

PIDS prods government to regulate digital economy

STATE THINK TANK Philippine Institute for Development Studies (PIDS) has prodded the government to explore the regulation of the digital economy to unlock its optimal benefits and utilize it as a platform to promote public welfare in the country.

In his opening remarks during the Workshop on The Digital Economy: Potential Benefits, Challenges, and Implications for Regulation, PIDS President Gilberto Llanto argued that the said step can help both the government and the private sector improve their services in the digital economy, which is “arguably changing the landscapes of job, product, and service markets”.

“Digitization, big data, advanced analytics, and disruptive technologies interact in a variety of ways and are creating new waves of innovation, productivity, and growth in a manner that has not been seen before,” Llanto explained.

The said workshop marked the Philippine launch of the Regional Inclusive Growth Programme, a joint project of PIDS and Consumer Unity and Trust Society (CUTS) International that highlights the need to strengthen the digital economy in India,



Unlocking the potentials and benefits of the digital economy requires a policy environment that can cope with its complexities and unique characteristics.

Editor's Notes

The Philippines has been hailed as the social media capital of the world, a small comfort as this distinction does not extend to the state of its digital development. The country, for instance, has yet to see a fully operative digital economy leading its innovation and productivity. This is reflected in its latest ranking in the Global Innovation Index wherein it placed only fifth among seven ASEAN member-states and 73rd among 127 countries. This issue of the *Development Research News* is devoted to a careful examination of the digital transformation in the country.

First, it highlights the need to ensure the inclusivity of technological innovations. Technology remains a

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Philippines, and Viet Nam. The program underscores the need to implement optimal regulations for digital businesses in the three countries to ensure inclusiveness and keep innovation on track.

Benefits of digital economy in PH

Llanto explained that governments throughout the globe are using digital infrastructure to improve the delivery of public services, such as health and education, among others, making these more inclusive.

Aside from the public sector, “the business sector is also taking advantage of digital tools and systems in competing with traditional brick-and-mortar private lending institutions to provide financial products and services to those who have been financially excluded, especially those in the rural areas,” he added.

The PIDS official also explained that the shift to online trade and services

has likewise improved the said sectors’ response to varying consumer references in terms of product or service availability, quality, and affordability.

The retail sector, for instance, has successfully used digital technologies to create effective database management systems, client-server platforms, enterprise planning software, and computerized management tools for the inventory and delivery of its product and services.

“These all contribute to improve the efficiency of businesses and their ability to cope with the growing demands of consumers,” Llanto explained.

According to him, online shops in the Philippines, such as Lazada, and ride-hailing services platforms have also responded well to consumer demands by using disruptive technologies, which connect consumers and service and

product providers efficiently in the goods and services markets.

Challenges of digital economy

However, Llanto clarified that along the benefits of digitization are the challenges posed by cybersecurity, data and privacy breaches, and cyberbullying, among others.

For this, he urged policymakers to reimagine their approach to the digital economy and consider the need to encourage innovations that may create new pathways for inclusive services. He also underscored the importance of educating consumers and building their capacities to navigate the digital world to increase their level of welfare.

In line with Llanto’s statements, CUTS International Senior Research Associate Ankit Pingle stressed the need for governments, consumers, and service providers to collaborate among each other to prevent and resolve regulation



Regulation must be a collaboration among stakeholders to be largely beneficial. While the government ensures fair prices in the market, service providers must also understand their responsibility to deliver affordable goods and services to their customers, says Consumer Unity and Trust Society Senior Research Associate Ankit Pingle. (Photo by PIDS)





barriers and bottlenecks, arguing that the government cannot provide all the necessary services to the public.

“Although they do it for profit, private companies are there to supply needed services which should be made affordable to consumers. Hence, regulations should always follow an optimal point so it does not fall either on too much or too little regulation,” he said.

‘Reimagine the purpose of regulation’

Given the varying degrees of these benefits and challenges, the PIDS partnered with the Australian National University (ANU) to explore the complicated regulation systems of the country’s emerging markets and discuss existing regulatory barriers and burdens affecting the growth of major industries in the Philippines, such as those in the digital economy.

During the Manila Conference on Regulation and Governance in the Philippines: Development Policy Challenges for the New Administration, PIDS and ANU highlighted the need to foster a culture of responsive regulation in the country, arguing that measures on regulation can help everyone to flourish.

Although issues on regulations can be “chaotic, overwhelming, and challenging at times”, Dr. Sharon Friel, director of ANU School of Regulation and Global Governance, said these should be considered as vital inputs in enhancing government’s regulatory frameworks and systems.

She likewise expressed confidence in the ability of the Philippine government to regulate and put things in order through the implementation of effective policies and standards.

“I would certainly say that it is possible to regulate in government. As human beings, one thing we can do is adapt, albeit, in a very complex way. History tells us that we can reinforce positive adaptation even when it seems remarkably difficult,” she said.

The regulation expert stressed, however, the significance of empirical evidence and in-depth analyses in the formulation of policies, guidelines, and procedures on regulations in the government, adding that the success and effectiveness of regulations depend on mutual cooperation among key players.

“We have a whole diversity of actors. It is not just government officials, not just politicians, not just civil societies, it is a whole suite of actors involved in different ways,” said Friel.

The ANU professor also urged everyone to “reimagine the purpose of regulation” and be “model mongers and chaotic innovators” to advance sustainable and inclusive development.

Gov’t, markets must co-regulate digital economy

Meanwhile, a socio-legal expert from ANU reminded that responsive regulations should respect human rights, especially within the digital economy.

In her presentation, “What regulatory rights do states owe their citizens in the 21st century?”, Professor Veronica Taylor emphasized that having responsive regulation that respects human rights is everybody’s business, stressing that civil society organizations, the business sector, and other nongovernment stakeholders should work together to ensure that nobody’s right is violated.

“Civil society and nongovernment actors are important in sharply reminding governments about the limits of their capacity and what it is that citizens are owed,” she explained.

According to Taylor, two forms of regulations currently predominate today in modern economies—the risk-based regulation, where government promises to keep its citizens safe by using its superior power, and the responsive regulation, which aims to regulate the lives of its people in ways that are legitimate and responsive to their preferences and needs.

“The next-generation regulations are the responsive regulations. They are less costly, less coercive, and more respectful. It is also more legitimate given that citizens are able to argue about injustice. Given that coercion comes after dialogue, we can say that it is also procedurally fair and will more likely lead to compliance,” Taylor explained.

According to Taylor, the government can be responsive to how effectively citizens or corporations regulate themselves before deciding whether to escalate intervention.

She added that the state and civil society must share the responsibility in enforcing regulations. As an example, Taylor cited the case of Grab that has already been coframulating regulations in some Southeast Asian countries by sharing its technologies with regulators in managing and tracking drivers’ violations, among others.

Digital economy to be felt in financial, health sectors

Aside from human rights issues, advocates also called for the implementation of regulations that





While digitization promises improved access to quality health care, e-health efforts must ensure that every Filipino's health record, as well as other vital medical data, remains secure, safe, and private. Photo above shows realtime medical consultation between a doctor and a patient via telehealth. (Photo from rxbox.chits.ph)

can ensure inclusion in the Philippine digital economy.

On the finance aspect, for example, Lito Villanueva, managing director of PLDT's financial-technology arm, FINTQ, said that while the 2017 Brookings Financial and Digital Inclusion Project ranked the Philippines high in three dimensions of financial inclusion—country commitment, mobile capacity, and regulatory environment—it still has to improve in the areas of adoption of digital and financial services.

Specifically, Villanueva said the country needs to provide Filipinos with easier access to formal financial services so that informal lenders and lending, which do Filipinos more harm than good, can be lessened.

“Having no access to formal financial services would make them susceptible to tapping their families, relatives, and friends for a loan, pawnshops, or

usurious money lenders,” Villanueva explained in his speech.

Capitalizing on the digital era, he emphasized the need to promote online-based lending programs, such as PLDT's *Kasama Ka* Community & Income Builder. The program, which uses digital platforms like computers and mobile phones, aims to encourage underserved Filipinos to avail of the different financing services provided by Lendr.com.ph—a one-stop shop for loans. It also provides additional income to those who can refer others to avail of its various loan products.

“These efforts must be on ground, scalable, and targeted. The real action is in the community and we aim to make them feel the benefits of technology,” Villanueva explained.

Aside from the financial aspects, the advantages of adopting a digital economy should also be felt in the health sector,

according to Dr. Raymond Sarmiento, director of the University of the Philippines National Telehealth Center.

Sarmiento specifically emphasized the need for the government to strengthen its efforts in shifting to more digitized systems to provide efficient health services to Filipinos.

The government, Sarmiento said, should invest in big data and analytics to “improve the access to quality health care and decisionmaking by having quality data that can be collected, stored, utilized, and disposed of afterwards”. Part of this, he pointed out, can be done by using electronic medical records for health facilities and by investing in surveys and administrative data that can be used as bases for improving delivery of services.

At present, Sarmiento explained that the government has already started its digitization efforts by establishing the national e-health steering committee that oversees the implementations and strategies on e-health initiatives. Plans for having the Philippine Health Information Exchange, which aims to seamlessly integrate health records and other related data for continuity, accuracy, and efficiency, are also ongoing, he said.

However, Sarmiento warned that these efforts should take into consideration the concerns on data privacy, emphasizing that stakeholders have to carefully plan on how to go about the said projects without compromising the security, safety, and privacy of Filipinos.

Aside from the workshop on the digital economy and the Manila Conference, PIDS spearheaded another event on digital society earlier this year to discuss the value of information and communications technology services in advancing inclusion and integration in the Asia-Pacific region. **RTT/GMM/GBDC**





Multi-actor approach, innovation to improve regulations



Dr. Sharon Friel, director of ANU School of Regulation and Global Governance, discusses the roles of the different actors of society in the implementation of regulations in the Philippines. (Photo by PIDS)

THE REGULATORY PROCESS to effectively work entails the participation of different actors—not just government.

Dr. Sharon Friel, director of the School of Regulation and Global Governance of the Australian National University (ANU), made this point at the panel session on global standards and regulation in key sectors in a conference jointly organized by ANU and state think tank Philippine Institute for Development Studies.

The Manila Conference 2017 on Regulations and Governance in the

Philippines: Development Policy Challenges for the New Administration explored the regulatory issues in the country and possible solutions that can be drawn from international experience.

With health as the focus of her presentation, Friel explained the roles played by multiple actors, such as the government, schools, individuals, food producers, and retailers, in promoting healthy food preferences.

Schools, for instance, play a big part as they can educate their students on

healthy eating, set food standards in their canteens, and regulate the presence of food outlets in areas around the school where children gather.

“In the media, television chefs through their programs can significantly influence people in their food choices and preparation methods,” Field added.

Civil society organizations, on the other hand, can serve as watchdog, sources of information on their needs and aspirations, and direct influencers in policymaking through advocacy and lobbying.





As for the government, setting of rules, imposition of taxes and penalties, and provision of incentives are among its primary tools to regulate human behavior, she explained.

Good regulations for good governance

Expounding on the role of government as a regulator, Atty. Francis Juan presented the regulatory framework of the Philippines' energy sector. Juan is the chief operating officer of the Philippine Electric Market Corporation and formerly executive director of the Energy Regulatory Commission (ERC).

The passage of the Electric Power Industry Reform Act (EPIRA) in 2001 was expected to improve both the reliability and cost of power services in the country by opening the sector to competition.

Today, the National Power Corporation, which used to monopolize production, transmission, and distribution of electric power, is involved only in providing electrification to the so-called missionary areas or the far-flung sections of the country. Through the EPIRA, the different energy subsectors were unbundled and opened to market players.

Sixteen years later, however, the price of electric power has remained expensive, supply has remained tight, and maintenance issues have persisted. With an unhappy public, questions on the effectiveness of the ERC have come to the fore.

“The challenge for ERC is how it can project itself to be a strong and independent regulator as envisioned in the EPIRA. Even as it strives to fulfill its main tasks to promote competition, encourage market development, and

enforce regulations in the restructured electricity market, it is met with an increasingly disapproving public,” Juan explained.

He added that an efficient regulator should possess the following characteristics: competent; independent, fair, and reasonable; receptive to stakeholder inputs; adaptable to changes; and firm and resolute in its decisions.

Fast-paced technology

Among these qualities, adaptiveness is one area where the government needs to step up, especially when it comes to the transport sector, according to Dr. Marian Panganiban, senior policy economist of Grab Southeast Asia.

“Technology is going at a very fast pace but the policy environment has not been keeping up. There are instances wherein given the pace of technological innovation, previous policy questions are

now irrelevant or the existing policy tools are inadequate,” Panganiban explained. She added that the sharing or collaborative economy is one of the most dynamic and rapidly growing sectors today yet it is also beset with regulatory issues.

“Policies are needed to integrate the features of ride-hailing companies and shared economy companies into existing systems and services in ways that leverage the new services' strengths and features,” she explained.

Panganiban noted that the slow pace of government in adapting to changes is constraining it to use technological innovations for improving the quality of transport services.

Technology-enabled services, such as those introduced or used by Grab, are helping to raise the standard of service for the riding public by promoting safety for both passengers and drivers, certainty of service, and transparency in fare setting.

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Technology-enabled ride-hailing services under the collaborative economy is one of the most dynamic and rapidly growing sectors today. While it helps address the transport problems in key cities of the country, the sector is also facing many regulatory issues. (Photo by PIDS)



ASEAN criticized for slow progress of trade negotiations

A MALAYSIAN OFFICIAL has lashed out at the Association of Southeast Asian Nations (ASEAN) over the slow progress of the negotiation process on Regional Comprehensive Economic Partnership (RCEP), which is expected to broaden the engagement among ASEAN and its foreign trade agreement (FTA) partners and enhance their participation in the economic development of the region.

During the Asia-Pacific Forum on Integration and Inclusiveness in a Digital Society, Datuk Seri Jayasiri, secretary-general of Malaysian Ministry of International Trade and Industry, lamented the slow progress of the negotiations under RCEP, which, he said, shows the lack of collective will of the ASEAN member-states and its partner countries.

“The very slow progress of RCEP is giving the impression that there is no collective will to conclude it. There is also no clear champion to push the process to the finish line. On top of that, no one is willing to give up entrenched positions for the greater good of the overall enterprise,” he said.

Considered as the ASEAN-centered proposal for a regional free trade area, RCEP would initially include the 10 ASEAN member-states and those countries that have existing FTAs with

ASEAN, namely, Australia, China, India, Japan, the Republic of Korea, and New Zealand.

‘People-centered’ initiatives pushed

Aside from the speeding up of the negotiation process, Jayasiri also encouraged the ASEAN member-states to focus not only on economic interests but also on the wider needs of ASEAN people, which will make them secure as region-wide measures are being initiated.

However, for this to happen, he noted that individual actions at the national level as well as collective actions at the regional level throughout ASEAN have to be put in place first.

Specifically, he cited the need to create greater awareness and appreciation of ASEAN and its initiatives.

A survey conducted by the Economic Research Institute for ASEAN and East Asia found an overall positive attitude toward ASEAN throughout the region. However, knowledge and appreciation of the regional bloc have remained low in some ASEAN countries.

“A one-off celebration of ASEAN day yearly is not enough. Top-down decision-making process at the national and regional levels on ASEAN matters

need to be complemented with regular stakeholder engagements, which should include nongovernment organizations, civil society, small businesses, the youth, and other interest groups,” Jayasiri pointed out.

He also suggested for ASEAN to hold more people-oriented activities regularly while reducing bureaucrats’ meetings. He added that ASEAN music, film, arts, food, and sports festivals need to be permanent features in each ASEAN country’s annual calendar of events.

Ensure benefits for MSMEs

Jayasiri likewise noted that for economic growth to be more inclusive, ASEAN must ensure that trade initiatives should benefit not just the big corporations but also the micro, small, and medium enterprises (MSMEs).

“There must be a mechanism to ensure [that] MSMEs are part of the regional value chain. In addition, services liberalization must create cross-border opportunities for smaller service providers. Thus, there is a need for greater depth in services trade liberalization,” Jayasiri stated.

He also highlighted the need to remove barriers to movement of natural persons within the region, which is “core to





a people-centered ASEAN” and an essential component for border trade potentials to be fully realized.

A free flow of trade in services through the elimination of restrictions to trade in services among ASEAN countries is already embedded in the ASEAN Framework Agreement on Services (AFAS). One of the packages under the AFAS is the mutual recognition arrangements (MRAs), which will liberalize the entry and practice of certain professions, such as nursing, accountancy, surveying, medical,

tourism, and information technology, within ASEAN.

The Malaysian trade official also emphasized the importance of connectivity within ASEAN.

Good connectivity, he said, includes reliable physical infrastructure, such as roads, railways, airports, and ports, to facilitate movement of goods, services, and natural persons. He added that digital infrastructure to enhance information connectivity is a must for a people-centered ASEAN.

The Asia-Pacific Forum, spearheaded by state think tank Philippine Institute for Development Studies and Japan Economic Foundation, is an annual forum that engages experts, officials, and ex-officials in a dialogue on trade, regional economic integration, and growth strategies in the Asia Pacific. Last November, it convened eminent scholars and officials from ASEAN+6 countries, who shared their insights and recommendations concerning the forum theme, “Integration and Inclusiveness in a Digital Society”. **GGM**





Free trade takes back seat under Duterte

THE FREE TRADE movement in the Philippines “took back seat” as the Duterte administration shifted the government focus to addressing the ills of society, according to a Philippine trade expert.

During the Asia-Pacific Forum 2017 on Integration and Inclusiveness in a Digital Society, Dr. Thomas Aquino, former undersecretary of the Department of Trade and Industry, claimed the current administration is prioritizing issues that confront the Philippine leadership, such as the integration of the Philippine society via new legislation and the challenges facing Mindanao, while pushing the free trade movement to the back seat.

This is manifested in the country’s stand on bilateral relationships, which according to Aquino, have already gravitated toward basic issues, such as respect for sovereignty and other domestic priorities.

Specifically, the trade expert expressed disappointment on the manner the President handled himself during the 31st ASEAN Summit held in the country recently, where “very little came out from him with respect to, not just regional, not just bilateral, but also on any international issues.”

ASEAN stands for the Association of Southeast Asian Nations, which include the Philippines as a member-state.

Unfortunately, such nationalistic sentiments tend to pressure the governments in the economic bloc to advocate for more restrictive and inward-looking policies that limit economic growth and trade in the region, said Dr. Yose Rizal Damuri, chief economist of Indonesia-based Center for Strategic and International Studies.

“For Indonesia itself, one can see the increasing trend of number of restrictions, where 35 percent of tariff lines have already been subjected to nontariff measures,” he explained.

In a study earlier this year, Dr. Erlinda Medalla and Melalyn Mantaring, research fellow and project development officer, respectively, at PIDS, argued that the excessive use of nontariff measures in the ASEAN remain as barriers to intraregional trade. Such measures affect global and regional production chains by unnecessarily increasing the cost of doing business, the researchers added.

In the Philippines, the most common nontariff measures are sanitary and

phytosanitary measures, Medalla and Mantaring revealed.

Still, Aquino remained optimistic given the Philippines’ high level of participation during the ASEAN summit, which allowed the country to cultivate deeper friendships with its immediate neighbors in the region.

“Because of that, strong expectations on what the ASEAN Economic Community can achieve and on what the Regional Comprehensive Economic Partnership can truly deliver are created,” he explained.

To meet such expectations, Damuri recommended increasing investments in infrastructure, continuing openness in the region through initiatives such as AEC, and setting the deadline for the RCEP to be completed in 2018.

He also urged the ASEAN member-states to promote greater understanding on the benefits of the economic openness and harmonize the multilateral trading systems in the region.

Organized by Japan Economic Foundation and PIDS, the Asia-Pacific Forum 2017 highlights the rising protectionism that threatens the

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PH ranks low in innovation index

THE PHILIPPINES NEEDS to beef up its innovation capacity as recent data show it has not scored well in the Global Innovation Index (GII), ranking fifth among seven Association of Southeast Asian Nations member-states and 73rd among 127 countries.

According to PIDS Senior Research Fellow Jose Ramon Albert, this poor performance can be attributed to the low amount of public expenditures on research and development (R&D), inadequate number of research scientists and engineers, inadequate infrastructure, restrictive regulations that hamper the conduct of research, and the weak linkages of firms engaged in innovation activities with government and the academe.

“While the Philippines has had a slight increase in R&D expenditure as a percentage of the gross domestic product (GDP) in recent years, it spends only less than a fifth of 1 percent of the GDP,” Albert explained further during the seminar on Measuring and Examining Innovation in Philippine Business and Industry held at PIDS recently.

The United Nations Educational, Scientific, and Cultural Organization recommends that developing countries spend one percent of their GDP on R&D.

Albert revealed the Philippines’ spending level falls below that of Singapore (2.4%), Malaysia (1.3%), Thailand (0.5%), and even that of Viet Nam (0.2%).



According to PIDS Senior Research Fellow Jose Ramon G. Albert, investing on human capital will improve the country’s innovation activity. R&D spending must be complemented with capacity building of engineers, scientists, and other S&T personnel, he said. (Photo by PIDS)

Albert noted that the low spending issue on R&D activities is an old concern that reflects the little priority to science, technology, and innovation in the country.

To foster innovation in the Philippines, Albert, citing the 2015 Survey of Innovation Activities, stressed the importance of human capital investment.

“R&D spending will have little impact without a vast pool of well-trained engineers and scientists, and human resources. For instance, China’s progress can partly be attributed to its decision to open up to innovation and invest in human capital,” he said.

Albert also recommended giving assistance to micro, small, and medium enterprises (MSMEs) in terms of financial and training support. But this

should be ‘targeted’ because helping MSMEs without focus can be a recipe for disaster, he explained.

Strengthening linkages between knowledge producers and users can also improve the innovation climate in the country. According to Albert, the government will need to actively promote the free exchange of ideas and the flow of knowledge from outside companies.

“Establishments, especially large firms, need to be stimulated to cooperate for innovation rather than being averse to networking with their competitors. Improving networking and promoting linkages and collaboration among the government, industry associations, and universities and research institutions must be pursued vigorously and should be given far better budgets than what is currently available,” he said.

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Philippine BPO experiencing ‘worrisome’ decline in innovation

THE PHILIPPINE BUSINESS process outsourcing (BPO) industry has experienced a severe decline in innovation since 2009, according to a study conducted by PIDS.

In the study “Measuring and Examining Innovation in Philippine Business and Industry”, Dr. Jose Ramon Albert revealed that only one in every three BPO firms is currently active in pursuing innovation.

Specifically, merely 10 percent of BPO firms have implemented product innovation, or new or significantly improved goods or services, and

process innovation, or new production process, distribution method, or support activity for their goods or services, during the same period.

The PIDS senior research fellow attributed the said decline to the poor knowledge management and the shrinking of the employment size of firms in recent years.

Such reduction in innovative behavior, however, is not unique to the said industry as several micro, small, and medium enterprises and large firms have also witnessed decline in innovation. Nonetheless, Albert noted the reduction

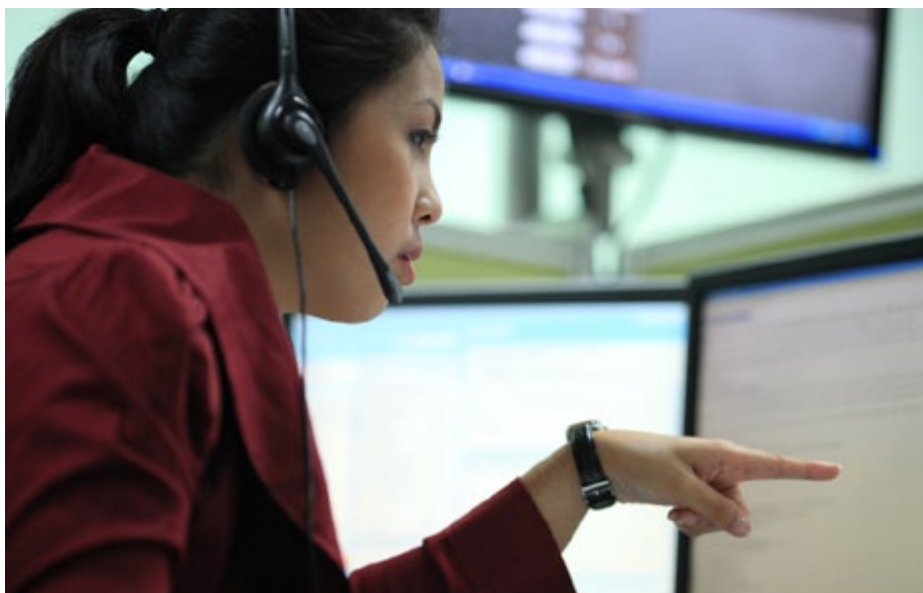
is most severe in the BPO industry, with its organizational innovation experiencing the biggest decline.

This is despite the fact that among the sectors under study, BPO firms have spent the most on innovation at PHP 12.5 million, compared to manufacturing (PHP 4.2 million), information and communications technology (PHP 3.7 million), and food manufacturing sectors (PHP 0.9 million).

BPO sector to lose jobs

According to Albert, this decline in innovative behavior is “worrisome” given that the BPO industry is already at risk of various factors, such as the America First policy of the Trump administration. He added that the automation of certain BPO services, such as customer relations and technical support, also threatens the industry’s current standing in the global market.

During the Conference on Regulation and Governance in the Philippines: Development Policy Challenges for the New Administration, Dr. Ramon Clarete, professor at the University of the Philippines School of Economics, also warned the government regarding the possible implications of the automation of such services for the local BPO labor market.



The automation of certain BPO services, such as customer relations and technical support, could trigger job losses. To prevent this from happening, the country should expand its BPO market and move up the global value chain through more complex and higher value services, according to UP Professor Ramon Clarete. (Photo by ILO in Asia and the Pacific)

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ASEAN member-states urged to address challenges in technology, innovation

TECHNOLOGY AND INNOVATION make lives easier but they also pose challenges especially for developing countries such as the Philippines.

During the 2017 Asia-Pacific Forum on the theme “Integration and Inclusiveness in a Digital Society”, experts examined the various challenges that the member-states of the Association of Southeast Asian Nations (ASEAN) face as they try to keep up with the fast-paced digital era.

For instance, Dr. Jose Ramon Albert, senior research fellow at PIDS, pointed out that “technology brought change but widened divide” globally.

At present, about half of the world’s population still do not have access to the vast resources available on the internet despite improvements in internet penetration rates and falling prices of information and communications technology services, according to Albert.

Similarly, Dr. Josef Yap, professional lecturer at the University of the Philippines School of Economics and former PIDS president, citing an Asian Development Bank paper titled “What drives Asia’s rising inequality?”, noted that technology has resulted to a rise in income inequality in Asia.

Yap said that technological progress, among other things, has opened vast economic opportunities and thus caused “increased returns to human capital and skill premium, with individuals having higher educational attainment and skill

endowment able to benefit more from the new opportunities”.

Meanwhile, Dr. Man-Jung Mignonne Chan, former director-general of the Pacific Economic Cooperation Council, recognized the positive effects brought by innovation and technology especially to the manufacturing, commerce, health, and education sectors but also mentioned that these have caused many to fear about losing their jobs.

Despite these negative impacts of innovation and technology, Dr. Tri Thanh Vo, a senior researcher from the Central Institute for Economic Management urged ASEAN member-states to take advantage of technological revolution and digital age, as these are important in creating a new dynamism for the region’s economic growth and development.

Vo also mentioned five challenges that ASEAN member-states need to address, namely, lack of human capital and talent, payment regulations and mechanisms, internet infrastructure, logistics infrastructure, and low consumer awareness and trust.

To address the problems brought about by innovation and technology, Yap highlighted the importance of making them more inclusive in three aspects— industrial inclusiveness, territorial inclusiveness, and social inclusiveness. Emphasizing that there is “nothing to dread” about technology and innovation, Chan, on the other hand, said the government should work on policies

focusing on social reengineering (e.g., preparing for phase-out industry retraining and reemployment), industry sectoral restructuring (e.g., phasing out industries that harm the environment and encouraging green technology), and regional integration (e.g., promoting cooperation in technological innovation).

Albert also underscored the need for technological innovation especially for developing countries. He also lamented how developing countries invest very little on innovation, despite it being a “major driver of economic output, productivity, and competitiveness”.

A 2016 PIDS study also showed that product and process innovations result to increase in sales and profits of firms. Sadly, only less than half of the Philippine firms are innovators, according to the latest Survey on Innovation Activities he presented during the forum.

Albert said the government plays a big role in making sure that innovation and technology remain inclusive, through creating an environment that promotes the two. He also emphasized the need to strengthen linkages among innovators “to make innovation and technology a means for social inclusion”.

The Asia-Pacific Forum jointly organized by PIDS and Japan Economic Foundation is an annual event that engages experts, officials, and ex-officials in a dialogue on trade, regional economic integration, and growth strategies in the Asia-Pacific region. **GBDC**





PIDS corner opens in Bicol for the second time



Students of Sorsogon State College browse through PIDS publications at the newly-opened PIDS corner in their library. (Photo by PIDS)

THE PHILIPPINE INSTITUTE for Development Studies (PIDS) inaugurated its 25th PIDS Corner at the main library of the Sorsogon State College (SSC) last December.

PIDS Vice-President Marife Ballesteros, who delivered the remarks of bequest on behalf of PIDS President Gilberto Llanto, said this is the second PIDS Corner in the Bicol Region with the first one installed at Bicol University in Legazpi City in 2009.

Ballesteros noted that by putting up PIDS Corners in select provincial and university-based libraries in areas outside Metro Manila, the Institute will be able to reach and encourage more students to read and use its studies as references in their research, dissertations, or papers.

“We also hope to influence local policymakers in making informed

decisions and equip them with knowledge needed to formulate effective policies through our publications,” she added.

“The PIDS Corner is our way of helping promote education and research in the country, especially in the localities, as we aim to make PIDS studies and researches more accessible and relevant to both policymakers and the general public,” she explained.

The SSC, on the other hand, was represented by Vice President for Administration Alberto Naperi, who stood in for SSC President Modesto Detera.

In his acceptance remarks, Naperi thanked PIDS for introducing and bringing the knowledge hub in Sorsogon. “Thank you for delivering these services to the province of Sorsogon. We hope that this will be the start of a new

partnership and new projects especially in research,” he said.

Naperi also underscored that SSC shares the objectives of PIDS in disseminating evidence-based studies, not only in economics, but also in other fields of development.

“SSC has the same goals as you, we want to discover knowledge and share it with the people of Sorsogon,” he stressed.

Ballesteros and Naperi, as representatives of both SSC and PIDS presidents, signed a memorandum of understanding for the establishment of the PIDS Corner. The signing was witnessed by Dr. Sheila Siar, director for research information of PIDS, and Erlinda Enguerra, SCC college librarian.

Siar discussed the various online resources of PIDS during the inauguration, such as the PIDS website, social media accounts on Facebook and Twitter, the PIDS UPDATES monthly e-newsletter, and the Socioeconomic Research Portal for the Philippines (SERP-P).

As of November 2017, SERP-P contains more than 5,000 socioeconomic materials produced by PIDS and other academic and research institutions in the Philippines, including international organizations. These materials consist of books, journal articles, policy notes, newsletters, and periodicals, among others.

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Multi-actor approach.. from p. 4

Beyond these, the use of the global positioning system (GPS) technology is also making it possible for Grab to collect and process traffic data.

Panganiban disclosed that Grab has recently partnered with the World Bank in a project to share its anonymized GPS data with the Philippine government to help it better assess and address the traffic situation in Metro Manila. At the same time, the ride-hailing company has been actively engaging with policymakers in other countries such as Singapore and Malaysia in transport matters. **SVS**

Philippine BPO... from p. 15

Clarete argued that the country would be losing BPO jobs should it fail to expand its BPO market share and move up the global value chain through more complex and higher value services, such as health-care information management outsourcing and finance and accounting outsourcing.

Among others, Albert recommends the creation of a national innovation framework and a plan of action to facilitate the interaction of players in innovation ecosystems. He also urges the government to remove barriers to innovations in regulatory frameworks and provide meaningful and impactful support to innovators.

The BPO industry is a major contributor to Philippine economic growth. In 2015, alone, it generated 1.2 million direct jobs and USD 22 billion in revenues, making it the second largest source of dollar income for the country's economy next to overseas remittances, according to the Information Technology and Business Process Association of the Philippines. **RGV**

PH ranks... from p. 10

Furthermore, Albert proposed that government should look into regulatory frameworks, as regulators may have a tendency to focus more on implementing regulations that may not be always applicable to changing environments than prioritizing the ultimate goal of public welfare.

“One can only look at the current regulatory scrutiny of the LTFRB over Grab and Uber, as an example. Regulators and legislators have to seriously examine the extent to which regulations are becoming barriers to innovation and encouraging monopolistic position in a market,” he commented.

LTFRB stands for Land Transportation Franchising and Regulatory Board, the regulatory arm of the Philippine government for public land transportation services.

Albert also urged the adoption of a “whole of government approach”

to widely promote and encourage innovation in the Philippines.

“National government agencies, local government units, and legislators need to work in tandem with academe and the business sector to foster innovation. The government needs to provide more leadership in bringing people and institutions together, and it is important to have one voice over the cacophony of discordant voices we may hear from various government entities,” he pointed out.

In particular, Albert enjoined government to focus on removing barriers and bottlenecks to innovative initiatives in regulatory frameworks and providing meaningful and impactful support to innovators. He also encouraged it to invest in required technology, research infrastructure, and R&D researchers, and carry out appropriate reforms in education, the investment climate, and trade. **RTT**

Free trade... from p. 9

promotion of cooperation, peace, and innovation in the Asia-Pacific region. It advances the use of digital technology to promote dialogue among peoples and strengthen the linkages that bind the countries in the Asia Pacific. **RGV**

PIDS corner... from p. 13

The PIDS Corner is one of the Institute's strategies to disseminate its research outputs to its target audiences, such as policymakers/legislators, researchers, educators, students, and the public in general. **RTT**

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Research Digests

PJD 2016 Vol. 43

Philippine Journal of Development 2016, No. 1

by *Various Authors*

This volume consists of articles on agriculture, the oil industry, and telecommunications. The first article studies the employment generation potential of the rice value chain in Mlang, North Cotabato. The second article focuses on the policies, problems, and priorities of the fertilizer industry in the Philippines. The third article evaluates the impact of oil price shocks on a developing and a net oil-importing economy like the Philippines. The last article on Philippine telecommunications laws and regulations examines the regulatory and policy reforms needed in order for the Philippines to qualify for emerging trade agreements such as the Trans-Pacific Partnership.

RPS 2017-02

Review and Assessment of Students Grants-in-Aid Program for Poverty Alleviation (SGP-PA) and Expanded SGP-PA: Evidence of Performance in the First Two Years

by *Denise V. Silfverberg and Aniceto C. Orbeta Jr.*

Making higher education more accessible for the poor serves the equity objective. Until today, the main policy tool to achieve this objective is funding public higher education institutions. This paper assesses a new initiative of the Philippine government called the Students Grants-in-Aid Program for Poverty Alleviation implemented starting 2012. Comparing the academic performance of grantees to that of their peers, results show that grantees from poorer socioeconomic background had only poorer grades during the first year. They were already performing at par in Math and even better in Science and English, compared to nongrantees, starting their second year. The study also highlights the importance of entrance exam scores in the academic performance of both grantees and nongrantees. Read this publication for more information about the assessment and

some of the challenges faced by the program during its first two years.

PN 2017-25

Rising to the Challenge of Eliminating All Forms of Violence Against Women and Girls

by *Clarissa C. David, Jose Ramon G. Albert, and Jana Flor V. Vizmanos*

With its commitment to achieve the Sustainable Development Goals, the Philippines has already passed various laws protecting women and children against violence, i.e., Anti-Rape Law, the Anti-VAWC act, and the Magna Carta for Women. However, despite the laws, this *Policy Note* argues that there is still limited improvement in reported experiences of violence in women. The study also reveals that the reported experience of cyberviolence among the Filipino youth is still at 42.2 percent. The study also calls for a deeper examination of the beliefs and deficits of law enforcement front liners, who are usually men, to design interventions that would provide more discipline to the discretion exercised by these officials. Find out more about the study in this *Policy Note*.

DP 2017-35

Assessment of Agribusiness Venture Arrangements and Sugarcane Block Farming for the Modernization of Agriculture

by *Blanquita R. Pantoja, Joanne V. Alvarez, and Flordeliza A. Sanchez*

The objective of this study is to assess the performance of Agribusiness Venture Arrangements (AVAs) and the Sugarcane Block Farming (SBF) in increasing farm productivity and income in the agrarian sector. The study notes several issues on production and capital investments, marketing and pricing, institutional support, and contract terms that affect the implementation of AVAs and SBF. Know more about the assessment in this paper. Some policy recommendations to improve

the competitiveness of Philippine crops are also provided.

DP 2017-38

What Determines Financial Inclusion in the Philippines? Evidence from a National Baseline Survey

by *Gilberto M. Llanto and Maureen Ane D. Rosellon*

This paper contributes to the literature on financial inclusion in the Philippines by examining three key financial services, namely, savings, credit, and insurance, and identifying individual socioeconomic characteristics that are associated with access to these financial services. Financial inclusion is also analyzed in the context of four geographical areas in the Philippines—National Capital Region, balanced Luzon, Visayas, and Mindanao—which provides more insights and a better understanding of financial inclusion. Read more about the determinants of financial inclusion and some useful inputs to policy and strategies toward inclusive finance in this paper.

DP 2017-44

Innovation Activity of Firms in the Philippines

by *Francis Mark A. Quimba, Jose Ramon G. Albert and Gilberto M. Llanto*

Set against a rapidly changing global environment, Philippine industries now, more than ever, are facing new demands that will require more innovation for firms to remain competitive across the global market. The PIDS Survey on Innovation Activities (PSIA) conducted among firms in food manufacturing, other manufacturing, information and communications technology, and business process outsourcing suggests that in 2015, about 43 percent of Philippines establishments were innovation-active. Strikingly, the BPO sector spends the most for innovation activities despite it being the least innovation-active among the various sectors at a rate of just 30 percent. Find out more about the PSIA results and some policy recommendations to encourage more firms to innovate in this paper.





Editor's... from p. 1



double-edged sword. It can empower those who have access to it yet it can also be a driver of inequality. Indeed, we can see a world where the educated and skilled are able to benefit more from the new opportunities brought by the digital economy while the less educated and less skilled are left behind.

Second, it underscores the slow progress of digital development in the country. Experts attribute this to a host of factors, including the low budget for research and development, inadequate physical infrastructure, small supply of science and technology personnel, weak linkage between innovators and users, and restrictive regulations that hamper innovation activities. A Filipino trade expert who presented at a conference organized by PIDS and Japan Economic Foundation noted the automation of customer relations and technical support, along with the Trump administration's America First Policy, as a red flag for the country's business process outsourcing (BPO) sector. To mitigate its negative impacts, the country is advised to expand its BPO market and move up the

global value chain by engaging in more complex and higher value services, such as health-care information management and finance and accounting outsourcing.

A third point highlighted in this issue is the need for effective regulations. The digital economy is beset with many challenges, such as cybersecurity, data and privacy breaches, cyberbullying, and even the spread of fake news. Making digital transactions and activities safe, secure, and reliable is necessary to uphold societal welfare. A socio-legal expert from the Australian National University that co-hosted a conference on regulation with PIDS last November emphasized the importance of respecting human rights especially in the digital age. Regulations for technology-enabled sectors should also be adaptive to suit their complex nature and unique characteristics. An example is the ride-hailing services under the sharing or collaborative economy, one of the most dynamic and rapidly growing sectors in the Philippines today yet is also facing many regulatory issues and a policy environment that

is slow at adapting to changes. However, crafting effective regulations is not the responsibility of government alone. To be largely beneficial, the regulatory process entails the participation of different actors—government, private sector, civil society, the media, among others—each playing an important role.

Completing this issue are articles about the progress of regional integration in the ASEAN region, particularly the slow pace of talks regarding the Regional Comprehensive Economic Partnership, and the priority given by the current administration to domestic concerns, such as the Mindanao challenges and the shift to a federal form of government, over regional and international economic issues. It also tackles the inauguration of the Institute's 25th PIDS Corner at the Sorsogon State College in Bicol region.

As we complete another year, we would like to thank our readers for your continued patronage of the *Development Research News* and other PIDS publications.



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Research Information Department

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

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