

## Top public policy experts lead inaugural conference

STATE THINK TANK Philippine Institute for Development Studies (PIDS) mounted the country's first-ever conference on public policy, bringing together some of the most prominent Filipino economists, political scientists, and sociologists.

More than 100 participants attended the 2015 Inaugural Public Policy Conference on September 22 held at the Crowne Plaza Manila Galleria in Quezon City. It served as the culminating activity of this year's celebration of the 13th Development Policy Research Month (DPRM) and will be held from hereon every DPRM.

In his welcome remarks, PIDS President Gilberto Llanto explained that the annual conference is intended to flag to policymakers critical issues that must be addressed in the immediate term.



Speakers and panelists of the 2015 Inaugural Public Policy Conference held on September 22, 2015, at the Crowne Plaza Manila Galleria, Quezon City. From left: Dr. Raul Fabella, Dr. Emmanuel de Dios, Dr. Fermin Adriano, Dr. Mary Racelis, Dr. Michael Alba, Dr. Elizabeth King, Dr. Alex Herrin, PIDS President Dr. Gilberto Llanto, Dr. Dante Canlas, Dr. Cynthia Bautista, Dr. Chito Salazar, and Dr. Alex Brillantes. Not in the photo: Sec. Arsenio Balisacan, Sec. Armin Luistro, and Dr. Francisco Magno. (Photo by Jigs Tenorio / PIDS)

### Editor's Notes

For the last 12 years, the celebration of the Development Policy Research Month (DPRM) every September has focused on issues that are primary concerns for policymakers. Some of those issues were not yet in the public discourse when they were featured in the DPRM. The idea was to create awareness in the consciousness of our leaders and the public, and open avenues for further research and policy discussions. An example is "Coping with Climate Variability and Change", the theme in 2009. Long before we began to notice and feel the effects of climate change, the Institute had started to conduct knowledge dissemination and advocacy on this topic based on the results and recommendations of its research studies. How different things might have been if our policymakers and development planners heeded the Institute's call back then to take proactive measures in developing strategic risk-mitigation programs based on rigorous study and active collaboration among the different sectors of society. We can only look back now

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Critics often decry the country's positive progress report, arguing that the poor and the marginalized do not feel enough of the impact trickling down to improve basic services and to broaden access to economic opportunities. Thus, the inaugural conference featured the two crucial elements of development—human capital and institutions. Their importance is summed up in the conference theme, “Harnessing Our Institutions and Human Capital for Inclusive Growth”.

Llanto underscored the value of education as an instrument for acquiring knowledge. Useful knowledge leads to a trade or profession. But this is a narrow view of education, he said, because education can only produce technicians, but not thinkers; doers, but not public intellectuals with capacity for thought, introspection, and ethical behavior. Education as a path to building human capital, he explained, is equipping the person with life-long skills, and capacitating him to think, compare, and analyze to enable him to go through the complexities of modern society. “We do not learn for school, the factories, or politics, but for life, and this learning can also be used in the service of society,” he added.

Meanwhile, Socioeconomic Planning Secretary and Chairman of the PIDS Board of Trustees Arsenio Balisacan discussed recent developments in the Philippine economy and the persistent challenge of ensuring that economic progress is inclusive.

Balisacan underscored that “the administration's development agenda for inclusive development is heavily anchored on good governance, sound economic policies, and prudent fiscal management. To be sure, the economic and governance reforms being proposed and implemented—especially efforts to build



Dr. Dante Canlas, professor at the UP School of Economics, presents his paper on higher education. (Photo by Jigs Tenorio / PIDS)

credible institutions and address long-term binding constraints to growth—are essentially geared toward ensuring that the country's economic progress is felt by the majority of Filipinos.”

On the role of human capital development, he emphasized that better education and health care can free people from poverty. “In fact, the observed inability of the poor to benefit from growth can be traced to our underinvestment in human capital in the past,” he said. But in recent years, more investments on human capital have been made due to the wider fiscal space and budget reforms. Programs on human capital formation, such as the Conditional Cash Transfer (CCT) Program and K to 12 Basic Education Program, are now underway. Investments on technological innovation and research will also contribute to the country's development.

Balisacan also acknowledged the need for efficient public institutions, stressing that

it should apply not only to the citizens and the labor force but also to those who are working in government. “The country needs high-performing and credible civil servants, led and supported by competent political leaders that uphold transparency and good governance, and support evidence-based policymaking,” he said.

### The role of the higher education sector

The first of the two sessions focused on the subject of human capital, with Prof. Dante Canlas of the University of the Philippines (UP) School of Economics providing the theme paper he titled “Investing in Human Capital: Focus on Higher Education”.

“Higher education plays a definitive role in the development of human capital. It is well known that human capital development, along with good institutions, is critical to reducing poverty,” said Canlas.

He echoed Balisacan's statement, saying the path to sustainable and inclusive growth starts with developing the country's human capital. “The onus is on the country's leaders and policymakers to make higher education more accessible and to help young Filipino students finance their education,” Canlas emphasized.

“Higher education is the main source of knowledge and technological progress. Knowledge, when transferred to another person is not diminished, instead it creates increasing returns.”

According to Canlas, the creation of knowledge is necessary for continuous growth. Higher education is the main source of knowledge and technological progress. New products, which come from technological knowledge and institutional support, stimulate economic growth.

But human capital formation in the Philippines remains saddled with many challenges, the foremost of which, according to Canlas, is building a stock of highly educated and scientific workforce. He recommended two solutions: raising enrolment rates in higher education and address the obstacles in financing education.

“Right now, access to college education is based on the ability to pay and not the ability to learn. It is the Philippine society that loses when its young talents forego higher education because they do not have the liquidity to put themselves through college,” Canlas stated.

Canlas suggested implementing a Congress-enacted National Student Loan Program to be funded from taxes. He also urged higher education institutions (HEIs) to tap private foundations and philanthropic organizations for scholarships and to give student more work-study options on campus.

In conclusion, Canlas stressed that the education sector should consider reforms and policy improvements that go beyond financial aid, especially those that will enhance the quality of education. In particular, he urged the Commission on Higher Education (CHED) to cut the financial support being given to state universities and colleges that are not delivering quality education and incentivize those that are performing well.

### Other issues in human capital formation

Commenting on the role of CHED, Far Eastern University President Dr. Michael Alba said that assuming the commission is “a utilitarian social-welfare-maximizing regulator, three goals seem reasonable for it to aspire for: promote access to higher education, improve efficiency of service

delivery, and enhance the quality of the college experiences.”

He, however, pointed out that there are three types of constraint that stand in the way of CHED to achieve these goals: informational, transactional, and administrative and political.

CHED Commissioner Cynthia Bautista explained that the government has already been undertaking actions that would hopefully solve the issues mentioned by Canlas. For example, CHED has been pushing for partnerships with foreign universities despite the Philippines being unused to such a strategy. Bautista also mentioned that the Unified Financial Assistance of Students in Tertiary Education (UniFAST) Act, a product of a collaboration between CHED and PIDS, went through a number of changes in Congress before its ratification. UniFAST will extend financial assistance to poor but deserving college students through student loans and subsidized tuition fees, among other forms of financial assistance. As to

the K to 12 program, Bautista stood firm in her position that the program is necessary. Not making the shift in the educational system would do the Philippines more harm than good, she said.

She further urged the education sector to shift focus and prioritize research and development, and other areas that yield exponential value.

“Prioritizing undergraduate programs like materials science, physics and chemistry, and engineering will benefit society, particularly the manufacturing sector,” she noted. “More has to be done to encourage education that translates into technological innovation,” she added.

For his part, Dr. Chito Salazar of the Philippine Business for Education said the HEI sector should encourage industries to take an active part in developing the tertiary education sector.

“There is a need to link government, academe, and industry because they



“Higher education plays a definitive role in the development of human capital,” says Dr. Dante Canlas. (Photo by Exec8 via Wikipedia Creative Commons)





want the same thing yet they speak different languages. Schools want industry involvement, and industries want more faculty training. If industries are involved in education, the educational system will be driven by industry-defined competencies. After all, industries get the graduates,” Salazar explained.

In recent years, there has been an increasing trend toward “micro-credentials” or industry-driven certifications. In this case, Salazar noted that existing institutions are now outdated.

He cited the new phenomenon on microcredentials and securing competency certification while working. Thus, he suggested that HEIs and industries should consider apprenticeship, where 80 percent of education is done in the industries that the students will pursue after graduation.

Meanwhile, Dr. Alejandro Herrin, consultant at the UP Economics Foundation, shared his views on how to make financing more effective. According to him, certain conditions must be met. First, proper targeting will ensure that the right people will benefit from this scheme. Second, a national means test must be conducted to ensure that every student has a fair chance of accessing the program and the grant of loans is merit-based. Lastly, adequate support at the national scope will contribute to the impact of the program.

Herrin added that the value of humanities must not be forgotten in the pursuit of prioritizing the hard sciences. Alba agreed with Herrin, citing that young people today normally change careers at an average of six times. Humanities remains incredibly relevant in this scenario because the subjects in that field are the things that help build character.

Bautista concurred with Herrin, surmising that it might be time for an intrinsic paradigm shift in education. Instead of urging students to get an education, HEIs should urge them to learn and inculcate the principle that learning is a lifelong thing. While it is necessary to adjust to labor market requirements, the intrinsic value of education as an avenue for improving individual existence must not be neglected.

Wrapping the session up, the moderator, Dr. Elizabeth King of the Brookings Institutions, urged the audience to look further into the paper of Canlas as well as the insights shared by the panelists. The discussions showed that human capital formation is the business of government, private sector, and industry. The issue, she said, is not just about enrolment and quality of education. It is also knowing what skills the students get out of learning institutions and whether or not those skills are relevant. In conclusion, she encouraged the government to think more creatively in terms of finding ways to finance higher education, so that

students who are hungry for education but who have financial constraints can study without incurring much cost.

### The role of institutions in development

The second session focused on institutions, which refer to the formal and informal rules that help society to function.

Dr. Raul Fabella, national scientist and professor at the UP School of Economics, presented his paper titled “An Exegesis of Mediocrity: Institutions and Inclusion in the Philippines”. He distinguished societies into autonomously coherent and incoherent societies. The former operates on the basis of social capital, norms, and conventions; examples are Japan and Norway. The nations to which these societies belong are able to extract the social optima despite collection action problems. Inclusivity is achieved by nations with a strong and benevolent state and a coherent society.

In contrast, inclusivity is more difficult to attain for autonomously incoherent



Dr. Raul Fabella, national scientist and professor at the UP School of Economics, explains how weak states must turn the tables to achieve inclusivity. (Photo by Jigs Tenorio / PIDS)



Persistent poverty is an indication of the state's failure to efficiently deliver public goods, according to Dr. Fermin Adriano of World Bank-Philippines. (Photo by AusAid via Wikipedia Creative Commons)

societies and even more if the state is weak; such is the case with the Philippines. Autonomously incoherent societies with weak states, nevertheless, can still be fiscally inclusive provided that they have a benevolent executive and a fiscal space.

According to Fabella, the problem with weak states is that they have too much agenda, and consequently, their activities are done badly. Having limited agenda would lead to better execution of programs, less rent-seeking, and adequate budgets.

Using game theory and illustrations of collective action problems, Fabella emphasized the importance of the retreat of weak states to their core competence. In both the fishing and class games he presented, Fabella showed that statutory intervention in weak states does not promote inclusiveness.

Nevertheless, he pointed out that it is still possible for countries like the Philippines to achieve fiscally sustainable and inclusive growth provided they have strong leadership and fiscal space.

“Weak states must also enlist other available domains. They must utilize freed fiscal space for initiatives that have direct inclusion impact,” Fabella maintained.

An example is the CCT program, which provides direct financial assistance to poor families under the condition that those transfers are used as an investment on their children's human capital, such as regular school attendance and basic preventive health care. The program addresses the intergenerational transmission of poverty and fosters social inclusion by targeting the poor, especially children.

#### More insights on institutions

Dr. Fermin Adriano, senior advisor to World Bank-Philippines, noted that having weak institutions results in a weak state. He explained that the quality of institutions in a society reflects the level of its development. Thus, the persistent issues on poverty and income highlight the failure of the state to efficiently deliver public goods. Adriano identified two major issues in the political economy of institutions and

development: causation and assumption of the rationality of the elite.

“How are institutions formed? Are laws a result of compromises?” Adriano asked. On the assumption of rationality of elites, he commented that “not all elites are rational, as exemplified by the patronage system. If goods are involved, the tendency is to prioritize the family or clan.”

According to Adriano, there are also noneconomic factors that contribute to the establishment of an irrational system, making it difficult to establish a relationship between institutions and development.

“Entrepreneurs, as harbingers of change, will also affect institutions. Thus, any attempt to theorize political change will fail because of various political factors involved,” he said.

CHED Commissioner Alex Brillantes, meanwhile, emphasized the importance of pursuing governance reforms.

“There are many anticorruption laws in the Philippines yet the country remains corrupt. How can behavior be influenced? Values should be integrated in the basic education of students. What should we look for in a leader? A good leader is [someone who is] upright and a duty-bearer, and with political will. How can citizens be engaged? The citizens are the claim-holders so governance cannot be left to the government alone. Rather, partnerships and linkages should be established with them.”

He noted that institutions can be harnessed by defining the role of the



# Harnessing Institutions and Human Capital for Inclusive Growth

Keynote speech of Socioeconomic Planning Secretary and Chairperson of the PIDS Board of Trustees, Arsenio M. Balisacan, at the 2015 Inaugural Public Policy Conference, September 22, 2015, Crowne Plaza Manila Galleria, Quezon City.

Dr. Gilbert Llanto, the management and staff of the Philippine Institute for Development Studies or PIDS, colleagues in the academe and government, representatives from civil society and international development community, members of the media, ladies and gentlemen, good morning.

It is my pleasure to join you in the inauguration of the PIDS' first Annual Public Policy Conference. Today, through this inaugural conference, we celebrate public policy, which is a very challenging field. This event provides a platform to discuss the most pressing development issues that must be addressed in the immediate term, especially as we face the transition to a new government in less than a year's time.

In particular, the theme of this conference, "Harnessing Our Institutions and Human Capital Development", highlights the role of two elements that are crucial to achieving sustainable and inclusive growth—institutions and human capital.

As you may all know, the Philippines is one of the countries in the region and the world that is most invested in promoting inclusive growth and shared prosperity. Specifically, this administration's development agenda for inclusive development is heavily anchored on good governance, sound economic policies, and prudent fiscal management. To be sure, the economic and governance reforms being proposed

and implemented—especially efforts to build credible institutions and address long-term binding constraints to growth—are essentially geared toward ensuring that the country's economic progress is felt by the majority of Filipinos.

The recent developments in the Philippine economy confirmed that good governance, a stable political climate, and macroeconomic stability are necessary for economic development. In particular, we need these in promoting a consistent, stable, and responsive environment conducive to business and investments. Over the last few years, we witnessed the stellar performance of our economy despite global uncertainties. Looking at the sources of growth during these years, we have reason to say that we are now traversing a higher growth trajectory.

However, we also recognize that the real measure of progress is improvement in the lives of our people. Thus, amid the country's respectable economic gains, the persistent question is how we can sustain this growth in the long term and make it more inclusive. Specifically, how do we translate economic gains into faster poverty reduction and rapid expansion of high-quality employment opportunities that would benefit a greater number of our people?

Recent economic history—as we've learned from the experiences of our neighbors China, Thailand, Viet Nam, and Indonesia—

suggests that sustaining gains in poverty reduction, job creation, and inclusive growth requires nothing less than robust structural transformation, where the economy shifts from low-productivity to high-productivity areas of activity. This typically involves rapid expansion of high-quality employment opportunities outside of agriculture.

In order to bring this about, we need to continue the implementation of business-friendly policy reforms and intensify our efforts that are more responsive to the needs of sectors and areas where many of the poor are found. This is for them to be able to contribute to, and benefit from, economic growth. At the same time, we must aggressively address remaining bottlenecks in physical capital formation and investments, which is crucial to the generation of high-quality jobs. Aggressive creation of employment opportunities fueled by high growth is the most direct and sustainable way to reduce poverty.

For this, allow me to highlight two priority areas to investment growth that we need to devote greater focus on: physical infrastructure and human capital development.

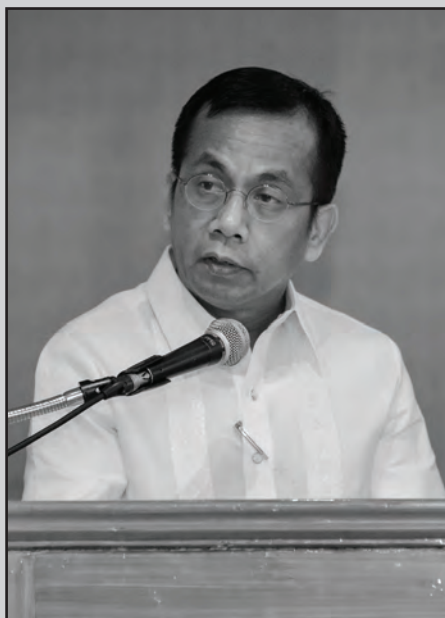
One of the major long-term binding constraints to our growth is the public infrastructure gap. Persistent infrastructure bottlenecks, particularly the delays in the completion of infrastructure and



reconstruction projects as well as logistical bottlenecks, especially transport, threaten to hamper the pace of economic activity, if left unaddressed. Congestion in our roads, ports, airports, and seaports cost us billions of pesos per day and global rankings indicate that the quality of our infrastructure continues to lag behind our ASEAN counterparts. Therefore, the need for long-term solutions to the infrastructure gap remains critical and even more compelling. But while public infrastructure spending as a percent of GDP has been increasing in recent years, we also need to strengthen private sector participation in infrastructure development to keep up with rising demands in our fast-growing economy.

Another crucial component of inclusive growth is human capital development. This is particularly important as it is well-established that the most enabling instrument to lift people from poverty is through better education and health outcomes. In fact, the observed inability of the poor to benefit from growth can be traced to our underinvestment in human capital in the past. But in recent years, wider fiscal space accompanied by budget reforms, provided government with flexibility to increase human capital investments, particularly in education, health services, and social protection programs.

In fact, major programs have already taken flight to address critical issues of human capital formation in the country, especially among the poor. The country's expanded Conditional Cash Transfer (CCT) Program called 4Ps—which has grown in budget by more than 500 percent since 2010 and now covers more than 4 million beneficiary households from only 630,000 in 2009—is already one of the largest in the world and has demonstrated early gains in improving outcomes for poor children, particularly in increasing enrolment and attendance



Socioeconomic Planning Secretary Arsenio M. Balisacan (Photo by Jigs Tenorio / PIDS)

in school. This initiative not only aims to combat intergenerational poverty but also targets to develop our human resources by widening access to basic education up to high school. Moreover, the recently instituted K to 12 Basic Education Program has also jumpstarted comprehensive reforms in the education sector in the hope of improving the competitiveness and capabilities of our future workforce and abating the skills mismatch in the labor market.

Nevertheless, human capital formation will only lead to inclusivity if the poor can benefit from recent growth. This is in the form of having suitable and stable employment once they enter the workforce. For this reason, we must continuously identify and implement educational reforms, enhance workforce competencies, align education and training programs to respond to industry requirements, provide training programs to upgrade skills that can reduce job-worker mismatches, and further equalize opportunities.

At the same time, investments in technological innovation and research will prove to be crucial as these can be used as inputs into tangible and actionable policies for the country's development.

But for all these to happen, we need public institutions that truly work. In this respect, human capital development will not only be for citizens and the labor force but also for those in government. The country needs high-performing and credible civil servants, led and supported by competent political leaders that uphold transparency and good governance, and support evidence-based policymaking. Continuous learning is important for public servants to be able to meet development challenges in a constantly changing environment.

It is in this regard that the PIDS, through this public conference, could contribute the greatest in furthering our goal of inclusive development: by providing a proactive forum to raise the level of public debate on the country's development directions and to discuss issues that would inform the future leadership of critical policies toward our national goals.

This summit provides a great opportunity for all of us here to start more aggressive efforts to popularize policy research and information in development planning and policymaking. We call for your continued support, not just for this year but for the years ahead, to strengthen our collaborative efforts in pursuit of an inclusive and sustained growth. I congratulate the PIDS for putting this conference together. I also acknowledge the participation of my esteemed colleagues in the academe and government.

And to all of you who took time to attend this conference, thank you and I wish for a productive conference ahead. **DRN**





# Development Policy Research Month

## highlights regulatory reforms

“THERE IS A NEED to institutionalize good regulatory practice as we move to the ASEAN Economic Community.”

Deputy Director-General Emmanuel Esguerra of the National Economic and Development Authority (NEDA) maintained that ensuring the quality of regulations through the building of a coherent regulatory management system is crucial for the Philippines not only to keep up with its regional neighbors but also to build a sustainable and inclusive society—one where growth is felt at all levels.

In his keynote remarks at the Policy Dialogue on Effective Regulations for Sustainable Growth organized by PIDS in September to celebrate the 13th Development Policy Research Month (DPRM), Esguerra emphasized the need to review the country’s regulatory system to address barriers to trade and to boost investments.

“Given that regulation is one of the three anchors that governments draw on to achieve sustainable and inclusive growth, along with tax and spending, it is imperative for the Philippines to review its regulatory system, assess the environment for institutionalizing good regulatory practice, and formulate a regulatory framework to be able to pull alongside other Association of Southeast Asian Nations (ASEAN) member-states especially now that we are moving toward ASEAN integration,” Esguerra stated.

He explained that this will help government in addressing behind-the-border issues that discourage foreign and domestic businesses to invest in the country.

Meanwhile, PIDS President Gilberto Llanto highlighted the need for a strong and coherent regulatory management system (RMS). According to Llanto, the country has the regulatory quality tools, the regulatory processes, the regulatory institutions, and the regulatory policies, which are the major elements of an RMS.

“What the country lacks is a central oversight body that will conduct regulatory impact assessment to determine the probable costs and benefits of proposed regulations. The absence of a formal RMS results in the lack of coherence in our regulations brought about by weak coordination across government agencies and regulatory bodies when it comes to creating regulatory policies. Implementing regulation also runs into trouble with usually weak institutions unable to carry out their regulatory mandate,” Llanto noted.

### Regulatory initiatives and existing challenges in selected sectors

#### Transport

According to Atty. Winston Ginez, chairperson of the Land Transportation Franchising and Regulatory Board (LTFRB), his agency is focusing on

four regulatory issues—competition, innovation, productivity, and growth. To create better competition, the LTFRB has launched several regulatory reforms, which included requiring buses to strictly comply with the 15-year age limit for public utility vehicles and to install global positioning system (GPS) devices. The GPS device enables the LTFRB to determine whether the unit is following its authorized route and maintaining the prescribed speed limit.

A more popular regulatory innovation enforced by the LTFRB was the adoption of a regulatory framework for transportation network companies and transportation network vehicle services like Uber. According to Ginez, the Philippines is the first country to successfully develop a regulatory model for the sharing economy, which is expected to introduce more competition in the public utility vehicle sector.

In terms of regulatory principles, Ginez underscored the implementation of an open and transparent process, and agreed with Llanto on the need to conduct a regulatory impact assessment prior to the passing of a regulation. “Our goal is to simplify regulations, and to keep the public informed and engaged in the process through consultations and dialogues,” he said.

For its part, the Land Transportation Office (LTO), as the agency tasked to implement transportation laws, rules, and



regulations, has also implemented some innovations, according to Mr. Roberto Valera, officer-in-charge of the Traffic Safety Division. The agency is in the process of enhancing the process flow for the renewal of driver's licenses and vehicle registration.

"LTO hopes to cut down the time to renew a driver's license to 15 minutes and for the vehicle registration, 25 minutes," Valera stated.

Valera added that LTO will soon implement a merit and demerit system in driver's licensing, which will reward drivers who obey traffic rules and punish those who violate.

According to Valera, the reward could mean extending the validity period of a driver's license to five years or an additional two years from the current three-year validity. The punishment, meanwhile, particularly for those who will exceed the limit in the number of

violations allowed by the law, could result in the suspension or revocation of their licenses.

For motor vehicle registration, the LTO has introduced a do-it-yourself system for the encoding of the certificates of stocks reported by car manufacturers. Under this new system, authorized representatives of accredited manufacturers will be the ones to encode reports and scan stencil images and upload these data into the system, expediting the process to one to three days.

However, Varela admitted that LTO has been experiencing problems in issuing new license plates and in enforcing some land transport laws and regulations.

"LTO is facing budgetary constraints in the implementation of the Anti-drunk and Drugged Driving Law. We were able to purchase 450 units of alcohol breath analyzers but these are not enough for use of all traffic enforcers, including MMDA and PNP personnel who are deputized

to implement the law. We are asking the DBM to grant us additional budget to purchase more alcohol breath analyzers," he noted.

### Maritime

Meanwhile, Mr. Efren Borci, administrator of the Maritime Industry Authority (MARINA), gave an overview of the innovations in the four areas of the maritime industry, namely, overseas shipping, domestic shipping, development of maritime manpower, and ship building and ship repair.

Simplifying applications for ship operations, improving the use of nautical highways, allowing multiple-port calls for foreign ships, and granting domestic ships operational flexibility and permits that allow them to operate for the next three to five years, were some of the innovations that MARINA introduced to streamline the regulatory process.

But Borci noted that regulatory issues remain. He emphasized the need to improve the registration system so that international ships can register in the country.

MARINA is also focusing on the development and protection of seafarers given the increasing number of Filipinos who are engaged in this profession. According to Borci, 90 percent of the volume of international trade is carried at sea and a quarter of the manpower comes from the Philippines.

### Energy sector

Mr. Jesus Tamang, director of the Energy Policy and Planning Bureau of the Department of Energy (DOE), enumerated a number of important regulatory reforms introduced in the past that affect the energy sector.



According to LTFRB Chairperson Winston Ginez, his office has launched several regulatory reforms, such as phasing out buses and trucks that are 15 years old or older and requiring them to install GPS devices. (Photo by Jigs Tenorio / PIDS)



According to Tamang, the passage of the Electric Power Industry Reform Act of 2001, has encouraged more private firms to invest in power generation and transmission. “The removal of government subsidies for oil products has encouraged more players in the market, resulting in more competition,” Tamang explained.

He also cited important laws aimed at cutting down the country’s dependence on imported oil such as the Biofuels Law and the Renewable Energy Law. The former requires oil companies to use biofuels in all liquid fuels for motors and engines sold in the Philippines, while the latter provides incentives for developers that tap sunlight, wind, rain, tides, waves, and geothermal heat as sources of energy.

Aside from these laws, Tamang also recounted several other pending regulations in Congress affecting the energy sector. These are: the Natural Gas Bill, which promotes the use of natural gas not just for power generation but also for industries and transportation; the Liquefied Petroleum Gas (LPG) Reform Bill, which provides a framework for the safe operation of the LPG industry; and the Energy Efficiency and Conservation Bill, which will institutionalize energy efficiency and conservation and promote renewable energy for energy security.

The energy sector is also an active participant in the ASEAN integration, particularly in the integration of power infrastructure through the ASEAN Power Grid (APG) and the Trans-ASEAN Gas Pipeline Project (TAGP). The APG and the TAGP seek to address the imbalance in the distribution of power-generating resources in the ASEAN region, connecting countries with surplus power generation capacity to those who face a deficit.

In terms of ease of doing business in the energy sector, Tamang pointed out a long list of permits and licenses required to start an energy business such as power plants, gas stations, or biofuels processing plants.

“From about 250 licenses and permits needed to set up a business, we have reduced these to 150, most of which are required by LGUs as revenue sources and for ensuring public safety,” Tamang explained.

He admitted that despite these reforms, there is still much work to be done to streamline the process. He warned that since big investment is required in setting up infrastructure projects in the energy sector, any delay can affect the timely delivery of energy services and products. Thus, he suggested that government should consider energy-related initiatives as projects of national significance.

He also suggested that LGUs must be capacitated to do energy plans, especially a land use plan for energy projects, both for facilities and resources.

“The challenge is for the energy sector to help LGUs determine potential locations in a specific locality for renewable energy projects such as solar and wind. Right now, the energy sector is in competition with the industry sector in land use.

### **Land registration**

Atty. Ronald Ortile, deputy administrator of the Land Registration Authority (LRA), meanwhile, said government agencies must be transparent and should deal directly with public and stakeholders.

As an agency involved in registering properties, LRA, according to Ortile, has done its share in making its processes transparent and its services more accessible to the public.

Through its computerization program, LRA has significantly reduced the land titling process and the issuance of land titles. For example, applying for a land title can be completed in five easy steps assuming all documents and requirements are met and can be made in one visit to any Registry of Deeds (RD) office anywhere in the country.

The LRA also launched the A2A or the Anywhere-to-Anywhere service, whereby landowners can request for copies of their titles and other relevant documents at the nearest RD office, making it unnecessary for them to go to the particular RD where their documents are registered.

“A landowner based in Quezon City who wants to obtain a certificate of true copy of a land title for a property located in Davao City, for example, can just go to the Quezon City Registry of Deeds and request for such document,” he explained.

Banks and financial institutions are also beneficiaries of the A2A service because it makes land transactions more efficient especially in the area of loan processing, where properties are submitted as collaterals.

As part of the computerization project, the LRA and the Bureau of Internal Revenue have linked up to integrate their automated systems, making the process for registration of real properties more efficient.

Ortile, however, stressed that computerization will not solve all the problems of LRA. There are still challenges and reforms that need to be implemented to further enhance the services of the agency.

For example, he pointed out that existing laws do not allow the issuance

of a duplicate title, and the correction of simple errors in titles has to undergo court proceedings.

### Telecommunications

Meanwhile, issues in the telecommunications industry focused on why internet service in the Philippines is slow yet expensive. National Telecommunications Commission (NTC) Director Edgardo Cabarios cited several reasons, such as market entry, absence of a universal access fund or cross-subsidy from the government to build the broadband infrastructure, and the limitations faced by NTC in regulating competition in the telecoms industry, including its role in setting interconnection rates and imposing penalties.

“We should make market entry easy and the period of getting the license short so we can have sufficient players in the market,” Cabarios said.

Under the present setup, a provider has to go through a two-tiered application process to be able to operate. First, the provider must secure congressional franchise. After this, the provider has to secure authority from the NTC, which goes through a quasi-judicial process. Both processes have no timeframe and, thus, may require a lot of waiting time. In addition, providers have to secure around 26 permits and licenses, mostly required by LGUs, before they can build infrastructure, particularly base stations and cellular sites.

Cabarios suggested that if it is not possible to do away with congressional franchise, then, perhaps, the process of securing application from the NTC should undergo administrative process instead of the time-consuming quasi-judicial procedure.



The policy dialogue convenes different regulatory agencies as well as local government units to discuss the needed reforms in the regulatory system. Photo shows the panelists of the morning session. From left: Atty. Winston Ginez of LTFRB, Dr. Gilberto Llanto of PIDS, Mr. Efrén Borci of MARINA, and Mr. Garry Domingo of Quezon City Business Permit and Licensing Office. (Photo by Jigs Tenorio / PIDS)

Establishing a broadband network infrastructure requires huge investment. Being an archipelago, setting up the broadband network in the country is costlier than in other countries. Since the deregulation of the telecommunications market in 1987, the cost of building infrastructure has been shouldered by the telcos, which they pass on to their local subscribers.

“Cellular firms are obliged to provide 400,000 lines in their service areas in a span of three years and gateway operators must provide at least 300,000 telephone lines. This means that the universal service obligations or the provision of basic telephone services to all areas in the country has been passed on to the national long distance and mobile phone providers,” Cabarios explained.

According to Cabarios, government should consider providing cross subsidy to bring down the cost of internet service in the country. “If we can bring down the

cost of providing internet access, then internet speed will go up,” he argued. “The government, for example, can set up of a universal access fund that can be used to improve IT infrastructure, especially in rural areas,” he added.

Another factor that drives up cost of internet service is interconnection charges, which are being negotiated between the telcos.

“Since our existing infrastructure is controlled by Philippine Long Distance Telephone Co. (PLDT) and Globe Telecoms, any new player in the market has to interconnect with these two networks. Under the existing law, approval by the NTC of the interconnection agreement is not required,” Cabarios explained.

Cabarios also noted that under the Public Service Act, a law enacted in 1936, the



# PIDS boosts campaign for evidence-based policymaking through regional events

TO FURTHER INCREASE ITS REACH at the local level and draw awareness in the provinces of the importance of policy research and this year's theme of the Development Policy Research Month (DPRM) on "Tamang Regulasyon para sa Patuloy na Pag-ahon" (Effective Regulations for Sustainable Growth), the PIDS conducted regional press conferences in five major cities of the country.

For this year, PIDS identified five cities—Cebu, Cagayan De Oro, Davao, Tuguegarao, and Laoag—to conduct briefings with the members of the press. Except for the Davao leg, which was organized in partnership with the Mindanao Development Authority, these press conferences were organized jointly by the Institute and the Philippine Information Agency (PIA).

The DPRM is a nationwide event held annually to promote the importance of policy research in nation-building. The DPRM theme is a call for improving regulatory quality in the country to ensure that our policies and laws are facilitating competition, innovation, productivity, and growth.

The regional press conferences were attended by PIDS officials and senior researchers, who served as resource speakers for the topic. Local regulators from the transport sector, business, and

local government units (LGUs), were also present to share their successes and difficulties in implementing regulatory reforms within their jurisdictions.

In his presentation in Davao City on September 4, PIDS President Dr. Gilberto Llanto talked about the role of research and evidence in making policies and programs of government more effective.

"We have to take a look at government policies, examine them, and be critical about them. We need to find ways to improve those policies, and present these to decisionmakers. But you can't do that unless you have evidence. In this country, we have seen policies come and go. Policies work and sometimes do not. What we need is to gather evidence to show that a particular policy really works for the common good, for the betterment of others," Llanto explained.

Several regulatory burdens were identified as major roadblocks in sustaining growth in Mindanao. According to Mr. Vicente Lao, president of the Mindanao Business Council, a number of national policies tend to be biased against Mindanao. He cited the recently amended Cabotage Law that used to have negative impacts on the trading industry in the region. Atty. Anwar Malang of the Department of the Interior and Local Government-Autonomous Region in Muslim Mindanao seconded Lao and

suggested that regulatory policies that affect Mindanao should be reviewed and reformed. He added that the intergovernmental relation between the national and local government remains complicated.

Meanwhile, local regulators from the city government, business, and transport sectors, as well as members of the media in Cagayan De Oro, agreed that stronger cooperation and coordination among various regulatory bodies are needed to boost the region's competitiveness.

Speaking at the weekly *Kapihan* of the PIA Region X on September 9, PIDS Senior Research Fellow Dr. Danilo Israel emphasized the need for regulators to work together to address issues and promote ease of doing business. He also cited the need for a framework to review and study all these regulations so that flaws can be identified and proper solutions can be introduced.

"The global trend now is toward economic integration. As a member of the ASEAN Economic Community, the Philippines needs to be competitive with other ASEAN countries so we can take advantage of the flows of foreign investments brought by the integration and generate more jobs for our people. However, we cannot be competitive if our regulations are complicated," Israel commented.





The DPRM also rolled into the Ilocos region with a forum held in Laoag City on September 16. Attended by representatives from the academe, government, media, and LGUs, this forum also focused on how to improve regulatory processes and enhance the ease of doing business in the region.

“The DPRM is a nationwide advocacy,” explained Dr. Sheila Siar, PIDS director for research information. “For our policies and programs to be more responsive to the needs of our people, they must be based on research evidence,” she added.

To further prepare for the ASEAN Economic Community, Siar noted that the Philippines needs to create a more competitive business environment. “To realize this, we need laws and regulations that are less burdensome for local and foreign investors,” she added.

Likewise, PIDS Senior Research Fellow Dr. Marife Ballesteros, in her presentation before the members of the press in Tuguegarao City on September 15, stressed the need to improve the quality of policies and regulations in the Philippines to further boost economic growth and be able to compete with our ASEAN neighbors in terms of attracting investments.

According to Ballesteros, there is a need to look at the existing regulations issued by the national and local governments and assess whether these regulations are still effective and relevant.

“We need to improve the design and enforcement of our regulations. PIDS is



Dr. Danilo Israel of PIDS shares his thoughts on the importance of regulatory reforms at the *Kapihan* in Cagayan de Oro City on September 9. The press conference was organized by the Philippine Information Agency Region X and PIDS. (Photo by Gizelle Manuel / PIDS)

recommending to have all laws reviewed to determine whether they are properly designed, still relevant, and enforced properly,” she stated.

For the last leg of the DPRM regional press conferences held in Cebu City on September 30, Israel reiterated the need to improve the quality of regulations, especially that the country is a member of the ASEAN Economic Community, which is expected to take effect by the end of this year.

“Our regulatory frameworks must be harmonized with that of other ASEAN member-states,” he explained.

Also discussed during the press conference were the initiatives of the Department of Trade and Industry (DTI) and LGUs to minimize the time for

securing business permits and licenses. Under the new system, registration of a trade name only takes 15 minutes or less, with applicants required to fill up a one-page application form asking only for basic details about the owner and the business. Also, business name registration can be processed in any DTI office or online. This is part of the Ease of Doing Business project that aims to help government agencies and LGUs simplify the processes that businesses have to go through in its typical lifecycle.

In conclusion, Israel noted that political will is important to make reforms effective. He cited the recommendation of PIDS to establish a formal regulatory management system in government for reviewing regulatory institutions and policies and determining which reforms are necessary. **GGM, MHB, MVPA**



# PIDS, MinDA forge partnership toward shaping Mindanao's sustainable and inclusive future

KICKING OFF THE CELEBRATION of the 13th Development Policy Research Month, PIDS and Mindanao Development Authority (MinDA) strengthened their partnership through the signing of a memorandum of understanding (MOU) during the 1st Mindanao Policy Research Forum on September 4, 2015, at the Waterfront Insular Hotel in Davao City. The forum, which centered on the theme, “Advance Mindanao: Toward Sustainable Economic Development and Balanced Ecosystems”, brought together more than 100 participants from the government, academe, business, and civil society sectors, including the media, in Mindanao to underscore the potentials of policy research in pursuing development goals.

PIDS President Gilberto Llanto and MinDA Executive Director Janet Lopez signed the MOU on behalf of their institutes and discussed the significance and the potential of the new partnership. They were joined anew in a mid-day press conference together with Mindanao leaders from various sectors. The policy forum proper began in the afternoon with a presentation from Mr. Oscar F. Picazo, PIDS senior research consultant for health, on “Green and Gold: Promoting Eco-Adventure and Cultural Tourism for Inclusive and Sustainable Growth”, followed by a presentation on “Developing Payment

for Ecosystem Services Mechanism with River Basin Organizations in Mindanao” by Dr. Carmelita Martinez, a MinDA research consultant.

In her keynote message, Lopez said that the PIDS-MinDA partnership “is significant in bridging the gap in Mindanao’s policy research—or the gap that persists between the creation of information and their application to policymaking”. Llanto, likewise, agreed that interagency cooperation emphasizes the importance of producing evidence-based policy.

Based on the MOU, the partnership aims to promote policy research and knowledge sharing in support of Mindanao’s development needs, facilitate access to policy studies and materials produced by higher education institutions in Mindanao, and establish the Mindanao Knowledge Center (MKC) with the assistance of the SocioEconomic Research Portal for the Philippines (SERP-P) project team of PIDS.

## The Mindanao setting

In 2014, Mindanao contributed 14.4 percent to the national economy. The increase in its gross domestic product (GDP) in the same year was 7.4 percent—higher than the total GDP growth of the Philippines (6.9%). Lopez stressed that also in 2014, for the first

time, surveyors came to Mindanao and found out that it has been contributing and pulling up the national average in terms of economic development.

Currently, six Mindanao provinces are in the top 10 of the 2015 Cities and Municipalities Competitiveness Index of the National Competitiveness Council. Davao del Sur ranks first, followed by Misamis Oriental (2nd), South Cotabato (4th), Zamboanga del Sur (5th), Agusan del Sur (7th), and Camiguin (10th). According to Lopez, this reflects economic dynamism, government efficiency, and infrastructure growth in the region in recent years.

Local and international trade in Mindanao has also showed significant improvements. Products from the region have now penetrated large markets aside from the usual export destinations, such as the United States and Japan. Lopez reported that Mindanao is now exporting to countries in Africa and to Switzerland, Russia, South Korea, and Australia. “Mindanao is poised to become a major player in the world market,” she remarked.

## Challenges to development

With the outpouring of initiatives for Mindanao’s development, the challenge of sustaining the growth lurks in the background. Lopez cited making



MinDA Executive Director Janet Lopez (third from the left) and PIDS President Gilberto Llanto (extreme right) sign an MOU during the 1st Mindanao Policy Research Forum to strengthen the collaboration between their institutions toward promoting research-informed policymaking in Mindanao. (Photo by Misha Borbon / PIDS)

growth inclusive as a major challenge to Mindanao. She mentioned that Mindanao should improve its competitiveness to take advantage of the gains of the coming ASEAN Economic Community.

To address these challenges, Lopez said Mindanawons need to identify the enablers of growth and invest on them. In her presentation, she stressed the importance of looking at the six I's of development to sustain growth: (1) infrastructure, (2) industry development, (3) investments, (4) innovation, (5) institutions, and (6) integrity.

Lopez referred to infrastructure as a major constraint to Mindanao's development. As a response, MinDA is developing the Mindanao Development Corridors, a development initiative that aims to provide the region with common service facilities. However,

Mindanao's low absorptive capacity is a major roadblock to creating relevant infrastructures in the region.

Industry development gets a boost from the growing tourism in Mindanao, in which progress in the Bangsamoro peace talks actively plays a significant role. The region also used to have no foreign direct investments (FDIs), but because of increased business development, FDIs have increased significantly.

In terms of innovation, particularly in research, initiatives are mounting, but these are not maximized. Lopez noted that innovations should fuel development through actual studies and resources. Mindanao has mechanisms for lobbying and advocacy to promote relevant policies and to use research in actual policymaking. However, actual research and resources are still warranted. Lopez,

thus, called for a strengthened partnership between PIDS, through the SERP-P, and MinDA's MKC.

Institutions in Mindanao also need reinforcement. Lopez underscored the need to align provincial offices and policies to the region's strategic approach. Thus, institutions have to be in sync with one another in terms of governance style, policies, and research.

To glue these together, Lopez said that integrity, especially in managing ecosystems, is necessary. This refers to the ongoing massive coordination between offices across provinces—an initiative she called "One Mindanao".

The afternoon session explored the roles of tourism and ecosystems services in driving effective regulations and policies across Mindanao to further strengthen its economic stance and promote good governance.

### The potential and promise

In his presentation, Picazo posited that picking the right development opportunities in the tourism sector will enable Mindanao to capitalize on its rich cultural, historical, and natural heritage. Mainstream tourism, as observed in more popular tourist destinations like Boracay, is neither sustainable nor inclusive. "Green and gold tourism" is a good alternative because it can be owned and ran not by large corporations but by local people and communities.

Green tourism is characterized by its objectives. Instead of luxury itineraries, what green tourism offers are the opportunities to understand local



# Australia, Philippines explore ways to cooperate in strengthening economic ties, mitigating disasters, and empowering women

STATE THINK TANK PIDS and Griffith Asia Institute (GAI) of Griffith University held a forum focusing on building a stronger economic partnership, advancing disaster risk mitigation, and empowering women—issues of mutual interest to both the Philippines and Australia.

With the theme “Economic Diplomacy and the APEC Agenda,” PIDS and GAI hoped the policy dialogue could contribute in raising awareness of the strong economic partnership between the two countries, and in identifying new areas of cooperation. Both PIDS and GAI are members of the APEC Study Centers Consortium that provides opportunities for collaborating in research on APEC issues.

In his opening statement, PIDS President Gilberto Llanto said PIDS and GAI could work together in producing policy-relevant research on a wide range of development issues, including innovative resilience and disaster response, and regulatory reforms.

Climate change is one area of sustainability prioritized by the Australian agenda that the two countries can continue to work on together.

“We could learn from Australia’s experience in disaster funding in the context of its advanced governance

systems. For a country perennially beset by disasters, it is important for the Philippines to develop resilient systems that have the capacity to mitigate adverse shocks, to rebuild after shocks, and to move forward,” Llanto added.

Professor Russell Trood, director of the GAI, remarked that it was a pity most people in Australia and the Philippines normally do not think of each other when it comes to regional cooperation despite having plenty of common interests.

Australia and the Philippines have already built collaborative linkages in the areas of policy, disaster preparedness, the Mindanao Peace Process, and governance reforms. Beyond government, there has also been an observable increase in the amount of people-to-people relationship, from academic and professional linkages to tourism.

Meanwhile, Ambassador Laura Del Rosario, foreign affairs undersecretary for international economic relations, underscored that “Australia is a moving force” and recalled that it was the first to broach the idea of APEC.

Meanwhile, Deputy Head of Mission of the Australian Embassy-Philippines David Dutton said that the Philippines is at an interesting time in its history.

“The passing of several governance reforms and the continued economic growth averaging at 6 percent have signified the country’s commitment and readiness to move forward. Australia intends to find out how it can be part of the Philippines’ path to progress,” Dutton said.

The discussions focused on strengthening economic diplomacy between the Philippines and Australia as well as on the APEC 2015 agenda on building resilient communities and empowering women. The sterling roster of speakers included Paul Hutchcroft, lead governance specialist from the Australian Embassy in the Philippines, Hon. Joey Salceda, governor of Albay, and Ms. Pacita Juan, president of the Women’s Business Council of the Philippines.

## On economic diplomacy

Australia continues to work with the Philippines by focusing on its new aid policy on enhancing foundations for economic growth through infrastructure, building stronger institutions for good governance, and participating in issues on peace and stability.

In his presentation, Hutchcroft illustrated the bilateral relations between Australia and the Philippines. In terms of trade,





Governor Joey Salceda of Albay (extreme left) shares his province's experience in disaster risk reduction management during the session on building sustainable and resilient communities. Joining him in the session are Dr. Marife Ballesteros of PIDS (middle) and Dr. Susanne Becken of GAI. (Photo by: Gizelle Manuel / PIDS)

Hutchcroft stated there are over 200 Australian companies currently in the Philippines. Australian direct investment, which is mainly in information technology-business process management, mining, and oil and gas exploration, has doubled since 2010. Two-thirds of Australian exports to the Philippines are metal ores and food products. The Philippines, on the other hand, exports services in manufacturing, tourism, and education.

Hutchcroft, likewise, highlighted the areas where the Philippines needs to improve on. "Anyone who has worked in the Philippines knows that the country is notorious for underspending. The Philippines also has to resolve issues in providing access to basic services in the rural areas," he commented. He also emphasized the role of knowledge transfer, underscoring how increased information and knowledge exchange can help rural areas, as well as developing small and medium enterprises' access to

finance, infrastructure, and disaster risk reduction and management.

Dr. Myrna Austria, economics professor at De La Salle University, concluded that the main challenge for the Philippines is sustaining its high-growth path and making it more inclusive. Dr. Tapan Sarker, research fellow at the GAI, reckoned that the Philippines and Australia are on the right path in choosing to address resource constraints together.

Australia and the Philippines share a strong history in the areas of security, having fought in World War II together. They are also engaged in bilateral exercises over issues like disaster recovery and rescue, defense and coast watch, and the building up of the Philippines' institutional capacity together.

Mr. Julio Amador, deputy director-general at the Foreign Service Institute of the Department of Foreign Affairs,

encouraged both countries to deepen their cooperation through enhanced consultations and more regular meetings over the issues identified.

### On disaster risk reduction and resilience

Meanwhile, Albay Governor Joey Salceda shared his province's experience in strengthening disaster risk reduction and resilience.

Salceda explained that Albay's priority development agenda is characterized by transformative policies, a green economy, and the integration of disaster resilience and risk reduction into the cultural fabric.

"Disaster risk reduction in Albay is as ordinary as going to the bathroom," said Salceda, who urged policymakers to prioritize the principle of building better, instead of building back better. Albay's policy decision and program planning framework are all based on



scientific evidence and rigorous risk assessment.

But beyond the planning aspect, Salceda added, “The only chance for reforms to take root is if they trust their government.”

All sectors in Albay have been nurtured to work together. Dr. Susanne Becken from GAI explained in her presentation how a well-coordinated intersectoral action can help create a more resilient industry in all levels of the community.

In the tourism industry, according to Becken, there are four classic levels where disaster response and risk reduction should be improved to make any disaster policy or program effective. Tourists, businesses, destination countries, and national planning must all reflect an alignment of efforts to be able to fully carry out disaster response, resilience, and recovery.

### Collaboration for inclusive growth

In the final session of the forum, Pacita Juan of the Women’s Business Council of the Philippines explored different case studies showing how empowerment of women can evidently make economic growth more inclusive. Empowerment must go beyond improving women’s access to finance, according to Juan. It is important to teach women in business how to make decisions about their finances.

Juan added that leaving women out of the growth machine is a shame because women lead most startups or businesses that start out with very little capital. The challenge lies in enabling them to scale up. LGUs have to be guided in creating a more encouraging business environment,

as women face more traditional restrictions that are harder to regulate, such as their reproductive role.

Ms. Luzviminda Villanueva, program manager of the Supporting Women’s Economic Empowerment in the Philippines project, said the key aspects in creating a more inclusive business environment are in government policies, and in strengthening the decisionmaking capabilities of women.

Not everyone is into business, and not everyone in business knows what to do to succeed, said Villanueva. What civil society, the government, and the business sector can do is converge and align their policies and programs.

The policy forum ended with the remarks of Atty. Raphael Lotilla, member of the PIDS Board of Trustees and fellow-in-residence at the Philippine Center for Economic Development. Lotilla urged PIDS and GAI to sustain the collaboration through research and knowledge-sharing activities. **MHB**



### Public Policy Conference... from p. 5

government as a regulator, finding the right leadership, engaging the citizens, and promoting values. He suggested reverting to the country’s core competencies, which should include pursuing market activities such as public-private partnerships.

Dr. Francisco Magno, executive director of the Jesse M. Robredo Institute of Governance of De La Salle University, suggested that government should focus

on performance and accountability, where rules are not only suggested but also implemented properly. “We need institutions to foster problem solving of common collective action issues; relying on a weak state results in nondeliverability of services,” he emphasized.

“What we have is system of weak sanctions and monitoring,” Magno added.

Thus, he recommended to focus on proper enforcement of rules and giving sanctions. For example, Magno suggested having state sanctions for non-attendance in school. “If the children are not attending school, can we make parents accountable?” he asked.

He agreed that the state should stick to its core competence and that there may be areas that would need collaboration from the private sector.

“Co-production that may cross between the public and private can occur. The state cannot do everything,” Magno concluded.

Meanwhile, Dr. Mary Racelis, sociologist and research scientist at the Ateneo De Manila University, emphasized the importance of consulting the people and understanding what they need in coming up with government programs and policies.

“We have to look through the lens of the people we are dealing with. We need to see the world through their eyes. We have to look at the quality of lives they are living,” Racelis stated.

As an example, Racelis cited the National Housing Summit on Housing and Urban Development that served as a venue to discuss housing challenges faced by the people. This gathering brought together representatives from different institutions,





DepEd Secretary Br. Armin Luistro FSC underscores the need to work together in order to institutionalize and sustain reforms: “No agency can continue the programs unless we work together. There must be synergy and coordination among agencies.” (Photo by Jigs Tenorio / PIDS)

resulting in proposed solutions that considered the lessons from different government programs like Community Mortgage Program, Pantawid Pamilyang Pilipino Program, and Kalahi-CIDSS.

Bringing the session to a close, Dr. Emmanuel de Dios of the UP School of Economics, who served as moderator, lauded the richness of the discussions that went beyond the role of institutions and encompassed leadership, agency, opportunities, and historical contexts, to name a few. “What we did today is just the beginning because the process of building the nation is never finished,” he concluded.

### **The challenge “to institutionalize reforms”**

In closing, Department of Education Secretary Br. Armin Luistro emphasized

that the different reform measures in the country must go hand in hand, and that the actions of the three branches of government must be in sync.

“No agency can continue the programs unless we work together. There must be synergy and coordination among agencies,” Luistro noted.

To him, the bigger question is how to institutionalize reforms, especially with the forthcoming change in administration. He said that it is easier to analyze problems than to implement reforms. It would, therefore, be helpful, he noted, if the implementer hear from the analysts. He added that it is also important that these insights be passed on to the succeeding generations.

“It is enriching to engage various sectors, cascade reforms to the grassroots, and

ensure that the best practices from the ground reach the top. Reforms cannot just emanate from the department level,” he stressed.

Luistro added that the difficulties in enacting reforms are encountered despite having clear targets because of bad politics. Hence, he recommended for the legislature and other branches of government to engage at the local level through the local government units and the civil society to ensure that there is accountability.

Finally, he commended the growing number of young people in public service who are pushing for reforms. He expressed his hope that government can come up with a good program to support the youth so that this trend will continue. **GGM, MHB, CMGS, TPR, JEM**

### *Development Policy... from p. 11*

NTC can only impose a penalty of PHP 200 a day or roughly PHP 73,000 a year for any complaint against telcos. Thus, it would be less costly for a telco to just pay the penalty than improve its services that would require big investments.

Lastly, Cabarios recommended that the NTC be given fiscal autonomy, with its commissioners having security of tenure instead of being political appointees.

#### *LGU level*

Not only regulatory bodies are responsible for making and issuing regulations. LGUs also play an important part by issuing permits and licenses, particularly those that are related to starting a business. With the implementation of the Local Government Code, LGUs have been expected to assume a larger role in simplifying local regulations and easing the regulatory burden faced by business firms in their localities.

One of the most innovative LGUs in terms of making local business regulations customer- and investor-friendly is Quezon City. Mr. Garry Domingo, chief of the Quezon City Business Permit and Licensing Office, shared how his office reduced the length of time to register businesses. The local government has streamlined regulations by putting up a business one-stop shop that integrates the registration processes of five government line agencies (Department of Trade and Industry, Bureau of Internal Revenue, Home Development Mutual Fund, Philippine Health Insurance Corporation,

and Social Security System) into a single application system, cutting down the processing time from two weeks to 30 minutes. Future innovations include setting up of facilities for online and mobile money payments.

#### *A work in progress*

It is clear from the discussions that regulatory reform—just like any effort to realize change—is a continuous process. Issues will always remain but if there is a strong political will regardless of the change in leadership, a public mindset for continuous improvement, and cooperation among the different stakeholders, reforms are always possible. **GGM, MHB**

### *PIDS, MinDA... from p. 15*

communities through their history and culture, to contribute to improving the local economy, to enable protection of natural areas, and to encourage and enhance heritage and environmental preservation.

Martinez's presentation, meanwhile, introduced the payment for ecosystem services (PES) as a tool for preserving and conserving Mindanao's ecosystems. Developed by the World Bank, the PES put monetary value on the natural services of ecosystems, like forests that provide clean air and water systems that facilitate the natural cycle. On the issue of sustainability, Martinez's study offers what may be a crucial tool in preserving Mindanao's natural heritage, going hand in hand with mechanizing its tourism industry among other growth sectors.

### *Commitments to development*

Mr. Vicente Lao, chairperson of the Mindanao Business Council, reminded the audience that in policymaking, whether it is for enhancing the tourism sector or for improving the business climate through reforms, Mindanao's old issues of security precludes wholesome progress. Lao's statement was supported by Engr. Diangcalan, who pointed out that all the sectors must be proactive in promoting a solid framework for peace and progress in the Bangsamoro area.

Moreover, according to Lopoz, Mindanao's leaders and policymakers have already come to realize that they share the same ecology, whether that is in being held back by the disadvantages of conflict and restrictive national regulations, or in the promise of inclusive and sustainable growth being achieved through coordinated efforts.

"We share the same rivers; we share the same ecology. Before, we were always conscious about political divisions and boundaries. Now we are so much better because we have coordination across offices in all sectors—government and private—who are cooperating to ensure that all our ecological policies are applied in every province," expounded Lopoz.

Llanto, for his part, emphasized the need for firm leadership and political will, and for active multisectoral involvement in framing policies and regulations.

The whole of Mindanao will have to pitch in. What the PIDS-MinDA partnership hopes to contribute to the potluck is knowledge and research evidence that can assist the region's leaders in crafting more inclusive policy decisions. **MVPA, MHB**



## Research Digests

Policy Notes 2015-11

### **Liberalizing Trade of Environmental Goods and Services: How to Address the Free-rider Problem**

*by George Manzano and Shanti Aubren Prado*

Reducing trade barriers in environmental goods and services (EGS) makes adoption of environmental technologies cost effective for different industries. The Asia-Pacific Economic Cooperation's (APEC) contribution to foster trade in EGS is to put forward its own list of 54 environmental goods (EGs) slated for sectoral liberalization. This *Policy Note* explores how APEC can liberalize trade in EGs based on the most-favored-nation (MFN) principle. Liberalization of these EGs on an MFN basis, however, generates free-rider problems. Using the predominant supplier approach could address free riding and provide the stimulus needed to foster free trade in EGS. The results show that APEC has a dominant supplier role in renewable energy and clean technology production. These are followed by waste water management and potable water treatment, management of solid and hazardous waste and recycling systems, and natural risk management.

Policy Notes 2015-12

### **Prospects of Stronger Economic Cooperation between the ASEAN and India: Implications for the Philippines**

*by Gilberto M. Llanto*

This *Policy Note* explores the prospects and opportunities of a dynamic ASEAN-Indian trade and investment relation. Specifically, it analyzes the greater economic relation between India and the Philippines in the services sector, particularly in information technology and business process outsourcing (IT-BPO). The ASEAN-India Trade in Services and Investment Agreement presents an opportunity to expand economic cooperation where ASEAN and India can capitalize on each other's strengths and natural endowments

to take advantage of possible synergies in trade and services. Both India and the Philippines can use the agreement to exploit greater synergies in their respective IT-BPO services where they have developed world-class capabilities. Together, both countries can provide IT and related services to the ASEAN region, which are critical services to enhance connectivity under the ASEAN Economic Community. To do this, one of the recommendations is to harmonize the taxation of IT-BPO and related services in both countries to reduce tax disparities and cost of doing business.

Policy Notes 2015-15

### **More than Infrastructure and Equipment: Process Evaluation of the Health Facilities Enhancement Program**

*by Oscar F. Picazo, Ida Marie T. Pantig, and Nina Ashley O. Dela Cruz*

The capital stock of public health facilities in the Philippines has been stagnant for decades. The number of hospitals remained the same since the mid-1990s and the ratio of hospital beds per 10,000 population has declined from 18 in the 1970s to 13 in the late 2000s. To arrest the deteriorating stock and quality of public health facilities, the Department of Health launched the Health Facilities Enhancement Program (HFEP) in 2007. This *Policy Note* presents the key findings of field surveys conducted by PIDS between December 2014 and April 2015 in several provinces to assess the HFEP implementation. Lack of service delivery network plan for expansion and upgrading of facilities, and non-use of commissioned contracting were some of the major problems found in the assessment. To address these problems, this paper provides some recommendations. They include, among others, formulating an overall national/regional health facilities strategic plan and organizing the health facilities to be upgraded

or constructed into sets or tranches under a commissioned contracting approach.

Policy Notes 2015-16

### **How Effective are our Postharvest Facilities?**

*by Nerlita M. Manalili, Kevin F. Yaptenco, and Alessandro A. Manilay*

Losses from postharvest are one of the most common problems in agriculture. This *Policy Note* summarizes the key findings of an evaluation of postharvest facilities (PHFs) in the Philippines. The study looked into the effectiveness of PHFs to generate the needed evidence if these are worthy of further investments and to have a basis in upgrading value chains and improving the economic outcomes for small farmers. Overall, the PHFs assessed were found to have a positive impact in addressing postharvest losses and improving the marketing system for rice and high-value crops. They helped increase farmers' income through the production of good-quality milled rice and the reduction of postharvest losses. However, more benefits can be realized if capital for paddy procurement can be increased and if issues related to the PHFs' management, operation, viability, and sustainability can be addressed.

PIDS Book 2015-01

### **Economic Policy Monitor 2014: Effective Regulations for Sustainable Growth**

*by the Philippine Institute for Development Studies*

The fifth issue of the *PIDS Economic Policy Monitor* (EPM) highlights the importance of regulatory coherence and quality to realize rapid, sustainable, and inclusive growth. For the Philippines to take advantage of increased trade and investment under the ASEAN integration, there is a need to address the factors that bring down its competitiveness and that undermine efforts to achieve greater social inclusiveness. Regulatory burdens



are one of those factors. They restrain competition, productivity, and innovation.

The theme chapter examines the case for developing a sound and efficient regulatory management system (RMS) for the country. An RMS is the best step toward reducing regulatory burdens and improving the quality of regulations. The Philippines has a system that contains some of the basic elements of an RMS but these do not represent a coherent and coordinated system nor are these elements regularly undertaken. The government has taken steps to fill the gaps in the system, but this is not enough. A commitment to reforms despite changes in political leadership and a mindset for continual improvement and innovation are a must.

Research Paper 2015-02

#### **Review and Assessment of Programs Offered by State Universities and Colleges**

*by Rosario G. Manasan and Danileen C. Parel*

The state universities and colleges (SUCs) in the Philippines have always been a major issue mainly because of the poor quality of education that most of them offer, the undeveloped management and financial systems, and the inequality of access. And yet the government has been providing them considerable funding support primarily due to the importance of tertiary education in promoting human development and improving the economy's competitiveness. A review of the mandates of the various SUCs in the selected regions covered by this study indicates that the mandates are fairly broad, to start with. But beyond this, the charters of most SUCs allow them to offer programs outside of their core mandates. Given the broad mandates of SUCs, there is, therefore, a substantial duplication in their program offerings. The high rates of program duplication appeared to be associated with an increase in the number of programs offered by SUCs during the period. Although SUCs perform better than private higher education institutions (PHEIs) in over 84 percent of professional board examinations (PBEs), SUCs have been able to improve their advantage

further relative to PHEIs in the last seven years in 31 percent of the PBEs. Perhaps, what is more worrisome than the persistently low overall average passing rate in PBEs is the preponderance of SUCs/PHEIs with zero passing rates in many PBEs during 2004–2011. The study offers some recommendations; among others, the Commission on Higher Education needs to enforce more vigorously its policy of closing existing programs of SUCs and PHEIs that perform under par year after year, and more effective measures to improve the quality of instruction should include faculty development and facilities upgrading.

Discussion Paper 2015-35

#### **Furthering the Implementation of AEC Blueprint Measures**

*by Gilberto M. Llanto et al.*

The study identifies outstanding issues and bottlenecks and provides recommendations to facilitate the Philippines' full compliance to its commitments to the ASEAN Economic Community (AEC). Various in-depth interviews and surveys were conducted with concerned stakeholders from government agencies and the private sector to bring to fore the issues and bottlenecks for policymakers' action. Although its focus is mainly on services and investment liberalization, this study also tracks policy changes in trade facilitation, nontariff measures, standards and conformance, and mutual recognition arrangements after the release of the 2010/2011 AEC Scorecard Reports.

Discussion Paper 2015-36

#### **The BPO Challenge: Leveraging Capabilities, Creating Opportunities**

*by Fatima Lourdes E. del Prado*

As the Asia-Pacific Economic Cooperation (APEC) seeks to promote free trade and economic cooperation in the Asia-Pacific region, cross-border ICT-enabled services and business process outsourcing (BPO) are expected to contribute to economic integration and growth in the region. ICT-enabled services have grown significantly over the years and across many parts of the globe including several developing countries

in the Asia-Pacific region. While there may not be a single standard approach to developing the ICT-BPO sector, the successful experiences of developing countries can provide useful insights and practical lessons for countries contemplating to set up their ICT-BPO service industries. Using data from the Philippines, this paper describes the evolution of ICT-BPO services exports in the country and examines the factors that facilitated its transition from providing low-end contact center services to back-office operations, and to higher value-added services.

Discussion Paper 2015-39

#### **Industrial Policies and Implementation: Philippine Automotive Manufacturing as a Lens**

*by Gilberto M. Llanto and Ma. Kristina P. Ortiz*

Philippine industrial policies, such as those bearing on the manufacturing sector, are a critical element of the country's development strategy. Manufacturing creates opportunities for higher value addition and extensive employment owing to forward and backward linkages with other sectors of the economy and linkage to regional production networks, which has become a key factor in the growth of major ASEAN countries. This paper discusses Philippine industrial policy reforms and implementation over the period 1973–2014 through the lens of the automotive manufacturing industry. It discusses the factors that will facilitate or hinder the process of reforms and implementation under the new approach to the development of the automotive manufacturing industry. Information externalities and coordination failure seem to constitute the major challenges to the sector.

Discussion Paper 2015-41

#### **An Assessment of the Community Mortgage Programs of the Social Housing Finance Corporation**

*by Marife M. Ballesteros, Tatum Ramos, and Jasmine E. Magtibay*

The Community Mortgage Program (CMP) is a financing scheme that enables organized

residents of slums to borrow for land purchase and housing development. It is considered to be the most innovative and responsive government housing program in the Philippines. Nevertheless, the CMP has a number of weaknesses that have not been given much attention in the years of program implementation. These issues pertain to program targeting, service delivery, and organization. This study aims to review the current processes and overall performance of the CMP including its variants—the localized CMP and the High Density Housing Program. It also provides recommendations on how the identified problems can be addressed.

Discussion Paper 2015-43

#### **Readiness of the Philippine Agriculture**

#### **and Fisheries Sectors for the 2015 ASEAN Economic Community: A Rapid Appraisal**

*by Ramon L. Clarete and Isabela R.G. Villamil*

The ASEAN Economic Community (AEC) transforms the ASEAN region into a single market and production base by 2015. This promotes greater competition for the Philippine agriculture and fisheries (A&F) sectors. With the country's A&F sector lagging behind its neighboring ASEAN countries, there are fears that local industries will be displaced. The Global Trade Analysis model suggests an increase in both imports and exports as an impact of tariff reforms. To reap the benefits from the AEC, several measures must be performed, i.e., diversification and product quality upgrading. Public support must focus on providing adequate infrastructure, general

services, research and development, and extension programs. Particularly, this paper recommends modernizing the country's value chains in the A&F sector to effectively mobilize A&F exports into the ASEAN market. This is done by creating industry road maps to equip major stakeholders knowledge on market opportunities; organizing the value chains and effectively assisting their various participants to comply with international trade product standards, processes, and regulations; building capability for effectively managing the risk of disputes among value chain participants; and promoting the cooperation among farmers, small and medium enterprises, and large enterprises within these agro-based value chains. **DRN**

## **PIDS moves to a new office**

Below is our new address effective November 1, 2015:

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**Editor's Notes... from p. 1**

with regret for those missed opportunities and hope that we will learn from our shortcomings.

Continuing this tradition of long-term visioning and proactive research and advocacy, the PIDS thus chose the theme, "Effective Regulations for Sustainable Growth" or *Tamang Regulasyon Para sa Patuloy na Pag-ahon*, for the 13th DPRM. Crafting and implementing regulations is a difficult balancing act. Regulations when too excessive can curtail growth, competition, and innovation. However, when they are too loose or weakly implemented, regulatory failures can also occur and, in most cases, these failures are to the detriment of the public. Two articles in this issue, one presenting the highlights of the policy dialogue on the DPRM theme and the other discussing bits of the press conferences held in various regions, show the initiatives and experiences of various regulatory agencies in reforming their regulations. It cannot be denied that there have been positive changes

going on, but how sustainable will these be? And can they be considered the best alternatives? Instituting a strong and coherent regulatory management system for the country—the message of this year's DPRM—is deemed to facilitate more effective and sustainable regulatory reforms in the future. As a system that is based on the application of regulatory management tools such as regulatory impact assessment and run by competent and interconnected regulatory agencies, it is a necessary component in our governance process to ensure that our regulations are promoting growth and, at the same time, enhancing public welfare and supporting inclusivity. Such type of a regulatory management system is what we need in our bid to achieve more sustained and inclusive development and to improve our competitiveness vis-à-vis our ASEAN neighbors.

The PIDS also reached an important milestone this year with the launch of the Annual Public Policy Conference. This event gathered some of the brightest minds in the Philippine social science scene and served as a platform for insights and reflections on the role of human capital formation and the right

set of policies to realize sustainable and inclusive development. The beauty of this conference was its multidisciplinary approach. The discussions drew from the perspectives of different disciplines such as economics, public administration, political science, and sociology. This is an acknowledgment of the increasing complexity of public policy issues, and thus the importance of examining them and developing policy responses in a holistic manner.

Completing this issue are articles on two policy forums organized by the Institute with its new development partners—Mindanao Development Authority and Griffith Asia Institute of Griffith University. Through these partnerships, the Institute is able to multiply itself and reach more stakeholders, as well as learn from the experiences and approaches of other institutions in research and development work. For PIDS, the learning part from these collaborations is vital, to further advance its competence in policy research and to enrich its analytical work in order to continue providing sound policy advice to our leaders and decisionmakers. **DRN**

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