

Duterte must be bold on economic policy*

Gilberto M. Llanto**

THE PHILIPPINES HAS concluded its elections with Rodrigo Duterte coming from out of nowhere only to gallop passed better known political figures and snatch the presidency. Duterte was a long-serving mayor of Davao City and, except for a brief tenure as a member of the House of Representatives, has not been a national political figure. Unlike other candidates who have long cherished the job, Duterte did not appear to harbor presidential ambitions until only a few months before the national elections in May 2016.

A simple, powerful packaging of his persona as a stern problem solver and a man of action created a strong connection with an electorate that has felt helpless in the face of issues of peace and order, poverty, income inequality, and state neglect. This effective campaign catapulted him to the presidency.



With 16,601,997 votes, former Davao City Mayor Rodrigo Duterte, who campaigned under the platform of genuine change and tough anticrime stance, is the 16th President of the Philippines; he garnered more than 6.6 million votes over his closest rival, administration bet Mar Roxas. According to the Commission on Elections, the May 9 elections recorded a historic voter turnout of 81.62 percent. Photo shows Duterte addressing the crowd during his slate's meeting de avance in Luneta. (Photo from Rody Duterte Facebook Page)

* This article was reprinted with permission from the East Asia Forum dated 6 June 2016. It is available at <http://www.eastasiaforum.org/2016/06/06/duterte-must-be-bold-on-economic-policy/>. *East Asia Forum: Economics, Politics, and Public Policy in East Asia and the Pacific* is based at the Crawford School of Public Policy, Australian National University. It is a joint initiative of two academic research networks: the East Asian Bureau of Economic Research and the South Asian Bureau of Economic Research.

** President, Philippine Institute for Development Studies (PIDS).

Editor's Notes

The closing of June this 2016 ushers in a new chapter in Philippine political history. As events unfold, this second issue of the *Development Policy Research News* presents as its banner story a piece penned by the Institute's president giving his well-meaning advice to President-elect Rodrigo Duterte. Candid and honest, Dr. Gilberto Llanto underscores the importance of three things critical to the achievement of the new administration's economic goals, sketchily outlined in his eight-point economic agenda. He stresses the value of (1) clear policy statements, (2) policy coherence, and (3) careful study and sufficient empirical evidence as basis for any policy decision. Translating the agenda into rational, coherent, and well-studied economic policies is a fundamental challenge for the incoming

⇒ p. 20

What's Inside

- 3 EADN holds annual research conference
- 6 The evidence for Philippine education
- 8 Targeting of beneficiaries of employment facilitation program under 4Ps must be improved
- 9 Pascual welcomed as new PIDS Board Member
- 10 DepEd's feeding program needs proper documentation
- 12 PIDS study calls for comprehensive action for mitigating risks, building resilience
- 13 Upgrading facilities can boost quality and use of health services
- 14 ASEAN urged to capacitate SMEs through improved access to finance and production networks

A successful outsider challenge to the status quo may have seemed unlikely. The outgoing president, Benigno S. Aquino III, can point to a sterling economic performance on his watch: an average gross domestic product growth of almost 6 percent during his six-year term (better than the other Association of Southeast Asian Nations member-states), low inflation, macroeconomic stability, investment-grade credit ratings, a stable banking industry, and prospects of higher growth in the immediate future. Aquino's main contribution lies in demonstrating that investor-friendly, market-enhancing economic policies and improvements in the governance framework lead to higher growth. The shedding of the Philippines' reputation as the "sick man of Asia" can largely be credited to his administration of the economy.

But the economy remains stuck with deep-seated problems of high incidences of poverty and high levels of income inequality. A large segment of the well-educated workforce cannot find quality jobs domestically, and many are employed overseas. Economic growth needs to be more inclusive. Growth is important, and so are the economic policies that create it. But growth is meaningless unless the poor and disadvantaged citizens are able to cross over the poverty divide. Hence, the twin challenges of growth and equity will be major issues for the new administration.

What are the key economic challenges facing the incoming Duterte administration? And what policy responses to these challenges need to be prioritized?

The president-elect and his economic advisers immediately presented an eight-

The 8-point economic agenda of the Duterte administration

1. Continue and maintain the current macroeconomic policies. However, reforms in tax revenue collection (in the Bureau of Internal Revenue and the Bureau of Customs) efforts will be complemented by reforms within the bureaucracy of these tax collecting agencies.
2. Accelerate infrastructure spending by addressing, among others, major bottlenecks in the public-private partnership program. Maintain the target of setting aside 5 percent of the country's gross domestic product to infrastructure spending.
3. Ensure attractiveness of the Philippines to foreign direct investments by addressing restrictive economic provisions in the Constitution and our laws, and enhancing competitiveness of the economy.
4. Pursue a genuine agricultural development strategy by providing support services to small farmers to increase their productivity, improve their market access, and develop the agricultural value chain by forging partnership with agribusiness firms.
5. Address the bottlenecks in our land administration and management system.
6. Strengthen our basic education system and provide scholarships for tertiary education, which are relevant to the needs of private sector employees.
7. Improve the income tax system to make it progressive to enable those who earn little to have more money in their pockets.
8. Expand and improve the implementation of the conditional cash transfer program.

Source: CNN Philippines

According to PIDS President Gilberto Llanto, the eight-point economic agenda (shown above) of the Duterte administration will define the country's policy space over the next six years. Llanto adds that the challenge lies in fleshing out the specific economic policies needed to implement the agenda. (Photo by Mark Vincent Aranas / PIDS)

point economic agenda that will define the country's policy space over the next six years. It consists of macroeconomic policies aimed at promoting economic stability, increasing tax collection, building better infrastructure, fostering an attractive investment climate, boosting support services to small farmers, improving land administration and management, improving basic and higher education, and implementing conditional cash transfers. A close economic adviser hastily added federalism and reproductive health to the list.

The new administration is almost sure to get full legislative support for its economic agenda and associated policies, which is a key requirement for delivering electoral promises in a tripartite democratic government. A coalition-building exercise has begun in the House of Representatives to foster legislative support for the eight-point agenda. Senators, meanwhile, are still in the process of sizing each other

up before they choose the next Senate President.

On its surface the eight-point economic agenda is generally fine, although some will perhaps take reproductive health and federalism as contentious issues. The eight-point plan does not depart from the policy goals identified by past administrations, and it contains no surprises. It is tempting to think that in order to attain the new administration's economic goals, economic policies will be as market friendly as the previous administration's. But it is too early to say.

The challenge lies in fleshing out the specific economic policies needed to implement the agenda. In the first place, the public needs clear policy statements and policy coherence from its newly elected leaders. A campaign promise to

EADN holds annual research conference

The lead in research capacity building

The East Asian Development Network (EADN) met last June 1 and 2 for the annual research conference to review the progress of the studies being conducted by the network's current research grantees.

The network was commended by Keynote Speaker Rolando Tungpalan, deputy director-general for Investment Programming at the National Economic and Development Authority, for "its continuing efforts to promote research capacity building and policy networking in the region".

The critical role played by evidence-based research in governance and public leadership, especially in the process of making public policies, is too often understated.

Tungpalan cited the Philippine Institute for Development Studies (PIDS)—whose president, Dr. Gilberto Llanto, sits as chairman and regional coordinator of the EADN Steering Committee—for its efforts in promoting the role of evidence-based research in public policy.

"PIDS contributed to the background studies that refined the country's initiatives and priorities," recognized Tungpalan.

PIDS also investigated the design and impact of programs and policies of the

outgoing government on areas such as reforestation, rural electrification, housing resettlement, educational grants, and social welfare.

Such commitment is essential, remarked Tungpalan, especially at a time when the country faces changes both in leadership and in the economic landscape of the Southeast Asian region.

"On one hand, we need high-quality, development-focused research to formulate evidence-informed policy decisions, and guide their implementation at both the national and regional levels. On the other hand, we need to facilitate the dissemination of research evidences and the discussion of current and emerging issues, especially in the light of regional integration," Tungpalan noted.

The EADN is designed to bring together experienced researchers and young scholars around the region to undertake policy-oriented research into important development issues.

With the progress of the Association of Southeast Asian Nations (ASEAN) Economic Community, Tungpalan said it was "the perfect time" not only to examine relevant development issues but also to invest in and build the research capabilities of ASEAN's research communities.

"This is exactly what EADN does. It provides an excellent platform to strengthen the research capacity to conduct quality research for policy," explained Tungpalan.

He reminded EADN's researchers that "it is not sufficient to have strong opinions against somebody else's opinion. Having good evidence arises from research, provides the highest form of accountability—to the extent that while policymaking is a political process, politicians and policymakers will have to bear against what good evidence may be presented to define a set of policy options."

Featured studies focus on development issues

The conference was spread across three sessions in two days.

The first session was chaired by Dr. Phalla Chem, EADN country coordinator for Cambodia. The two studies presented during the session were (1) *Social Change under Urbanization Process of a Tay Ethnic Village in Vietnam's Northeast Mountainous Areas* by Dr. Binh Thi Thanh Nguyen from the Vietnam Academy of Social Sciences and (2) *Does the Poverty Feminizations Really Occur in Indonesia? A Critical Analysis of Gender Development* by Ms. Shandy Jennifer Matitaputty from the Soegijapranata Catholic University in Indonesia.



Grantees, discussants, mentors, and the EADN secretariat pose for a photo during the network's Annual Forum held at Marco Polo Hotel in Pasig City on June 1–2, 2016. The forum brought together experienced researchers and young scholars to undertake policy-oriented research on development issues confronting the region. (Photo by Gizelle Manuel / PIDS)

Dr. Binh used a 1981 socioeconomic survey of the Tay people in Quang Lang as her reference point to examine the transformative impact of urbanization on mountainous communities. Her findings showed that the infrastructure and economic changes since 1981 introduced dramatic changes to the way Tay people lived—from the diversification of their livelihood to the breakdown of their social ties and slow disuse of their mother language.

The discussant and mentor for Dr. Binh's study was Dr. Medelna Hendytio from the Centre for Strategic International Studies in Indonesia. She praised the significance of the study, saying: "This study shows the impact and changes of a top-down reform on the lives of ordinary people."

She gave Dr. Binh a number of recommendations, including clarifying the variations among the respondents, analyzing the degree of change, and focusing on the different perceptions and understanding based on key informant interviews.

The objective of Ms. Matitaputty's study, meanwhile, was to probe the evidence of feminization of poverty in Indonesia. Her analytical framework included profiling Indonesia's poverty incidence, identifying the current interventionist policies and whether or not they incorporate gender equality, and comparing socioeconomic conditions of poor female-headed with male-headed ones.

Discussant and mentor Dr. Mary Racelis from the Ateneo de Manila University in the Philippines said Ms. Matitaputty's extensive review of poverty and gender issue in Indonesia was a useful component in the study. It reveals important details about poverty at the household level and has the potential to widen the understanding of the real impact of economic policies. She recommended refining the study by clarifying to whom feminization of poverty applies and by identifying the role of community in poverty.

The second session, chaired by Dr. Chang Jae Lee, country coordinator from the Republic of Korea, covered

three studies. Mr. Mark Lester Chico from the University of the Philippines Los Baños (UPLB) presented updates on his paper, *Community Media for Social Transformation: The Missing Link for Climate Change Resilience*. Dr. Mary Ann Dela Vega from West Visayas State University, also in the Philippines, presented the progress on her study, *Calajunan Dumpsite Valuation: Implementation of Disaster Risk Reduction Management and Climate Change Adaptation*. And, lastly, Dr. Muhammad Halley Yudhistira from the University of Indonesia presented updates on his study, *Investigation on the Effects of Transportation Network in Shaping Urban Spatial Structure of the Jakarta Metropolitan Area*.

Mr. Chico's study sought to identify the right communication policy framework to build more resilient communities in the face of climate change. The most common medium among Filipino communities is the community radio station, which plays a critical role in enabling, educating, and mobilizing communities on various issues.

Dr. Emma Porio from the Ateneo de Manila University in the Philippines was the discussant and mentor for Mr. Chico and his team. She recommended for the authors to clarify how they define and measure resilience.

The second study assessed the soil properties of Calajunan Dumpsite and determined their potential to respond to phytoremediation or the use of living plants to remove the presence of contaminants in soils. The ultimate goal is to find out how to manage and transform contaminated landfill areas into a healthier place for the surrounding communities.

Their discussant and mentor, Dr. Sonny Domingo of PIDS, commended the massive work by Dr. Dela Vega and her team. The output, he remarked, promised to be substantial. He recommended adding a risk communication instrument to the study to make it more relevant.

Dr. Yudhistira's study, meanwhile, aimed to understand the changes to spatial structure brought about by the development or growth of transportation networks. According to initial results, the changes differ relative to the kind of infrastructure.

Dr. Adoracion Navarro from PIDS was Dr. Yudhistira's discussant and mentor. As a leading expert on infrastructure studies in the Philippines, she shared her insights and research experience.

The last session was chaired by Dr. Helen Ting, country coordinator from Malaysia. Mr. Agustinus Hermino Superma Putra Mau from the State University of Malang in Indonesia presented the progress report on his study, *The Effectiveness of Papua Peace Education to Improve School-Based Management in the Primary School*, while

Mr. Sherwin Joseph Felicidadario from UPLB reported on the progress of his study, *Delivery and Performance among Nonformal Education Service Providers for Agriculture and Natural Resource Management in the Philippines: Towards Framing Quality Indicators and Policy Reforms*.

Mr. Mau's study sought to gauge the effectiveness of peace education for the improvement of school-based management in primary schools in Papua. The main objective of his study was to find out how to mainstream peace building and child protection in elementary education.

Mr. Mau's discussant and mentor was Dr. Exaltacion Lamberte from De La Salle University in the Philippines. She said the topic was interesting and highly relevant to countries in the region that deal with the intricacies of indigenous and peace education. On the policy end, Dr. Lamberte recommended considering how

to enable parents and communities to contribute to the process.

The last study presented in the conference evaluated nonformal education providers' delivery and performance in the agricultural and natural management sectors. Mr. Felicidadario's main goal is to help formulate policies that would strengthen the link between education and natural resource management through the effective conduct of nonformal education.

Discussant and mentor Dr. Suguru Mizunoya from the Chinese University of Hong Kong believed the results of Mr. Felicidadario's study will contribute to improving education policies insofar as making it accessible and attainable for everyone.

Dr. Llanto wrapped up the conference on the second day, wishing in his closing remarks that the forum's discussions benefited both the researchers and mentors. **MHB**



On the picture are: Former Thai Minister of Finance Chalongsob Sussangkarn (left), who serves as EADN country coordinator for Thailand; PIDS President Gilberto Llanto (center), who sits as chairman and regional coordinator of the EADN Steering Committee; and Korea Institute for International Economic Policy Senior Fellow Chang Jae Lee (right), who serves as EADN coordinator for the Republic of Korea. (Photo by Gizelle Manuel / PIDS)



The evidence for Philippine education

THE EDUCATION SECTOR underwent plenty of reforms in the last six years. As the new administration articulates its forthcoming agenda, it is crucial for policymakers and education practitioners to discern the accomplishments of the previous leadership, and identify the challenges that remain for Philippine education, recognizing which policies worked and which did not, and the tools that made all the difference.

“Learning gaps remain,” said Nassreena Sampaco-Baddiri, country director for Innovations for Poverty Action (IPA), at a major education policy forum organized by IPA, the Department of Education (DepEd), and the Philippine Institute for Development Studies (PIDS) in May.

Gaps in policies are not limited to what students learn in school; they also include policy issues concerning the role of information and communication technology, the design of teacher incentives, the strategies used to include and support disadvantaged learners, the role of private schools, and the mechanisms used to increase schooling.

In all of these, Sampaco-Baddiri asserted, “Research plays a key role.”

“Government has begun to understand the importance of applying science to governance,” said PIDS President Gilberto Llanto.

Considering the inviolable role of education in improving society, Llanto reiterated the importance of ensuring that the policies and reforms enacted are informed with solid research evidence.

“Education is a critical driver of economic growth,” said Llanto. “To encourage growth, we need to bridge the gaps. We need evidence. ‘Change is coming,’ and we hope that change is based on evidence,” he added.

Beyond clear facts and sound analyses, Rosemarie Edillon, deputy director-general for Policy and Planning at the National Economic and Development Authority (NEDA), also urged education practitioners to plan projects and design policies for the long term. After all, education itself is a long-term investment for the country’s future.

Edillon presented the survey data that helped shape NEDA’s Ambisyon 2040, pointing out the things the government will have to address for the education sector to accomplish the evidently ambitious vision.

The household monthly income of PHP 120,000 for every Filipino by the year 2040 requires at least two income earners for each household. This behooves policymakers and planners to focus not only on job growth but also on raising the quality of education and other productivity-enhancement measures.

In other words, education should not be dictated by the job market alone but also by satisfying the actual aspirations of the Filipino people, matching the education provided by the government with the life the Filipino citizens want to live.

The value of education

DepEd Assistant Secretary for Curriculum and Instruction Elvin Uy delivered a passionate keynote speech at the same forum, describing how evidence-based policy research informed his department’s reforms and gains under the Aquino administration.

“There is a clear mission to fundamentally transform public basic education, not because it is bad. But because Filipinos deserve more,” said Uy.

More was what the DepEd set out to do, abiding by the government-wide rule to enforce monitoring and evaluation as part of every government project and program.

In their experience, policy research helped DepEd determine three important things that now underlie how they conduct projects and write policies: (1) understanding what works and what does not, (2) keeping in mind that “no one size fits all”, and (3) being able to clearly justify the increase in the budget the country spends for every Filipino student.



DepEd Assistant Secretary Elvin Uy (left), PIDS President Gilberto Llanto (center), and NEDA Deputy Director-General for Policy and Planning Rosemarie Edillon (right) agree that research plays a key role in improving the state of education and the quality of life in the Philippines. (Photo by Gizelle Manuel / PIDS)

Previously, DepEd was spending less than PHP 8,000 for each student. In 2016, the budget has been raised to PHP 17,000—with good, evidence-based reason the department can confidently say.

“The business of basic education is a public good, and public good requires transparency and accountability,” said Uy.

But the use of sound research evidence goes beyond resource allocation. Sound policy research also allowed DepEd to explore different aspects of learning and introduce them slowly into basic education.

They pushed for multilingual education at the primary level, distance education, and complementary health programs to not only boost attendance but also to develop a more inclusive, more quality, and “learner-centered” education. Toward the same end, DepEd expanded access to education for dropouts and older people who were not able to finish their primary schooling.

This dynamism in DepEd policies and programs has set the pace for further internalization of rigorous research in planning and policymaking of the department. Uy expressed DepEd’s intent

to encourage the active use of research and development in the management of policies and programs top-down, bottom-up, and across all levels of the system.

“Passion gets you through the door, but evidence and good policy create a strong foundation,” said Uy.

The value of impact evaluation

The conduct of impact evaluation studies, needless to say, is no short task.

“Even just crafting the research question is difficult,” problematized DepEd Director for Planning and Services Roger Masapol. “The challenge is how to make research and evaluation simpler, [so] that it can be done by our people on the field.”

Institutionalizing impact evaluation requires accountability and transparency.

“Accountability of performance, learning what works and what does not work; impact evaluation will flourish when responsible officials and stakeholders are held to account,” asserted PIDS Visiting Researcher Dr. Vicente Paqueo.

Masapol and Paqueo were joined by other experts and practitioners to share

their experiences on impact evaluation, including PIDS Senior Research Fellow Aniceto Orbeta Jr., IPA Research Manager Peter Srouji, IPA Primary Investigator Emily Bean, and Technical Education and Skills Development Authority official Catherine Milagros-Galapon. Rolando Tungpalan, deputy director-general for Investment and Programming at NEDA, facilitated the discussion.

Masapol identified three key elements to internally improve DepEd’s research capability, namely, enabling policies, investing in both the capacity of their people and their resources, and developing an information system.

As for the rest of government, Paqueo and Llanto both said it was necessary for agencies like NEDA and the Department of Budget and Management to provide a policy framework, and for lawmakers to pass enabling legislation that acknowledges the value-added input of research studies.

“It is not enough for the lower level or middle level to carry the burden of promoting impact evaluation,” said Paqueo.



Targeting of beneficiaries of employment facilitation program under 4Ps must be improved

A RECENT IMPACT evaluation study by state think Philippine Institute for Development Studies (PIDS) said the mechanism for choosing beneficiaries of the Sustainable Livelihood Program (SLP)—a component of the *Pantawid Pamilyang Pilipino* Program (4Ps)—must be improved to boost the gains from the program.

According to PIDS OIC Vice-President Marife Ballesteros and Senior Research Fellow Aniceto Orbeta Jr., the employment facilitation program has been well received by its target participants. It is also regarded by many participants as a critical conduit for their employment. However, they noted that aside from the limitations of employment facilitation, the program also has poor targeting mechanism.

The overall objective of SLP is to help the beneficiaries of 4Ps increase their income, become more self-sufficient, and graduate from the program itself. The first track of the program involves microenterprise development, which focuses on providing assistance and resources for beneficiaries to build and expand their businesses.

The second track, which is the focus of the PIDS study, is the employment facilitation scheme. This is intended for the 4Ps beneficiaries who want to find employment. The SLP project

development officers are in-charge of finding job opportunities that match the skills of these 4Ps beneficiaries.

Together, both tracks aim to “link the 4Ps families to income-generating opportunities, allowing them to sustain their economic development and transition from survival to self-sufficiency”.

The employment facilitation scheme provides five different services: (1) pre-employment counseling, (2) skills training, (3) referral, (4) pre-employment assistance fund, and (5) cash for building livelihood assets.

As of December 2015, the SLP had served 22 percent of the total families enrolled in the 4Ps, or close to 1 million families. However, only 14 percent of them, or around 130,000 families, were served through the employment facilitation track.

According to the authors, the “low take-up” was unusual, considering that the risks involved in the employment facilitation track are lower compared to the microenterprise component of the program. Thus, the authors suggested that the program’s design and implementation, particularly the steps involved in targeting participants, be reviewed and reevaluated.

“Participation in the SLP is mainly determined by age and willingness to participate. On the other hand, selection to the microenterprise development or the employment facilitation track is mainly the choice of the participant,” according to the authors.

“What these steps lack is in-depth assessments of participants’ suitability with each track. This gap in understanding contextual and personal issues—which include distance between job opportunities and residence, limited job opportunities in an area or field, physical attributes, and family responsibilities—negatively skews the success rate of the employment facilitation intervention,” the PIDS paper emphasized.

The authors also noted that the performance of project officers is based on the number of job matches and livelihoods they facilitate. Research data show there is a tendency for program officers to encourage their participants to choose the microenterprise track over the employment track. This is because the former does not require as much effort from them compared to looking for available and compatible employment.

“The job opportunities are limited. Majority of them are in public works, which are provided largely for retirees or older beneficiaries, acting more like safety

nets rather than gainful employment,” the authors noted.

Likewise, they underscored that other variables like geography and local politics make it difficult to build employment partnerships and facilitate employment.

“There is a need to define the Department of Social Welfare and Development’s (DSWD) role in facilitating employment relative to other government agencies and programs,” the authors said.

However, they also pointed out that compelling the DSWD to reorient its functions to serve the SLP doubles the agency’s requirement on manpower resources and effort.

Thus, part of the authors’ recommendations is for DSWD to explore interagency cooperation. The Department of Labor and Employment, for one, has a labor market program aimed at increasing employment opportunities for the marginalized and vulnerable sectors. As for the program itself, they



Photo shows some of the children assisted by DSWD’s conditional cash transfer program in 2015. According to a PIDS study, to further improve the quality of service for the 4Ps beneficiaries, the employment facilitation track offered to these children’s parents should be reviewed and reevaluated, particularly the steps involved in targeting participants. (Photo from the Official Gazette / Republic of the Philippines)

suggested creating a better mechanism for identifying participants in the employment facilitation track, with focus on employment-directed training. Training budget, according to the authors, should vary based on the quality or

employment training needs. Likewise, developing opportunities and modalities for linking with other employment programs by the government must also be pursued. **MHB**

Pascual welcomed as new PIDS Board Member

DR. ALFREDO E. PASCUAL, president of the University of the Philippines (UP) system, has joined state think tank Philippine Institute for Development Studies (PIDS) as the newest member of its Board of Trustees. He was sworn in on March 15, 2016, by Emmanuel Esguerra, secretary of the National Economic and Development Authority and chairman of the PIDS Board of Trustees.

Serving as the president of the UP system since 2011, Pascual’s administration is distinguished by his commitment to reforms, programs, and projects that steers the national university to becoming more research intensive and internationally competitive.

Prior to his UP presidency, Pascual worked for the Asian Development Bank

for 19 years, during which he is credited with various projects and initiatives in aid of the bank’s objectives in financing and investment in Asia and its developing economies. Pascual was also an educator at the Asian Institute of Management.

Currently, Pascual splits his time as president of the UP System and as a



DepEd's feeding program needs proper documentation

INACCURACIES IN RECORDED nutrition status, such as age, height, and weight measurements of children in public schools, are among the major constraints that state think tank Philippine Institute for Development Studies (PIDS) encountered in assessing the effectiveness of the Department of Education's (DepEd) School-Based Feeding Program (SBFP).

In her presentation at a seminar organized by PIDS and the Cordillera Studies Center of the University of the Philippines (UP) Baguio, PIDS Consultant and UP Professor Ana Maria Tabunda noted that there were inaccuracies in documenting the date of activities undertaken as part of the feeding program, as well as in the height and weight measurements and nutritional status of children before and after the feeding program. She added that there were also errors in the entries for birth dates and ages.

"Glaring errors include inconsistent recorded heights, such as children having lower postfeeding height than prefeeding height and missing postfeeding weight or height measurements. These inaccurate data in school documents, as well as those obtained during the survey by PIDS researchers, constrain proper assessment not only of the initial nutrition status

of would-be program beneficiaries but also of the improvement in such status," Tabunda explained.

Thus, for proper documentation of progress, she recommended that all schools, including nonbeneficiary schools, must be provided with the recommended weighing scales and height measurement equipment.

"All schools need to be provided with these equipment, as nonbeneficiary schools also need to submit accurate nutrition status reports, which serve as the basis for determining which schools should implement the feeding program," she explained.

Tabunda also suggested that school heads, school nurses, and teachers must be trained on the proper use of such equipment and instill in them the importance of proper documentation of the prefeeding, feeding, and postfeeding phases of the program.

Accurate documentation, according to Tabunda, helps in the proper selection of beneficiary schools and beneficiary pupils, as well as in monitoring and evaluating program outcomes. In addition, she suggested that DepEd should provide schools with an application program such

as Microsoft Excel to help them correctly compute a child's age to the nearest month.

Given that the administration component of the budget has been increased, it was also recommended that food budget allocation must be increased. Likewise, the effect of inflation should also be considered in food budget allocation.

Finally, Tabunda suggested that DepEd should review its basis for the 70-percent nutrition target for the SBFP, which has since been increased to 80 percent in the school year (SY) 2015–2016 implementation.

The link between malnutrition and poor performance in school, such as absenteeism, early dropout, and poor classroom performance of school children, is well established in the literature. Likewise, evidence shows that school-based nutrition and health interventions are effective in improving school performance. Thus, the DepEd has been conducting conditional food transfer programs since 1997.

DepEd's feeding program was first offered as the Breakfast Feeding Program in 1997 to address short-term hunger among public school children. It eventually

shifted focus to addressing undernutrition or malnutrition after SY 2008–2009.

In 2012, it was renamed to its current name, SBFP, as feeding time was no longer limited to breakfast. For SY 2014–2015, the national government targeted all the 562,262 severely wasted children enrolled in kindergarten to Grade 6 in public schools for the SBFP, or about 3.8 percent of approximately 14.9 million children enrolled in public schools.

Previously, DepEd had been targeting only a fraction of the total number of severely wasted pupils due to budget constraints.

The SBFP provides food to severely wasted children or those whose weight-for-height measurements are below the minus-three standard deviation cut-off established by the World Health Organization for well-nourished populations. It is conducted in schools over a period of 100–120 feeding days for a given batch of program beneficiaries.

According to the PIDS paper jointly authored by Tabunda, PIDS Senior Research Fellow Jose Ramon Albert, and PIDS Consultant Imelda Agdeppa, the SBFP was generally implemented well, with majority of the school heads, teachers, and parents expressing appreciation for the program, and with many of them expressing a desire to see the program continued and, if possible, expanded.

Although the target goal of having at least 70 percent of beneficiaries attain normal nutrition status by the end of the feeding program may have not been attained in SY 2013–2014, the paper noted that these are caused by problems beyond the control of program implementers.

Meanwhile, the goal of improving school attendance by beneficiaries to at least 85 percent for the entire school year had been attained. However, the authors pointed out that children who are not beneficiaries of the program also have good school attendance records. They

added that the feeding program appears to help improve attentiveness in class and sociability of beneficiary pupils.

The PIDS study, which surveyed about 7 percent of the total number of severely wasted pupils enrolled in the public elementary schools for SY 2013–2014, aims primarily to assess the outcomes and impact of the SBFP in terms of its stated educational and nutritional objectives.

It is part of a research project by PIDS to evaluate the effectiveness and impacts of key government programs and projects. Spearheaded by the National Economic and Development Authority and the Department of Budget and Management, the impact evaluation studies were conducted to promote greater transparency and accountability in government. Impact evaluation is a special type of research that allows policymakers and program implementers to ascertain whether a particular program is achieving its objectives and whether the results are attributable to the intervention. **GGM**



PIDS Consultant and UP Professor Ana Maria Tabunda explains the importance of addressing the glaring errors in the nutritional status of SBFP beneficiaries to accurately determine which schools should implement the feeding program. (Photo by Gizelle Manuel / PIDS)



PIDS study calls for comprehensive action for mitigating risks, building resilience

BAGUIO CITY, the capital of Benguet Province, was flagged a few years back by a World Wide Fund for Nature study as the most vulnerable Philippine city to climate change and other socioeconomic threats. Because of its dense population, topography, and largely ill-planned urbanization, Baguio's ability to adapt and respond to such risks was judged inadequate.

As part of a conscious effort to turn things around, the city held its first-ever city-wide earthquake drill in March 2016. Following that, on April 6, part of Baguio City's academic community participated in a forum highlighting the importance of building a multiple resilience system.

The policy research forum on "Human Capital: Health, Education, and Building Resilience" was held at the University of the Philippines Baguio. This forum was jointly organized by the Cordillera Studies Center and state think tank Philippine Institute for Development Studies (PIDS).

Dr. Gilberto Llanto, PIDS president, presented his paper on *Risks, Shocks, and Building Resilience: Philippines*, profiling the risk landscape faced by the country, the nature of interconnectedness of risks, and the importance of creating a policy framework for building resilience at every level of society.

According to Llanto, risks do not occur in isolation but rather in a wide network. As

an example, Llanto cited the link between food and energy crises. The trade-off of choosing to allocate resources to address the need for renewable energy was the fatal spike in food prices.

Closer to home, Llanto explained how the economic slowdown in China directly affects the growth of commodity-exporting countries like the Philippines. China is one of the Philippines' largest exporting partners.

Similarly, while the recent drop in oil prices was met with elation from the Philippines' transport sector, it greatly affected the economic health of oil-

exporting countries. In turn, the oil-exporting countries, which also happen to host large contingents of overseas Filipino workers, were forced to send back their foreign workers to their remittance-dependent homes.

Apart from being interconnected, risks are, by nature, also constantly evolving. Therefore, managing and responding to them require multiple resilience systems.

"The Philippines is particularly challenged to build economic resilience because of its high risk exposure and vulnerability,

⇒ p. 16



Michael Cabalbin, one of the participants of the forum on "Human Capital: Health, Education, and Building Resilience", shares his insights on the interconnected risks that affect the health sector. The research forum was held in Baguio City on April 6, 2016. (Photo by Gizelle Manuel / PIDS)

The evidence... from p. 7

For Paqueo, leadership is key.

Paqueo specifically commended DepEd and the Department of Social Welfare and Development for encouraging and nurturing the appreciation for impact evaluation. But in them, reminded Llanto, the country has mostly been lucky. They

do not represent all of government, which continues to be hindered by “self-preserving” bureaucracy.

Llanto urged the education sector not to hesitate “to engage other stakeholders, private universities, local and foreign, including civil society”.

Impact evaluation also requires commitment.

Too often, Orbeta said, “We let programs come and go without learning so well from them. We have to translate that learning to better designs and better

⇒ p. 17

Upgrading facilities can boost quality and use of health services

BUILDING MORE HEALTH facilities and investing in medical equipment allow government hospitals and infirmaries to provide quality health services to more people.

In a study conducted by state think tank Philippine Institute for Development Studies (PIDS) evaluating the Health Facilities Enhancement Program (HFEP) of the government, it was noted that hospitals and infirmaries that received funding from the government to upgrade their facilities showed higher volume of services than those that did not.

The HFEP, which is being implemented by the Department of Health, is a major undertaking under the Aquino administration’s flagship health initiative called *Kalusugan Pangkalahatan* that aims to achieve universal health care for all Filipinos. Through building and

equipping public health facilities, the government hopes to keep up with the increasing population’s demand for health care.

From 2010 to 2014, HFEP funded a total of 1,199 hospitals and infirmaries with an aggregate infrastructure funding of PHP 11.7 billion. Likewise, a total of 2,968 rural health units (RHUs) and city health offices (CHOs) received infrastructure funding amounting to PHP 5.2 billion. Total HFEP infrastructure funding for the period reached PHP 16.9 billion, or roughly PHP 3.4 billion a year. Meanwhile, the average funding per health facility is small, with only PHP 9.8 million per hospital or infirmary and PHP 1.8 million per RHU or CHO.

In a recent seminar held in Quezon City, PIDS Supervising Research Specialist Ida

Marie Pantig said utilization of health services hospitals and infirmaries that implemented HFEP projects experienced increase in the services provided, measured by the average number of outpatient consultations, birth deliveries, and inpatients per day.

Likewise, new services are being introduced with the new and improved health facilities. These include birthing facilities, animal bite centers, modern diagnostic and imaging centers, sewage treatment plants, and new morgues. “The service expansion is most pronounced in RHUs that now have separate facilities for birthing, tuberculosis treatment, and dentistry,” Pantig observed.

However, she also highlighted that for the most part, HFEP is just replacing

⇒ p. 17

ASEAN urged to capacitate SMEs through improved access to finance and production networks

DESPITE THEIR INCREASING contribution to job generation and gross domestic product (GDP) growth in the Association of Southeast Asian Nations (ASEAN), experts argue that small and medium enterprises (SMEs) remain as one of the region's untapped resources.

In a recent forum organized by state think tank Philippine Institute for Development Studies (PIDS), Asian Development Bank (ADB), Department of Trade and Industry, Management Association of the Philippines, and Financial Executives of the Philippines, experts concurred that a lot can still be done to unleash the potentials of SMEs.

Currently, SMEs comprise the largest number of firms in the ASEAN region. They generate the majority of jobs and substantially contribute to ASEAN's GDP.

ADB's Vice President for Knowledge Management and Sustainable Development Bambang Susanto stressed in his keynote address the importance of opening access and opportunities for micro, small, and medium enterprises.

To help SMEs play their role in the domestic, regional, and global production

networks, Susanto suggested that the ASEAN Economic Community (AEC) must build the physical connectivity of SMEs, raise their labor productivity and skills to standards of global value chains, and improve their access to finance.

PIDS Senior Research Fellow Erlinda Medalla and ADB Advisor Ganeshan Wignaraja discussed how to improve SMEs' access to market and investment opportunities in the AEC.

"SMEs play a role not just as a vehicle for poverty reduction but also as an engine of growth," said Medalla. She emphasized the sector's employment and value-added contributions to the Philippines, which peaked at 65 percent and 35 percent, respectively. Across Southeast Asia, Wignaraja noted that SME employment makes up 74 percent of all jobs, and contributes 41 percent to the GDP of ASEAN economies.

Yet, Wignaraja lamented that these contributions are not yet reflected in international trade. Wignaraja observed that high-performing SMEs make up only 21 percent of direct exports across ASEAN economies.

Many factors obstruct the growth of SMEs, but one of the oft-cited problems is the lack of access to finance and credit. Wignaraja explained that the current banking and credit structure does not know how to deal with SMEs. Bank requirements on collateral and business and finance plans are strict. The inability of SMEs to comply with bank requirements and their lack of financial literacy often force them to rely on informal resources.

SMEs simply do not have access to the capital they need to expand or participate in larger business and trading activities. According to Wignaraja, the total credit gap—or the difference between formal credit provided to SMEs and estimated SME financing needs in ASEAN—amounts to as much as USD 52.8 billion.

Wignaraja also pointed out that as China begins to slow down and move out of labor-intensive industries, firms in countries like the Philippines, Malaysia, and Thailand will have more business opportunities as suppliers of a range of products.

"International trade itself has fundamentally changed in the 21st century and is no longer about direct



PIDS Senior Research Fellow Erlinda Medalla says the government's role in advancing the state of SMEs in the country is crucial—particularly in removing various barriers to entry and exit and in facilitating linkages and access to markets, finance, and technology—during the the AEC forum held in Manila on April 25, 2016. (Photo by Misha Borbon / PIDS)

exports. Instead, trade increasingly means global supply chains where different production on stages are located across geographical space and linked by trade in intermediate inputs and final goods,” Wignaraja pointed out.

Meanwhile, Medalla said the Philippines does not have much of a choice whether or not it wants to partake in this new landscape. In an increasingly economically integrated ASEAN, she said, “SMEs have to work within a globalized setting.”

However, she added that “not all SMEs can export, and they do not need to. The goal should be for them to have all the opportunities to participate and engage in business in order to help them grow and contribute in sustaining the expansion of the economy.”

To do this, Medalla enumerated a number of factors that the Philippines has to address to encourage SMEs to participate

in value chains. She reiterated Wignaraja’s point about addressing the lack of access to finance and credit, but added that enabling the environment for SME firms to develop competitiveness and connectivity must be prioritized as well.

While Wignaraja believes that much of the work (i.e., in boosting labor productivity, improving the investment climate, raising infrastructure spending, improving information and communication technology infrastructure, and increasing financial access for SMEs) must be done by the business and private sectors, both experts agree that governments also have a critical role to play in SMEs’ success.

“The government’s role is to enable and facilitate the linkages and access to markets, finance, and technology, and to remove various barriers to entry and exit. The role of the new Competition Law in the Philippines will be very important,” Medalla said.

Policymakers should also concentrate on enhancing strategic opportunities. Medalla said the kind of policies needed depends on which SME sector policymakers intend to help. She recommended policies that would raise SMEs’ capability to comply with AEC standards, such as developing the halal industry, improving trade facilitation, and identifying standards to enable them to access a “duty-free” ASEAN market.

She also recommended helping each sector gain competitive advantage through industry clustering, sharing services facilities, and developing industry road maps.

“The opportunities are there in the supply chains,” said Wignaraja. The business sector has to adopt smart strategies to capture opportunities to participate in the production networks, and policymakers must create the enabling business environment for SMEs to thrive. **MHB**

Pascual welcomed... from p. 9

professorial lecturer at the College of Economics and Management of UP Los Baños, as chairman of the UP Foundation Inc. and the UP Provident Fund Inc., and as a trustee of the International Rice

Research Institute. His long list of sterling accomplishments in academic research and in the business world makes him a valuable addition to PIDS. **MHB**



UP President Alfredo Pascual (left) and NEDA Director-General Emmanuel Esguerra (right) during Pascual's oathtaking as the newest member of the PIDS Board of Trustees (Photo by Misha Borbon / PIDS)

PIDS study calls... from p. 12

explained somewhat by its geographical location,” said Llanto. “It is difficult to manage risks. But it is possible.”

A huge stumbling block in the process of risk management is the dearth of policy-oriented research and the absence of a resilience system. Although it has the National Disaster Risk Reduction and Management Council (NDRRMC) in place, the country has yet to paint a comprehensive picture of the country's risk landscape, making it difficult to build the appropriate response framework.

“You need good policy interventions, and good policies rely on good research,” Llanto said.

Moreover, Llanto warned that exposure to bad policies exacerbates one's vulnerability. Thus, dealing with risks is not solely the job of policymakers or the NDRRMC. Communities have to work together to figure out how to handle and manage the risks and shocks faced by their community at the ground level.

In sum, the country has to work together at every level to make resilience thinking a habit. A multiple resilience system must be built and founded on sound research and analysis, capable of identifying the wide array of vulnerabilities and adapting to the ever-evolving nature of risks.

MHB

Duterte must... from p. 2

reduce personal and corporate income taxes is simplistic but popular. Any proposal to reduce taxes should be part of a well-studied, comprehensive overhaul of the Philippines' outdated tax system. Providing private tax relief should be balanced against the need for ample fiscal space to produce the public goods needed by society more broadly.

Duterte's campaign promises of subsidies, doubling salaries of particular groups in the bureaucracy, expanding the coverage of conditional cash transfers, fixing labor regulations, and making rice importation a government monopoly—all promises that have been made without the benefit of sufficient empirical study—should be given a sober reality check. Somebody has to pay the cost of providing all those goodies. Is the taxpaying public able and willing to bear the cost?

Past administrations have tried and failed to address several factors that have constrained the realization of the Philippine economy's full growth and employment potential. These include the constitutional provision that limits foreign direct investment in the economy, the country's weak regulatory frameworks, widespread corruption in the police and judiciary, and insufficient peace and order.

The new Duterte administration enters office with an overwhelming mandate from the electorate. This is precious political capital that can and should be used to intensify market-friendly economic policy reforms and deal with those critical development constraints.

It is time for the “tough guy” president to make some tough policy choices. **DRN**

Upgrading facilities... from p. 13

old hospital facilities. “There have been no completely new hospitals. The new facilities that were constructed merely replaced old existing hospitals, with no major expansion in bed capacity,” she explained.

In addition, she argued that the impact of capital investments in these health facilities is often diluted by staff shortage and dramatic contractualization of health workers as well as persistent drug shortage.

However, while HFEP has been found to have a positive impact on the utilization of local health services, its implementation has been highly problematic, as documented in the survey.

One of the problems identified in the PIDS study is the inadequacy of HFEP funding that necessitated some local

governments to contribute their own funds to complete the construction of facilities.

Another problem is the delay in the completion of construction projects, which usually takes an average of three to four years due to lack of budget. Sometimes, hospitals and RHUs had to delay construction to prevent any disruption in their operations. In other cases, the delays were caused by contractors who were involved in multiple projects.

“These problems should be addressed to speed up the construction and equipping of health facilities. This way, a far greater impact can be generated for the benefit of Filipinos, especially the poor,” Pantig said.

In terms of funding and contract management, the PIDS study suggested

that facilities to be supported by HFEP should be organized into sets, lots, or tranches that can be offered to would-be contractors under “contracting in lots” approach, preferably on a turn-key basis. Likewise, the current practice of incremental, multiyear infrastructure funding with “finish one-at-a-time but quickly” approach must be replaced.

To ensure sustainability of the projects, the authors suggested that program implementers should explore how the requirement of the Department of Budget and Management limiting the proportion of internal revenue allotment that can be spent on personal emoluments can be waived.

Lastly, support of the national government should be sought to augment the budget for human resources. **GGM**

The evidence... from p. 13

implementations of policies and programs.”

More importantly, evaluation is a constant and continuous practice. No single study can fix all the problems forever.

“We tend to summarize societies, but societies are very complex,” stressed Orbeta. “There are a lot of gaps in the evidence, in areas that have not been studied, and variants across studies,” he added.

Even a well-conducted study or a well-informed policy can have gaps. Ineffectiveness can arise from many things: poor implementation, behavior

of respondents, lack of complementary projects, or incompatibility of program design.

“We do not even know what will be the interaction of the policies. People may change their behavior because of the intervention. Admittedly, there is no straightforward solution to that; the only thing you hope for is your framing is comprehensive enough,” said Orbeta.

There is also “bureaucratic inertia and bureaucratic fatigue,” added Uy.

“If things are moving, it is hard to stop it. If things are in stasis, it is hard to get things started. Then there is fatigue; if you

try too many things, you expend political capital, you expend bandwidth of people, even their patience. Things do fall through the cracks. I think, what is important for the department is policy coherence,” Uy elaborated.

“I think it really lies on the conviction of people to believe that it is something we must do,” concluded Llanto.

The commitment to make policymaking in the education sector—and across the government—more effective, more accountable, and more transparent is a responsibility and an undertaking for all Filipinos. **MHB**



Research Digests

PIDS EPM 2015–2016

Risks, Shocks, Building Resilience: Philippines

Building economic resilience takes center stage on the sixth issue of the *PIDS Economic Policy Monitor* (EPM). Due to overlapping shocks and risks of varied nature, there is a need to look beyond natural hazards and to acknowledge that the sources of risks are many and interconnected. Evidence points to the critical role of good policies in bolstering coping ability and in building resilient systems. This EPM presents a framework (Chapter 3) that underscores the significance of appropriate interventions by way of policies, programs, and projects to develop absorptive, adaptive, and transformative capacities. Absorption and adaptation are commonly emphasized in current discussions of resilience, risk reduction, and disaster management. Transformation, meanwhile, refers to improvements or changes in the structures and mechanisms that empower economic agents to respond better to further shocks and stresses. With its boosted resilience, a transformed system is more dynamic than its previous state and thus capable of responding to change effectively. To support this argument, this EPM provides an analysis (Chapter 1) that shows signs of the Philippines' economic resiliency. Despite its exposure to various risks, the country is growing faster than its middle-income neighbors. Likewise, a number of important policies considered and/or taken up in 2015 by the government are reviewed (Chapter 2). Policies and programs that would make growth and access to opportunities more inclusive and would protect vulnerable sectors are a key complement to growth-accelerating strategies. If properly implemented, they will help achieve the much-coveted sustainable and inclusive growth.

Policy Notes 2016-09

Importance of Entrance Exam Scores for Selecting Grants-in-Aid Recipients

by Denise Valerie Silfverberg

The Students Grants-in-Aid Program for Poverty Alleviation (SGP-PA) is one of the initiatives of the government to break the poverty cycle by providing support to students who cannot afford tertiary education. It aims to increase the number of higher education graduates among poor households and employ these graduates in high value-added occupations. The selection of grantees is important in achieving the objective of the program. Given the thrust of the program, it is also important that the grantees have a relatively high likelihood of completing their degrees. This *Policy Note* focuses on the relationship between entrance exam scores and academic performance. It points out that administering admission exams is the best available tool for gauging the ability of students to complete the program.

Policy Notes 2016-10

What Is the Impact of DepEd's School-Based Feeding Program?

by Jose Ramon G. Albert, Ana Maria L. Tabunda, and Imelda Angeles-Agdeppa

The School-Based Feeding Program (SBFP) of the Department of Education aims to address undernutrition among public primary pupils. This *Policy Note* summarizes the results of the impact evaluation (IE) study of the SBFP using a mixed methods approach for the school year 2013–2014. Quantitative surveys of program beneficiary pupils and their parents were undertaken to generate a counterfactual analysis. The study found, among others, inconsistencies in verbal descriptors between the nutrition status recorded in SBFP forms and nutrition status reports and the verified prefeeding and postfeeding nutrition

status computed from weight and height measurements. Thus, it recommends the need for standardized equipment for measurement of heights and weights to attain better program implementation. While the IE shows positive impacts on SBFP-fed children, the government needs to complement the SBFP with other programs to correct malnutrition practices among children below five years old.

Policy Notes 2016-11

Do Capital Investments in Health Increase Local Service Utilization?

by Oscar F. Picazo, Ida Marie T. Pantig, Danica Aisa P. Ortiz, Melanie P. Aldeon, Nina Ashley O. Dela Cruz, and Juan Alfonso O. Tanghal

The Aquino administration started the Health Facilities Enhancement Program (HFEP) in 2010 to provide large-scale capital investment for increasing the stock of hospitals and health centers in the country. Given the substantial financial resource allocated to the program, has HFEP increased the utilization of local health services? An impact evaluation study of HFEP was conducted to assess the net effect of the program. The study finds that hospitals and infirmaries that received HFEP investments showed higher volume of services than those that did not. However, its implementation is found to be problematic due to, among others, the inadequacy of HFEP funding that required local governments to contribute their own funds to complete the construction of facilities, prolonged construction due to lack of budget, and delays on the part of the contractors.

Discussion Paper 2016-15

Post-EPIRA Impacts of Electric Power Industry Competition Policies

by Adoracion M. Navarro, Keith C. Detros, and Kirsten J. dela Cruz

This study evaluates the achievement of

the desired outcomes of the competition policies contained in the Electric Power Industry Restructuring Act of 2001 (EPIRA). It traces the evolution of the electric power industry before EPIRA and after EPIRA. Trends show that, in real terms, there was a price uptrend during 2001–2005 to the start of competition in the generation sector. There was a slight downtrend in the real price of electricity after the introduction of spot electricity trading, but the price of electricity remains high and it has not declined to pre-EPIRA levels. The country has a long history of private sector-led electric power industry marked by inefficiencies and fiscal problems that were not borne by electricity consumers alone but by the whole country. What needs to be done is to find ways of improving its implementation. The electricity spot market has to be governed by an independent market operator, regulatory capacity has to be strengthened, and the energy department needs to beef up its planning function. There is also a danger that the findings on price trends could provide ammunition to those advocating the repeal of the EPIRA and renationalization of the industry.

Discussion Paper 2016-18

Preliminary Assessment of the Shared Service Facilities

by Erlinda M. Medalla, Fatima del Prado, Melalyn C. Mantaring, and Angelica B. Maddawin

This paper assesses the shared service facility (SSF), one of the pillars of the “Big Push” for micro, small, and medium enterprise (MSME) development. Implemented in 2013, SSF seeks to address the gaps and bottlenecks in the value chain of priority industry clusters through the provision of processing and/or manufacturing machinery, equipment, tools, and related accessories for the common use of MSMEs. The assessment used case studies of selected three project sites where focus group discussions (FGDs) were held, and preliminary data on output,

performance, and costs could be obtained. Results appear promising, although still not robust because of insufficient data, and the program being still in its second year of implementation. It costs very little, but it has had notable and substantial impact on jobs and productivity.

Discussion Paper 2016-20

Service Innovation in Philippine Industries

by Ramonette B. Serafica

This paper examines the evidence on service innovation using the 2012 Census of Philippine Business and Industry and the 2009 Pilot Survey of Innovation Activities. It reveals the wide variation in R&D intensities and differences in innovation behavior between the manufacturing and services sectors. Looking at structural factors, the probit regression analyses indicate that the size of the firm is a good determinant for all types of innovation. Ownership and age were also significant for certain innovation outputs. The results of this paper reveal the importance of service innovation not only for the services sector but also for the manufacturing sector consistent with servicification. If government aims to promote economy-wide upgrading, support for innovation should not favor one type of innovation output or activity. Further research on innovation behavior to cover more industries will be useful in developing a comprehensive and more nuanced approach to innovation policy.

Discussion Paper 2016-21

Putting Prevention of Childhood Stunting into the Forefront of the Nutrition Agenda: A Nutrition Sector Review

by Alejandro N. Herrin

In 2015, based on the latest survey of the Food Nutrition Research Institute, childhood stunting affected one-third (33%) of children under five years. The strategic importance of stunting prevention cannot be overemphasized in view of its short- and long-term

consequences on health, learning, and economic productivity, and the short period of time that it can be effectively prevented (the first 1000 days from conception to age 2 years). Various implementation issues of targeting, coordination, management structures, logistics, and sustainability were also uncovered. In addition, recent sector-level assessment has revealed a number of structural issues of governance, such as local mobilization to implement nutrition program, limited resources for nutrition, and effective coordination by the National Nutrition Council National Secretariat in a devolved setup.

Discussion Paper 2016-22

Results of the Process and Impact Evaluation for Selected Government Water Supply and Sanitation Programs

by Adoracion M. Navarro, Doreen Carla E. Erfe, and Alma D. Porciuncula

Past and present administrations have implemented water supply and sanitation (WSS) programs to increase the number of households with access to safe drinking water and sanitary toilet facilities. This study examines the President’s Priority Program for Water and the *Sagana at Ligtas na Tubig Para sa Lahat* Program. It finds underachievement of targets, which was a result of institutional framework weaknesses, capacity and governance constraints, and fundamental gaps in program implementation. The study recommends that an improved successor program that also has a nationwide scope be designed. It also provides recommendations on how to improve the overall implementation of the successor program, the grant allocation and prioritization, the stakeholder participation, and funds management and disbursement. It also presents a possible framework for a monitoring and evaluation plan of future WSS programs and a database that can be used in the future for ranking and prioritization, monitoring, and estimation of investment requirements.

Editor's... from p. 1

administration, Dr. Llanto said. It is undoubtedly a herculean task but something the Institute believes his competent economic team headed by incoming Socioeconomic Planning Secretary Ernesto Pernia could perform well. As the main policy research agency of the government, PIDS remains committed to provide the new administration and this country's roster of policymakers and development planners the policy advice and empirical evidence they need to make informed decisions and effectively operationalize the economic agenda.

The results of PIDS' impact evaluation of some big-budgeted health and nutrition government programs are also discussed in this issue. The insights from these studies are intended to guide the new administration and relevant agencies on how to improve the programs' design and implementation. Using impact evaluation as a whole-of-government approach can increase the effectiveness and efficiency of government

interventions. The outgoing administration puts premium on impact evaluation as a tool to promote transparency and accountability in government. Hopefully, this will be carried over into the next administration. The impetus for impact evaluation is growing through the support of the Department of Education (DepEd) and the Innovations for Poverty Action, among other agencies. The challenge is in institutionalizing it, as one of the articles in this issue underscores.

The studies reveal the programs' weaknesses. The poor targeting of beneficiaries constrains the Sustainable Livelihood Program, a component of the *Pantawid Pamilyang Pilipino* Program, to link more families to income-generating opportunities. For the DepEd's School-Based Feeding Program, proper documentation and monitoring of children's measurements and nutritional status impede the program's effectiveness. Meanwhile, perennial problems of staff shortage and contractualization, the inadequacy of funding, and construction delays are ailing the Health Facilities Enhancement Program of the Department of Health. These

are obvious gaps and cracks the program implementers must address.

Completing this issue are articles on a forum cosponsored with the University of the Philippines (UP) Baguio on "Human Capital: Health, Education, and Building Resilience" and another forum jointly organized by PIDS, the Asian Development Bank, and other partners on small and medium enterprises. For the sixth time, PIDS hosted the East Asian Development Network Meeting in Manila with the network's regional coordinators and recent research grantees in attendance. The two-day gathering was thick with presentations and discussions on ongoing and completed research studies that encompassed a wide variety of topics, including urbanization, feminization of poverty, community media, disaster risk reduction, transportation network, peace education, and agriculture and natural resources management. This issue is also proud to announce anew, with pride, the inclusion of Dr. Alfredo Pascual, president of the UP System, into the PIDS Board of Trustees. **DRN**

Staff Box

Editorial Board: Dr. Gilberto M. Llanto, *President*; Dr. Marife M. Ballesteros, *OIC Vice-President*; Ms. Andrea S. Agcaoili, *Director for Operations and Finance*; Dr. Sheila V. Siar, *Director for Research Information*; Ms. Renee Ann Jolina C. Ajayi, *Director for Project Services and Development*.

Staff: Sheila V. Siar, *Editor-in-Chief*; Gizelle G. Manuel and Misha H. Borbon, *Writers*; Mark Vincent P. Aranas, *Copyediting and Layout*; Jane C. Alcantara and Claudette S. Malana, *Contributors*; Rossana P. Cleofas, Vlarissa D. Lagoras, Reynalyn L. Argueza, Necita Z. Aquino, and Michael A. Caturan, *Circulation and Subscription*.

**DEVELOPMENT
RESEARCH NEWS**

Vol. XXXIV No. 2

Apr – Jun 2016

ISSN 0115-9097

DEVELOPMENT RESEARCH NEWS is a quarterly publication of the PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES (PIDS). It highlights the findings and recommendations of PIDS research projects and important policy issues discussed during PIDS seminars. PIDS is a nonstock, nonprofit

government research institution engaged in long-term, policy-oriented research. This publication is part of the Institute's program to disseminate information to promote the use of research findings. The views and opinions expressed here are those of the authors and do not necessarily reflect those of the Institute. Inquiries regarding any of the studies contained in this publication, or any of the PIDS papers, as well as suggestions or comments are welcome. Please address all correspondence and inquiries to:

Research Information Staff

Philippine Institute for Development Studies

18th Floor, Three Cyberpod Centris – North Tower, EDSA corner Quezon Avenue

1100 Quezon City, Philippines

Telephone numbers: (63-2) 372-1291, 372-1292

E-mail address: publications@mail.pids.gov.ph

Entered as third class mail at the Quezon City Central Post Office under Business Mail Permit No. 3C-14-02-217. Valid until December 31, 2016. Annual subscription rates are: PHP 200.00 for local subscribers and USD 20.00 for foreign subscribers. All rates are inclusive of mailing and handling costs. Prices may change without prior notice.