellency's consideration



Expenditure Management

Department of Budget and Management





Outline

- I. Assessment of the Latest Expenditure Performance
- II. Performance/Accomplishments and Prospects
- III. Expenditure Management Reforms



NG Disbursement Performance, January to June 2014

PARTICULARS	Levels (PHP bn)		2013 vs. 2014		As % of Full-Year Program
	2013 Actual	2014 Actual	Increase/(Decrease)		
			Amount	Percent	
REVENUES	839.5	933.7	94.3	11.2	46.3
DISBURSEMENTS	890.8	987.7	97.0	10.9	43.2
CURRENT OPERATING EXPENDITURES	732.6	805.0	72.4	9.9	44.7
Personnel Services	282.9	292.8	9.9	3.5	44.3
Maintenance and Other Operating Exp.	145.0	152.4	7.4	5.1	40.7
Subsidy	13.2	49.5	36.3	274.8	45.4
Allotment to LGUs	120.9	136.6	15.7	13.0	50.0
Interest Payments	157.1	159.7	2.6	1.7	45.3
Tax Expenditures	13.5	13.9	0.4	3.2	46.5
CAPITAL OUTLAYS	161.6	176.3	14.7	9.1	38.4
Infrastructure/Other Capital Outlays	123.4	136.6	13.3	10.8	37.4
Equity	0.3	0.4	0.1	30.0	13.0
Capital Transfers to LGUs	37.9	39.2	1.3	3.4	46.1
CARP-Land Acquisition and Credit					
NET LENDING	(3.4)	6.5	9.9	(287.7)	25.9
SURPLUS/DEFICIT	(51.3)	(54.0)	(2.7)	5.2	(20.3)

*Numbers may not add up due to rounding



NG Fiscal Outlook, FY 2014

Faster and better spending on priority investments

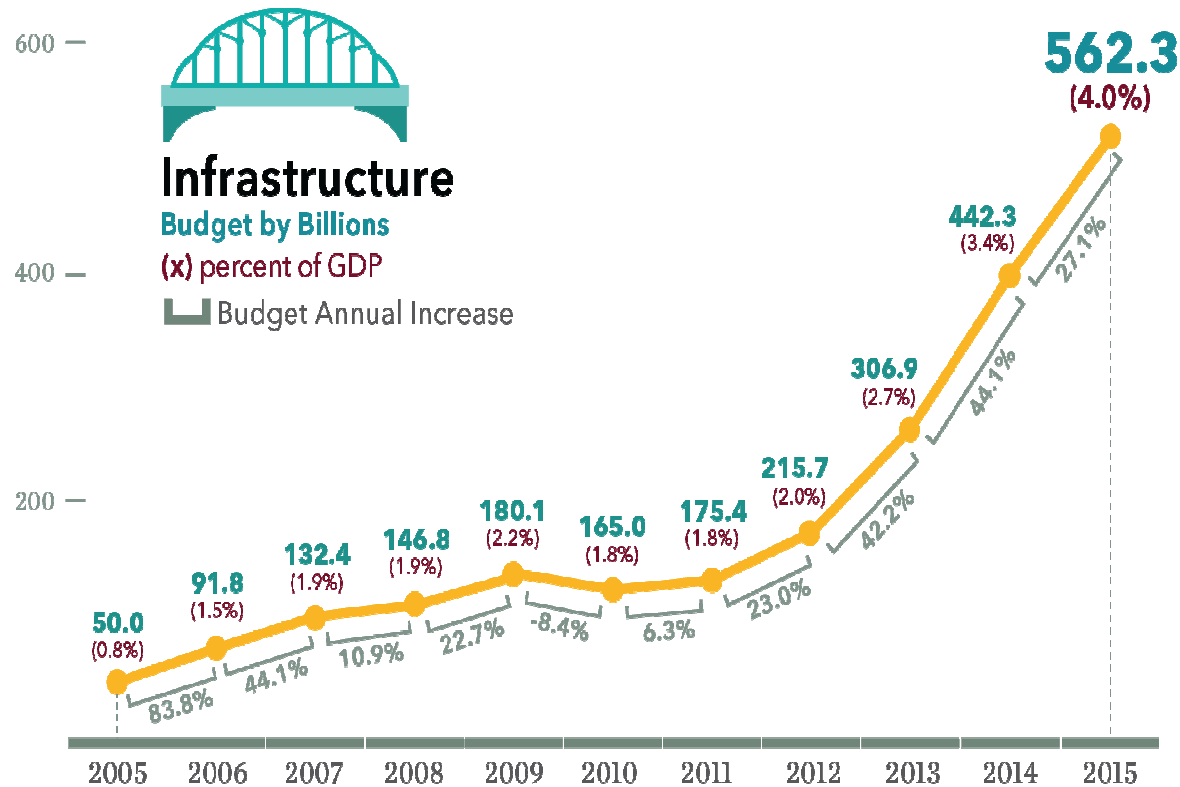
Particulars	Levels (PHP bn)		Percent of GDP		Growth Rate (%)
	2013	2014	2013	2014	
	Actual	Program	Actual	Program	
REVENUES	1,716.1	2,018.1	14.9	15.7	17.6
DISBURSEMENTS	1,880.2	2,284.3	16.3	17.8	21.5
CURRENT OPERATING EXPENDITURES	1,519.2	1,800.9	13.2	14.0	18.5
PS	581.7	661.5	5.0	5.2	13.7
MOOE	282.9	374.6	2.4	2.9	32.4
Subsidy	66.3	109.0	0.6	0.8	64.3
Allotment to LGUs	241.8	273.2	2.1	2.1	13.0
Interest Payments	323.4	352.7	2.8	2.7	9.0
Tax Expenditures	23.0	29.9	0.2	0.2	29.8
CAPITAL OUTLAYS	344.3	458.4	3.0	3.6	33.1
Infra & Other CO	261.8	365.2	2.3	2.8	39.5
Equity	11.5	3.3	0.1	0.0	(71.0)
Capital Transfers to LGUs	71.0	84.9	0.6	0.7	19.6
CARP-Land Acquisition and Credit		5.0	-	0.0	
NET LENDING	16.6	25.0	0.1	0.2	50.1
SURPLUS/(DEFICIT)	(164.1)	(266.2)	(1.4)	(2.1)	62.3

*Numbers may not add up due to rounding



Major Government Spending Initiatives

Increasing infrastructure budget to 4% of GDP in 2015

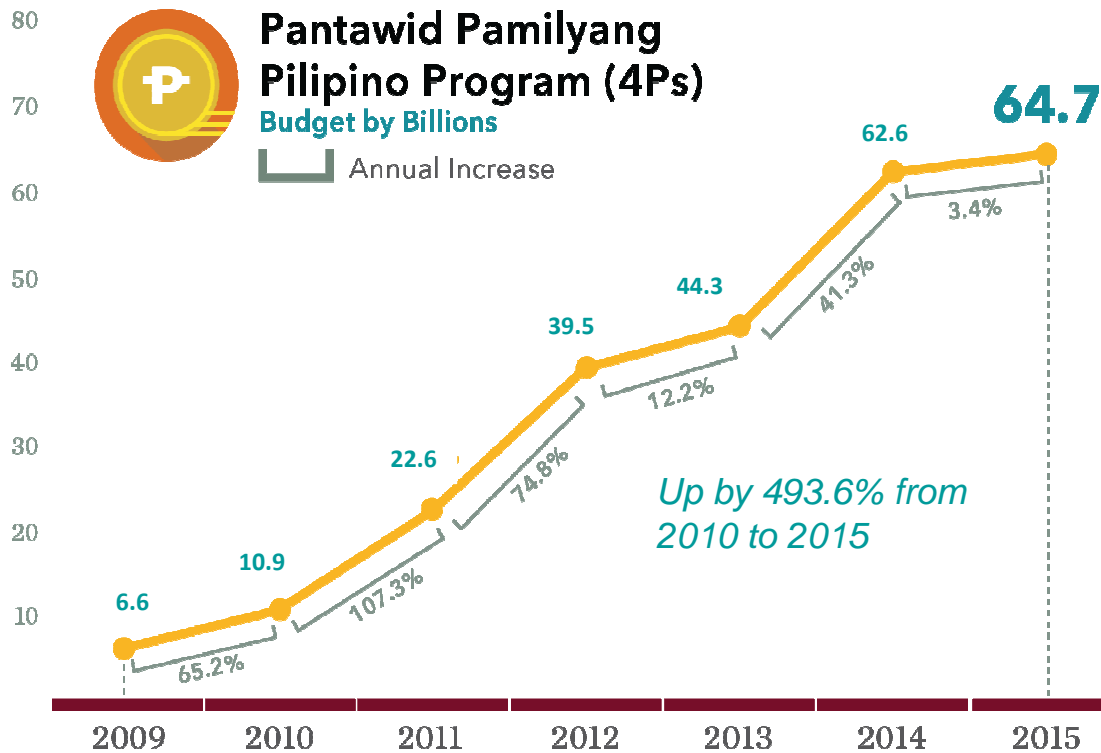


- Consistent with our plan to increase infrastructure spending to at least 5.0 percent of GDP by 2016, a total budgetary support of PHP562.3bn or 4.0% of GDP is allocated for infrastructure outlays.



Major Government Spending Initiatives

Social Protection: Pantawid Pamilyang Pilipino Program

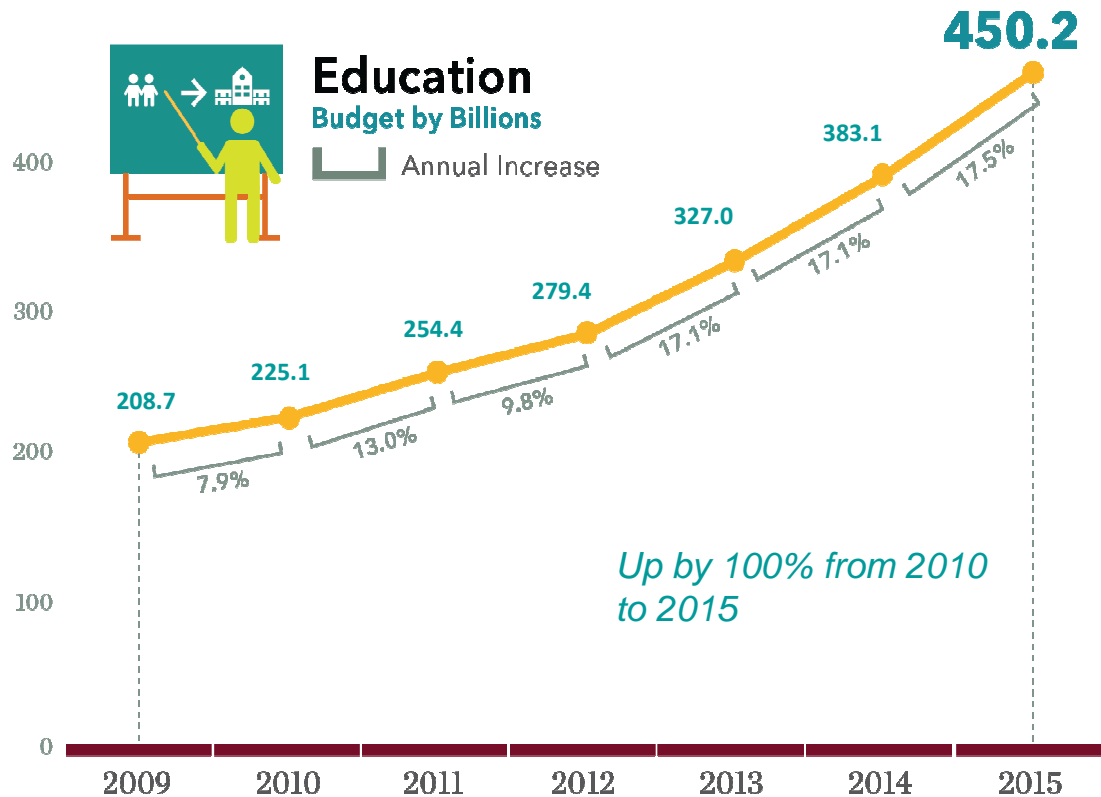


- Since 2010, the number of beneficiaries of the regular Conditional Cash Transfer (CCT) increased more than 4 times from 995,432 households (HH) to 4.33mn HHs in 2014
- For 2015, the PHP64.7bn proposed budget intends to benefit 4.31mn HHs. This is under the assumption that 25,000 families will be exiting the program in 2015
- The 2014 CCT budget also includes allocations for the implementation of the Modified CCT Program. Under the Modified CCT, itinerants, homeless street families and indigenous people shall be eligible for cash grants. Some PHP2.0bn is intended to benefit some 131,963 families
- For 2015, some PHP5.0bn is being proposed to benefit 126,963 families. The increase in the allocation is due to the inclusion of additional assistance package



Major Government Spending Initiatives

Education: Boosting K to 12 Basic Education Reform

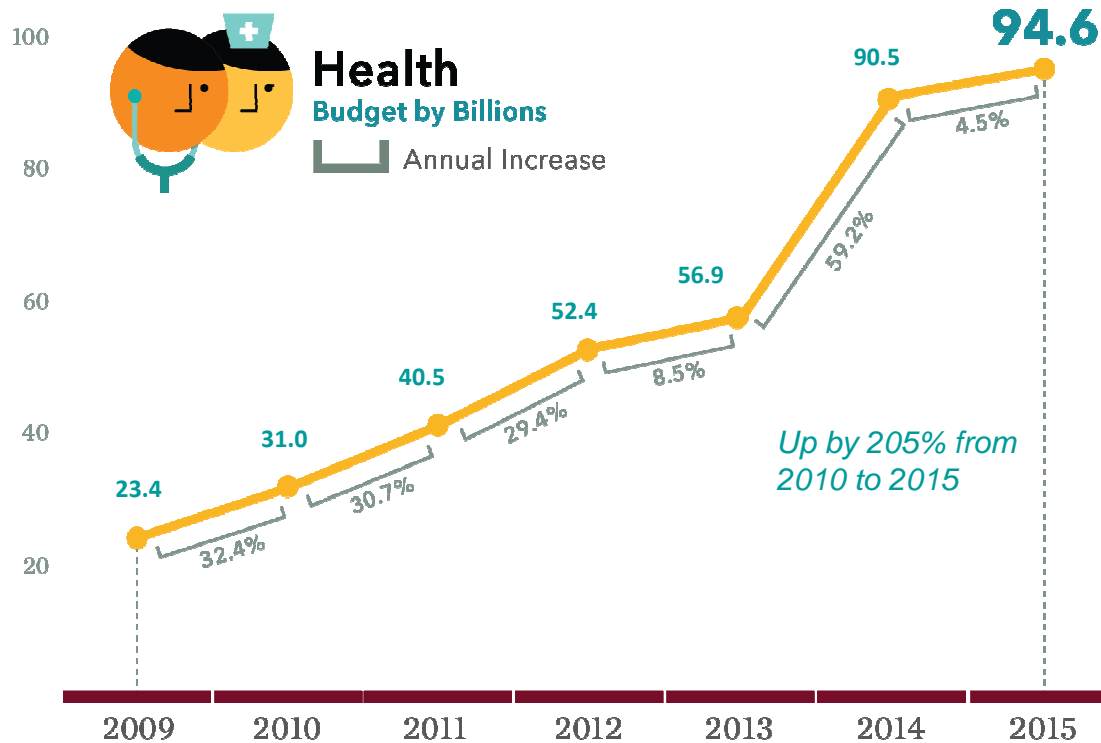


- PHP44.6bn was provided in the 2014 Budget for the construction of 30,000 classrooms and 13,586 water and sanitation facilities, repair of 9,500 classrooms, and procurement of 1.4mn seats. This is increased to PHP52.9bn for 2015.
- With an PHP8.6bn allocation, 33,194 teaching positions and 1,500 non-teaching positions were created for 2014. For 2015, another 39,066 teaching positions will be created.
- In 2014, PHP1.7bn was allocated for the purchase of 42.3mn textbooks and instructional materials. For 2015, some PHP3.5bn is allocated for 70.5mn textbooks.



Major Government Spending Initiatives

Public Health: Universal Healthcare Program



NHTS-PR – National Household Targeting System – Poverty Reduction

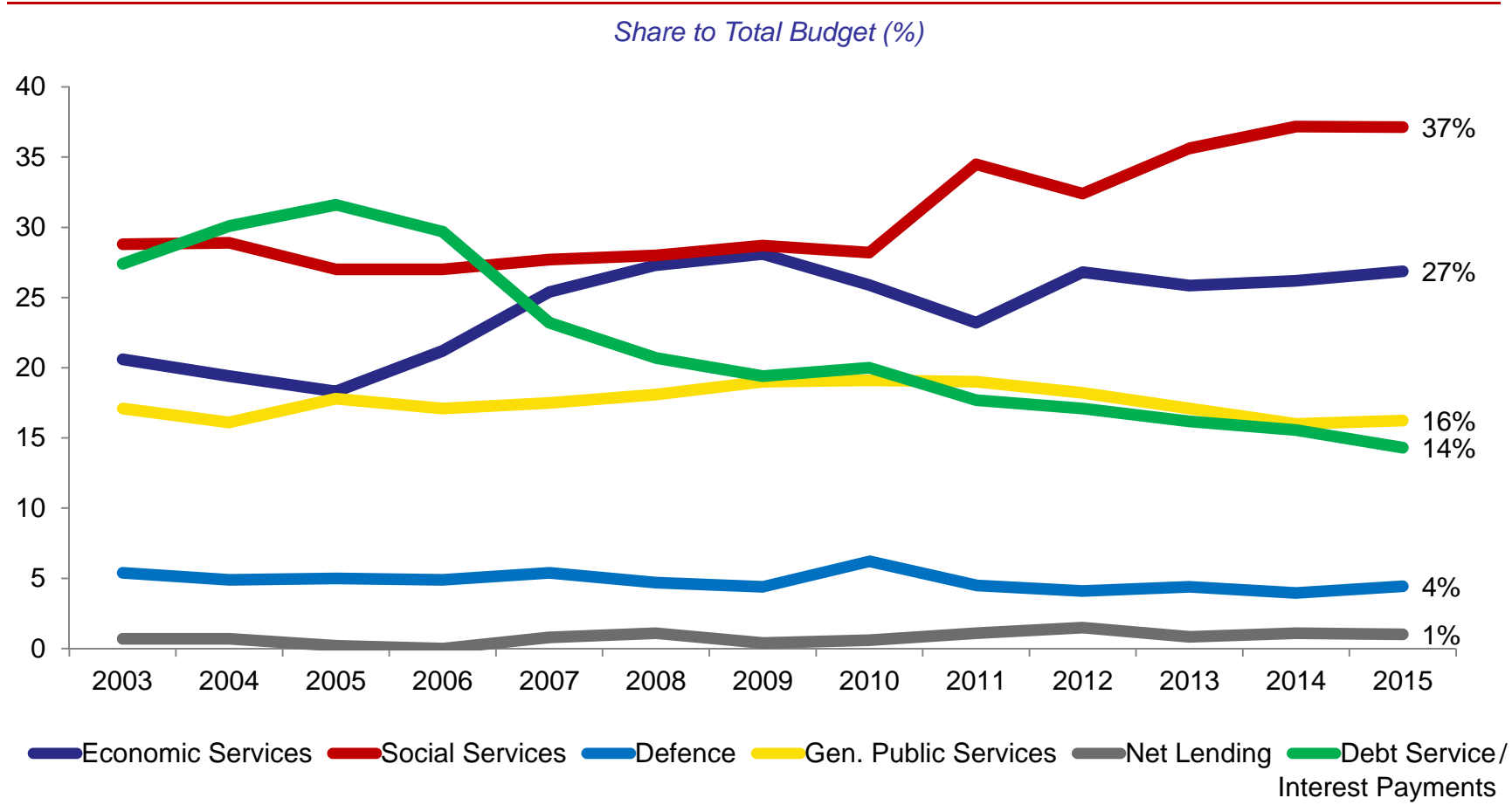
- The 2014 allocation of PHP35.3bn will cover the health insurance benefits of 14.7mn indigent families identified by the NHTS-PR. This will increase to PHP37.2bn to cover the health insurance benefits of 15.4mn indigent families.
- In 2014, PHP13.5bn shall be spent to upgrade 1,365 barangay health stations (BHS), 1,028 rural health units (RHUs)/city health centers (CHCs), 389 LGU hospitals and 59 DOH hospitals.
- For 2015, the proposed allocation of PHP13.1bn shall be used to upgrade 1,242 BHS, 587 RHUs/ CHCs, 128 LGU hospitals, 19 DOH hospitals and 11 treatment and rehabilitation centers.
- For 2014, an amount of PHP3.0bn will support the hiring of the following health professionals: 319 doctors, 11,000 nurses and 2,700 midwives. This amount will increase to PHP4.2bn in 2015.



Budget by Sector, FY 2003-2015

Reshaping budget priorities

Core investments in Social and Economic Services are increasing as a share of the Budget, while the Debt Burden is decreasing



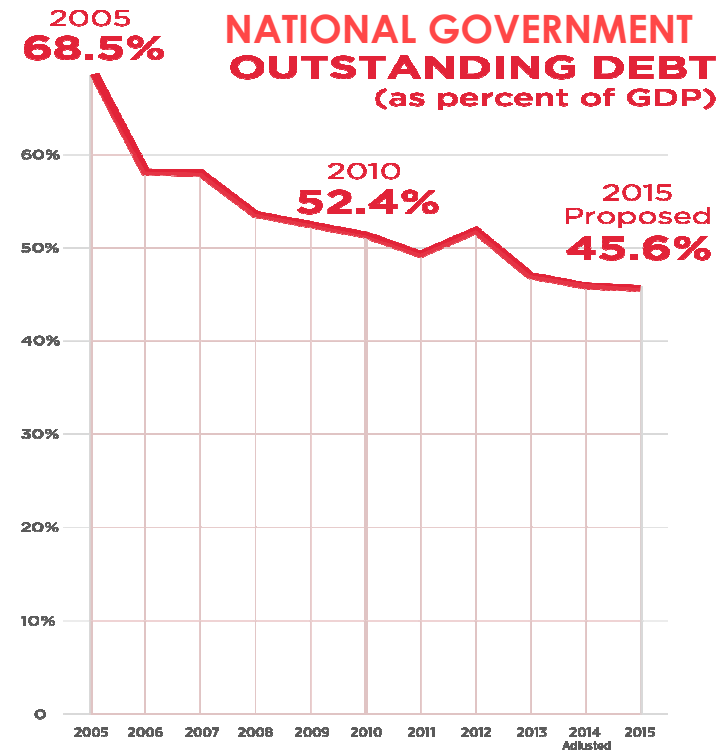
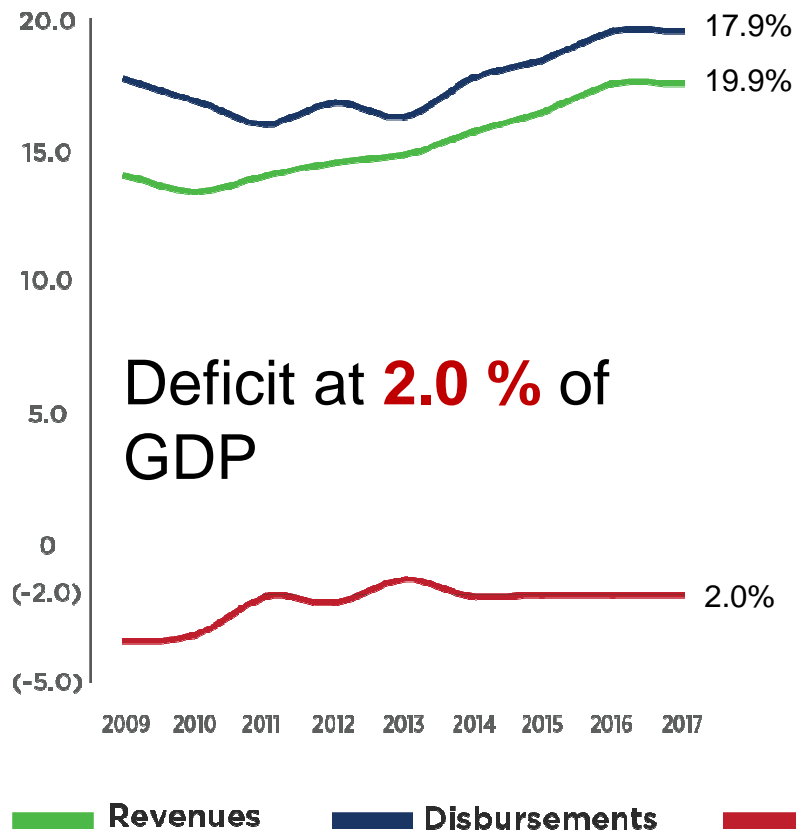
*Debt burden: Net Lending plus interest payments



Spending Within Our Means

Sustaining the fiscal consolidation strategy

The Aquino Administration's commitment to fiscal consolidation has helped enable the Philippines to achieve investment grade sovereign credit ratings. IG rating is expected to result in greater trust and confidence of the investing public.





Spending On the Right Priorities

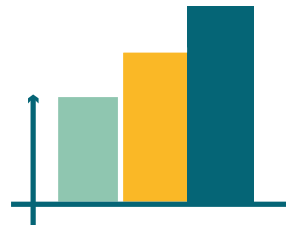
Greater focus on inclusive development

The Budget Priorities Framework: Priority Program Areas for Inclusive Development

With the Budget Priorities Framework, the Philippine Development Plan and the annual National Budget are now more closely connected. Public investments are ultimately focused on priority programs that are necessary to achieving inclusive development, and agencies are given a clear mandate to collaborate in order to achieve the objectives of their program areas



Social Protection
and Social
Services



Economic
Expansion
and Job Creation



Climate Change
Adaptation and
Mitigation



*Enabling Environment
for Inclusive
Development*



Spending On the Right Priorities

Greater focus on inclusive development

The Budget Priorities Framework: Geographic Approach to Development

Strategies

Provinces with high poverty magnitude

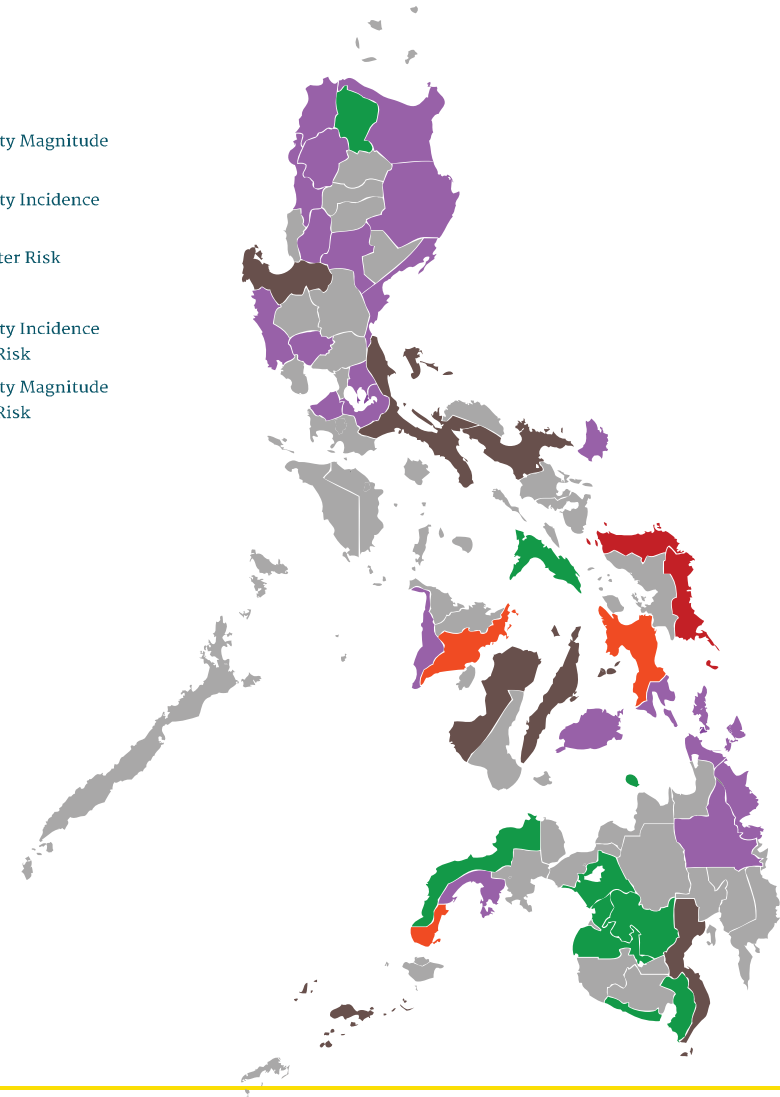
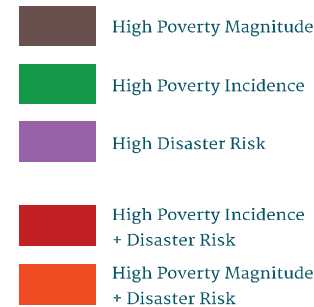
- Expand economy to create opportunities for employment
- Enable the poor to participate in the growth process through human capital development and flexible work arrangements

Provinces with high poverty incidence

- Provide social assistance programs
- Promote economic and physical mobility through infrastructure investment and tourism development

Provinces vulnerable to shocks and disasters

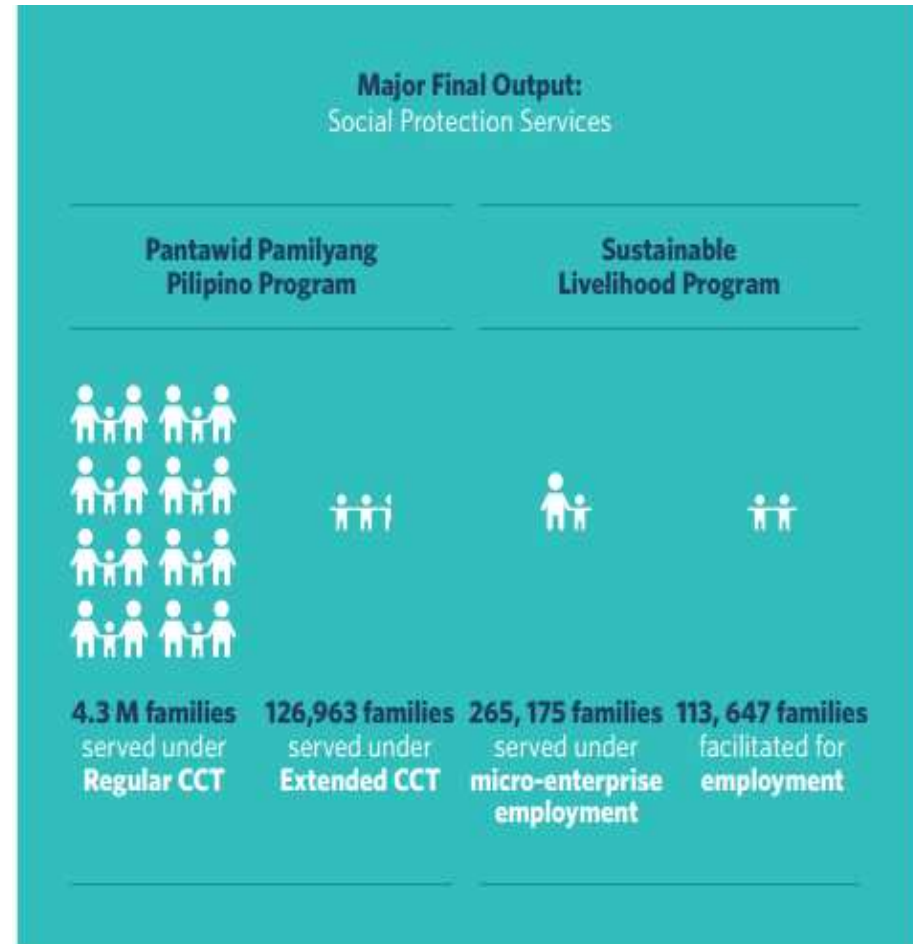
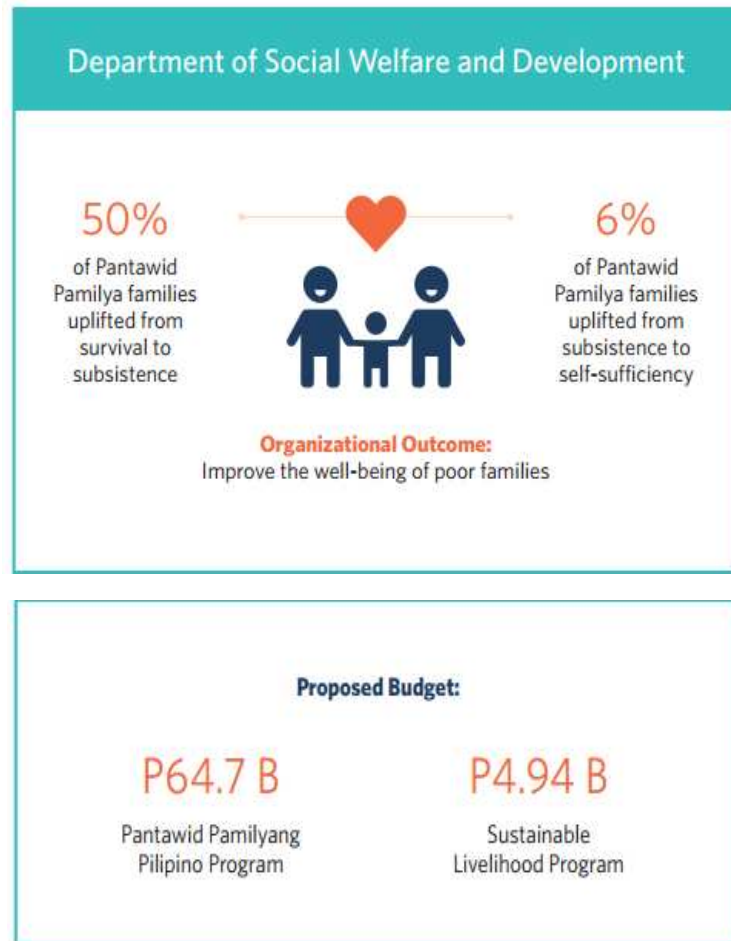
- Pursue the redevelopment/resettlement of communities in vulnerable areas
- Provide social insurance and social protection
- Promote investments and agri-based industries





Outcome-Based Performance Budgeting

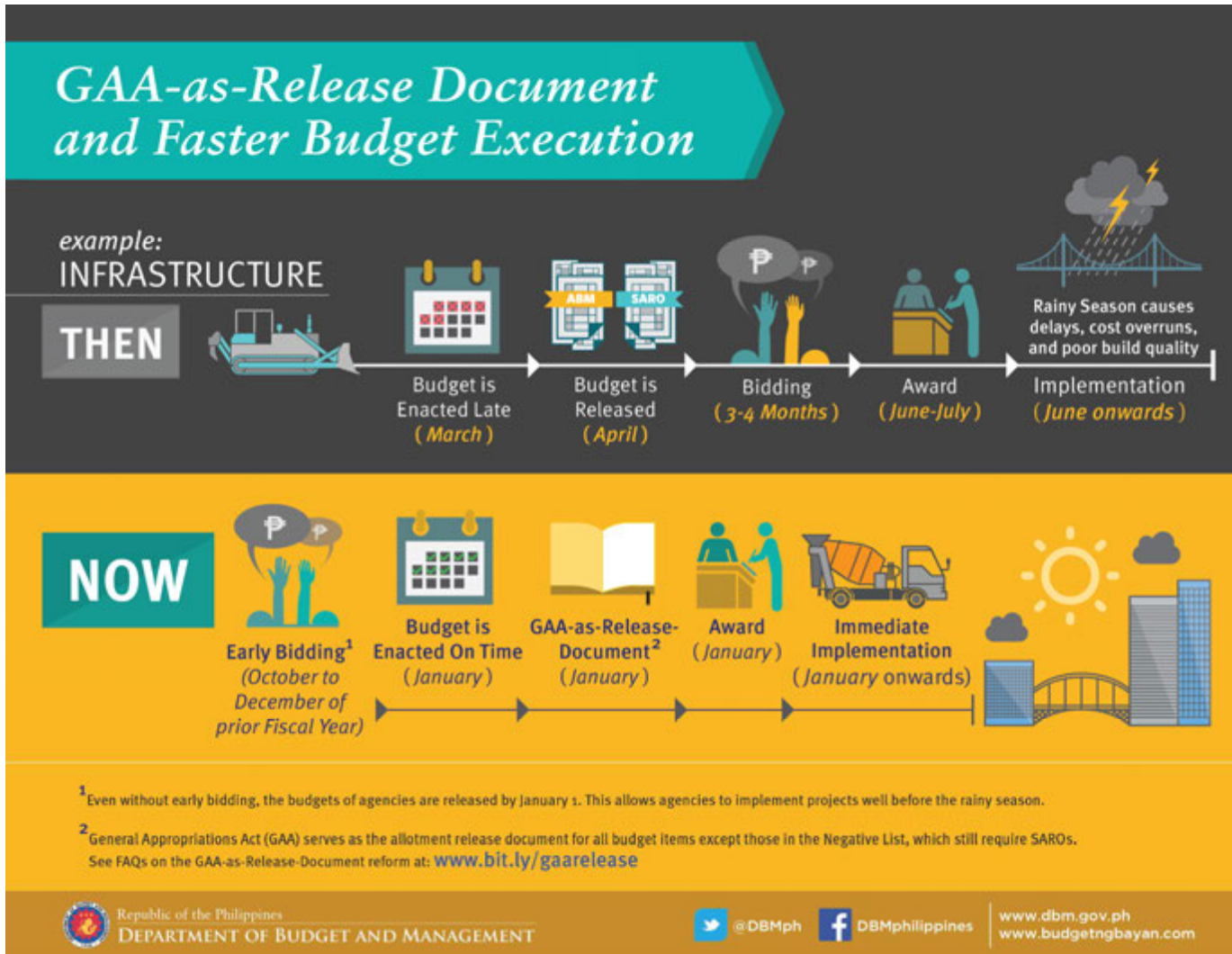
2015 Performance Informed Budgeting: Linking Budgets with Outputs and Outcomes





Spending With Measurable Results

Faster and more efficient budget execution



- With the GAA-as-Release Document and other reforms to streamline budget execution, crucial programs and projects, especially infrastructure, can be rolled out early in the budget year. This not only fast-tracks the implementation of such programs and projects but also reduces costs and inefficiencies.



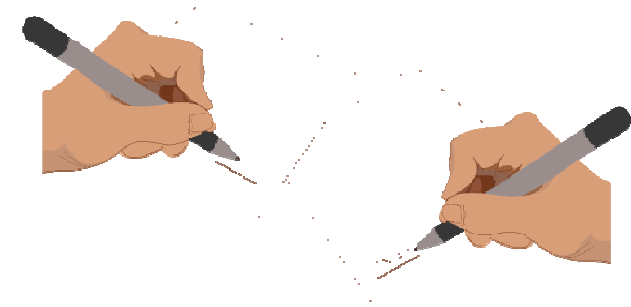
Fiscal Transparency and Participation

Empowering citizens to take ownership of the budget



Made budget information publicly available through transparency policies like the **Transparency Seal** and **Open Data**.

Created a formal mechanism for civil society participation via **Budget Partnership Agreements**



Expanded **Grassroots Participatory Budgeting** (Bottom-Up Budgeting) to give communities a direct voice in crafting the Budget



Fiscal Transparency and Participation

Empowering citizens to take ownership of the budget

Grassroots Participatory Budgeting: From Pilot to Expansion

While increasing the direct voice of grassroots communities in the National Budget Process, Grassroots Participatory Budgeting process also brings national government closer to the people by reflecting people's needs in the National Budget, and incentivizes local government units to invest in good public financial management and citizen engagement.



Budget Year

2013 Budget
(Enacted)

2014 Budget
(Enacted)

2015 Budget
(Proposed)



Amount of Locally-
Developed Projects

PHP8bn

PHP20bn

PHP20.9bn



Participating Local
Governments

595
Cities &
Municipalities

1,225
Cities &
Municipalities

1,599
Cities & Municipalities



Irreversibility of Reforms

Securing their longevity post-2016



Deeply install reforms in institutions

- Deeply embed good governance measures in the policies, processes and ultimately the habits and practices of government institutions.
- A comprehensive Public Financial Management (PFM) Reform program is being rolled out and a PFM Law is currently being prepared to support the institutionalization of reforms



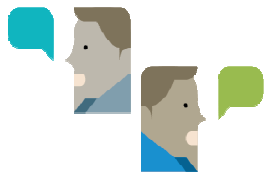
Reforms must lead to tangible benefits to people

- Ensure that reforms actually bring immediate and substantial benefits to our people by way of adequate social and economic services
- Major PFM reforms like the Budget Priorities Framework, Performance Informed Budgeting and the GAA-as-Release Document are being rolled-out intensively to ensure each peso is spent with impact



Leverage technology

- Maximize the potential of technological innovations to radically improve the pace, quality and accountability of public spending and service delivery
- The Government Integrated Financial Management Information System (GIFMIS), the centerpiece of PFM Reform, is expected to dramatically improve budgeting, cash management, accounting, and audit processes of government
 - GIFMIS is a system that will provide real-time information on financial transactions . GIFMIS will also harmonize financial information systems of oversight and implementing agencies



Strengthen constituency for reform

- Create widespread and sustained support and demand for reforms from the people, particularly key stakeholders in civil society, the private sector, the academe, development partners, among others
- The expansion of transparency and participation mechanisms, particularly Grassroots Participatory Budgeting, is meant to deepen the stake of citizens in the way government manages and spends public resources



II. Sectoral Performance and Outlook





Trade, Industry and Investments

Department of Trade and Industry



Outline

Generating Jobs through Expanding Exports, Increasing Investments and Developing SMEs



MAJOR ACCOMPLISHMENTS AND TARGETS

- A. Improving Business Environment
 - ✓ Raising the Competitiveness of Trade and Investments
- B. Generating Jobs
 - ✓ Expanding Exports
 - ✓ Increasing Investments
- C. Enhancing Consumer Welfare
 - ✓ Empowering Consumers



ENSURING SUSTAINABLE GROWTH IN 2014 AND BEYOND

- A. Outlook, Policy Thrusts, Programs, Plans and Projects
- B. Risks and Challenges
- C. Legislative Agenda and Other Reform Measures



DEVELOPING SMEs

- A. The BIG PUSH to MSME Development
- B. Key Initiatives to Empower SMEs





Improving Business Environment

Raising the competitiveness of trade and investments

Improving Philippine Competitiveness

- Recognized as “**the most improved country in global competitiveness**”
- Climbed 7 notches to 52nd place in the WEF Global Competitiveness Report 2014 - 2015; 33 notches since 2010 (85th)
- Jumped to 89th place from 97th in The Heritage Foundation’s 2014 Index of Economic Freedom and moved to “**moderately free**” category from “mostly unfree” due to improvements on investment freedom, business and monetary freedom, and government spending

Business Permits and Licensing Systems (BPLS)

- From 2010 - Q2 2014, 1,395 LGUs were trained on how to streamline their BPLS
 - 138 cities and 1,257 municipalities
- 1,242 LGUs have completed streamlining their BPLS
- 153 LGUs are still undergoing reforms

Initiatives to Ensure a Business-Friendly Environment

- Prepared Gameplan for Competitiveness 2.0
- Conducted 13 National Competitiveness Council (NCC) Roadshows (Laoag, Tagaytay, Cagayan de Oro, Davao, Nueva Vizcaya, Tuguegarao, Cebu, Iloilo, Angeles, Baguio, Calapan, Naga, Daet)
- Completed data collection and processing for the Cities and Municipalities Competitiveness Index 2014
- Conducted BPLS Customer Experience Survey

WORLD ECONOMIC FORUM	2012	2013	2014
	65	59	52
The Heritage Foundation	2012	2013	2014
	107	97	89

Philippine Business Registry (PBR) and Business Name Registration System (BNRS)

- Simplified business name registration and issuance of BIR TIN and Employee Registration Numbers from SSS, PhilHealth and Pag-IBIG to within 30 mins from the previous 4 to 5 days processing time
- For the period Jan - Jul 2014, PBR registered 45,672 sole proprietors, up by 72% from 26,570 registrations during the same period last year.
- On enhanced BNRS, average processing time for business name transaction was further reduced to 6-7 mins from 10 mins
- BNRS recorded 183,086 new BN registrations for Jan-Jul 2014 (24,249 were accounted to web registration); total renewal transaction for the same period last year is 39,951 (2,004 were processed through the web).
- Launched the Electronic Payment (ePayment) Facility in 20 Jan 2014; To date, 6,220 transactions were successfully paid through GCash and 1,535 through Bancnet



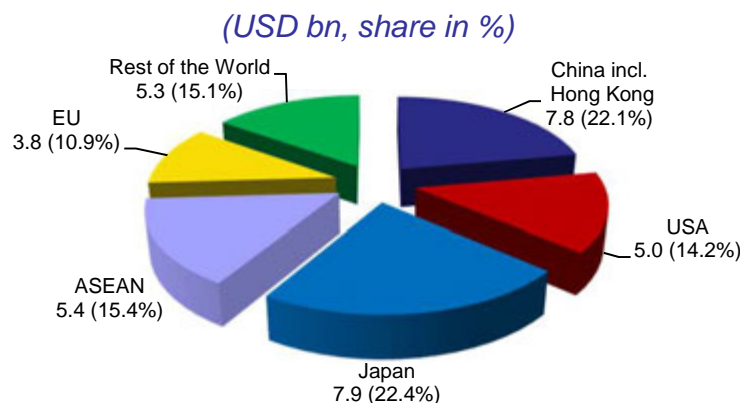
Expanding Exports

Sustaining growth of Philippine merchandise exports

- Merchandise exports in Jan-July 2014 posted a remarkable 9.0%* growth
 - Reached USD35bn in 2014 from to USD32bn in 2013
 - July 2014 exports alone rose 12.4%, the 2nd highest growth among selected exporting economies in East and Southeast Asia
 - Growth was buoyed by the stronger demand and economic performance of PH export markets
- Both electronics and non-electronics combined for a strong export performance in Jan - Jul 2014
 - Electronics, which accounted for USD14bn or 40% of PH's total merchandise exports, expanded by 4%
 - Non-electronics surged to a 12% growth, accounting for USD21bn or 60% of total PH merchandise exports

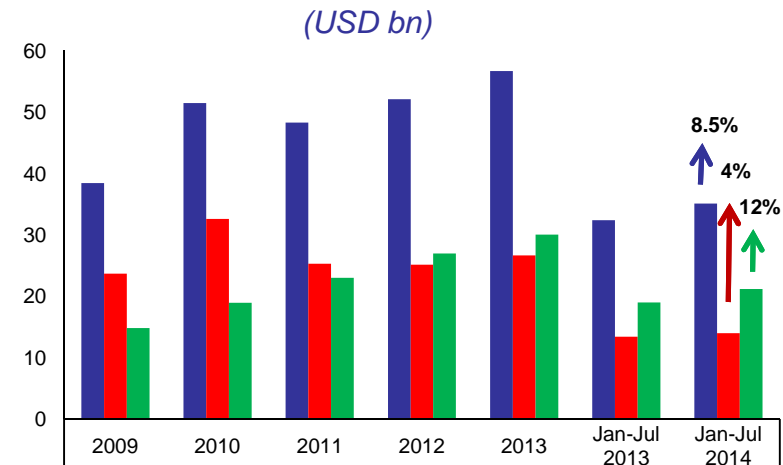
* Based on Jan - Jul 2014 Preliminary export data with Mar 2014 revised data, as validated with the Philippine Statistics Authority (PSA)

Top Export Markets Jan - Jul 2014



Note: Figures may not add up to totals due to rounding

Exports, Jan – Jul 2009 -2014



Total Exports	38.4	51.5	48.3	52.1	56.7	32.4	35.1
Electronics	23.7	32.6	25.3	25.2	26.7	13.4	14.0
Non-Electronics	14.8	18.9	23.0	26.9	30.0	19.0	21.2

Major markets for PH products

- Japan remained the top destination for PH exports in Jan - Jul 2014, closely followed by the combined markets of China and Hong Kong, and the USA. Export sales to Japan expanded by 20.6% from its 2013 level, while that of China (plus Hong Kong) and the USA grew by 19.9% and 7.6%, respectively
- Other major markets for PH products include Singapore, South Korea, Germany, Thailand, Taiwan and Netherlands
- ASEAN and EU continued their increasing significance as regional country - destinations for PH products



Expanding Exports

Sustaining growth of Philippine merchandise exports

Doing Business in Free Trade Areas (DBFTA)

- From 1 Jan - 1 Sep 2014, 152 DBFTA sessions or 101% of the total target of 150 sessions for 2014 was already accomplished, attended by 18,277 participants, including representatives from 4,709 companies, members of the academe, and government officials/personnel
- DBFTA info sessions were focused on ASEAN Economic Community (AEC) as requested by various business sectors, universities, and local government units
- Conducted 66 sessions in NCR, 23 sessions in Region VII-Cebu and 10 sessions in Region IV-A. Other regions covered were I,II,III,IV-B, V, VI, VIII, IX, X, XI, XII, XIII, ARMM and CAR
- Conducted sessions for specific industries in both the goods and services sectors, as well as for 33 business support organizations, 16 universities and colleges, and 7 LGUs
- Conducted coaching sessions with 13 companies on how to avail of the benefits of FTAs

Trade Promotion Activities

- Organized **2 Outbound Business Matching (OBM) Missions** in S1 2014:
 - **Singapore**, in time for Food & Hotel Asia (FHA) that resulted in 206 buyers, assisted 18 exporters and generated spot sales of USD1.06mn and sales under negotiation of USD12.15mn
 - **Tokyo, Japan**, in the Software Development Expo 2014 that resulted in 8 new buyers and assisted 9 exporters
- Assisted 31 Inbound Business Missions/Foreign Buyer Servicing from Singapore, UAE, USA, Austria, Australia, Japan, China, Nigeria, KSA, France, Brazil, Qatar, Israel, Belgium, Indonesia and Italy. Referred 147 exporters and generated an investment package for production and marketing of VCO products worth PHP4mn
- Promoted industry brands like DesignPhilippines, FoodPhilippines, and FashionPhilippines in major fairs in key cities such as Paris, Milan, Tokyo, New York, Dubai, Singapore and Hong Kong, and continued strong showing of CITEM's signature event like Manila FAME, Asia's Design & Lifestyle Event resulting in 529 assisted companies, 11,605 trade inquiries, and USD160.2mn in export sales in S1 2014
- Design Week Philippines expanded its scope as a biennial event to celebrate design, while the HallOne Design for exports gained momentum as a creative space for design and exhibitions, providing year round service to SMEs and buyers alike

Trade Remedy Measures and Trade Defense

- Imposed safeguard measures to allow local industries to adjust to competition.
- Assisted Philippine exporters facing threat of Non-Tariff Measures (NTMs) in their export markets
- Assisted exporters of newsprint to Malaysia, fiber glass mesh to Germany, and oil country tubular goods (OCTG) to US

Export Opportunities/Information Sessions

- Conducted 8 information sessions in Metro Manila under the **Philippine Export Competitiveness Program (PECP)**, attended by 603 participants in S1 2014
- Held 3 **Philippine Export Development Plan (PEDP)** consultations/workshops in NCR, Davao City and Cebu City with a total of 250 participants



Expanding Exports

Sustaining growth of Philippine merchandise exports

EXPORTS	ACTUAL		FORECAST					
	2012	2013	2014		2015		2016	
	Value (USD bn)	Value (USD bn)	Value (USD bn)	Growth (%)	Value (USD bn)	Growth (%)	Value (USD bn)	Growth (%)
Total Merchandise	52.0	56.7	60.1	6.0	64.9	8.0	71.4	10.0
Total Services	18.6	21.8	25.1	15.0	29.1	16.0	33.7	16.0
TOTAL	70.6	78.5	85.2	8.0	94.0	10.0	105.1	12.0

Notes: 2014-2016 forecast based on Development Budget Coordinating Committee's assumptions; 2014 forecast use actual 2013 exports figure Details may not add up due to rounding.

Outlook for Merchandise Exports

- Merchandise exports in 2014 are expected to be driven by non-electronics which totaled USD30bn in 2013 from USD27bn in 2012, representing a 11.5% growth. Growth will be supported by increasing demand from Japan, China, U.S., Singapore, Germany, Thailand, other countries in East Asia, and ASEAN
- Fresh food exports and intermediate goods spurred the growth of non-electronics exports. Fruits and vegetables have been enjoying generally good harvests, while processed food and beverages have likewise been experiencing robust demand. Lower tariffs in PH free trade areas have been a boon to PH exports
- The Semiconductor and Electronics Industries in the Philippines, Inc.'s (SEIPI) outlook for 2014 is a modest growth of 5%
 - The growth in earnings from shipments of electronic products in 2014 would be driven by renewed demand for automotive and consumer electronic products as well as that from the telecommunications industry
 - New investments in the country's electronics industry are also seen to support the recovery of shipments in 2014
 - The industry is also banking on the improving economic conditions in United States, Europe and Japan



Expanding Exports

Trading across borders

On the bilateral front

- On going discussion with the European Union (EU) and EFTA to commence FTA negotiations
- Continue bilateral technical consultations with Trans-Pacific Partnership (TPP) members to ascertain possible PH participation in the TPP
- Work towards acceptance of PH to EU's Generalized System of Preferences Plus (GSP+) Scheme and prepare the private sector to utilize the tariff preferences
- Maximizing bilateral consultation mechanism with trading partners

On the regional front

- Complying substantially to ASEAN Economic Cooperation (AEC) commitments
- Implementing and reviewing ASEAN+1 FTAs
- Negotiating RCEP
- Preparing for the APEC Hosting
- Working towards the realization of Bogor Goals of free and open trade and investment
- Maximizing AEC as an important forum for trade and investment promotion

On the multilateral front

- Continuous implementation and monitoring of WTO obligations
- Pursuing interests by attending to relevant trade disputes
- Contributing to the discussions on the Doha Development Agenda

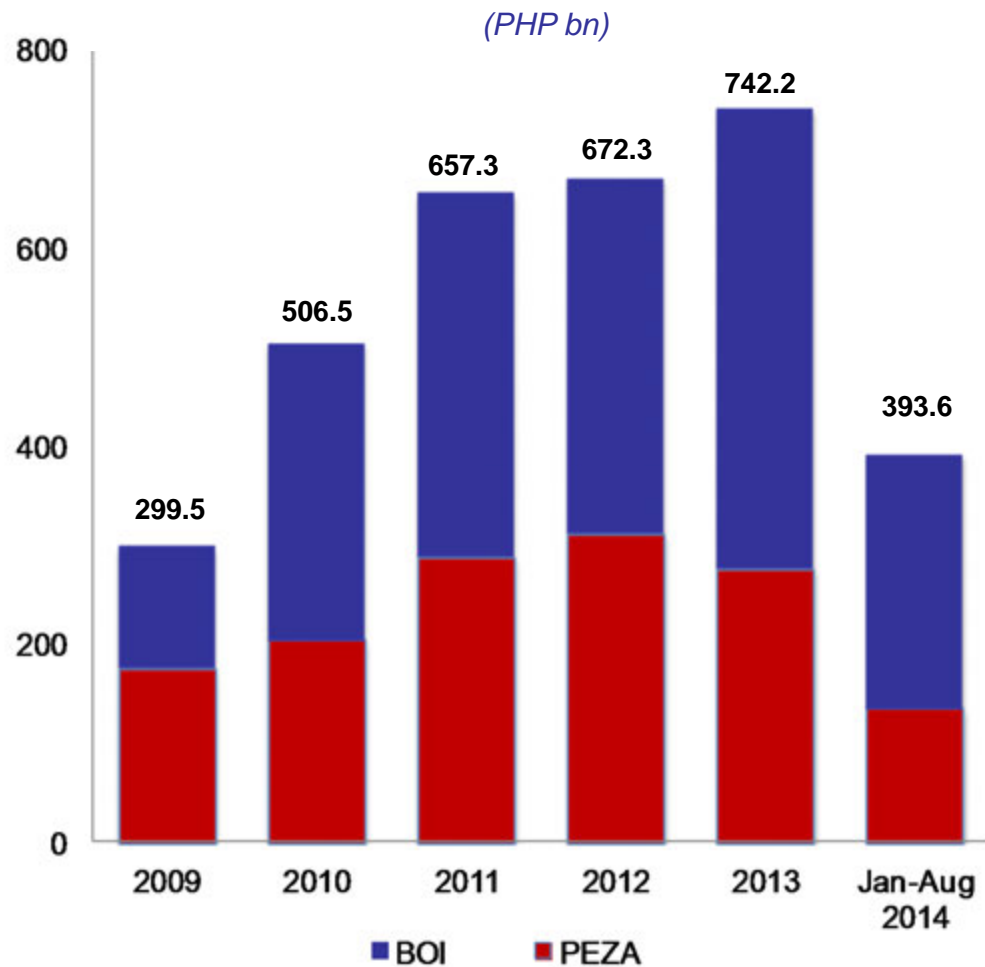




Increasing Investments

Strengthening investments growth

BOI-PEZA Approved Investments, 2009 – 2014 (Jan – Aug)



- Total BOI-PEZA approved investments amounted to **PHP393.6bn** for the period **Jan - Aug 2014**
- **541 projects** approved; **107,639 jobs** to be generated
- Investment commitments from **domestic sources** reached **PHP328bn** or 83% of the total investment approvals while the remaining 17% or **PHP66bn** came from **foreign sources**
- **Top 5 industries:** Electricity, Gas, Steam & Air Conditioning Supply; Real Estate Activities; Manufacturing; Construction; Accommodation and Food Service Activities
- **Top 5 foreign sources:** Japan, Cayman Islands, Netherlands, British Virgin Islands, USA
- **Major power projects:** St. Raphael Power Generation Corporation, GNPowder Kauswagan Ltd. Co., Panay Energy Development Corporation, Emerging Power, Inc., Prime Meridian Powergen Corporation, Agusan Power Corporation

Sources: Board of Investments (BOI) and Philippine Economic Zone Authority (PEZA) Investments Reports



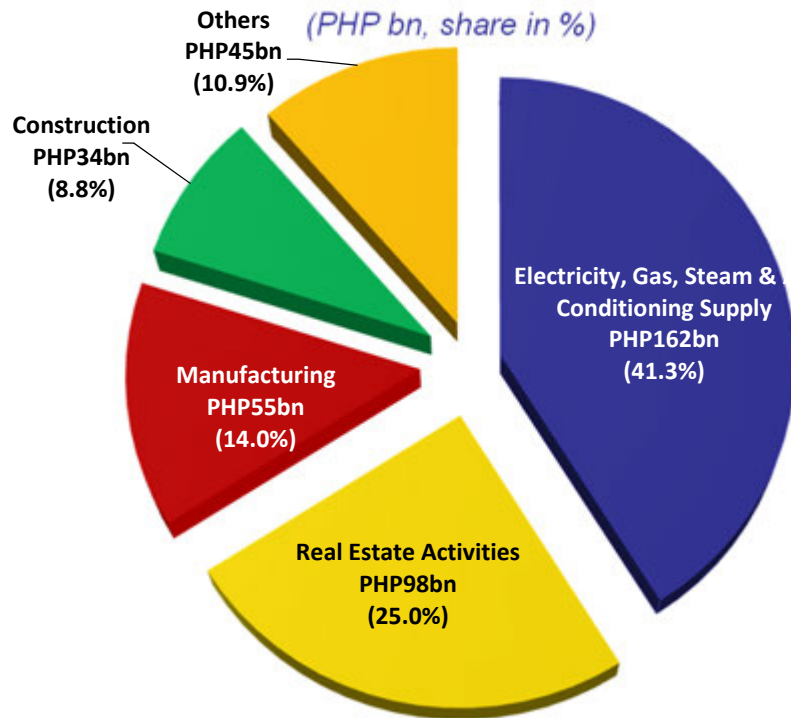
Increasing Investments

Strengthening investments growth

BOI-PEZA APPROVED INVESTMENTS

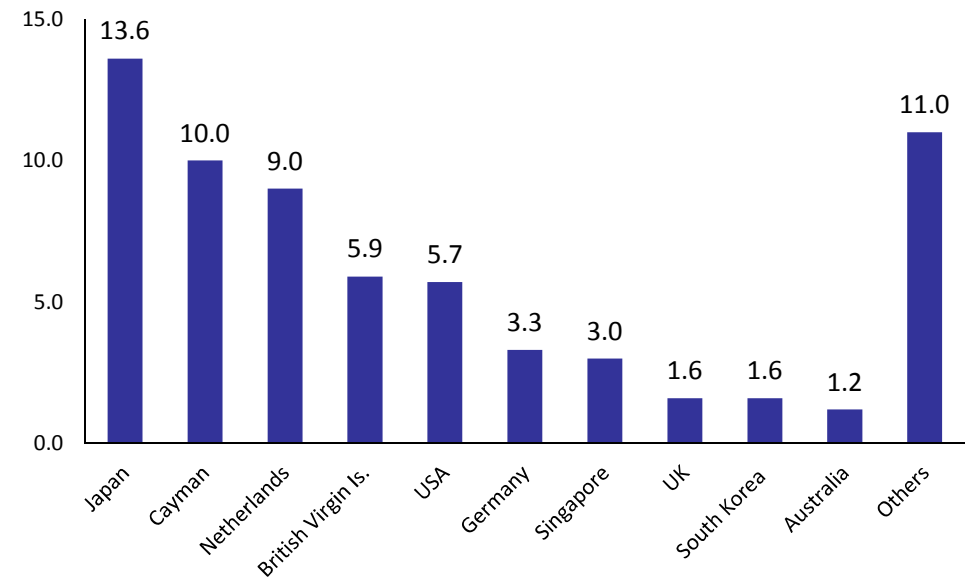
Jan – Aug 2014

By industry



By source

(PHP bn)



- Majority or 41% of the total BOI-PEZA approved investments is intended to fund projects in the electricity, gas, steam and air conditioning supply
- Real estate activities ranked second with a share of 25% or PHP98bn
- Manufacturing expanded by 71%, encouraging efforts aimed at reviving domestic manufacturing towards the creation of more jobs

- Top prospective investing countries from Jan - Aug 2014 include Japan, Cayman Islands, Netherlands, British Virgin Islands, and USA
- Japan topped the list, committing PHP13.6bn or 21% of the total BOI-PEZA approved investments
- Cayman Islands and Netherlands came next, accounting for 15% or PHP10.0bn, and 14% or PHP9.0bn, respectively



Increasing Investments

Strengthening investments growth

Industry Development Program / Industry Roadmap	<p><u>Jan-Aug 2014</u></p> <ul style="list-style-type: none">■ To date, there are 29 sectoral roadmaps, 24 of which are considered final and 5 were submitted as drafts■ 22 sectoral roadmaps are still being developed and expected to be completed in 2014 or early 2015■ BOI held 4 Trade and Industry Development (TID) updates on the Industry Development Roadmaps Initiative to serve as the platform for government to listen to industry stakeholders■ Private sector endorsed 3 more sectoral roadmaps to DTI – Aerospace, Retirement, and Jewelry■ Sectors with finalized roadmaps: Aerospace, Automotive, Automotive Parts, Biodiesel, Cement, Ceramic Tiles, Chemicals, Copper and Copper Products, Electric Vehicle, Electronics, Furniture, Iron and Steel, IT-BPM, Manufacturing, Mass Housing, Metalcasting, Motorcycle, Natural Health Products, Petrochemicals, Plastics, Pulp and Paper, Retirement Industry, Rubber Products and Tool and Die
Outbound / Inbound Investment Missions Assisted	<p><u>Jan-Aug 2014</u></p> <ul style="list-style-type: none">■ Assisted 8 outbound missions to Singapore, Indonesia, Malaysia, Taiwan, South Korea, Germany, Sweden, Norway, France and US■ Assisted 139 inbound missions, bringing in 352 companies/organizations across the globe to explore investment opportunities in the Philippines
Capacity Building Trainings	<p><u>Jan-Aug 2014</u></p> <ul style="list-style-type: none">■ Initiated 8 capacity building trainings for investment promotions■ Reviewed and facilitated 24 Local Investment and Incentives Code
Investment Assistance Center (IAC)	<p><u>Jan-Jul 2014</u></p> <ul style="list-style-type: none">■ Facilitated resolution of 43 issues and concerns for a 95% resolution rate■ Serves as a one-stop processing center to assist investors during the pre-operating stage and provides aftercare services to existing businesses by facilitating resolution of issues and concerns



Increasing Investments

Strengthening investments growth

BOI and PEZA Approved Investments, 2014-2016*

	ACTUAL (PHP bn)		TARGET (PHP bn)			
	2012	2013	2013	2014	2015	2016
BOI	360.4	466.0	446.4	491.1	540.2	594.2
PEZA	312.0	276.1	272.1	299.3	329.2	362.1
Total	672.3	742.2	718.5	790.3	869.3	956.3

*Sources: Philippine Development Plan as cited by BOI-SMS; PEZA Promotion and Press Relations Group

Note: Details may not add up due to rounding

- The investment target of BOI is based on the 10% per annum target growth rate of the Philippine Development Plan
- PEZA's target is based on PEZA's performance in the previous years with significant consideration of the global market situations and factors such as movement of electronics products and devices in the world market, the movement and growth of the global auto industry, the concomitant upgrading of electronic and electrical machinery to produce these upgraded products, the international modernization of farm equipment, as well as the continuing upgrading of medical devices, etc. All of these investments in the global industry affect positively the PH's manufacturing industry



Increasing Investments

Strengthening investments growth

2014 Targets for BOI Inbound & Outbound Investment Missions

INBOUND MISSIONS	2013	2014 (Growth)	Strategy/Approach
Individual Company Visits	174	191 (+9.8%)	Implement BOI-IIPS Priority Sectors / Markets Tier 1 – Healthcare- BPM, Aerospace, IC Design Tier 2 – IT-BPM, Shipbuilding Tier 3 – Manufacturing, Agribusiness, Tourism Infrastructure, ROHQ development
Business Delegation (No. of Visits)	36	41 (+13.9%)	
Total No. of Investment Inbound Missions (Company Visits + Business Delegation)	210	241 (+14.8%)	
No. of Companies and Organizations in Business Delegations	494	568 (+15.0%)	
Total No. of Companies / Organizations	668	759 (+13.6%)	
OUTBOUND MISSIONS	2013	2014	Strategy/Approach
No. of Missions	9	15	Implement BOI-IIPS Strategy/ Tier Approach; Including Presidential Visits with Business Delegation

Source: BOI-International Investments Promotion Service

2014 - 2016 Targets for Investment Assistance

Performance Indicator	2014	2015	2016
Undertake Focused and Sustained Trade and Investment Promotions			
No. of Investors Assisted	2,228	2,410	2,599
Amount of Investment Leads Generated (in PHP)	847.0bn	930.8bn	1.02tr
Build a Favorable Reputation for Trade and Investments			
Customer Satisfaction Rating: % of clients assisted who rated DTI assistance at least satisfactory	96%	97%	97%
Percent of business requests for assistance acknowledged within 24 hours	100%	100%	100%
Percent of business requests for assistance responded within 3 days	100%	100%	100%
Institutionalize Vibrant Public-Private Partnership			
Stakeholders Engagement Rating (SER)	96%	97%	97%
Strengthen Investor Aftercare Services to Encourage Investment Retention, Expansion, and Diversification			
No. of expansion projects	21	22	23
Strengthen Investment Promotion Units (IPU) Network			
Resolution Rate of Issues Facilitated (Issues Resolved over Issues Referred / Facilitated)	86%	87%	88%
Number of issues resolved permanently	8	9	10
Feedback rate (number of responses received within deadline over number of requests/referrals made)	88%	89%	90%

Source: BOI-Investment Assistance Center



Ensuring Consumer Welfare and Protection

Strengthened enforcement activities and consumer responsiveness

The DTI, through the following:

■ Consumer Protection Group (CPG)

- Continued its advertising placements in cinemas nationwide wherein the 30-second materials on DTI Bagwis Award and Q&A on Consumer Rights were played prior to the start of local and international films from 30 April 2013 to 6 May 2014
- The DTI is partnering with the country's 3 top TV Networks: ABS-CBN 2, GMA 7 and ABC 5 for the airing of its infomercials on Balikbayan Boxes and Q&A on Consumer Rights to commence by the 2nd semester of the year
- Hosted the 9th meeting of the ASEAN Committee on Consumer Protection (ACCP) at the Hotel Intercontinental Manila last 23 - 24 April 2014 to discuss the way forward for the ASEAN Economic Community (AEC) in 2015
- **Diskwento Caravan** provides consumers access to discounted prime and basic commodities
 - Conducted **156** Diskwento Caravans nationwide, benefitting 222,184 consumers and generating PHP72.62mn sales
- Resolved 2,217 out of 2,685 consumer complaints within the prescribed time of 10 working days through mediation and 20 working days for complaints resolved through arbitration during the period Jan - Jun 2014
- Drafted the Implementing Rules and Regulations (IRR) of Toy and Game Safety Labeling Act of 2013 (RA10620)

■ Philippine Accreditation Bureau (PAB)

- Maintained its signatory status to the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and International Laboratory Accreditation Cooperation
 - Accredited 6 certification bodies to ISO 17021. Three were accredited to provide EMS certification to ISO 14001, 2 were accredited to MSA/G19 to provide HACCP certification, and 1 was accredited to FSMS certification to ISO/TS 22003:2007
 - 178 testing and 26 calibration laboratories were accredited to ISO/IEC 17025, 5 medical laboratories were accredited to ISO 15189, and 3 inspection bodies were accredited to ISO 17020

■ Bureau of Philippine Standards (BPS)

- Completed the adoption of 16 international standards of ISO on rubber-based automotive parts as Philippine National Standards (PNS). The Philippines was the first among the ASEAN member countries to accomplish the task of harmonization
 - Developed/adopted as PNS are standards on X-ray equipment, generator sets, video surveillance system/closed-circuit television, test methods on solar panels, and materials of paper bag

■ Philippine Shippers Bureau (PSB)

- Accredited 183 sea freight forwarders, while also reducing the processing time of application for accreditation by 25%
 - Filed 5 formal charges and issued 9 Show Cause Orders for violation of PSB Administrative Order No. 6 Series of 2005. Also, filed 2 petitions for Revocation of Accreditation





Ensuring Sustainable Growth in 2014 and Beyond

Outlook, policy thrusts, plans, programs and projects

Exports	Investments	Consumer Welfare	SMEs
<ul style="list-style-type: none"> ■ Participate in trade negotiations ■ Intensify trade and economic partnerships to secure market access, enhance cooperation, and ensure compliance with international trade commitments exclusively within the purview of DTI ■ Commence negotiations for the PH-European Union (EU) FTA ■ Commence work by the PH-European Free Trade Association (EFTA) study group on the feasibility of a PH-EFTA FTA ■ Facilitate implementation of EU Generalized Scheme of Preferences (GSP) Plus ■ Host bilateral meeting as scheduled/necessary ■ Provide technical assistance to exporters facing trade remedy investigations ■ Create a distinct “Philippines” brand that is widely accepted and recognized in the global export market signifying quality, value and reliability 	<ul style="list-style-type: none"> ■ Investment generation ■ Increase foreign direct investments ■ Improve global competitiveness ■ Intensify Execution of Industry Roadmapping project ■ Continuous improvement of business confidence as reinforced by the achievement of investment grade sovereign credit ratings and improvement in several global competitiveness indices ■ Sustain expansion of credit to businesses, increased investments in machinery and equipment, and a buoyant stock market, backed by rising corporate earnings. ■ Implement BOI-IIPS Strategy/ Tier Approach; Including Presidential Visits with Business Delegation 	<ul style="list-style-type: none"> ■ Amend relevant consumer-related policies and business regulation laws, policies and guidelines ■ Consumer advocacy through quad media (radio, TV, print, internet) ■ Revitalize consumer organizations ■ Conduct of capability building to improve efficiency of DTI Enforcers, Mediators and Arbitrators on handling consumer complaints ■ Broaden price monitoring activities ■ Intensify product safety standards monitoring and enforcement ■ Promote e-competitiveness among Philippine firms through adoption of standards ■ Harmonize PNS on priority products and those covered under regional and international commitments 	<ul style="list-style-type: none"> ■ Implement “Go Negosyo Act of 2014,” “Magna Carta for MSMEs,” “BMBE Act of 2002,” and SME Development Plan 2011-2016 ■ Provide Business Development Services <ul style="list-style-type: none"> • SME Roving Academy and SSF • Negosyo Center (SME Center with levelled up services) • Directory of DTI-Assisted SME clients and Business Establishments • SME Information Support ■ Strengthen International Cooperation <ul style="list-style-type: none"> • Hosting of the SME Ministers Meeting in Iloilo and participation in SME Working Group Meeting (WGM) of APEC in 2015 • Participation in SME WGMs of the ASEAN



Ensuring Sustainable Growth in 2014 and Beyond

Risks and challenges

Investments

Foreign Investment Negative List (FINL) and Constitutional Restriction restricts foreign ownership of land and certain specified activities

- **Foreign Investment Negative List (FINL)** – catalogue of sectors and businesses from which non-Filipinos are restricted
- **Constitutional Restriction** – under Article XII of the 1987 Constitution, foreigners are prohibited from owning land. However, a domestic corporation which is 40% owned by foreigners, may own land

Ease and Cost of Doing Business are also barriers to investments

- Foreign investors will not consider investing in a country, even if capitalization is still low, if risks of power shortage, inadequate infrastructure, and corruptions among others are high
- These will reduce the productivity of capital, profitability and earnings

Poor infrastructure is a nagging constraint on investment

- The Philippines ranks behind most major Southeast Asian nations in terms of infrastructure
- Infrastructure is a complimentary determinant of foreign investors in investing in a particular country

Competitiveness

Breakthrough goal: Crafting and Implementing a National Logistic Plan

- It will be challenging to create a supply chain and inter-agency working group since it will be composed of DTI, DOTC (MARINA, PPA, CAAP), DOF (BOC), DA, NEDA, DPWH, MMDA and LGUs
- Need the full support and cooperation of the Economic Cluster and concerned stakeholders to fast-track the organization of the working group and to meet the deadline set in the completion (November 2014) and in implementation (December 2014) of the action plan



Ensuring Sustainable Growth in 2014 and Beyond

Policy thrusts and major programs and projects

DTI Legislative Agenda

- Promoting a National Competition Policy for the Philippines
- Fiscal Incentives Rationalization
- Customs Modernization and Tariffs Act
- Amendments to the Foreign Investment Act (Amendments to the Retail Trade Liberalization Act)
- Liberalization of the PH Cabotage Policy
- Establishing the Revenue Sharing Agreement for Large Scale Metallic Mining
- Granting Broader Protection for Consumers
- Promoting the Use of Electronic Publication of Laws and Other Government-related Issuances
- National Quality Infrastructure

Reform Measures

Rationalization of Fiscal Incentives and Transparency

- **Fiscal Incentives Rationalization (FIR)** – covers qualified activities, menu of incentives and administration and monitoring of incentives, among others
- **Transparency** – provides for the monitoring of and accountability for incentives granted by the authorities through provisions of the Tax Expenditure Fund in the General Appropriations Act (GAA)

Review of the Foreign Investment Negative List (FINL)

- The measure entails the review, for further opening-up, of the FINL which lists down the activities with foreign equity restriction





Developing SMEs

The “BIG PUSH” to MSME development

2014 (First Semester) Accomplishments	<ul style="list-style-type: none">■ Created 100,611 new MSMEs and assisted 63,926 MSMEs (existing and expanding operations) in terms of business enabling environment, access to market, trainings, access to finance, and productivity and efficiency■ Trained and equipped 171 micro businesses to become small enterprises, and 13 small businesses to become medium enterprises■ Generated PHP3.13bn domestic sales from DTI-initiated trade fairs and market matching activities■ Assisted 3,216 micro enterprises and 63 SMEs in availing micro and SME loans from financing institutions
R.A. 10644: Go Negosyo Act	<ul style="list-style-type: none">■ Signed into law on 15 July 2014, mandating the establishment of Negosyo Centers■ Promotes ease of doing business by ensuring a unified and simplified business registration process■ Develops businesses by facilitating access to shared service facilities and equipment■ Makes financial assistance accessible by establishing the Start-Up Fund for MSMEs■ Aims to broaden and restructure the MSMED Council, which includes creation of <i>Advisory Unit</i>■ Establishment of the Philippine Registry Databank
R.A. 9178: Barangay Micro Business Enterprises Act	<ul style="list-style-type: none">■ Updated to align with current business trends■ Encourages the formation and growth of Barangay Micro Business Enterprises (BMBEs) through granting of incentives and benefits that are critical to their growth and survival■ Promotes technology transfer, production and management training, and marketing assistance programs for BMBEs' beneficiaries
International Cooperation	<ul style="list-style-type: none">■ Asia Pacific Economic Cooperation (APEC)<ul style="list-style-type: none">— Hosted the 38th APEC SME Working Group Meeting and related events on 22 - 29 March 2014, Taiwan■ Association of Southeast Asian Nations (ASEAN)<ul style="list-style-type: none">— Hosted the 34th ASEAN SME Working Group Meeting and related events on 11-13 June 2014, Makati City



The “BIG PUSH” to MSME Development

Risks and challenges

<p>Business Environment</p>	<ul style="list-style-type: none"> ■ High cost of doing business ■ Difficulties in business registration and licensing procedures ■ Lack of entrepreneurial mindset 	
<p>Access to Finance</p>	<ul style="list-style-type: none"> ■ Stringent requirements imposed by financial institutions ■ Bankability of MSMEs ■ High lending risk to MSMEs ■ Limited access to information regarding sources of funds ■ Lack of capacity for financial management 	
<p>Access to Market</p>	<ul style="list-style-type: none"> ■ Lack of access to market information ■ Stiff local and global competition ■ Cheap imports eroding MSMEs market share 	
<p>Productivity and Efficiency</p>	<ul style="list-style-type: none"> ■ Inconsistent supply and high cost of utilities ■ Lack of information and education on productivity ■ Not compliant with international quality standards ■ High cost of productivity-enhancing technologies 	
		



The “BIG PUSH” to MSME Development

Key initiatives and programs to empower SMEs

SME Roving Academy (SMERA)

- SME Roving Academy will bring to the regional MSMEs learning programs designed to promote entrepreneurship, improve access to credit and markets, and increase productivity and efficiency
- Through the Academy, entrepreneurs are equipped with the right entrepreneurial attitude and mind-set, enhanced managerial capabilities, appropriate knowledge on marketing preference, technology and lifestyles to help them establish and grow their businesses
- As of 30 August 2014, there have been 733 runs/seminars conducted, which benefitted /assisted 30,858 MSMEs

Entrepreneurship Training

- Seeks to provide existing and potential entrepreneurs with the necessary skills and knowledge to become competitive players in the local and global market. It encourages competence on business strategy formulation and planning

Shared Services Facilities (SSFs)

- Aims to improve the quality and productivity of MSMEs by addressing the gaps and bottlenecks in the value chain through the provision of processing equipment for the common use of MSMEs in the priority industry clusters nationwide
- Envisions to enable MSMEs to increase their productivity, accelerate MSMEs’ competitiveness by giving them access to better technologies and more sophisticated equipment, encourage the graduation of MSMEs to the next level where they could tap a better and wider market share and be integrated in the global supply chain, take into account convergence where government resources are pooled and integrated, and address the gap and bottlenecks in the value chain of priority industry clusters
- As of 12 September 2014, 765 SFFs were established nationwide, assisted 60,022 MSMEs, and generated 25,534 jobs

Major Accomplishments and Targets, Jan-Jul 2014

Indicator	Accomplishments	Target
No. of persons trained	5,211	10,075
Ave. percentage of participants who rated satisfactory or better	93%	80%





The “BIG PUSH” to MSME Development

Key initiatives and programs to empower SMEs

Nationwide Industry Cluster Capacity Enhancement Program (NICCEP)

- Aims to enhance the capacity of selected industry clusters throughout the country to plan, implement, facilitate service delivery, evaluate projects, and improve industry competitiveness and business environment
- A three-year technical cooperation project funded by the Japan International Cooperation Agency (JICA)

Priority Industries			Performance of Pilot Industry Clusters, 2012 - 2014 (Jan - Jun)	
North Luzon	Visayas	Other Mindanao Regions	Investments	PHP8.781mn
— Coffee	— Gifts, Decors, & Housewares (GDH)	— Rubber	Domestic Sales	PHP19.853mn
— Milkfish	— ICT	— Poultry	Exports Sales	USD9.727mn
— Dairy	— Health and Wellness	— Tuna		
— Bamboo	— Tourism	— Palm Oil	Jobs created	166,334
South Luzon	Metro Davao		MSMEs Created	3,260
— ICT	— Banana		MSMEs Assisted	10,597
— Tourism	— Mango		Trainings Conducted	931
— Wearables and Homestyles	— Coconut		Beneficiaries Trained	26,568
— Health and Wellness	— Seaweeds			
	— Wood			
	— Tourism			
	— Mining			
	— ICT			

Source: DTI-Regional Operations Group (ROG)



The “BIG PUSH” to MSME Development

Key initiatives and programs to empower SMEs

Access of Small Entrepreneurs to Sound Lending Opportunities (ASENSO) Program

- Aims to lower the effective cost of borrowing by SMEs and liberalize requirements, create a wider financing system that will give SMEs better access to short and long-term fund and standardized lending procedures
- Also provides assistance through market exposure, human resource training and product development
- From 2004 – June 2014, released loans amounting to PHP340.1bn to 340,934 SMEs and supported 4.76mn jobs

Microfinance Program

- Instituted to cater financing needs of entrepreneurs who fall within the poverty threshold.
- Targets pre-enterprise micros which are either start-up or graduating micro enterprises as end-borrowers
- Prioritizes graduating micro businesses that are ready to register as enterprise, which have a livelihood track record of at least one year and a credit track record with a micro finance institution
- From 2004 – Jun 2014, released loans amounting to PHP336.65bn to 11.26mn SMEs and supported 5.58mn jobs

ASENSO Program Accomplishments, Jan-Jun 2014

Loans Released (in PHP mn)	29,093.20
No. of SMEs	26,149
No. of Jobs Supported	363,655

Source: DTI-Small Business Corporation

Microfinance Program Accomplishments, Jan-Jun 2014

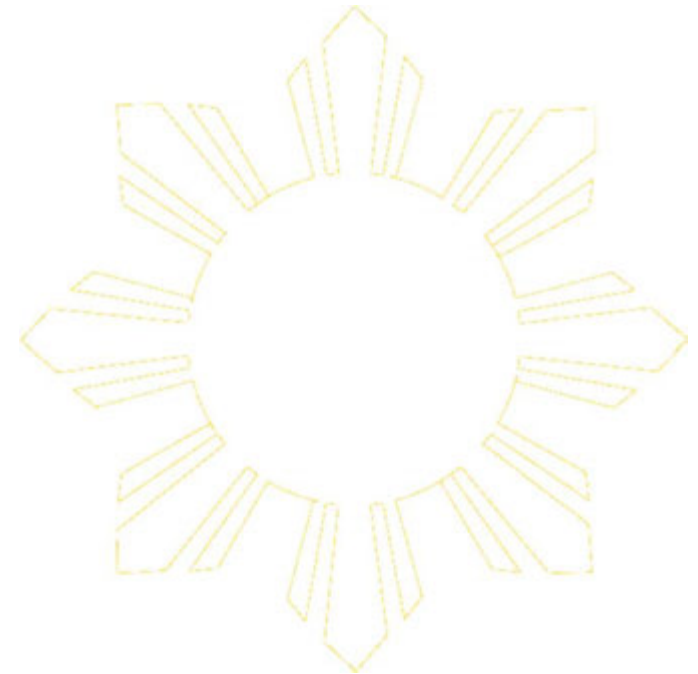
Loans Released (in PHP M)	606.42
No. of SMEs	15,435

Source: DTI-Small Business Corporation, DTI-Bureau of Small and Medium Enterprise Development



Agriculture and Fisheries

Department of Agriculture





Outline

- I. 2014 Sector Accomplishments
- II. 2014 Performance Highlights
- III. Legislative and Other Reform Measures
- IV. Risks and Challenges in the Sector
- V. Sector Targets



2014 Sector Accomplishments

Five major achievements

Philippines, Asia's fastest growing rice producer

- Surpassed 2010-2013 production growth of major rice exporters (Thailand, Vietnam, India)
- Achieved historical best of 18.4mn metric tons (MT) palay production in 2013
- Palay production in first half of 2014 grew by 4.8%, exceeding the 1.3% growth in the same period of 2013

Average Rice Production Growth, 2010-2013			
Producer	Ave. Growth (%)	Producer	Ave. Growth (%)
Philippines	2.71	Indonesia	1.10
Vietnam	2.35	Thailand	0.20
China	1.63	India	-5.10
Japan	1.44	World	0.17

Source: USDA, World Markets & Trade, Apr 2014

Poverty reduction in fisheries and closed season implementation

- Reduced poverty incidence in the agriculture sector by 2.1 percentage points, better than the national average decline of 1.1 percentage points (Philippine Statistics Authority)
- Regenerated fishery resources by implementing closed season in Visayas and Mindanao areas. After the latest one from December 2013 to March 2014, skipjack production grew by 12.6% in the first semester of 2014

Early rehabilitation efforts in calamity stricken areas

- Harvested 51,220 MT of palay from 16,684 hectares in Yolanda-affected areas in March-April 2014

Drafting of Implementing Rules and Regulations of Food Safety Act passed in August 2013

Agrinnovation fast-tracks agricultural modernization: Philippine Center for Postharvest Development and Mechanization (PhilMech) partners with private sector to design and develop farm machinery and equipment

- Compact coco water extractor, pasteurizer and chiller
- Seeders, transplanters and mini-combine harvesters attached to hand tractors
- Mechanical 10-row onion seeder
- Casava digger
- Brown rice impact huller

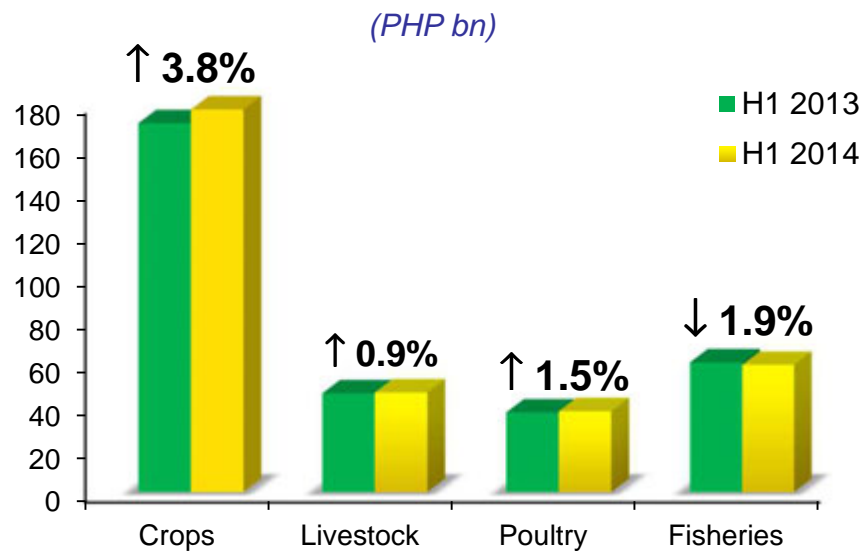




Agriculture and Fisheries Sector

Improved sector performance in the first semester of 2014

Gross Value Added (GVA) in Agriculture and Fisheries (A&F)
H1 2013 and H1 2014, at constant prices



Agri-Fishery

The sector's GVA grew by 2.0%

2013 H1	↑ 0.9%	2014 H1	↑ 2.0%
---------	--------	---------	--------

Top Sector Performers in GVA:

↑ 10.0%	↑ 9.6%	↑ 5.1%
Cassava	Mango	Sugarcane
↑ 4.8%	↑ 4.7%	
Palay	Corn	

Highlights

- Employed 30.4% of total labor force, or about 11.6mn workers: 10.2mn farmers/farm laborers and 1.4mn fisherfolk (Jul 2014 round)
- Total value of agricultural exports amounted to USD1.6bn (Q1 2014), sustaining the momentum of the 25.4% increase registered in 2013

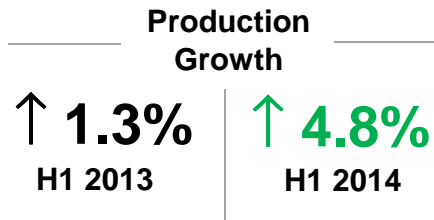
Source: Philippine Statistics Authority (PSA)



2014 Performance Highlights

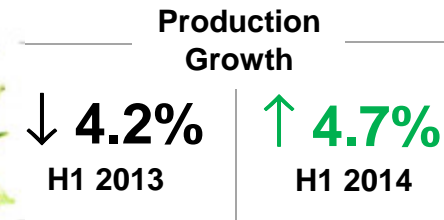
Towards achieving food security and competitiveness

Improved palay harvests



1st sem production volume: **8.4 MMT**

Increased corn production



1st sem production volume: **3.5 MMT**

Increased consumption of alternative food staples

Annual Per Capita Consumption of Selected Commodities
In kg/person/year

Commodity	2008-2009	2012
White Corn	7.1	10.3
Camote	4.1	4.3
Gabi	1.0	1.2
White Potato	0.7	0.9

Note: Details may differ from official figures due to rounding

Sources: PSA; DA's Highlights of Accomplishments for the 1st semester of 2014

Developed farm equipment and machinery for major crops



Cassava Digger



Compact Corn Mill



Mini Combine Harvester



Ten-row Onion Planter



Coco Water Processor with Pasteurizer Chiller



Rice Transplanter



2014 Performance Highlights

Increased sector resilience to climate change risks

Intensified response to disaster

AHON!*

The AHON! Initiative is a public-private partnership which aims to help fisherfolk-survivors of typhoon Yolanda go back to the sea and feed their families and communities



29,671

Boats constructed and repaired

1,098

Coastal barangays covered



12

30-footer multi-mission boat acquired to strengthen BFAR sea patrol operations

Launching of the Bangkang Pinoy:

Bangkang Pinoy - durable, "unsinkable" fishing boats made of fiberglass



5,000

Bangkang Pinoy for construction and distribution by end of 2014

* Data as of September 2014

Sources: DA's Highlights of Accomplishments for the 1st semester of 2014; <http://www.da.gov.ph/index.php/2012-03-27-12-04-15/2012-04-17-09-30-59/5268-da-to-produce-unsinkable-fishing-boats-alcala-leads-launch-of-da-bfar-s-bangkang-pinoy>

UmaAHON!

The Uma-AHON Initiative aims to help rebuild farming communities in the Eastern Visayas region in collaboration with farmer, various government agencies, and private sector



391,696

Felled/damaged trees cut and processed into square logs



803,356

Seedlings planted

3,486

Coconut farmers benefitted from planting/replanting

33,648

Farmers provided with seeds and planting materials (i.e. vegetables, mungbeans, camote cuttings)



2014 Sector Accomplishments

Increased sector resilience to climate change risks

Developed and promoted climate-resilient varieties

Rice



Recommended rice varieties to farmers in preparation for El Niño:

- NSIC Rc 192 (Sahod Ulan1)
- PSB Rc14 (Rio Grande)
- PSB Rc68 (Sacobia)
- NSIC Rc 212 (Sahod Ulan2)
- Rc 274 (Sahod Ulan3)
- Rc276 (Sahod Ulan4)
- Rc 278 (Sahod Ulan5)
- Rc280 (Sahod Ulan6)
- Rc282 (Sahod Ulan7)
- Rc284 (Sahod Ulan8)
- Rc286 (Sahod Ulan9)
- Rc288 (Sahod Ulan10)
- Rc346 (Sahod Ulan11),
- Rc348 (Sahod Ulan12)
- PSB Rc80 (Pasig)
- PSB Rc9 (Apo)
- NSIC Rc23 (Katihan1)

Banana



- Promoted fusarium wilt-resistant banana varieties, GCTCV 218 and GCTCV 219
- Continuously developing disease-resistant varieties of banana

Native Chicken



Banaba



Joloano



Paraoakan

- Three (3) breeds of native chicken undergoing the phenotypic and molecular characterization and purification procedure: paraoakan (Palawan), banaba (Batangas) and joloano (Jolo/Basilan)
- On-going researches on breeding of native animals which include swine, horse, and goat

Sources: DA's Highlights of Accomplishments for the 1st semester of 2014; <http://www.philstar.com/agriculture/2014/09/07/1366152/philrice-backs-17-drought-tolerant-rice-varieties>

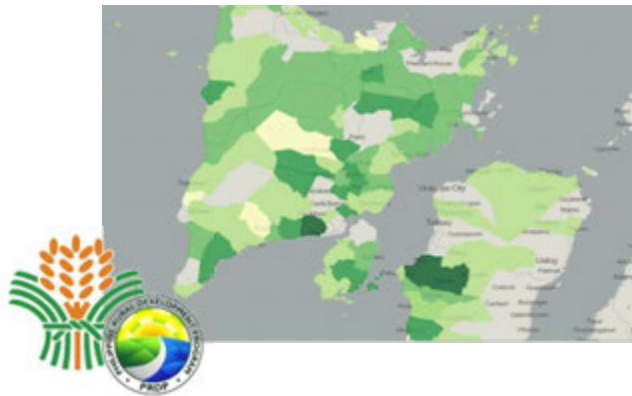


2014 Sector Accomplishments

Increased sector resilience to climate change risks

Strengthened climate change adaptation and mitigation measures

- Developed the Expanded Vulnerability and Suitability Assessment (eVSA), a decision support tool for prioritizing climate-smart investments



- Established and maintained agro-meteorological stations



- Implemented conservation activities for the fisheries sector:



- Launched closed season of small pelagic fishes in Davao Gulf (June to August 2014)
 - ban covers big-eyed scad, skipjack tuna, species of tuna, scad, mackerel, moonfish, among others

- Monitored **152** sanctuaries and deployed **202** artificial reef modules for coastal and inland fisheries resource rehabilitation and development

- Planted **5,075,373** mangrove propagules to promote mangrove-friendly farming system to fisherfolk communities



- Dispersed fingerlings to **240** communal waters to replenish the stock of depleted resources



- Enforced ban on *hulbot-hulbot* (Danish Seine) and *buli-buli* (Modified Danish Seine) fishing
 - both active gears contribute to the destruction of marine habitats and other fishery resources

Sources: DA-BFAR (accomplishments as of August 2014); <http://www.da.gov.ph/index.php/2012-03-27-12-04-15/2012-04-17-09-30-59/5371-bfar-da-launch-closed-season-for-pelagic-fishes>; <http://www.bfar.da.gov.ph/BFARnews?id=245>



Legislative and other Reform Measures

Proposed bills to strengthen agriculture and fisheries

National Land Use Act

- All irrigated and irrigable lands planted but not limited to rice, crop, sugar, coconut and other crops blocked and mapped according to standards by the Bureau of Soils and Water Management (BSWM) will be declared National Protected Areas for agriculture and may not be converted for other purposes to support long-term food security and sustainable environment for agriculture

Amending the Philippine Fisheries Code of 1998

- To take stringent measures for the sustainable management and protection of marine resources (amending Sections 91 and 97 of RA 8550, An Act Providing for the Development, Management and Conservation of the Fisheries and Aquatic Resources, Integrating all Laws Pertinent Thereto, and for other Purposes)

Liberalizing the Export of Rice, Corn and other Grains and Related Agricultural Products

- Aims to remove the required certification from the National Food Authority (NFA) Council declaring an excess production and/or supply before an authority to export is issued; the NFA to retain its authority to export

Sugarcane Industry Development

- To diversify the sugar industry utilizing sugarcane for other possible use aside from raw and refined sugar such as power, waste disposition and biochemical products by integrating by-products production with sugar processing



Legislative and other Reform Measures

Proposed bills to strengthen agriculture and fisheries

Strengthening the Animal Industry and Veterinary Services	<ul style="list-style-type: none">■ To improve the animal industry and strengthen the veterinary services of the Philippines
Providing for a Veterinary Quarantine Services	<ul style="list-style-type: none">■ To institutionalize the National Veterinary Quarantine Service
Promoting the Scientific Propagation, Processing, Utilization and Development of Philippine Native Animals	<ul style="list-style-type: none">■ To promote the scientific propagation of native animals in the country, develop and promote native animals as a reliable source of regular food for the Filipinos, strengthen research and development on native animals, and develop farming standards and good practices on native animals
Amending the Livestock and Poultry Feeds Act	<ul style="list-style-type: none">■ Amendment to RA 1556, otherwise known as the Livestock and Poultry Feeds■ To make the coverage more comprehensive to include all feeds intended for terrestrial and aquatic animals, and to include regulation and control of exports of feeds
ACEF and AFMA Extension	<ul style="list-style-type: none">■ Extend the utilization period of the Agricultural Competitiveness Enhancement Fund (ACEF) and extend appropriations for the Agriculture and Fisheries Modernization Act (AFMA)



Legislative and Other Reform Measures

Good governance measures

PRDP as DA's platform for reform



Philippine Rural Development Project (PRDP) is a six-year project designed to establish the government platform for a modern, climate-smart and market-oriented agri-fishery sector.

Components of the PRDP:

- **I-PLAN: Investments in Agriculture and Fishery Modernization Plan (AFMP) Planning at the Local and National Levels**
 - aims to enhance sector planning through science-based tools including value chain, vulnerability and suitability assessment, participatory resource appraisal, and climate change adaptation
- **I-BUILD: Intensified Building up of Infrastructure and Logistics for Development**
 - aims to put in place strategic and climate-resilient rural infrastructure facilities along the value chain
- **I-REAP: Investments in Rural Enterprises and Agriculture and Fisheries Productivity**
 - aims to create marketable surplus of commodities and elevate agricultural production into the next levels of the value chain by installing production and market support facilities; establish enterprises and up-scaling product at the appropriate commodity value-chain segment
- **I-SUPPORT: Implementation Support to PRDP**
 - aims to maintain effective and efficient program management and institutionalize DA engagement with stakeholders

Sources: 2013 DA Annual Report; <http://www.daprdp.net/about-us/overview/>

Geotagging as monitoring tool



Geotagging, which was initiated under the DA-Mindanao Rural Development Program (MRDP), is recognized as the first in the Philippines and one of the pioneers in the region, and received the Good Practice Award as an efficient transparency tool from National and Economic Development Authority.

- Aids in efficient project supervision by applying global positioning system (GPS) technology to map out projects and monitor their progress and implementation
- Improved the procurement and bidding process as project information is readily accessible (encourages competitive bidding)
- Curtailed fraudulent activities as it aids in detecting fabricated project designs and plans that do not correspond to actual field conditions



Legislative and Other Reform Measures

Good governance measures

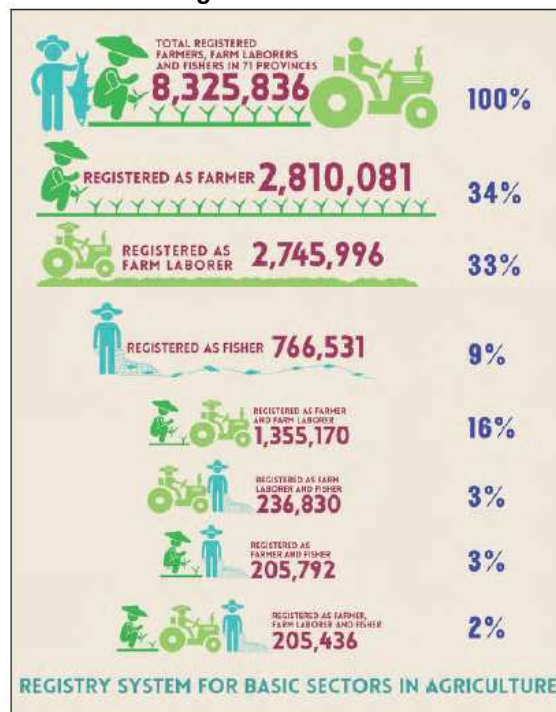
Improved targeting and identification of beneficiaries

RSBSA

The Registry System for Basic Sectors in Agriculture (RSBSA) is a nationwide database of baseline information of farmers, farm laborers and fishers from identified provinces, as well as geographical coordinates of agricultural and fishery workers households.

- Data will be used as basis for developing programs and policies for the agriculture and fishery sectors
- Aims to address the urgent need for a comprehensive and systematic information system for the government to identify and locate farmers, farm laborers, and fishers who are the target beneficiaries of agriculture-related programs and services.

Profile of Registered farmers and fishers



FishR



FishR is designed to enhance, fast track and complete the Municipal Fisherfolk Registry of coastal Local Government Units (LGUs) nationwide in accordance with RA 8550.



1,144,372

Municipal fisherfolk registered

(as of 15 September 2014)

- Aims to serve as a tool to efficiently deliver more appropriate programs for municipal fishers and protect their preferential rights over the use of resources
- Essential in the implementation of coastal resource management programs and projects as this will provide reliable information on the number of resource users in a particular fishing ground

Sources: 2013 DA Annual Report; DA-BFAR; <http://mfrs.bfar.da.gov.ph>



Risks and Challenges in the Sector

Achieving inclusive growth



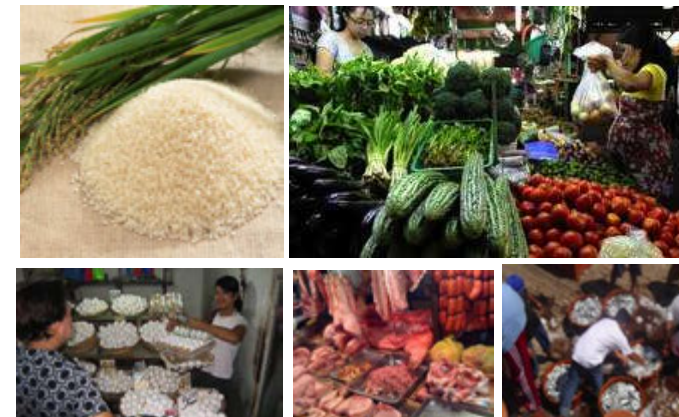
Preparing for ASEAN integration



Mainstreaming climate change initiatives



Maintaining stable prices of agricultural commodities





Sector Targets

Commitments in the Philippine Development Plan

Increase gross value added in agriculture and fisheries (A&F)



Target GVA Growth by Subsector, 2014-2016
(based on constant prices)

Commodity	2014	2015	2016
A&F GVA growth (%)	3.2-4.2	3.3-4.3	3.5-4.5
Crops	4.0-5.0	3.8-4.8	4.0-5.0
Livestock	1.2-2.5	1.5-3.0	1.6-3.5
Poultry	4.2-5.2	4.2-5.2	4.2-5.2
Fisheries	1.5-2.5	2.3-3.0	2.8-3.5

Targets based on revalidated Results Matrix of the Updated Philippine Development Plan (PDP)

Attain and sustain rice self-sufficiency



Increase labor productivity



2.0% to 5.0% per annum

Increase agricultural exports



9.5% to 10.5%
per annum



Sector Targets

Towards competitive and sustainable agriculture and fisheries

Outcome 1: Productivity in agriculture and fisheries sector increased

Increase Yield of Major Commodities (mt/ha)

Targets by 2016:



Palay
4.2



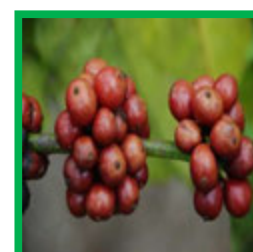
White Corn
2.3



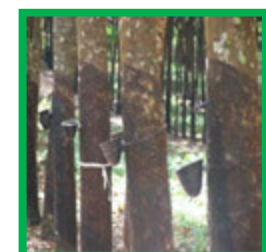
Yellow Corn
5.2



Cassava
15.8



Coffee
0.7



Rubber
2.5



Coconut
0.9



Banana
21.1



Pineapple
44.1



Mango
4.7



Cacao
0.6



Abaca
29.2

Note: Details may differ from official figures due to rounding

Targets based on DA's Refined Organizational Outcomes and Performance Indicators as approved by DBM



Sector Targets

Towards competitive and sustainable agriculture and fisheries

Outcome 1: Productivity in agriculture and fisheries sector increased

Increase Production of Major Commodities (mmt)

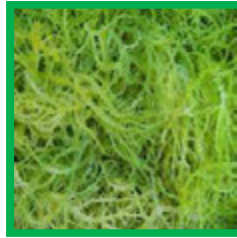
Targets by 2016:



Tilapia
0.4



Bangus
0.5



Seaweeds
1.8



Hog
2.2



Chicken
1.8

Note: Details may differ from official figures due to rounding

Targets based on DA's Refined Organizational Outcomes and Performance Indicators as approved by DBM

Outcome 2: Forward linkage to the industry and services sectors increased



20

Additional agri-based MSMEs per year

2.0% to 4.0%

Increase in average agri-fishery income

Outcome 3: Sector resilience to climate change risks increased

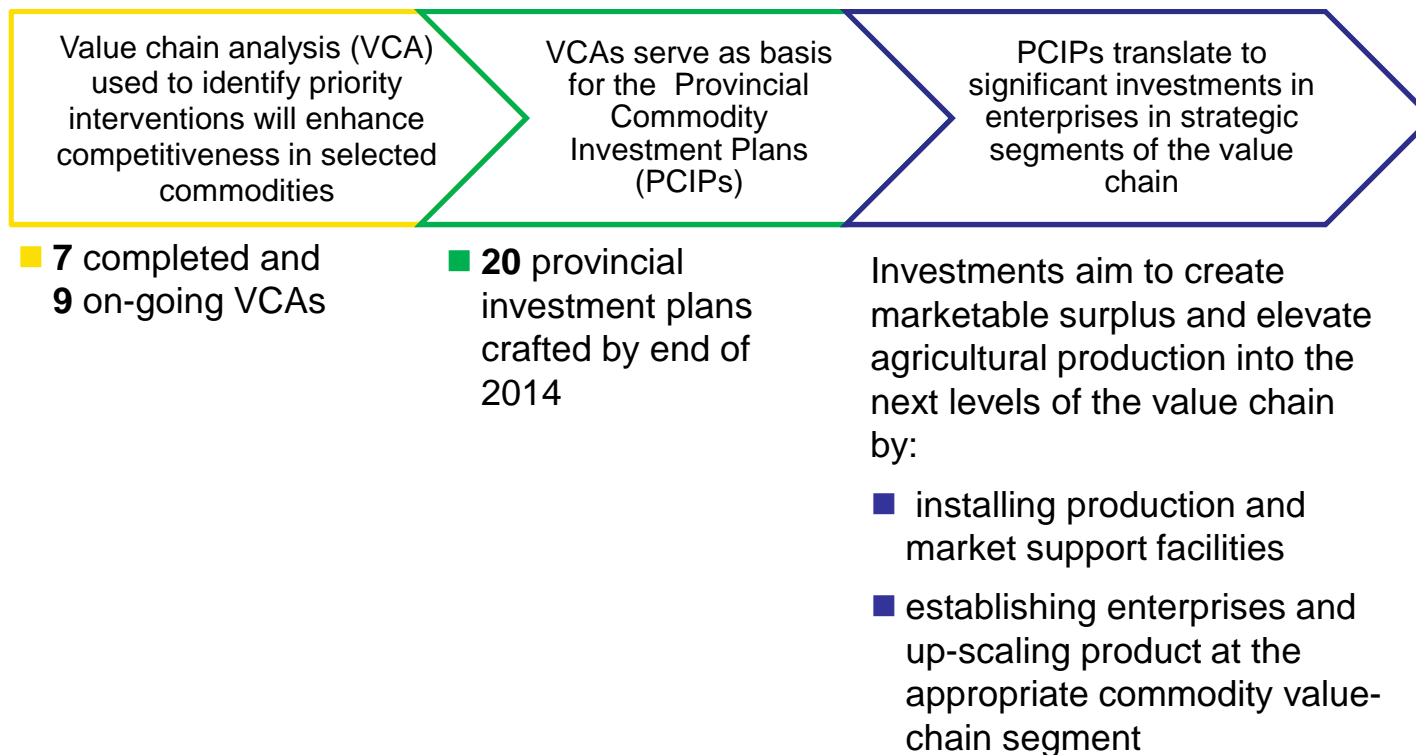


- Reduce yearly production loss due to weather and climate-related disasters
- Reduce yearly infrastructure loss due to weather and climate-related disasters



Initiatives to Empower MSMEs

PRDP Enterprise Development



Expected Key Results:

- Increased Smallholder Groups operating viable enterprises
- Enhanced producer productivity through formalized arrangements for marketing and /or technical services;
- Increased smallholder and fisher resilience to climate change and adverse weather conditions.

Source: <http://www.damrdp.net/PRDPOverview.html>



Tourism Industry

Department of Tourism





Outline

I. Major Accomplishments

- Tourism Demand Statistics
- Visitor Arrivals (January - July 2014)
- Major Projects under the National Tourism Development Plan (NTDP)

II. Key Outcomes and Targets

III. Policy Thrusts and Major Programs (2014-2016)



Major Accomplishments Awards/Citations



PHILIPPINES

2013 RISING STAR IN TOURISM
- WORLD ECONOMIC FORUM

HOTTEST TRAVEL DESTINATIONS OF 2013
- TRAVEL AND LEISURE

TOP 10 HOTTEST NEW TRAVEL DESTINATIONS FOR 2013
- CONDE NAST TRAVELLER

TOP 20 DESTINATIONS FOR 2014
- THE TELEGRAPH

MOST ROMANTIC DESTINATION
- SHANGHAI MORNING POST

MOST TOURIST-FRIENDLY COUNTRY
- TOP 10 OF ASIA

10 MOST GOOGLED DESTINATIONS
- CNN



Major Accomplishments Awards/Citations

PALAWAN

WORLD'S BEST
ISLAND FOR 2013
- TRAVEL AND LEISURE

10 BEST REGIONS
TO TRAVEL IN 2013
- LONELY PLANET

TOP 10 BEST VALUE TRAVEL
DESTINATIONS FOR 2014
- LONELY PLANET

FOURTH-BEST
HOLIDAY DESTINATION
- SMART TRAVEL ASIA

BORACAY

TOP DESTINATION
FOR RELAXATION 2013
- AGODA.COM

BEST BEACH IN ASIA 2013
- TRIPADVISOR.COM

SIXTH-BEST ISLAND
IN ASIA FOR 2014
- TRIPADVISOR.COM

TUBBATAHA

EIGHTH-BEST DIVE SITE
IN THE WORLD
- CNNGO.COM

SIARGAO

NINTH-BEST SURF SPOT
IN THE WORLD
- CNN TRAVEL



Major Accomplishments

Tourism Demand 2014

Estimated Visitor Receipts 2014/2013 (PHP mn)

Jan-Jul 2014	Jan-Jul 2013	Growth Rate (%)
126,334.5	109,572.8	15.3

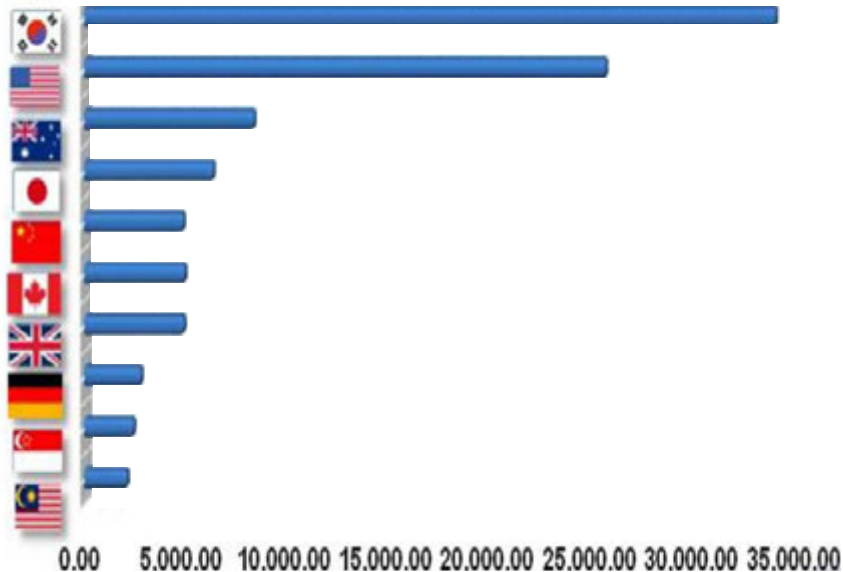


Major Accomplishments

Tourism Demand 2014

Top spending markets, January – July 2014

(PHP mn)



Country	Amount (PHP bn)
Korea	33.9
US	25.6
Australia	8.3
Japan	6.3
China	5.5
Canada	5.0
UK	4.9
Germany	2.8
Singapore	2.4
Malaysia	2.1

On average, visitors spent **PHP4,166.70** daily in **July 2014**, while the average length of stay is **9.6 nights**, longer by **1.4 night (16.4%)** compared to the average length of stay of **8.3 nights** in **July 2013**

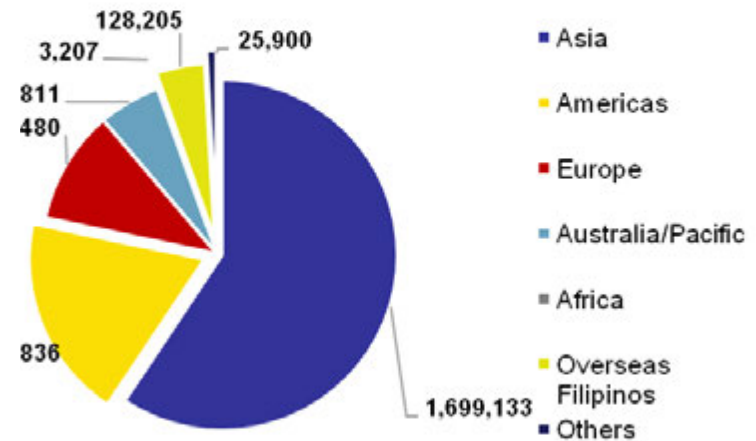


Major Accomplishments

International Arrivals (January-July 2014)

RANK	COUNTRY	JAN-JUL 2013	JAN-JUL 2014	GROWTH RATE (%)
1	KOREA	706,998	662,228	(6.3)
2	USA	417,904	449,793	7.6
3	CHINA	246,967	268,028	8.5
4	JAPAN	245,817	259,086	5.4
5	AUSTRALIA	118,186	126,745	7.2
6	SINGAPORE	100,334	105,333	5.0
7	CANADA	77,656	86,225	11.0
8	TAIWAN	95,545	82,787	(13.4)
9	UNITED KINGDOM	71,088	81,248	14.3
10	MALAYSIA	62,893	78,149	24.3
11	HONGKONG	76,555	67,034	(12.4)
12	GERMANY	41,990	43,559	3.7
	OTHERS	536,948	551,357	2.7
GRAND TOTAL (including OTHERS)		2,798,881	2,861,572	2.2

Visitor arrivals in the Philippines by region (January – July 2014)



The **East Asian region** maintained its position as the largest contributor of arrivals (**1,343,864 visitors**) by region, accounting for **47.0%** of the overall traffic base



Major Accomplishments

Accomplishments under the National Tourism Development Plan

Market Development



1. Developed **NEW** geographic markets (Russia, India, Middle East, Thailand, Indonesia, and Vietnam) and niche markets (Cruise, Dive, Medical, and Learn English)
2. Increased awareness on Philippine tourism thru conduct of familiarization tours for media, sales missions, product presentations, tactical ads, joint promotions, international travel and reality shows, and use of social media
3. Developed networks with travel trade and generated businesses and business leads for the Philippine private sector thru participation in travel fairs



Major Accomplishments

Accomplishments under the National Tourism Development Plan

Accessibility and Connectivity



1. Extended visa-free stay of foreign visitors from 21 to 30 days
2. Increased flight and seat entitlements thru bilateral air talks
3. Strengthened partnership with airlines, charter operators, and travel agents in promoting more flights into the country and in opening new services
4. Intensified marketing and promotions by participating in international route events such as Routes Asia and World Routes
5. Entered into convergence program with infrastructure agencies for the upgrading of airports and seaports



Major Accomplishments

Accomplishments under the National Tourism Development Plan

Improve Institutional Governance and Human Resources



1. Conducted 476 training programs for local government units in the areas of planning, product development, statistics, policy, and governance, as well as for industry workers to enhance skills and competencies
2. Accredited 2,393 tourism enterprises that include accommodation facilities, travel and tour companies, tour guides, tourist transport and tourism-related establishments
3. Signed a Memorandum of Understanding with Department of Social Welfare and Development (DSWD) and USAID for the “One Step Project” to improve the lives of the poor with more direct interventions through tourism. Five priority sites identified: Ubay, Bohol; Intramuros, Manila; Daraga, Albay; Davao City and its environs; and Northern Panay Island



Key Outcomes and Targets

INDICATORS	Actual	Target	Projections		
	2013		2014	2015	2016
International Tourists					
Visitor Arrivals (mn)	4.7	5.5	6.8	8.2	10.0
Length of Stay (nights)	9.6	8.0	8.0	8.0	8.0
Average Daily Expenditure (PHP)	4,292	4,914.0	5,431.0	5,939.0	6,470.0
Visitor Receipts (PHP bn)	189.8	205.4	269.9	350.4	455.0
Domestic Tourists					
Domestic Travellers (mn)	43.7	44.1	47.7	51.7	56.1
Domestic Trips (mn)	181.5	176.2	191.0	206.9	224.2
Length of Stay (nights)	4.7	4.7	4.7	4.7	4.7
Average Daily Expenditure (PHP)	2,136	2,580.0	2,593.0	2,739	2,922
Receipts (PHP bn)	1,117	1,298.6	1,409.2	1,607.1	1,852.1



Economic Impact Projection 2013 - 2016

INDICATORS	Actual	Target	Projections		
	2013		2014	2015	2016
Gross Domestic Product					
Total Visitor Receipts (PHP bn)	1,306.8	1,504.0	1,679.1	1,957.5	2,307.1
GVA (PHP bn)	688.8	748.3	835.4	974.0	1,147.9
Share to GDP (%)	6.0	6.7	7.0	7.8	8.7
Employment					
Tourism employment (mn)	4.6	4.9	5.4	6.3	7.4
Share to National Employment (%)	12.0	13.0	14.2	16.2	18.8



Policy Thrusts and Major Programs 2014 - 2016

I. Convergence Programs with other National Government Agencies

- DOT-DPWH Convergence Program on Enhancing Tourism Access
- DOT-DSWD-USAID One-Step Project
- DOT-DENR on the National Ecotourism Strategy

II. DOT Local Governance Support Program for Local Economic Development (LGSP LED)

- Development of a Tourism Planning Guidebook for local government units (LGU) with DENR and DAP
- Technical Assistance to LGUs

III. Asian Development Bank-Canadian International Development Agency (ADB-CIDA)

Technical Assistance on Improving Competitiveness in Tourism

- Development and implementation of a Regulatory Impact Assessment (RIA) work plan for 2013-2016
- Development of a Hotel and Resort Quality Assurance and Accreditation System
- Formulation of a Tourism Industry Skills Development Program

IV. International, Regional, and Bilateral Cooperation

- To promote Philippine Tourism Policies and mobilize resources for technical cooperation and exchange for information

V. Sustain International Government and Non-Government Organizations

- To reinforce Philippine tourism in achieving goals and objectives



Policy Thrusts and Major Programs

2014 - 2016

VI. Increase the participation of LGUs and private sector in the following:

- Mandatory accreditation of tourism enterprises
- Formulation of a National Standard and Certification Program for Tourism Facilities and Services
- Promotion of Framework, Approaches, Parameters and Measures of Climate Change and Tourism

VII. Reinforcement of International and Domestic Promotion and Program

- Utilization of both traditional and new social networking media targeting existing and new markets

VIII. Local Tourism Development Plans

- Encourage LGUs to develop a Culture of Tourism through environmentally and socially sustainable tourism development plans

IX. Grassroots Participatory Budgeting Approach

- This will aid in the empowerment of citizens, strengthen devolution of public services and incentivize reforms in local governance

X. Medium Term Information and Communication Technology (ICT)

- Aims to organize the planning, budgeting, implementation, monitoring and evaluation of government-wide ICT projects

XI. Magna Carta For Women

- To strengthen the support to the formulation, promotion, coordination and monitoring of Gender and Development (GAD) initiatives in the DOT Family and in the tourism industry



Energy Sector

Department of Energy





Outline

- I. 2013 – 1st Semester 2014 Major Accomplishments
- II. Key Legislative Initiatives
- III. Targets for 2014 to 2016



2013 – 1st Semester 2014 Major Accomplishments

Indigenous Fossil Fuel Development

	Unit	Production		No. of Contracts Supervised/ Monitored
		2013	2014 (Jan – June)	
Oil	Million Barrels	1.88	1.66	29
Gas	Billion Cubic Feet	124	64.31	
Condensate	Million Barrels	4.08	2.06	
Coal	Million Metric Tons (@10,000 BTU/lb)	7.08	4.46	71

- Launched the 5th Philippine Energy Contracting Round (PECR) last 9 May 2014
- 14 Service Contracts (SC) were awarded in 2013 (3 for petroleum and 11 for coal)



2013 – 1st Semester 2014 Major Accomplishments

Enhanced Renewable Energy (RE) Development

2013				2014			
Awarded		Cancelled		Awarded		Cancelled	
No. of SCs	Capacity (MW*)	No. of SCs	Capacity (MW)	No. of SCs	Capacity (MW)	No. of SCs	Capacity (MW)
177	2,688.87	1	150.00	140	1,797.11	12	155.80

- Evaluation process of Renewable Energy Service Contracts (RESCs) not to exceed 45 working days
- Implemented rules on Net-Metering Program
- Prescribed guidelines for the selection process of RE Projects under Feed-in-Tariff (FIT) System and the Award of Certificate for FIT eligibility

FIT Monitoring Board Summary (as of 15 August 2014)

Resource	For Nomination/Conversion		With Certificate of Confirmation of Commerciality	
	No. of Projects	Capacity (MW)	No. of Projects	Capacity (MW)
Hydro	16	71.00	37	332.05
Wind	0	0.00	12	720.40
Solar	5	122.50	7	160.00
Biomass	1	3.60	9	90.913
Total	22	197.10	65	1,303.36

*Megawatt



2013 – 1st Semester 2014 Major Accomplishments

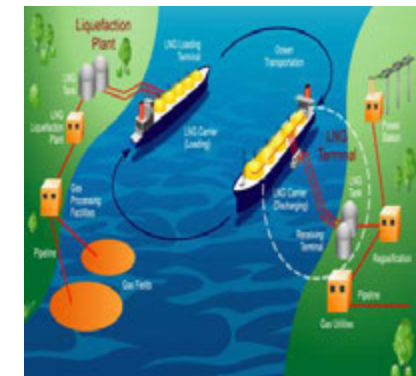
Downstream Oil Industry

- PHP43.26bn accumulated investments with 229 additional players



Downstream Natural Gas Industry

- Commissioned thru Public-Private Partnership (PPP) Center the conduct of a Feasibility Study for Batangas-Manila Natural Gas Pipeline (BatMan 1)
- Monitored ongoing construction of Liquefied Natural Gas (LNG) terminal and merchant gas-fired power plant in Pagbilao, Quezon





2013 – 1st Semester 2014 Major Accomplishments

Alternative Fuels

Auto-Liquefied petroleum gas (LPG)

- As of December 2013, 11,977 taxis are already running on auto-LPG
- 239 auto-LPG stations (67 garage-based and 172 public)

	Production (mn L)		Actual Sales (mn L)	
	2013	2014 (Jan – Jun)	2013	2014 (Jan – Jun)
Biodiesel	154.95	85.57	152.50	80.04
Bioethanol	71.54	38.03	63.20*	34.55

**Sales includes inventory*

Biofuels

- Accredited 2 biofuel production plants (1 bioethanol and 1 biodiesel) and awarded 1 bioethanol project with Certificate of Registration with Notice to Proceed
- Launched project on “Bioethanol Production from Macroalgae and Socio-ecological Implications” with University of the Philippines-Visayas Foundation Inc. in September 2013

Note: mn L – million liters



2013 – 1st Semester 2014 Major Accomplishments

Alternative Fuels

Natural Gas Vehicle Program for Public Transport (NGVPPT)

- Rebidding of 2 modular Compressed Natural Gas (CNG) stations in Biñan, Laguna and Port Area, Batangas City by Philippine National Oil Company – Exploration Corporation (PNOC-EC)
- Secured Department of Transportation and Communication (DOTC) commitment for the franchise of the CNG buses to complete the pilot phase



Electric Vehicles

- Ongoing bidding of 3,000 electric tricycles (E-Trikes)
- Business model for Financing is being enhanced to enable greater access of drivers for the acquisition of E-Trikes





2013 – 1st Semester 2014 Major Accomplishments

Power Sector

- Facilitated the entry of private sector in power generation
 - 1,129.5 MW of newly commissioned plants in January 2013 to June 2014
 - 955.9 MW in Luzon
 - 14.02 MW in Visayas
 - 159.64 MW in Mindanao

- Facilitated competition and customer choice in Power Sector
 - Full commercial operation of Retail Competition and Open Access on 26 June 2014
 - Wholesale Electricity Spot Market (WESM)

- Enhanced Power Sector Institutional Capability
 - Promulgated the IRR for the National Electrification Administration (NEA) Reform Act
 - Ongoing assistance to problematic electric cooperatives (EC) (Albay Electric Cooperative (ALECO), Davao del Norte Electric Cooperative (DANECO), Lanao del Sur Electric Cooperative (LASURECO), etc.)





2013 – 1st Semester 2014 Major Accomplishments

Measures Undertaken to Address Power Supply Issues

- Introduced Interruptible Load Program (ILP) in Luzon
- Implemented Modular Genset Program in Mindanao
- Implemented the Interim Mindanao Electricity Market (IMEM)
- Managed maintenance program of generation facilities jointly with the National Grid Corporation of the Philippines (NGCP) Grid Operating and Maintenance Program (GOMP)
- Increased institutional/technical capacities of Distribution Utilities (DUs) in formulating distribution development planning
- Created the task force on electricity (ongoing)
- Developed policy on demand aggregation and supply auctioning (ongoing public consultations)



2013 – 1st Semester 2014 Major Accomplishments

Long-term measures to address power supply issues

- Ensure the implementation and timely completion of power infrastructure projects
 - Transmission Development Plan (TDP) of NGCP
 - Distribution Development Plan (DDPs) of DUs

- Facilitation of energy investments
 - Strengthened the DOE's Investment Promotion Office (IPO) to accelerate the processing of permits/licenses/clearances for energy projects

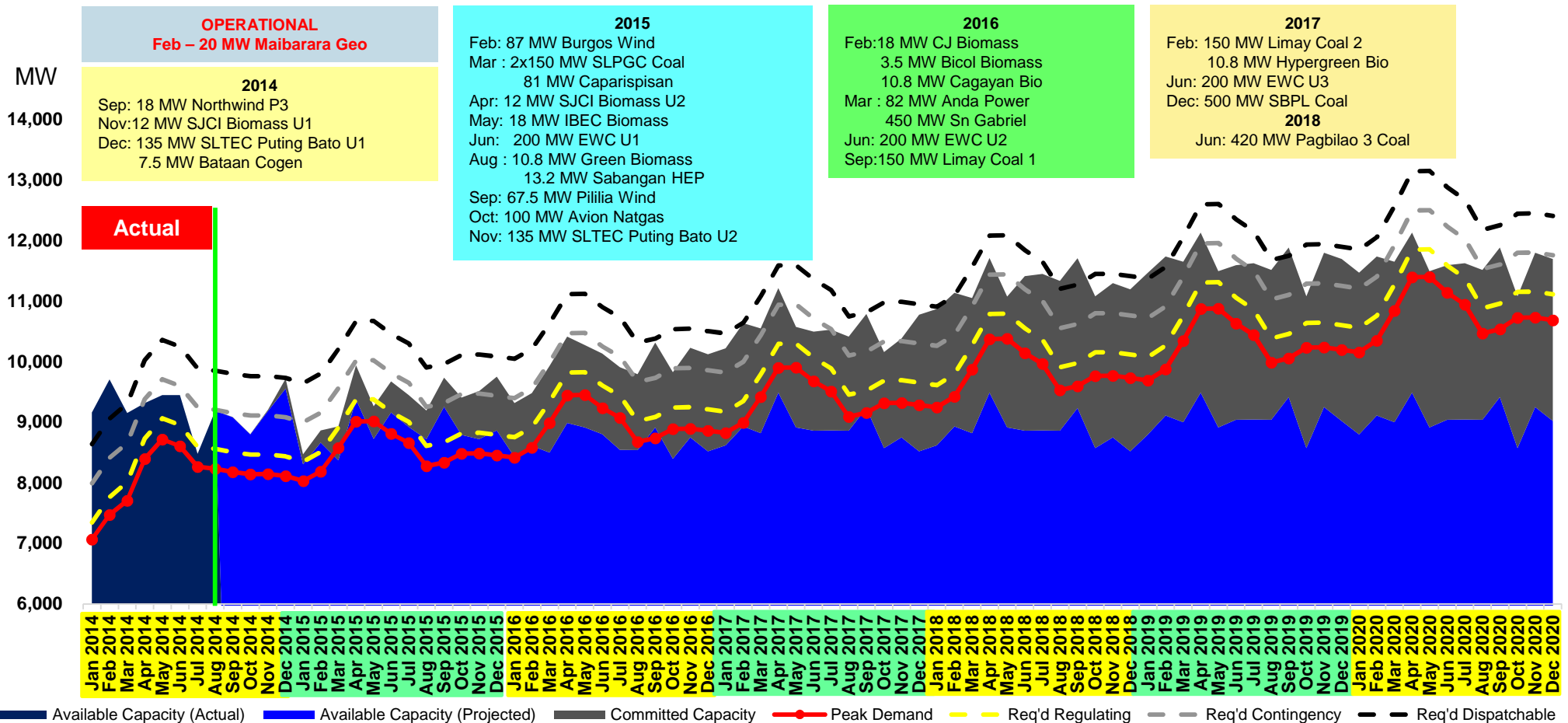
- Specific Programs and Projects for Mindanao
 - Visayas-Mindanao Interconnection Project (VMIP)
 - Uprating of Agus VI Hydropower Project (Unit 1 and 2)
 - Balo-i Flood Control Project
 - Dredging of Pulangui IV
 - Privatization of Agus and Pulangui

- Support legislations on declaration of energy projects as projects of national significance



2013 – 1st Semester 2014 Major Accomplishments

Luzon Supply-Demand Outlook 2014-2020



Notes

- Required Reserve Margin (RM) i.e. 4% regulating reserve and contingency and dispatchable reserve requirement
- 4.2 % peak demand growth rate resulted from observed 0.6 elasticity ratio of demand for electric power with national economic growth applied to 7% GDP growth rate (GR) target for 2014-2015.
- 4.8 % peak demand growth rate resulted from observed 0.6 elasticity ratio of demand for electric power with national economic growth applied to 8% GDP growth rate (GR) target for 2016-2020.
- Assumed average forced outage of the total available capacity, Jan 2012- Mar 2014 historical data

HEP – Hydroelectric Plant



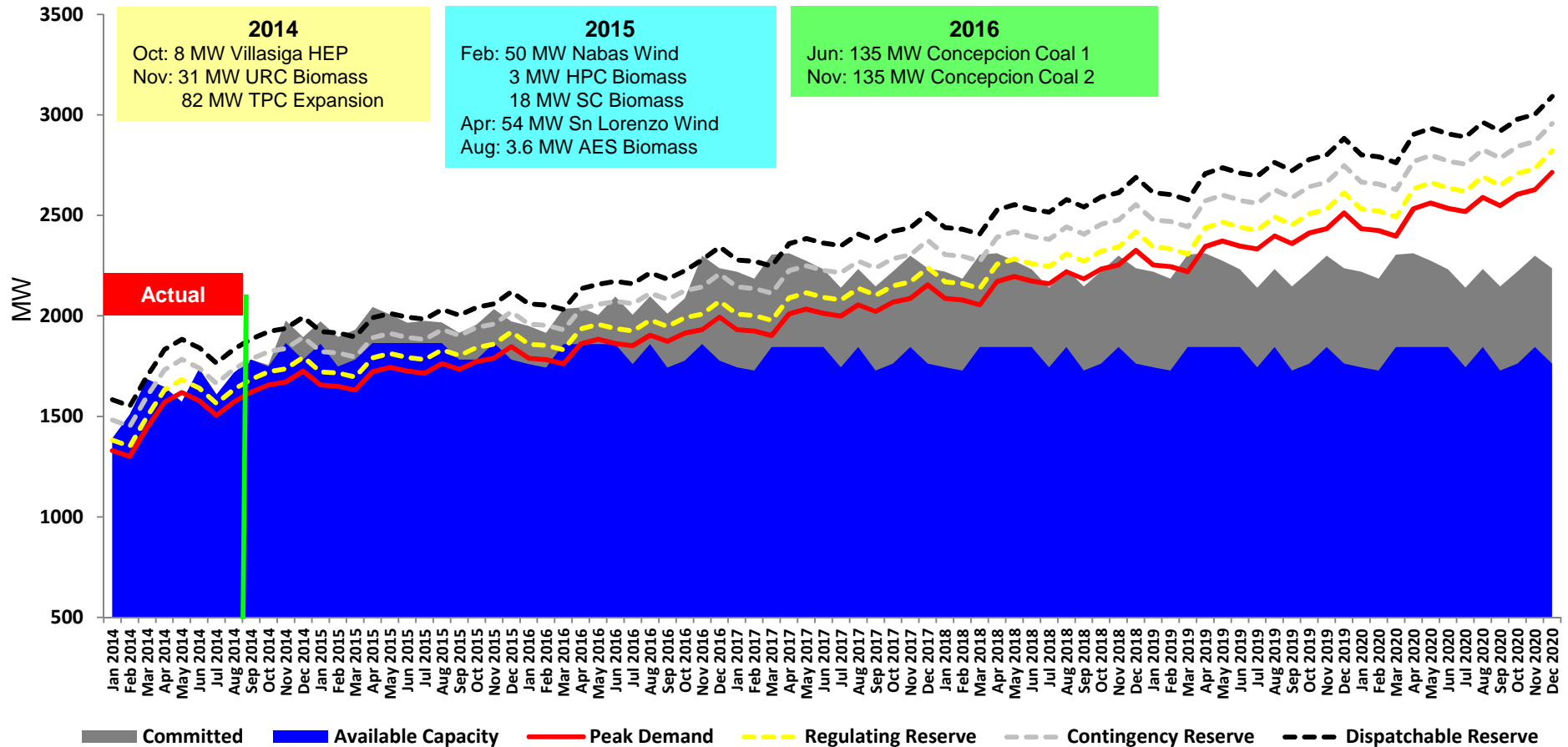
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(%)	5.3	6.2	6.3	4.9	7.7	7.0	6.3	4.7	5.5	8.2	5.89	5.6
MW	677	794	801	621	983	888	800	601	708	1041	738	716

Table 1: Forced Outage Considered in the Supply-Demand Outlook



2013 – 1st Semester 2014 Major Accomplishments

Visayas Supply-Demand Outlook 2014-2020



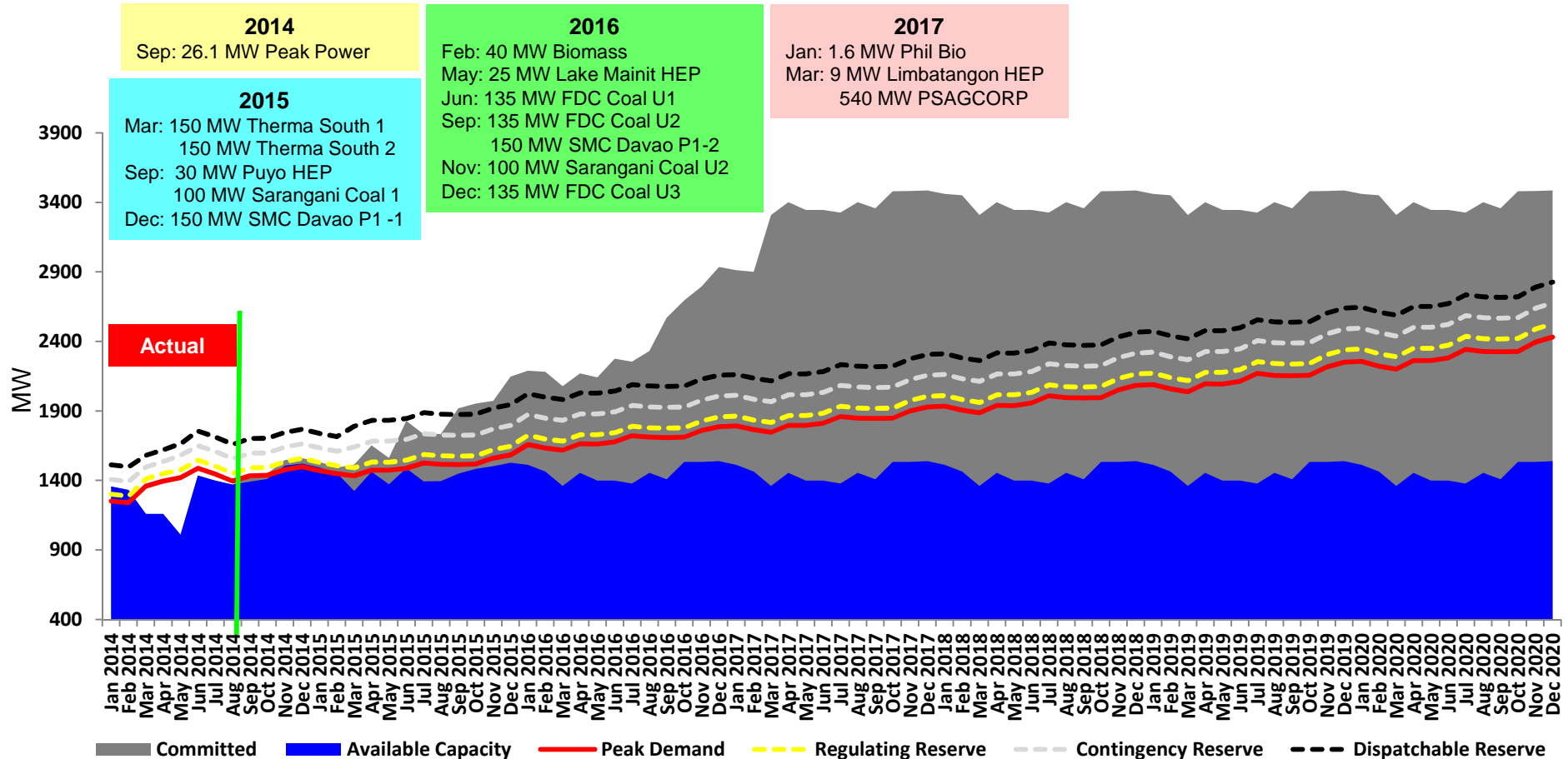
Notes

- Reserve Margin (RM) i.e. 4% regulating reserve and largest online unit for contingency and dispatchable reserve requirement (100 MW to increase by 135 MW in 2016)
- 7 % peak demand growth rate resulted from observed 1 elasticity ratio of demand for electric power with national economic growth applied to 7% GDP growth rate (GR) target for 2014-2015.
- 8 % peak demand growth rate resulted from observed 1 elasticity ratio of demand for electric power with national economic growth applied to 8% GDP growth rate (GR) target for 2016-2020.
- Assumed 4.35 percent average forced outage of the total available capacity



2013 – 1st Semester 2014 Major Accomplishments

Mindanao Supply-Demand Outlook 2014-2020



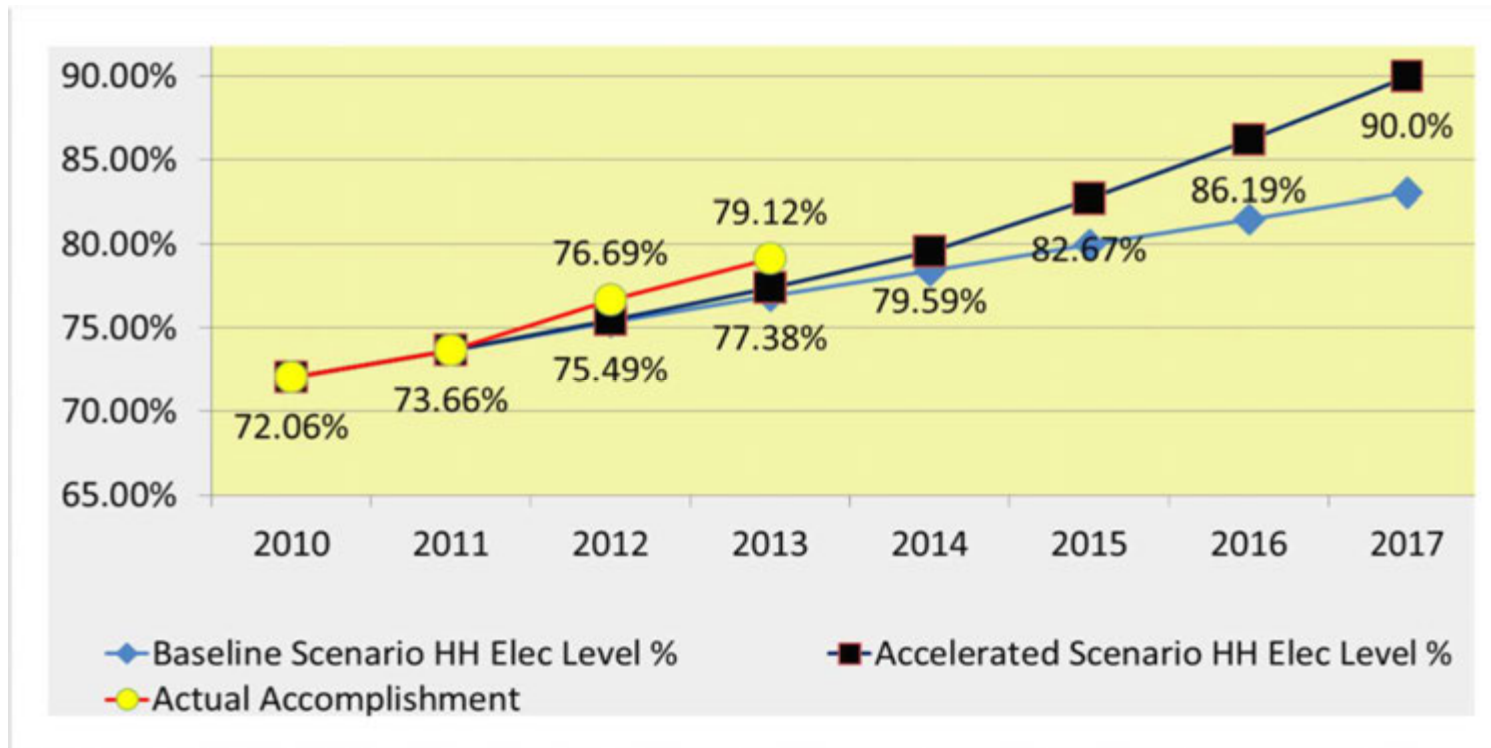
Notes

- a. Required Reserve Margin (RM) i.e. 4% regulating reserve and contingency and dispatchable reserve requirement
- b. 5.6 % peak demand growth rate resulted from observed 0.8 elasticity ratio of demand for electric power with national economic growth applied to 7% GDP growth rate (GR) target for 2014-2015.
- c. 12.8 % peak demand growth rate resulted from observed 1.6 elasticity ratio of demand for electric power with national economic growth applied to 8% GDP growth rate (GR) target for 2016
- d. 8 % peak demand growth rate resulted from observed 1 elasticity ratio of demand for electric power with national economic growth applied to 8% GDP growth rate (GR) target for 2017-2020
- e. Assumed 3.3 % average forced outage of the total dependable capacity



2013 – 1st Semester 2014 Major Accomplishments

Attain 90% Household (HH) Electrification Level by 2017



Philippines	2011 (actual)	2012 (actual)	2013 (actual)	2014	2015	2016	2017
No. of electrified HHs	15,184,535	16,114,213	16,943,354	17,372,558	18,392,477	19,545,183	20,801,838



2013 – 1st Semester 2014 Major Accomplishments

Promoted Energy Efficiency and Conservation

	2012	2013
Cumulative Energy Savings from EE and C Programs (Thousand tons of oil equivalent)	4,351	4,786
Deferred Capacity (MW)	1,341	1,475
CO ₂ emission avoidance (mn tons)	8.26	9.09

- Revitalized Energy Efficiency and Conservation Program including Demand-Side Management with issuance of DC 2014-08-0014
- Promotion of setting cooling systems at 25°C





Key Legislative Initiatives

Title	Description	Status
<p>Energy Efficiency and Conservation Act</p> <ul style="list-style-type: none"> House Bill No. 4393 (Sustainable Energy Efficiency and Conservation Act of 2014) 	<ul style="list-style-type: none"> Aims to address the gap by setting an overall policy framework, promoting energy efficiency and conservation through various means, including fiscal and non-fiscal incentives, empowering the DOE to effectively implement the same. 	<ul style="list-style-type: none"> 1st hearing at the House Committee on Energy on 15 September 2014 (tentative schedule)
<p>Alternative Vehicles Act</p> <ul style="list-style-type: none"> Senate Bill No. 2151 (Electric, Hybrid and other Alternative Fuel Vehicles Promotions Act of 2014) 	<ul style="list-style-type: none"> Advocates the promotion of the manufacturing, assembly, conversion and importation of electric, hybrid and other alternative fuel vehicles through the provision of fiscal and non-fiscal incentives to manufacturers, assemblers, converters, importers and suppliers of such alternative fuel vehicles 	<ul style="list-style-type: none"> Pending with the Senate Committee on Ways and Means and Committee on Trade, Commerce and Entrepreneurship (4 March 2014)
<p>Liquefied Petroleum Gas (LPG) Safety Act</p> <ul style="list-style-type: none"> Senate Bill 2245 (LPG Industry Regulation and Safety Act of 2014) 	<ul style="list-style-type: none"> Seeks to establish the monitoring and supervisory framework for LPG industry to strengthen and enhance existing standards against deceptive and harmful practices arising under a deregulated downstream oil industry (DOI) structure Shall give additional powers to the DOE to enable organized and coordinated efforts in monitoring and inspection of LPG industry participants 	<ul style="list-style-type: none"> Pending with the Senate Committee on Trade, Commerce and Entrepreneurship and Committee on Energy (28 May 2014)



Key Legislative Initiatives

Title	Description	Status
<p>Downstream Natural Gas Industry Development Act</p> <ul style="list-style-type: none"> House Bill No. 1521 (Downstream Natural Gas Industry Development Act) 	<ul style="list-style-type: none"> Aims to provide a framework for the development of a downstream natural gas industry and its transition from an emerging to a mature industry status and competitive natural gas market and define the responsibilities of various government agencies and private entities in furtherance of this national goal 	<ul style="list-style-type: none"> Referred to stakeholders
<p>Philippine Pipeline Act</p> <ul style="list-style-type: none"> Senate Bill 2863 	<ul style="list-style-type: none"> Seeks to provide a petroleum pipeline code that will establish a regulatory framework in providing basic standards for the design, construction, operation and maintenance of liquid petroleum pipelines. This also strengthens the jurisdiction and power of DOE over pipeline operations 	<ul style="list-style-type: none"> Pending with the Senate Committee on Public Services, Energy, Ways and Means and Finance
<p>EPIRA Amendments</p>	<ul style="list-style-type: none"> Conducted series of sectoral public consultations on proposed amendments 	<ul style="list-style-type: none"> The report on the results of the public consultations was forwarded to Congress



Targets for 2014 to 2016

Outcome 1: Energy Access Expanded

- Implement the Household Electrification Development Plan (HEDP)

Outcome 2: Energy Supply Requirement Attained

- Increase private sector participation investments in power and resource development
- Monitor compliance of oil industry players to the provision of Republic Act No. 8479 – An Act Deregulating The Downstream Oil Industry and for Other Purposes and Republic Act No. 9367 – An Act to Direct the Use of Biofuels, Establishing for this Purpose the Biofuel Program, Appropriating Funds Therefor, and for Other Purposes.
- Promote the development and use of natural gas
- Promote the use of Renewable Energy (RE) and alternative fuels
- Achieve energy savings based on annual energy demand for government buildings
- Implement energy efficiency standards and labeling requirements for household appliances and lighting products

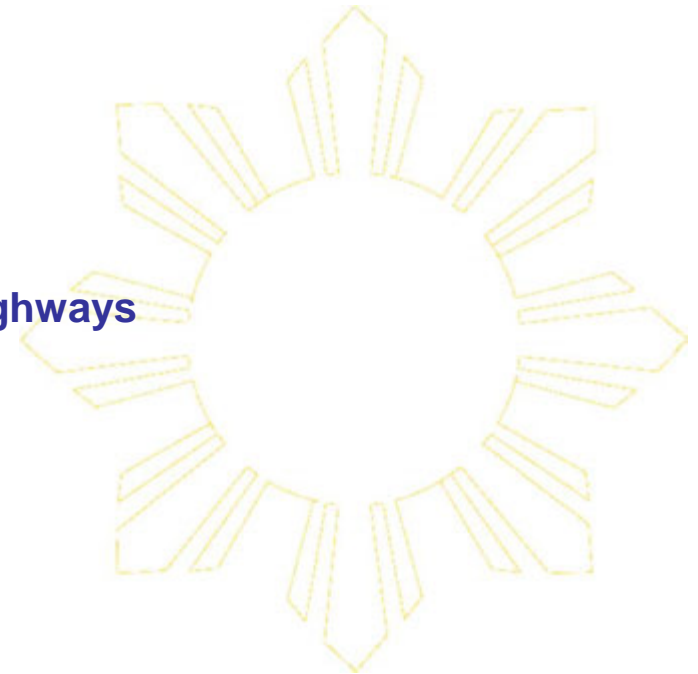
Outcome 3: Climate Change Mitigation and Adaptation Measures Supported

- Conduct vulnerability assessment of energy facilities



Road Transport and Flood Management

Department of Public Works and Highways





Outline

- I. 2014 Road Conditions
- II. DPWH Performance Report
- III. DPWH Strategic Policies and Programs
- IV. Infrastructure Investment Program



Condition of Philippine Road Network



Legend	
Road Classification	
—	National Arterial
—	National Secondary

300,000 sq. km	Total Land Area
215,718 kms	Total Overall Road Network
32,227 kms	Total National Road Length (includes newly converted roads)
0.72 km/sq. km	Road Density
0.20 km/sq. km	Paved Road Density
0.27	Overall Paved Road Ratio*
0.83	Paved Road Ratio for National Roads*

	Total (Km)	% Paved
National Road <i>(Based on 2013 Road Condition Data)</i>	32,227	83%
Local Road	183,491	18%
Total:	215,718	27%

*as of May 2014.



DPWH Performance Report

July 2010-May 2014 Accomplishment

National Roads Accomplishment

88% of total national roads are paved as of May 2014, up from an average of 77% in 2010 or a total of **4,106 km** of newly paved national roads

	Length (km)
Paving of unpaved sections <i>(Includes accomplishment on newly converted national roads and constructed gap sections along predetermined road alignment since 2011)</i>	4,106
Rehabilitation of paved sections	3,681
Preventive maintenance	3,007
Widening	1,025
Construction	365
Total:	12,184



* Percentage paved based on the 2010 Road Condition/baseline inventory of 31,242 km national road committed to be 100% paved by 2016.



DPWH Performance Report

July 2010-May 2014 Accomplishment

National Bridges Accomplishment

- DPWH targets to make all temporary bridges along national roads permanent by 2016*
- Out of the **13,839 lineal meters (lms)** of temporary bridges on national roads, DPWH has made permanent **10,858 lms** of temporary bridges from July 2010 to May 2014
- Out of the **355,643 lms** (total length as of 2013) of national bridges, **33,583 lms** were rehabilitated, constructed and widened

	Length (lm)
Replacement of temporary bridges	10,858
Rehabilitation of existing bridges/flyovers	21,491
Construction/Widening of Bridges	12,092
Total:	44,441



* Revised completion date - 2015



DPWH Performance Report: July 2010-May 2014 Accomplishment

Flood Management Master Plan for Metro Manila and Surrounding Areas

FLOOD CONTROL INTERVENTION	AMOUNT (PHP bn)	STATUS (No. of Projects)			
		Total	Completed	On-Going	Not Yet Started
I. Pasig-Marikina River Basin and Its Tributaries	25.25	675	484	133	58
A. Locally Funded Projects	12.04	668	478	132	58
B. Foreign Assisted Projects	13.21	7	6	1	-
▪ Pasig-Marikina River Channel Improvement Project (PMRCIP)	13.09	2	1	1	-
▪ Others (POPSTIRP)	0.12	5	5	-	-
II. Manila Bay related projects	1.85	97	68	20	9
III. Other Interventions	1.60	27	16	2	9
TOTAL:	28.7	799	568	155	76



Blumentritt Interceptor



Mandaluyong Main Drainage Project



Pasig-Marikina River Channel Improvement Project (Phase II)



Valenzuela-Obando-Meycauayan (VOM) Project

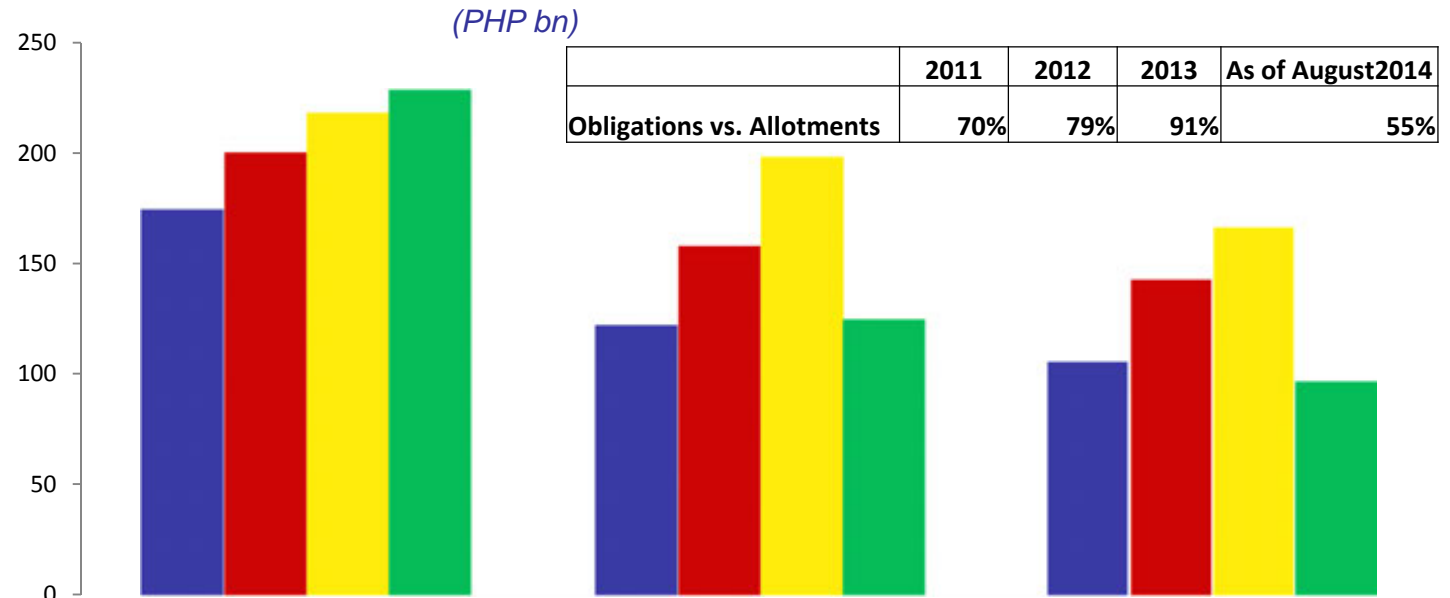
Nationwide

- A total of 7,772 flood control projects and 1,242 rain water collection system nationwide were completed from July 2010 to May 2014.
- A total of 3,309.98 km covering 363 rivers & 2,323 sections of drainage canals & waterways cleaned/cleared and desilted.
- As of 25 July 2014, DILG reported 6,036 Informal Settler Families (ISFs) have been relocated from critical waterways in Metro Manila out of the new target priority of 14,474 ISFs for relocation by December 2014.



DPWH Performance Report

FY 2014 Fund Utilization vs. Previous Years



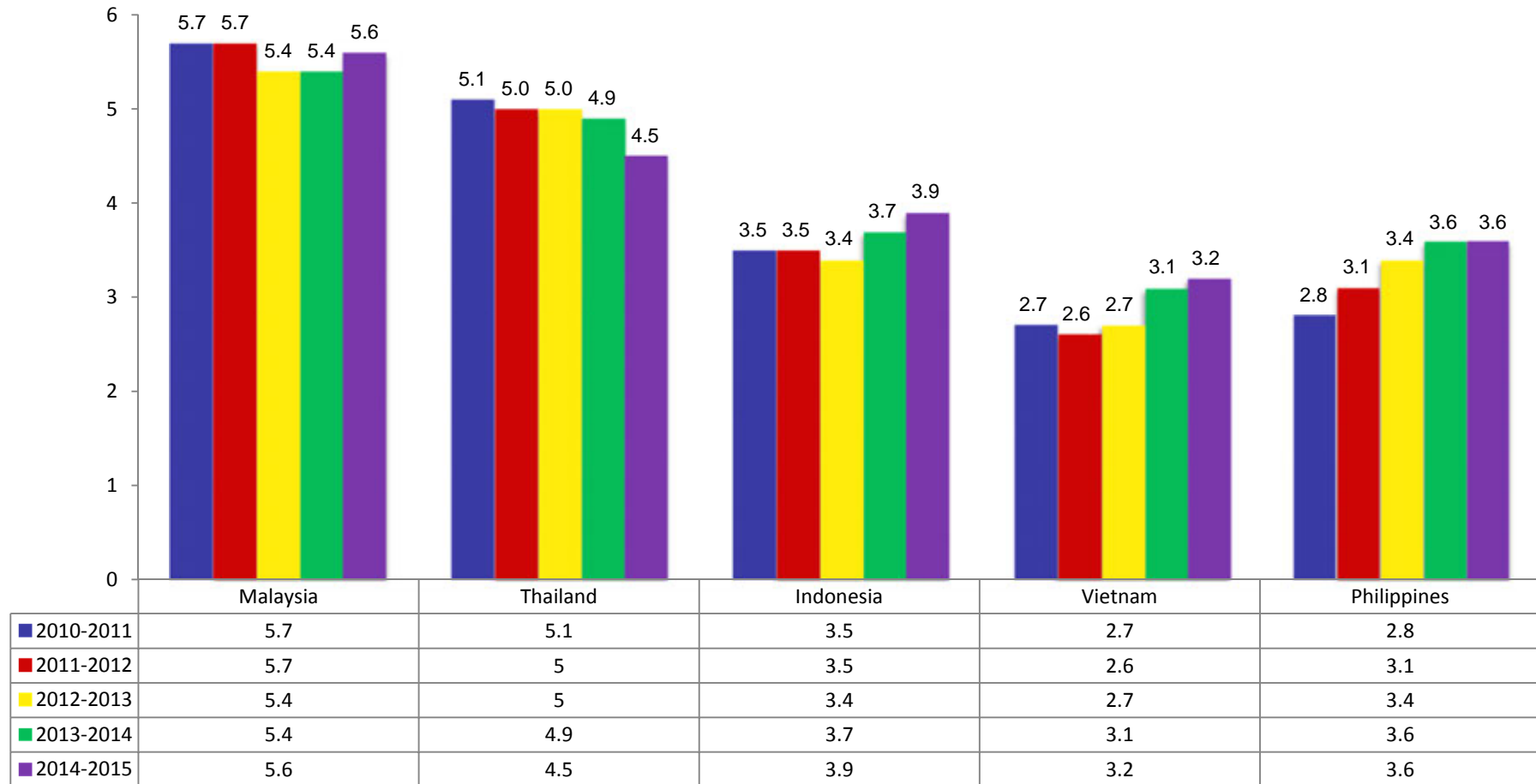
	Allotments	Obligations	Disbursements (NCA, TRA, FC, FNC)
2011 Full Year	174.3	122.0	105.5
2012 Full Year	200.1	158.0	142.9
2013 Full Year	218.0	198.1	166.3
2014 (as of Aug. 2014)	228.4	125.1	97.1

Note: NCA-Notice of Cash Allocation; TRA-Tax Remittance Advice; FC-Forex Cash; FNC-Forex Non-Cash



The Global Competitiveness Report

Quality of Roads (World Economic Forum)



Legend: 1 = extremely underdeveloped; 7 = extensive and efficient by international standards (Based on 144 Countries)

Ranking of the Philippines significantly improved from no. 114 (2010-2011) to no. 87 (2014-2015)



DPWH Strategic Policies and Programs

Good Governance Reform and Anti-Corruption Program	<ul style="list-style-type: none">■ Reforms in processes promoting right project, right cost, right quality, and right-on-time implementation with the right people■ Competitive and transparent bidding■ Professionalize the organization
Better Quality and Safer National Roads and Bridges Program	<ul style="list-style-type: none">■ Paving of all national roads and upgrading of temporary bridges to permanent structures by 2016■ Develop new construction design standards and specifications■ Improve road safety using International Road Assessment Program (iRAP)
Effective Flood Control Program	<ul style="list-style-type: none">■ Adopt river basin approach and integrated water resource management principles in preparing flood control master plan for river basins■ Ongoing implementation of the Flood Management Master Plan for Metro Manila and Surrounding Areas■ Complete the master plan and feasibility study of the 18 major rivers by 2016■ Use bio-engineering solutions for slope protection works in road and flood control projects, such as coconets



DPWH Strategic Policies and Programs

Strategic Convergence Program

- Upgrade access roads to designated tourism destinations based on the Tourism Master Plan
- Upgrade access to major airports, seaports and roll-on/roll off (RORO) ports
- Provide farm to market roads to agrarian reform community, food production areas & industrial zones

Public Private Partnership Program

- Implement the High Standard Highway Master Plan for Metro Manila and 200km radius which identified priority expressways and high standard highways
- Implement long term road maintenance program for national roads and bridges
- Implement PPP Bridge Program

Resiliency Program

- Implement Structural Resiliency Program in new construction and in the reconstruction of calamity damaged public infrastructure facilities
- Use geo-hazard maps and Nationwide Operational Assessment of Hazards (NOAH) data for infrastructure planning and disaster risk reduction measures
- Strict enforcement of water easement laws and removal of informal settlers and structures on waterways and unsafe zones



DPWH Convergence Programs



TOURISM CONVERGENCE PROGRAM:

- Estimated target of PHP54.1bn infrastructure support to designated strategic Tourism Destinations by 2016.

CONVERGENCE FOR AGRI INFRASTRUCTURE:

- Undertake Farm to Market Road Network to access food production and processing sites
- Water impounding projects to optimize water resources for irrigation and flood management

FLOOD MANAGEMENT PROGRAM:

- Implement PHP28.7bn (FY 2011–FY 2014) flood mitigation /intervention projects consistent with the Flood Management Master Plan for Metro Manila and Surrounding areas
- Integrated Water Resources Management with NIA/DA /DENR/LWUA
- Clear waterways of Metro Manila and address drainage capacity constraints
- A total of 3,309.98 kms covering 363 rivers & 2,323 sections of drainage canals & waterways have been cleaned/cleared and desilted

INTEGRATED TRANSPORT SYSTEM:

- Support for access to major airports, seaports and RORO ports
- Mindanao Logistics Infrastructure Network Program – Implement an initial PHP16.2bn (FY 2011-FY 2014) for the 410 kms - 16 road network (Local and National Roads). PHP106bn is still needed for the 2,405 kms -24 priority road network



Proposed High Standard Highway (HSH) Network in Metro Manila and its 200km Sphere



ON-GOING CONSTRUCTION: 170.79 km

Project Name	Length (km)	PHP bn	USD mn	Completion
Tarlac-Pangasinan-La Union Expressway	88.85	18.13	412.05	2018
Daang Hari-SLEX Link	4.00	2.01	45.68	2014
STAR, Lipa – Batangas , Phase II	19.74	2.32	52.73	2015
NAIA Expressway	7.15	12.32	280.00	2015
Metro Manila Skyway Stage 3	14.82	26.66	605.91	2017
Manila North Expressway including NLEX-SLEX Connector Road	26.27	28.95	657.95	2017
Plaridel By-Pass Road, Phase II	9.96	3.43	77.95	2017

NEDA BOARD APPROVED: 121.60 km

Project Name	Length (km)	PHP bn	USD mn	Completion
CALA Expressway	44.60	35.43	805.23	2019
CLLEX, Phase I (Tarlac-Cabanatuan, Nueva Ecija)	30.00	14.94	339.55	2018
Laguna Lakeshore Expressway Dike	47.00	122.81*	2,791.14	2021

PROPOSED (PRIORITY): 93.79 km

Project Name	Length (km)	PHP bn	USD mn	Completion
Metro Manila Expressway, C-6	58.09	TBD	TBD	TBD
CLLEX, Phase II (Cabanatuan-San Jose)	35.70	14.20	322.73	TBD



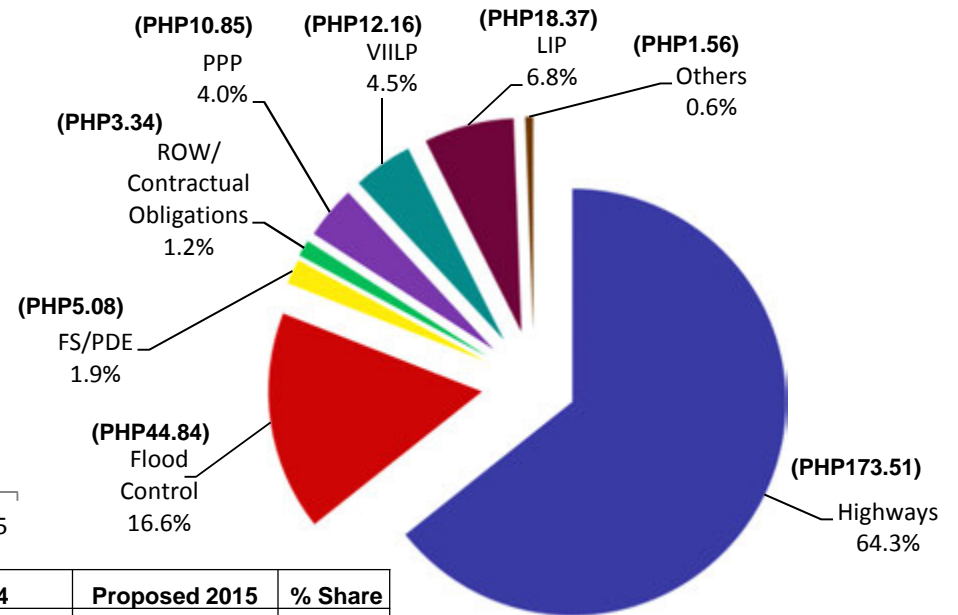
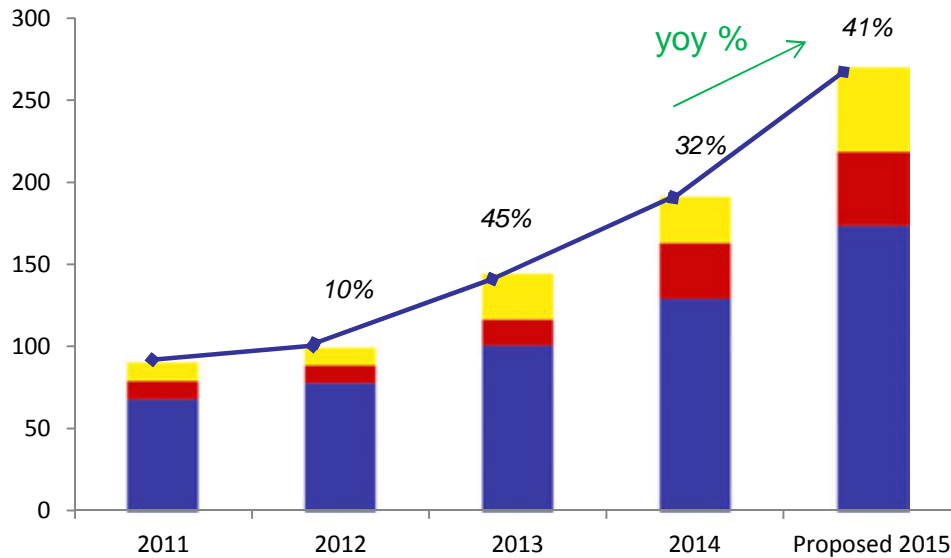
2011-2015 DPWH Infrastructure Program Capital Outlays (By Category)

2011-2015 Infrastructure Program

FY 2015 Budget

(PHP bn)

(PHP bn)



		2011	2012	2013	2014	Proposed 2015	% Share
Highways		68.0	78.1	100.9	129.4	173.5	64%
Flood Control		11.3	10.8	15.9	33.6	44.8	17%
Others		11.3	10.6	27.6	27.9	51.4	19%
Total	PHP bn	90.7	99.5	144.3	190.9	269.7*	100%
	USD bn	2.1	2.3	3.3	4.3	6.1	

USD1:PHP 44

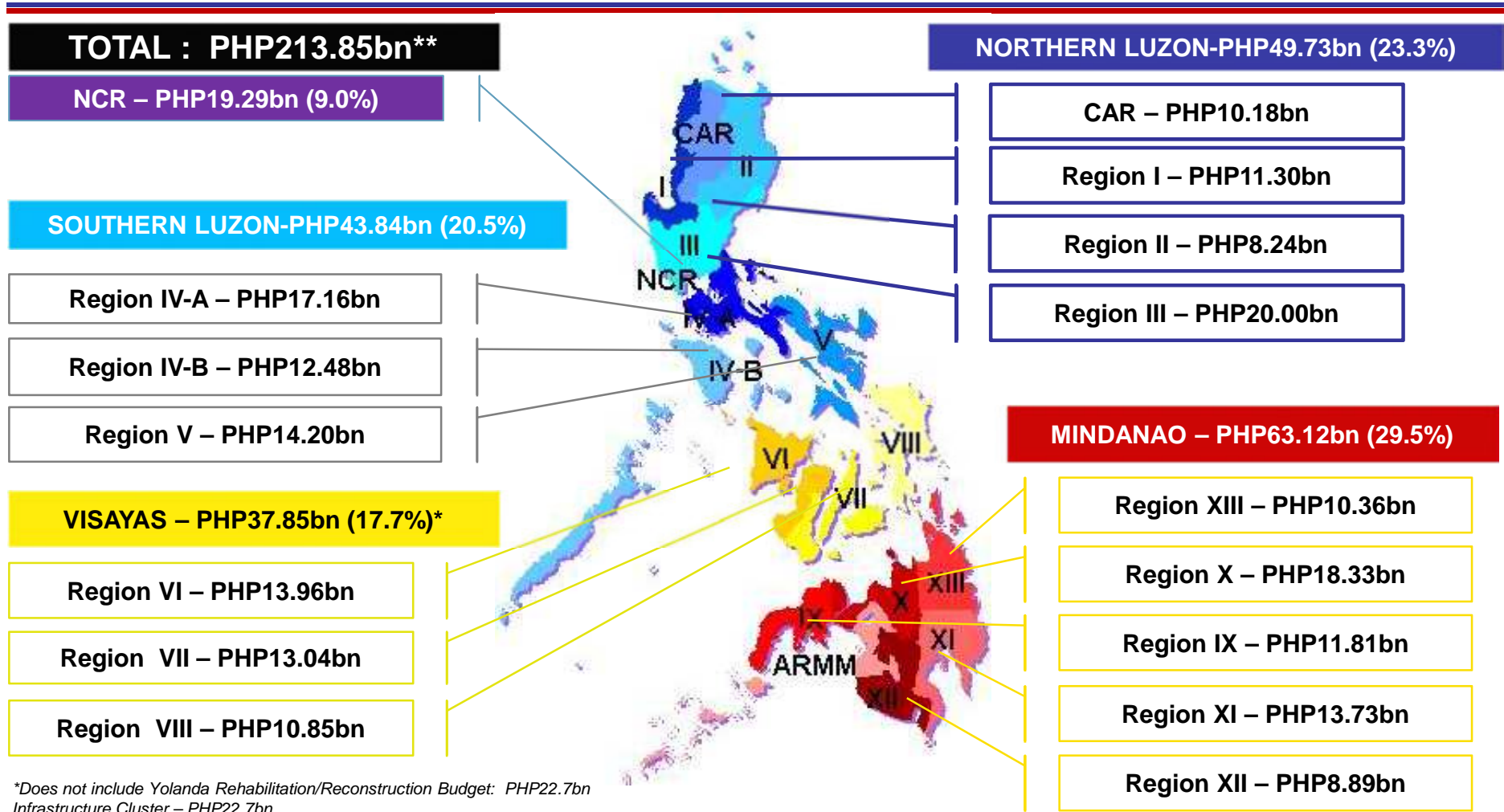
Details may not add up to total due to rounding

*Includes PHP55.87bn Inter-Regional/Nationwide projects; **VIILP-Various Infrastructure Including Local Projects; ***LIP-Local Infrastructure Program



Distribution of Proposed FY 2015 Budget by Region

Capital Outlays

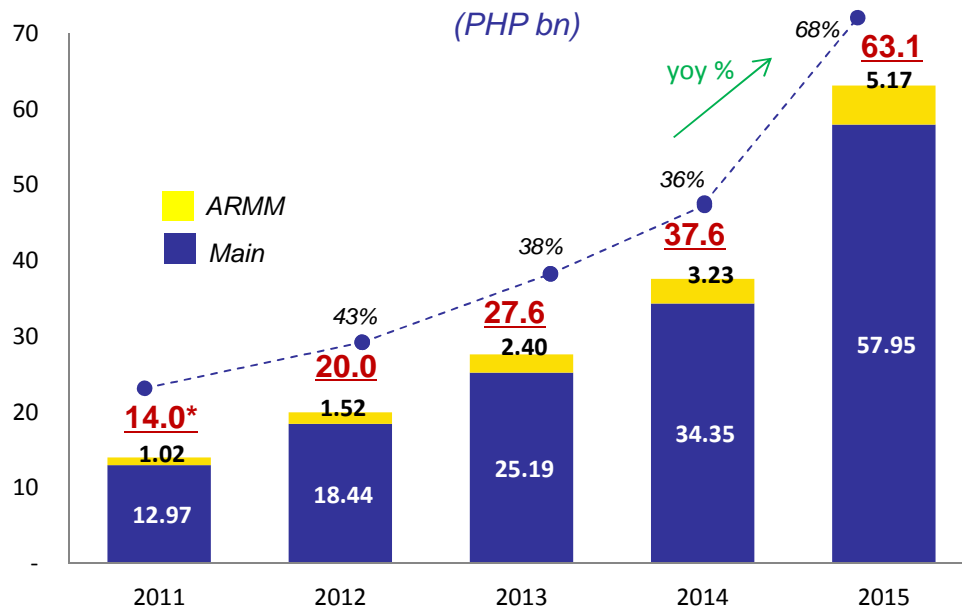


*Does not include Yolanda Rehabilitation/Reconstruction Budget: PHP22.7bn
 Infrastructure Cluster – PHP22.7bn
 Resettlement Cluster - PHP37.2bn
 **Excluding Inter-Regional/Nationwide project-PHP55.87bn
 Details may not add up to total due to rounding



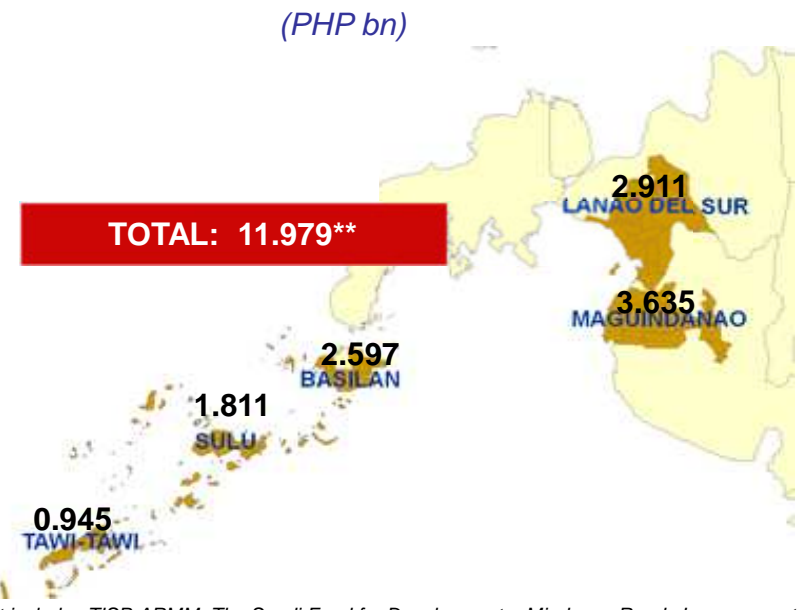
Infrastructure Support Program for Mindanao

FY 2011-FY 2014 Annual Infrastructure Program for Mindanao



* Excludes the PHP2.85bn under the Transition Investment Support Program (TISP)-ARMM

Infrastructure Support Program for ARMM



** Total cost includes TISP-ARMM, The Saudi Fund for Development – Mindanao Roads Improvement Project (SFD-MRIP) and other projects funded from FY 2011 to FY 2014



Name of Project	Cost (PHP bn)	Length (km)	Completion Date	Status
Basilan Circumferential Road	1.6	50.6 km	1 st half 2015	On-going, 73%
Lake Lanao Circumferential Road	0.8	29.9 km	May 2015	On-going, 23%
Cotabato East Diversion Road	1.1	13.2 km	April 2016	On-going, 34%

**Details may not add up to total due to rounding



Moving Forward

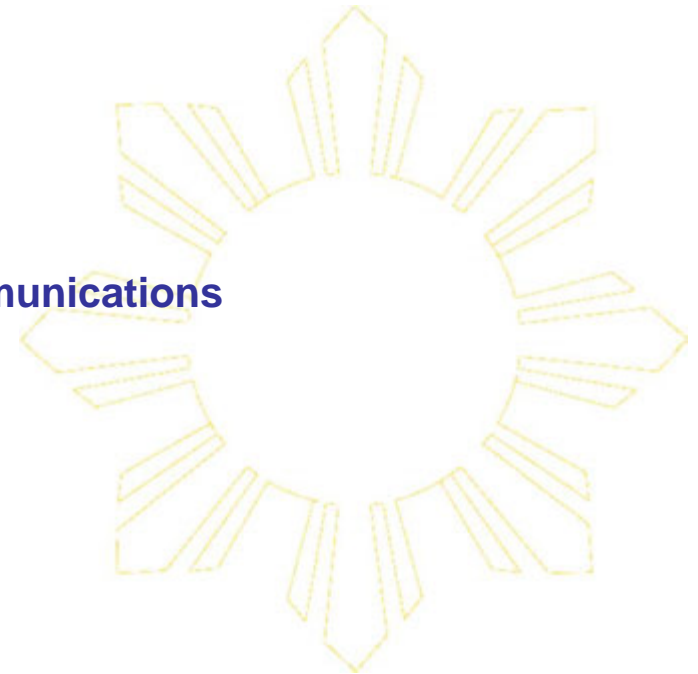
Continuing investments in infrastructure for more jobs and sustained growth

- Institutionalize Good Governance and Anti-Corruption Reforms
- Government infrastructure investment to grow from 2.5% of GDP in 2013 to 5.0% of GDP in 2016
- DPWH will pursue investments in:
 1. Upgrading quality and safety of roads and bridges with stronger private sector participation
 - Long Term Road Maintenance Contracts
 - Design and Build Bridge Program
 2. Better access to tourism destinations, airports, seaports, RORO ports and food production areas
 3. Flood Risk Reduction Program and Structural Resilience
 - Flood management convergence program w NIA/DA/DENR.
 4. Mindanao Logistics Network Program
 5. ARMM Support Infrastructure Program
 6. Resiliency and Disaster Risk Management Projects



Airports, Seaports and Mass Transport Systems

Department of Transportation and Communications





Outline

- I. Major Accomplishments (as of September 2014)
- II. Major Programs and Projects
- III. Key Legislative Initiatives for 2014 Onwards
- IV. Outlook for 2014-2016



Major Accomplishments

(as of September 2014)

Aviation Sector

- Civil aviation upgrades
 - Removal of Significant Safety Concerns by the International Civil Aviation Authority
 - Lifting of the European Union ban on Philippine air carriers
 - Upgrade of Philippine civil aviation to Category 1 by the United States Federal Aviation Administration
- Completion of NAIA Terminal 3 and transfer of 5 international airlines from Terminal 1
- Continued implementation of the Air Passenger Bill of Rights
- Execution of 15 Air Service Agreements
 - Israel, Japan, Italy, Australia (existing and new), Macau (existing and new), Brazil, Papua New Guinea, Myanmar, France, Singapore, New Zealand, Canada, and South Africa
- Inaugural flights via Clark International Airport of Qatar Airways (with daily flights to Doha) and Emirates (with daily flights to Dubai)
- Mactan-Cebu International Airport Public-Private Partnership (PPP) Project
 - Generated premium bid in the amount of PHP14.4bn
 - Concessionaire to take over operations and maintenance by October 2014
 - Construction to start by January 2015
- Completion and opening of Laguindingan Airport
- Completion and expansion of Clark International Airport terminal in May 2014
- Airside works for Tacloban Airport started in November 2013
- Airside works for Bicol (Daraga) International Airport expansion started in July 2014
- Total of 37 airport projects awarded



Major Accomplishments

(as of September 2014)

Maritime Sector

- Deployment of Philippine Coast Guard assets to the West Philippine Sea
- Deployment of aluminum rescue boats to all Philippine Coast Guard detachments
- Full assumption of the Maritime Industry Authority of the responsibility mandated by Executive Order 75 and its Implementing Rules and Regulations, and implementation of the Standards of Training, Certifications, and Watchkeeping
- Total of 37 port projects awarded

Rail Sector

- Procurement of 48 additional light rail vehicles for MRT-3 for delivery in 2015-2016
- Procurement of Automatic Fare Collection System PPP Project
 - Generated payment to government of PHP1.088bn
 - Ongoing implementation with full operations targeted to start by September 2015
- Procurement of LRT Line-1 Cavite Extension PPP Project
 - Notice of Award issued last 12 September 2014
 - Payment to government of PHP9.35bn to be received after signing of Concession Agreement
- LRT Line-2 Masinag Extension bid for construction commenced



Major Accomplishments (as of September 2014)

Road Sector

- Issuance of the Implementing Rules and Regulation of Republic Act No. 10586, also known as the Anti-Drunk and Drugged Driving Law
- Issuance of the Joint Administrative Order on Revised Fines and Penalties for Violation of Laws, Rules, and Regulations Governing Land Transportation
- Standardization of motor vehicle and motorcycle license plates
- Ongoing construction of Skyway Stage 3

Other Accomplishments

- ISO Certifications
 - Civil Aeronautics Board
 - Clark International Airport
 - Port of General Santos
 - Port of Batangas
 - Port of Davao
 - Port of Cagayan de Oro



Major Programs and Projects for 2014

Priority Airport and Port Projects

Project	Current Status
NAIA Development Project	Procurement of Transaction Advisor ongoing
Mactan-Cebu International Airport	Concession Agreement signed 22 April 2014; pre-construction activities ongoing
Laguindingan Airport Expansion and Operation & Maintenance (O&M)	For issuance of Invitation to Pre-qualify and to Bid (ITPB)
New Bohol (Panglao) Airport Development and O&M	For issuance of ITPB; Preparatory works ongoing; proposals for civil works under evaluation
Puerto Princesa Airport Expansion and O&M	For NEDA approval; Notice to Proceed for civil works issued
Davao Airport Expansion and O&M	For NEDA approval
Iloilo Airport Expansion and O&M	For NEDA approval
Bacolod Airport Expansion and O&M	For NEDA approval
Naga Airport	For NEDA approval
Clark International Airport	Ongoing pre-investment studies
Bicol International Airport	Detailed engineering design ongoing
Busuanga Airport	Detailed engineering design ongoing
Night-Rating of 6 Airports (Tuguegarao, Roxas, Dumaguete, Ozamiz, Cotabato, and Butuan)	For implementation
Davao-Sasa Port	For NEDA approval
Manila Bay-Pasig River-Laguna Lake Ferry Service	Ongoing pre-investment studies
Central Spine Roll/On-Roll/Off (RoRo)	For procurement of Transaction Advisor



Major Programs and Projects for 2014

Priority Rail and Road Projects

Project	Current Status
Automatic Fare Collection System	Concession Agreement signed 31 March 2014; Pre-operations activities ongoing
LRT Line-1 Cavite Extension	Notice of Award issued
LRT Line-2 Masing Extension	Bid for construction commenced; Invitation to Pre-qualify to bid for the O&M component issued
North-South Line	Ongoing pre-investment studies
Mass Transit System Loop	Ongoing pre-investment studies
LRT Line-1 Dasmariñas Extension	Ongoing pre-investment studies
MRT Line-7	For financial close
Manila East-Mass Transport System	Procurement of Transaction Advisor ongoing
LRT Line-2 West Extension	For submission to NEDA Investment Coordination Committee (ICC)
R1-R10 Link Mass Transit System	For procurement of Transaction Advisor
MRT Line-3 Operation & Maintenance	For procurement of Transaction Advisor
Integrated Transport System	Southwest Terminal: Bidding ongoing South Terminal: Bidding ongoing North Terminal: Feasibility Study ongoing
Motor Vehicle Inspection System	For NEDA Approval
Manila Bus Rapid Transit (BRT)	For NEDA Approval
C-5 Transport Development	Ongoing pre-investment studies
Cebu BRT	Detailed engineering design ongoing
Road Transport IT Infrastructure Project – Phase II	Procurement of Transaction Advisor ongoing



Key Legislative Initiatives

To be pursued until 2016

Initiative	Objectives	Status
Creation of the National Transportation Safety Board (NTSB)	<ul style="list-style-type: none">▪ Centralize government's response to transport-related accidents▪ Eliminate the overlapping and conflicting functions of transport and other agencies	Technical working group discussing and consolidating the measures seeking to create the NTSB
Cabotage Liberalization	<ul style="list-style-type: none">▪ Liberalize the coastwise shipping industry▪ Lower shipping costs in the Philippines	Revised version of the proposed bill which pushes for pocket cabotage on Subic and Batangas ports submitted to Senate and House of Representatives for hearing



Outlook for 2014-2016

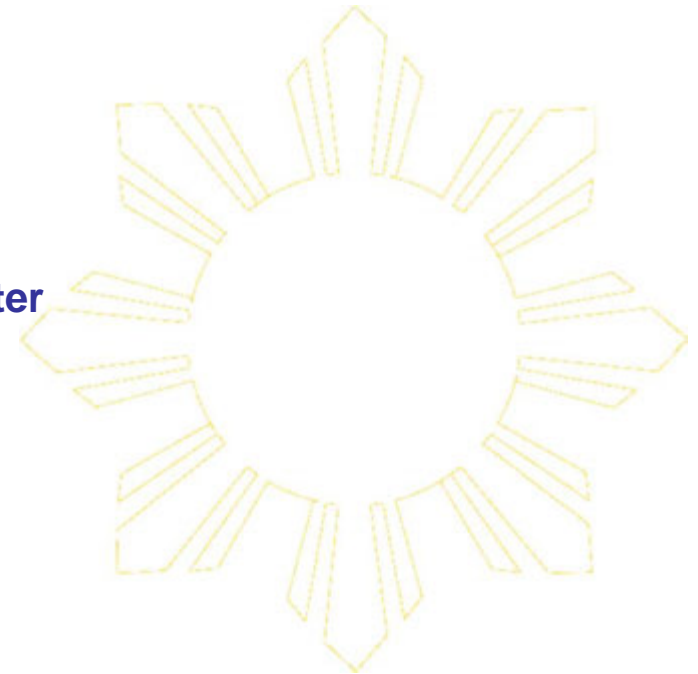
Outlook for 2014-2016

- Reduce transport cost by 8.5%
 - Increase urban mass transport ridership from 1.2mn to 2.2mn (2016)
 - Development of intermodal facilities
- Lessen logistics costs to 15% from 23%
 - Improve transport linkages and efficiency
- Airport infrastructure for 10mn foreign and 56mn domestic tourists
 - Identify and develop key airport tourism destinations to improve market access and connectivity
- Reduce transport-related accidents
 - Impose standards and operating procedures



Public-Private Partnership Program

Public-Private Partnership Center





Outline

- I. Major Accomplishments/ Recent Developments
- II. Legislative and Other Reform Measures for 2014-2016
- III. PPP Projects and Investment Opportunities
- IV. Outlooks and Targets for 2014-2016



Major Accomplishments/Recent Developments

Legal and Regulatory Frameworks

- Revised the NEDA Joint Venture (JV) Guidelines for GOCCs
- Finalized PPP Code for Local Government Units (LGUs)

Pipeline Development

- 39 Projects with Project Development and Monitoring Facility (PDMF) support
- 22 internationally-renowned PDMF panel of consulting firms

Process Improvements

- Improved Inter-agency coordination
- Implemented New Appraisal Procedures in Processing of PPP Projects

PPP Implementation

- Proposed the creation of the Contingent Liability Fund (included in the 2015 General Appropriations Act)

Capacity Development

- Conducted PPP Core Courses, Knowledge Sharing Sessions (KSS), and Learning Series (LS)
- Implemented the Enhanced LGU PPP strategy (partnerships with local education institutions)
- Rolled-out PPP Manual for National Government Agencies



Awarded PPP Projects

Project	Brief Project Description	Project Cost (PHP bn)	PPP Structure	Date of Contract Award	Target Completion Date
Daang Hari-SLEX Link Road Project	Construction of a 4-km toll road connecting the cities of Las Piñas and Bacoor to the South Luzon Expressway	2.01	Build-Transfer-Operate (BTO)	22 December 2011	December 2014
PPP for School Infrastructure Project (Phase I)	Construction of 9,300 classrooms in various sites in Regions I, III and IV-A	16.28	Build-Lease-Transfer (BLT)	04 September 2012	November 2014
NAIA Expressway Phase II	Construction of a 4-lane, 7.75-km elevated expressway and 2.22-km at-grade feeder road that will connect NAIA Terminals I, II, & III, the Skyway, and the Manila-Cavite Toll Expressway	15.52	Build-Transfer-Operate (BTO)	06 May 2013	October 2015
PPP for School Infrastructure Project (Phase 2)	Construction of 4,370 classrooms in six (6) regions (Regions, I, II, III, X, CAR, and CARAGA)	3.86	Build-Transfer (BT)	19 September 2013	April 2015
Modernization of the Philippine Orthopedic Center	Construction of a 700-bed capacity super-specialty tertiary orthopedic hospital	5.69	Build-Operate-Transfer (BOT)	06 December 2013	July 2017



Awarded PPP Projects

Project	Brief Project Description	Project Cost (PHP bn)	PPP Structure	Date of Contract Award	Target Completion Date
Automatic Fare Collection System	Replacement of the old magnetic-based ticketing system with contactless-based smart card technology for LRT Lines 1 & 2 and MRT Line 3	1.72	Build-Transfer-Operate (BTO), Build-Own-Operate (BOO)	30 January 2014	Target Full System Acceptance: September 2015
Mactan-Cebu International Airport (MCIA) New Passenger Terminal Building	Construction of a new world-class passenger terminal building with a capacity of eight (8) million passengers per year; and operation and maintenance (O&M) of old and new facilities	17.52	Build-Operate-Transfer (BOT)	04 April 2014	December 2018
LRT Line 1 Cavite Extension and Operation & Maintenance	Extension of the current 11.7-km LRT Line 1 to Bacoor, Cavite; and O&M of the 32.4-km integrated LRT Line 1 system	64.90	Build-Transfer-and-Operate (BTO)	12 September 2014	December 2018
TOTAL COST OF AWARDED PROJECTS:		127.50			



Legislative and Other Reform Measures for 2014-2016

Further Enhancing the Legal and Regulatory Frameworks

- Passage of the PPP Act (amendment to the RA 7718 or Build-Operate-and Transfer Law) that will institutionalize major policy and process improvements in the country's PPP Program
- Finalization of the Implementing Rules and Regulations (IRR) of Executive No. 78 or Alternative Dispute Resolution

Process Improvement Initiatives

- Development of a standardized contract template for PPP projects

Developing a Robust Pipeline of PPP Projects

- Issuance of Policy Circular on Pipeline Development
- Issuance of Policy Statement and Guidelines on Viability Gap Funding, Material Adverse Government Action and Termination Payments
- Development of a Project Development Facility for LGUs

Building Capacities

- Issuance of Sector-specific PPP Guidelines
- Twinning Partnership with New South Wales Government
 - Contract Management
 - Probity Advisory
 - Knowledge Management and Public Communications
 - Sectoral PPP Policy, Legal, Institutional and Regulatory Frameworks
 - Governance of PPPs



Investment Opportunities

Projects likely to be rolled-out by June 2015

Project	Implementing Agency	Indicative Cost (PHP bn)	Status
New Centennial Water Supply Source	Metropolitan Waterworks and Sewerage System	18.7	For roll-out
O&M of LRT Line 2	Department of Transportation and Communications	No CAPEX	For procurement
Enhanced O&M of Bohol (Panglao) Airport	Department of Transportation and Communications	2.3	For roll-out; Awaiting NEDA Board approval of 4 other airports for bundling
O&M of Laguindingan Airport	Department of Transportation and Communications	15.9	
Davao Sasa Port	Department of Transportation and Communications	17.5	For NEDA Board approval
O&M of Puerto Princesa Airport	Department of Transportation and Communications	5.2	
O&M of Davao Airport	Department of Transportation and Communications	40.6	
O&M of Bacolod Airport	Department of Transportation and Communications	20.3	
O&M of Iloilo Airport	Department of Transportation and Communications	30.4	



Investment Opportunities

Projects likely to be rolled-out by June 2015

Project	Implementing Agency	Indicative Cost (PHP bn)	Status
Regional Prison Facilities through PPP	Department of Justice – Bureau of Corrections	50.2	For NEDA Board approval
Motor Vehicle Inspection System	Department of Transportation and Communications	19.3	
LRT Line 1 Dasmariñas Extension	Department of Transportation and Communications	TBD	Draft feasibility study (F/S) under review
North-South Commuter Railway	Department of Transportation and Communications	176.7	F/S nearing completion
Mass Transit System Loop	Department of Transportation and Communications	135.0	F/S nearing completion
San Fernando Airport	Bases Conversion Development Authority	20.9	F/S nearing completion
Manila Bay-Pasig River-Laguna Lake Ferry System	Department of Transportation and Communications	TBD	F/S nearing completion
Batangas-Manila Natural Gas Pipeline	Philippine National Oil Company	TBD	F/S nearing completion
TOTAL INDICATIVE COST OF PROJECTS LIKELY TO BE ROLLED-OUT:		553.0	



Outlook and Targets for 2014-2016

What we want to achieve by 2016

- 39 Projects with Project Development and Monitoring Facility (PDMF) support
- Robust pipeline of PPP projects
 - at least 50 projects in the pipeline in various stages of the project cycle
 - at least 15 PPP contracts signed
 - at least 5 projects completed
 - at least 10 infrastructure projects handed over to the private sector for Operation & Maintenance (O&M)
- Solid PPP policy framework
- Transparent, predictable and tested procedures
- Standard contract agreements that uphold reasonable returns and fair risk allocation to the private sector while safeguarding public interest



III. Directory of Economic Agencies





Directory

Bases Conversion and Development Authority

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Governor Amando M. Tetangco, Jr.
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Fax Number: (632) 708-7209
www.bsp.gov.ph

Department of Agriculture

Secretary Proceso J. Alcala
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www.da.gov.ph

Department of Budget and Management

Secretary Florencio B. Abad
General Solano St., San Miguel, Manila
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Department of Energy

Secretary Carlos Jericho L. Petilla
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Department of Finance

Secretary Cesar V. Purisima
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Telephone Number: (632) 523-9219 / 523-6051
Fax Number: (632) 526-8474
www.dof.gov.ph
www.perangbayan.com

Department of Public Works and Highways

Secretary Rogelio L. Singson
Bonifacio Drive, Port Area, Manila
Telephone Number: (632) 304-3300
Fax Number: (632) 304-3020
www.dpwh.gov.ph

Department of Tourism

Secretary Ramon R. Jimenez, Jr.
Department of Tourism Bldg., 351 Sen. Gil Puyat Ave.,
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Secretary Gregory L. Domingo
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National Economic and Development Authority

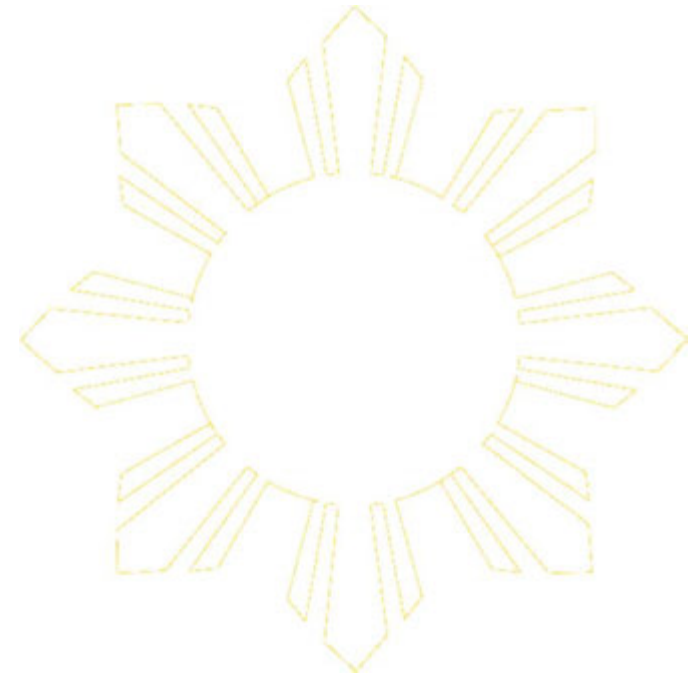
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IV. Investor Relations Office Brochure





Investor Relations Office

Promoting excellence in investor relations. Enhancing sovereign value

Strengthening the Investor Community 13 Years and Beyond

The effective implementation of the Government's economic program and its success depends on regular two-way dialogue between economic policy makers and the investment community.

The Investor Relations Office (IRO) was established in July 2001 to strengthen the country's relations with investors and other stakeholders by promoting active channels of information flow and dialogue between economic policy makers and investors.

Based in the Philippine central bank, the Bangko Sentral ng Pilipinas (BSP), the IRO has a dedicated staff comprised of trained economists and communication specialists who work with colleagues in the BSP and the economic agencies to implement a wide-ranging program of investor relations activities.

As the Government has implemented its economic reform program over the last thirteen years, the IRO's program of investor outreach has helped to ensure that investor decisions benefit from a comprehensive understanding of the progress in reforms and what they mean for the economic fundamentals of the Philippines.

In turn, the Government's economic reform program has made the economy relatively more resilient amid the global financial and economic crisis. With stable macroeconomic fundamentals, the Philippines remains as one of the most viable economies for investments in the emerging market.

The IRO is proud to have played a role in communicating the successes of the Government's reform program in the last twelve years and is committed to continuing its efforts to promote the Philippine economy.

Serving Philippine and International Stakeholders

The IRO provides services to a wide range of stakeholders – the Government's economic agencies, financial institutions, credit rating agencies, bilateral and multilateral organizations, domestic and foreign investors, the diplomatic corps, business people, the media and the general public. All services to its stakeholders are underpinned by a set of fundamental principles: transparency, accessibility, timeliness, consistency and feedback.

The IRO adopts a multi-pronged approach to serving its stakeholders through:

- Dissemination of key economic and financial information about economic policy objectives and performance
- Seeking market feedback on current and proposed policy measures
- Providing feedback to economic policy-makers about investor sentiment
- Facilitating candid and constructive dialogue between policy-makers and investors





Investor Relations Office

Promoting the Philippine economy at home and abroad

The IRO undertakes a range of initiatives to build awareness among domestic and international investment audiences around the Government's economic reform program, promote specific investment opportunities in the Philippines and facilitate information exchange and dialogue between key economic policy decision-makers in the Government and domestic/international investors. These initiatives include:

- Regular Economic Briefings to update the business community, media and industry organizations on the country's economic performance
- Investor Roadshows to bring the Government's resilient economic performance record, commitment to sound economic management and responsible reform to members of the international financial community
- Media Briefings to raise awareness of the Government's progress in economic reforms and plans for ongoing reforms
- Government Policy Roadshows to increase the business community's understanding of government policy measures to generate support for the policy implementation process
- Investor Teleconferences to provide timely updates on key economic performance indicators
- E-mail service to keep investors and other investors abreast of data releases on a regular basis
- An English Language website, www.iro.ph, to provide a wide range of easily accessible information about the Philippines' economic performance and the government's economic policies



Contact Information

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