



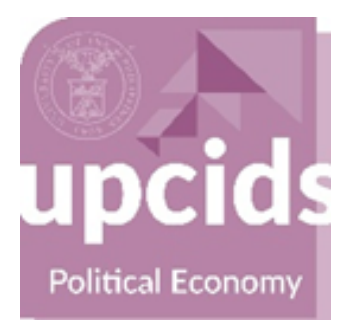
**#PILipiLUNAS2022**  
**Governance Agenda:**

*Pag-angat at Pagsulong Tungo sa  
Magandang Buhay at Bukas*



Executive Summary  
April 29, 2022

Office of the Chancellor  
University of the Philippines Diliman  
Task Force on a Blueprint for Building the Nation





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# INTRODUCTION

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## The Mission

The **University of the Philippines Diliman #PILipiLUNAS2022 Governance Agenda** seeks to advance **sustainable, equitable, participatory, and innovation-driven national development**. It is the contribution of the **University of the Philippines Diliman Task Force on a Blueprint for Building the Nation, under the Office of the Chancellor**, to the national conversation on policy alternatives arising from the disruption caused by the pandemic, on the one hand, and the May 9 national elections, in which the highest positions of the land are at stake, on the other hand. In this light, this agenda-building process was done in the context of the country being on the cusp of change. The University seeks to harness its expertise, skills, and praxis to help shape the post-pandemic and political transition toward a transformative future for the Filipino people.

a) The Agenda's policy recommendations were drawn from the #PILipiLUNAS2022 webinar series, organized by the Task Force from August 2021 to April 2022, to highlight pressing policy concerns, in which the UP Diliman academic community has developed expertise. The recommendations cover eight policy areas: (i) economic recovery and transformation, (ii) national social protection floor, (iii) higher education, (iv) industrial policy, (v) public transportation, (vi) local governance, (vii) electoral and political reforms, and (viii) strategic foreign policy. A cross-cutting concern raised in the different webinars is the role of the state in providing direction, unified and coherent action, and resources to effect the needed reforms.

b) The recommendations **draw attention to the need for a high-capacity developmental and pragmatic state, an active citizenry, and an engaged academic community** - all working for the common good. Here, the state is seen as exercising informed, purposeful, and democratic leadership, while local communities and the different sectors have access to and control over development resources largely to advance their own development.

## The Context

1. The Philippines today is at a crossroads. Widely regarded as having among the world's fastest-growing economies in the past decade, the country experienced a deep recession at the peak of the COVID-19 pandemic. With gross domestic product (GDP) shrinking by 9.5%, the economy's collapse was swift and deep and the effects were immediate and widespread, particularly on rural livelihoods, job opportunities, and endowments.

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2. The country is also at an impasse. It is estimated that the Philippine economy will take as long as four decades to recover from the devastation caused by the COVID-19 pandemic. According to a National Economic and Development Authority (NEDA) study (2021), the economy lost about PhP4.3 trillion in 2020 and stands to lose as much as PhP37 trillion in the next 10 to 40 years.

3. The Philippines is emerging from the pandemic confronted with a myriad of challenges, including a decline in private consumption, high unemployment, falling incomes amidst inflation, sluggish investments, and, worst of all, a potential reversal of the steady decline in poverty in recent years. The assessment is supported by at least three relevant facts:

a) Micro, small, and medium enterprises (MSME), which make up more than 99% of the formal economy, suffered a direct hit from the pandemic. In July 2021, the Department of Trade and Industry (DTI) reported that 10% of MSMEs closed shop, while 46% operated partially. That most MSMEs are in the retail business, requiring face-to-face service delivery, explains the drastic reduction in their business during the pandemic. According to the Philippine Statistics Authority's (PSA) survey in the first quarter of 2020, the services sector saw a reduction in employment of -2%.

b) Joblessness is rising. According to the PSA, as of April 2020, the unemployment rate was at 17.6%, meaning that about 7.2 million Filipinos did not have jobs. In February 2022, the unemployment rate went down to 6.4%, but this was still higher than the 2019 record before the COVID-19 pandemic hit. Moreover, the PSA's Labor Turnover Statistics show that the number of workers laid off or quitting their jobs was higher than the number of workers getting hired. The gap widened from 1.9% in the last quarter of 2019 to -1.2% in the second quarter of 2021. This means that for every 1,000 workers, 81 were laid off or quit their jobs, while only 70 were hired in the second quarter of 2021.

c) Poverty remains entrenched, despite more than a decade of rapid growth. Worse, the anti-poverty momentum may have shifted. In a Social Weather Stations (SWS) survey conducted in June 2021, 48% of Filipino families reported that they were poor. According to the PSA, the proportion of Filipinos whose income was not sufficient to meet their basic needs increased from 21.1% in 2018 to 23.7% in 2021. The 2021 figure translates into 26.14 million Filipinos living below the poverty line.



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## The Analysis

4. The crisis brought into sharp relief the vulnerabilities of the country's pattern of development.

a) It has focused the spotlight on the government strategy to allow private consumption to rise and promote the further increase of trade in services, without a comprehensive industrial strategy in place.

b) It has embedded the retreat from universal to targeted measures in addressing poverty to facilitate and sustain a reduction in poverty levels, but it has not improved standards of living nor relieved the burden of inequality. The lack of a national social protection floor abets the widening gaps between rich and poor.

5. The pandemic also revealed the state's lack of institutional and logistical capacity to meet national and global emergencies.

a) The government proved ill-equipped and divided in its COVID-19 response. While being among the worst hit in the region, the Philippines ranked lowest among the ASEAN economies in terms of the estimated value of fiscal measures implemented since the start of the pandemic. According to the International Monetary Fund (IMF), from January 2020 to October 2021, the Philippines spent 5.1% of its GDP on fiscal measures (0.9% of which went to the health sector). In contrast, Malaysia spent 9.7% of its GDP (with 0.2% going to the health sector), Indonesia, 10.2% (2% on the health sector), Thailand, 18.8%, and Singapore, 23.1% (4% on the health sector).

b) Four decades of decentralization and privatization of social services failed to deliver an effective government response to a nationwide public health crisis and has, in fact, revealed the severe weaknesses of that strategy. The government lacked a national and efficient infrastructure to conduct rapid testing, contact tracing, and massive vaccination campaigns – a gap that added to the imperative of a total lockdown to contain the virus.

## The Transition

6. The country is witnessing two transitions occurring apace. First, we are transitioning from a pandemic to a post-pandemic situation. Second, we are moving forward from the Duterte presidency to a new political leadership. Any vision for the next six to ten years must be sensitized to these two transitions



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7. The path from a pandemic to a post-pandemic situation is vividly espoused by the public reaction to the country's experience from 2020 to the present, i.e., the **public demands more from the government, especially in times of national emergencies**. A survey by Pulse Asia Research, Inc. or "Pulse Asia" in June 2021 found that 19.4% of the respondents cited the lack of government subsidy/assistance to those affected by the pandemic as the primary deficiency of government response, while 18.7% said that the vaccine roll-out was slow and inefficient. All told, the government's response to an existential crisis of historic proportions may be characterized as being "too little, too late."

8. Meanwhile, the political transition may be delicate and decisive. The elections will usher in a new political leadership that would preside over the post-pandemic period.

a) There are 18,314 positions, including the presidency and the vice-presidency, at stake, making the forthcoming exercise a critical juncture in determining whether genuine change is imminent or whether the country will slide back to "business as usual." The stakes are higher, and it is important and timely to take stock of the political preferences and concerns of the people.

b) Filipinos seek a leader who is pro-poor and who will enforce the law equitably. Based on the Pulse Asia survey covering March 2018 to March 2019, the most important characteristic of the country's leader is being pro-poor or having a track record of helping the poor (62%), followed by being able to enforce the law equally on influential as well as ordinary people (42%).

c) The role of political dynasties in politics has become more contentious over the years. Based on the survey conducted by Pulse Asia, there has been an increase in disagreement in voting for candidates who are related to current or former elected government officials in the last two decades. The percentage of respondents who are against political dynasties jumped from 35% as of March 2001 to 47% as of June 2021.



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9. For many Filipinos, the most urgent concern that government needs to address is the relationship between inflation and wages. The June 2021 Pulse Asia survey on the State of the Nation Address found that these two issues were uppermost in people's minds. In fact, another Pulse Asia survey conducted from December 2019 to June 2021 suggests that the failure of people's incomes to catch up with the rise of prices of goods and services was a factor in the administration's approval rating plummeting to below 50%.

10. According to the National Economic and Development Authority (NEDA), Filipinos want a life with strong family and community ties. A NEDA survey of 10,000 Filipinos conducted in 2015 found that the life envisioned by Filipinos by 2040 is a life with their families together, where they have time to be with their friends, have a work-life balance, and a strong sense of community. This is an important finding in light of the country's development pattern that is heavily dependent on export labor.



# ECONOMIC RECOVERY AND TRANSFORMATION



**The Situation:** As the COVID-19 pandemic eases up, so it seems that the economy is emerging from its deepest recession since the Second World War. With inflation and unemployment rates dropping, domestic demand has begun to pick up. Yet, the country's fiscal health, quality of institutional governance, and chronic trade deficit raise questions on whether recovery will lead to transformation moving forward.

The COVID-19 pandemic proved a rude awakening for the Philippines. The country's gross domestic product (GDP) shrank 9.5 percent in 2020, the first annual contraction since the Asian Financial Crisis in 1998. The health crisis, mobility restrictions, and economic disruption led to a drastic reduction in aggregate demand and aggregate supply. To keep households and businesses afloat, government spending rose to unprecedented levels, leading to a rise in borrowing. The country's debt to GDP ratio, according to the Bureau of the Treasury, rose to around 60 percent in 2020, compared to 40 percent recorded before the pandemic. That said, the amount of the Philippine fiscal stimulus remained modest compared to neighboring countries where higher government spending translated into higher growth.

Low quality of governance proved as an underlying determinant for low growth rate and poor delivery of services during the pandemic. Based on the Worldwide Governance Index, the Philippines is lagging in terms of various dimensions of institutional quality as compared to the other ASEAN 5 countries (Indonesia, Malaysia, Singapore, and Thailand), ranking as the worst in terms of corruption, accountability, political stability and violence, government effectiveness, and implementation of the rule of law. One consequence of bad governance has been the decline since 2017 of foreign investments, which are important to help increase the country's productivity, create employment, and facilitate transfer of technology.

The Philippines' global value chain (GVC) participation is strongest in manufacturing, especially electronics, machinery and equipment, transport equipment, precision equipment, and metal products. Nevertheless, the country's GVC participation rate has been declining since 2011. Compared to other ASEAN market economies (Singapore, Malaysia, Thailand, and Indonesia), in 2019 the country's revealed comparative advantage was the smallest for each of the four product lines, indicating its inability to compete in export markets. Lack of diversification is also observed with the top 20 destinations historically accounting for more than 90% of the country's total export revenues, and the top 20 items normally making up more than half of the total export revenues of the Philippines.



# ECONOMIC RECOVERY AND TRANSFORMATION



In this connection, the country has also been plagued by chronic trade deficit. The country ranked sixth among ASEAN countries in terms of total export value in 2020. Merchandise exports of the Philippines in real prices have generally slipped after peaking in 2000, and during the same period, imports consistently surpassed exports. Since 2011, the country has entered a high growth phase that led to an exponential widening of the trade deficit. The sharp increase in imports may partly reflect the growing inability of the domestic supply base to satisfy total producer and consumer demands and can be traced to the weak and erratic growth in major export items, such as electronics and machinery, transport equipment, and garments.

**Blueprint Analysis: The pandemic has uncovered both strengths and weaknesses of the Philippine economy as well as policies and institutions that implicate its post-pandemic recovery.**

The situation of the country's fiscal debt poses risks, including rising national debt. Not collecting enough revenues may lead to more debt and raise the risk of default, which would mean forgoing opportunities for investments. In order to keep the debt from growing and, thus, reduce these risks, the government could use the debt stabilizing primary balance, a metric that looks at the kinds of surplus or deficit the government needs to run. The Philippines needs three percent of GDP surplus in order to keep the debt stock from rising. It can do this by increasing the tax base that, in turn, would mean growing the real economy. The more rapid the growth, the more the increase in debt can be contained.

Beyond relying on economic growth, there is a need to look for revenue-generating measures to keep the country's debt from growing. Other factors that will keep debt from rising would be domestic and foreign interest rates. As long as these rates are low, the country can keep its debt from rising. The Philippines can afford to borrow a little bit more for productive expenditures but must monitor the potential increase in interest. Although the non-performing loan ratio has increased in recent years, there is little need for concern for the monetary policy side unless several factors such as the health or stimulus expenditure to GDP ratio, the stringency of lockdowns, and vaccination rates say otherwise.

For the country to stimulate its economy and offset the lost economic opportunities, there is a need to have (1) institutional reforms, (2) strong social protection, and (3) strategic industry investments. According to the Gini Coefficient, a measure of inequality in a country, the Philippines has the worst recorded inequality among the ASEAN 5. An increase in the number of Filipinos who cannot afford basic food has been recorded since 2018.

# ECONOMIC RECOVERY AND TRANSFORMATION



While it is important to invest in the economy to attract foreign investment and in infrastructure, it is critical to invest in people. Social protection programs must be accessible, equitable, comprehensive, fair, and not limited to food packs and subsidies. Social programs should continue to address income inequality and poverty in order to improve human capital in the country, which eventually will improve economic growth.

Investing in specific industries that have significant multiplier effects on the economy and are resilient from economic shocks like the pandemic, as well as in sectors that the country has natural advantages in terms of human capital, infrastructure, etc. will contribute largely to the Philippine economy. These would include the Information Technology-Business Process Outsourcing (IT-BPO), maritime, and the blue economy industries.

Finally, there is a need to situate the imperative of growing the economy in the country's development pattern. The devastation caused by the pandemic should give us pause to examine different options on how we can leverage economic growth to effect long-term structural transformation, and ensure resiliency in the face of disruptions from external factors such as the Industrial 4.0, environmental and health emergencies and financial crises. For instance, trade and investment liberalization should be explored in relation to strengthening, rather than displacing domestic economic actors, notably, the country's micro, small, and medium enterprises (MSMEs).

# ECONOMIC RECOVERY AND TRANSFORMATION



**Blueprint Recommendations:** To expedite economic recovery and to facilitate structural transformation, there is a need for 1) institutional reforms to improve governance, 2) increased spending for economic and social services while improving fiscal health, and 3) increased foreign direct investments while supporting local industries to raise their competitiveness.

- Strengthen the performance and trade facilitation of micro, small, and medium enterprises (MSME) by providing necessary support to minimize the cost of production and acquisition of capital, research and development for relevant production technologies, and efficient logistical infrastructure for exports.
- Increase the capacity of highly productive and resilient local industries such as the IT-BPM industry, the Blue Economy, and the manufacturing sector, especially in electronics machinery and equipment, transport equipment, precision equipment, and metal products.
- Prioritize institutional reforms, particularly those aimed at raising the quality of governance and rule of law, promoting government accountability and transparency, and improving the management of the country's resources.
- Tweak the Build, Build, Build (BBB) program to support COVID-climate-proofing of local industries and ensure that public-private partnerships (PPP) include more sectors and stakeholders.
- Provide a re-entry mechanism for the affected industries of the trade liberalization and of expiring regional and international trade agreements.
- Strengthen social protection of vulnerable groups and improve the delivery of social services toward reducing poverty and inequality and improving community resilience against the pandemic, disasters, and economic shocks.



# NATIONAL SOCIAL PROTECTION FLOOR



**The Situation: There is no adequate social protection coverage to insulate Filipinos from contingent risks.**

Based on a report by the Philippine Statistics Authority (PSA), poverty incidence increased from 16% in 2018 to 18% in 2021, with the number of poor Filipinos increasing from 22 million to 26 million. Some of the most vulnerable groups are children, those with no or inadequate incomes, and older persons, while many Filipinos do not have sufficient access to health care.

Children need basic income security to survive factors threatening their care, nutrition, and education. According to the Department of Social Welfare and Development (DSWD), 9.3 million children are poor and about 6.95 million depend on the Pantawid Pamilyang Pilipino Program (4Ps). Older persons are vulnerable to escalating health risks, which make it difficult for them to earn a living. As of 2020, there were about four million senior citizens who did not have pensions, according to the National Economic and Development Authority (NEDA), while only two million out of around 9.5 million senior citizens received pensions, according to the Social Security System (SSS) and the Government Service Insurance System (GSIS). Active age persons are susceptible to income reduction and loss due to sickness, disability, and cycles of unemployment as well as non-economic factors like the pandemic.

According to the PSA, as of December 2021, there were 3.2 million Filipinos who were unemployed and 6.8 million who were underemployed. In addition, the general public was vulnerable to health hazards due to calamities, disasters, and pandemics, and thus had very high out-of-pocket spending on health. The Philippine Health Insurance Corporation (PhilHealth) found that, in 2019 alone, out-of-pocket health spending in the country was at 48%, the third-highest in the ASEAN region, topped only by Myanmar with 76% and Cambodia with 64%.

To respond to these needs, the national government's expenditures on social protection have been increasing in recent years. The bulk of the expenditures on social protection goes to social welfare programs such as the 4Ps, Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDDS), and livelihood programs. As of December 31, 2021, the Department of Budget and Management (DBM) released PhP 716.95 billion to various agencies to support recovery measures during the pandemic. About PhP 246.78 billion or 34% went to social amelioration to provide subsidies to poor households and various social protection programs of the DSWD. In 2022, DBM allotted to the social sector PhP 509.2 billion, leaping from PhP 401.7 billion in 2017.



# NATIONAL SOCIAL PROTECTION FLOOR



Some of the banner programs on social protection are the 4Ps, with PhP 89.8 billion in 2019 and PhP 107.7 billion in 2022, unconditional cash transfers with PhP 36.5 billion in 2019, Social Pension for Indigent Senior Citizens with PhP 23.2 billion in 2019 and PhP 25 billion in 2022, and Tulong Panghanapbuhay sa Disadvantaged or Displaced Workers (TUPAD) and Government Internship Program with PhP 6.6 billion in 2019 and PhP 26.5 billion in 2022.

That said, the implementation of the current social protection programs is weighed down by the following challenges: inequitable access to social protection programs and services, lack of policy coherence, clientelistic tendencies and patronage politics used by local politicians for their political interests, weak enforcement of social security programs as many companies still do not provide social protection for their employees, and lack of sustainability of welfare and safety net programs.

To address these problems, the NEDA Social Development Committee set up a Core Group on the Social Protection Floor. The Department of Labor and Employment (DOLE) is the lead agency of this initiative to promote and institutionalize the nationally-defined social protection floor (NSPF). Other Core Group members are NEDA, Employees Compensation Commission, and the Institute of Labor Studies, while Expanded Members include the Department of Health (DOH), Department of Trade and Industry (DTI), Department of Education (DepEd), Department of the Interior and Local Government (DILG), DBM, SSS, GSIS, League of Municipalities in the Philippines, and civil society (Social Watch Philippines).

**Blueprint Analysis: The implementation of social protection programs in the country is characterized by fragmentation, incoherence, duplication, and gaps. The adoption of the NSPF would address these institutional challenges.**

The implementation of social protection programs in the country by different agencies has led to overlapping programs and administrative inefficiencies. Having social protection that is universal would help ensure closer coordination among government agencies and lessen inefficiencies, discretionary decision-making, and the influence of partisan politics.

The NSPF would ensure that a minimum level of income or consumption is granted by the state to all citizens. There is no conditionality attached to receive the benefits as the coverage is provided across different income groups. Having a transformative social protection means having social and political mechanisms intended to empower the poor and tackle social structures that perpetuate poverty, social exclusion, and discrimination.

# NATIONAL SOCIAL PROTECTION FLOOR



The 2019 Philippine Operational Framework and Strategy paper further operationalized the language of universal and transformative social protection. The NSPF will help ensure that, at the minimum, over one's life cycle, all those in need will have access to essential health care and basic income security, which together would secure effective access to goods and services, defined as necessary at the national level. This developmental ambition can begin by ensuring that essential health services are provided to all Filipinos and by focusing on some of the most vulnerable sectors like children, those with no or inadequate incomes, and older persons.

**Blueprint Recommendations: The NSPF, which is rights-based and universal, should be institutionalized for inclusive development, poverty eradication, and promotion of health and well-being.**

Toward this end, there is a need for committed, purposeful, and deliberate action to build state capacity to implement the NSPF over time. In turn, the rights-based approach positions the state as duty bearer and citizens as claim holders entitled to receive social protection. Other proposals include:

- With the NSPF, support the Assessment-Based National Dialogue (ABND) with a view to rationalizing and expanding social protection programs within a rights-based, universal, transformative social development strategy. The ABND is an exercise where an inventory of all social protection programs of government is undertaken in order to identify areas of incoherence, fragmentation, duplication, and gaps.
- Build the state's fiscal and administrative capacity as well as technical competence to implement the NSPF over time.
- Partner with civil society organizations (CSO) and social movement groups using participatory governance approaches to implement the NSPF and to raise people's awareness and mobilization in support of this initiative.
- Sustain and strengthen work with the Core Group and Expanded Members of the social protection floor initiative to facilitate the implementation of the NSPF.

# HIGHER EDUCATION



**The Situation:** Philippine higher education faces challenges such as inequitable access to and uneven quality of education, lack of continuity across educational levels (e.g., basic to higher education), and lack of complementarity between public and private schools. There are also massive gaps in program implementation.

In terms of participation rate, only 12% of the poor aged 17 to 24 years old are able to get into higher education. Students who have access to technology and materials are the ones that benefit the most from the transition to distance learning. On the public-private complementarity issue, the participation of private institutions has been dwindling and they have been unable to recover their enrollment share after the shift to K to 12. Private institutions, which comprise 72.2% of higher education institutions (HEIs), only account for 46.2% of enrollment, while public institutions, which make up 27.8%, account for 52.8% of enrollment.

The pandemic also significantly disrupted the educational system. As previous ways of teaching do not work anymore, this required a change in the modes of delivery and assessments and a rethinking of how to teach and how to learn. The need to quickly adapt new digital technologies has accelerated preparations for the Fourth Industrial Revolution

**Blueprint Analysis:** The COVID-19 pandemic has been a major catalyst for change in the delivery of education and exacerbated long-standing obstacles such as poverty, inequality, calamities, and conflict. In addition, the education sector needs to address the unequal development in the country.

A major factor for the gaps in implementation has been the abrupt shift to alternative modes of learning (e.g., remote, blended, modular) due to the pandemic. Schools and learners were at varying levels of readiness for these changes, with the ones with access to technology and materials at a significant advantage. Many of the parents and guardians were also not equipped to assist the students in their learning. As such, there were inconsistencies in the materials available, quality of instruction, and attainment of learning objectives. Noteworthy, while technology has ensured the continued delivery of education, uneven access to it could widen the gap between the poor and those with resources. In terms of access to educational programs, a challenge is the limited number of HEIs that cater to senior high school (SHS) graduates—there are only 2,396 HEIs compared to 11,817 senior high schools in the country. Other challenges include policy discontinuity and inadequate coordination among agencies (notably, the Commission on Higher Education, Department of Education, and Technical Education and Skills Development Authority).



## HIGHER EDUCATION



Another factor that needs to be taken into consideration is the uneven development, especially in relation to urbanization. As communities urbanize, the needed skills in these areas evolve as well. As such, the education and training provided by HEIs, and technical-vocational centers should incorporate a balance between the needs of rural and urban areas and reflect the kind of development that the country wants to pursue. This also requires the development of proper technological infrastructure and the provision of other forms of resources such as budget and training.

**Blueprint Recommendations: The government should ensure a consistent quality of and an equitable access to education. Alternative modes of instruction and a flexible accreditation and recognition system should also be institutionalized.**

- To ensure a consistent quality of and an equitable access to education, the government should invest in technology and connectivity, especially in rural communities. Teachers must also be provided with adequate training and be equipped to handle various modes of teaching and innovations to curricula.
- Alternative modes of delivery of education should be supported and institutionalized. These can include a mix of synchronous classroom-based learning and technology-supported distance learning to make it accessible to learners and responsive to recent developments. Forms of microlearning (i.e., shorter, more focused lessons that have been condensed to the most essential elements) can also be incorporated into online courses.
- To ensure continuity and address the need for the retooling of the workforce, there should be life-long pathways in higher education. This can include offering stackable development programs and micro-credentials, as well as institutionalizing a Philippine credit transfer system that recognizes formal and non-formal learning. Options for flexible learning such as alternative learning systems, expanded tertiary options, and technical-vocational education and training should also be maximized.
- There needs to be stronger linkages among the private sector, HEIs, government agencies, and non-government organizations (NGOs) and civil society organizations (CSOs). In this, the government should lead in setting up coordinating mechanisms.



# INDUSTRIAL POLICY



**The Situation:** Industrial development has gained a beachhead in the Philippine development strategy but remains fragile. Industrial development, and, in particular, manufacturing continue to struggle due to low productivity and investments and their weak link to the domestic economy (notably, by way of the country's micro, small and medium enterprises sector) and the science and technology community.

Industrial development, long in decline since 1985, has experienced a boost in the past decade. Factors cited for its expansion include a robust internal market for Philippine-made products and the work of government agencies, notably, the Department of Trade and Industry (DTI) and the Department of Science and Technology (DOST), in promoting industrial policy that aims to build strategic industries.

Nevertheless, industrial development and, notably, domestic manufacturing remain weak, as may be gleaned from its extreme vulnerability to external shocks: the debt and oil crises in the 1970s and 1980s and the financial crises in 1998 and 2008. The pandemic only confirmed the manufacturing sector's fragility.

While the health crisis sent the economy into a deep recession, only manufacturing took a hit and contracted by about 1.4% from 2018 to 2020. Noteworthy, during the same period, manufacturing in Malaysia, Vietnam, and Indonesia grew by one percentage point. This suggests Philippine manufacturing's heavy dependence on foreign inputs, resources, and markets. In this light, the swift decline of the country's textile and garment industry, once the world's sixth top performer, in the wake of the discontinuance of the Multi-Fibre Arrangement (MFA) with the US in 2005, serves as a cautionary tale.

In fact, the country's industrial structure has a "missing middle": there is very little link between the country's micro and small enterprises that make up more than 90% of businesses in the formal economy, and top business conglomerates. The micro, small, and medium enterprises (MSME) sector has been dominated by the services sector, such as the wholesale and retail trade and motorcycle and motor vehicle repair, making up 87.49%, while manufacturing and agriculture make up 11.64% and 0.87%, respectively. Involved mainly in retail trade and personal services, the bulk of MSMEs and many conglomerates contribute the largest to the country's total economic output. However, this sector is also riddled with low-value economic activities.

There appears to be a disconnect between education and the human resource requirements for the country's industrial development. There is a gap between the academe's and industry's needs in terms of curriculum development, training, and

# INDUSTRIAL POLICY



research. In addition, there is a low priority given to science and mathematics: the country's expenditure per student and the scores of 15-year-old students in reading, mathematics, and science were the lowest among all the countries participating in the Organization for Economic Co-operation and Development (OECD)'s Programme for International Student Assessment (PISA) in 2018. There is also a problem when it comes to the kind and quality of training given to aspiring and practicing researchers, scientists, and engineers (RSEs). Compared to the United Nations Educational, Scientific and Cultural Organization (UNESCO) benchmark of 380 RSEs per million for developing countries, the Philippines in 2006 produced only 130 RSEs per million, partly due to the lack of well-trained secondary schools to prepare students for higher education in the fields of science. Equally important to the relatively small RSE population is the lack of local employment for science professionals in the country.

That said, institutes of higher learning have served as innovators and incubators of technology. The University of the Philippines, for instance, hosts several programs, projects, and activities that help accelerate scientific advancements and technological developments in the form of technical services, industry assistance, collaborative research, and product design and development. These are made possible through the help of the industry partners, the government, especially the DOST, and other funding agencies. Programs such as the UP Surgical Innovation and Biotechnology (UP SIBOL), which was responsible for the fabrication of health devices and other innovations used by the UP Manila-Philippine General Hospital, especially during the onset of the COVID-19 pandemic, is one of the many examples that our country has the capacity to answer domestic needs without having to rely on imports.

**Blueprint Analysis: Industrial development in the country is weighed down by factors, including the low public investment in science and mathematics education, lack of academic and industry institutional collaboration in research and development, and a growth pattern based largely on trade in services that has been found to contribute to premature deindustrialization.**

Higher education plays a critical role in national development. In this light, the National Academy of Science and Technology (NAST) said that the country needs at least 3,000 new PhDs each year for 10 years to meet UNESCO's critical threshold for the number of scientists and engineers. Unfortunately, the Philippines is a long way from meeting this figure. On one hand, partly due to weak science and mathematics training in basic and secondary education, there are relatively few who pursue higher education and careers in these fields.

## INDUSTRIAL POLICY



On the other hand, industries' reliance on foreign technology also works against the development of a robust Philippine science and technology community. Partly due to a mismatch between their training and demand by a labor market skewing toward services, many science and engineering graduates end up as underemployed professionals. To improve local manufacturing, the government needs to appreciate the country's industrial structure. The country's MSMEs, left to their own devices, do not have the capacity to upgrade their production technology processes and immediately measure up to international standards. The government needs to provide a regular mechanism for an industry-university interface that will facilitate technological innovation, as well as fund joint problem-solving research and the diffusion of technological innovation.

The need to rebuild the economy's foundation in light of the disruption caused by the pandemic opens the space to interrogate what has widely been described as the country's remittance-led growth momentum. The massive flow of remittances has influenced investment behavior toward businesses that cater to the remittance-receiving households' consumption patterns: retail, housing, education, rest and recreation, and other services. This development pattern, however, has contributed to deindustrialization. In line with the resource curse argument, because the flow of billions of dollars in remittances raises the real exchange rate, it has made the production of tradable goods more expensive and thus less attractive. Such development pattern thus helps explain the shallow links between growth and the domestic economy.

Any serious attempt to grow the industry will have to contend with the risks involved in opening the economy to foreign trade and investments without the needed step of strengthening the competitiveness of domestic industries. The country has about three decades of progressive trade and investment liberalization; in 1995, the Philippines was among the first countries in ASEAN to lower its tariffs. Yet, there has been little movement of resources toward higher-value activities. The industrial sector focuses mainly on assembly and testing, utilizing other countries' intermediate goods. There are few programs for retooling, soft loans, research and development programs, or incentives to help companies raise their competitiveness. These programs could also include marketing support to promote country brand awareness associated with Philippine products and services in the region and beyond.



# INDUSTRIAL POLICY



**Blueprint Recommendations:** There is a need to promote an industrial policy that prioritizes the development of the micro, small, and medium enterprise sector as the building block of industrial development, promotes synergies among manufacturing, agriculture and services, builds Filipino ingenuity and capacities toward the development of niche industries, and jumpstarts structural transformation.

For manufacturing to take root and take off, the Philippines would require a high-capacity developmental yet pragmatic state that will promote industrial development by:

- Helping MSMEs to integrate into the GVC by incentivizing the production of intermediate goods, ensuring access to credit and capital, and promoting holistic niche involvement in all processes of the value chain ecosystem,
- Strengthening the role of manufacturing industry associations and cross-industry linkages toward solving coordination problems to promote backyard and forward linkages and economies of scale as well as facilitate information and resources sharing,
- Strengthening the role of the academe as an innovator and incubator for emerging industries and technologies, through intensifying support for technology development and transfer and business development offices. There is also the pressing need to provide institutional mechanisms for government-university-industry interface toward producing science and technology graduates and innovations based on national potential and needs,
- Reviewing the Retail Trade Bill (Senate Bill No. 1840) and other legislation that open the MSME sector to foreign competition, thereby threatening to displace small producers, household enterprises, and workers, and
- Providing investment opportunities in local manufacturing and industrial concerns for overseas Filipinos and remittance-receiving households.



# PUBLIC TRANSPORT



**The Situation: Traffic congestion and the inefficiency in the management of the country's public transport system have led to economic losses as high as PhP 3.5 billion worth of potential income per day in Metro Manila alone.**

Public transport is necessary to reduce traffic congestion, pollution, and unequal access among socioeconomic classes to the means of mobility. A good public transport system leads to more efficient use of urban space. It is also the key to moving our economy forward as it facilitates the movement of goods and people around our archipelagic country, linking producers to consumers, connecting communities, and facilitating interaction among individuals. Its failure to deliver could result in economic loss. For instance, an estimated PhP 3.5 billion worth of potential income per day was lost in 2017 due to traffic congestion in Metro Manila. The time lost due to heavy traffic contributes to the economic loss (e.g., the loss of investments), while pollution has health costs. If the problem is left unattended, losses may rise to as high as PhP 5.4 billion per day by 2035 .

The key challenges the public transport sector faces can be summarized into the following: (1) the poor or lack of implementation of policies like the National Transport Policy that prioritizes public transport over private transport; (2) the focus on the "visible" aspects of public transport such as infrastructure instead of focusing on "invisible" aspects such as institutional mechanisms and capacity; (3) too many agencies handling public transport concerns and thus the imperative to make them work together; and, (4) the difficulty in creating a harmonious relationship among key players in the sector such as the government, operators, financiers, private users, and commuters.

To reform and modernize the public transport system, the Department of Transportation (DOTr) implemented the Public Utility Vehicle Modernization Program (PUVMP), which has reportedly consolidated about 54.39% of all Public Utility Vehicles (PUV), as of September 2021. The Philippine National Standard for PUVs Classes 1 to 4 was created to standardize the classification of different vehicles. To address the increasing market price of modern PUVs and to reduce operators' out-of-pocket expenses, the government subsidy was increased from PhP 80,000.00 to PhP 160,000.00 per unit . While the objectives of the program are promising, there is a lack of legislation that supports the institutionalization of the program. Concerns surrounding the implementation of the PUVMP also include the lack of understanding of the program's objectives, and policies; the financial viability due to COVID-19 related protocols, and problems in complying with the consolidation mandated by the Land Transportation Franchising and Regulatory Board (LTFRB).

# PUBLIC TRANSPORT



A particular challenge of the modernization strategy is the need to ensure that the technology creates minimal displacement among small direct stakeholders. For instance, the promotion of modern technology, such as the use of electric vehicles, without a clear plan on how to support the inclusion of the sector's independent MSME participants has resulted in the displacement not only of micro and small drivers and family-run businesses but commuters as well.

**Blueprint Analysis: There is more to the modernization of the public transport system than the introduction of new technology, important as this is, to make it work. Improving public transport needs a multi-level, multi-stakeholder, and multi-perspective approach that could be achieved through collaborative governance, crowdsourcing, and co-production.**

The public transport sector needs to have a multi-stakeholder, multi-perspective approach to address concerns at several levels of the government and society. Having several agencies involved in the planning, supervising, and monitoring of the public transport system creates a fragmented system of implementation. To address this, collaborative governance is necessary to consistently implement policies, from the national government to the local government units, and from the PUV operators and drivers to the commuting public. The Local Government Unit (LGU) of General Santos City, for example, demonstrates this collaborative partnership in its implementation of the PUVMP. The LGU largely cooperates with its local transport stakeholders through the establishment of a permanent office for Transportation and Traffic Planning, Engineering, Management and Enforcement and the provision of funds and support to assist the roll-out and implementation of their Local Public Transport Route Plan (LPTRP).

There needs to be a shift in priorities from the tangible components of transport such as infrastructure to intangible ones such as capacity building and institutional mechanisms to improve the transport system in a holistic manner. Crowdsourcing involving drivers, operators, commuters, and other stakeholders could potentially address the lack of available data on public transport and guide policymakers in addressing the sector. Through crowdsourcing, stakeholders can be tapped to compile data from the ground for evidence-based decision-making processes. Prioritizing institutional capacity should require a thorough evaluation of the national government agencies involved in order to identify areas that need reforms, capacity=building, and upskilling. LGUs also need to be empowered to plan and manage public transport since they are the ones on the ground, dealing with public transportation.



# PUBLIC TRANSPORT



The importance of stakeholder consultation is demonstrated by General Santos City through its quarterly evaluation of public transport services. This revealed challenges of information failure, limited incentives, weak public transport infrastructure, low earnings, and returns on investment, among others.

Co-production can be used to understand the needs of the users and involve them in the design and delivery of intended services. Technological advancements used by the Data Analytics for Research and Education (DARE) Program, for example, utilizes data acquired and analyzed through the collaboration of different methods in guiding policymaking. Addressing problems concerning compliance with consolidation mandated by the LTFRB in the Public Utility Jeepney (PUJ) sector, such as conflicts with the affected transport groups and operators, on the one hand, and the priorities of local chief executives, on the other hand.

The impact of the COVID-19 pandemic on the public transport sector must also be taken into consideration. The subsequent lockdowns and other health protocols led to a drop in passenger demand for transportation leading to drivers' low earnings and additional expenses for health compliance. Lesser economic activities and school closures have affected their operations, and the current working and teaching setups could persist even after the pandemic.

**Blueprint Recommendations: A unified agency that has the capacity to oversee and address public transport concerns should be established for a more efficient, effective, and inclusive implementation of public transport programs.**

- The government and other stakeholders must identify interventions that will prioritize mass public transport over private vehicles and will improve public transport services. Toward this end, the creation of a single agency that could consolidate and address the concerns of public transport stakeholders should be considered. A unified agency could better address the different concerns related to the planning, operations, and monitoring of public transport. This agency in collaboration with different stakeholders would also be able to identify gaps in the implementation of the PUVMP, specifically, the structural concerns that cripple its current implementation.
- Conduct a Design Thinking and Collaborative Governance Workshop, a design-led process that emphasizes user experience, collaboration, and integrative thinking. The workshop needs to involve all stakeholders in developing a comprehensive and strategic framework for public transport development, reform, and implementation that would take into account the rights and welfare of the transport industry workers and commuters alike.



# PUBLIC TRANSPORT

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- Industry consolidation, fleet modernization, and a just transition that support the welfare of transport industry workers and operators are necessary for improving public transport. Toward this end, there should be an orderly sequencing of actions: The steps should progress from undertaking regulatory reforms to LPTRP formulation and finalization and route rationalization before embarking on the fleet modernization stage.
- The passage of the filed bills in Congress institutionalizing the PUVMP should be prioritized. Legislation institutionalizing the PUVMP is necessary to ensure the sustainability of the program as well as its consistent implementation in various levels of the government. Currently, implementation is based on various department orders, joint memorandum circulars, and LTFRB memorandum circulars with a new administration coming, the passage of a Republic Act will set the program permanently in place.
- Provision of a platform where stakeholders can use Information and Communications Technology (ICT) in co-designing an app, a website, or a data collection tool that would improve crowdsourcing and government delivery of public transport-related services should also be taken into consideration.

# ELECTORAL AND POLITICAL REFORMS



**The Situation:** Politics in the Philippines is personalistic. Elections operate based on personal popularity, fear, and patronage. In addition, political parties, which should provide a representative line-up of candidates and solid programmatic reforms, fail to offer real and distinct policy options to their constituents. Even the entry of more women in the electoral process, institution of a party-list system, and use of social media have only worked to strengthen personalistic and patronage politics.

Ambiguities in the Philippine Constitution and the Omnibus Election Code have led to a specific electoral system that perpetuates personalistic politics. Because it is silent on the number or proportion of votes that a candidate must get to be declared the winner, for instance, the plurality or winner-takes-all system has become the default setting. Ambiguities have also led to interpretations that institutionalized separate voting for the president and vice-president, synchronized elections at the different levels of government, and the three-seat cap in party-list representation, among others.

Even though free choice is the bedrock of any credible electoral process, it can still be seriously undermined by violence, patronage, and money politics. The winner-takes-all system strengthens personalistic politics and patronage rather than political parties as a determinant of political success. Thus, rather than being mediators of public demands and interests, political parties are malleable organizations, shaped, and reshaped according to the individual candidates' personal agenda during elections.

The dominance of patronage politics, violence, and sexist language in political campaigns also work against women. Filipino women remain underrepresented in the formal political process despite the significant progress the country has made in legislating women's rights and role in nation-building. The Philippines has also not yet reached the 30% international benchmark for women to form a critical mass in politics. According to the Philippine Statistics Authority (PSA), women make up only 23 percent of the total elective positions while the Commission on Elections (COMELEC) found that in 2019, only 20 percent of candidates for all electoral positions were women.

Congress has sought to reform the electoral and party systems. Bills filed include: instituting sanctions against turncoatism, providing fund subsidies to parties, and introducing certain amendments to the Omnibus Election Code, among others. The Both chambers of Congress had also conducted hearings with the participation of various electoral reform groups. Nevertheless, such efforts have not been sustained.

# ELECTORAL AND POLITICAL REFORMS



A recent development in Philippine elections is the marked increase in the use of social media. The 2016 presidential election, in particular, has shown social media's growing importance in influencing election results. Yet, instead of promoting transparency and accountability, social media campaigning threatens the elections' integrity in four ways: 1) micro-targeting wherein disinformation targets particular groups, 2) use of deepfake videos of politicians, and 3) spreading of false information that is unchecked and undetected within messenger apps. Lastly, the unregulated and increased use of social media in elections also raise the prospect of foreign interference and influence.

**Blueprint Analysis: Key features of the country's party and electoral systems are based on a default reading of the ambiguities in the Philippine Constitution and the Election Code. There is a need to follow-through with the legislative reform bills.**

Creating a strong and stable consensus-based and reform-oriented congressional leadership is necessary, though not sufficient to pursue legislative reforms. Despite the filing of several bills on electoral and political reforms at the House of Representatives, passing them into law has been a long and slow journey. Politicians who won due to the advantages they had in the present electoral system, for instance, would resist proposals for changing the rules. The low priority given to the reform agenda may also be due to the lack of credibility and predictability of the outcomes of such legislative initiatives.

There is the pressing need to disincentivize patronage so that it does not discount the exercise of the voters' free choice. In terms of campaign spending, there are no credible sanctions for candidates who overspend and there are weak regulations to monitor campaign expenses. For example, the reporting of a candidate's campaign expenses is only done after the elections.

Limited representation of women is partly due to the persistence of traditional norms that see men as better leaders than women, who are seen as being "too emotional" to handle politics. While there are more women getting elected at all levels of government, many come from political families.



# ELECTORAL AND POLITICAL REFORMS



There is a need to regulate social media. At present, the COMELEC does not have the necessary regulatory tools in order to effectively regulate and police social media. The COMELEC can monitor social media spending, but there is no law authorizing it to issue regulations for social media election-related use. Even the Omnibus Election Code and Elections Act do not cover social media campaigns.

**Blueprint Recommendations: Revise the Omnibus Election Code to streamline the electoral system and create a strong political party system.**

- To move away from the rule of the minority to the rule of the majority, introduce a more majoritarian system such as a run-off or second ballot system in the election for the presidency.
- Reform proportional representation. Remove the three-seat cap in party-list representation. Instead, study and pursue different types of caps: for instance, a party can occupy a maximum of 30% of the seats, or party-list representatives can occupy as many as 50% of the seats in the House.
- When it comes to party-lists, the revisions may include an increase in proportional representations to 30% or 20 to 40 %. Political parties may also be mandated to allot 30 percent of their slate to women. The party-list law may also be amended so as not to cater to traditional politicians or political families but to reflect a more proportional representation.
- Give voters the option to choose parties rather than individual candidates through a system of block voting.
- Conduct desynchronized national and local elections so as not to unduly burden the electorate with so many choices.
- Change the rules so that voters can choose the president and vice-president as a tandem or joint ticket.
- On the use of social media, develop a robust regulatory framework to promote responsibility on content creators and users of social media and impose a fake news/disinformation tax on accounts perpetuating fake news and disinformation.
- Enact a law to regulate social media use for electoral campaigns and empower the COMELEC as the regulatory body to ensure compliance.

# LOCAL GOVERNANCE



**The Situation: Decentralization under the Local Government Code (LGC) has fallen short of promoting democratization, self-sustaining economic development, and social justice among Local Government Units (LGUs).**

The passage of the 1991 Local Government Code (LGC) or Republic Act 7160 has provided an enabling policy framework that would promote strong local leadership, people's participation, and improved access to financial resources. In the main, however, among LGUs there have been thin compliance and poor results from the LGC's provisions on decentralization, democratization, social justice, human rights, and gender equality. When it comes to democratization, vote-buying and the presence of political dynasties are still apparent. There is also limited actual participation of civil society organizations (CSOs) and the public in local development councils, local special bodies, and other local processes. For decentralization, despite being granted autonomy, challenges in terms of delivery of services especially during the COVID-19 pandemic remain. In the area of social justice, human rights, and gender equality, there is still a lack of elected women at the local level.

While there have been exemplary LGUs that came out of the decentralization process, such cases have been more the exception. Development across regions has been uneven: there is a widening gap in terms of average per capita income among provinces, cities, and municipalities. According to the Bureau of Local Government Finance (BLGF), the average per capita income of cities in 2020 was about twice as much as provinces, and about 1.5 times bigger than municipalities. One factor for this is the LGUs' reliance on their share in the national internal revenues for funding, due to their inability to raise funds from local sources and lack of political capacity to tax local businesses.

In fact, the devolution of public services from national agencies to LGUs has not gone smoothly. A factor is the mismatch in LGU resource allocation and the cost of devolved functions. This remains true, for instance, in the area of health services. While there has been improved access to maternal health services and a decrease in infant mortality, LGUs still struggle with health service devolution. Concerns remain on health financing, public health service delivery, health personnel benefits, and lack of technical coordination across the healthcare system.

Despite such experiences, Executive Order 138 was issued in 2021 to affect the full transfer of the devolved functions, services, and facilities to LGUs as specified in the LGC. This was also in response to the 2019 Mandanas-Garcia Supreme Court ruling, which will broaden the LGUs' share of the national revenues - from just coming from internal revenue collections to all national taxes. However, these changes will require a lot of coordination and capacity-building initiatives between national government agencies and LGUs, especially after two years under a pandemic.

# LOCAL GOVERNANCE



**Blueprint Analysis: The LGUs' capacity to perform their devolved functions is lacking, people's participation is low due to monopolized power at the local level, and there is an underrepresentation of women in local leadership.**

In terms of decentralization, the question on the capacity of LGUs to perform devolved functions, specifically the delivery of public services remains. Devolution may lead to further fragmented and inefficient service delivery because of unclear assignment of functions among the different tiers of government. Lack of coordination between and among LGUs, national agencies, and their regional offices affects public service delivery and LGU performance. It is important for LGUs to be well-capacitated to manage the increase in local funds as mandated by the Mandanas ruling and to allocate and deliver the budget for services efficiently. Public financial management, training, including local planning, investment programming, resource mobilization, and budgeting are all crucial in achieving administrative efficiency.

Moreover, there is a question of whether the funds to be transferred to the LGUs are enough to provide for all the corresponding services and responsibilities that will be given to the local units. Resources must be commensurate with the services that are going to be devolved. There is also a concern that LGUs are becoming too dependent on the national government as they receive about 60% of their income from internal revenue taxes.

In fact, there have been recent moves to examine the division and merger of LGUs based on their viability, as provided in the LGC sections 7 to 9. In 2018, the Department of Finance, for instance, issued guidelines for "the creation, conversion, merger, and abolition" of LGUs based on their present or projected incomes. To avoid the tendency to divide territorial units regardless of viability, it is suggested the LGUs be seen as administrative rather than political units.

Another fairly recent development is the privatization of essential services at the local level. Privatization in the provision of water and electricity, for instance, reduces the role of LGUs in the local development and could worsen the plight of underserved communities.

In terms of democratization and popular participation, decision-making at the local level has been crippled by the presence of political dynasties, which have dominated and monopolized political power across all levels of the government. There is a lack of mechanisms to check how responsive and accountable local leaders are. On social justice, human rights, and gender equality, there is no mechanism to check the track record of local governments or to ensure the representation of women and underrepresented sectors.



# LOCAL GOVERNANCE



Reforms in the party system should include measures to expand women's representation and participation in local processes. Performance measurements may provide a means to assist constituents evaluate the achievements of LGU officials, seeking re-election.

**Blueprint Recommendations: Resources provided to the LGUs should be commensurate with the services to be devolved and the capacity of the LGUs to sufficiently manage the resources and deliver public services. Ensure representation of the sectors and women in local government.**

- There is a need to explore the possibility of amending the distribution formula of the shares in national revenues according to the LGC to make sure provinces and municipalities have commensurate resources, and also for poorer LGUs to get more shares than cities and more economically developed LGUs.
- To fully perform the devolved functions, capacity building on effective financial management and resource mobilization, national and local relations, local personnel administration, and local government performance assessment should be undertaken. There should also be greater coordination between different levels of the government, stronger implementation of accountability and transparency mechanisms, regular consultations with national government agencies like the Department of Interior and Local Government (DILG), and other stakeholders such as universities and CSOs.
- To enhance people's participation, the LGUs should create programs for information dissemination and skills training for citizens and communities to raise awareness of basic laws of the country, human rights, and responsibilities of local and national officials especially when it comes to accountability and transparency, and voters' education. There must also be opportunities for the public to participate in local processes.
- Reforming the party system and incorporating a "zipper style," alternating men and women on candidate lists, will ensure that more women candidates will be elected.
- Limiting political dynasties on a national scale is challenging. However, the introduction of new provisions could be started at the lowest level, such as at the Sangguniang Kabataan.



## FOREIGN RELATIONS

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**The Situation: The Philippines fails to establish stable and consistent foreign relations with long-term national goals.**

Philippine foreign relations are mainly reactive to developments influenced by its strategic environment, especially its relations with great powers in the region such as the US and China, and ASEAN's multilateral and regional arrangements. On the one hand, it finds itself today in the midst of intensifying great power rivalries and an ongoing territorial and maritime dispute with its neighbors, notably China. On the other hand, it has a long-standing military treaty with the US that has security relations with other states in East Asia. More than at any other time, the Philippines needs to more clearly define its strategic interests to help the country navigate this period of shifting power balance.

Its most prominent strategic conundrum is with regards to the issue on the West Philippine Sea (WPS). The Aquino Administration (2010-2016) constructed China as "the other" to build domestic support, presenting China as an emerging military power and a potential threat to the Philippines' maritime security. This led to the strengthening of ties with allies such as the US and Japan. The Duterte Administration (2016-2022), however, chose to go in the opposite direction and sought to move the country closer to China and Russia, countries that are engaged in a strategic competition with its traditional partners. They are seen as alternative sources for markets, technologies, and economic opportunities. China remains the country's greatest foreign policy challenge since it presents major opportunities for economic development, but at the same time remains a potential threat to national and territorial integrity.

In other areas of foreign policy, the country's over-reliance on remittances from its overseas labor force for economic stability remains a vulnerability due to its possible impact on domestic political stability. The disruption of overseas employment due to the COVID-19 pandemic revealed the limitations of having an economy that is largely based on trade in services. There is a key need for the country to strengthen agriculture and manufacturing in order to ensure economic resilience in the face of disruptions caused by regional and global crises.



## FOREIGN RELATIONS

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**Blueprint Analysis:** There is non-continuity in the foreign policy thrust of the Philippines because it is highly dependent on the Chief Executive, as the main architect of foreign policy - an arrangement that can lead to policy instability during political turnovers.

The historical tradition of leaving foreign policy largely in the hands of the Chief Executive has led to contradictory narratives and the construction of fragmented identities. This, in turn, has made it difficult for the country to define and pursue its national interests. This is further exacerbated by the absence of a clear, consistent, proactive, non-partisan geopolitical strategy. Besides the leader's own preferences and core values, other factors that shape foreign policy include state-society relations, domestic institutions and resources, culture, and political climate. In this context, the public is relegated to the backseat and develops indifference to international issues except when it is mobilized in response to international crises situations. There is a need, therefore, to regularly raise foreign policy issues in public discussions and the national discourse for citizens to be informed on and appreciate what the stakes are for them and the country.

Needless to say, external pressures, the increasingly restrictive strategic environment, and the shifting balance of power in the region influence and constrain the decision-making process of the country's leaders. Nevertheless, so that the country does not become a passive actor in other nations' grand strategies, our foreign policy decision makers must develop a degree of institutional autonomy when defining and pursuing the country's national interests. The Philippines must also understand that it needs to use its resources to shape its strategic environment and contribute to strengthening the security architecture in a way that they work to the country's own advantage.





## FOREIGN RELATIONS

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**Blueprint Recommendations:** The Philippines needs a concrete plan of action guided by its strategic interests of safeguarding the country's sovereignty and territorial integrity. In order to better navigate the changing regional and global power structure, the Philippines must have a clear vision of its role and place in the global community.

- Identify the Philippines' strategic interests that would, in turn, serve as the guide in the formulation and implementation of the country's independent foreign policy. Toward this end, Philippine foreign policymakers and influencers need to be guided by clear principles and long-range vision that go beyond the terms of Presidential Administrations, or of appointed leaders in the Executive branch.
- Review the functions and mandates of the National Security Council as the lead agency in national security governance. The Council could provide long-term direction, cohesion, and institutionalization of national security policies and ensure a more objective approach to national security over the long term.
- Philippine foreign policy should sustain strong and secure regional alliances to manage the new realities in the WPS by using diplomacy to shape the environment to the country's best advantage. The WPS is an arena of serious geostrategic competition between regional and external powers, and the Philippines must take an active role in influencing and shaping the outcome of that competition.
- There is a need to change the perspective on the WPS. It is more than an arena for confrontation between major powers. The WPS is a wellspring of natural resources and nexus of ecological services that is key to the development of the country's largely untapped Blue Economy. Research on the WPS should be funded, and exploration, exploitation, and management activities should be promoted and maintained.
- When it comes to increasing the public's understanding of and participation in international issues, there is a need to bring in the academic community especially the University of the Philippines. This should lead to the establishment of multiple platforms where the public can engage in foreign policy discussions that highlight the nation's interests, articulate the national policies and strategies, organize constituencies for the pursuit of these interests, policies, and strategies, and lay the ground for stable and long-lasting principles for the Philippines' independent foreign policy.
- Develop a coherent foreign policy framework that takes into account the recursive relationship between international relations and international political economy, and traditional and nontraditional security.



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