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How Does the Philippines Fare in Meeting the ASEAN Economic Community Vision 2025?

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List of Acronyms

2G	second generation
3G	third generation
4G	fourth generation
ACPMS	ASEAN Community Progress Monitoring System
AEC	ASEAN Economic Community
AFF	agriculture, forestry, and fisheries
APAEC	ASEAN Plan of Action for Energy Cooperation
APSC	ASEAN Political-Security Community
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
B2C	business-to-consumer
COVID-19	coronavirus disease 2019
FDI	foreign direct investment
FTA	free trade agreement
GDP	gross domestic product
GNI	gross national income
GVA	gross value added
GVC	global value chain
ICT	information and communications technology
MSMEs	micro, small, and medium enterprises
NEDA	National Economic and Development Authority
NTM	nontariff measure
PPP	public-private partnership
PDP	*Philippine Development Plan*
PSA	Philippine Statistics Authority
R&D	research and development
ROW	rest of the world
USD	United States dollar

Abstract

To develop a cohesive, economically integrated, socially responsible, people-oriented, people-centered, and rules-based region, the Association of Southeast Asian Nations (ASEAN) Community was established in November 2015. It is composed of three pillars: the ASEAN Economic Community (AEC), the ASEAN Socio-Cultural Community, and the ASEAN Political-Security Community. Each pillar corresponds to a blueprint and is a part of the general master plan ASEAN Community Vision 2025 with the theme "ASEAN 2025: Forging Ahead Together". This study focuses on the *AEC Blueprint 2025* and its characteristics and elements. More than five years since its establishment, there is a need to assess the performance of the Philippines in the AEC key result areas. By comparing the baseline with the most recent data, this study found that the Philippines is in the middle of the pack (ranking from 4th to 6th) among ASEAN countries. In terms of AEC vision and goals, the country's performance suggests that it is generally on track and progressing in the right direction.

Introduction

The Association of Southeast Asian Nations (ASEAN) adopted the *ASEAN Economic Community (AEC) Blueprint 2025* on November 22, 2015 at the 27th ASEAN Summit in Kuala Lumpur, Malaysia. The blueprint consists of five interrelated and mutually reinforcing characteristics: (1) a highly integrated and cohesive economy; (2) a competitive, innovative, and dynamic ASEAN; (3) an enhanced connectivity and sectoral cooperation; (4) a resilient, inclusive, people-oriented, and people-centered ASEAN; and (5) a global ASEAN. Its operationalization lies in the work implementation plans of various sectoral bodies (ASEAN Secretariat 2020).

The history of AEC (Table 1) can be traced back to the 1997 Asian financial crisis, which pushed ASEAN to deepen regional economic cooperation to develop the capacity for coordinated macroeconomic response to avert future crises (Menon and Lee 2019).

Table 1. Timeline of the establishment of *AEC Blueprint 2025*

Date	Event
1997 July 23	ASEAN adopts the ASEAN Vision 2020
1998 December 15	ASEAN adopts the Hanoi Plan of Action, which paved the way for a greater level of cooperation beyond what was involved in the ASEAN Vision 2020
2003 October 07	Signing of the Declaration of ASEAN Concord II, which established the goal of creating the ASEAN Economic Community by 2020 (under the goals of ASEAN Vision 2020)
2007 January 13	Signing of the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015
2007 November 20	Adoption of the *AEC Blueprint* for 2008 to 2015 (the master plan for the establishment of the AEC)
2015 November 23	Official launch of the *AEC Blueprint 2025*

ASEAN = Association of Southeast Asian Nations; AEC = ASEAN Economic Community
Source: Abonyi and Abe (2016)

Even before the *AEC Blueprint 2025* was launched, the region already benefited from the first AEC blueprint. According to Lehmacher (2016), ASEAN trade increased by a value of nearly USD 1 trillion from 2007 to 2014. Most were trade within the region (24%), followed by trade with China (14%), Europe (10%), Japan (9%), and the United States (8%). During the same period, foreign direct investment (FDI) rose from

USD 85 billion to USD 136 billion, while share to the world increased from 5 percent to 11 percent.

Despite these achievements, there remains a large potential for further growth. With a population of 622 million, ASEAN is the world's third-largest market; and only behind China and India as the third-largest labor force. In 2014, ASEAN was the seventh-largest economic power in the world and the third-largest economy in Asia, with a combined GDP of USD 2.6 trillion (Lehmacher 2016).

The ASEAN Community was formed to maximize the region's potential, with the *AEC Blueprint 2025* setting out the strategic sectoral plans and targets. These sectoral plans must be reviewed and updated periodically to ensure their relevance and effectiveness. Likewise, partnerships with the private sector, industry associations, and the wider community at the regional and national levels must be actively sought and fostered to promote inclusivity.

To support the Philippine development goals, this study provides updated data for each indicator under the *AEC Blueprint 2025*. The authors gathered the data from various international organizations' databases and the ASEAN Secretariat's official documents.

This study also assesses how the Philippines fared from 2005 to 2019 in the AEC. In particular, it examines the country's progress per AEC characteristic and indicator and its performance compared to other ASEAN economies. Lastly, it looks into areas that the Philippines needs to improve.

Moreover, the authors discuss the *Philippine Development Plan (PDP) 2017–2022* and map interrelated indicators with the AEC. They also present an overview of the country's performance and the likelihood of achieving the PDP goals corresponding to AEC characteristic and indicator. This is to track where the focus of stakeholders and policymakers should be.

The repository of AEC data per characteristic, key result areas, and indicators aims to guide stakeholders in making informed decisions to achieve the *AEC 2025 Blueprint* and the *PDP 2017–2022* goals. The repository also enabled the authors to come up with recommendations based on the best practices of other countries that could be applied in the Philippines.

Objectives

This study tracks the Philippines' progress in achieving the characteristics and key result areas outlined in the *AEC Blueprint 2025*. The specific objectives of the study are:

- to have a repository of AEC data per characteristics, key result areas, and indicators;
- to rank the Philippines' performance vis-à-vis ASEAN neighbors;
- to examine the Philippines' performance based on alignment between the *AEC Blueprint 2025* and the *Philippine Development Plan 2017–2022* goals; and
- to identify areas for improvement and provide policy recommendations to address bottlenecks.

Significance of the study

The data and analyses will equip AEC stakeholders (including policymakers, the private sector, and civil society organizations) with information that may influence plans of action to address gaps in the socioeconomic planning and implementation processes that may have hindered the country from achieving specific goals in the AEC.

Since the Philippines' progress in the AEC can be linked with the PDP and *AmBisyon Natin 2040*, an analysis of the country's performance could help draw a clear picture of where the Philippines stand on national and regional levels visions.

This study also supports raising awareness of Filipinos on ASEAN, including on how the Philippines contributes to the AEC. Siar et al. (2017, p.26) revealed that Filipinos have a "moderate" familiarity with ASEAN. Thus, there is a need for "more vigorous communication and outreach activities to increase awareness of ASEAN and promote a deeper understanding of how it is working for the benefit of ASEAN peoples". Despite ASEAN's achievements, Filipinos still do not have enough information about how the Philippines has performed in the economic community.

The citizens are one of the country's most important partners in addressing socioeconomic gaps and achieving progress in the AEC. Therefore, it is essential to keep them informed and updated by disseminating data, statistics, and reports or articles that could help them better understand the progress and challenges of the Philippines in the AEC.

With the awareness that they are part of the AEC, people can also be encouraged to participate and even take concrete actions to contribute to community building. It also presents an opportunity to identify the Philippines' best practices that could be shared with the public and other ASEAN countries.

Organization

The second part of this paper presents an overview of the AEC Community Vision 2025. Meanwhile, the third part presents the conceptual framework and methodology used in this paper, and the fourth section discusses the analyses per AEC characteristic. The fifth section covers the authors' analyses of the Philippines' performance in the AEC and its alignment to PDP. Lastly, the sixth section concludes and provides policy recommendations to address bottlenecks and suggests ways forward.

Limitations

Since the *AEC Blueprint 2025* was developed and implemented prior to the coronavirus disease 2019 (COVID-19) pandemic, its effects and spillovers (such as hastening digitalization across all characteristics and indicators) were just briefly tackled. Thus, the authors elaborated on the impact of the COVID-19 pandemic on the AEC performance to frame the study with the COVID-19 numbers.

Indicators were used in the study to assess the performance of the Philippines. However, there could be other methodologies to determine the progress in attaining the AEC goals, such as analyzing official documents on policies and regulations implemented following the strategies stated in the AEC blueprint. These were not covered in the study, but the authors recommended them in future research.

Overview of the ASEAN Economic Community Vision 2025

The AEC is one of the three pillars comprising the ASEAN Community. The other two are the ASEAN Socio-Cultural Community (ASCC) and the ASEAN Political-Security Community (APSC). The AEC was formally established in November 2015 during the 27th ASEAN Summit in Kuala Lumpur, Malaysia. It follows the ASEAN motto of "One Vision, One Identity, One Community" through a rules-based, people-oriented, and people-centered community (ASEAN Secretariat 2015a). In the same summit, ASEAN leaders pledged continuous commitment to achieve regional prosperity and peace and adopted the ASEAN Community Vision 2025, a 10-year community-building strategy composed of the AEC, ASCC, and APSC blueprints (Table 2). In particular, the *AEC Blueprint 2025* envisions a community that is highly integrated with regional and global levels, competitive and innovative, and more connected, resilient, and inclusive.

Table 2. ASEAN Economic Community Vision 2025

ASEAN Community Vision 2025 A ten-year path toward an integrated, peaceful, and stable community with shared prosperity		
ASEAN Economic Community	**ASEAN Socio-Cultural Community**	**ASEAN Political-Security Community**
A highly integrated and cohesive, competitive, innovative, and dynamic region with enhanced connectivity and sectoral cooperation and a more resilient, inclusive, and people-oriented, people-centered community, integrated with the global economy, by 2025	A community that engages and benefits the people and is inclusive, sustainable, resilient, and dynamic by 2025	A united, inclusive, and resilient community by 2025

ASEAN = Association of Southeast Asian Nations
Source: Authors' compilation based on ASEAN Secretariat (2015a)

Each blueprint comprises characteristics of the envisioned community, while each characteristic is composed of elements or key result areas with strategies to achieve the community goals. The *AEC Blueprint 2025* has five key characteristics with various elements:

- *Characteristic 1: A highly integrated and cohesive economy.* This characteristic aims to facilitate seamless movement of goods, services, investment, capital, and skilled labor within ASEAN to enhance the region's trade and production networks and establish a more unified market for its firms and consumers. Its key elements include (1) trade in goods; (2) trade in services; (3) investment environment; (4) financial integration, inclusion, and stability; (4) facilitating the movement of skilled labor and business visitors; and (5) enhancing participation in global value chains (ASEAN Secretariat 2015a).

- *Characteristic 2: A competitive, innovative, and dynamic ASEAN.* This characteristic focuses on increasing the region's competitiveness and productivity. Its key elements include (1) effective competition policy; (2) consumer protection; (3) strengthening intellectual property rights cooperation; (4) productivity-driven growth, innovation, research and development (R&D), and technology commercialization; (5) taxation cooperation; (6) good governance; (7) effective, efficient, coherent, and responsive regulations and good regulatory practice; (8) sustainable economic development; and (9) global megatrends and emerging trade-related issues (ASEAN Secretariat 2015a).
- *Characteristic 3: Enhanced connectivity and sectoral cooperation.* This characteristic seeks to enhance economic connectivity in various sectors, such as transport, telecommunication, and energy. It also aims to create an integrated and sustainable economic region with improved overall competitiveness and strengthened soft and hard networks. Its key elements include (1) transport; (2) information and communications technology (ICT); (3) e-commerce; (4) energy; (5) food, agriculture, and forestry; (6) tourism; (7) healthcare; (8) minerals; and (9) science and technology (ASEAN Secretariat 2015a).
- *Characteristic 4: A resilient, inclusive, people-oriented, and people-centered ASEAN.* This characteristic aims to enhance equitable economic development in the region to ensure shared benefits of integration to all sectors of the society and economy and all countries in the region. Its key elements include (1) strengthening the role of micro, small, and medium enterprises (MSMEs); (2) strengthening the role of the private sector; (3) public-private partnership (PPP); (4) narrowing the development gap; and (5) contribution of stakeholders on regional integration efforts (ASEAN Secretariat 2015a).
- *Characteristic 5: A global ASEAN.* This characteristic seeks to strengthen further the ASEAN's position as an open and inclusive economic region and promote complementarities and mutual benefits for the region. Its key elements include

> (1) developing a more strategic and coherent approach toward external economic relations; (2) reviewing and improving ASEAN free trade agreements (FTAs) and comprehensive economic partnerships; (3) enhancing economic partnerships with non-FTA Dialogue Partners; (4) engaging with regional and global partners to explore strategic engagement; (5) supporting the multilateral trading system strongly and actively participating in regional fora; and (6) promoting engagement with global and regional institutions (ASEAN Secretariat 2015a).

Progress monitoring in the AEC

Monitoring tools are important to keep track of the regional integration process and progress in achieving the ASEAN Community aspirations. To document the region's progress, the ASEAN Secretariat published the ASEAN Community Progress Monitoring System (ACPMS) reports. The first ACPMS report was released in 2007, which provided statistics on integration outcomes under the AEC and ASCC and indicators on global development goals (ASEAN Secretariat 2017b). It complemented other monitoring efforts in ASEAN, such as community scorecards and sector-specific surveillance tools. The second ACPMS report was released in 2012.

The ACPMS reports in 2007 and 2012 presented the AEC and ASCC indicators of progress toward forming the ASEAN Community 2015. The 2007 report examined 47 indicators (21 for AEC), while the 2012 report presented 57 indicators (26 for AEC). Both reports revealed that ASEAN had considerable accomplishments in trade, sectoral objectives, and socioeconomic goals. Under the AEC, much progress has been made in liberalizing the market for goods and services with the elimination of tariffs and reduction of business restrictions; increased participation in global value chains (GVCs) through the ratification of FTAs; reduced trade cost through cross-border trade facilitation; and enhanced connectivity and cross-border movement of people (ASEAN Secretariat 2017b). However, the reports also identified the varying levels of development, cultures, and systems across ASEAN member-states as challenges in achieving regional integration.

The third and latest ACPMS report was released in 2017, two years after the ASEAN Community was established. The 2017 report differs from the two previous reports, as it was targeted at measuring the progress in realizing the ASEAN Community Vision 2025 with the AEC and ASCC 2025 blueprints as reference. The report contained 30 indicators, 15 for AEC and 15 for ASCC. The 15 indicators in the *AEC Blueprint 2025* showed that in the decade (2005–2015) leading to the establishment of the ASEAN Community, the region has undertaken significant economic achievements toward greater integration, innovation, and connectivity and narrowing the development divide within the community.

Conceptual Framework and Methodology

Three major documents guided this research: the two of them were the *AEC Blueprint 2025* and the *PDP 2017–2022*. Both documents provided the key elements monitored. The third document was the *ACPMS 2017*, which was used as a reference in the *AEC Blueprint 2025* in identifying indicators for monitoring the progress of ASEAN member-states. These indicators provided statistics on outcomes of strategies under the AEC and ASCC pillars.

The same AEC indicators in the *ACPMS 2017* were used in this study to assess the performance of the Philippines in key result areas (elements) and characteristics of the AEC (Table 3). The ACPMS report identified 15 core indicators related to the five characteristics articulated in the *AEC Blueprint 2025*.[1] Selected supplementary indicators identified in the said report are also analyzed.

The core indicators were identified to track the most essential elements of the AEC, while the supporting indicators were included to discuss elements or key result areas that were not accounted for by the core indicators (ASEAN Secretariat 2017b). For instance, Characteristic 1 core indicators related to exports and imports in goods and services represent the outcome of key result areas related to trade in goods and services. Foreign direct investment (FDI) value was used as an indicator for the investment environment. Meanwhile, supporting indicators, such as account at a financial institution, was used to measure key result area related to financial inclusion.

[1] The number of core indicators was selected as it makes progress monitoring manageable and the monitoring system sustainable (ASEAN Secretariat 2017b).

Table 3. AEC characteristics, key result areas, and indicators vis-à-vis PDP pillars and indicators

AEC Characteristic	AEC Key Result Areas (Elements)	AEC Indicators	PDP Pillars	PDP Indicators
A highly integrated and cohesive economy	• Trade in goods • Trade in services • Investment environment • Financial integration, financial inclusion, and financial stability • Facilitating movement of skilled labor and business visitors • Enhancing participation in global value chains	**Core:** • Value and share/proportion of intra-ASEAN exports and imports in total trade • Value of intra-ASEAN trade in services (exports and imports), total and by category; • Value of intra-ASEAN inward FDI, total and by sector/industry **Supporting:** • Share of services sector in GDP • Intra-ASEAN intra-industry trade index • Tariffs on intra-ASEAN imports • Trade in value-added share of gross exports (foreign, domestic) • Account at a financial institution, poorest 40% (% ages 15+) • Share of intra-ASEAN portfolio investments to total portfolio investments	**Inequality-reducing transformation** • Expand economic opportunities in AFF (Chapter 8) • Expand Economic opportunities in I&S (Chapter 9) **Enabling and supportive economic environment** Chapter 15: Sustain a sound, stable, and supportive macroeconomic environment	Chapter 8: Growth in the value of agriculture and fishery exports Chapter 9: • Total approved investments increased • Net foreign direct investment • Number of MSMEs participating in global value chains increased Chapter 15: Increase in merchandise, services exports

Table 3. (continued)

AEC Characteristic	AEC Key Result Areas (Elements)	AEC Indicators	PDP Pillars	PDP Indicators
A competitive, innovative, and dynamic ASEAN	• Effective competition policy • Consumer protection • Strengthening intellectual property rights cooperation • Productivity-driven growth, innovation, R&D, and technology commercialization • Taxation cooperation • Good governance • Effective, efficient, coherent, and responsive regulations and good regulatory practice • Sustainable economic development • Global megatrends and emerging trade-related issues	**Core:** • Labor productivity, by sector • R&D expenditures, as percentage of GDP • Global Competitiveness Index (GCI) **Supporting:** • Number of patent and trademark applications by residents • Number of R&D personnel (per million people) • Time required to start a business • WGI–Control of Corruption	**Enhancing the social fabric** Chapter 5: Ensuring people-centered, clean, and efficient governance **Inequality-reducing transformation** • Chapter 8: Expanding economic opportunities in AFF • Chapter 9: Expand economic opportunities in I&S **Increasing growth potential** • Chapter 14: Leveraging science, technology, and innovation	Chapter 5: • Percentile ranking in the WGI-Control of Corruption improved • Percentile ranking in the GCI improved • Percentile ranking in the WGI-Government Effectiveness improved • Percentile ranking in the WGI-Voice and Accountability improved Chapter 8: Expanding economic opportunities in AFF • Labor productivity in industry sector increased • Labor productivity in service sector increased Chapter 9: Expand economic opportunities in I&S • Level of consumer awareness increased (%) Chapter 14: Leveraging science, technology, and innovation • Total number of Filipino utility model registered; • Total Filipino utility model registered • R&D expenditure as a proportion of GDP • Rank in the World Economic Forum's GCI • Proportion of high-tech agriculture, industry, and services in sectoral value-added

Table 3. (continued)

AEC Characteristic	AEC Key Result Areas (Elements)	AEC Indicators	PDP Pillars	PDP Indicators
Enhanced connectivity and sectoral cooperation	• Transport • ICT • E-commerce • Energy • Food, agriculture, and forestry • Tourism • Healthcare • Minerals • Science and technology	**Core:** • Intra-ASEAN tourist arrivals • Fixed broadband subscriptions (per 100 people) • Passengers and freight volume, by mode of transport **Supporting:** • Extra-ASEAN tourist arrivals • Proportion of population covered by mobile network (2G, 3G, 4G) • Logistics Performance Index • Percentage of renewable energy in primary energy supply • Intensity level of primary energy • Mineral rents (% of GDP) • Adjusted savings: mineral depletion (% of GNI); • Intra-ASEAN trade in minerals (exports, imports) • Liner Shipping Connectivity Index; • Business-to-Consumer E-commerce Index	**Increasing growth potential** Chapter 19: Infrastructure development	Chapter 19: Infrastructure development • Air passenger traffic increased (international and domestic) in number of passengers • Air cargo traffic increased (international and domestic) in metric tons (MT) • Number of round-trip international flights increased • Number of round-trip domestic flights increased • Number of ship calls increased • Number of passengers transported via sea increased • Water cargo shipped increased (international and domestic) in MT

Table 3. (continued)

AEC Characteristic	AEC Key Result Areas (Elements)	AEC Indicators	PDP Pillars	PDP Indicators
Resilient, inclusive, people-oriented, and people-centered ASEAN	• Strengthening the role of MSMEs • Strengthening the role of the private sector • Public-private partnership; • Narrowing the development gap; • Contribution of stakeholders on regional integration efforts	**Core:** • Number of MSMEs per 1,000 persons • Ratio between average GDP per capita in ASEAN+6 and CLMV • Labor force participation rate for ages 15–24 (youth), total (%) **Supporting:** • ASEAN+6:CLMV gap in intra-ASEAN trade • ASEAN+6:CLMV gap in inward FDI • Private partnership investment in infrastructure (energy, transport, ICT, and water and sanitation) • Domestic credit to the private sector (% of GDP)	**Enabling and supportive economic environment** • Chapter 10: Accelerating human capital development inequality-reducing transformation • Expand economic opportunities in I&S (Chapter 9)	Chapter 10: • Decrease percentage of youth NEET (not in education, employment, and training) Chapter 9: • Number of MSMEs participating in global value chains increased

Table 3. (continued)

AEC Characteristic	AEC Key Result Areas (Elements)	AEC Indicators	PDP Pillars	PDP Indicators
A global ASEAN	• Develop a more strategic and coherent approach toward external economic relations • Continue to review and improve ASEAN FTAs and CEPs • Enhance economic partnerships with non-FTA dialogue partners • Engage with regional and global partners to explore strategic engagement • Continue strongly supporting the multilateral trading system and actively participating in regional fora • Continue to promote engagement with global and regional institutions	**Core:** • Tariff rates on extra-ASEAN imports and imports from ASEAN FTA partners • Extra-ASEAN trade • FDI flows from ASEAN to the rest of the world, and from the rest of the world to ASEAN (No supporting indicators)	**Foundations for sustainable development** • Chapter 18: Ensuring security, public order, and safety **Enabling and supportive economic environment** • Chapter 15: Sustain a sound, stable, and supportive macroeconomic environment	Indirect indicators: Increase in merchandise, services exports

ASEAN = Association of Southeast Asian Nations; AEC = ASEAN Economic Community; PDP = Philippine Development Plan; GDP = gross domestic product; WGI = Worldwide Governance Indicators; MSMEs = micro, small, and medium enterprises; R&D = research and development; AFF = agriculture, forestry, and fisheries; I&S = industry and services; 2G = second generation; 3G = third generation; 4G = fourth generation; GNI = gross national income; ASEAN+6 = Australia, China, India, Japan, New Zealand, and South Korea; CLMV = Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; FDI = foreign direct investment; ICT = information and communications technology; CEP = closer economic partnership
Source: Authors' compilation based on ASEAN Secretariat (2017a, 2017b) and NEDA (2017)

Under Characteristic 2, the core indicators are labor productivity, R&D expenditure, and competitiveness index, which are related to productivity-driven growth, effective competition policy, innovation, and R&D. There are also supporting indicators. However, they were not able to account for the rest of the key result areas.

As stated in the *ACPMS 2017*, the indicators do not exhaustively and perfectly represent the AEC characteristics as there are more AEC key result areas and elements than the indicators identified. The availability of data was also considered. However, the use of indicators was deemed a relevant approach as it provides a method that contributes to the review and analysis of the progress made in the AEC blueprint.

The country's commitment under the ASEAN Community is expected to produce domestic improvements. Hence, this study highlights the Philippine context in relation to *PDP 2017–2022* goals. This study also situates the Philippine performance with the other ASEAN member-states, cites achievements, and identifies implications on policy.

Further, the study includes insights related to the *PDP 2017–2022* and *AmBisyon Natin 2040* (see Box 1) in examining policy implications as there is comparability between the PDP pillars and the AEC characteristics. This is also presented in Table 3, which maps the PDP pillars (and indicators) with the AEC characteristics.

Data for the 15 core indicators and supporting indicators were collected from various international organizations' databases and reports, the ASEAN economies' official documents, the ASEAN Secretariat's database and yearbooks, and the *ACPMS 2017* report. Further, data on selected PDP indicators related to the AEC were collected from the *PDP 2017–2022 Results Matrices* compiled by the National Economic and Development Authority (NEDA).

Using data series from 2005 to 2019 (subject to availability of data), the study looks at the trends and performance ranking of the Philippines and other ASEAN economies in each indicator. Likewise, it compares the country's performance with the goals/targets (qualitative or quantitative) stated in the AEC Vision 2025 and the PDP.

To summarize the ranking of the Philippines in each AEC indicator, its performance is categorized into the top (placing 1st to 3rd); middle (placing 4th to 6th); and bottom (placing 7th to 10th). Meanwhile, to summarize the trends in performance in each indicator, two categories were used: (1) on track, if improving and directed toward the AEC vision

Box 1. Philippine development strategy: Key strategies and goals of *PDP 2017–2022* and *AmBisyon Natin 2040*

The *AmBisyon Natin 2040* identified four areas for strategic policies, programs, and projects. These are: (1) building a prosperous, predominantly middle-class society where no one is poor; (2) promoting a long and healthy life; (3) becoming smarter and more innovative; and (4) building a high-trust society (NEDA 2017). Approved and adopted in October 2016, it envisions that:

> *"In 2040, we [Filipinos] will all enjoy a stable and comfortable lifestyle, secure in the knowledge that we have enough for our daily needs and unexpected expenses, that we can plan and prepare for our own and our children's future. Our family lives together in a place of our own, and we have the freedom to go where we desire, protected and enabled by a clean, efficient, and fair government (NEDA 2016, p.1)."*

The *PDP 2017–2022* outlines the development strategy in achieving the 25-year long-term vision *AmBisyon Natin 2040*. The PDP is consistent with the priorities of the 10-point socioeconomic agenda of the government. It addresses the concerns of stakeholders, and is in tune with other international commitments, such as the Sustainable Development Goals (Sombilla 2017).

The overall strategic framework of the *PDP 2017–2022* is composed of three (3) pillars that are supported by an enabling economic environment. This framework intersects with some of the AEC characteristics. NEDA (2017, p.12) described each pillar as:

Pillar 1: Enhancing the social fabric (*malasakit*). There will be greater trust in public institutions and across all of society. Government will be people-centered, clean, and efficient. Administration of justice will be swift and fair. There will be greater awareness about and respect for the diversity of our cultures.

Pillar 2: Inequality-reducing transformation (*pagbabago*). There will be greater economic opportunities, coming from the domestic market and the rest of the world. Access to these opportunities will be made easier. Special attention will be given to the disadvantaged subsectors and people groups.

Pillar 3: Increasing growth potential (*patuloy na pag-unlad*). Many more will adopt modern technology, especially for production. Innovation will be further encouraged, especially in keeping with the harmonized research and development agenda. In order to accelerate economic growth even more in the succeeding Plan periods, interventions to manage population growth will be implemented and investments for human capital development will be increased.

Enabling and supportive economic environment: There will be macroeconomic stability, supported by strategic trade and fiscal policies. A strong and credible competition policy will level the playing field and encourage more investments.

Source: NEDA (2016, 2017)

or target, and (2) off track, if not moving toward the AEC vision or there has been no significant progress in meeting targets. For example, the AEC Vision 2025 aspires that the member-states are innovative and have intensified R&D. To examine the progress of the Philippines in this area, this study used R&D expenditure (% GDP) as an indicator. Increasing values were interpreted as being on track, while decreasing or unchanging values described the country as off track.

How Does the Philippines Fare in the AEC Vision 2025?

This section discusses the performance of the Philippines and its ASEAN neighbors in each AEC characteristic using the 15 AEC core indicators and supporting indicators identified in Table 3. The latest available data on these indicators were collected. Selected indicators are presented here, while the rest are in Appendix 1.

Characteristic 1: Highly integrated and cohesive economy

For most of the indicators, the overall rank of the Philippines is around the lower middle (highest is fourth) vis-à-vis other ASEAN countries. In terms of the AEC Vision 2025 targets, the country experiences upward trends in trade in goods and services, participation in GVCs, and financial inclusion.

The Philippines has registered increasing trends in intra-ASEAN exports and imports of goods from 2005–2019 but fare relatively poor vis-à-vis ASEAN neighbors (Tables 4 and 5). Import values increased by 245 percent. Despite being the lowest among the ASEAN-5,[2] the country's ratio to total intra-ASEAN trade was one of the highest. Meanwhile, exports value increased by over 50 percent during the period. However, the country consistently fared below the regional average. Exports to ASEAN were only 30 percent of ASEAN (simple) average. While the import participation of the Philippines in the ASEAN production network is growing, there is room for improvement in exporting to the region and in intra-industry trade.

[2] ASEAN-5 refers to the founding members of the regional group, namely, Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Table 4. Intra-ASEAN exports (in USD millions)

Country	Value	Ratio (%) to X+M	Value	Ratio (%) to X+M	Value	Ratio (%) to X+M
	2005		2015		2019	
Brunei Darussalam	1,529.01	67.43	1,239.50	46.86	2,486.85	60.30
Cambodia	144.45	12.33	689.50	12.85	1,360.20	15.20
Indonesia	15,823.72	47.73	33,572.26	46.32	41,593.99	51.26
Lao PDR	147.62	28.95	1,578.00	36.22	3,512.71	49.98
Malaysia	36,633.64	55.68	56,169.12	54.61	68,557.13	58.05
Myanmar	1,559.71	97.71	4,289.50	37.98	4,283.50	34.63
Philippines	7,149.95	44.62	8,536.88	33.37	10,815.67	26.10
Singapore	72,513.05	58.08	107,802.94	62.43	112,026.58	58.81
Thailand	23,866.97	52.55	55,165.01	57.32	62,885.12	56.28
Viet Nam	5,030.06	36.01	18,063.71	43.12	24,919.57	43.69
ASEAN	164,398.18	53.95	287,106.42	53.63	332,441.32	52.57

ASEAN = Association of Southeast Asian Nations; USD = United States dollar; X = exports;
M = imports; PDR = People's Democratic Republic
Source: ASEANstats (2020)

Table 5. Intra-ASEAN imports (in USD millions)

Country	Value	Ratio (%) to X+M	Value	Ratio (%) to X+M	Value	Ratio (%) to X+M
	2005		2015		2019	
Brunei Darussalam	738.48	32.57	1,405.44	53.14	1,637.49	39.70
Cambodia	1,026.82	87.67	4,677.33	87.15	7,589.69	84.80
Indonesia	17,329.46	52.27	38,912.70	53.68	39,551.91	48.74
Lao PDR	362.37	71.05	2,778.85	63.78	3,514.93	50.02
Malaysia	29,163.99	44.32	46,678.65	45.39	49,538.10	41.95
Myanmar	36.63	2.29	7,005.29	62.02	8,086.46	65.37
Philippines	8,874.27	55.38	17,041.97	66.63	30,619.09	73.90
Singapore	52,330.49	41.92	64,874.52	37.57	78,449.86	41.19
Thailand	21,552.41	47.45	41,071.82	42.68	48,857.68	43.72
Viet Nam	8,937.67	63.99	23,827.40	56.88	32,111.15	56.31
ASEAN	140,352.59	46.05	248,273.97	46.37	299,956.36	47.43

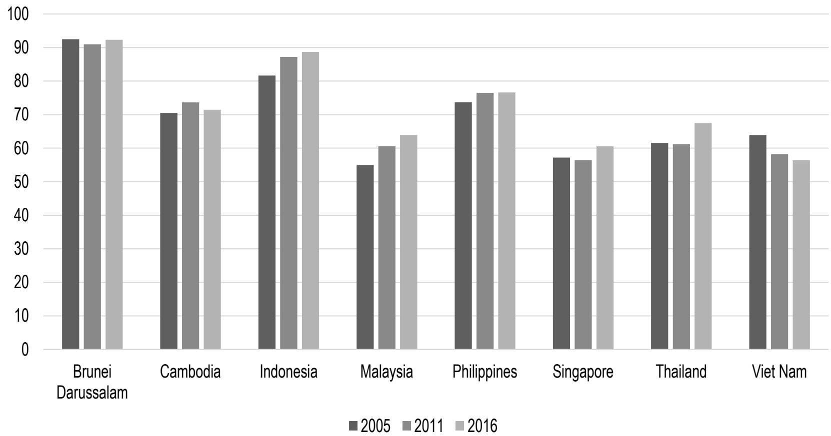
ASEAN = Association of Southeast Asian Nations; USD = United States dollar; X = exports;
M = imports; PDR = People's Democratic Republic
Source: ASEANstats (2020)

As for participation in GVCs, the Philippine domestic industry has been contributing substantially to the value of gross exports (76% on an annual average from 2005 to 2016), as seen in Figure 1. The country consistently ranked third in the domestic value-added share of gross exports and showed a 3.95-percent increase from 2005 to 2016. Meanwhile, the Philippines ranked sixth in foreign value-added share of gross exports, with shares on a declining trend (Figure 2).

Following the ASEAN Trade in Goods Agreement, the Philippines reduced the tariffs applied to imports from ASEAN to 0.04 in 2019. However, it should be noted that nontariff measures (NTMs) impact trade, even if tariffs are already low or eliminated. Quimba and Calizo's (2018) study on Philippine NTMs suggests that the procedural and documentary requirements, costs associated with compliance to technical standards, and nontechnical measures (e.g., price control measures and finance measures) imposed by the government on imports are obstacles to trade.

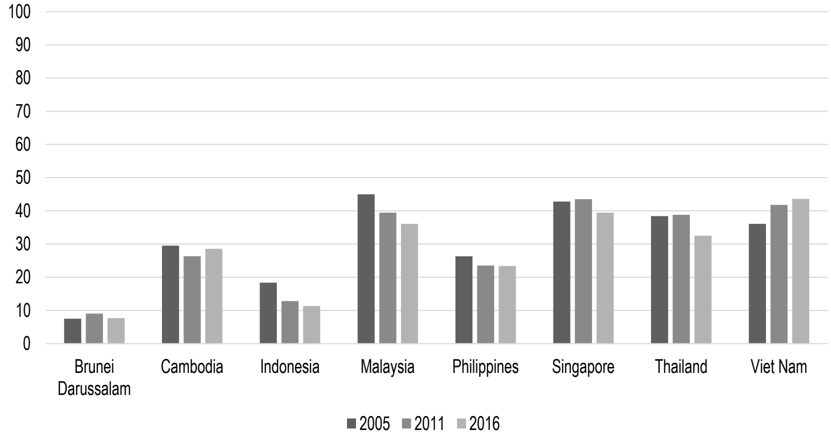
The Philippines has one of the highest share of services in GDP, second only to Singapore (Figure 3). This may be attributed to the back-office services in the country. The performance of the Philippines indicates high and sustained domestic economic activity in the services sector. However, the country also has restrictive policy measures in services.

Figure 1. Domestic value-added share of gross exports



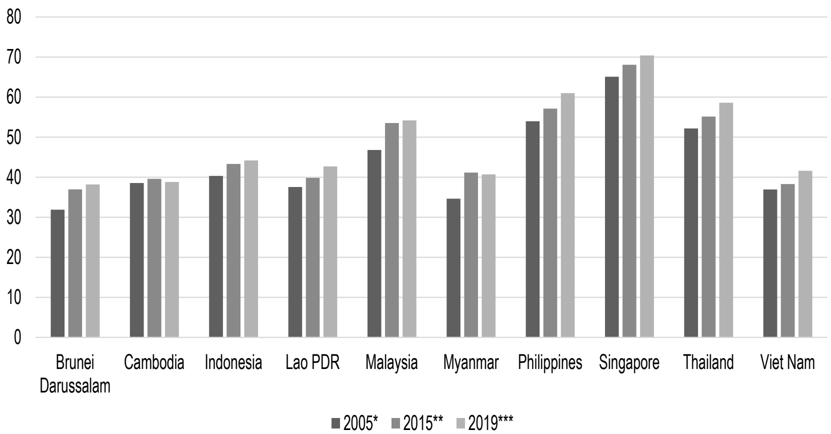
PDR = People's Democratic Republic
Note: Data are unavailable for Lao PDR and Myanmar.
Source: OECD (2020)

Figure 2. Foreign value-added share of gross exports



PDR = People's Democratic Republic
Note: Data are unavailable for Lao PDR and Myanmar.
Source: OECD (2020)

Figure 3. Share of services sector in GDP (%)



GDP = gross domestic product; PDR = People's Democratic Republic
Notes:
* 2010 for Brunei Darussalam and Viet Nam
** 2014 for Lao PDR
*** 2018 for Myanmar
Source: ASEAN Secretariat (2017b) and World Bank (2020a)

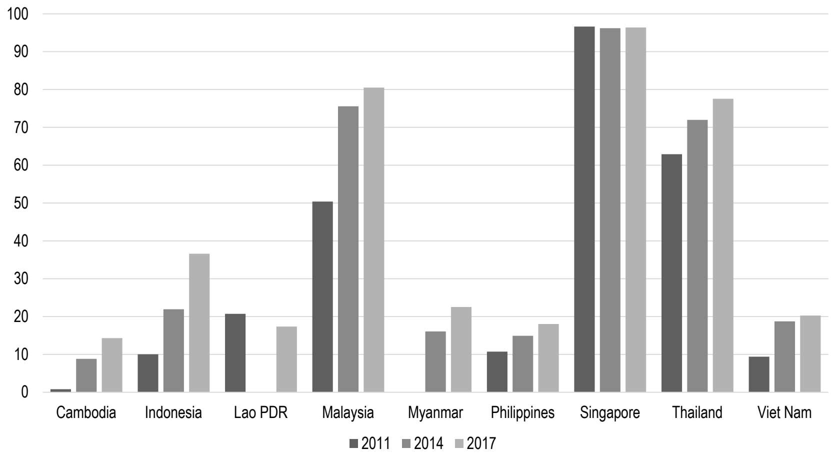
ASEAN continuously endeavors to reduce restrictions in the services sector through the ASEAN Framework Agreement on Services commitments and the ASEAN Trade in Services Agreement.

The Philippines placed around the middle in account ownership at a financial institution (by income, poorest 40% [% ages 15+]). However, it was the lowest among the ASEAN-5 from 2011 to 2017; and lower than Viet Nam in 2017 (Figure 4). On a positive note, the country registered a 7.2-percentage-point increase in account ownership during the period. Financial inclusion is being pursued in the *AEC Blueprint 2025*, and the Philippines needs to perform better in this area.

In terms of intra-ASEAN FDI flows, the Philippines' outward investments to ASEAN have not been consistent, as revealed by data from 2015 to 2019 (Figure 5). Thus, the country needs to catch up with the rest of ASEAN-5.

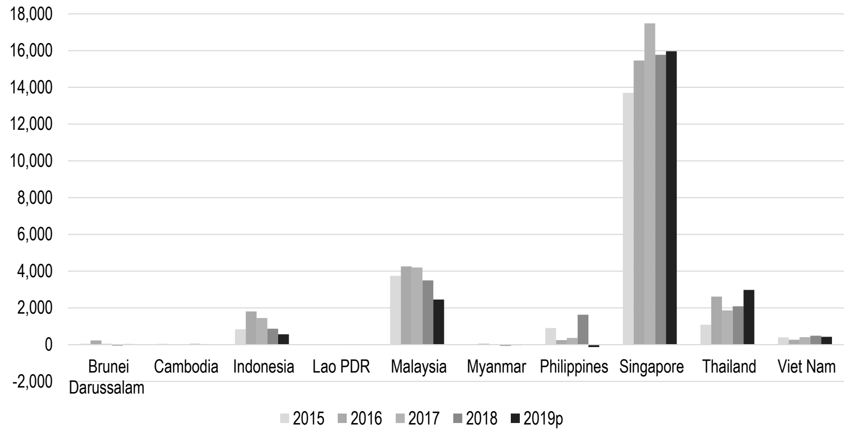
While inward flows have been increasing, the Philippines have remained the lowest among ASEAN countries (Figure 6). Further, it has a relatively low share of ASEAN portfolio investment in total portfolio investment. The *AEC Blueprint 2025* continues to deepen financial integration through a free, open, and transparent investment environment in ASEAN, initially committed under the ASEAN Comprehensive Investment Agreement.

Figure 4. Account ownership at a financial institution by income, poorest 40% (% ages 15+)



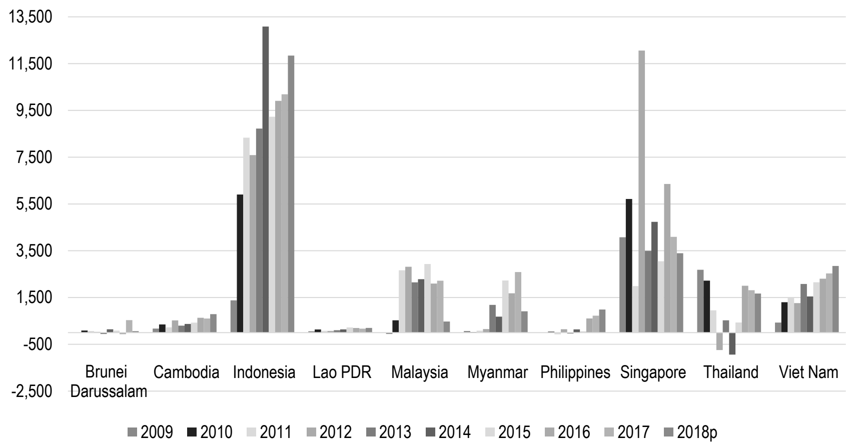
PDR = People's Democratic Republic
Note: Data are unavailable for Lao PDR, 2014; Myanmar, 2011; Brunei Darussalam for all three years.
Source: World Bank (2020a)

Figure 5. Intra-ASEAN foreign direct investment flows by source country (in USD million)



ASEAN = Association of Southeast Asian Nations; USD = United States dollar;
PDR = People's Democratic Republic; p = preliminary
Sources: ASEAN Secretariat (2013, 2019) and ASEANstats (2020)

Figure 6. Intra-ASEAN foreign direct investment flows by host country (in USD million)



ASEAN = Association of Southeast Asian Nations; USD = United States dollar; PDR = People's Democratic Republic; p = preliminary
Sources: ASEAN Secretariat (2013, 2019) and ASEANstats (2020)

Economists and industry experts observed the relatively low FDI flows to the Philippines. Thus, they prescribed reforms toward more liberalized, less restrictive, and more transparent investment regulations. These include (a) reducing foreign equity restrictions and opening more sectors (there were also calls for reviewing the foreign equity prohibition in land ownership); (b) formulating clear, well-planned rules and guidelines to avoid misinterpretations and frequent revisions; and (c) promoting interoperability in systems of government agencies involved in processing permits (e.g., application for licenses, permits, and certifications).

Characteristic 2: Competitive, innovative, and dynamic ASEAN

In competitiveness and innovation, the Philippines performed poorly compared to its ASEAN neighbors, as evidenced by the little progress in most indicators.

On labor productivity, output per worker is increasing in the Philippines, which suggests that the country is on track toward the AEC 2025 vision of a productivity-driven growth community (Table 6). However, rank-wise, the country fared in the middle of the pack with values similar to Indonesia, Thailand, and Viet Nam.

Table 6. Output per worker

Country	Year 1		Year 2		Year 3 (Latest)	
Brunei Darussalam	138,442.04	(2014)	138,528.73	(2017)	128,431.06	(2018)
Cambodia	5,582.48	(2010)	5,795.73	(2011)	6,356.40	(2012)
Indonesia	23,261.83	(2016)	23,913.97	(2017)	24,545.33	(2018)
Lao PDR			10,032.29	(2010)	12,642.78	(2015)
Malaysia	55,348.35	(2016)	57,262.86	(2017)	58,765.40	(2018)
Myanmar	10,319.29	(2015)	12,713.22	(2017)	13,049.45	(2018)
Philippines	26,435.06	(2016)	28,856.53	(2017)	30,922.57	(2018)
Singapore	235,839.24	(2016)	244,935.53	(2017)	250,103.07	(2018)
Thailand	29,789.89	(2016)	35,950.80	(2017)	36,914.69	(2018)
Viet Nam	11,889.39	(2016)	12,604.59	(2017)	13,360.63	(2018)

PDR = People's Democratic Republic; GDP = gross domestic product; PPP = purchasing power parity; USD = United States dollar

Note: Computed as GDP at PPP (constant 2017 international USD) divided by total employment each year

Source: Authors' computation based on World Bank (2020) and ASEAN Secretariat (2019)

In the area of innovation, one indicator is R&D expenditures as a percentage of GDP. The Philippines ranked among the lowest, with 0.16 percent R&D expenditures in 2015 (Table 7). Moreover, there was an increase of only 0.04-percentage points from 2005 to 2015, indicating that the country is moving toward the PDP target of 0.20-percentage points by 2017 (NEDA 2019). Another indicator is the number of researchers per million people, wherein the Philippines ranked among the bottom five and displayed a downward trend from 2013 to 2015.

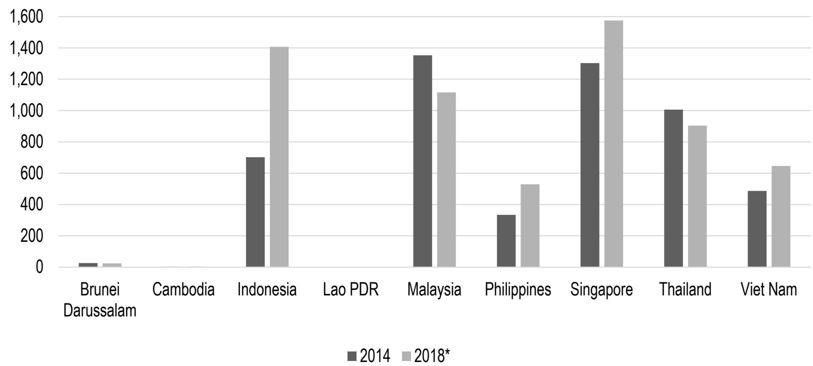
The AEC strives to improve intellectual property rights cooperation to support the creation and protection of knowledge in the region. In the Philippines, the number of patent and trademark applications by residents increased by 58.38 percent and 54.30 percent in 2014 and 2018, respectively (Figure 7 and 8). Compared to its ASEAN neighbors, the number of patent and trademark applications in the Philippines are still below the median.

Table 7. R&D expenditures, GDP (%)

Country	Year 1			Year 2 (Latest)		
Brunei Darussalam	...			0.28	(2018)	b
Cambodia	...			0.12	(2015)	b
Indonesia	0.08	(2009)	b	0.23	(2018)	b
Lao PDR	...			0.04	(2002)	b
Malaysia	0.64	(2006)		1.44	(2016)	b
Myanmar	...			0.03	(2017)	b
Philippines	0.12	(2005)		0.16	(2015)	b
Singapore	2.20	(2005)		1.94	(2017)	b
Thailand	0.23	(2005)		1.00	(2017)	b
Viet Nam	...			0.53	(2017)	b

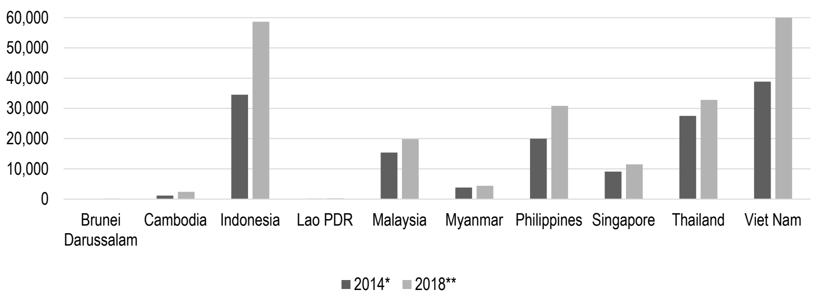
R&D = research and development; GDP = gross domestic product;
PDR = People's Democratic Republic
Notes: "..."= no data available
Sources: ASEAN Secretariat (2017b) and [b] World Bank (2020a)

Figure 7. Patent applications



PDR = People's Democratic Republic
Note: * for Cambodia, 2016
Sources: ASEAN Secretariat (2017b) and World Bank (2020a)

Figure 8. Trademark applications

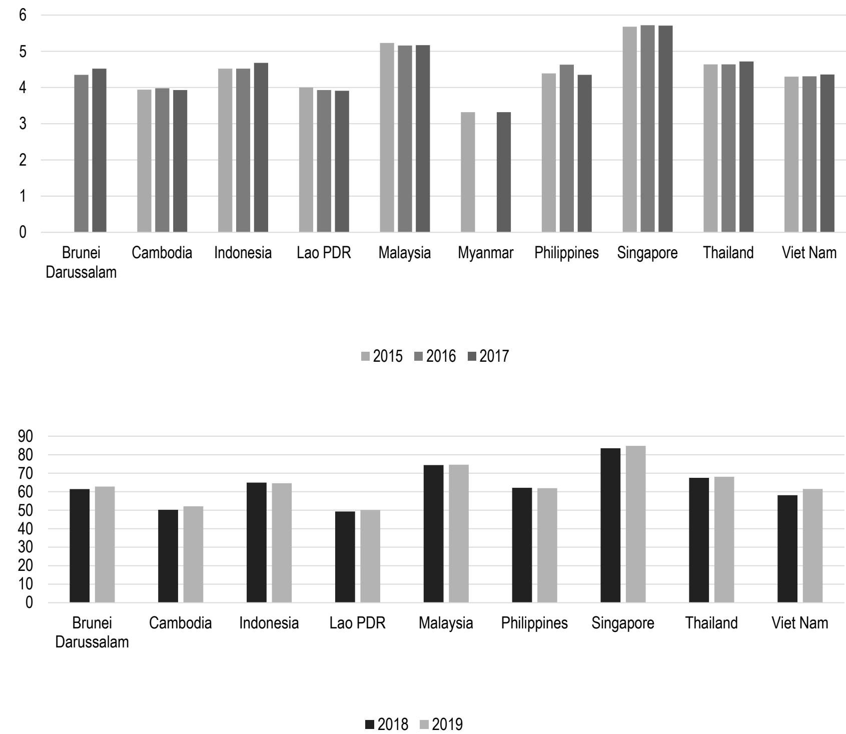


PDR = People's Democratic Republic
Notes:
* for Brunei Darussalam, 2012; and Myanmar, 2010
** for Myanmar, 2012
Sources: ASEAN Secretariat (2017b) and World Bank (2020a)

The Philippines ranked in the bottom middle at the Global Competitiveness Index (GCI). It is the lowest among ASEAN-5, and its composite index values have decreased from 2015 to 2019 (Figure 9).

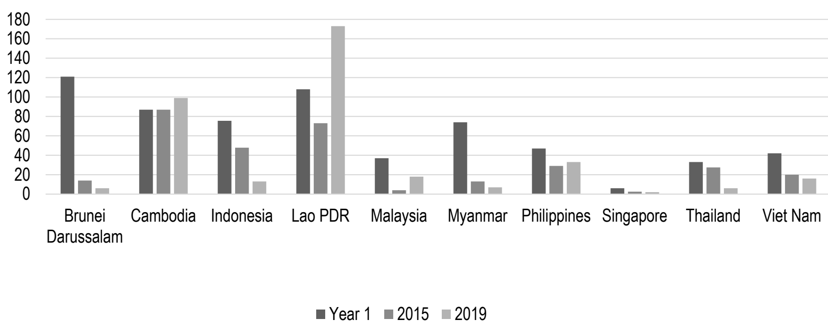
The AEC envisions strengthened regulatory frameworks and practices in the region, enabling businesses to be competitive and innovative. However, data indicate that the Philippines has one of the longest periods required to open a business (Figure 10). This has been

Figure 9. Global Competitiveness Index (2015–2017 and 2018–2019)



PDR = People's Democratic Republic
Sources: Schwab (2016, 2017, 2018, 2019)

Figure 10. Time required to start a business (in days)

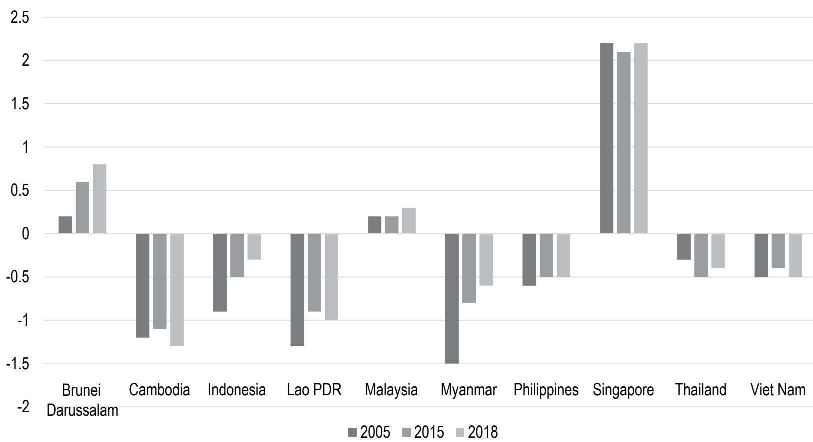


PDR = People's Democratic Republic
Note: Year 1 is 2005, except for Brunei Darussalam (2006), Indonesia (2013), and Myanmar (2012).
Source: World Bank (2020)

attributed to the numerous permits that have to be acquired from different government offices. While several laws and policies have been implemented to ease the process, it is still not on par with the best-performing countries.

Moreover, the Philippines performed poorly on Control of Corruption at the Worldwide Governance Indicators of the World Bank (Figure 11). The country ranked in the bottom five and displayed only 0.1 improvement in index value from 2005 to 2018. The worst year was in 2010, with a -0.80 rating. Republic Act 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 is expected to address procedural delays and irregularities.

Figure 11. Control of Corruption



PDR = People's Democratic Republic
Source: Kaufmann and Kraay (2020)

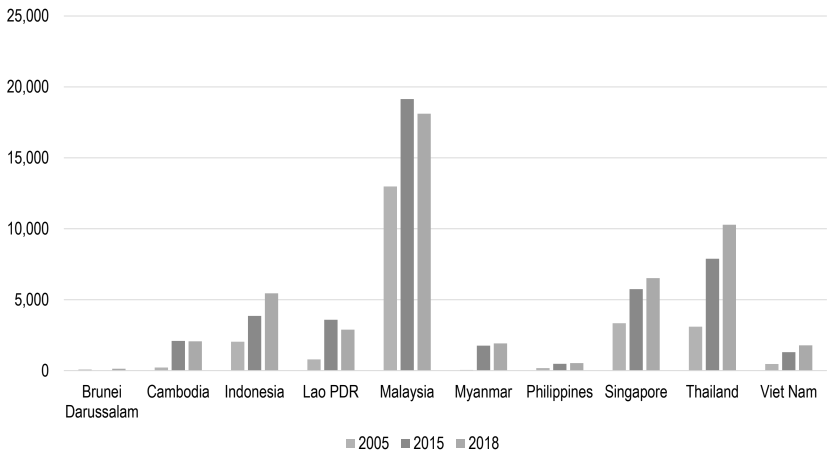
Characteristic 3: Enhanced connectivity and sectoral cooperation

The AEC seeks to develop sustainable and integrated sectors through enhanced connectivity and strengthened hard and soft networks. The Philippines placed in the middle/bottom middle across the ASEAN region on the key result areas. Overall, Singapore fared the highest in almost all indicators.

ASEAN has formulated the ASEAN Tourism Strategic Plan 2016–2025 to improve the tourism sector and ensure that the countries are on the same track. Intra-ASEAN and extra-ASEAN tourism have been increasing over the years (from 2005 to 2018). Malaysia led the region in intra-ASEAN tourism, while Thailand led in extra-ASEAN tourism. In the Philippines, ASEAN tourists increased by 196 percent from 2005 to 2018. Meanwhile, extra-ASEAN tourists increased by 170 percent in the same period. However, the country ranked behind its neighbors in the number of arrivals of intra-ASEAN tourists (Figure 12) and fared along the middle in extra-ASEAN tourism.

The COVID-19 pandemic has severely affected the tourism sector. Although there is already a regional strategic plan, there is still a need to rethink and re-strategize how to move forward from this crisis.

Figure 12. Intra-ASEAN tourist arrivals (in thousands)

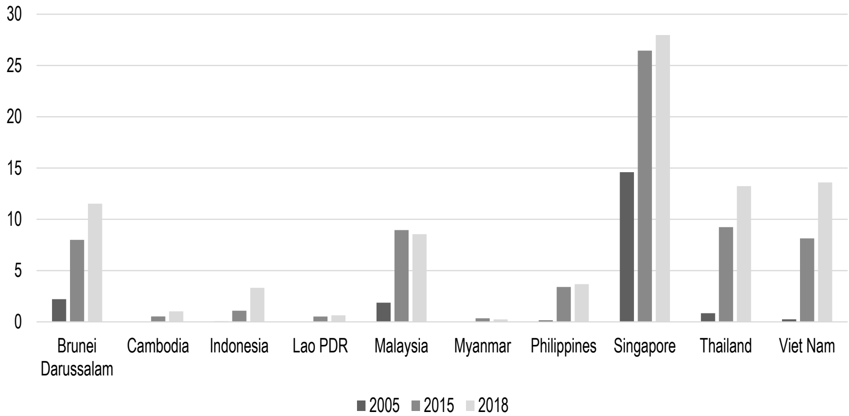


ASEAN = Association of Southeast Asian Nations; PDR = People's Democratic Republic
Source: ASEANstats (2020)

The AEC also highlights the importance of connectivity in the ICT sector in view of the Fourth Industrial Revolution. Further, the COVID-19 pandemic accelerated digitalization as economies have been forced to limit the movement of people, and employees have been asked to work from home.

Fixed internet subscription (per 100 people) is one of the indicators for digital connectivity. In the Philippines, broadband subscriptions increased from 0.14 percent in 2005 to 3.40 percent in 2015 (Figure 13). There was also a minimal improvement from 2015 to 2018, with 3.68 percent. Compared to its ASEAN neighbors, the country ranked among the bottom 50 percent. Broadband subscription in the Philippines in 2018 is only 13.16 percent of subscriptions in Singapore, which is the best performer.

Figure 13. Fixed broadband subscriptions (per 100 people)

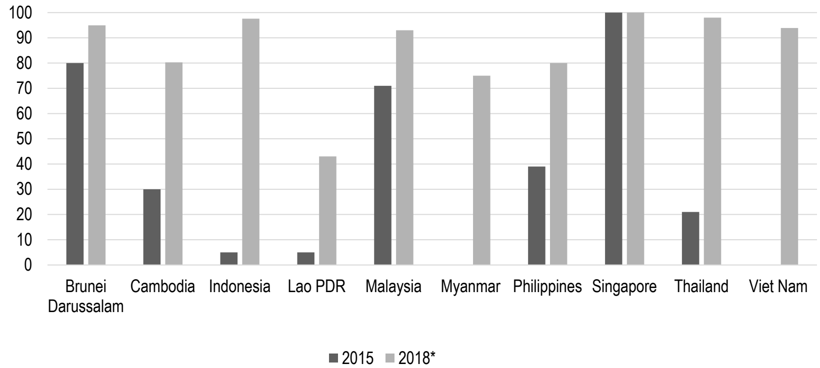


PDR = People's Democratic Republic
Source: World Bank (2020)

As for mobile data access, the Philippines showed significant improvements in network coverage from 2015 to 2017. Third generation (3G) of wireless networks increased from 78 percent to 93 percent, and fourth generation (4G) increased from 39 percent to 80 percent (second generation [2G] coverage is 99% during the period). Nonetheless, further improvements are still needed for 4G coverage to catch up with the rest of ASEAN-5, which already has over 90 percent coverage (Figure 14). Singapore, again, performed impressively as it has provided all its citizens 2G, 3G, and 4G access.

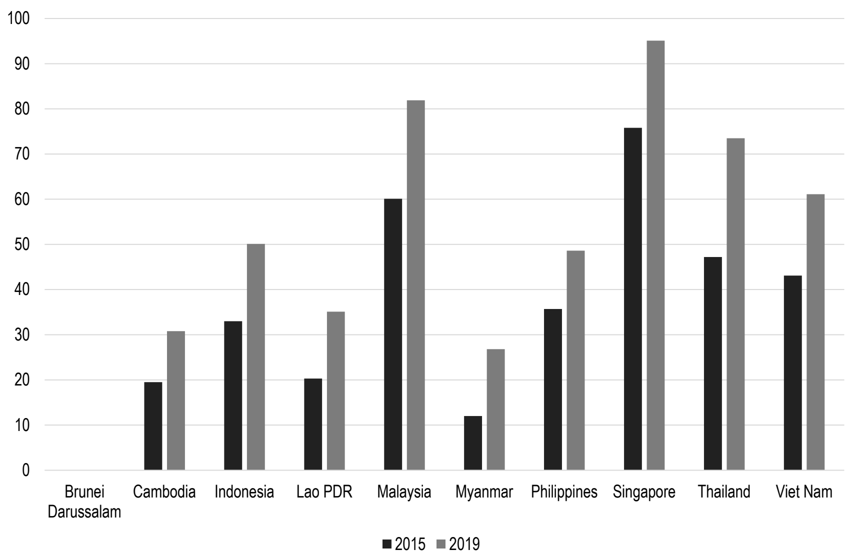
E-commerce is essential for regional economic integration. It is vital to the competitiveness and sustainability of businesses, especially of MSMEs, which are dependent on connectivity (e.g., ICT and logistics). While the Philippines registered an increase in the Business-to-Consumer (B2C) E-commerce Index from 2015 to 2019, it ranked among the bottom 50 percent in ASEAN countries and lowest in ASEAN5 (Figure 15).

Figure 14. Proportion of population covered by a 4G network (%)



4G = fourth generation; PDR = People's Democratic Republic
Notes:
Myanmar and Viet Nam registered 0% in 2015.
* For Philippines, 2017
Source: ASEAN Secretariat (2017b) and United Nations (2020)

Figure 15. B2C E-commerce Index



B2C = business-to-consumer; PDR = People's Democratic Republic
Notes:
(1) Data are not available for Brunei Darussalam.
(2) Data for Myanmar and the Philippines are as of 2015.
Source: UNCTAD (2019)

Moreover, the *AEC Blueprint 2025* envisions greater transportation connectivity to facilitate intra- and extra-ASEAN movement of passengers and cargos. In the air transportation sector, the Philippines fared relatively well in freight carried but poorly in the number of passengers (Table 8). As for rail transportation, the country ranked among the top in the number of passengers (Table 9). In water transportation, the country is also among the top in the number of passengers and middle in terms of freight carried (Table 10). The Philippines performed the best in water transportation per passenger.

Table 8. Air transportation: Passengers and freight carried

Country	Air Transportation			
	Passengers (Thousand Persons)		Freight Carried (Thousand Tons)	
	2015	2018	2015	2018
Brunei Darussalam	1,717	1,774	1	1
Cambodia	5,606	9,376	18	30
Indonesia	25,212	36,326	195	249
Lao PDR	1,073	2,306	0	3
Malaysia	40,017	52,247	374	361
Myanmar	3,428	4,466	8	25
Philippines	21,280	28,915	25	234
Singapore	54,836	64,889	838	990
Thailand	62,513	83,158	711	858
Viet Nam	17,696	34,534	322	486

PDR = People's Democratic Republic
Notes:
(1) For air passengers - international air passenger traffic
(2) For air freight - international freight cargo loaded
Sources: ASEANstats (2020); AJTP (2020)

Table 9. Rail transportation: Passengers and freight carried

Country	Rail Transportation			
	Passengers (Million Persons)		Freight Carried (Thousand Tons)	
	2015	2018	2015	2018
Brunei Darussalam	...	...	...	...
Cambodia	...	552	538,345	256,726
Indonesia	328	422	30	45
Lao PDR	0	0	...	...
Malaysia	2	4	6,205	5,944
Myanmar	43	44	2,094	1,895
Philippines	341	296	...	...
Singapore	3	4 **	...	...
Thailand	35	432	11,388	10,232
Viet Nam	11	9	6,707	5,735

PDR = People's Democratic Republic; AJTP = ASEAN-Japan Transport Partnership
Notes:
(1) For rail passenger - total number of rail passengers
(2) For rail freight - "freight" in AJTP Information Center statistics
**For verification by AJTP Information Center
Sources: ASEANstats (2020); AJTP (2020)

Table 10. Water transportation: Passengers and freight carried

Country	Water Transportation			
	Passengers (Thousand Persons)		Freight Carried (Thousand Tons)	
	2015	2018	2015	2018
Brunei Darussalam	...	...	...	...
Cambodia	208	210	1,931	1,350
Indonesia	44	41	3,763	5,328
Lao PDR	...	...	...	...
Malaysia	...	...	...	...
Myanmar	1,965	7,269	570,401	570,701
Philippines	34	8	28,415	34,745
Singapore	92	482	134,620	169,966
Thailand	...	...	575,845	630,125
Viet Nam	451	644	208,427	231,884

PDR = People's Democratic Republic
Notes:
(1) For water passenger - international sea passenger traffic;
(2) For water freight carried - international sea cargo throughput
Sources: ASEANstats (2020); AJTP (2020)

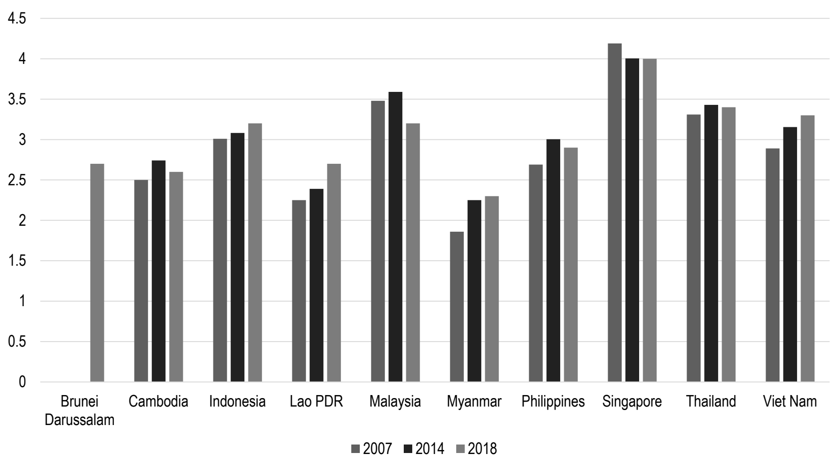
The World Bank's Logistics Performance Index benchmarks the quality of transport infrastructure and logistics services and efficiency of the customs clearance process, among others. The Philippines has consistently ranked below average in this indicator (Figure 16). If the country's logistics improve, it could produce a positive ripple effect on the performance in other AEC indicators, such as those related to trade.

Meanwhile, the Philippines ranked only sixth in the Liner Shipping Connectivity Index. On a positive note, the country's index score increased nearly twice as much from 2005 to 2019.

ASEAN considers energy as a significant sector in the AEC. Hence, it formulated the ASEAN Plan of Action for Energy Cooperation (APAEC) 2016–2025 to achieve energy security, accessibility, affordability, and sustainability (ASEAN Secretariat 2017b). One of the goals of the APAEC is to reduce energy intensity in ASEAN by 20 percent in 2020, based on 2005 levels. It also aims to increase the share of renewable energy to the total energy mix in ASEAN to 23 percent by 2025.

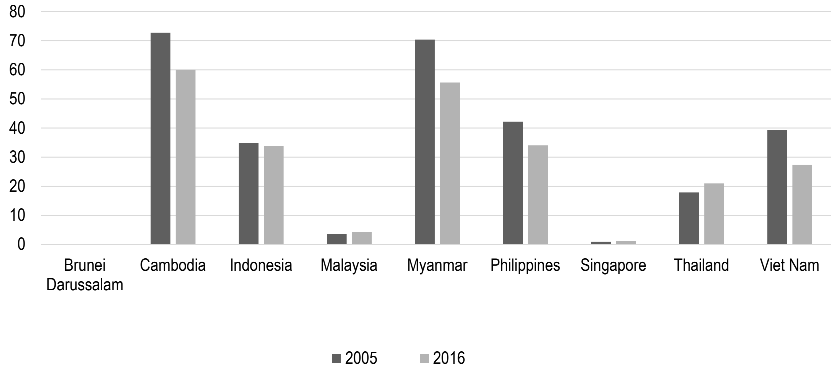
The Philippines has consistently ranked high in percentage of renewable energy in primary energy supply. The country is also right on target, with a 34-percent renewable energy mix in 2016 (Figure 17). As for the intensity level of primary energy, the Philippines ranked third in reducing intensity at 20.86 percent from 2005 to 2015. This indicates that the country is moving toward the APAEC target, albeit on a country level.

Figure 16. Logistics Performance Index



PDR = People's Democratic Republic
Source: World Bank (2020a)

Figure 17. Percentage of renewable energy in primary energy supply



Source: OECD (2020)

Another objective of the AEC is to enhance trade and investment in the mineral sector in an environmentally and socially sustainable approach. The mineral sector is linked to various industries, such as construction and manufacturing (ASEAN Secretariat 2017b). The *ACPMS 2017* identified two indicators on mineral sector cooperation: (1) mineral rent, which is a representation of the abundance of minerals and potential for trade and investment in the sector, and (2) mineral depletion (as percentage of gross national income [GNI]), which is indicative of sectoral activity in the use of mineral resources.

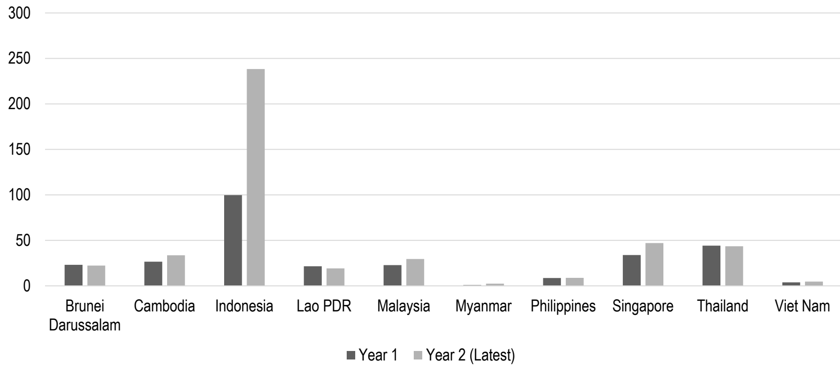
The Philippines is one of the ASEAN members with high mineral rents, but it also has high mineral depletion rates. This indicates the country's abundance of mineral resources, potential for trade and investment, and extensive use of mineral resources.

Meanwhile, the Philippines ranked as one of the lowest in intra-ASEAN exports and imports of minerals, which indicates that it performed weakly in managing and tapping mineral resources sustainably for trade.

Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN

Overall, the Philippines performed relatively well in the indicators relative to the other ASEAN countries. However, one area where the country needs to improve is in the number of MSMEs[3] per thousand people, as the country has one of the lowest densities of MSMEs (Figure 18).

Figure 18. Number of MSMEs per 1,000 people



MSMEs = micro, small, and medium enterprises; PDR = People's Democratic Republic
Notes: Year 1 and 2, respectively - Brunei Darussalam: 2008 and 2009; Cambodia: 2009 and 2014; Indonesia: 2008 and 2017; Lao PDR: 2006 and 2013; Malaysia: 2010 and 2015; Myanmar: 2004 and 2009; and Philippines: 2011 and 2016
Source: World Bank (2020b)

The participation of the private sector through PPP is enhanced in an inclusive ASEAN. The *ACPMS 2017* indicators looked at private partnership investment in infrastructures, such as ICT, transport, and water and sanitation. In the energy sector, the Philippines placed in the middle from 2010 to 2019 (Figure 19).

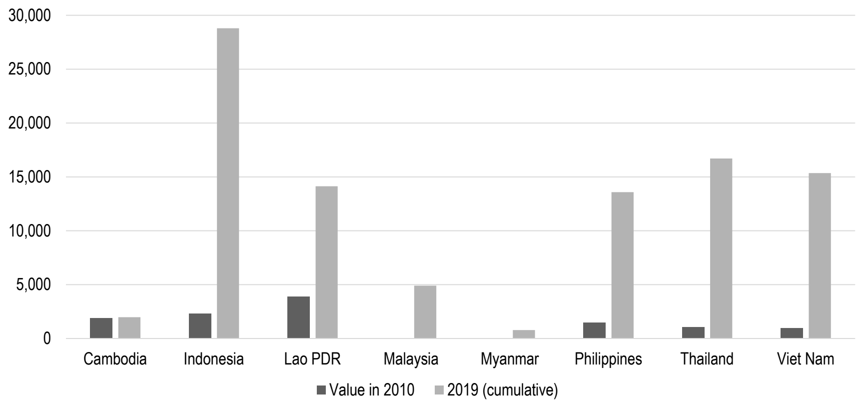
In terms of ICT, there is no indication of private partnership investment within the period. As for transport (Figure 20) and water and sanitation, the Philippines ranked one of the highest in ASEAN. From 2010–2019, the Philippines is one of the countries with the most fruitful private partnerships in infrastructure investments.

The private sector can use domestic financial resources to engage in PPP investments and other activities that stimulate economic growth. Moreover, providing access to credit to MSMEs could help the economy, especially during a pandemic. The Philippines registered an increase in

[3] MSMEs are defined in terms of number of employees: microenterprise (1–9 employees), small enterprise (10–49 employees), and medium enterprise (50–249 employees). For ASEAN member-states where this definition is not available, variables such as the number of employees differentiated by industry, annual turnover, and investment may have been used (ASEAN Secretariat 2017b).

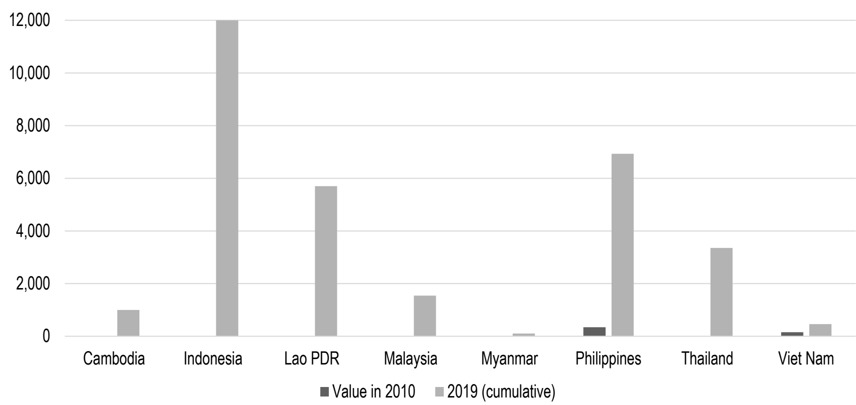
domestic credit to the private sector (as a % of GDP) by 18.53-percentage points from 2005 to 2018. However, even with this increase, the country's rating (47.60 in 2018) is below the ASEAN average of 79.02 in the latest year.

Figure 19. Private partnership investment in infrastructure (energy), in USD million, 2010–2019



USD = United States dollar; PDR = People's Democratic Republic
Source: World Bank (2020c)

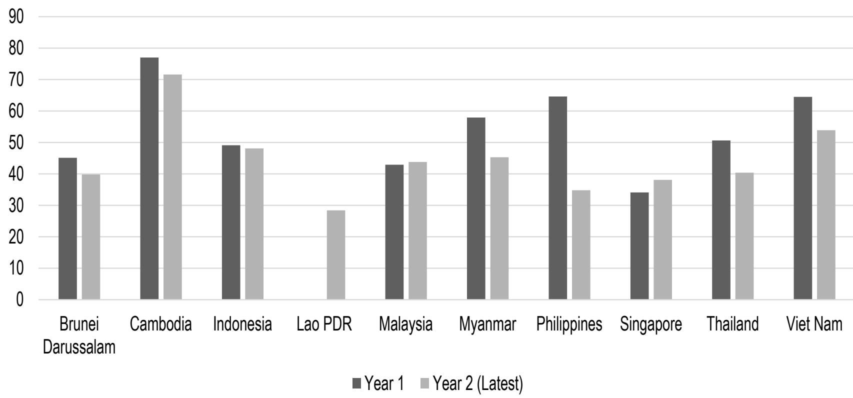
Figure 20. Private partnership investment in infrastructure (transport), in USD million, 2010–2019



USD = United States dollar; PDR = People's Democratic Republic
Source: World Bank (2020c)

Youth (ages 15–24) labor force participation is another indicator of inclusive and equitable economic development. The Philippines ranked high in this aspect in 2005, with 64.60, and in 2015, with 63.70 (Figure 21). In all ASEAN countries, except Malaysia and Singapore, the rate dropped in the most recent years (2017–2019). The biggest drop was observed in the Philippines in 2019 (34.8%), with nearly half of the rate in 2005. Whether it points toward improvements in school participation needs further exploration, which is beyond the scope of this review.

Figure 21. Youth labor force participation rate (ages 15–24)



PDR = People's Democratic Republic
Notes:
(1) Year 1: 2005, except Cambodia-2007
(2) Year 2: 2019, except 2017 for Cambodia; 2018 for Malaysia and Singapore
(3) Year 2 only: Lao PDR-2017
Sources: ASEAN Secretariat (2017b); World Bank (2020)

Characteristic 5: A global ASEAN

The Philippines has been increasing its openness to the world through trade, as barriers in the form of tariff rates have been gradually brought down in FTAs. In addition, the Philippines' most favored nation rates are one of the lowest in ASEAN (Table 11).

On the other hand, FDI flows to the Philippines from the rest of the world are increasing. However, values can be pushed up further, closer to the levels of Indonesia, Malaysia, Thailand, and Viet Nam (Figure 22).

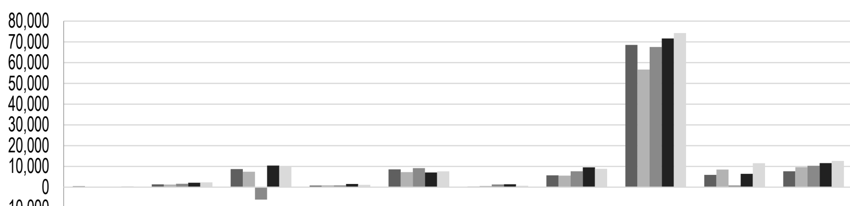
While the Philippines has injected investments in other parts of the world (FDI flows to the rest of the world), it has been decreasing from 2014 to 2018 (Figure 23).

Table 11. Tariff rates on imports (import-weighted averages)

Country	FTA Partners*				Rest of the World**			
	Year 1		Year 2 (Latest)		Year 1		Year 2 (Latest)	
Brunei Darussalam	8.84	(2007)	0.03	(2019)	4.19	(2005)	0.02	(2019)
Cambodia	12.54	(2007)	2.30	(2014)	10.94	(2005)	9.67	(2016)
Indonesia	6.86	(2007)	0.79	(2019)	3.34	(2005)	4.17	(2019)
Lao PDR	37.85	(2005)	0.27	(2019)	8.83	(2005)	5.82	(2019)
Malaysia	8.90	(2007)	1.26	(2014)	3.12	(2005)	2.34	(2016)
Myanmar	8.19	(2007)	0.94	(2019)	2.99	(2005)	4.88	(2019)
Philippines	5.89	(2007)	0.65	(2019)	2.59	(2005)	3.16	(2019)
Singapore	0.01	(2005)	0.00	(2019)	0.02	(2005)	0.00	(2019)
Thailand	7.08	(2005)	1.99	(2015)	4.08	(2005)	6.52	(2015)
Viet Nam	11.69	(2005)	1.03	(2019)	11.42	(2005)	3.92	(2019)

FTA = free trade agreement; PDR = People's Democratic Republic; MFN = most favored nation; ASEAN = Association of Southeast Asian Nations
* Preferential tariff is used for FTA partners (Australia, New Zealand, China, India, Japan, and Korea).
** MFN rate is used for extra-ASEAN (rest of the world).
Source: World Bank (2020d)

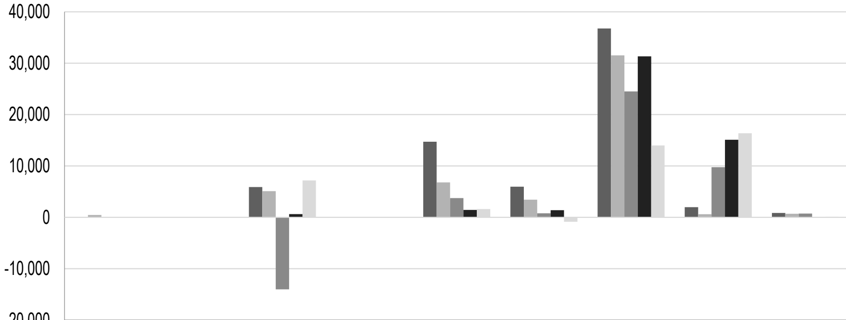
Figure 22. FDI to ASEAN (in USD million)



	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
2014	427.00	1,354.00	8,726.70	775.30	8,591.30	262.60	5,677.50	68,550.00	5,916.20	7,653.00
2015	84.60	1,275.60	7,413.50	857.40	7,248.60	593.90	5,581.90	56,651.90	8,494.00	9,646.50
2016	-85.70	1,643.90	-5,986.80	879.10	9,191.60	1,306.60	7,671.20	67,510.70	806.80	10,293.40
2017	-75.20	2,128.70	10,389.50	1,524.20	7,076.60	1,412.00	9,530.90	71,640.30	6,415.10	11,568.80
2018	440.60	2,313.90	10,137.90	1,117.10	7,597.30	699.00	8,842.60	74,235.90	11,533.90	12,648.70

FDI = foreign direct investment; ASEAN = Association of Southeast Asian Nations; USD = United States dollar; PDR = People's Democratic Republic
Source: ASEANstats (2020)

Figure 23. FDI from ASEAN (in USD million)



	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Philippines	Singapore	Thailand	Viet Nam
2014		61.66	5,903.87	5.21	14,722.06	5,965.00	36,756.26	1,976.91	845.96
2015	459.76	40.62	5,098.84	37.45	6,802.30	3,441.98	31,520.83	602.59	700.71
2016		86.46	-14,022.46	-8.67	3,753.08	782.26	24,508.13	9,752.99	733.51
2017		94.50	625.72	3.00	1,437.58	1,386.86	31,343.17	15,099.16	69.20
2018		81.65	7,184.68	0.00	1,618.53	-857.87	13,988.73	16,354.83	111.68

FDI = foreign direct investment; ASEAN = Association of Southeast Asian Nations;
USD = United States dollar; PDR = People's Democratic Republic
Note: Data are unavailable for Myanmar and Brunei Darussalam for some years.
Sources: ASEANstats (2020); UNCTADstat (2020)

Analysis of the Philippines' Performance

Considering the performance of the Philippines in all indicators, what is the country's ranking in the AEC? Tables 12 and 13 summarize the country's ranking across AEC indicators, for which data is available for later years. For the core indicators (28 in total) and supporting indicators (32 in total), the Philippines performed around the average (ranking from 4th to 6th). Of the 60 available indicators, the Philippines mostly placed at the middle with 29 counts, followed by ranking at the bottom (7th to 10th) with 13 counts. There were only 10 instances in which the country placed among the top 3.[4] These results show that the Philippines is in the middle of the pack (ranking from 4th to 6th).

The Philippines ranked as one of the highest in the following indicators:

- Characteristic 1: Intra-ASEAN imports (X+M ratio), share of services sector in GDP, and domestic value-added share of gross exports
- Characteristic 2: None

[4] There were eight indicators in which data are not disaggregated by country or were not complete.

Table 12. Ranking of the Philippines (core indicators)

AEC Characteristic	Number of Indicators by PH Ranking				Total
	Top	Middle	Bottom	Data Not Available/ Not Country Specific	
Characteristic 1: Highly integrated and cohesive economy	1	3	2	3	9
Characteristic 2: Competitive, innovative, and dynamic ASEAN	0	2	1	-	3
Characteristic 3: Enhanced connectivity and sectoral cooperation	1	5	1	1	8
Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN	0	0	2	1	3
Characteristic 5: A global ASEAN	2	2	1	-	5
Total	4	12	7	5	28

AEC = ASEAN Economic Community; ASEAN = Association of Southeast Asian Nations; PH = Philippines
Notes:
(1) Top - the Philippines ranking 1st to 3rd across ASEAN countries
(2) Middle - the Philippines ranking 4th to 6th across ASEAN countries
(3) Bottom - the Philippines ranking 7th to 10th across ASEAN countries
(4) The total number of indicators may not add up to 15 (3 per characteristic) as some indicators have multiple representations.
(5) For the detailed table with list of indicators, see Appendix 3.
Source: Authors' assumptions based on the latest data gathered to develop the datasets for the study

Table 13. Ranking of the Philippines (supporting indicators)

AEC Characteristic	Number of Indicators by PH Ranking				Total
	Top	Middle	Bottom	Data Not Available/ Not Country Specific	
Characteristic 1: Highly integrated and cohesive economy	2	2	3	-	7
Characteristic 2: Competitive, innovative, and dynamic ASEAN	0	4	1	-	5
Characteristic 3: Enhanced connectivity and sectoral cooperation	2	8	3	-	13
Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN	2	3	0	2	7
Characteristic 5: A global ASEAN	-	-	-	-	-
Total	6	17	7	2	32

AEC = ASEAN Economic Community; ASEAN = Association of Southeast Asian Nations; PH = Philippines
Notes:
(1) Top - the Philippines rank 1st to 3rd across ASEAN countries
(2) Middle - the Philippines ranks 4th to 6th across ASEAN countries
(3) Bottom - the Philippines ranks 7th to 10th across ASEAN countries
(4) There are no supporting indicators under Characteristic 5.
(5) For the detailed table with the list of indicators, see Appendix 4.
Source: Authors' assumptions based on the latest data gathered to develop the datasets for the study

- Characteristic 3: Passengers (water transportation), percentage of renewable energy in primary energy supply, and intensity level of primary energy
- Characteristic 4: Private partnership investments in infrastructure, both in transport and water and sanitation
- Characteristic 5: Tariff rates on imports (import-weighted averages) with FTA partners, and tariff rates on imports (import-weighted averages) with the rest of the world

Meanwhile, it ranked among the lowest in the following indicators:

- Characteristic 1: Intra-ASEAN exports (X+M Ratio), intra-ASEAN FDI flows by source country, intra-ASEAN industry trade index, account at a financial institution, income, poorest 40% (% ages 15+), and share of intra-ASEAN portfolio investments
- Characteristic 2: R&D expenditures as percentage of GDP and time required to start a business
- Characteristic 3: Intra-ASEAN tourist arrivals, proportion of population covered by 3G mobile network, adjusted savings: mineral depletion as percentage of GNI, and intra-ASEAN trade in minerals (exports)
- Characteristic 4: Number of MSMEs per 1,000 people and youth labor force participation rate
- Characteristic 5: Ratio of total values of extra-ASEAN to total GDP (%)

Furthermore, Tables 14 and 15 present a tally of the number of core and supporting indicators, respectively, based on trends in the Philippines' performance (see Appendixes 3 and 4 for detailed tables with list of indicators). Performance can be either be (1) on track, which is improving and directed toward the AEC 2025 vision; or (2) off track, which is not moving toward the AEC 2025 vision or has no significant progress. For instance, an increase in the intra-ASEAN exports and imports is on track to the AEC goal of seamless flow of goods. Meanwhile, a decline in the GCI deviates from the AEC goal of strengthening regional competitiveness. There are indicators at the ASEAN level (or a combination of countries) or where data is unavailable. Hence, these are not included in the first two classifications, as the performance of the Philippines may not be clearly and directly identified.

Table 14. How the Philippines performed in the AEC Vision 2025 (core indicators)

AEC Characteristic	Number of Core Indicators			Total
	On Track	Off Track/ Static	Data Not Available/ Not Country Specific	
Characteristic 1: Highly integrated and cohesive economy	5	1	3	9
Characteristic 2: Competitive, innovative, and dynamic ASEAN	2	1	-	3
Characteristic 3: Enhanced connectivity and sectoral cooperation	7	0	1	8
Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN	0	2	1	3
Characteristic 5: A global ASEAN	3	2	-	5
Total	17	6	5	28

AEC = ASEAN Economic Community; ASEAN = Association of Southeast Asian Nations
Notes:
(1) On track - if the country is improving and directed toward the AEC vision
(2) Off track/static - if the country is not moving toward the vision or has no progress
(3) The total number of indicators may not add up to 15 (3 per characteristic) as some indicators have multiple representations.
(4) For the detailed table with a list of indicators, see Appendix 3.
Source: Authors' compilation based on the latest data gathered

Table 15. How the Philippines performed in the AEC Vision 2025 (supporting indicators)

AEC Characteristic	Number of Supporting Indicators			Total
	On Track	Off Track/ Static	Data Not Available/ Not Country Specific	
Characteristic 1: Highly integrated and cohesive economy	6	1	-	7
Characteristic 2: Competitive, innovative, and dynamic ASEAN	2	3	-	5
Characteristic 3: Enhanced connectivity and sectoral cooperation	8	5	-	13
Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN	4	1	2	7
Characteristic 5: A global ASEAN	-	-	-	-
Total	20	10	2	32

AEC = ASEAN Economic Community; ASEAN = Association of Southeast Asian Nations
Notes:
(1) On track - if the country is improving and directed toward the AEC vision
(2) Off track/static - if the country is not moving toward the vision or has no progress
(3) There are no supporting indicators under Characteristic 5.
(4) For the detailed table with a list of indicators, see Appendix 4.
Source: Authors' compilation based on the latest data gathered

Based on available data, the Philippines is on track in 17 core indicators and off track/static in six indicators. Among supporting indicators, the country is on track in 20 and off track in 10. Under Characteristic 1, the Philippines is on track in value and share of exports and imports with ASEAN, trade in value added, tariffs, financial account ownership, and ASEAN FDI inflows. However, the country is off track in FDI outflows and intra-industry trade.

Under Characteristic 2, the Philippines is on track in improving labor productivity, R&D expenditure as percentage of GDP, patent applications, and time required to start a business. However, the country is off track/static in GCI, trademark application, number of R&D personnel, and Control of Corruption index.

Under Characteristic 3, the country is on track in intra- and extra-ASEAN tourist arrivals, transport passenger and freight volume (air, rail, and water), fixed broadband subscription, renewable energy share, minerals trade, and B2C E-commerce Index. However, it is off track in 4G mobile network coverage and Logistics Performance Index.

Under Characteristic 4, the country is on track in energy, transport, and water and sanitation infrastructure investments and domestic credit to the private sector. However, it is off track in the intensity of MSMEs, youth labor force participation rate, and ICT infrastructure investment.

Under Characteristic 5, the country is on track in trade with the rest of the world (ROW), FDI inflows from ROW, and import tariff rates with FTA partners. However, it is off track/static in FDI flows to ROW and tariff rates on imports from ROW.

These results suggest that the Philippines is generally on track and progressing in the right direction. There are indications of an open and globally integrated economy and progressive sectoral activities, such as tourism, energy, and transport. However, the country needs to improve in competitiveness, innovation, ICT connectivity, and inclusive participation.

While the country is generally moving toward achieving AEC goals, its performance certainly can be further improved. Within ASEAN, its ranking is somewhere in the middle, placing for most of the indicators around fourth to sixth. As the country is bound to become an upper-middle-income country, it cannot settle at the current standing and should do more work to step up the progress being made.

Given these results, policymakers must look at the areas where the Philippines performed the best and look at the practices and policies that made these possible. Policymakers must likewise examine the areas where the country performed the poorest and strengthen mechanisms to catch up with its neighbors. The Philippines can leverage the AEC to pursue the goals outlined in PDP.

Navigating the AEC Vision to PDP

The *PDP 2017–2022* is composed of three pillars that are supported by an enabling economic environment. NEDA (2017) described each pillar: enhancing the social fabric (*malasakit*), inequality-reducing transformation (*pagbabago*), increasing growth potential (*patuloy na pag-unlad*), and enabling and supportive economic environment.

Table 16 presents the PDP accomplishments in comparison with the indicators closely related to the AEC. Clearly, the country's performance in the AEC and PDP targets shows similar trends. In some instances, the indicators are totally the same (e.g., passenger and cargo transported via modes of transport and youth unemployment).

As established in Table 3, the AEC characteristics and the PDP pillars are aligned. For instance, participating in GVC and trade (goods and services) are key result areas in AEC Characteristic 1 and cited as important strategies in Chapters 8, 9, and 15 of the PDP. Further, AEC Characteristic 3 and PDP Chapter 19 have similar indicators, particularly in passengers and freight volume and mode of transport. Given this alignment, it is important to cross-examine the results of specific sectoral indicators of PDP with AEC so that targeted policy interventions can be made.

For AEC Characteristic 1 (where the Philippines ranked in the bottom middle or bottom), the PDP sectoral indicators are industry and services, where the performance was low; and the macroeconomy, where performance was high. Thus, the Philippines may take a closer look at the industry and services sector and improve the performance of services exports, which has a moderate chance of achieving its PDP target.

Table 16. PDP accomplishments versus targets (as of 2019) for selected indicators

AEC Characteristic	PDP Objectives/Results	PDP Indicator	Baseline [a]/	Latest data	Plan Target [b]/	Likelihood of Achieving the PDP target
A highly integrated and cohesive economy	Economic opportunities in AFF expanded	Growth in the value of agriculture and fishery exports increased (% free on board [FOB] value, cumulative)	**-21.60** *2015*	**9.14** *2018-2019*	**9.00** *2022*	High
	Local and foreign investments increased	Total approved investments increased (PHP million)	**729,000** *2016*	**1,309,099** *2019*	**6,195,000** *2022*	High
	Strategic external trade policy regime achieved	Exports of goods increased (USD billion, cumulative) [k]/	**43.4** *2016*	**53.4** *2019*	**61 to 62.2** *2022*	High
		Exports of services increased (USD billion, cumulative) [k]/	**31.3** *2016*	**41.0** *2019*	**61 to 68.6** *2022*	Moderate

Table 16. (continued)

AEC Characteristic	PDP Objectives/Results	PDP Indicator	Baseline [a]/	Latest data	Plan Target [b]/	Likelihood of Achieving the PDP target
A competitive, innovative, and dynamic ASEAN	Anti-corruption initiatives improved	Percentile rank in the Worldwide Governance Indicators (WGI)-Control of Corruption Indicator improved [e]/	**42** *2015*	**34** *2018*	**50** *2022*	Low
		Percentile rank in Corruption Perceptions Index (CPI) improved [f]/	**43** *2015*	**37** *2019*	**50** *2022*	Low
	Seamless service delivery achieved	Percentile rank in the Global Competitiveness Index improved [h]/	**59** *2016*	**55** *2019*	**62** *2022*	Low
	Citizenry fully engaged and empowered	Percentile rank in the WGI-Voice and Accountability Indicator improved [j]/	**52** *2015*	**47.78** *2018*	**60** *2022*	Low
	Economic opportunities in AFF expanded	Growth of gross value added in AFF increased (%, in real terms)	**0.1** *2015*	**1.5** *2018-2019*	**2.5–3.5** *2022*	Low
	Productivity improved	Labor productivity in industry sector increased (% growth)	**-4.2** *2015*	**1.4** *2019*	**3.0–4.0** *2022*	Low
		Labor productivity in service sector increased (% growth)	**3.1** *2015*	**1.5** *2019*	**4.0–5.0** *2022*	Low
	Consumer access to safe and quality goods and services ensured	Level of consumer awareness of basic consumer rights increased (%)	**74** *2016*	**72** *2019*	**80** *2022*	Low
	Science, technology, and innovation utilization in agriculture, industry, and services sectors increased	Number of Filipino patents granted increased	**31** *2016*	**35** *2019*	**42** *2022*	Moderate
		Number of Filipino utility models registered increased	**555** *2016*	**965** *2019*	**833** *2022*	High
		Number of Filipino industrial designs registered increased	**516** *2016*	**729** *2019*	**691** *2022*	High

Table 16. (continued)

AEC Characteristic	PDP Objectives/Results	PDP Indicator	Baseline [a]/	Latest data	Plan Target [b]/	Likelihood of Achieving the PDP target
Enhanced connectivity and sectoral cooperation	Competitiveness and productivity of economic sectors increased	Round-trip flights increased (number of flights, cumulative)				
		International flights				
		Ninoy Aquino International Airport (NAIA)	103,435	122,902	130,630	High
			2016	*2019*	*2022*	
		Mactan-Cebu International Airport (MCIA)	13,363	79,828	28,077	High
			2015	*2019*	*2022*	
		Clark International Airport	5,852	11,882	9,571	High
			2016	*2019*	*2022*	
		Domestic flights				
		NAIA	154,986	154,628	168,377	Low
			2016	*2019*	*2022*	
		MCIA	48,850	107,794	88,185	High
			2015	*2019*	*2022*	
		Clark International Airport	360	23,856	14,783	High
			2016	*2019*	*2022*	
		Passengers transported by sea increased (cumulative)				
		Philippine Ports Authority (PPA)	67,762,732	83,595,783	84,340,637	High
			2016	*2019*	*2022*	
		Cargo shipped increased (international and domestic) (metric tons, cumulative)				
		PPA	243,757,529	265,252,494	299,098,678	Moderate
			2016	*2019*	*2022*	
		Subic Port	10,161,715	15,268,232	14,151,216	High
			2015	*2019*	*2022*	

Table 16. (continued)

AEC Characteristic	PDP Objectives/Results	PDP Indicator	Baseline [a]/	Latest data	Plan Target [b]/	Likelihood of Achieving the PDP target
Resilient, inclusive, people-oriented, and people-centered ASEAN	Strategic external trade policy regime achieved	Number of validated enrollees to the Regional Interactive Platform for Philippine Exporters (RIPPLES) Plus Program exporting increased	**30** *2016*	**210** *2019*	**1,200** *2022*	High
	Maximize gains from the demographic dividend	Youth unemployment decreased	**11.6** *2016*	**13.6** *2019*	**8** *2022*	Low
A global ASEAN	No direct indicators					

PDP = Philippine Development Plan; AEC = ASEAN Economic Community; AFF = agriculture, forestry, and fisheries; ASEAN = Association of Southeast Asian Nations; PHP = Philippine peso; USD = United States dollar
Note: Appendix 2 shows a supplementary summary of PDP pillars and indicators by likelihood of achieving targets.
Source: Authors' compilation based on PSA (2020)

For AEC Characteristic 2 (where the Philippines ranked in the middle), the PDP sectoral indicators are governance, where the performance was average; human capital development, where the performance was low; and competitiveness, where the performance was high. There are indicators under each of these sectors where the Philippines can pay particular attention.

For AEC Characteristic 3 (where the Philippines fared average to poor across the region), the PDP sectoral indicators are agriculture, forestry, and fisheries (AFF), where the performance was low; science and technology, where the performance was high; and infrastructure, where the performance was high. The Philippines may work more in the AFF sector, particularly in increasing GVA. Improving connectivity is also important, and particular attention can be given to increase the number of round-trip flights that can be accommodated in the Ninoy Aquino International Airport.

For AEC Characteristic 4 (where the Philippines performed average), the PDP sectoral indicators are industry and services, where the performance was low; demographic dividend, where the performance was below average; and infrastructure, where the performance was high. Therefore, the Philippines must prioritize the demographic dividend sector and improve the employment opportunities of the youth.

Lastly, for AEC Characteristic 5 (where the performance of the Philippines was inconsistent), the PDP indicators are macroeconomy and environment, where both performances were high. Thus, consistency shall be taken into consideration under these indicators.

It could be seen on both AEC and PDP indicators (latest data) that the Philippines performed around average. Realizing that these results must be reevaluated in the light of the COVID-19 pandemic, there have been some shifts in emphasis in the PDP goals (Box 2). Further research is needed to see how the shifts would affect the achievement of the regional performance/goals of the Philippines, especially with AEC.

Conclusion and Recommendations

The Philippine Statistics Authority (2020) reported that the country has a moderate chance of achieving its PDP goals by 2022. Similarly, latest data on the AEC indicators showed that the Philippines rank in the middle. However, these improvements in the indicators may not be sufficient.

Box 2. PDP in the new normal

Due to the COVID-19 pandemic, the Philippines was forced to revise its PDP goal from becoming an upper-middle-income country into a healthy and more resilient nation by 2022.

Despite this shift, some of the PDP goals remained aligned with the original plan. National Economic and Development Authority (NEDA) Secretary Karl Kendrick Chua (2020) discussed that the updated PDP would focus on improving the health system, food security, and digital government. Specifically, it seeks to expand economic opportunities across regions; ensure people-centered, clean technology-enabled, and responsive governance; and scale-up technology and stimulate innovation to rise above the economic slowdown and find new areas of productivity and efficiency.

In his presentation in the virtual meeting for the House Committee on Economic Affairs, Chua (2020) discussed that under the updated PDP, the following shall be prioritized:

1. Improve the health system so that people are taken care of and the chances of getting sick are less. This will improve basic confidence and stimulate domestic demand;
2. Propose a transformation to people's way of doing business with the government, particularly on online transactions;
3. Protect jobs and employability and make skills training important;
4. Process a more balanced regional development, which requires two major underpinnings. The first is to provide provinces basic services to encourage people to stay and businesses to invest in these areas. The second is to improve the connectivity of provinces, cities, or towns to high growth drivers or markets in Metro Manila or the rest of the world;
5. Create a series of "structural reform options", which have been taken out of the revised PDP and can be institutionalized through legislation to further strengthen the government's response against the COVID-19 pandemic;
6. Strengthen R&D, establish the Virology Center and Pharma Development Center, produce pharma-grade medical supplies, and employ strategic inventory of medicine and equipment;
7. Propose a discussion on how each of these could be legislated to strengthen the foundations of the Philippines to deal with the new normal and still attain potential GDP growth; and
8. Pass economic liberalization bills to attract foreign direct investments.

Source: Chua (2020); Luci-Atienza (2020)

The Philippines should look at the indicators that need improvement and address institutional and implementation bottlenecks. It is also important to look where the country ranked the highest and note the policies and best practices that coincide with these. Several policies have been implemented that directly support the achievement of the AEC goals (see Appendix 5). Nonetheless, there is a need to evaluate these policies in future studies to see how these could be strengthened to support the country's AEC commitments.

Trade has been increasing, which indicates an open and globally integrated economy. However, the volume of trade can still improve. The international market is becoming even more competitive, requiring Philippine industries to increase efficiency and improve competitiveness and productivity. Hence, the Inclusive Innovation Industrial Strategy has to keep supporting and pushing industries to operate efficiently and sustainably by encouraging Philippine companies to participate in GVCs through incentives and business matching activities. There is also a need for the government to monitor MSME participation in GVCs actively. The Philippine statistical system needs to incorporate trade in value added in its indicators to assess the country's performance.

As the "heart" of the industrial strategy, innovation is essential. The government has formulated and started implementing several programs to institutionalize innovation. With targeted, time-bound incentives, higher spending in technology will be higher and more personnel accorded to R&D and innovation activities.

The country is also taking steps to improve connectivity, but one area that deserves priority is ICT. Various aspects of the economy have become digital, and the COVID-19 pandemic highlighted the importance of internet connectivity and digitalization. The Philippines has a relatively high cost but low speed and weak internet connection. Further, there are still several areas that are offline. In this regard, the country is not able to maximize and capitalize on the internet and digital connectivity for better public service delivery and industry competitiveness and growth.

An inclusive economy enables the participation of all segments and levels of society. MSMEs, like large enterprises, have the opportunity and ability to contribute significantly to the economy. The government has been persistent in supporting MSMEs through financial and technical assistance. However, the government should also support entrepreneurship and start-ups as more establishments mean additional contribution to value-added output and employment.

Increasing entrepreneurial support is also important in providing employment to the youth. The pandemic experience has shown that the youth are innovative and enterprising. Thus, there is a need to capitalize on these characteristics to maximize the gains from the demographic dividend. Providing opportunities to do business online is a good support program for the youth.

Inclusiveness means financial products and services reach the unserved and underserved segments of society. Although the government is supportive of digital finance, which is an approach to promote financial inclusion, internet connectivity and digitalization capability deter its widespread adoption. Therefore, there is a need to support the physical infrastructure foundation for ICT. The common-tower initiative of the Department of Information and Communications Technology is a good way of addressing this bottleneck. It is recommended that such innovations be explored further. The government should also accelerate the rollout of the national ID to facilitate financial inclusion.

Moreover, the country must aim to attract investments in technology. Investments need not come from traditional FDI sources. Instead, the country can tap ASEAN as an investment source and thus, become more integrated with the region. Similarly, the country must continue supporting and encouraging the private sector to invest in ASEAN and other parts of the world. On the domestic front, basic business regulations, such as the application and permitting process, can still be improved—streamlined, shortened, and more efficient. This warrants the effective implementation of the ease of doing business law at the grassroots.

Overall, the country has regulations, policies, and plans to improve various aspects of the economy, including those related to the AEC strategies and goals. Therefore, timely implementation of strategies and actions and regular review of policies and programs are crucial to keep up with the fast-paced global environment.

Further, the Philippines could call for updating the AEC goals and strategies ahead of 2025 to deal with the effects of the COVID-19 pandemic. This is because parts of the economy and society that were affected might not deliver the expected outcomes. The ASEAN member-states could have also tweaked their respective development plans because of the pandemic like what the Philippines has done. It is also recommended that the ASEAN Secretariat and member-states add a mechanism to review relevant regional goals and strategies during global crises, in case high-impact crises and critical events happen again in the future.

On the domestic front, there is also a need to reevaluate the Philippine plans and indicators to capture the impact of the COVID-19 pandemic. While NEDA is actively assessing the PDP indicators, there is a need for the entire government (including the local government units) to update plans and incorporate the AEC targets.

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Appendices

Appendix 1. Repository of AEC data results collated by the authors

The performance of the Philippines and its ASEAN neighbors in each AEC characteristic and key result area is presented here using the 15 AEC core indicators and supporting indicators. The latest available data on these indicators were collected. Tables and figures not presented here are in previous sections.

Characteristic 1: Highly integrated and cohesive economy

Core Indicator 1: Intra-ASEAN exports and imports, in terms of (a) value and (b) share/proportion in total trade (Table 5 and 6)

Core Indicator 2: Intra-ASEAN trade in services, by sector

Appendix Table 1. Intra-ASEAN trade in services by sector, exports (in USD million)

Sector	Exports (in USD million)					
	2010	2015	2016	2017	2018	2019
Manufacturing services on physical inputs owned by others	165.57	114.23	1,257.37	1,025.50	2,267.06	2,410.33
Maintenance and repair services n.i.e.	890.71	796.72	772.77	473.86	518.45	707.05
Transport	7,088.79	7,504.38	7,238.45	7,290.01	10,034.24	10,495.75
Travel	22,891.12	26,763.03	28,971.58	29,988.41	28,764.06	29,455.10
Construction	768.04	1,344.11	1,020.12	999.34	1,249.81	1,132.31
Insurance and pension services	569.93	1,426.30	1,498.00	1,601.27	1,838.97	1,968.33
Financial services	1,156.85	1,498.41	1,708.10	1,974.39	2,286.56	2,401.66
Charges for the use of intellectual property n.i.e	410.97	556.84	501.35	637.95	951.93	832.92
Telecommunications, computer, and information services	1,621.60	2,926.92	3,112.27	3,451.68	3,413.48	3,635.67

Appendix Table 1. (continued)

Sector	Exports (in USD million)					
	2010	2015	2016	2017	2018	2019
Other business services	6,079.38	9,232.61	10,685.38	11,738.32	13,636.16	14,302.90
Personal, cultural, and recreational services	115.44	282.89	347.66	301.99	316.77	411.18
Government goods and services, n.i.e.	302.00	214.45	137.36	202.41	137.56	144.12
Total	42,060.39	52,660.88	57,250.39	59,685.13	65,415.05	67,897.32

ASEAN = Association of Southeast Asian Nations; USD = United States dollar; n.i.e. = not included elsewhere
Source: ASEANstats (2020)

Appendix Table 2. Intra-ASEAN trade in services by sector, imports (in USD million)

Sector	Imports (in USD million)					
	2010	2015	2016	2017	2018	2019
Manufacturing services on physical inputs owned by others	667.51	847.78	1,018.91	1,021.42	1,009.05	1,131.10
Maintenance and repair services n.i.e.	128.13	363.11	294.50	271.80	276.70	384.32
Transport	9,705.91	10,582.13	9,557.25	10,828.22	12,199.95	11,509.29
Travel	17,023.06	23,424.90	21,786.89	23,150.11	19,805.65	20,266.03
Construction	523.80	929.86	791.78	507.43	962.21	1,075.58
Insurance and pension services	1,290.24	1,778.97	1,682.50	1,942.94	2,103.62	2,570.62
Financial services	564.94	607.95	680.36	719.39	881.90	1,262.20
Charges for the use of intellectual property n.i.e	499.33	785.68	809.96	715.87	1,163.69	1,210.80
Telecommunications, computer, and information services	1,816.34	2,851.34	2,824.72	3,098.01	3,461.44	3,684.55
Other business services	6,762.35	10,427.02	11,314.94	11,591.67	13,118.66	13,672.08
Personal, cultural, and recreational services	154.90	249.70	207.77	350.91	477.00	418.91
Government goods and services, n.i.e.	141.20	119.34	207.79	257.05	257.25	304.19
Total	39,277.70	52,967.76	51,177.36	54,454.82	55,717.13	57,489.67

ASEAN = Association of Southeast Asian Nations; USD = United States dollar; n.i.e. = not included elsewhere
Source: ASEANstats (2020)

Core Indicator 3: Intra-ASEAN inward FDI, by sector

- For intra-ASEAN FDI flows by source country (in USD million), see Figure 5.
- For intra-ASEAN FDI flows by host country (in USD million), see Figure 6.

Appendix Table 3. Intra-ASEAN foreign direct investment by sector (in USD million)

Sector	2012	2013	2014	2015	2016	2017	2018	2019[p]
Agriculture, forestry, and fisheries	1,293.11	1,599.22	4,101.39	4,126.25	2,752.58	3,824.96	3,768.64	1,707.15
Mining and quarrying	551.40	331.00	1,289.81	1,190.99	1,216.60	665.58	-800.47	899.06
Manufacturing	5,397.12	6,275.80	5,924.03	4,404.86	6,634.65	7,426.51	8,173.08	8,247.28
Electricity, gas, steam, and air conditioning supply	16.08	242.00	-50.77	471.69	113.78	921.01	240.36	1,130.63
Water supply and sewerage, waste management, and remediation	0.88	24.74	8.89	28.49	88.85	40.27	28.96	325.10
Construction	169.85	-45.41	166.81	281.03	113.12	608.88	470.84	-48.51
Wholesale and retail trade and repair of motor vehicles and motorcycles	-1,120.20	449.56	1,400.70	1,247.49	1,736.13	3,129.45	3,712.38	1,357.70
Transportation and storage	589.01	246.56	300.04	426.10	221.40	190.13	14.24	44.03
Accommodation and food service	74.56	9.50	-27.25	42.40	227.18	106.49	96.04	53.77
Information and communications	636.14	54.24	219.68	771.28	231.70	1,323.98	455.23	-30.77
Financial and insurance	10,778.28	2,234.02	4,879.55	2,530.78	4,626.98	2,720.36	5,027.70	4,781.08
Real estate	3,912.91	4,662.90	4,654.52	2,980.22	3,491.67	3,151.84	1,847.03	1,505.29
Professional, scientific, and technical	155.35	39.51	41.26	-24.77	139.18	163.86	146.02	239.26
Administrative and support service	92.14	97.10	49.10	20.65	50.97	38.13	133.53	166.33
Public administration and defense and compulsory social security	-	-	-	-	6.35	0.24	-0.38	-1.24
Education	0.30	14.36	8.80	5.20	16.71	14.48	13.36	12.93
Human health and social work	-0.90	16.90	40.38	24.94	56.00	113.57	100.28	112.56
Arts, entertainment, and recreation	31.71	-0.53	0.03	-18.55	11.04	3.04	91.02	-4.45
Other services	879.09	921.33	-1,568.15	186.88	1,229.61	1,445.78	831.29	420.84
Unspecified	443.96	1,291.41	742.07	2,123.36	2,024.28	0.04	-	1,442.03
Total activities	23,900.78	18,464.21	22,180.88	20,819.28	24,988.79	25,888.59	24,349.16	22,360.06

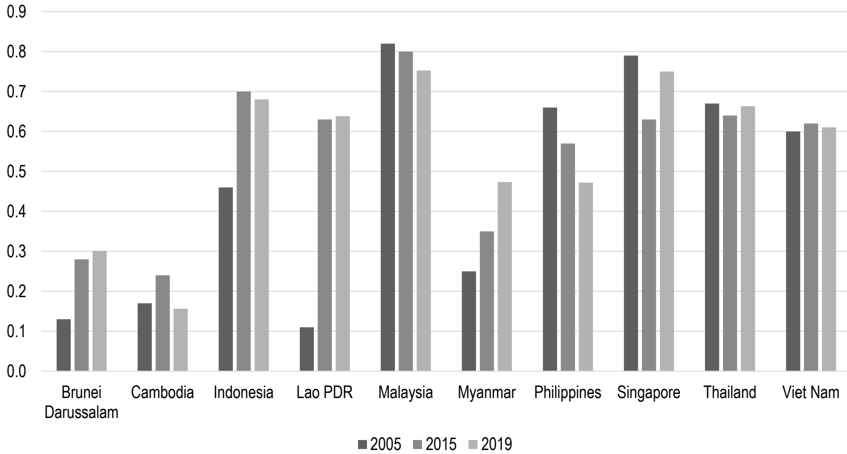
ASEAN = Association of Southeast Asian Nations; USD = United States dollar
[p] = Preliminary
Source: ASEANstats (2020), ASEAN Secretariat (2013 and 2019)

Supporting Indicator 1: Share of services sector in GDP

The data on services value added as a percentage of GDP present the importance of the services sector to ASEAN member-states (Figure 3).

Supporting Indicator 2: Intra-ASEAN intra-industry trade index

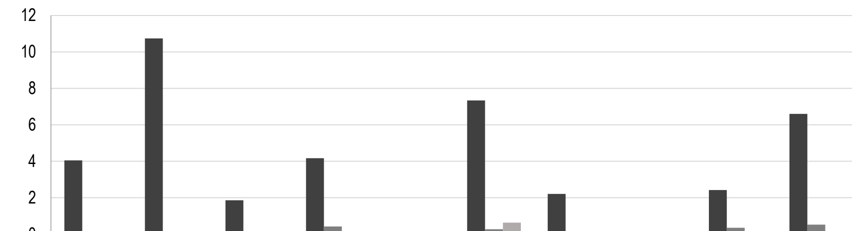
Appendix Figure 1. Intra-ASEAN intra-industry trade index



ASEAN = Association of Southeast Asian Nations; PDR = People's Democratic Republic
Source: ASEAN Secretariat (2017b)

Supporting Indicator 3: Tariffs in intra-ASEAN imports

Appendix Figure 2. Tariffs in intra-ASEAN imports (simple average)



	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam
2005	4.05	10.74	1.86	4.17	0.00	7.34	2.21	0.00	2.42	6.60
2015	0.00	0.00	0.00	0.42	0.00	0.27	0.02	0.00	0.35	0.52
2019	0.00	0.00	0.15	0.07	0.00	0.63	0.04	0.00	0.00	0.05

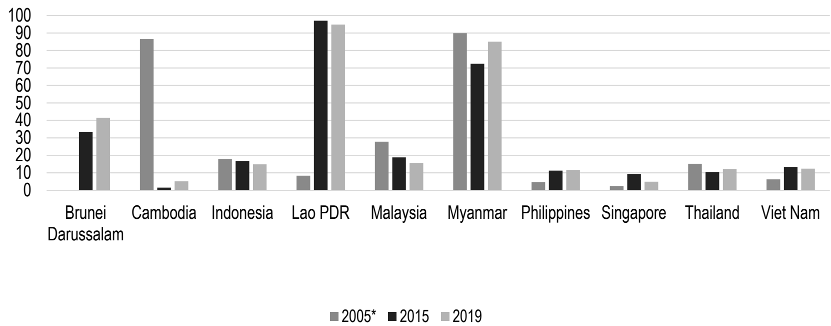
ASEAN = Association of Southeast Asian Nations; PDR = People's Democratic Republic
Source: World Bank (2020d)

Supporting Indicator 4: Trade in value-added (Figure 1 and 2)

Supporting Indicator 5: Account at a financial institution, income, poorest 40% [% ages 15+] (Figure 4)

Supporting Indicator 6: Share of intra-ASEAN portfolio investments to total portfolio investments

Appendix Figure 3. Share of intra-ASEAN portfolio investments to total portfolio investments (%)



ASEAN = Association of Southeast Asian Nations; PDR = People's Democratic Republic
*2006 for Lao PDR
Source: IMF (2020)

Characteristic 2: Competitive, innovative, and dynamic ASEAN

Core Indicator 1: Labor productivity (Table 6)

Core Indicator 2: R&D expenditures, as percentage of GDP (Table 7)

Core Indicator 3: Global Competitiveness Index (Figure 9)

Supporting Indicator 1: Number of patent and trademark applications by residents (Figures 7 and 8)

Supporting Indicator 2: Number of R&D personnel (per million people)

Appendix Table 4. Researchers per million people

Country	Year 1		Year 2 (Latest)	
Brunei Darussalam	...	...	...	...
Cambodia	...	...	30	(2015)
Indonesia	179	(2016)	216	(2018)
Lao PDR	...	...	...	...
Malaysia	2,054	(2014)	2,397	(2016)
Myanmar	...	...	29	(2017)
Philippines	187	(2013)	106	(2015)
Singapore	7,007	(2015)	6,803	(2017)
Thailand	865	(2015)	1,350	(2017)
Viet Nam	679	(2015)	708	(2017)

PDR = People's Democratic Republic
Note: "..." = data not available
Source: United Nations Educational, Scientific, and Cultural Organization Institute of Statistics (2020)

Supporting Indicator 3: Time required to start a business [days] (Figure 10)

Supporting Indicator 4: Control of Corruption [Worldwide Governance Index] (Figure 11)

Characteristic 3: Enhanced connectivity and sectoral cooperation

Core Indicator 1: Intra-ASEAN tourist arrivals (Figure 12)

Core Indicator 2: Fixed broadband subscriptions [per 100 people] (Figure 13)

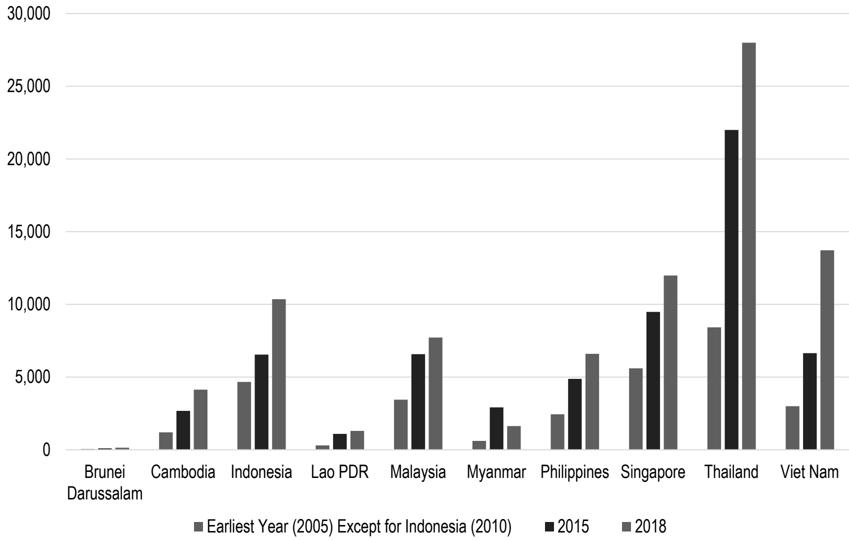
Core Indicator 3: Passengers and freight volume, by mode of transport

- Air transportation, passengers (thousand people) and freight carried (Table 8)
- Rail transportation, passengers (thousand people) and freight carried (Table 9)
- Water transportation, passengers (thousand people) and freight carried (Table 10)

Supporting Indicators

Supporting Indicator 1: Extra-ASEAN tourist arrivals

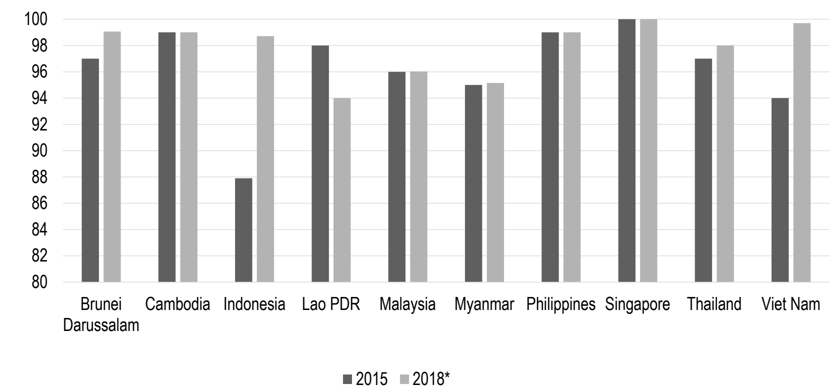
Appendix Figure 4: Extra-ASEAN tourist arrivals (thousands)



ASEAN = Association of Southeast Asian Nations; PDR = People's Democratic Republic
Source: ASEANstats (2020)

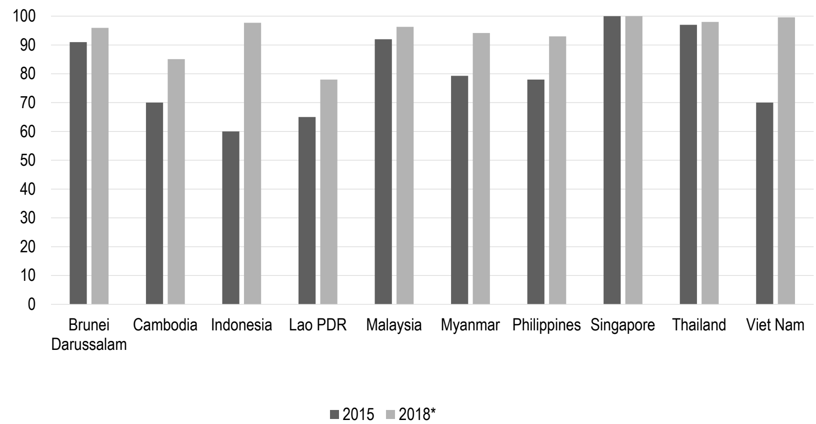
Supporting Indicator 2: Proportion of population covered by mobile network

Appendix Figure 5. Proportion of population covered by 2G network (%)



2G = second generation; PDR = People's Democratic Republic
*For Philippines, 2017
Source: ASEAN Secretariat (2017b) and United Nations (2020)

Appendix Figure 6. Proportion of population covered by 3G network (%)



3G = third generation; PDR = People's Democratic Republic
*For Philippines, 2017
Source: ASEAN Secretariat (2017b) and United Nations (2020)

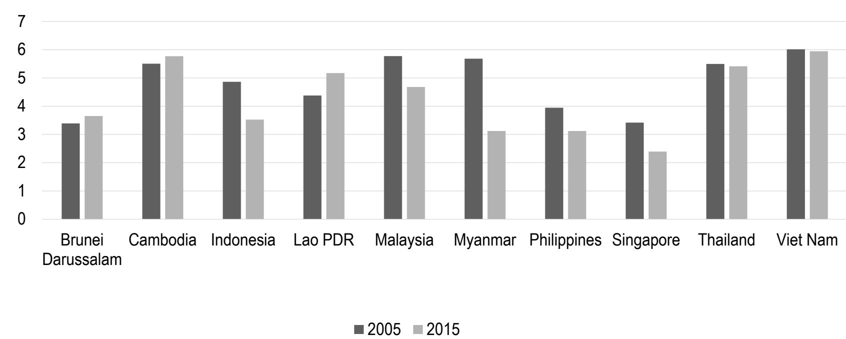
Proportion of population covered by a 4G Network (%) (Figure 14)

Supporting Indicator 3: Logistics Performance Index (Figure 16)

Supporting Indicator 4: Percentage of renewable energy in primary energy supply (Figure 17)

Supporting Indicator 5: Intensity level of primary energy

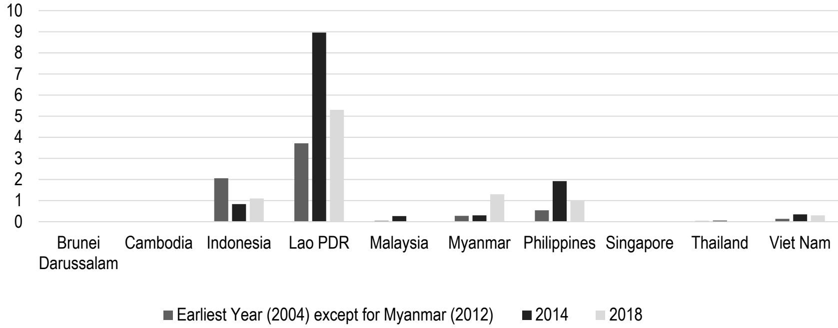
Appendix Figure 7. Intensity level of primary energy



PDR = People's Democratic Republic
Source: World Bank (2020a)

Supporting Indicator 6: Mineral rents (% of GDP)

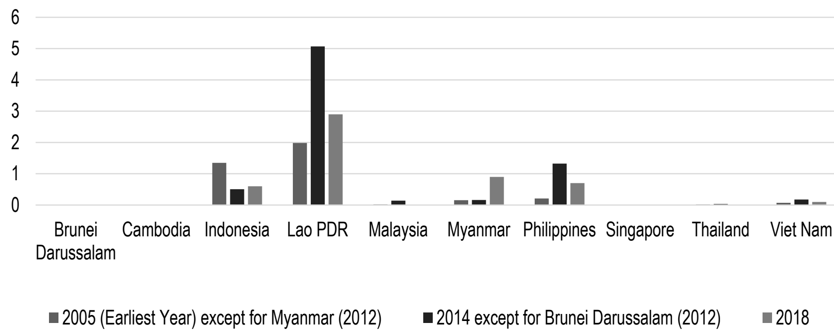
Appendix Figure 8. Mineral rents (% of GDP)



GDP = gross domestic product; PDR = People's Democratic Republic
Notes:
(1) Close to zero values for Thailand
(2) Zero values for Brunei Darussalam, Cambodia, and Singapore
Source: World Bank (2020a)

Supporting Indicator 7: Adjusted savings: Mineral depletion (% of GNI)

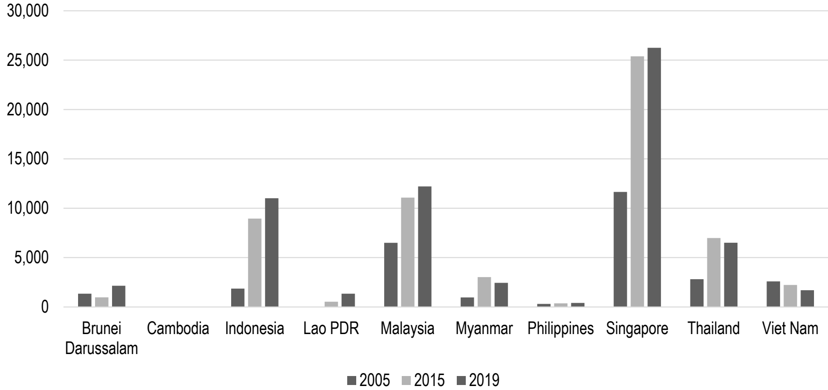
Appendix Figure 9. Adjusted savings: Mineral depletion (% of GNI)



GNI = gross national income; PDR = People's Democratic Republic
Notes:
(1) Close to zero values for Thailand
(2) Zero values for Brunei Darussalam, Cambodia, and Singapore
Source: World Bank (2020a)

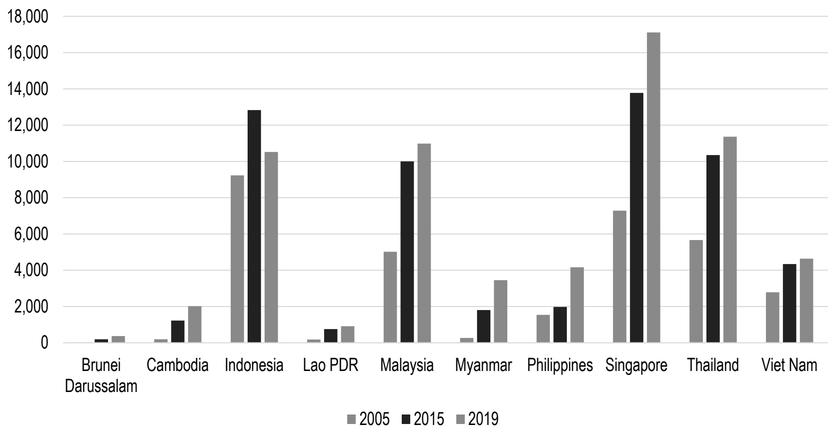
Supporting Indicator 8: Intra-ASEAN trade in minerals

Appendix Figure 10. Intra-ASEAN trade in minerals, exports (in USD million)



ASEAN = Association of Southeast Asian Nations; USD = United States dollar;
PDR = People's Democratic Republic
Source: ASEANstats (2020)

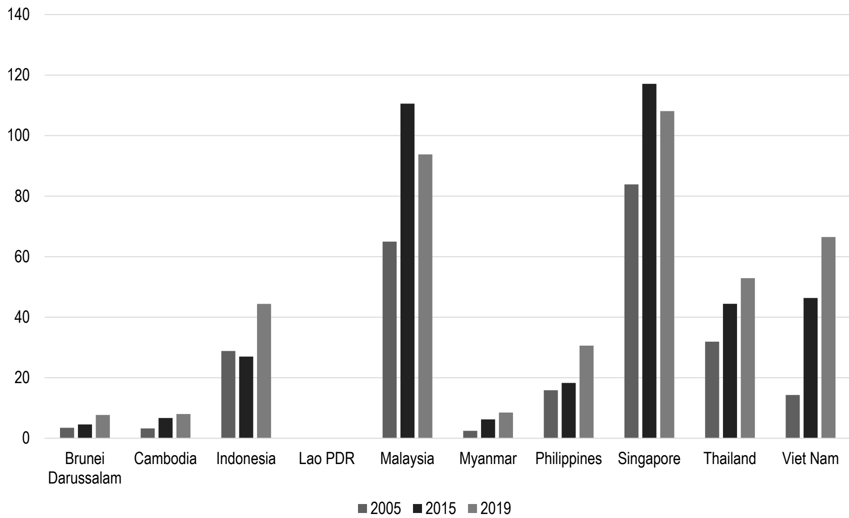
Appendix Figure 11. Intra-ASEAN trade in minerals, imports (in USD million)



ASEAN = Association of Southeast Asian Nations; USD = United States dollar;
PDR = People's Democratic Republic
Source: ASEANstats (2020)

Supporting Indicator 9: Liner Shipping Connectivity Index

Appendix Figure 12: Liner Shipping Connectivity Index (maximum value in 2004 = 100)



PDR = People's Democratic Republic
Source: World Bank (2020a)

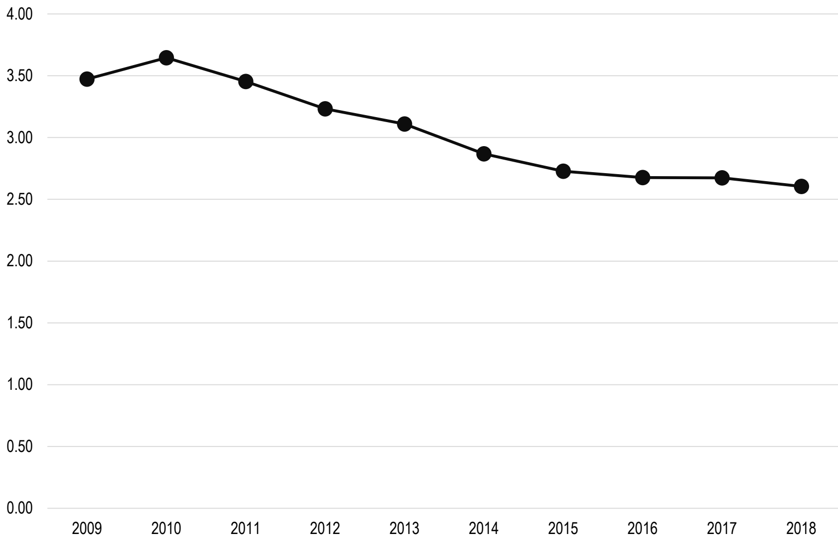
Supporting Indicator 10: B2C E-commerce Index (Figure 15)

Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN

Core Indicator 1: Number of MSMEs per 1,000 persons (Figure 18)

Core Indicator 2: Ratio between average GDP per capita in ASEAN+6 and CLMV

Appendix Figure 13. Ratio between average GDP per capita in ASEAN+6 and CLMV



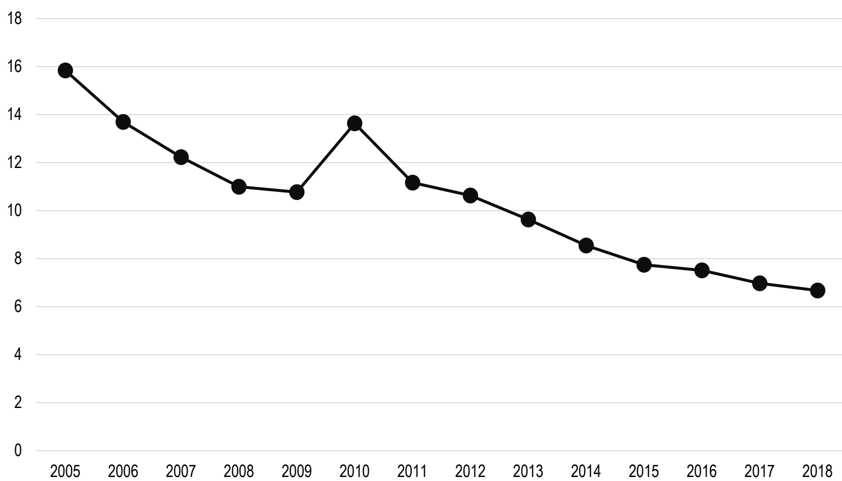
GDP = gross domestic product; ASEAN+6 = Australia, China, India, Japan, New Zealand, and South Korea; CLMV = Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; ASEAN = Association of Southeast Asian Nations
Source: Authors' computation based on ASEANStats (2020) and ASEAN (2017b)

Core Indicator 3: Youth labor force participation rate (ages 15–24) (Figure 21)

Supporting Indicators

Supporting Indicator 1: ASEAN+6: CLMV gap in intra-ASEAN trade

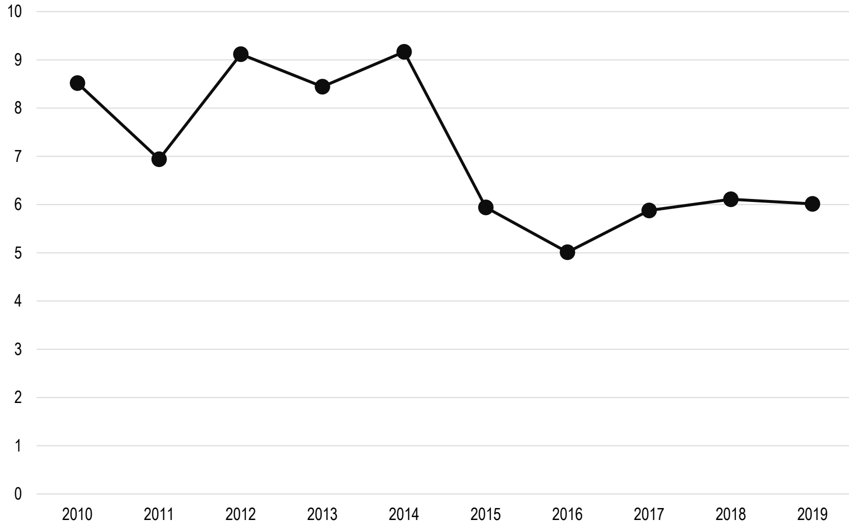
Appendix Figure 14. ASEAN+6: CLMV Gap in intra-ASEAN trade



ASEAN+6 = Australia, China, India, Japan, New Zealand, and South Korea; CLMV = Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; ASEAN = Association of Southeast Asian Nations
Source: Authors' computation based on ASEANstats (2020)

Supporting Indicator 2: ASEAN+6: CLMV gap in inward FDI

Appendix Figure 15: ASEAN+6: CLMV gap in inward FDI

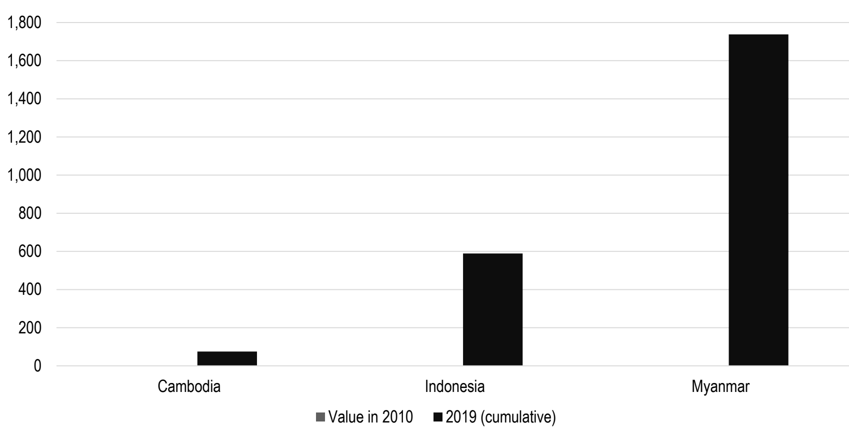


ASEAN+6 = Australia, China, India, Japan, New Zealand, and South Korea; CLMV = Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; FDI = foreign direct investnment; ASEAN = Association of Southeast Asian Nations
Source: Authors' computation based on ASEANstats (2020)

Supporting Indicator 3: Private partnership (investment) in infrastructure (by sector)

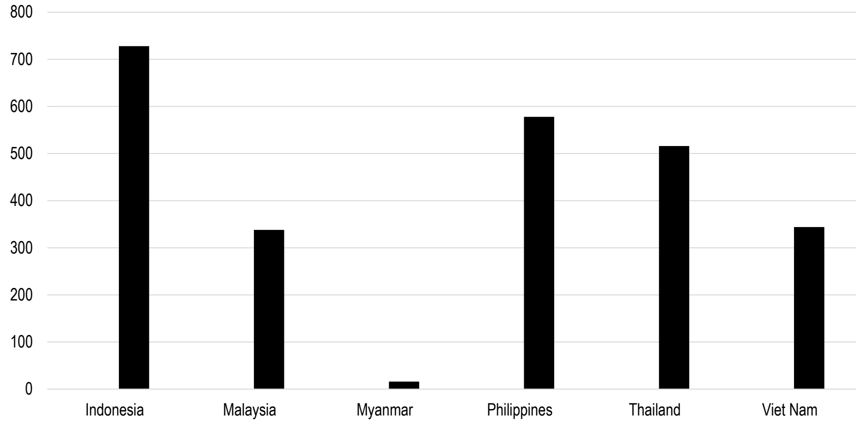
- Private partnership investment in infrastructure [energy] (Figure 19)
- Private partnership investment in infrastructure [transport] (Figure 20)

Appendix Figure 16. Private partnership investment in infrastructure (ICT), in USD million, 2010–2019



ICT = information and communications technology; USD = United States dollar
Source: World Bank (2020c)

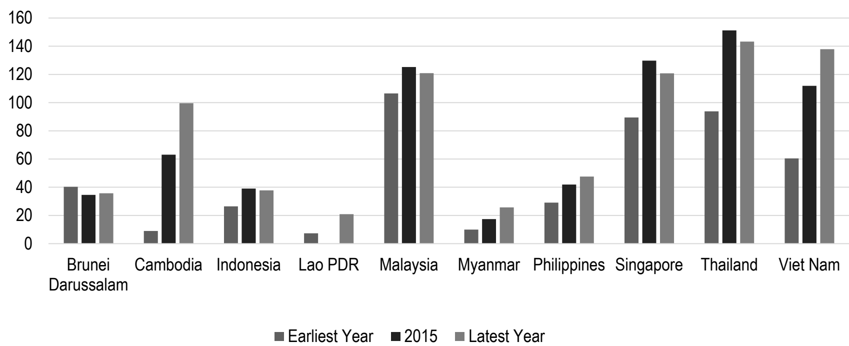
Appendix Figure 17. Private partnership investment in infrastructure (water and sanitation), in USD million, 2010–2019



USD = United States dollar
Source: World Bank (2020c)

Supporting Indicator 4: Domestic credit to the private sector (% of GDP)

Appendix Figure 18. Domestic credit to private sector (% of GDP)



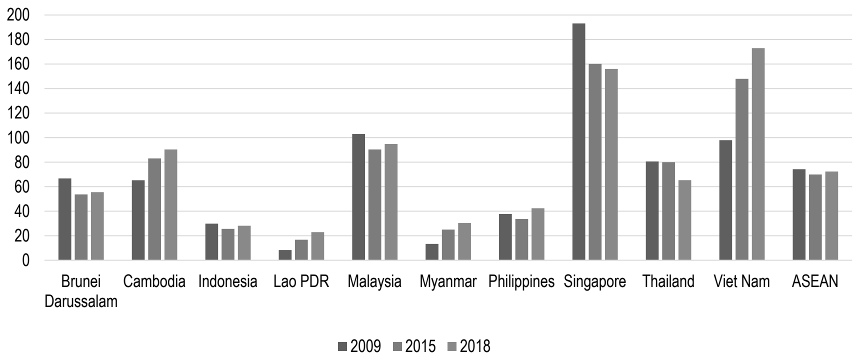
GDP = gross domestic product; PDR = People's Democratic Republic
Notes:
(1) Earliest year is 2005, except for Myanmar (2012).
(2) Latest year is 2019, except for Lao PDR (2010) and Cambodia and Philippines (2018).
Source: World Bank (2020a)

Characteristic 5: A global ASEAN

Core Indicator 1: Tariff rates on imports from (a) FTA partners of ASEAN and (b) the rest of the world (Table 11)

Core Indicator 2: Trade with the rest of the world

Appendix Figure 19: Ratio of total values of extra-ASEAN trade to total GDP (%)



ASEAN = Association of Southeast Asian Nations; GDP = gross domestic product;
PDR = People's Democratic Republic
Sources: Authors' computation based on ASEAN Secretariat (2019) and World Bank (2020e)

Core Indicator 3A: FDI flows to ASEAN from the rest of the world (Figure 22)

Core Indicator 3B: FDI flows from ASEAN to the rest of the world (Figure 23)

Appendix 2. Summary of PDP pillars and indicators by likelihood of achieving its target

PSA (2020) observed the performance of the Philippines in PDP indicators and reported that the country has a moderate chance of attaining the end-of-plan targets (Appendix Table 5). Ninety-six indicators showed high likelihood of achieving targets by 2022, while 23 showed medium likelihood and 91 showed low likelihood.

Appendix Table 5. Summary of PDP indicators by likelihood of achieving its target

Indicators per Pillar	Number of Indicators by Likelihood of Achieving the Target			Total
	High	Moderate	Low	
Pillar 1: Enhancing the social fabric (*malasakit*)				
Governance	9	-	8	17
Justice	4	1	5	10
Culture and values	1	-	-	1
Pillar 2: Inequality-reducing transformation (*pagbabago*)				
Agriculture, forestry, and fisheries	20	6	34	60
Industry and services	6	4	8	18
Pillar 3: Increasing growth potential (*patuloy na pag-unlad*)				
Human capital development	7	4	12	23
Social protection	4	-	5	9
Demographic dividend	2	2	3	7
Science and technology	2	1	-	3
Enabling and supportive economic environment				
Macroeconomy	8	2	3	13
Competitiveness	10	-	3	13
Infrastructure	18	1	8	27
Foundations for sustainable development				
Environment	5	2	2	9
Total	96	23	91	210

PDP = Philippine Development Plan
Notes: Due to the limitation in data submission in 2020, the results presented in this report are only preliminary. An updated version of the StatDev 2019 report with sectoral performance and infographics will follow later within the year. It will cover results from the submission of updated/latest data for the remaining 32 percent of the indicators, including those with concerns for verification with the data sources. Updates in the data will still be based on the *PDP 2017–2022* Results Matrices (version as of July 2020), the reference document for StatDev 2019, with the midterm PDP update yet to be officially released.
Source: PSA (2020)

Appendix 3. List of AEC core indicators with performance rankings and trends

Core Indicator	Definition	Rank (Latest Year)	Trend
Characteristic 1: Highly integrated and cohesive economy			
Intra-ASEAN exports and imports, in terms of (a) value and (b) share/proportion in total trade	(a) Value of goods traded originating from and going to ASEAN member countries; (b) ratio of the sum of all total exports and imports		
Value of exports		Middle	On track
Value of imports		Middle	On track
Share of exports in total trade		Bottom	On track
Share of imports in total trade		Top	On track
Intra-ASEAN trade in services, including by sector	Value of services trade by services category		
Exports		Note: Not country specific	Note: Not country specific
Imports		Note: Not country specific	Note: Not country specific
Intra-ASEAN inward FDI, including by sector	Total value of foreign direct investment flows from and to ASEAN member countries across various sectors		
FDI by source country		Bottom	Off track/static
FDI by host country		Middle	On track
FDI by sector		Note: Not country specific	Note: Not country specific

Appendix 3. (continued)

Core Indicator	Definition	Rank (Latest Year)	Trend
Characteristic 2: Competitive, innovative, and dynamic ASEAN			
Labor productivity (output per worker)	Total gross value added in USD divided by total full-time employment in each year	Middle	On track
R&D expenditures, as percentage of GDP	R&D expenditures from both private and public sectors expressed as a percentage of GDP	Bottom	On track
Global Competitiveness Index	Composite index of the global competitiveness of each individual country (based on the World Economic Forum's Global Competitiveness Report)	Middle	Off track/static
Characteristic 3: Enhanced connectivity and sectoral cooperation			
Intra-ASEAN tourist arrivals	Tourist arrivals in ASEAN with other ASEAN countries as the points of origin	Bottom	On track
Fixed broadband subscriptions (per 100 people)	Number of fixed subscriptions to high-speed access to the public Internet, at downstream speeds equal to, or greater than, 256 kilobits per second (per 100 people in population)	Middle	On track
Passengers and freight volume, by mode of transport	Total volume of passengers and freight carried in transportation, by mode of transport		
Air transportation passengers (thousand people)		Middle	On track

Appendix 3. (continued)

Core Indicator	Definition	Rank (Latest Year)	Trend
Air transportation freight carried (thousand tons)		Middle	On track
Rail transportation passengers (million people)		Middle	On track
Rail transportation freight carried (thousand tons)		Note: Data not available	Note: Data not available
Water transportation passengers (thousand people)		Top	On track
Water transportation freight carried (thousand tons)		Middle	On track
Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN			
Number of MSMEs per 1,000 persons	Number of MSMEs per 1,000 population	Bottom	Off track/static
Ratio between average GDP per capita in ASEAN+6 and CLMV	Population weighted averages of GDP per capita of ASEAN+6 countries divided by that of CLMV countries	Note: Not country specific	Note: Not country specific
Labor force participation rate for ages 15–24 (youth), total (%)	Proportion of population ages 15–24 that is economically active (supply labor for production of goods and services)	Bottom	Off track/static

Appendix 3. (continued)

Core Indicator	Definition	Rank (Latest Year)	Trend
Characteristic 5: A global ASEAN			
Tariff rates on imports from (a) FTA partners of ASEAN; (b) the rest of the world	Import volume-weighted average preferential rates at the 6-digit HS code; (b) import weighted average MFN rates at the 6-digit HS code		
FTA partners		Top	On track
Rest of the world		Top	Off track/static
Trade with the rest of the world	Ratio between total values of trade (import to ASEAN from the rest of the world plus export from ASEAN to the rest of the world) to total GDP for each ASEAN country	Bottom	On track
FDI flows to ASEAN from the rest of the world	Total value of foreign direct investment flows (a) to ASEAN from other countries; (b) from ASEAN to other countries		
FDI to ASEAN		Middle	On track
FDI from ASEAN to the rest of the world		Middle	Off track/ static

ASEAN = Association of Southeast Asian Nations; FDI = foreign direct investment; USD = United States dollar; R&D = research and development; GDP = gross domestic product; MSMEs= micro, small, and medium enterprises; ASEAN+6 = Australia, China, India, Japan, New Zealand, and South Korea; CLMV = Cambodia, Lao People's Democratic Republic; Myanmar, and Viet Nam; FTA = free trade agreement; HS = Harmonized System; MFN = most favored nation

Notes:

(1) Top - the Philippines ranked 1st to 3rd across ASEAN countries
(2) Middle - the Philippines ranked 4th to 6th across ASEAN countries
(3) Bottom - the Philippines ranked 7th to 10th across ASEAN countries
(4) On track - if the country is improving and directed toward the AEC vision
(5) Off track/static - if the country is not moving toward the vision or has no progress

Source: Authors' assumptions based on the latest data gathered to develop the datasets for the study

Appendix 4. List of AEC supporting indicators with performance rankings and trends

Supporting Indicator	Definition	Rank (Latest Year)	Trend
Characteristic 1: Highly integrated and cohesive economy			
Share of services sector in GDP	Services value-added as percentage of GDP	Top	On track
Intra-ASEAN intra-industry trade index	Measure of the degree of exchange of similar products within the same industry between an ASEAN country and the rest of the ASEAN countries	Bottom	Off track/static
Tariffs on intra-ASEAN imports	Simple average preferential tariff rates	Middle	On track
Trade in value-added	Domestic value added as percent of gross exports; and foreign value added as percent of gross exports		
Domestic value-added		Top	On track
Foreign value-added		Middle	On track
Account at a financial institution, income, poorest 40% (% ages 15+)	Percentage of respondents who report having an account (by themselves or together with someone else) at a bank or another type of financial institution (e.g., cooperative, microfinance institution); income, poorest 40%, % age 15+	Bottom	On track
Share of intra-ASEAN portfolio investments to total portfolio investments	ASEAN portfolio investment as a percentage of total portfolio investment for ASEAN countries	Bottom	On track

Appendix 4. (continued)

Supporting Indicator	Definition	Rank (Latest Year)	Trend
Characteristic 2: Competitive, innovative, and dynamic ASEAN			
Number of patent and trademark applications by residents	Total number of patent and trademark applications filed by the residents of ASEAN countries		
Patent applications		Middle	On track
Trademark applications		Middle	Off track/static
Number of R&D personnel (per million people)	All persons employed directly on R&D and those providing direct services (such as R&D managers, administrators, and clerical staff) during a given year expressed as a proportion of a population of one million	Middle	Off track/static
Time required to start a business (in days)	Number of calendar days needed to complete the procedures to legally operate a business	Bottom	On track
Control of Corruption (Worldwide Governance Index)	Composite index consisting of six key dimensions of governance (Voice and Accountability, Political Stability and Lack of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption) that measure the quality of governance in over 200 countries, based on close to 40 data sources produced by over 30 organizations worldwide	Middle	Off track/static

Appendix 4. (continued)

Supporting Indicator	Definition	Rank (Latest Year)	Trend
Characteristic 3: Enhanced connectivity and sectoral cooperation			
Extra-ASEAN tourist arrivals	Tourist arrivals in ASEAN with non-ASEAN countries as the points of origin	Middle	On track
Proportion of population covered by mobile network	SDG Indicator 5.b.1; calculated by dividing the total number of in-scope individuals who own a mobile phone by the total number of in-scope individuals		
2G		Middle	Off track/static
3G		Bottom	On track
4G		Middle	Off track/ static
Logistics Performance Index: Overall (1 = low to 5 = high)	Logistics Performance Index (overall score) reflects perceptions of a country's logistics based on efficiency of customs clearance process, quality of trade- and transport-related infrastructure, ease of arranging competitively priced shipments, quality of logistics services, ability to track and trace consignments, and frequency with which shipments reach the consignee within the scheduled time	Middle	Off Track/ Static
Percentage of renewable energy in primary energy supply	Share of renewable energy in primary energy supply in ASEAN countries	Top	On track

Appendix 4. (continued)

Supporting Indicator	Definition	Rank (Latest Year)	Trend
Intensity level of primary energy	Ratio between energy supply and GDP measured at purchasing power parity	Top	On track
Mineral rents (% of GDP)	Difference between the value of production for a stock of minerals at world prices and their total production costs. Minerals included in the calculation are tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate	Middle	Off track/static
Adjusted savings: Mineral depletion (% of GNI)	Ratio of the value of the stock of mineral resources to the remaining reserve lifetime (capped at 25 years). It covers tin, gold, lead, zinc, iron, copper, nickel, silver, bauxite, and phosphate	Bottom	Off track/static
Intra-ASEAN trade in minerals	Value of minerals trade originating from and going to ASEAN member countries		
Exports		Bottom	On track
Imports		Middle	On track
Liner Shipping Connectivity Index (maximum value in 2004 = 100)	Computed by the UNCTAD based on five components of the maritime transport sector: number of ships, container-carrying capacity, maximum vessel size, number of services, and number of companies that deploy container ships in a country's ports	Middle	On track
B2C E-commerce Index	Business-to-consumer electronic-commerce composite index	Middle	On track

Appendix 4. (continued)

Supporting Indicator	Definition	Rank (Latest Year)	Trend
Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN			
ASEAN+6: CLMV gap in intra-ASEAN trade	Ratio between total intra-ASEAN trade (exports and imports) in ASEAN+6 and CLMV	Note: Not country specific	Note: Not country specific
ASEAN+6: CLMV gap in inward FDI	Ratio between total inward FDI in ASEAN+6 and CLMV	Note: Not country specific	Note: Not country specific
Private partnership (investment) in infrastructure (by sector)	Value of private partnership investment in infrastructure in different sectors		
Energy		Middle	On track
ICT		Middle	Off track/static
Transport		Top	On track
Water and Sanitation		Top	On track
Domestic credit to the private sector (% of GDP)	Domestic credit to the private sector as percentage of GDP	Middle	On track
Characteristic 5: A global ASEAN			
No supporting indicators			

GDP = gross domestic product; ASEAN = Association of Southeast Asian Nations; R&D = research and development; SDG = Sustainable Development Goal; 2G = second generation; 3G = third generation; 4G = fourth generation; GNI = gross national income; UNCTAD = United Nations Conference on Trade and Development; B2C = business-to-consumer; ASEAN+6 = Australia, China, India, Japan, New Zealand, and South Korea; CLMV = Cambodia, Lao People's Democratic Republic; Myanmar, and Viet Nam; FDI = foreign direct investment; ICT = information and communications technology

Notes:
(1) Top - the Philippines ranked 1st to 3rd across ASEAN countries
(2) Middle - the Philippines ranked 4th to 6th across ASEAN countries
(3) Bottom - the Philippines ranked 7th to 10th across ASEAN countries
(4) On track - if the country is improving and directed toward the AEC vision
(5) Off track/static - if the country is not moving towards the vision or has no progress
Source: Authors' assumptions based on the latest data gathered to develop the datasets for the study

Appendix 5. AEC Policy Monitor in the Philippines (2016–2019)

AEC Characteristic 1: A highly integrated and cohesive economy

Key result areas: (1) Trade in goods; (2) trade in services; (3) investment environment; (4) financial integration, financial inclusion, and financial stability; (5) facilitating movement of skilled labor and business visitors; and (6) enhancing participation in global value chains

Indicators: Value and share/proportion of intra-ASEAN exports and imports in total trade; value of intra-ASEAN trade in services (exports and imports), total and by category; and value of intra-ASEAN inward FDI, total and by sector/industry

Year	Policy	Area	Description	Remarks
2016	Republic Act (RA) 10881: Foreign Investment Liberalization Act	FDI	Amended specific laws to allow 100 percent foreign ownership in previously restricted financial services subject to certain requirements.	Removing foreign equity restrictions are expected to strengthen the sector through increased capital, expertise, and technology.
2018	RA 11203: Rice Tariffication Law	Tariff, GVC agriculture, and food (overlaps with AEC Characteristic 3)	Repeals the quantitative restrictions in rice importation and liberalizes domestic and international trade in rice. Now, importers only pay the customs duty of 35 percent for rice from ASEAN and 180 percent for rice from non-ASEAN countries.	This should translate to lower rice prices in the market. However, the effect of low rice prices on farm income might negatively affect the agricultural sector.

Appendix 5. (continued)

AEC Characteristic 2: A competitive, innovative, and dynamic ASEAN
Key result areas: (1) Effective competition policy; (2) consumer protection; (3) strengthening intellectual property rights cooperation; (4) productivity-driven growth, innovation, research and development (R&D), and technology commercialization; (5) taxation cooperation; (6) good governance; (7) effective, efficient, coherent, and responsive regulations and good regulatory practice; (8) sustainable economic development; and (9) global megatrends and emerging trade-related issues
Indicators: Labor productivity, by sector; R&D expenditures, as percentage of GDP; and Global Competitiveness Index

Year	Policy	Area	Description	Remarks
2016	Comprehensive Tax Reform Program	Taxation	**Package 1A:** Tax Reform for Acceleration and Inclusion (TRAIN) to lessen the overall tax burden of the poor and the middle class **Package 1B:** Tax amnesty **Package 2:** Tax Reform for Attracting Better and Higher Quality Opportunities (TRABAHO) through corporate income tax reform and fiscal incentives modernization **Package 2+:** Mining and Sin Taxes to be earmarked for Universal Health Care **Package 3:** Property Valuation and Taxes which seeks to address the absence of a property database and make more resources available to local government units **Package 4:** Capital Income and Financial Taxes	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2017	RA 10963: TRAIN Law	Taxation, investment, infrastructure, industries, transportation, food, healthcare, and minerals (overlaps with Characteristic 3), and tariffs (overlaps with Characteristic 1 and 5)	This law envisions to support the government's massive investments in infrastructure and social protection projects. To compensate for the reduction in tax revenue, the TRAIN Law imposes higher taxes on some sectors. It intends to address poverty and income inequality, exempt some commodities from value-added tax, increase taxes for some (e.g., sugary drinks, tobacco, and mining), fund the jeepney modernization program, and impose tariffs on rice imports instead of quantitative restrictions, among others.	Given the tax rate adjustments, TRAIN is expected to have a slightly inflationary effect on the economy. Thus, the government allocated 30 percent of the additional revenues from TRAIN to mitigate its adverse effects. In particular, the government initiated a three-year unconditional cash transfer program beginning 2018. Ten million poorest families are granted PHP 200 monthly, or a total of PHP 2,400 in 2018, to help them cope with the effects of TRAIN. The grant was increased to PHP 300 per month in 2019 and 2020.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2016	RA 10912: Continuing Professional Development Act of 2016	Labor	It promotes and upgrades the practice of professions through the continuous development of skills, knowledge, and experiences of professionals. It intends to enhance and upgrade the competencies and qualifications of professionals in line with the Philippine Qualifications Framework, the ASEAN Qualification Framework, and the ASEAN Mutual Recognition Arrangement.	This policy is necessary for strengthening the competitiveness of domestic industries. It will also help improve their mobility within the ASEAN Economic Community and beyond.
2016	RA 10915: Philippine Agricultural and Biosystems Engineering Act of 2016	Labor, science and technology, intellectual property rights, regulations, and agriculture and fisheries (overlaps with AEC Characteristic 3)	It plays an important role in the production, handling, and processing of biological materials for food, fiber, and fuel, as well as in the preservation of natural resources and environment quality. It aims to cope with the continuous advancements in the field by imposing appropriate regulations, modernizing and standardizing engineering education, licensing, and practice.	This will contribute in agricultural and fishery modernization, food and water security and safety, bioenergy, environmental protection, and human health and safety in the country.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2016	RA 10918: Philippine Pharmacy Act	Labor, healthcare, trade of goods and services (overlaps with AEC Characteristics 1 and 3)	Mismanagement, misuse of drugs, poor professional practice standards, and weak service regulation put the lives of many Filipinos at great risk. This policy aims to address these issues by applying more stringent rules, in line with good pharmacy practice standards, on pharmacy licensing and regulation.	Pharmacists are vital to the success of the health sector as their duties include a myriad of tasks that range from handling and dispensing pharmaceutical products to providing other health-related services, such as analyzing medicinal products, marketing, managing and counseling medications, and other technical knowledge related to pharmaceutical goods and services.
2018/2019	House Bill (HB) 6908: An act strengthening the security of tenure of workers, amending for the purpose Presidential Decree 442, otherwise known as the "Labor Code of the Philippines"	Labor	This policy seeks to promote security of tenure and increase the minimum wage of workers in Metro Manila, effective November 22, 2018.	
2019	Senate Bill (SB) 1826: Security of Tenure and End of Endo Act of 2018	Labor	It further defines and prohibits labor-only contracting. Under the bill, the labor secretary may restrict the contracting out of workers and made a distinction between labor-only contracting and job contracting.	In line with this, contractors would have to qualify for a license before being able to engage in job contracting.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2019	RA 10968: Philippine Qualifications Framework Act	Labor, narrowing the development gap (overlaps with AEC Characteristic 4)	This law ensures that training and educational institutions comply with specific standards and are accountable for achieving corresponding learning outcomes. It also provides the government a common taxonomy and qualifications typology as bases for recognizing education and training programs and the qualifications formally awarded and their equivalents.	
2017	Inclusive Innovation Industrial Strategy (i3S)	Science and technology, industries, exports, and GVC (overlaps with AEC Characteristics 1 and 3)	This program strives to make Philippine industries globally competitive and prepare them against the drastic changes brought by new technologies, such as automation, advanced robotics, and artificial intelligence.	
2018	RA 11035: *Balik* Scientist Act	Labor, research and development, and science and technology (overlaps with AEC Characteristic 3)	The law also aims to accelerate the flow of new technologies into the country by providing incentives to scientists to entice them to return to the country.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2017	Investment Priority Plan of the Board of Investments	Investment, technology commercialization, MSMEs (overlaps with AEC Characteristic 4)	It focuses on the development of MSMEs and innovation-driven service activities (e.g., creative industry, knowledge-based services, and inclusive business models) and commercialization of new and emerging technologies.	
2016	RA 10844: Department of Information and Communications Technology (DICT) Act of 2015	ICT, governance and innovation, consumer rotection (overlaps with AEC Characteristic 3)	The DICT is mandated to be the primary policy, planning, coordinating, implementing, and administrative entity of the government concerning the national ICT development agenda.	DICT aims to improve public access, resource sharing, government capacity building, consumer protection, and industry development.
2018	RA 11032: Ease of Doing Business and Efficient Government Service Delivery Act of 2018	Ease of doing business, governance, MSMEs (overlaps with AEC Characteristic 4)	It aims to simplify requirements and streamline procedures related to starting and operating a business.	Under this law, local governments are mandated to provide a Business One-Stop Shop (BOSS) so that entrepreneurs and business applicants only need to visit the BOSS for transactions with local government offices. To reduce corruption, the law features a zero-contact policy, which strictly prohibits any government officer or employee to have any contact with any applicant or requesting party regarding any application or request, except during the preliminary assessment of the application form and submitted requirements.
2018	RA 11057: Personal Property Security Act	Governance, MSMEs (overlaps with AEC Characteristic 4)	It aims to promote economic activity by increasing access to least-cost credit, particularly for MSMEs, by establishing a unified and modern legal framework for securing obligations with personal property.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2018	RA 11127: The National Payment Systems Act	Governance, e-commerce, taxation, ICT (overlaps with AEC Characteristic 3)	It empowers the *Bangko Sentral ng Pilipinas* (BSP) to ensure a safe, secure, and reliable operation of the Philippine payment systems. It is expected to foster the adoption of electronic receipts, invoices, and tax-related documentation, allow the adoption of digital signatures to establish identity of people entering into transactions, and promote the adoption of e-notary to authenticate and further formalize agreements between parties.	
2019	RA 11232: Revised Corporation Code of the Philippines	Ease of doing business, governance, and industries	This policy introduces many provisions that drastically change the process of organizing corporations, day-to-day activities, and compliance with regulatory requirements. It further simplifies the requirements to set up and register a corporation with the Securities and Exchange Commission (SEC).	To reduce bureaucratic processes, it mandates the SEC to develop and implement a system for electronic submission of applications, reports, and other documents, as well as the sharing of pertinent information with other government agencies.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2019	RA 11293: Philippine Innovation Act	Governance, science and technology, ICT, and innovation (overlaps with AEC Characteristic 3)	It mandates the creation of the National Innovation Council, which will steer the whole-of-government coordination and collaboration to remove the fragmentation in the country’s innovation governance.	
2018	Local Government Code (LGC) amendments	Governance	The Supreme Court issued the Mandanas ruling, which expands the tax base for computing the Internal Revenue Allotment to increase intergovernmental transfers once implemented. Aside from amending several LGC provisions, the Supreme Court case is also expected to make a dent in the overall fiscal balance by expanding the revenue base by which to compute the intergovernmental fiscal transfers for LGUs.	
2019	RA 11315: Community-Based Monitoring System (CBMS) Act	Governance and social protection (overlaps with AEC Characteristic 4)	It aims to adopt the CBMS in updating and disaggregating data for poverty analysis and effective policymaking and impact evaluation.	The Philippine Statistics Authority shall lead every city and municipality in having a CBMS that shall be used as a tool for more comprehensive, needs-based policymaking.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2016	RA 10870: Philippine Credit Card Industry Regulation Law	Consumer protection	This law fosters the development of the credit card industry by protecting consumers against abusive and unfair practices of credit card issuers and collection agencies and by encouraging competition and transparency to improve the quality and efficiency of credit card services.	

AEC Characteristic 3: Enhanced connectivity and sectoral cooperation
Key result areas: (1) Transport; (2) ICT; (3) e-commerce; (4) energy; (5) food, agriculture, and forestry; (6) tourism; (7) healthcare; (8) minerals; and (9) science and technology
Indicators: Intra-ASEAN tourist arrivals; fixed broadband subscriptions (per 100 people); and passengers and freight volume, by mode of transport.

Year	Policy	Area	Description	Remarks
2018	RA 11165: Telecommuting Act	ICT, MSMEs, and labor (overlaps with AEC Characteristics 2 and 4)	This law protects the rights of telecommuting employee. Section 3 of this law defined telecommuting as "a work from an alternative workplace with the use of telecommunication and/or computer technologies".	
2019	National ICT Ecosystem Framework	ICT, innovation	It aims to contribute to the realization of an equitable, inclusive, and sustainable development for the nation.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2016	Department of Health Administrative Order (AO) 2016-0038	Healthcare	It defines the Philippine Health Agenda for 2016–2022, which guarantees interventions to address health concerns at all life stages, including the prevention and treatment of communicable diseases, noncommunicable diseases (or lifestyle diseases), malnutrition, and diseases of rapid urbanization and industrialization (e.g., injuries, substance abuse, and mental illness).	
2016	RA 10747: Rare Diseases Act of the Philippines	Healthcare	This policy provides a mechanism to increase access to comprehensive medical care, including drugs, health-care products, and health information. It creates the Rare Disease Registry, which covers data on rare diseases, persons diagnosed with rare diseases, and medicines or other products used to treat or alleviate the symptoms of rare diseases.	RA 10747 designates persons with rare disease as persons with disabilities. Thus, persons with rare diseases can also enjoy the rights and privileges stipulated in RA 7277 or the Magna Carta for Disabled Persons.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2016	RA 10767: Comprehensive Tuberculosis (TB) Elimination Plan Act	Healthcare, technology, research and development, and governance (overlaps with AEC Characteristic 2)	It focuses on increasing investments to prevent, treat, and control TB. Under this policy, appropriate technologies shall be developed and applied to diagnose and treat TB. Linkages with local and international organizations shall also be strengthened to expand research, advocacy, and education and to acquire funding assistance for the said activities.	This policy seeks to strengthen the regional centers for health development to facilitate the provision of free laboratory services through DOH-retained hospitals. It also aims to provide free and reliable supply of drugs to patients and enhance the capability of health providers in public and private hospitals. Under this law, the Philippine Health Insurance Corporation is mandated to expand its benefit package for TB patients, such that new, relapse, and return-after-default cases are included.
2017	RA 10932: Anti-Hospital Deposit Law	Healthcare	This law increases the sanctioned penalties for the refusal of health facilities to administer initial medical treatment and support in emergency or serious cases.	RA 10932 identifies the financing source of emergency healthcare, at least for the poor. It also mandates the Philippine Health Insurance Corporation to reimburse health facilities for the cost of basic emergency care and transportation services provided to indigent patients.
2017	RA 11036: Mental Health Act	Healthcare	It provides a national policy framework on mental health, including the promotion of mental health awareness in educational institutions, workplace, and communities. It also defines the rights of mental health service users, their family members and legal representatives, and mental health professionals.	RA 11036 mandates the development and integration of various mental health services into the general health delivery system.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2017	HB 5784 and SB 1896: Universal Health Coverage Act	Healthcare	These policies seek to guarantee every Filipino their right to health by providing financially accessible, responsive, and comprehensive health services.	
2019	RA 11223: Universal Health Care Act	Healthcare	The law automatically enrolls all Filipino citizens in the National Health Insurance Program. It also aims to create an integrated and comprehensive approach for ensuring health literacy, good living conditions, and protection from various hazards and risks. This is to be achieved through a comprehensive set of quality and cost-effective health services targeted to the needs of the population that cannot otherwise afford such services. The law covers all types of health services—preventive, curative, rehabilitative, and palliative.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2018	SB 1618 and HB 4630: Philippine eHealth Systems and Services Act	Healthcare, ICT	These policies seek to institutionalize a national eHealth system that will guide and regulate eHealth practices in the Philippines. SB 1618 and HB 4630 also define the scope of eHealth services and solutions, set interoperability standards, and regulate related infrastructure and human resources.	
2016	Joint Department Circular 1, series of 2016 on genetically modified organisms (GMOs), issued by the Department of Science and Technology, Department of Agriculture, Department of Environment and Natural Resources, Department of Health, and Department of the Interior and Local Government	Agriculture, science and technology, and research and development (overlaps with AEC Characteristic 2)	This joint circular aims to regulate the development and dissemination of modern biotechnology products based on GMOs in the Philippines	
2017	Memorandum Order 13, series of 2017, issued by the Office of the President	Agriculture	This memorandum order directs the abolition of the Quedan and Rural Credit Guarantee Corporation, which was created in 1978 to accelerate growth and development, particularly in the rural areas, through credit resources and sustainable guarantee system in agriculture.	Recommended by the Commission on Good Governance

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2017	Sugar Order 3, series of 2016-17 on importation of high fructose corn syrup (HFCS)	Agriculture, trade, and tariffs (overlaps with Characteristics 1, 2, and 5)	The Sugar Regulatory Administration of the Department of Agriculture has issued this order to require HFCS importers to obtain a product classification prior to clearance from the Bureau of Customs. The classification follows the standard sugar categories: B for domestic market; C for reserved; and D for world market.	
2018	RA 10969: Free Irrigation Service Act	Agriculture	Under this law, farmers with landholdings of 8 hectares and below are entitled to free irrigation. It is expected to lower production cost and relieve farmers and irrigators' associations from the burden and consequence of unpaid irrigation service fees. This is in line with the government's policy to promote comprehensive rural development.	
2016	RA 10861: An act establishing a Provincial Fisheries and Aquatic Resources Training, Development, and Product Center	Fisheries and aquatic resources, research and development, and governance (overlaps with AEC Characteristic 2)	It aims to benefit the fisheries in provinces and adjacent areas. It streamlines the activities of fisheries-related training centers and local government units.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2016	Department of Environment and Natural Resources (DENR) Administrative Order (AO) 2016-26	Fisheries and aquatic resources, research and development, and science and technology (overlaps with AEC Characteristic 2)	It aims to manage, address, and reduce the drivers and threats of coastal and marine ecosystems degradation.	
2019	Executive Order (EO) 53, series of 2018, on the creation of the Boracay Interagency Task Force	Fisheries and aquatic resources, tourism, MSMEs (overlaps with AEC Characteristic 4)	Water pollution, solid waste accumulation, and other environmental violations prompted the government to declare a state of calamity in Malay, Aklan to push for the temporary closure of the Boracay island in 2018 for six months.	
2016	*Philippine Master Plan for Climate Resilient Forestry Development*	Forestry	It aims to strengthen the resilience of forest ecosystems and communities against climate change, respond to demands for forest ecosystems goods and services, and promote responsive governance.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2017	DENR AO 2017-08	Forestry, minerals, services, tourism, and MSMEs (overlaps with AEC Characteristic 4)	This policy covers all development and rehabilitation programs in forest, mining, and coastal areas. At the same time, it provides employment in the agriculture, industry, and services sectors and contribute to environmental preservation, protection, and production of goods and services to serve as a cornerstone for a community enterprise.	
2017	DENR AO 2017-05	Forestry and narrowing the development gap (overlaps with AEC Characteristic 4)	It calls for the utilization of agricultural waste as marketable products for green energy, soil enhancement, mine rehabilitation, and poverty alleviation.	
2018	RA 11038: Expanded National Integrated Protected Areas System Act of 2018	Forestry and minerals	It strengthens the existing policy on protected areas, adding 94 new areas to the 113 previously declared national parks.	
2018	DENR AO 2018-08	Forestry	The administrative order serves as a guideline for the logging ban in Southern Leyte.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2016	DENR Memorandum Order 2016-01	Minerals	The memorandum requires all operating and suspended mines to undergo audit to check their compliance with environmental protection laws and identify erring operators.	
2016	Mines and Geosciences Bureau (MGB) Memorandum Circular 2016-05	Minerals and science and technology	The circular covered mining operations, mine decommissioning, and mine rehabilitation in offshore areas within the Philippine territory and its exclusive economic zone and extended continental shelf.	
2016	RA 10757: An act reducing the retirement age of surface mine workers from 60 to 50 years	Minerals, labor (overlaps with AEC Characteristic 2)	This law amended Article 302 of Presidential Decree 442, otherwise known as the Labor Code of the Philippines. Recognizing the health vulnerability of the profession, it reduced the retirement age for surface mine workers from 60 to 50 years.	
2015	DENR AO 2015-07	Minerals, transport of goods (overlaps with AEC Characteristics 1 and 2)	This administrative order institutionalizes an environmental management system that ensures the adherence of local mining operations to international standards, particularly ISO 14001 certification, as a measure of responsible mining in the country.	The ISO certifies that a mining company observes international standards of keeping the environment safe while doing its business.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2017	DENR AO 2017-10	Minerals	It bans open-pit mining of copper, gold, silver, and other complex ores in the country.	As a result, more than half of the mining operations in the country received suspension and/or closure orders. Open-pit mines cause perpetual liabilities and drastic impacts on the environment.
2019	RA 11256: An act to strengthen the country's gross international reserves (GIR)	Minerals and trade (overlaps with AEC Characteristic 1)	This would allow the BSP to increase its purchases of domestic gold and improve the level of the country's GIR, further improving the country's primary buffer against external economic shocks.	
2018	DENR Memorandum Circular 2018-05	Minerals	This memorandum circular clarifies that small-scale mining areas (*minahang bayan*) are not included in the moratorium on the approval and processing of new mining projects. Department Order 2018-13 lifted the moratorium on all applications for exploration permits, allowing prospective companies to explore natural lands. Additional safeguards were set in place through DENR Administrative Order 2018-19, stating guidelines for additional environmental measures for operating surface metallic mines.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2017	*Philippine Energy Plan (PEP) 2017–2040*	Energy	It is a comprehensive roadmap of energy programs and projects, which aims to ensure sustainable, stable, secure, sufficient, accessible, and reasonably priced energy.	
2017	EO 30, series of 2017	Energy, governance (overlaps with AEC Characteristic 2)	This policy aims to facilitate timely and efficient implementation of power projects, which normally takes time due to the lengthy processes involved.	It creates the Energy Investment Coordinating Council, which is tasked to spearhead and coordinate national government efforts and to harmonize, integrate, and streamline regulatory procedures affecting energy projects of national significance.
2019	RA 11285: Energy Efficiency and Conservation Act	Energy	It institutionalizes energy efficiency and conservation as a national way of life. It pushes for efficient and judicious utilization of energy by formulating, developing, and implementing energy efficiency and conservation plans and programs that secure sufficiency and stability of energy supply in the country. It also aims to cushion the impact of high prices of imported fuels to local markets and protect the environment.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2019	RA 11234: Energy Virtual One-Stop Shop Act	Energy, public-private partnership, and ease of doing business (overlaps with AEC Characteristic 2)	It ensures the quality, reliability, and security of energy at reasonable cost by undertaking measures to guarantee that supply meets demand in a timely manner.	Recognizing the indispensable role of the private sector in power generation, transmission, and distribution, this law aism to attract new power generation, transmission, or distribution projects by improving the ease of doing business index and reducing high transaction costs associated with copious requisites for proponents.
2018	RA 11039: Electricity Cooperatives Emergency and Resiliency Fund Act	Energy	It mandates the creation of an electric cooperative emergency and resiliency fund.	

AEC Characteristic 4: Resilient, inclusive, people-oriented, and people-centered ASEAN

Key result areas: (1) Strengthening the role of MSMEs; (2) strengthening the role of the private sector; (3) public-private partnership; (4) narrowing the development gap; and (5) contribution of stakeholders on regional integration efforts

Indicators: Number of MSMEs per 1,000 persons; ratio between average GDP per capita in ASEAN+6 and CLMV; and labor force participation rate for ages 15–24 (youth), total (%)

Year	Policy	Area	Description	Remarks
2016	The Philippine Development Plan and EO 5, series of 2016	Narrowing the development gap	This is the 25-year long-term vision that serves as guide to national development planning. It supports harnessing the productive capacity of the country's most important resource—people.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2016	RA 10868: Centenarians Act of 2016	Social protection or narrowing the development gap (elderly)	This policy honors centenarians by granting them additional benefits and privileges. Filipinos who reach 100 years old shall be given a cash gift amounting to PHP 100,000. Centenarians shall also be given recognition during the annual National Respect for Centenarians Day, on which they shall also receive cash incentive from their respective local governments.	
2017 2019	HB 5811: The Magna Carta for the Poor RA 11291: Magna Carta of the Poor	Social protection or narrowing the development gap (poor)	It provides for the prioritization of programs for the poor, including recognition of their fundamental rights to food, employment and livelihood, education, shelter, and health services and medicines. It also mandates the creation of the National Poverty Reduction Plan.	
2019	RA 11337: Innovative Startup Act	Science and technology, innovation, ICT, and MSMEs (overlaps with AEC Characteristic 2 and 3)	It grants incentives and removes constraints in establishing and operating innovative new businesses crucial to growth and expansion of the Philippine industrial sector.	

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2019	RA 11310: *Pantawid Pamilyang Pilipino* Program Act	Social protection or narrowing the development gap (poor)	This is a human capital investment program that provides conditional cash transfer to poor households to improve their health, nutrition, and education.	The program targets farmers, fisherfolk, homeless, indigenous peoples, and those in informal sector and in geographically isolated and disadvantaged areas.
2016	SB 1079: Environmental Health Research Act	Research and development, healthcare, narrowing the development gap (women), labor participation (overlaps with AEC Characteristics 2 and 3)	It aims to establish multidisciplinary research centers on women's health and disease prevention. It also seeks to provide maternal and neonatal care to underprivileged women through the establishment of birthing centers and training of traditional birth attendants. Related to this bill, several proposed legislations aim to support women's labor market participation and to improve maternal health and family life after childbirth.	
2018	SB 1537: Healthy *Nanay* and *Bulilit* Act	Healthcare, social protection or narrowing the development gap (women) (overlaps with AEC Characteristic 3)	It seeks to scale up nutrition during the first 1,000 days of life through a strengthened integrated strategy for maternal, neonatal, and child health nutrition.	It aims to provide a comprehensive, sustainable, and multisectoral approach to address health and nutrition problems of newborns, infants and young children, lactating women, and adolescent females.

Appendix 5. (continued)

Year	Policy	Area	Description	Remarks
2019	RA 11210: 105-Day Expanded Maternity Leave Law	Healthcare, social protection or narrowing the development gap (women) (overlaps with AEC Characteristic 3)	Under this law, all covered female workers shall be granted 105 days maternity leave with full pay.	
2017	*BALAI* Filipino (Building Adequate, Livable, Affordable, and Inclusive Filipino Communities) Program	Social protection or narrowing the development gap (housing)	It intends to accelerate housing production, especially for families displaced by government's infrastructure program and other households living in unacceptable housing conditions.	
2019	RA 11201: Department of Human Settlements and Urban Development (DHSUD) Act	Governance, social protection or narrowing the development gap (housing) (overlaps with AEC Characteristic 2)	The DHSUD is responsible for the management of housing, human settlement, and urban development.	
2018	Build, Build, Build program	Infrastructure, tourism, businesses, trade (overlaps with other characteristics)	It aims to boost economic growth in the short run and sustain growth in the long run by ensuring that the economy has the needed physical capital to enable business, trade, and tourism.	

Appendix 5. (continued)

AEC Characteristic 5: A global ASEAN
Key result areas: (1) Develop a more strategic and coherent approach toward external economic relations; (2) continue to review and improve ASEAN FTAs and CEPs; (3) enhance economic partnerships with non-FTA Dialogue Partners; (4) engage with regional and global partners to explore strategic engagement; (5) continue strongly supporting the multilateral trading system and actively participating in regional fora; and (6) continue to promote engagement with global and regional institutions.
Indicators: Tariff rates on extra-ASEAN imports and imports from ASEAN FTA partners; extra-ASEAN trade; and FDI flows from ASEAN to the rest of the world, and from the rest of the world to ASEAN

Year	Policy	Area	Description	Remarks
2016	Individual action plan in response to Asia-Pacific Economic Cooperation (APEC) Summit in 2015	Economic relations	During the Philippines' hosting of the APEC Summit in 2015, the Renewed APEC Agenda for Structural Reform was adopted to reduce inequality and stimulate growth and contribute to APEC's overarching goal to promote a balanced, inclusive, sustainable, innovative, and secure growth.	The APEC Services Competitiveness Roadmap Implementation Plan (2016–2025) was also adopted in 2016. The roadmap is an offshoot of the APEC Services Cooperation Framework endorsed by APEC leaders in 2015. It aims to increase APEC competitiveness in the services sector by 2025.

ASEAN = Association of Southeast Asian Nations; AEC = ASEAN Economic Community; FDI = foreign direct investment; GVC = global value chain, GDP = gross domestic product; PHP = Philippine peso; MSMEs = micro, small, and medium enterprises; ICT = information and communications technology; ASEAN+6 = Australia, China, India, Japan, New Zealand, and South Korea; CLMV = Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; FTA = free trade agreement; CEP = closer economic partnership; APEC = Asia-Pacific Economic Partnership Sources: PIDS (2019a, 2019b, 2019c)

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To develop a cohesive, economically integrated, socially responsible, people-oriented, people-centered, and rules-based region, the Association of Southeast Asian Nations (ASEAN) Community was established in November 2015. It is composed of three pillars: the ASEAN Economic Community (AEC), the ASEAN Socio-Cultural Community, and the ASEAN Political-Security Community. Each pillar corresponds to a blueprint and is a part of the general master plan ASEAN Community Vision 2025 with the theme "ASEAN 2025: Forging Ahead Together". This study focuses on the *AEC Blueprint 2025* and its characteristics and elements. More than five years since its establishment, there is a need to assess the performance of the Philippines in the AEC key result areas. By comparing the baseline with the most recent data, this study found that the Philippines is in the middle of the pack (ranking from 4th to 6th) among ASEAN countries. In terms of AEC vision and goals, the country's performance suggests that it is generally on track and progressing in the right direction.

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