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Editor's Notes

When Republic Act No. 7160, also known as The Local Government Code of 1991, was passed, it transferred some of the regulatory functions of the national government as well as more social service responsibilities to the Local Government Units (LGUs). However, it is common knowledge that public services such as health care, education, conservation of the environment, and livelihood entail not only the administrative and technical capabilities but more importantly, demand huge budget allocations because such projects and programs indeed require funding. In order to provide services, LGUs cannot possibly rely only on their internal revenue allotment (IRA); they also need to generate revenues on their own to fund such services.

The lead feature of this issue of the *Development Research News* therefore delves on one of the schemes that LGUs have engaged in so as to spur activities for income generation -- the Local Economic Enterprises (LEEs). It looks at the original role of LEEs as partners of LGUs in providing basic goods and services to their

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The paradox of local economic enterprises: A look at the Philippine setting



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A forum titled “*Improving the Performance of Local Economic Enterprises (LEEs)*,” jointly sponsored by the Philippine Institute for Development Studies (PIDS) and the National Economic and Development Authority (NEDA) Region IV-B, was held in Calapan City last July 2011. The objective of the forum was to disseminate the findings of PIDS Senior Research Fellow Rosario Manasan on the status of LEEs, and to elicit reactions from the audience composed of local policymakers headed by Calapan City Mayor Salvador Leachon and Oriental Mindoro Acting Governor Hermelito Dolor.

Opening the discussion forum, Director Oskar Balbastro of NEDA IV-B welcomed and expressed his utmost gratitude to the attendees. He said that the forum is an excellent “opportunity for local leaders to know the lessons and learn in managing LEEs toward their financial viability and sustainability.” On his part, PIDS Vice President Mario Feranil explained PIDS’ motivation in initiating the conduct of said forum in Calapan City. Feranil said that “part of the Institute’s mandate is the dissemination and promotion of its research products and results through venues such as the forum.” He added that PIDS chose Calapan City as the venue for said forum because of its successful setting up of a public market that has been recognized and awarded with a major infrastructure award by the Association of Development Financing Institutions in Asia and the Pacific (ADFIDAD).

Setting the tone for the forum, meanwhile, NEDA Director-General Cayetano Paderanga highlighted its importance especially in “eliciting critical comments and inputs” from local government officials who themselves manage

and operate LEEs. According to Paderanga, “the usefulness of LEEs cannot be overemphasized for they provide basic goods and services to local government constituencies in the absence of functional competitive markets.” Commending PIDS for its effort in engaging localities, he further said that ensuring LEEs are efficiently managed and sustained is very critical considering its impact on local government units’ (LGUs) fiscal stability and on regional development.

For her presentation, Manasan noted the increase in the number of LEEs among various LGUs in recent years. The objective for the setting up of such LEEs was for revenue generation for LGUs. However, Manasan found that the less than business-like approach to local enterprise management has resulted in large arrearages and low collection efficiency, thereby causing LEEs to continuously incur losses instead of becoming self-sustaining and revenue-generating schemes. Quite paradoxically, most LEEs in the country have become a bane rather than a boon. To counter this, Manasan offered some recommendations which can hopefully salvage the state of losing LEEs.

Local economic enterprises

Local economic enterprises or LEEs refer to state-owned enterprises that generate majority of its revenues from selling goods and services. In the international literature, LEEs

are termed as state-owned enterprises, public enterprises, government business enterprises, or government-owned/controlled corporations. LEEs are characterized by two distinct features, namely: the public dimension and the enterprise dimension. The former relates to the degree of government ownership, control, and management while the latter relates to the “marketedness” dimension or the adherence to operate according to market principles.

LEEes are important because they overcome market failures such as monopoly, underdeveloped capital market, and externalities. Public enterprises set prices that are affordable to a wider segment of the community thereby avoiding natural monopolies. In addition, government is also considered best provider of some services which private entities are unwilling to invest in because they carry high risks and long gestation period.

In the Philippines, examples of LEEs include public markets, slaughter houses, hospitals, public cemeteries, parking areas, sports, recreational and cultural facilities, public utilities (water, power supply and distribution, and telecommunications), garbage collection and disposal, and public transport and terminal services, among others.

Manasan’s study, as mentioned earlier, indicates that the number of LEEs and LGUs venturing into a LEE has increased over the years. It also suggests that from traditional LEEs providing municipal services, LEEs today have evolved to include enterprises that produce goods and services that are in the realm of private goods or those that are normally provided by the private sector or enterprises with more complex operations. These new types of LEEs include shopping malls, state-of-the-art hotels, and other recreational facilities or resort complexes.

According to Manasan, there are three major reasons for the persistence and proliferation of LEEs. First, these enterprises are means to augment income of LGUs. Second, LEEs are catalysts of local economic and social development. For example, providing electricity or clean water results in the improvement of people’s welfare and attracts



Seminar on Local Economic Enterprises. Seated (L-R): Dr. Rosario Manasan and Mr. Mario Feranil, senior research fellow and vice-president, respectively, at PIDS; NEDA Director-General Cayetano Paderanga; Calapan City Mayor Salvador Leachon; and NEDA IV-B Director Oskar Balbastro.

more private investments, thereby increasing economic activity. This effect, however, would fundamentally depend on the ideological perspective of local officials on government's role in economic development. That is, whether officials believe on having an activist government or having a market-oriented or minimalist government.

The third reason, as noted by Manasan, seems to stem from more dysfunctional reasons such as the intent to cover up personal services expenditure in excess of the cap stipulated in the Local Government Code (LGC) of 1991. The LGC provides that the total annual appropriation for personal services shall not exceed 45 percent for first to third class provinces, cities, and municipalities, and 55 percent for fourth class or lower, of the total annual income from regular sources. And since LEE employees and officials are not included in this legal restriction, LEEs have thus become a conveniently flexible means of granting allowances to employees.

The paradox of LEEs

While LEEs are being set up by LGUs ostensibly to generate more revenues, ironically and quite paradoxically, Manasan's study reveals that many LEEs incur losses year after year and have in fact burdened the fiscal situation of many LGUs instead of augmenting and boosting it. In the aggregate, the net result of operations of LEEs of all LGUs combined was negative in 2006–2007 and collective net loss from LEE operations for the same period was PHP 0.9 billion – PHP 1.1 billion for provinces, PHP 9.6 billion – PHP 10.8 billion for cities and PHP 1.3 billion – PHP 1.5 billion for municipalities. The study further shows that, on the average, gross earnings from LEEs cover less than a third of the total cost of their operations such that it can be predicted that LEEs will continue to operate in negative territory in the future assuming other factors remain constant.

As a result, gross borrowings of all LGUs as a group grew at a rate of 20 percent yearly on the average from PHP 4.2 billion in 2002 to PHP 10.3 billion in 2007. This rapid growth in gross borrowings necessarily resulted in increasing LGU indebtedness. Thus, out-

standing debt of all LGUs combined nearly doubled from PHP 24.1 billion in 2002 to PHP 45.8 billion in 2007. However, Manasan said that there is no systematic information to know how much borrowings were really spent by LGUs on LEEs but COA Annual Audit Reports suggest that a significant chunk of LGU debt was indeed spent on LEEs. This situation is already threatening the fiscal health of LGUs and has greatly affected local and regional development as a whole.

Explaining and solving this paradox

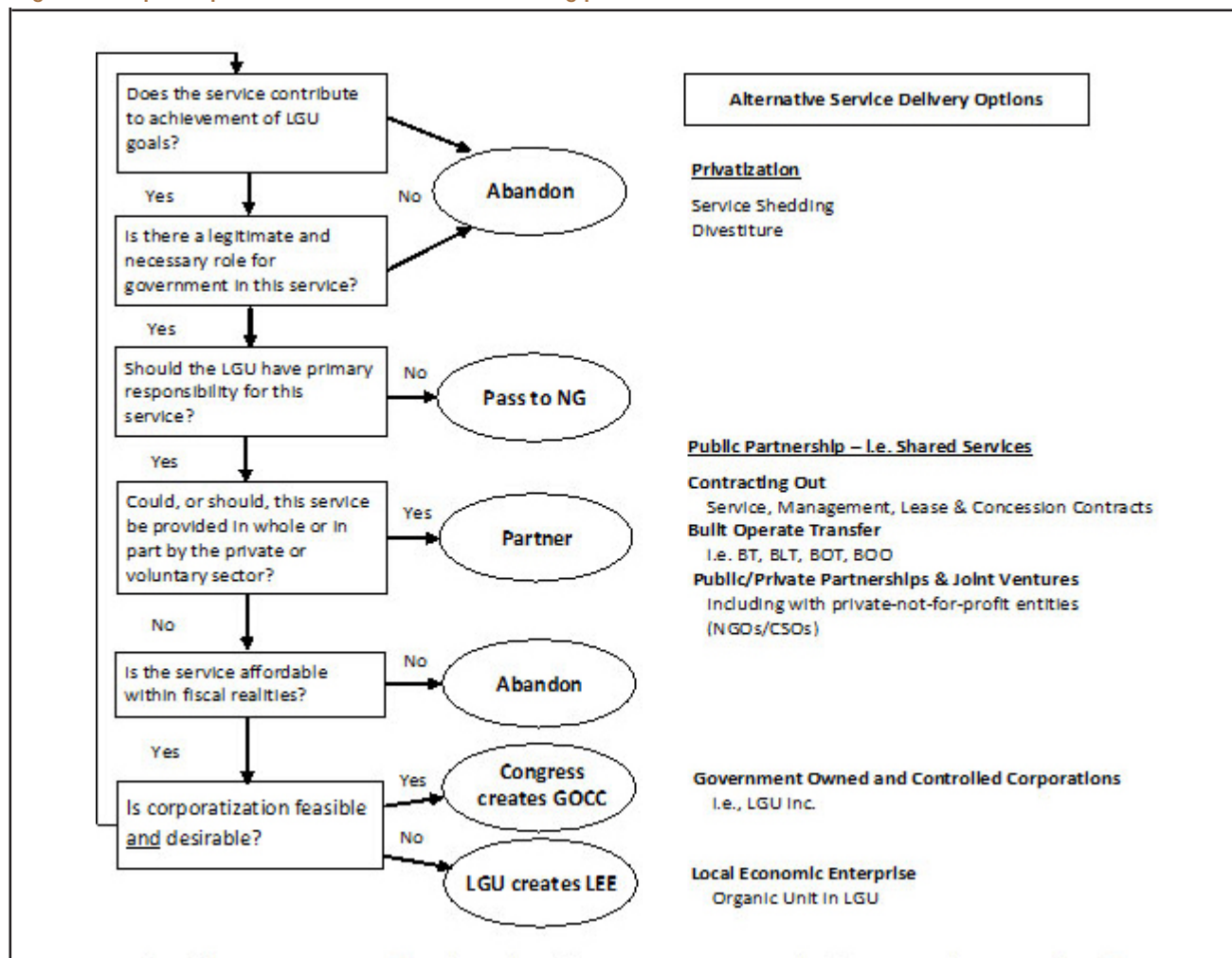
Manasan's study points out two major reasons for LEE losses, namely: (a) low tariffs or user chargers, and (b) weak institutional support of LGUs both in terms of policy support and technical capability. The first one is a political problem. Many local government officials are reluctant to raise tariffs on LEE products and services because they are afraid that doing so may affect their political stature. However, Manasan said that people are willing to pay for excellent delivery of quality goods and efficient services.

The second reason relates to the lack or inadequacy in technical know-how of local staff in initiating and operating LEEs. Many LEEs do not have proper feasibility studies forecasting their economic viability. Moreover, many LGUs have poor management and monitoring schemes, particularly in collection procedures and systems.

In view of these, there is a need for a clearer policy framework that will govern LEEs. At present, laws such as the LGC are already in place but these laws are ambiguous, particularly in terms of the conceptualization of LEEs. According to Manasan, the existing policy framework leans toward a public ownership model wherein a particular LGU subsidizes the capital investment needed for a particular enterprise. This is however problematic because it leaves out other methods of creating LEEs such as the build-operate-transfer or the private-public partnership schemes which may be more viable considering LGUs' scanty capital resources.

Thereupon, Manasan stressed the need to clarify, first and foremost, the definition of

Figure 1. Graphical presentation of LGU decisionmaking process relative to creation of LEEs.



Adapted from: SEQU US. 2003. "Developing the Public Enterprise in the Philippines – The LGSP Way," Draft reports submitted to the Local Government Support Program (LGSP), Canadian International Development Agency (CIDA).

LEEs and how they should be treated in the budget. At the same time, the decision of creating LEEs should always be considered by LGUs vis-à-vis alternative service delivery modes as can be gleaned from Figure 1. Finally, Manasan emphasized the need to strengthen LGU capability, especially in the development and evaluation of feasibility studies, tariff setting and collection procedures, and the importance of conducting periodic review of existing LEEs.

Learning from the Calapan City experience

Meanwhile, Mayor Salvador Leachon gave his comments on Manasan's presentation by sharing his experiences as a local chief executive in building the new and state-of-the-art

Calapan City Public Market which is one of the outstanding and successful examples of LEE in the country. Leachon said that the city's new public market is a "fortune borne out of misfortune." This is because the idea of building a new public market came out as a necessity after the old one was destroyed by a fire in 2008.

Leachon said that since the very start, he wanted to have a modern and beautiful public market that can help catalyze economic development in the city. His idea was to create a mall-type public market that would serve as the city's commercial center. However, he was faced by different oppositions from various sectors, primarily from the ven-

dors who were at first unwilling to pay a higher rent. Moreover, the city also had no capital for such a massive investment. Fortunately, the city was able to obtain a loan from the Land Bank of the Philippines in financing the project.

The construction of the new public market was completed in December 2010 and it became operational in January 2011. Going beyond the usual public market, Calapan's new public market is equipped with escalators and elevators to make shopping more convenient for the locals. The market is also organized into sections and its cleanliness is maintained by sanitary personnel. Although it is at its nascent part of operation, the new market has shown promising signs of financial viability and sustainability. In fact, the market has been recognized by the Association of Development Financing Institutions in Asia and the Pacific (ADFIDAD) as one

of the best development infrastructure projects for 2010 in the Philippines as well as in the region.

Conclusion

Albeit the not-so-positive experience of many LEEs in the Philippines in terms of financial viability and operations as cited in Manasan's presentation, LEEs have very good potentials. This was shown in the Calapan public market case example. However, for LEEs to truly succeed, local officials should be cautious of their fiscal operations to ensure their fruition and make them ultimately work for the benefit of the people. As Manasan points out, a comprehensive and coherent policy framework should be in place to ensure that LEEs achieve their potentials in augmenting the fiscal situation of LGUs and in successfully effecting genuine local and regional development. *PJB*

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localities and spurring economic growth in general. It also notes how LEEs have evolved through the years, from traditional slaughter houses, public cemeteries, and transport terminals to being more sophisticated undertakings.

Ironically, though, as mentioned in this issue's lead titled "The paradox of local economic enterprises (LEEs): A look at the Philippine setting," while there have indeed been many LEEs operating in municipalities, cities, and provinces; unfortunately, however, most of them are operating at a loss, thereby defeating their main purpose of generating revenues and becoming self-sustaining. Money lost by losing LEEs is not permissible since government budget has always been insufficient and most LGUs, particularly the poor municipalities and provinces, are finding it hard to make ends meet or properly appropriate their IRA. Moreover, somewhere along the line, the original intent of the LEEs had somewhat been "turned" to meet other more, as the author describes it, "dysfunctional" purposes.

On the other hand, there are also LEEs that have made it good; and have been successful

in attaining self-sustainability and providing services such as the Calapan City Public Market. Hailed as one of the outstanding and successful examples of LEEs in the country, the commercial center became the new venue for vendors to sell quality products in a clean and safe environment.

There are a number of reasons why Calapan City has been able to build a successful LEE. One, it has recognized and acted on its role to create investment opportunities that will help support local economic development in their city. Second, it was bold enough to look for funding resources through a loan from the Land Bank of the Philippines. And third, it has the technical capability, which is important in handling LEEs; needless to say, beforehand, they had a feasibility study and overall management system in place.

Still, it should be noted that LEEs are just one of the many modalities of alternative service delivery. Hence, LEEs should not be created for politicking in order to ensure continued support come election time but should serve as one of the keys in helping LGUs achieve strong local economy. #

Labor migration in ASEAN: different needs lead to different streams with different impacts

In search of decent work that pays what is commensurate to their skills and hard work, many workers follow the route outside their own countries. Even before the global economic crisis, domestic employment markets in many developing countries have not been able to provide jobs to their rising labor force. As such, labor migration has continued to increase in numbers and has expanded its horizon.

In particular, Southeast Asia is not new to labor migration. Countries in the region such as the Philippines and Indonesia have long been exporting their labor manpower to other countries, especially in the Middle East. On the other hand, Malaysia and Singapore are receivers of foreign workers from neighboring nations.

While migration has largely contributed to the improvement of the personal lives of many migrant workers in terms of material gains, the same cannot be said of their well-beings in the foreign land where they work. Moreover, while migrant workers are a big boost to the receiving countries, it cannot be assumed for their own countries. Dependence on international migration and remittances, specifically in the Philippines, has affected long-term development of the economy. Moreover, sending countries are losing many of their skilled workers resulting in brain drain. Thus, it is in this context that the Philippine Institute for Development Studies (PIDS), in partnership with the International Development Research Centre (IDRC), forged the project titled "Different Streams, Different Needs and Impacts: Managing International Migration in ASEAN," composed of researchers from the Philippines, Indonesia, Cambodia, Malaysia, Singapore, and Thailand, with the aim of crafting coordinated policy reforms that will improve policy and institutional arrangements and cooperation among ASEAN nations as well as assess measures toward managing unskilled labor migration and their protection. A Regional Policy Conference was held recently in Manila to serve as the venue for the

presentation of the key findings and policy recommendations of both sending and receiving countries.

Sending country presentations:

Cambodia: "Irregular Migration from Cambodia: Characteristics, Challenges, and Regulatory Approach," by Mr. Hing Vutha, research fellow, Cambodia Development Resource Institute (CDRI)

Cambodian nationals take the illegal route of labor migration primarily because they cannot afford to pay USD 700 and undergo the complex procedures required by legal recruitment agencies. Being poor, they have scant financial resources which is aggravated by the lack of education; as such, going through the proper channels for recruitment which require the filling up of numerous forms becomes very difficult for them. Thus they engage in irregular migration. Irregular migration is the illegal movement to work in a country without authorization. It is also called as unauthorized, unofficial, and informal migration.

These irregular migrants cross borders to Thailand in search of job opportunities. They also go to other neighboring states, specifically Malaysia and Vietnam. Cambodian undocumented workers have an average age of 27.8 years with 2.2 dependents, and with only 4.6 years of schooling. Moreover, they engage in construction work, fisheries, farming, and household work, among others.

Why do Cambodians move? The main push factor is the poor economy in their country, which has resulted in the increasing population of poor Cambodians whose main resort is to find job opportunities out of their country. However, as irregular migrants, they suffer from longer working hours and physical harm. Cambodian children are being trafficked as beggars and flower vendors in Thailand while female irregular workers are forced to be sex workers. Thus, Mr. Vutha said that the case of Cambodian irregular migrants

poses both a protection and management problem for the country. It is a protection problem because it is no secret that illegal migrants are prone to abuse; on the other hand, it is also a management problem since it impinges on the management of labor migration in both sending and receiving countries.

In addressing the increasing rate of illegal migrants pushed by poverty, the study offers a number of recommendations. These include: (a) addressing causes of irregular migration through strengthened community development with more programs assisting the development of the agriculture sector; (b) promoting the protection and well-being of migrant workers, which include the creation of a Migrant Resource Center that would provide important information for the safety and protection of Cambodian migrant workers and the increase of labor attachés in Thailand and Malaysia; and (c) strengthening bilateral cooperation and enhancing protection of migrant workers rights in ASEAN.

Indonesia: "The Governance of Indonesian Overseas Employment in the Context of Decentralization" by Ms. Palmira Bachtiar, senior researcher, SMERU Research Institute

Indonesia's overseas employment depicts a long and complex process involving the authorities from the village, district, provinces, and the national level up to the destination country. The Head of Placement and Protection of Indonesia Migrant Workers acknowledges that 80 percent of the problems experienced by migrant workers, e.g., identity fraud, cheating, extortion, detention, and a host of others, occur in the sending villages and districts.

Moreover, in terms of financial gains, in particular remittances, the impact is more felt in the districts than at the national level. Data show that in 2006, remittances at the national level only contributed to 1.6 percent of the gross domestic product (GDP) while in Blitar and Ponogoro, the ratio of remittances to the gross regional domestic product (GRDP) reached 4.4 and 6.3 percent, respectively. At the same time, social problems brought about by separation resulting from migration like juvenile de-



Researchers from Cambodia, Indonesia, Malaysia, Philippines, Singapore, and Thailand presented their crucial recommendations on how to improve policies on international labor migration in ASEAN in a Regional Policy Conference held recently in Manila, Philippines.

linquency for the children and weakened family ties are experienced more significantly at the local level. In many instances, the cases are unreachable to central government's span of control; hence, they are best dealt with by the local governments.

Indonesia is governed under a decentralized framework. Under such framework, local governments have to assume responsibility in providing public services, including employment. The basic laws of decentralization — Law No. 32/2004 and Law No. 33/2004 — explain the devolved political, administrative, and fiscal authority from central to local governments. These two pillars of decentralization are supported by various implementing regulations, one of which is Law No. 34/2000 on Local Tax and Levies (retribusi) giving local governments flexibility to generate their own revenues by means of passing local regulation (perda) on taxes and retribusi without the need for the approval of the central government. Since the passing of such law, a "boom" in the number of perdass had taken place. Unfortunately, what transpired was that perdass were issued for the collection of own source revenue and were misconstrued as a symbol of independence from the central government, without bringing with them the delivery of efficient, responsive, and accountable public service including those related to overseas employment.

In particular, the study by Ms. Bachtiar notes that in their assessment of 127 local perdass

passed by 115 districts/municipalities regarding overseas employment, about 95 percent or more have been exacting levies or retribusi such as for registration of prospective migrant workers and application of passports as well as for licensing of private recruitment agencies. Only a few were about perdass on the protection of migrant workers.

Still, despite the not-so-favorable number of perdass on migrant protection, the Indonesian study shows that four districts — Blitar, Ponorogo, West Lombok, and Central Lombok — had received donor support to draft protection perdass. However, only Blitar and West Lombok managed to have their protection perdass, and only West Lombok was eventually able to establish a Protection Commission in October 2010. The Protection Commission is a body aimed to protect overseas workers through its handling of abuse and extortion cases; mediation between stakeholders; and issuance of warnings on violations against migrant rights.

To ensure the success and sustainability of the Protection Commission, the study recommends that the central government should financially support it by means of allocating a Special Allocation Budget for it since the protection of migrant workers is also a national government concern. In this regard, this could be piloted in a specific district, with West Lombok as the most ideal pilot project site.

In addition, the study likewise recommends that the fund for the assistance and protection of workers, to which migrant-source areas have contributed through the contribution of USD 15 per worker by applicants from their areas, should be channeled back for the use of these migrant-source areas in developing sustainable protection mechanisms for migrant workers. This is because at present, the fund is being administered by the central government (Ministry of Finance) which allocates the fund among eight institutions, in effect diluting the effectiveness of this fund supposedly for use in the protection of migrant workers. Giving the fund back for use of the migrant-source areas themselves for protection of workers will thus help reduce much of the labor migration problems at the local level. At the same

time, the study recommends the sharing of the protection budget between the central and local governments to ensure a sharing of responsibilities in the protection of overseas workers between the two.

Philippines: “Managing International Migration: The Philippine Experience” by Dr. Aniceto C. Orbeta, Jr., senior research fellow, Philippine Institute for Development Studies

What started as a temporary supply of workers to the Middle East in the 1970s became an almost permanent “policy” for the Philippine government. Almost four decades later, the Philippines has become a major labor exporter in the region and even around the globe. The “culture of migration” has been deeply entrenched into the system due to the never-ending economic problems in the country, thereby picturing foreign work as the best solution to achieve a better future. At present, migration is dominated by temporary workers and described as a cyclical pattern wherein 90 percent of deployed workers are rehires. Household service workers (HSWs), on the other hand, represent the biggest number of new hires in all occupation categories, which explain the data that show the increasing female temporary overseas workers as opposed to the trends in the past of having more men working abroad.

In order to manage the almost 10 million overseas Filipino workers (OFWs), the country has regulated labor migration and has enacted a number of bills to organize the migration process, from the predeparture processing to the departure for the receiving country up to the workers’ return to the Philippines either for vacation or for good.

Dr. Orbeta, however, argues that regulation only works if it is fully and properly implemented. There is also a need for better coordination among the government agencies involved, e.g., the Philippine Overseas Employment Administration (POEA) and the Philippine Overseas Labor Office (POLO). In particular, for the wages and other benefits stipulated in the contracts of OFWs, there have been many reports that OFWs were made to sign new contracts with lower wages when they arrived at their host countries. When these OFWs seek the help of the POLO, they claimed they are



told to return to the Philippines to file their case and recover their unpaid wages. What the arrangement should be is that as frontliners in other countries, POLO officers should be more effective in informing and assisting the OFWs on how to recover their wages in the host countries.

The government should also take into account the issues surrounding regulations, e.g., improvement of the implementation of set policies, re-evaluation of the level of protection demanded by government for workers relative to what the workers wanted for themselves, and the clarification of government policy for HSWs— is it for protection or promotion?

Presentations from receiving countries:

Malaysia: “Irregular Migrants in Malaysia: Their Inflow, Patterns, and Socioeconomic Status” by Dr. Azizah Kassim and Dr Ragayah Haji Mat Zin, both senior research fellows, *IKMAS*

From around 10 million in the 1970s, the foreign population in Malaysia has increased to approximately 30 million in 2010. The illegal entry of foreign workers has largely contributed to this. This situation thus threatened the economy, security, and political stability of the said country. As a policy measure, Malaysia then encouraged legal recruitment and employment of foreign workers as well as the active curbing of the influx of irregular workers. Some of the actions taken were: border surveillance and control; deportation; and application of the Anti-Trafficking and Smuggling of Migrants Act on Forced Labor.

Dr. Haji Mat Zin says that in evaluating the policy measures intended for illegal migrants, it can be shown that while Malaysia has achieved some success, there are also still improvements that need to be made. For one, according to her, the number of illegal workers is still parallel to that of legally recruited workers.

Meanwhile, Dr. Kassim divides their study’s policy proposals into two categories: the general policy proposals on foreign workers and the specific policy proposals on measures for irregular migrants. As general policies on foreign workers, the study proposes to have two sets of immigration laws: (a) for foreigners within the same cultural area as the host society; and (b) for those from outside the cultural area. The rationale is to facili-

tate cross-border flows among border communities separated by artificially drawn political borders.

Other proposals include the: phasing out of foreign workers in stages within a required period except for sectors dependent on foreign workers; the location of industrial estates in border areas in order for foreign workers to commute daily to these areas; and the review and amendment of the practice of conferring automatic citizenship to children of permanent residents.

The specific proposals, on the other hand, are geared to address the main cause of the increase of irregular migrants. Some of these proposals include: (a) recognizing that dependency on foreign workers might be indefinite and thus formulating suitable policy measures to address this; (b) accelerating border control and surveillance exercises; (c) ensuring better coordination among ministries to avoid conflict with the national agenda; and (d) imposing high penalty for permanent residents who are harboring, employing, and trafficking illegal migrant workers.

Singapore : “Foreign Labours in Singapore – Trends, Policies, Impacts and Challenges” by Dr. Chia Siow Yue, senior research fellow at Singapore Institute of International Affairs

According to Dr. Siow Yue, the demand for foreign workers is brought about by strong economic growth and at the same time by the country’s declining fertility rate which reached a low of 1.16 percent in 2010. In general, majority of overseas workers are unskilled and semi-skilled workers with work permits. It should be noted that it is a policy in Singapore that permanent inflows of migrants should not upset the existing ethnic balance. Moreover, temporary migrant workers should not also upset social cohesion.

Work environment in Singapore is generally better than in source countries. Law and order is enforced, and foreign workers have the opportunities to enhance or upgrade their skills, even acquiring formal certificates for competency in trade. These have therefore made Singapore a good choice for foreign employment. The influx of foreign workers also started to increase in 2006 and continued un-

til 2008 because of the global financial crisis that caused the retrenchment of many Singaporeans.

Meanwhile, this trend has resulted in public discontent against foreign workers who were seen to “take away” the jobs from the Singaporeans. Foreign workers are also regarded as one of the reasons for rising housing prices and as competitors in health care and education benefits as well as in public space and public services, e.g., in buses and MRTs. The national government recognized the said issues wherein in its Economic Strategies Committee (ESC) report, it declared its strategy to reduce dependence on foreign labor through the gradual increase in workers’ levy.

Thus, the country is working on reducing its long-term dependence on overseas workers through the following: accelerated economic restructuring to raise productivity performance; reduction of the dependence on unskilled/semi-skilled labor; and accelerated education and training to increase the local pool of skilled workers and professionals.

Thailand: “Different Streams, Different Needs, and Impact: Managing International Labor Migration in ASEAN: Thailand Immigration and Emigration” by Dr. Yongyuth Chalamwong and Dr. Srawoath Paitoonpong, senior research fellows at Thailand Development Research Institute (TDRI)

Thailand is both a sending and receiving country of labor migrants. As a sending country, it also took advantage of sending its labor force to the Middle East in the 1970s as well as to Japan, Taiwan, Singapore, and Malaysia. On the other hand, unprecedented economic growth in the 1990s has transformed the country from a labor-exporting nation to one that imports labor manpower; in this case, from neighboring Myanmar, Cambodia, and Lao PDR.

After the 1997 Asian financial crisis, hundreds of thousands of Thai workers sought employment in foreign lands. Data released by the Ministry of Labor in 2008 indicate that according to job types, skilled workers occupy the highest percentage at 59.68 percent, followed by unskilled workers at 37.17 percent. By levels of education, 41 percent

have high school education; 40 percent, primary education; vocational education, 11 percent; and undergraduate education, 8 percent. Thus, it can be deduced that majority of the Thai people who opt to work abroad have relatively low levels of education.

Like the experiences of other countries, Dr. Paitoonpong notes that many workers are indeed exploited and abused overseas. On the other hand, nationals of Myanmar, Cambodia, and Lao PDR cross the border to find employment in Thailand. They work as domestic helpers, farm and fishery workers. While these workers may also suffer exploitation in Thailand, they, too, experience the exploitation first in their own countries in their bid to cross the border and enter Thailand. Examples are the workers coming from Myanmar who cross the borders through brokers.

To address these issues, some policy measures were recommended to assist the country in managing the influx and outflow of labor migration. One, there is a need to formulate and implement international policy for low-skilled workers in ASEAN. Two, there is a need to eliminate and punish perpetrators of trafficking of foreign workers. Three, the rights and welfare of foreign workers must be respected and recognized. Fourth, government should provide sufficient funds for the management of overseas workers. And fifth, it is important to have consistent foreign labor policies.

Conclusion

Certainly, labor migration issues, particularly on dealing with informal migration, pose great challenge. A bigger challenge though is the provision of empirical evidence to back up the given recommendations, said Dr. Evan Due, senior program specialist, Globalization, Growth and Poverty at IDRC. He added that “what is needed is to try to bring results to a common language to widen audience and stipulate policy discussion.”

Because doing so will also help gather crucial information from other stakeholders in the aim of achieving greater social protection for migrant workers. On the other hand, as PIDS President Dr. Josef Yap said, “if the objective is to try to reduce intraregional migration, the solution [then] is to improve living standards across Southeast Asia and at the same time narrow the development gap in the region.” *CSM*

Galing Likha-Kalusugan Award: a timely distinction for outstanding health innovations

Breaking new ground. Pioneering. Such are some of the qualities that distinguished the recipients of the Galing Likha-Kalusugan Award of Excellence, the first-of-its-kind award in the field of health market innovations which recognizes and honors outstanding innovation programs and activities aimed at advancing health market performance for better health of the Filipino people. The award was given to four of the 20 best health innovation programs recognized in the country during the Awarding Ceremony sponsored and organized by the Philippine Institute for Development Studies (PIDS) and the Center for Health Market Innovations (CHMI), an international organization borne out of the initiative to understand the participation of private sector in health care. The awarding was held on November 7, 2011 at the Intercontinental Hotel in Makati City.

The top four given the Galing Likha-Kalusugan Award for Excellence are:

1) *Community Health Information Tracking System (CHITS)* of the University of the Philippines – Manila National Telehealth Center, in recognition of the unique innovation that paved the way for an electronic system that combines clinic appointment, patient record-keeping, and service delivery which replaces the paper-based system, thereby giving more time for actual patient care;

2) Tarlac Provincial Health Office's *The WAH Partnership Initiative*, for the significant impact and high sustainability of their *Wireless Access for Health (WAH)*, also an electronic system — the most extensive of its kind

among local government units in the Philippines — used in gathering critical health service data for improving health services;

3) *Hemodialysis Center – Fresenius Medical Care Lease Agreement* of The National Kidney and Transplant Institute (NKTi), acknowledged as the largest medical lease agreement in the Philippines and the earliest of its kind in the developing world. Both the government and the private sector partnered together for the common goal of making lives easier for patients suffering from end-stage renal disease; and

4) The Generics Pharmacy Franchising Corp., in appreciation of its *Franchise Net-*



Winners of the First Galing Likha-Kalusugan Awards: *Community Health Information Tracking System* (top left), *The Generics Pharmacy Franchising Corp.* (top right), *National Kidney Transplant Institute* (bottom left), and *the Tarlac Wireless Access for Health* (bottom right).

work of Generics Pharmacies, pioneering the drug retail distribution in the country and a perfect example that business can also incorporate and realize social goals, making it possible to offer affordable medicines to Filipinos.

About the Galing Likha-Kalusugan Award

The Galing Likha-Kalusugan Award encourages new and creative ways for: (a) health programs in the country to be implemented to boost health care; (b) finding solutions to long-standing health problems in the country; and (c) promoting universal health care.

In identifying, evaluating, and selecting the top awardees for the best health market innovations (HMIs)—programs and/or policies that are executed by the government, private sector, and nongovernment organizations (NGOs) which can help health markets function better—the PIDS and CHMI in the Philippines went through a rigorous search and preselection of 117 innovative health programs in its first roundtable discussion at the AIM Conference Center in Makati City on April 4-5 2011, and then in a second round of discussions on June 22–23, 2011 at the Intercontinental Hotel in Makati City, where the number was shortlisted to 20 HMIs. The process of selection was made possible with the help of numerous health experts, researchers, and local and national health officials.

The context of health markets

Before innovation can be pursued, it is important to know and understand the context and present situations and conditions of the health market. It is, after all, in the health market where health care decisions are made, e.g., which hospital to go to and what medicines to buy. In most instances, particularly for poor and developing countries, access to health care is sourced from private providers even if governments offer free health care in public facilities. As such, most of health spending comes from out-of-pocket payments causing more financial hardship because of health care expenses, forcing more people to poverty. In addition, even if there are available gov-

ernment-sponsored public health service deliveries, the government recognizes that it needs private providers to achieve not only improved health outcomes but also to realize enhanced financial protection.

The CHMI approach

On a global scale, the CHMI focuses on identifying, analyzing, and disseminating information on health market innovations (HMIs) that are crucial for a healthier and better nation.

These HMIs are divided into five types which, if ably implemented, may have the capacity to achieve better health and financial protection for the people through improved health market performance. These include HMIs involved in:

Organizing delivery. These are programs that reduce fragmentation and informal providers (e.g., unlicensed providers) in health care delivery. These may then enable financing, regulation, training, and new business models to achieve more licensed health providers and increase membership to networks. Some examples are franchise, chain, network, cooperative, professional association, and integrated delivery system.

Financing care. These are programs that mobilize funds for health care and align provider incentives to increase access for targeted groups of patients or to support select health interventions. These include national (social) health insurance, micro/community health insurance, private health insurance, vouchers, contracting, cross-subsidization, provider training, and other health awareness/education programs.

Enhancing processes. These refer to processes, technologies, or products that facilitate increased efficiency, lower costs, higher quality, and/or improved access. Examples are information and communications technology, innovative operational processes, mobile health, supply chain enhancements, innovative medical products and equipment.

DG Paderanga inaugurates PIDS Corner in Calapan City

Socioeconomic Planning Secretary and National Economic and Development Authority (NEDA) Director-General Cayetano W. Paderanga, Jr. led the inauguration of the 17th Philippine Institute for Development Studies (PIDS) Corner at the Calapan City College Library on July 13, 2011.

The PIDS Corner is one of the Institute's research dissemination strategies whose main objective is to provide reading and research materials on development-related topics to students, researchers, faculty, and policymakers in locations where there is a dearth of such materials. The "Corner" consists of a few shelves containing various studies and publications produced by the Institute and its collaborators through the years. These include books, research papers, discussion papers, journal issues, newsletters, CDs, and other information brochures. Since the program's inception in 2006, there have been 17 (6 in Luzon, 6 in Visayas and 5 in Mindanao) PIDS Corners strategically located in various provincial libraries, and public and private colleges and universities all over the country.

The PIDS Corner at the Calapan City College was formally opened with the ceremonial cutting of the inaugural ribbon by Secretary Paderanga, Calapan City Mayor Salvador Leachon, and PIDS Vice President Mario Feranil. A Memorandum of Agreement formalizing the partnership between PIDS and the City College of Calapan was also signed. Said event was attended by local leaders from various government agencies, students, and faculty of the college.

In his message, Secretary Paderanga commended the collaborative efforts of PIDS and the City College of Calapan through the support of the city government unit of Calapan. He said that programs like this would encourage more viable studies and projects that



PIDS Vice-President Mario Feranil and Calapan City Mayor Salvador Leachon sign the Memorandum of Agreement between PIDS and the City College of Calapan. Witnessing the signing is NEDA Director-General Cayetano W. Paderanga, Jr.

may further elevate the socioeconomic condition of the locality. He also stressed the importance of PIDS Corners in the implementation and achievement of the Philippine Development Plan, particularly in the preparation of the different local development plans.

Meanwhile, PIDS Research Information Staff Director Jennifer Liguton spoke about the history and role of PIDS Corners. She noted that the setting up of PIDS Corners has increased the visibility and prominence of the Institute's research products in various local governments and communities. She also expressed the hope that the availability of these resources will augur well in making the people of Calapan and Oriental Mindoro more aware of the importance of evidence-based studies and materials in policymaking. In addition, PIDS Vice President Mario Feranil said in his remarks that PIDS Corners in the country further the Institute's efforts toward local and regional development by making PIDS resources available to

different localities. He added that the PIDS Corners are also a means of helping improve the economic literacy of various constituents in local areas. He likewise expressed the Institute's hopes for more collaborative projects with the city government of Calapan as well as the provincial government of Oriental Mindoro in the near future.

In response, Mayor Leachon gratefully extended his appreciation of DG Paderanga's participation in the event which he called a great honor to the city. Likewise, he lauded the invaluable support that PIDS rendered to the City College of Calapan by setting up a PIDS Corner and providing useful materials that he described as "pedestals" to the city's progress.

As a tradition to spur development discussions in local areas, PIDS Corner inaugurations are followed by a discussion forum on development-related topics by a PIDS senior researcher. For this occasion, a discussion forum titled "*Improving the Financial Management of Local Economic Enterprises (LEEs)*" was held after the inauguration at the Filipiniana Hotel in Calapan City. Dr. Rosario Manasan, PIDS senior research fellow, essentially discussed the existence and increase of LEEs through the years, and why and how LEEs

have become unprofitable and ineffective. Many of the LEEs incur losses on a continuing basis, leading to large arrearages for LGUs instead of being self-sustaining or revenue-generating schemes for local government units. Manasan also answered questions from the audience and provided some recommendations to minimize the usual problems confronted by LEEs [see related lead story].

Meanwhile, the topic on LEEs was described by the participants as befitting and timely since the city of Calapan was honored by the Land Bank of the Philippines and the Association of Development Financing Institutions in Asia and the Pacific for its outstanding infrastructure project in building one of the most modern public markets in the country.

The discussion forum was jointly organized by NEDA IV-B regional office led by its Regional Director, Oskar Balbastro, and was attended by local policymakers, headed by Mayor Leachon and Oriental Mindoro Acting Governor Humerlito Dolor, academicians, and other representatives from the local government units of Mindoro Occidental, Marinduque, Romblon, and Palawan. **PJB**

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Regulating performance. These are programs that set standards, enforce, or incentivize higher quality care and increased access for target populations. Licensing, accreditation, quality enforcement, pay for performance, and incentives or mandates for expansions of access, are among the important aspects of regulating performance.

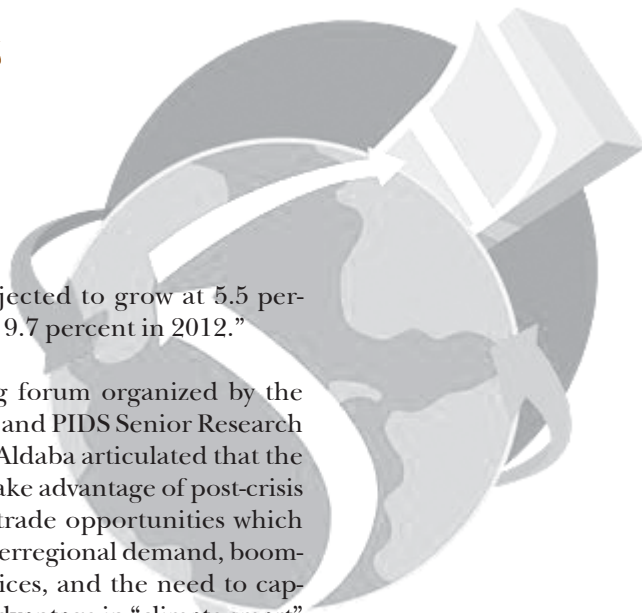
Changing behaviors. These refer to programs designed to change the behavior of individuals involved in health care transactions by educating patients about the kind of care to seek or enlightening the providers on how to further deliver higher-quality services.

In acknowledging and honoring the ingenuity and initiative of various entities both from the public and private sectors, the Galing Likha-Kalusugan Award serves as an incentive and inspiration for the birth of more health innovations that may not only offer solutions to

the Philippines' health care problems but also set new directions in strengthening existing beneficial health innovations.

The Awards Ceremony was attended by Health Secretary Enrique Ona who delivered the keynote speech; Ms. Corazon Aurora Aquino-Abellada, who represented President Benigno S. Aquino; Dr. Alejandro N. Herrin, HealthGov Project, USAID Philippines; Mr. Reinier Gloor, executive director, Pharmaceutical & Healthcare Association of the Philippines; Dr. Eduardo Banzon, president and chief executive officer, Philippine Health Insurance Corp.; Ms. Ann Hirschey, office chief, Office of Health, USAID Philippines; World Health Organization (WHO) National Professional Officer for Health Care Financing Ms. Lucille Nievera; and PIDS President Josef Yap. Representatives from various government and private health offices, the academe, and NGOs also graced the event. **CSM**

Philippines must seize post-crisis trade opportunities



The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Philippines' think tank Philippine Institute for Development Studies (PIDS) have recently launched the country's 2011 trade and investment report which forms part of the Asia-Pacific Trade and Investment Report (APTIR), an annual publication of the UN ESCAP. This year's report particularly explores the country's post-crisis trade and investment opportunities.

Dr. Josef T. Yap, president of PIDS, gave the opening remarks with a short analysis of the economic cooperation in East Asia. He said that the existence of various regional economic cooperation groups in the region was unsystematic with overlapping objectives. Dr. Yap said that with the "Noodle Bowl Syndrome" hounding the free trade agreements (FTAs) in the Asia Pacific, each grouping must set its specific roles such as the ASEAN to take care of institution building, the ASEAN Plus Three to handle regional monetary and financial cooperation, and the APEC to manage trade in services, among others.

According to the report, the country's trade picked up in 2010 with 26 percent in exports and 21 percent in imports. This made Philippine trade performance significantly higher than the Asia-Pacific region's which registered average export growth of 17.3 percent and import growth of 15.8 percent in 2010. The report further projects that the whole region is expected to return to historical trade growth rate of 10 percent in 2011. "The forecast for the Philippines is that export growth will slow down to 5.4 percent in 2011 and then pick up to 7.2 percent in 2012, while

imports are projected to grow at 5.5 percent in 2011 and 9.7 percent in 2012."

In the launching forum organized by the PIDS, economist and PIDS Senior Research Fellow Rafaelita Aldaba articulated that the country should take advantage of post-crisis investment and trade opportunities which include rising interregional demand, booming trade in services, and the need to capture first-mover advantage in "climate-smart" goods. Aldaba said that the Asia-Pacific region is expected to have high intra and interregional trade brought about by growing population and rising incomes in the region. The country should utilize its untapped potentials in service trade like tourism, information technology, and construction. Hence, the government should pursue regulatory reforms that can increase trade in services such as the removal of infrastructure bottlenecks in transportation, communication, energy, water, and other services.

Aldaba further expressed that the rise of environmentalism also presents trade and investment prospects for the country. The country should utilize new opportunities in climate-smart goods and technologies whose trade and investment potential is estimated to be at \$30 billion. Although Korea and Japan are regional leaders in this budding industry, other small countries have shown potentials, including the Philippines. Aldaba, however, warned of the looming threat of protectionism since tougher competition in the region might trigger discriminatory protectionist measures like the use of nontariff measures such as green clauses.

In the forum, trade experts have identified a number of issues that the government

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should address in facilitating trade and investments such as customs modernization which will bring efficiency and potentially curb graft in customs administration. Since the region's recovery from the crisis was largely driven by regional trade, the country should improve its existing regional trade agreements and, perhaps, initiate new trade agreements particularly in areas of transport facilitation and establishment of regional trade protocols and standards.

Trade experts articulated that increased knowledge sharing on best practices can benefit the whole region. The country, for example, can share with neighboring countries its experience with the establishment of the Philippine Economic Zone Authority (PEZA) which is an internationally acclaimed program for its positive effects on the economy.

Another important issue that cropped up in the forum is the high cost of doing business, particularly of electricity, in the country that

turns off investors. The country today has the highest industrial electricity cost, even higher than the cost in developed countries like Japan. Experts suggest that the government should conduct detailed analysis of the components of generation and distribution costs and assess efficiency of transmission to reduce system losses. Moreover, prospective investors are also driven away because of the high cost and complicated process of setting up a business in the country. Hence, the government should institute reforms and new policies such as introducing one-stop shops for business registration.

The economic crisis has unevenly affected countries in the region. As indicated in the APTIR, the country's recovery from the crisis was largely driven by regional trade. New post-crisis opportunities also abound in the country. However, turning them into realities will ultimately depend on the Philippine government's ability to restructure and effectively integrate the economy into the regional value chains. **PJB**