



**ARANGKADA  
PHILIPPINES**

A Project of the Joint Foreign Chambers of the Philippines

# Reform Rebuild Recover





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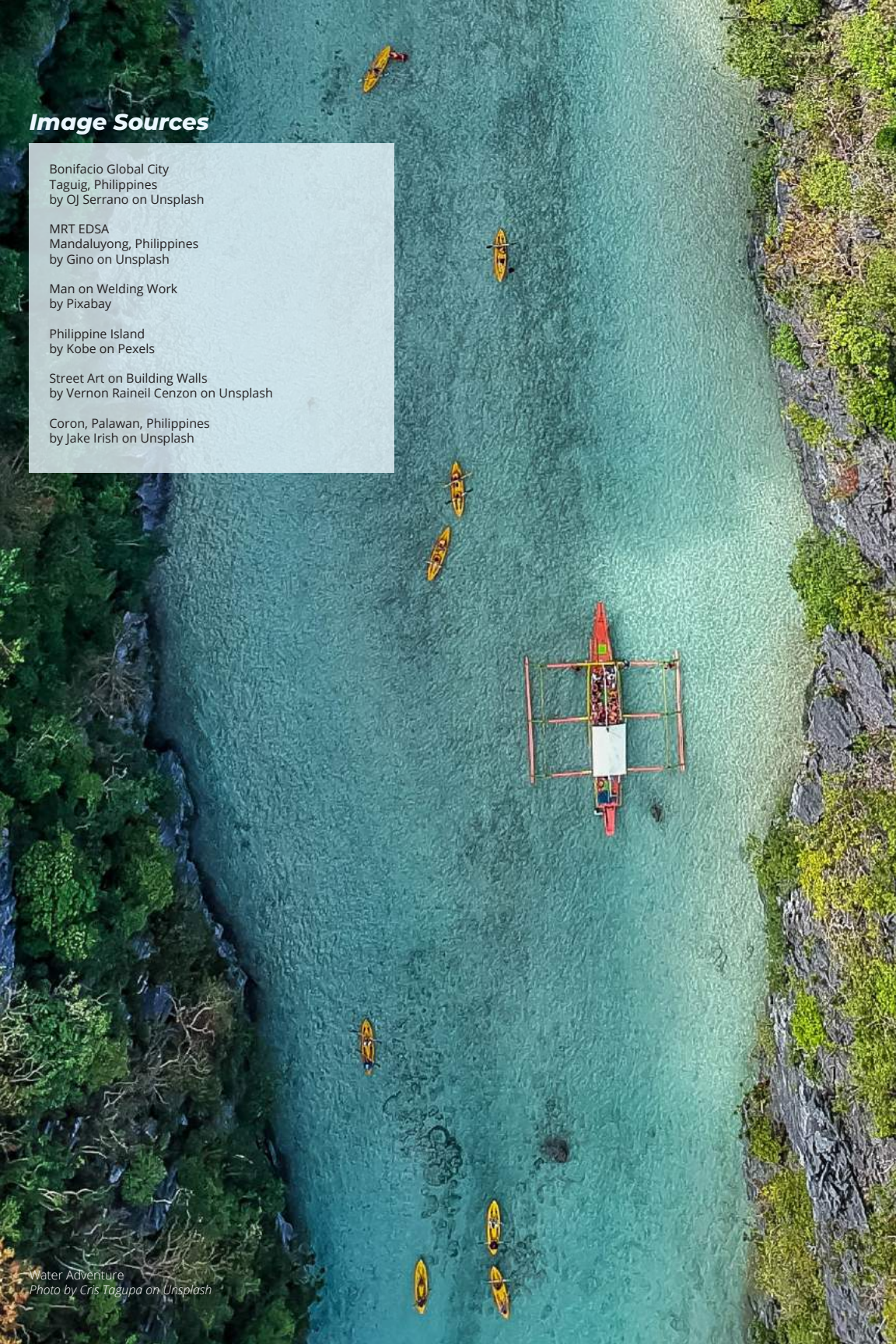
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# ARANGKADA PHILIPPINES

A Project of the Joint Foreign Chambers of the Philippines

Project Director:	John D. Forbes
Managing Editor:	Maria Nikka U. Garriga
Authors:	Randall S. Garcia Maria Nikka U. Garriga Sarah F. Gomez
Copy Editor:	Alexander F. Villafania
Cover & Layout:	Maybelle Dejasco

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© 2022 The *Arangkada* Philippines Project  
7/F Corinthian Plaza Building, 121 Paseo de Roxas, Makati City  
[www.arangkadaphilippines.com](http://www.arangkadaphilippines.com)

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# List of Abbreviations and Acronyms

<b>ACE</b> ASEAN Centre for Energy	<b>CREATE</b> Corporate Recovery and Tax Incentives for Enterprises
<b>AFF</b> Agriculture, forestry, and fishing	<b>CRM</b> Customer relationship management
<b>AMS</b> ASEAN member states	<b>DA</b> Department of Agriculture
<b>APIS</b> Advance Passenger Information System	<b>DAR</b> Department of Agrarian Reform
<b>ARTA</b> Anti-Red Tape Authority	<b>DEPED</b> Department of Education
<b>ASEAN</b> Association of Southeast Asian Nations	<b>DOE</b> Department of Energy
<b>BBB</b> Build, Build, Build	<b>DOJ</b> Department of Justice
<b>BEDP</b> Basic Education Development Planning	<b>DTI</b> Department of Trade and Industry
<b>BOT</b> Build-Operate-Transfer	<b>DWR</b> Department of Water Resources
<b>CECP</b> Creative Economy Council of the Philippines	<b>EIRR</b> Economic Internal Rate of Return
<b>CFITF</b> Coconut Farmers and Industry Trust Fund	<b>EVIDA</b> Electric Vehicle Development Industry Development Act
<b>CITIRA</b> Corporate Income Tax and Incentives Rationalization Act	<b>EVOSS</b> Energy Virtual One-Stop Shop

**FDI**

Foreign Direct Investment

**FIRB**

Fiscal Incentives Review Board

**FSI**

Fragile States Index

**GAA**

General Appropriations Act

**GDP**

Gross Domestic Product

**GNI**

Gross National Income

**GVA**

Gross Value Added

**GW**

Gigawatts

**GWh**

Gigawatt-hours

**HB**

House Bill

**HFCE**

Household Final  
Consumption Expenditure

**IBPAP**

IT and Business Processing Association  
of the Philippines

**IMD**

Institute of Management Development

**IRR**

Implementing Rules and Regulations

**IT-BPM**

Information Technology and Business  
Process Management

**IP**

Intellectual Property

**JICA**

Japan International  
Cooperation Agency

**KRA**

Key reform agenda

**LGU**

Local Government Unit

**MCM/year**

Million cubic meters per year

**MGB**

Mines and Geosciences Bureau

**MICC**

Mining Industry Coordinating Council

**MIMAROPA**

Mindoro Occidental, Mindoro Oriental,  
Marinduque, Romblon, Palawan

**MSMEs**

Micro, Small, and Medium Enterprises



# List of Abbreviations and Acronyms

<b>MW</b> Megawatts	<b>PMI</b> Purchasing Managers Index
<b>NBP</b> National Broadband Plan	<b>PPA</b> Philippine Ports Authority
<b>NCCA</b> National Commission for Culture and the Arts	<b>PPP</b> Public-Private Partnership
<b>NCR</b> National Capital Region	<b>PSA</b> Public Service Act
<b>NEDA</b> National Economic and Development Authority	<b>PWSSMP</b> Philippine Water Supply and Sanitation Master Plan
<b>NGA</b> National Government Agency	<b>RA</b> Republic Act
<b>NREP</b> National Renewable Energy Plan	<b>R&amp;D</b> Research and development
<b>ODA</b> Official Development Authority	<b>RE</b> Renewable Energy
<b>OFW</b> Overseas Filipino Workers	<b>SB</b> Senate Bill
<b>PCIDA</b> Philippine Creative Industries Development Act	<b>STEM</b> Science, Technology, Engineering, and Mathematics
<b>PEZA</b> Philippine Economic Zone Authority	<b>TAPP</b> The <i>Arangkada</i> Philippines Project



**TBD**

To be determined

**TCC**

Tourism Coordinating council

**TRAIN**

Tax Reform for Acceleration  
and Inclusion

**TTCI**

Travel and Tourism  
Competitiveness Index

**TTDI**

Travel and Tourism  
Development Index

**TWh**

Terawatt-hour

**UNCTAD**

United Nations Conference  
on Trade and Development

**URAF**

Unified Resource  
Allocation Framework

**VaPI**

Value of Production

**VoPI**

Volume of Production

**WEF**

World Economic Forum

**WRC**

Water Regulatory Commission

**WTTC**

World Travel & Tourism Council



# Executive Summary

The *Arangkada* Philippines Project began after the publication of “*Arangkada* Philippines 2010: A Business Perspective,” a voluminous policy book sponsored by the seven members Joint Foreign Chambers (JFC). Since then, *Arangkada* Philippines has established itself as a detailed source of policy documents with recommendations from the foreign investment community – with the support of Philippine business groups – for increased foreign investment and job creation in the Philippines.

This 2022 update of the *Arangkada* publication provides a general overview of the current state of the seven big winner sectors as well as a look at the progress in adopting recommended reforms more than a decade since *Arangkada* Philippines 2010. This publication does not intend to set forward a new catalogue of recommendations as these have been laid out in the sector-specific policy briefs released by the project since 2013. It also serves as a companion document to the discussion at the 11th Annual *Arangkada* Forum on December 6, 2022 with the theme Reform, Rebuild, Recover.

Together with the 2010 and 2017 publications, the policy briefs and their recommendations continue to guide the JFC in its continued efforts and activities to advocate for *Arangkada* – accelerated economic growth, accelerated job creation, accelerated domestic and foreign investment, accelerated exports of goods and services, accelerated inclusiveness, accelerated building of infrastructure, accelerated remediation of the environment, and accelerated reduction of poverty for the Philippines.

## Chapter 1: Sustaining Economic Growth

When the *Arangkada* Philippines 2010: A Business Perspective was released, it noted that “the Philippines faces a major challenge to move its economy to a higher level of growth and job creation than it has experienced during the past, often turbulent decades.” An updated timeline of the boom-and-bust cycles of the Philippine economic growth rates shows that the Philippines has gone from growing too slow in 2009 to growing faster through implementation of business economic reforms introduced by the Aquino and Duterte administrations.

The Philippines recorded its strongest GDP growth performance during 2011-2016, achieving the highest average real GDP growth rate among the ASEAN - 6 economies after lagging behind for decades prior. While the average GDP growth rate in 2017 - 2021 dropped by 50%, the Philippines remained to be the third fastest growing economy during this period after Vietnam and Indonesia.

Comparing the performance of the Philippine economy in the context of the ASEAN-6, the growth in the country's share in GDP within the grouping has remained flat - ranging between 10-15 percent since 1990. In the same period, Vietnam caught up with the Philippines in terms of share in ASEAN-6 GDP - going from 2 percent in 1990 to 12 percent in 2020. The Philippine has also not been able to catch up with its peers in terms of GDP per capita.

President Marcos Jr. has said in recent engagements that the Philippines is on its way to becoming an upper middle-income economy (attained when GNI per capita exceeds USD4,050) – this was a proclamation that former President Duterte and his administration would make throughout his term. Data presented in the 2010 *Arangkada* publication showed that an average growth



rate of 11.6 percent was needed for the Philippines to reach high income status by 2030, a level of growth that has not yet been achieved in the years after the publication was released.

Ambisyon Natin 2040, which was launched by the Aquino administration in 2015 and carried over by the Duterte administration as the basis for the 10-point Socioeconomic Agenda, provides a roadmap for inclusive development and includes among its targets the raising of per capita income to USD11,000 and the elimination of poverty. The upcoming Philippine Development Plan will also incorporate greater climate action initiatives into the national development agenda according to NEDA Sec. Arsenio Balisacan.

Among the headline recommendations set forward by the *Arangkada* 2010 publication that had clearly been achieved in the last decade is the one on increasing FDI. In 2021, the Philippines has achieved the highest volume of net foreign direct investment inflow at USD12.4 billion surpassing USD10.3 billion recorded in 2017. However, despite achieving record FDI inflows, the Philippines places last among the top economies in ASEAN in terms of share of investment inflows. During the 20-year period from 2001 to 2019, the Philippines received less than half of what Indonesia, Malaysia, Thailand, and Vietnam received in the same period.

In terms of exports of goods, the Philippines nearly doubled export volume from USD38 million in 2009 to USD74 million in 2021. An updated breakdown shows that Philippine exports remain to be dominated by Electronic Products making over half of the export value. With the expected “softening in global demand” for exports in electronics – the top export product of the Philippines – the need to diversify the export portfolio becomes more apparent.

Other observations are that minimum wage in the Philippine capital is second highest among peers in ASEAN and there is a great disparity in the minimum wage between NCR and other regions. And also that remittances, which *Arangkada* 2010 described as important but distorting to the economy, also remains a

large part of the Philippine economy.

The outlook for the Philippine economy continues to be positive, with ADB, AMRO, and IMF all projecting 6.5 percent or higher GDP growth for 2022. In looking forward, certain considerations need to be taken into account such as the slowdown in demand from major global economies and rising inflation. The passage of key liberalization measures such as the amendments to the Foreign Investment Act, Retail Trade Liberalization Act, and Public Service Act are among the recent economic reforms that have added to the positive outlook for the Philippine economy as the impact of these measures have yet to be reflected.

## Chapter 2: Becoming More Competitive

In the *Arangkada* Philippines book released in 2010, we noted that the globalization of investment, trade, and information has resulted in the expansion of international competitiveness rankings. Citing the link between performance in competitiveness rankings and levels of foreign investment, we emphasized that new investors are likely to look elsewhere when they see that a country ranks poor in infrastructure; high in corruption and in political instability; and weak in observing the rule of law relative to regional competitors. Through a survey of the Philippines’ performance in major international competitiveness rankings, we concluded in 2010 that “the figures clearly demonstrated that the Philippines was on a downward trajectory.”

More than a decade later, while the country has improved its standing in some of the major competitiveness rankings, it dropped in majority of the eleven tracked rankings. The Philippines’ rank relative to the rest of the ASEAN-6, the country’s competitors for foreign investment, also declined in six competitiveness rankings; remained the same in four; and only improved in one. A common theme across many of the competitiveness rankings covered is the inability of the Philippines to sustain improvements achieved in its ranking. While there may be some improvement when compared to

the country's performance in 2010, little to no gains have been made against our regional competitors for investment.

Source	Survey	2010 Ranking	Percentile Rank	2010 ASEAN-6 Ranking	Latest Ranking	Percentile Rank	Latest ASEAN-6 Ranking
Forbes Magazine	Best Countries for Business	91 of 128	29	5 of 6	79 of 161 (2018)	51	5 of 6
The Fund for Peace	Fragile States Index	51 of 177	29	6 of 6	54 of 179 (2022)	28	6 of 6
Heritage Foundation	Index of Economic Freedom	109 of 178	39	4 of 6	70 of 177 (2022)	55	5 of 6
International Institute of Management Development	World Competitiveness Yearbook	39 of 58	34	5 of 5	48 of 63 (2022)	25	5 of 5
Property Rights Alliance	International Property Rights Index	80 of 125	37	4 of 6	83 of 129 (2022)	36	6 of 6
Transparency International	Corruption Perception Index	134 of 178	25	6 of 6	117 of 180 (2021)	36	6 of 6
United Nations Development Programme	Human Development Report	97 of 169	40	4 of 6	116 of 191 (2021)	39	6 of 6
United Nations Public Administration Network	E-Government Readiness Survey	78 of 183	58	4 of 6	89 of 193 (2022)	54	6 of 6
World Economic Forum	Global Competitiveness Report	85 of 139	39	6 of 6	64 of 141 (2019)	55	5 of 6
World Economic Forum	Travel & Tourism Competitiveness	86 of 133 (2009)	36	5 of 6	75 of 140 (2019)	45	6 of 6
Yale Center for Environmental Law and Policy	Environmental Performance Index	42 of 132	69	3 of 6	111 of 180 (2022)	13	4 of 6

### Chapter 3: Big Winner Sectors

#### AGRIBUSINESS

Once among its well-performing economic sectors, agriculture in the Philippines today remains on the decline. The potential of the Philippines to become a key exporter of agricultural goods is also hampered by a declining workforce, inadequate rural infrastructure, and poor access to finance and extension services, to name a few. An overview of the sector's performance based on the latest available data shows that share of agriculture, forestry, and fishing (AFF) remains

the least contributor to the country's gross domestic product. Area of land harvested for agricultural crops and share of agriculture in total employment is also on the decline.

The 2019 *Arangkada* Agribusiness policy brief proposed several measures that sought to improve the agriculture landscape in the Philippines by diversifying market access, increasing financial support, ramping up modernization efforts, and expanding investments for rural infrastructure. On market access, updates include the continued implementation of the Ease of Doing Business and Efficient Government Service Delivery Act (RA 11032), passage of the Corporate Recovery and Tax Incentives for Enterprises or CREATE (RA 11534) and identification by DTI of agriculture as a priority area under the Strategic Investment Priority Plan eligible for fiscal incentives provided by CREATE, and revenue regulations issued under the Sagip Saka Act (RA 11321). On access to finance, the Coconut Farmers and Industry Trust Fund (CFITF) Act (RA 11524) was signed in 2019 and the amendments to RA 10000 or the Agri-Agra Law (RA 11901) lapsed into law in July 2022. On freeing up the land market, the Agrarian Lands Easing Act, which seeks to increase the landholding limit of agricultural lands to 24 ha remains a pending reform in Congress. Finally, on expanding infrastructure investment, amendments to the implementing rules and regulations of the BOT Law were formally approved in September of 2022 as part of the new administration's efforts to expand PPP for key infrastructure projects.

### **CREATIVE INDUSTRIES**

Creative industries were identified in the *Arangkada* Philippines 2010 policy book in recognition of the creative talent of Filipinos and the potential of the sector to provide quality jobs and generate economic activity. The richness of creative talent and cultural traditions provide the Philippines with a competitive advantage. Given the right amount of institutional and policy support, the vision for the country to become the Creative Economy Center of ASEAN by 2030 is attainable.

In 2018, *Arangkada* published a policy brief on the Creative Industries sector which highlighted several key recommendations

in order to maximize the potential of what was called the country's "sunrise industry." Several of the recommendations have begun implementation in 2022. The Creative Economy Council of the Philippines (CECP), partnership with the National Commission for Culture and the Arts (NCCA), launched Project Dora, which seeks to map the different creative industry sectors. The Philippine Creative Industries Development Act, another measure recommended by *Arangkada* in 2018 and supported by the Joint Foreign Chambers, lapsed into law in June 2022 after being championed by the Special Committee on Creative Industry and Performing Arts chaired by Rep. Christopher de Venecia in the House and Sen. Aquilino Pimentel III in the Senate.

### **INFORMATION TECHNOLOGY- BUSINESS PROCESS MANAGEMENT (IT-BPM)**

The Information Technology and Business Process Management (IT-BPM) industry is considered one of the catalysts to the growth of the Philippine economy, continuing to grow steadily since the Philippines gained ground in the global business process outsourcing market in the early 2000s and managing to survive even through the unprecedented headwinds brought by the COVID-19 pandemic. In a 2016 policy note, the *Arangkada* Philippines Project identified continuity of government incentives programs, predictability of government policies, investments in infrastructure, the quality of higher education and talent pool, and technical skills development as factors that could affect growth projections in the sector, and provided recommendations on achieving and sustaining future growth projections for the sector along these lines.

Recently, the Fiscal Incentives Review Board (FIRB) decided to extend until the end of 2022 the hybrid work arrangement for IT-BPM enterprises under ecozones without losing their tax incentives, and to provide a mechanism for the continued enjoyment of incentives beyond 2022 by shifting registration from PEZA to the BOI. On improving the country's digital infrastructure and broadband capabilities, the Marcos Jr. administration has committed to continue ongoing projects under Build, Build, Build (BBB) program and it plans



to increase connectivity in the Philippines through the “BroadBand ng Masa” program. On the recommendation to produce Filipino graduates with a higher level of Science, Technology, Engineering, and Mathematics (STEM), a recent Philippine Institute for Development Studies (PIDS) study suggests that more needs to be done to improve STEM exposure and training for Filipino students. The Department of Education (DepEd) hopes to address this challenge through the Basic Education Development Planning 2030, touted as the “first long-term plan of DepEd that aims to address current challenges on learning and participation.

### **MANUFACTURING**

The Philippine manufacturing industry is considered one of the sectors most vital for economic growth because of its impact on employment and value-added generation. Growth in the sector was steady prior to the COVID-19 pandemic, with recovery from the pandemic appearing to be currently underway. In 2016, the *Arangkada* Philippines Project released a policy note on the opportunities and challenges in the sector and detailed proposed measures to improve the competitiveness of the Philippine manufacturing industry.

On the recommendations to address high electricity costs, recent developments include the Marcos Jr. administration plan to boost the use of renewable energy as a two-pronged approach to make the Philippines more energy secure and to slow down the impact of climate change. Prioritizing infrastructure development is also crucial to sustain the growth of the manufacturing industry. This includes expanding the network of roads and bridges to improve logistics and regional connectivity and improving the cargo capacity of major airports and seaports as sought to be accomplished under the Duterte administration’s Build, Build, Build flagship infrastructure program. Another recommendation was the need to streamline existing regulatory processes required for manufacturing firms. The Ease of Doing Business and Efficient Government Service Delivery Act was enacted to improve the efficiency of the regulatory and service delivery systems in government agencies, and this is

also a key pillar of DTI’s Industrialization Plan for 2022-2028. The COVID-19 Assistance to Restart Enterprises microfinancing program and DTI’s plan to leverage innovation and digitalization to accelerate growth and productivity of Philippine MSMEs are also initiative *Arangkada*’s recommendation of providing MSMEs with access to technologies and facilities for product development and to capital funding programs to support operations.

### **MINING**

The Philippines has long been considered a mineral-rich country. Mineral products comprised a significant share of export revenues between the 1970s and 1990s; however, growth of the sector would decline drastically in the years that followed as a result of policy inconsistencies, environmental concerns, and a tougher fiscal regime. Notwithstanding its dismal performance in recent years, the mining industry still holds the potential to contribute to the overall growth and pandemic recovery of the Philippine economy.

The *Arangkada* Philippines Project released a policy note in 2016 with recommendations to realize the potential for mining, which it considers as among the seven “big winner sectors” for investment and inclusive growth. *Arangkada* argued that a developed large-scale mining sector would lead to more employment opportunities and more revenues for government. Global demand is expected to increase amidst dwindling supply for high-value minerals. Among the recommendations raised then that are still relevant today are further easing restrictions on foreign investments, the need to review the fiscal framework for large-scale mining to be on par with the average effective tax rate in APEC, and the creation of a mineral wealth fund to support the development of the mining industry. A proposed new fiscal regime was approved by the House Committee on Ways and Means in August 2022. Rep. Joey Salceda also has a proposed bill that creates a Natural Resource Trust Fund where 2 percent of taxes collected from the gross output of large-scale metallic mining would be stored for future generations. Former President Rodrigo Duterte sought to revive the sector to boost the country’s pandemic recovery efforts

by removing the moratorium on new mineral agreements in April and lifting the four-year ban on open pit mining in December 2021.

## **TOURISM**

Tourism was identified as one of the seven big winner sectors in the *Arangkada* Philippines 2010 policy book given the sector's high growth potential, strong poverty reduction and job creation effects, and range of direct and indirect income effects involving agriculture, industry, and services. Twelve years since *Arangkada* 2010, tourism remains a vital economic sector, experiencing significant growth over the last decade (before the COVID-19 pandemic) but facing key constraints and the challenge of recovering from a global pandemic.

In November 2019, roughly four months before the tourism sector was brought to a standstill by the COVID-19 pandemic, the *Arangkada* Philippines Project published a policy brief on tourism that focused on sustainable and inclusive tourism and seamless travel. Focus was given on these two aspects in order to provide a fresh look on how to measure tourism growth in the era of digital information and increased globalization. It sought to emphasize that tourism is a vital force to alleviate poverty, protect the environment, preserve culture, and promote intercultural understanding. The recommendations from the 2019 policy brief are listed in the section in full given their continuing relevance as the country faces the challenging task of reviving the tourism sector and as the government formulates a new National Tourism Development Plan for 2023 to 2028.

## **INFRASTRUCTURE**

### **Airports**

In its 2010 publication, the *Arangkada* Philippines highlighted that airports are crucial for both local and international commerce and travel, in helping unlock the enormous potential of tourism, stimulating investment, and are an increasingly critical factor for national competitiveness. Air travel, and subsequently utilization of airports, increased significantly over the last decade before sharp declines in 2020 and 2021 due to the pandemic. As domestic and international

air travel emerging and recovering from a global pandemic, quality air transportation infrastructure remains an important and pressing concern for the country.

The 2017 *Arangkada* policy brief on airports recommended the implementation of a multi-airport system policy in the Greater Capital Region (GCR) and the accelerated development of Clark International Airport. Manila International Airport (NMIA) in Bulacan, designed to cater to 200 million passengers per year, is currently undergoing pre-construction; the contract for the construction of Sangley Point International Airport (SPIA) in Cavite, with a potential capacity of 130 million passengers, was awarded in September 2022; while construction of Terminal 2 of Clark International Airport was completed by Megawide-GMR in 2020, with commercial operation starting in May 2022. Another recommendation, the rehabilitation of NAIA, fell through during the term of former President Duterte and, while current DOTr Secretary Jaime Bautista indicated that rehabilitation of NAIA remains a priority, the long-term plan for the airport remains unsettled.

On the recommendation to privatize airport operations and maintenance (O&M), no further airport O&Ms have been privatized save for Caticlan, Clark, and MCIA despite plans since 2014 to privatize other airports in Bacolod-Silay, Davao, Iloilo, Laguindingan, Panglao, Puerto Princesa, among others. Recommendation to modernize and strengthen institutions through the amendment of RA 9497 (CAAP Charter, creation of a Philippine Airports Authority (PAA), and creation of a National Transportation Safety Board also still remain pending as of the 19th Congress.

### **Power**

Achieving reliable, affordable, and sustainable electricity remains a challenge in the Philippines, with electricity consumption increasing over the past decade, save for 2020, and with energy demand expected to increase as the Philippine economy reopens following months under stringent lockdowns. The *Arangkada* Philippines

Project produced policy documents in 2017 and 2019 with proposed measures to improve capacity, promote competition, and accelerate the country's transition to renewable energy.

Central to the recommendation to minimize bureaucratic red tape is the implementation of RA 11234, or the Energy Virtual One-Stop Shop (EVOSS) Act, which was enacted in March 2019. In July 2021, former President Rodrigo Duterte signed Executive Order 143 for the creation of the EVOSS Task Group to enhance the implementation of the EVOSS System. *Arangkada* noted that the Philippines' transition to clean and sustainable energy sources will be contingent upon achieving the targets indicated in the National Renewable Energy Plan (NREP) and removing the foreign equity restriction in the implementing rules and regulations of the 2008 Renewable Energy Act (RA 9513). As of December 31, 2021, a total of 931 MW committed RE projects are expected to operate between 2022 to 2027, with indicative project seen likely to contribute over 27,334 MW within the same period. In September 29, the Department of Justice (DOJ) released Legal Opinion No. 21 series of 2022, which clarified the Constitutional foreign ownership restriction on the exploration, development, and utilization of natural resources for energy projects, and opens the Philippines to more foreign investments in RE projects.

On the *Arangkada* recommendation to stimulate the adoption of electronic vehicles (e-vehicles), RA 11697, or the Electric Vehicle Industry Development Act (EVIDA), lapsed into law in April 2022, which will serve as the framework for the manufacture, assembly, importation, construction, installation, maintenance, trade and utilization, research and development, and regulation of electric

vehicles. Lastly, *Arangkada* recommended creating a solid regulatory framework to determine the potential of nuclear power generation for the Philippines. Duterte signed Executive Order 164 on February 2022, which outlined the National Adoption for a Nuclear Energy Program that would explore the viability of nuclear energy as an alternative baseload power source.

### Roads and Rail

One of the greatest challenges faced by previous administrations has been expanding the network of roads and rails in the Philippines. From 2013 to 2017, "inadequate supply of infrastructure" consistently made it into the World Economic Forum (WEF) survey of the top three most problematic factors for doing business in the Philippines. Data shows that the completion of projects has been slow and plagued with delays.

One of the recommendations in the 2018 Roads and Rail policy brief was the continuity of projects between administrations, which is aligned with the pronouncements of the new Marcos Jr. administration of continuing the priority infrastructure projects of the Duterte administration. The section provides a summary of major toll road and railway projects. The Marcos Jr. administration has expressed interest in bringing in more private sector investment in constructing rail. The passage of the Public Service Act amendments also enables foreign investment in construction of railway networks.

### Seaports

The *Arangkada* Philippines 2010 policy book stressed the dependence of the Philippines on seaports because of its archipelagic character compared to countries with large continuous landmasses. Utilization of Philippine seaports





increased since 2010, but the Philippines has consistently recorded the least volume of container port traffic among the ASEAN-6. The Philippines has also consistently ranked last among its ASEAN-6 peers in WEF rankings of quality of ports.

The 2018 *Arangkada* policy document prescribed recommendation on port development such as connection of hub and feeder ports proximate to one another by barge, the draft of ports being dredged to accommodate larger vessels, provision of ship-to-shore cranes in main ports, sharing of such cranes between international and domestic vessels where available, and refraining from implementing truck bans. On legislative reforms to improve the governance and regulation of ports and shipping, proposals to separate the conflicting functions of the Philippine Ports Authority (PPA), redefining and expanding the role of MARINA, creation of a National Transportation Safety Board, and passage of the International Maritime Trade Competitiveness Act remain pending in the 19th Congress.

### Telecommunications

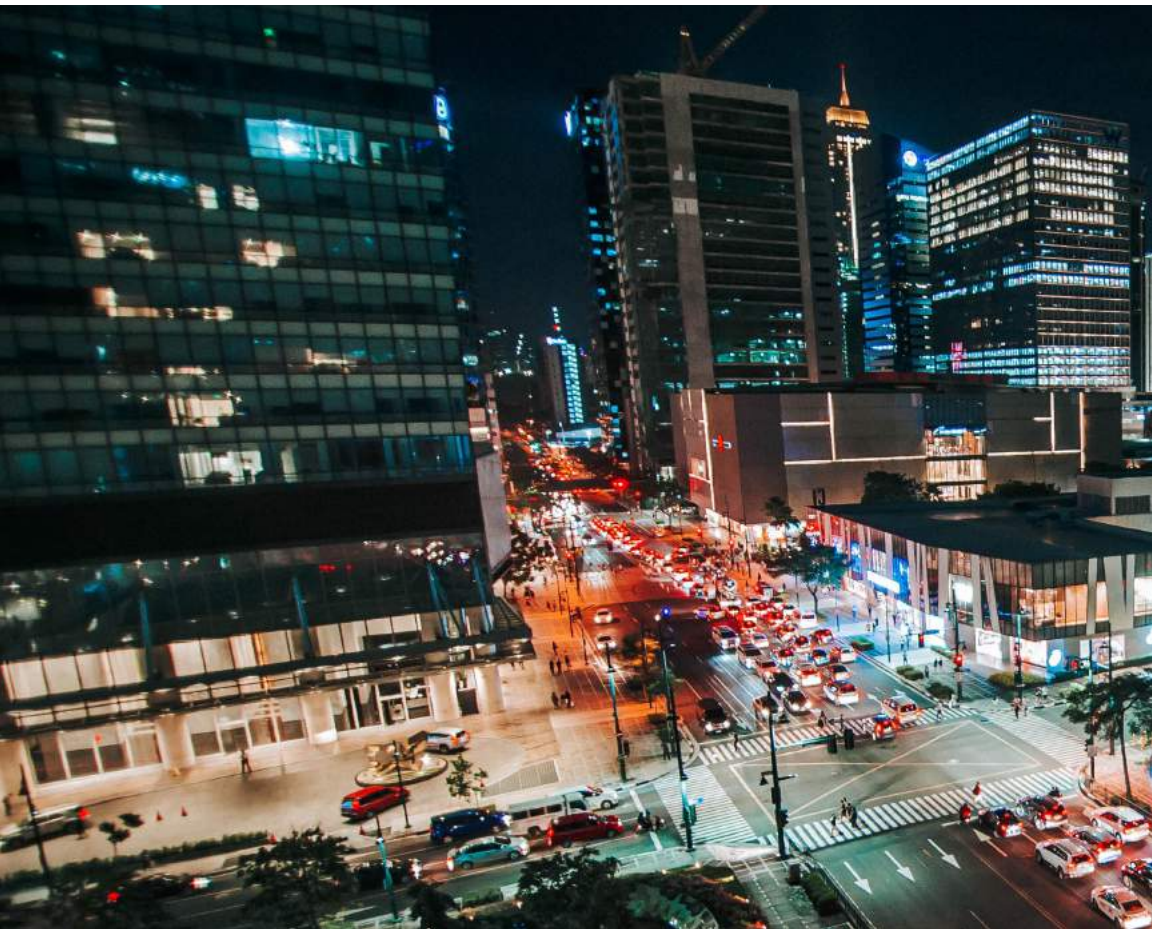
*Arangkada* Philippines 2010 highlighted that the internet is vital to the economic growth of the Philippines because of the increasingly significant role it plays in both daily life and the national economy. The global pandemic further accelerated its necessity as a remote alternative to work, study, and socialize along with the wider adoption of online banking, government, and other services, the rise of e-commerce, and an even more increased pervasiveness of social media. The Philippines' performance in key indicators will show that, despite overall increases in the last decade, improving internet access, affordability, and quality in the Philippines remain challenges that have yet to be addressed.

The selection in 2018 and start of commercial operations in March 2021 of a third telco player, DITO Telecommunity, is seen to address the duopoly often cited among the primary reasons for the poor and expensive mobile and internet service in the country. The *Arangkada* Broadband Policy Brief also identified the classification of telecommunications as a public utility as a major barrier to entry constraining the development of the country's telecommunications sector. RA No. 11659, or the amendments to the Public Service Act, passed in March of 2022 removed this barrier. In May 2020, the DICT issued Department Circular No. 8, s. 2020 which outlined a Common Tower Policy, in line with the recommendation in the *Arangkada* policy brief to adopt infrastructure sharing to reduce the cost of cellular tower expansion. In March 2021, former President Duterte issued Executive Order 127, which provides for inclusive access to satellite services. Another recommendation, passage of the Open Access in Data Transmission Act is still pending in the 19th Congress. Other legislative reforms for the sector such as the Satellite-based Technologies Promotion Act, the Spectrum Management Act, and the Critical Information Infrastructure Protection Act are also pending in the 19th Congress.

### Water

Water security as a policy agenda has become even more pronounced in recent years as a result of the rapid rate of urbanization, climate change, and continued degradation of the environment. The COVID-19 pandemic only magnified the need to ensure access to clean and sufficient water supply for Filipinos. In 2018, the *Arangkada* Philippines Project released a policy note that identified multi-faceted challenges facing the Philippine water sector as well as proposals that sought to





improve the management and governance of water resources and expand access to water and wastewater services.

Institutional fragmentation and the lack of a single, cohesive regulatory framework are often cited as main issues have resulted in conflicting and uncoordinated mandates. To this end, NEDA launched the Philippine Water Supply and Sanitation Master Plan (PWSSMP) to serve as the government's roadmap to achieve "universal access to safe, sufficient, affordable, and sustainable water supply, hygiene, and sanitation by 2030. One of the key recommendations identified by *Arangkada* seeks to harmonize and streamline governance in the sector. The creation of a Department of Water Resources (DWR) was among the priority measures identified by

President Ferdinand Marcos, Jr. in his first State of the Nation Address, and bills on the measure are pending in the 19th Congress.

Another *Arangkada* recommendation supports NEDA's plan to rationalize the financing for the Philippine water sector through a Unified Financing Framework for Water Supply and Sanitation. The creation of the DWR, WRC, and the Unified Resource Allocation Framework (URAF) are part of the PWSSMP's eight key reform agenda (KRA). Achieving the targets for the Philippines water supply and sanitation will require around PHP1.07 trillion over an 11-year period (2020-2030).





#### **Chapter 4: Reform, Rebuild, Recover: The Philippine economy beyond Covid-19**

Since its launch in 2010, the *Arangkada* Philippines Project has seen significant improvements to the country's general business environment. An overarching theme in most reform measures proposed by *Arangkada* across different economic sectors is the need to reduce business costs, accelerate human capital development, and encourage more foreign equity participation to promote competition.

Positive developments include: the passage of the Ease of Doing Business Act and establishment of the Anti-Red Tape Authority as part of the government's initiative to reduce the burden of red tape for businesses; recent headways in liberalizing the renewable energy (RE) sector; DepEd's Basic Education Development Plan 2030 and

NEDA's Philippine Development Plan 2023-2028; and the game-changing passage of amendments to the Public Service Act, the Foreign Investment Act, and the Trade and Liberalization Act.

Nevertheless, more needs to be done to regain, or even exceed, the country's growth momentum in the coming years. To this end, the Joint Foreign Chambers of the Philippines and its partner Philippines business groups (PBG-JFC) submitted to the Marcos Jr. administration an initial list of priority reform initiatives that will guide the (PBG-JFC) in its advocacy initiatives throughout the 19th Congress.

# Arangkada Philippines: A Decade Later

The *Arangkada* Philippines Project began after the publication of “*Arangkada* Philippines 2010: A Business Perspective,” a voluminous policy book supported by the seven members Joint Foreign Chambers (JFC) of the Philippines: the American Chamber of Commerce, Australia-New Zealand Chamber of Commerce, Canadian Chamber of Commerce, European Chamber of Commerce, Japanese Chamber of Commerce and Industry, Korean Chamber of Commerce, and the Philippine Association of Multinational Companies Regional Headquarters Incorporated.

“*Arangkada*” is a Filipino word that means “accelerate”. Since its inception in 2010, *Arangkada* Philippines and the JFC have established itself as a consistent partner of the Philippine government and business groups in advocating reforms and identifying opportunities to facilitate faster, sustainable economic growth and improve the business climate of the Philippines.

The *Arangkada* Philippines Project built its recommendations on what it refers to as the “Seven Big Winner Sectors”, or sectors which the JFC believes have the highest potential for growth with the support of domestic and foreign investment:

- Agribusiness
- Business Processing Management
- Creative Industries
- Infrastructure (Airports, Power, Rail, Roads, Seaports, Telecommunications, and Water)
- Manufacturing and Logistics
- Mining
- Tourism, Medical Travel, and Retirement

In the span of more than a decade, *Arangkada* has prepared and published 12 policy briefs and seven policy notes that supplement the *Arangkada* Philippines 2010 book and provide more focused discussions on the Seven Big Winner Sectors. These publication—as seen in Figure 2—can be found on the *Arangkada* website at [www.arangkadaphilippines.com](http://www.arangkadaphilippines.com).

Figure 1: Logos of the Joint Foreign Chambers: American, Australian-New Zealand, Canadian, European, Japanese, and Korean chambers and PAMURI



From 2012 to 2016, annual assessments of the 470 recommendations were also published for release at the annual *Arangkada* forum. As of 2022, *Arangkada* has organized eleven fora with the following themes:

1. Move Twice as Fast (2012);
2. Realize the Potential (2013);
3. More Reforms=More Jobs! (2014);
4. Invest NOW for Inclusive Growth! (2015);
5. A Bolder and More Inclusive Decade (2016);
6. Implementing the Ten-point Agenda (2017);
7. Better Infrastructure for a Strong Economy and the Special *Arangkada* Philippines Creative Industries Forum Creative Industries: The Next Sunrise Industry (2018);
8. Turning on the T.A.P. (Tourism, Agribusiness, and Power) (2019);
9. Foreign Investment in the Post Pandemic Philippines (2020);
10. Pathways to a Better Future (2021); and
11. Reform, Rebuild, Recover (2022)



Figure 2:  
Arangkada  
List of Publications  
2010 - 2020

For its 11th annual *Arangkada* forum, the focus is on identifying reform initiatives and recommendations to accelerate recovery and help rebuild sectors most impacted by the COVID-19 pandemic. Representatives from the public and private sectors have been invited to discuss key programs, legislative priorities, and opportunities for public-private partnership for the Philippines to resume sustainable high growth, job creation, poverty reduction, and increased investment.

The *Arangkada* Philippines Project—administered by the American Chamber of Commerce of the Philippines and University of the Philippines Public Administration Research and Extension Services Foundation, Inc.—Regulatory Support Program for National Development (UPPAF-RESPOND)—prepared this publication with the support of the Australian Government and The Asian Foundation<sup>1</sup> to provide updates on the sectoral discussions since the *Arangkada* Philippines 2010: A Business Perspective was published.

*Arangkada* Philippines 2010 contains an exhaustive catalogue of necessary reforms towards the goal of achieving accelerated growth in the last decade (2011-2020). These recommendations, which are “incremental, focused” and intended to assist policy makers in “building a better economy, reform by reform... brick by brick”, were reached through extensive consultations with experts, stakeholders, and key government officials through nine focus group discussion held from September 2009 to April 2010.

The 2022 update of the *Arangkada* publication provides a general overview of the current state of the general business environment and the seven big winner sectors. It also reviews the progress in adopting recommended reforms 10 years later. This publication does not intend to set forward a new catalogue of recommendations, as these have already been laid out in the sector-specific policy briefs released by the project since 2013.<sup>2</sup>

These assessment documents continue to guide the continued efforts and activities of the JFC to advocate for *Arangkada*: accelerated economic growth, accelerated job creation, accelerated domestic and foreign investment, accelerated exports of goods and services, accelerated inclusiveness, accelerated building of infrastructure, accelerated remediation of the environment, and accelerated reduction of poverty for the Philippines.

<sup>1</sup> The views expressed in this publication are the authors' alone and does not necessarily reflect the views of the American Chamber of Commerce of the Philippines, the Australian Government, The Asia Foundation, and UPPAF-RESPOND.

<sup>2</sup> *Manufacturing* (2013), *Mining* (2014), *Broadband* (2016), *Agribusiness* (2016, updated 2019), *Airports* (2017), *Water* (2018), *Roads and Rail* (2018), *Seaports and Shipping* (2018), *Creative Industries* (2018), *Tourism* (2019), *Power* (2019)

## Chapter 1

# Sustaining Economic Growth

When the *Arangkada Philippines 2010: A Business Perspective* was released, it noted that “the Philippines faces a major challenge to move its economy to a higher level of growth and job creation than it has experienced during the past, often turbulent decades.” Figure 3 shows an updated timeline of the boom-and-bust cycles of the Philippine economic growth rates first presented in the 2010 *Arangkada* publication.

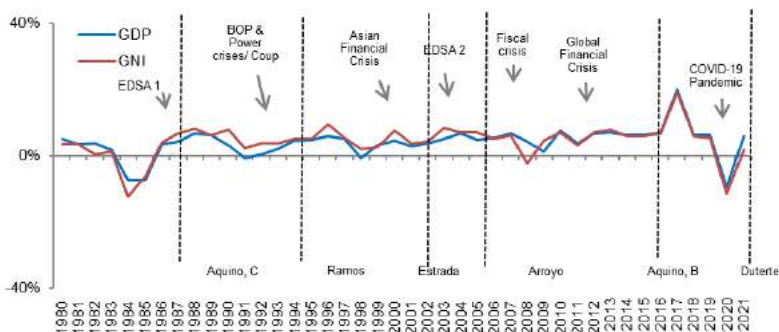
The updated timeline illustrates how the Philippines has gone from growing too slow in 2009 to growing faster through implementation of business economic reforms introduced by the Aquino and Duterte administrations. Periods of high gross domestic product (GDP) growth over these administrations afforded larger volumes of foreign direct investment (FDI) beginning in the Aquino administration and peaking in 2017—making up for and catching up on the “decades lost to slow growth.”

Foreign investors’ interest in the growing Philippine consumer market stimulated FDI interest in consumer goods, financial services, infrastructure, real estate, and other sectors. Many investors saw rising potential for their businesses in Southeast Asia’s second most populous market of almost 110 million persons.

The momentum in the increase of GDP growth was disrupted in 2020 with the onset of the COVID-19 pandemic that negatively impacted global trade by almost 30 percent and resulted in an almost 40 percent decrease in global foreign direct investment<sup>3,4</sup>. The country’s COVID-19 pandemic response initially involved the implementation of multiple and highly restrictive lockdowns to slow the spread of the highly infectious virus. Businesses began closing or retrenching, which caused unemployment to rise to its worst at 17.7 percent. Economic liberalization reform bills took the backseat to pandemic response and digitalization bills. The extended constrained economic activity, together with the uncertainty in pandemic response, led to the contraction of the economy, with GDP dropping to as low as -16.5 percent by the end of Q2 of 2020—the lowest recorded since pre-EDSA 1.

By the start of 2021, the Philippine economy began opening up as the government ramped up the procurement of COVID-19 vaccines and nationwide vaccination programs, spurring economic activity and steering the country’s economic indicators back to pre-pandemic levels.

Figure 3. Philippine GDP & GNI real growth rates, 1980-2021



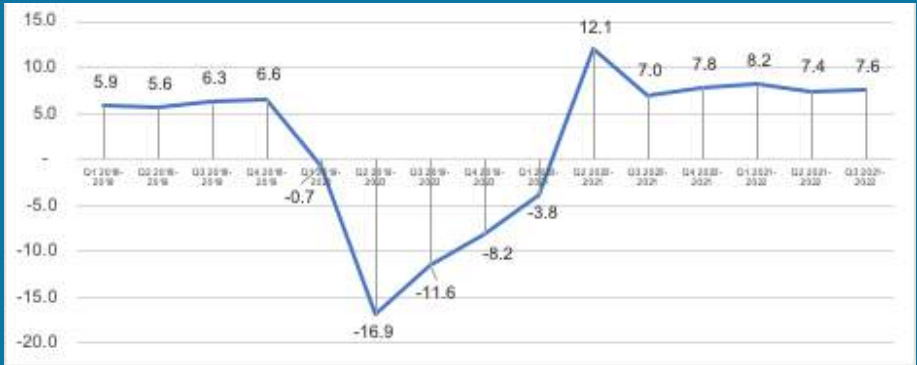
Source: Philippine Statistics Authority; Benjamin and Tan (2008); Consensus forecasts.

3 WTO, 2020

4 UNCTAD, 2020



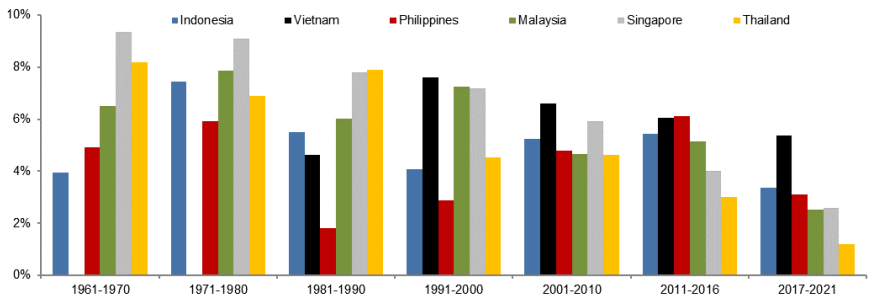
Figure 4. GDP Growth, current, Q1 2018 – Q3 2022



Source: PSA

While the Philippines has exhibited rapid recovery from the negative impact experienced at the height of the global COVID-19 pandemic, as seen in the strong GDP growth figures in Figure 4, much still needs to be done in order to catch up to the GDP levels of neighboring economies. This is illustrated in Figure 5, which shows that the Philippines recorded its strongest GDP growth performance during 2011-2016, achieving the highest average real GDP growth rate among the ASEAN-6 economies (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam) after lagging behind for decades prior. While the average GDP growth rate in 2017-2021 dropped by 50 percent, the Philippines remained to be the third fastest growing economy during this period after Vietnam and Indonesia.

Figure 5. Average real GDP growth rates, ASEAN-6, 1961-2021

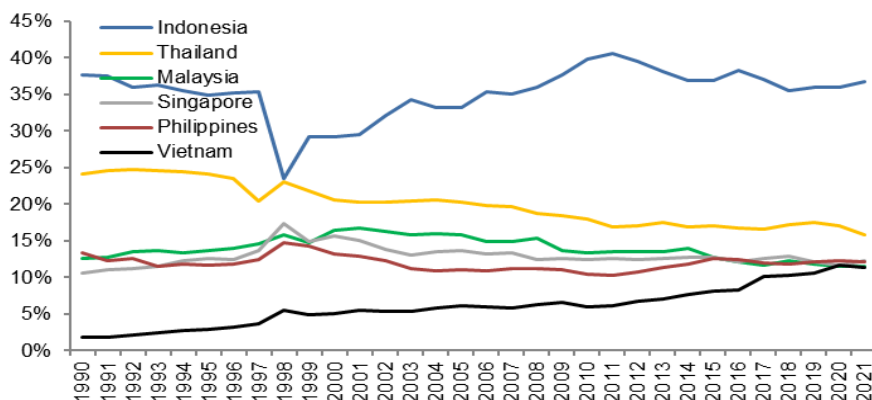


Sources: World Bank and Country Statistics Offices

Although GDP growth rates present a positive development in the Philippine economy, the share of nominal GDP should also be taken into account when comparing the performance of our economy in the context of the ASEAN-6. Figure 6 and Table 1 show how the Philippine GDP figures compare with regional data, where the growth in the country's share in GDP within ASEAN-6 has remained flat, ranging between 10 to 15 percent since 1990. Meanwhile, Vietnam has, in the same time period, caught up with the Philippines in terms of share in ASEAN-6 GDP from 2 percent in 1990 to 12 percent in 2020.



Figure 6. Share in ASEAN-6 GDP, 1990-2021



Source: IMF WEO Database April 2022

Table 1. Share in ASEAN-6 GDP, select years

	1990	2000	2010	2020
Indonesia	38%	29%	40%	36%
Malaysia	13%	16%	13%	11%
Philippines	13%	13%	11%	12%
Singapore	11%	16%	12%	12%
Thailand	24%	21%	18%	17%
Vietnam	2%	5%	6%	12%

Source: IMF WEO Database (April 2022)

Table 2 shows the comparative growth of ASEAN-6 GDP in relation to the growth of the region by the end of each decade. By 2020, the total GDP of the ASEAN-6 has grown by 700 percent since 1990. In the same period, the Philippine economy grew by 636 percent, slightly below the regional growth rate. In terms of GDP size, the Philippines is the third largest economy after Indonesia and Thailand.

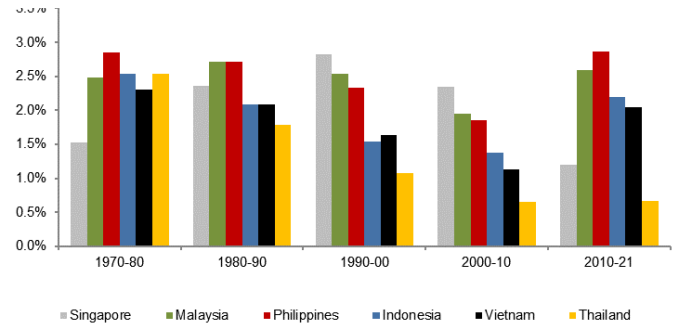
Table 2. ASEAN-6 GDP, in current USD billion, 1990 vs. 2000 vs. 2010 vs. 2020

	1990	2000		2010		2020	
	in US\$ b	in US\$ b	vs 1990	in US\$ b	vs. 1990	in US\$ b	vs. 1990
<b>ASEAN-6</b>	<b>367.77</b>	<b>614.63</b>	<b>67%</b>	<b>1900.17</b>	<b>417%</b>	<b>2,947.2</b>	<b>701%</b>
Indonesia	138.26	179.48	30%	755.26	446%	1,059.9	667%
Malaysia	46.58	100.72	116%	255.02	448%	337.3	624%
Philippines	49.10	81.02	65%	199.59	307%	361.5	636%
Singapore	38.90	95.84	146%	236.42	508%	345.3	788%
Thailand	88.47	126.39	43%	341.11	286%	500.3	466%
Vietnam	6.47	31.18	382%	112.77	1642%	342.9	5199%

Source: IMF WEO Database (October 2022)

In itself, the Philippines growing by 636 percent to become the third largest economy in ASEAN-6 is quite impressive. However, this needs to be contextualized and analyzed in parallel with the growth in population. As seen in Figure 7, the Philippines has the highest average annual population growth in ASEAN 6 in most decades. Table 3 combines the GDP data in Table 2 with the population data to present the GDP per capita for those years.

**Figure 7. Average annual population growth, ASEAN-6, 1970 - 2021**



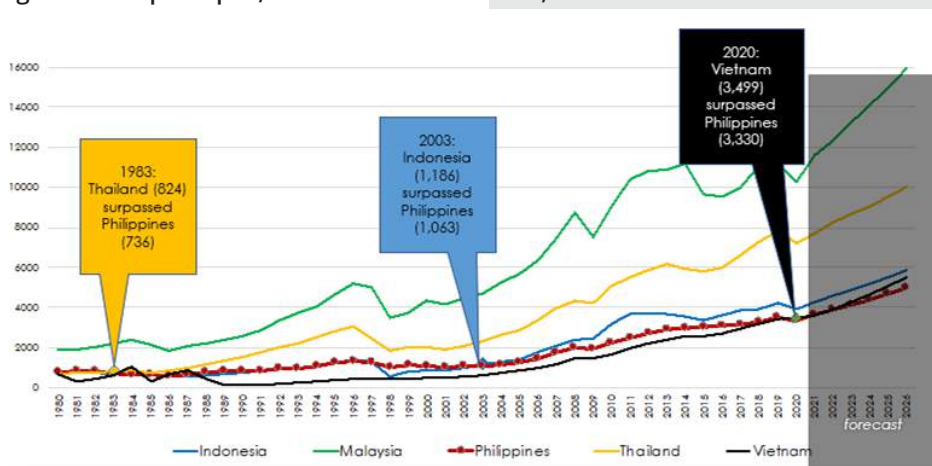
Source: Author's calculations using World Bank data

**Table 3. GDP (in USD billion), Population, and GDP per capita, ASEAN-6, 1990 vs 2000 vs 2010 vs 2020**

	1990			2000		
	GDP	Population	per capita	GDP	Population	per capita
Indonesia	138.26	<b>181,436,821</b>	<b>762.02</b>	179.48	<b>211,540,429</b>	<b>848.45</b>
Malaysia	46.58	<b>18,038,321</b>	<b>2,582.00</b>	100.72	<b>23,185,608</b>	<b>4,344.03</b>
Philippines	49.10	<b>61,947,348</b>	<b>792.53</b>	81.02	<b>77,991,569</b>	<b>1,038.87</b>
Singapore	38.90	<b>3,047,132</b>	<b>12,766.10</b>	95.84	<b>4,027,887</b>	<b>23,793.37</b>
Thailand	88.47	<b>56,582,821</b>	<b>1,563.50</b>	126.39	<b>62,958,021</b>	<b>2,007.56</b>
Vietnam	6.47	<b>66,016,700</b>	<b>98.04</b>	31.18	<b>77,630,900</b>	<b>401.59</b>
	2010			2020		
	GDP	Population	per capita	GDP	Population	per capita
Indonesia	755.26	<b>242,524,123</b>	<b>3,114.15</b>	1,059.9	<b>273,523,621</b>	<b>3,875.00</b>
Malaysia	255.02	<b>28,112,289</b>	<b>9,071.62</b>	337.3	<b>32,365,998</b>	<b>10,420.81</b>
Philippines	199.59	<b>93,726,624</b>	<b>2,129.50</b>	361.5	<b>109,581,085</b>	<b>3,298.83</b>
Singapore	236.42	<b>5,076,732</b>	<b>46,569.33</b>	345.3	<b>5,685,807</b>	<b>60,727.70</b>
Thailand	341.11	<b>67,208,808</b>	<b>5,075.30</b>	500.3	<b>69,799,978</b>	<b>7,167.52</b>
Vietnam	112.77	<b>86,932,500</b>	<b>1,297.22</b>	342.9	<b>97,338,583</b>	<b>3,523.18</b>

The need to sustain and further accelerate growth is now emphasized by data on GDP per capita, where Vietnam recently passed the Philippines in 2020. While the Philippines has shown its capacity to grow its GDP, it has not been able to catch up in terms of GDP per capita. Historically, GDP per capita has remained relatively flat for the Philippines allowing other ASEAN economies to surpass the Philippines, as seen in Figure 8. With a continuously growing population, the Philippines needs to continue advocating for reforms that will push the country towards more, better, and more inclusive growth.

Figure 8. GDP per capita, select ASEAN economies , 1980-2026f



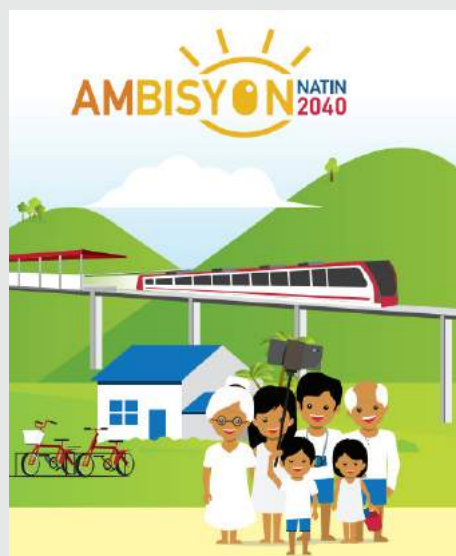
### Is the upper middle income economy status within reach?

President Marcos Jr. has said in recent engagements that the Philippines is on its way to becoming an upper middle-income economy. This was a proclamation that former President Duterte and his administration made throughout his term. According to the World Bank, the upper middle-income economy status is attained by countries where the gross national income (GNI) per capita exceeds USD 4,050. In 2021, the Philippine GNI per capita was USD 3,402. The closest the Philippines had been to reaching the upper middle-income economy status was in 2019 at USD 3,800—just before the global health pandemic.

The target of achieving upper middle economy status is not a new one. Data presented in the 2010 publication showed that a growth rate of 11.6 percent was needed for the Philippines to reach high income status by 2030. Since this level of growth has not yet been achieved in the years after the publication was released, it is highly unlikely that this high income status will be achieved by 2030.

In 2015, the Aquino administration launched its long-term development vision, Ambisyon Natin 2040, which provides a roadmap for inclusive development towards the goal that “Filipinos [will] live in a prosperous, predominantly middle-class society where no one is poor.” Ambisyon Natin 2040 targets to increase

per capita income to USD 11,000. The long-term plan was carried over by the Duterte administration and used as the basis for the 10-point Socioeconomic Agenda prepared by the economic cluster of his cabinet. (Figure 9)



*Cover graphic of Ambisyon Natin 2040 which shows images of what government would like to achieve in the long term:*

*“In 2040, all Filipinos will have a stable and high level of well-being, secure in the knowledge that they have enough for their daily needs and their wants, that they can plan and prepare for their own and their children’s futures. Families are able to live together in a place of their own, and have the freedom to go where they desire, protected and enabled by an effective government that cares equally for all citizens.”*

Figure 9. Duterte Administration 10-point Socioeconomic Agenda

- 1 Continue and maintain current macroeconomic policies including fiscal, monetary, and trade policies.
- 2 Institute progressive tax reform and more effective tax collection, indexing taxes to inflation. A tax reform package will be submitted to Congress by September 2016.
- 3 Increase competitiveness and the ease of doing business. This effort will draw upon successful models used to attract business to local cities (e.g., Davao) and pursue the relaxation of the Constitutional restrictions on foreign ownership, except as regards land ownership in order to attract foreign direct investment.
- 4 Accelerate annual infrastructure spending to account for 5% of GDP, with Public-Private Partnerships playing a key role.
- 5 Promote rural and value chain development toward increasing agricultural and rural enterprise productivity and rural tourism.
- 6 Ensure security of land tenure to encourage investments, and address bottlenecks in land management and titling agencies.
- 7 Invest in human capital development, including health and education systems, and match skills and training to meet the demand of businesses and the private sector.
- 8 Promote science, technology, and the creative arts to enhance innovation and creative capacity towards self-sustaining, inclusive development.
- 9 Improve social protection programs, including the government's Conditional Cash Transfer program, to protect the poor against instability and economic shocks.
- 10 Strengthen implementation of the Responsible Parenthood and Reproductive Health Law to enable especially poor couples to make informed choices on financial and family planning.

Source: TAPP staff

Aside from raising the income per capita to USD 11,000, another commitment of Ambisyon Natin 2040 is to eliminate poverty. Figure 10 shows that in 1991, poverty incidence was at 34.4 percent of the population or 29.7 percent of all Filipino families. By 2018, this was brought down to 16.7 percent of the population and 12.1 percent of Filipino families. The downward trend was disrupted by the COVID-19 pandemic, which saw an increase of poverty incidence due to the loss of jobs and livelihood opportunities during the nationwide lockdowns.

Inclusive growth is essential for the Philippines to fully recover from the economic losses due to the COVID-19 pandemic. NEDA Sec. Arsenio Balisacan stated in press interviews that the upcoming Philippine Development Plan will incorporate greater climate action initiatives into the national development agenda to ensure a more inclusive growth especially for those who are affected by natural disasters.

A 2018 World Bank study "Making Growth Work for the Poor" reported that poverty had declined at a much slower rate in the Philippines due to the "less pro-poor pattern of growth, high inequality of income and wealth, and disasters and conflict." The study also said that the country should maximize the key drivers of poverty alleviation, which included 1) an increase in wage income; 2) movement of workers out of primary production agriculture; 3) government transfers, and 4) remittances from domestic and foreign sources.

Figure 10. Poverty Incidence, Philippines, select years

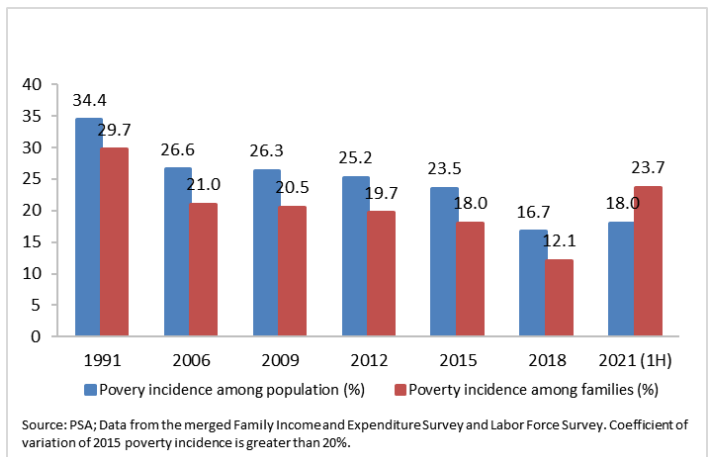
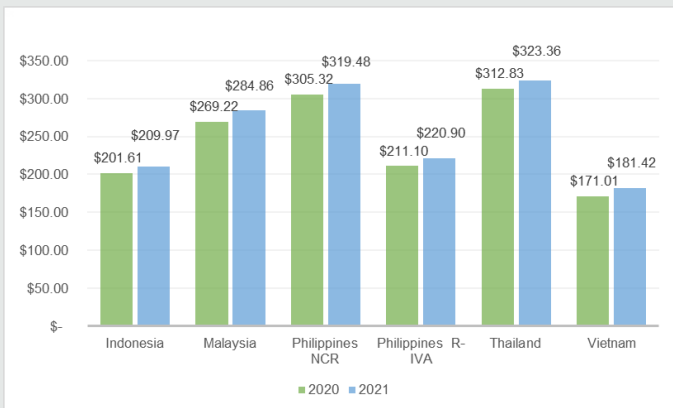


Figure 11. Monthly Minimum Wage in USD, 2020 - 2021



Source: Department of Labor and Employment and JETRO Survey

### Minimum wage

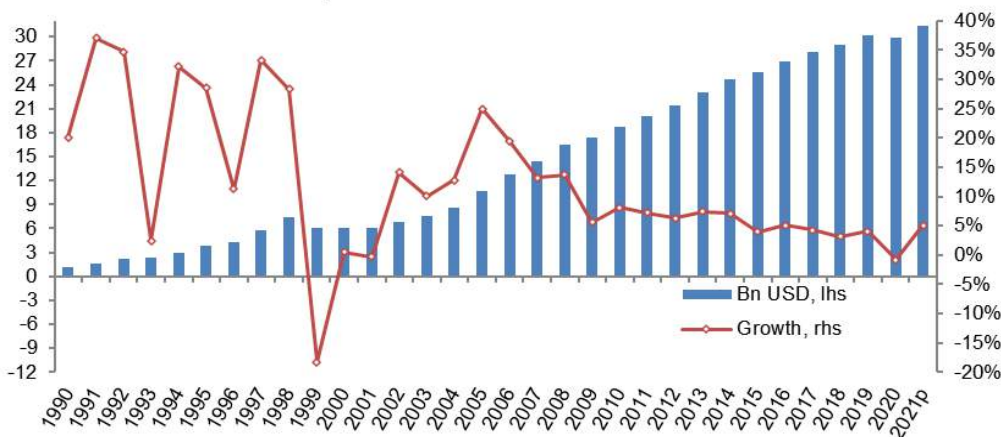
Figure 11 shows two things. First, the minimum wage in the Philippine capital is second highest among competing ASEAN economies after Thailand. Second, the data shows that while the Philippine capital may report higher minimum wages, there is a great disparity in minimum wage between NCR and other regions.

### Remittances still a large part of the Philippine economy

What the 2010 *Arangkada* publication says about remittances from overseas Filipino workers (OFWs) remains true: they are important but they distort the economy. In 2021, remittances doubled since 2009, making up as much as 9 percent of the country's GDP. While the sentiment that retention of talent through creation of better and more job opportunities in the country should be a priority of the

government remains relevant, the Department of Overseas Filipino Workers was created at the tail end of the Duterte administration in recognition of the economic contribution of OFWs. Figure 12 shows the growth in OFW remittances, which only slightly declined during the COVID-19 pandemic before surpassing pre-pandemic levels in 2021.

Figure 12. Annual OFW remittances, Philippines, 1990-2021p



Source: BSP



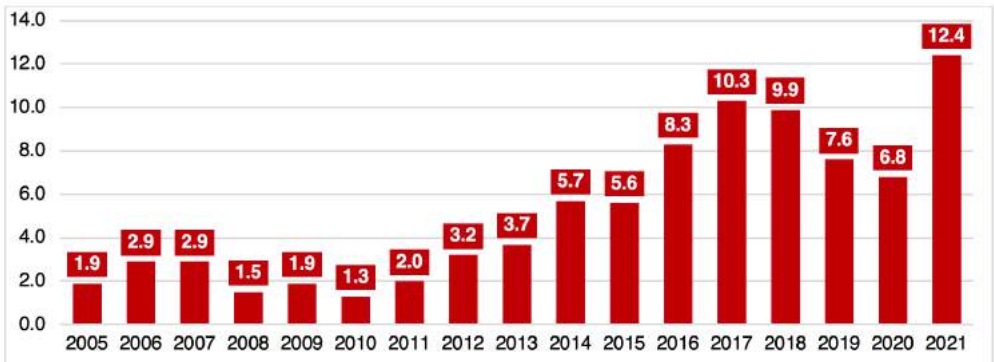
### FDI inflow reaching new highs

Among the headline recommendations set forward by the *Arangkada 2010* publication that had clearly been achieved in the last decade is the one on increasing FDI, which states:

## “FDI SHOULD BE TARGETED TO REACH OVER USD7 BILLION A YEAR IN 3-4 YEARS”

Figure 13 shows that in 2021, the Philippines has achieved the highest volume of net foreign direct investment inflow at USD 12.4 billion surpassing USD 10.3 billion recorded in 2017.

**Figure 13. Philippine FDI inflow, 2009-2021 in USD billion**



Source: Bangko Sentral ng Pilipinas

While the Philippines has shown great potential in increasing economic activity compared to previous years, much still needs to be done for the country's economy to grow even faster and catch up with neighboring, competing ASEAN economies. Figure 14 shows the net FDI inflow in the region, where despite achieving a new high in FDI inflows in 2021, the Philippines places last among the top economies in ASEAN.

**Figure 14. Net FDI inflows, ASEAN-6, 2009 - 2021**

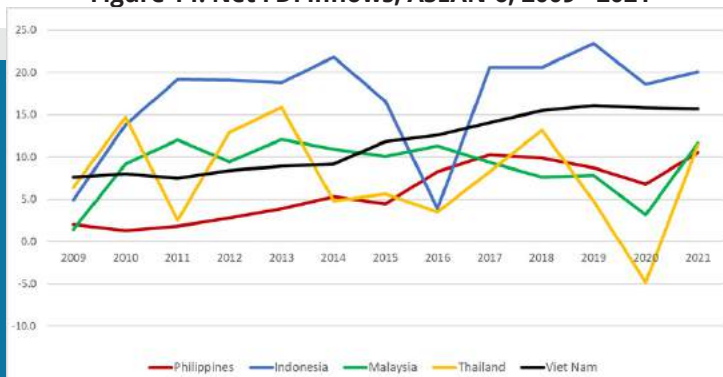
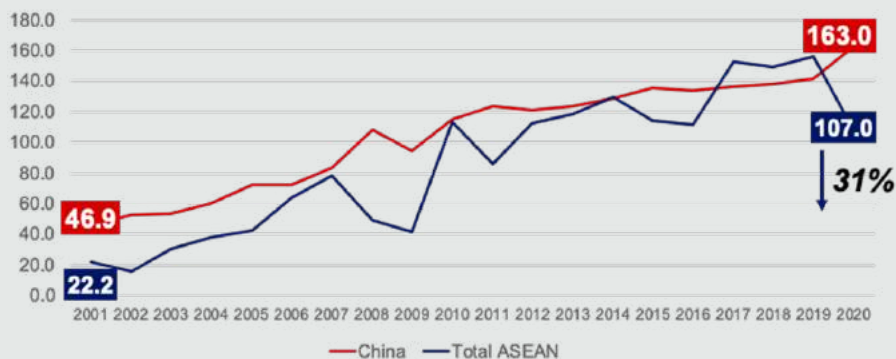


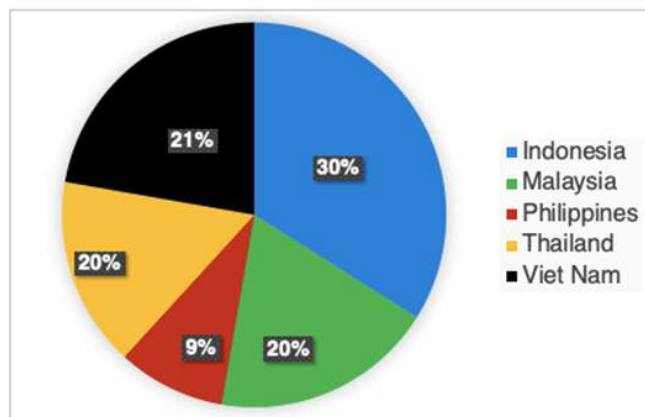
Figure 15 shows that ASEAN as a region has recently been able to catch up with the FDI inflow received by China. While FDI inflow into the Philippines did grow significantly, competing ASEAN economies have been receiving a much greater share of the investment that flows into the region. As shown in Figure 16, during the 20-year period from 2001 to 2019, the Philippines has only received a 9-percent total share of the investment flows into major ASEAN economies.<sup>5</sup> This is less than half compared to what Indonesia, Malaysia, Thailand, and Vietnam have received in the same period.

**Figure 15. China vs. ASEAN FDI inflow, 2001 to 2020, USD billions**



Source: UNCTAD

**Figure 16. Share in total FDI inflow, ASEAN-5, 2001-2019**



2001-2019: US\$ 694.2 billion

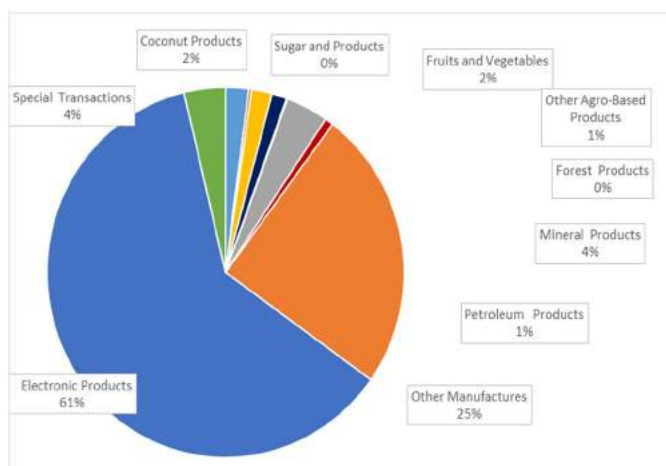
ASEAN-5	Total FDI inflow, 2001-2019, in US\$ billions
Indonesia	210.6
Malaysia	137.8
Philippines	60.7
Thailand	138.7
Viet Nam	146.4

<sup>5</sup> Singapore is excluded from the comparison as it receives most of the FDI inflows into ASEAN.

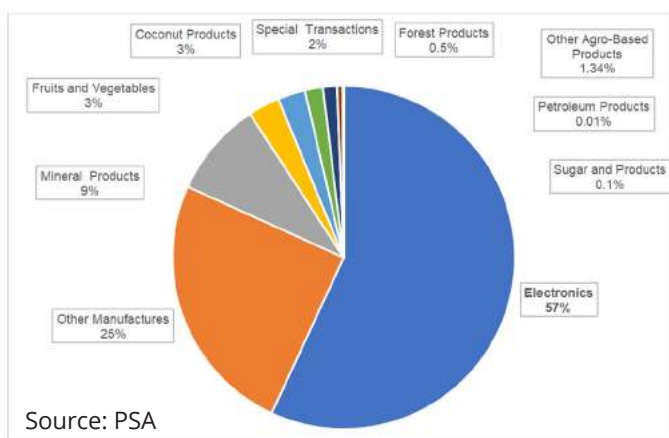
In terms of exports of goods, the Philippines nearly doubled export volume from USD 38 million in 2009 to USD 74 million in 2021. Table 4 shows the breakdown and growth per export commodity category. The 2010 publication made the case for greater export diversification by presenting Figure 17 and showing that there is high potential in diversifying export opportunities if agribusiness and mining sectors were “vigorously developed”. Figure 18 presents an update of the breakdown of these export sectors. While there is some growth in agribusiness and mining related sectors, Philippine exports remain to be dominated by Electronic Products making over half of the export value coming from the Philippines (61.4 percent in 2009 to 56.9 percent in 2021).

**Table 4. Philippine Exports in Goods, 2009 vs 2021, in USD million**

2009				
	Commodities	Exports	% of total exports	
1	Electronic Products	23,600	61.40%	
2	Other Manufactures	9,458	24.61%	
3	Mineral Products	1,470	3.83%	
4	Special Transactions	1,440	3.75%	
5	Coconut Products	801	2.08%	
6	Fruits and Vegetables	699	1.82%	
7	Other Agro-Based Products	529	1.38%	
8	Petroleum Products	293	0.76%	
9	Sugar and Products	112	0.29%	
10	Forest Products	33	0.09%	
<b>TOTAL EXPORTS</b>		<b>38,435</b>		
2021				
	Commodities	Exports	% of total exports	Growth Since 2009
1	Electronic Products	42,496	56.92%	80%
2	Other Manufactures	18,548	24.85%	96%
3	Mineral Products	6,721	9.00%	357%
4	Fruits and Vegetables	2,226	2.98%	178%
5	Coconut Products	1,940	2.60%	142%
6	Special Transactions	1,265	1.69%	-12%
7	Other Agro-Based Products	999	1.34%	89%
8	Forest Products	377	0.50%	1043%
9	Sugar and Products	75	0.10%	-33%
10	Petroleum Products	6	0.01%	-98%
		<b>74,653</b>		<b>94%</b>

**Figure 17: Exports of Goods, Philippines, 2009**

Source: PSA

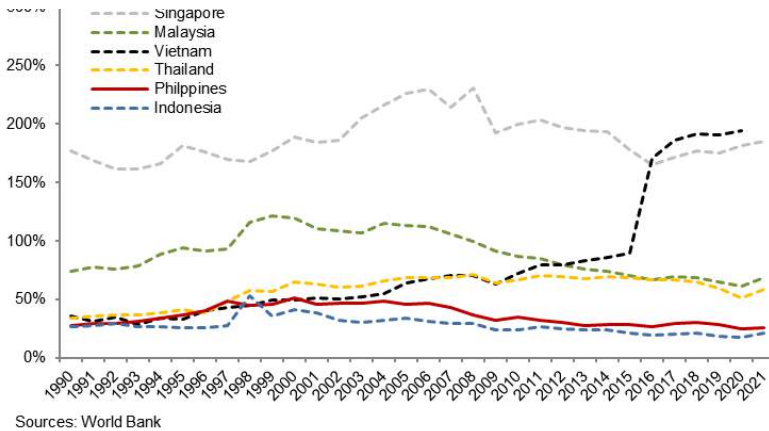
**Figure 18: Exports of Goods, Philippines, 2021**

Source: PSA

With the exception of Vietnam<sup>6</sup>, which achieved record levels in exports of goods and services, growth in exports in most ASEAN economies have remained flat – dropping slightly during the COVID-19 pandemic before normalizing in 2021 (Figure 19). In an October 2022 report, the ASEAN+3 Macroeconomic Research Office (AMRO) noted the possible decrease in export volume in the region, stating that:

“ASEAN+3 exports have held up well so far, but face strong headwinds. The region’s exports have expanded somewhat since April, helped by easing global supply chain disruptions and favorable prices for its goods (particularly commodities) (...) However, weakening demand in the United States and Europe, as well as in China, is likely to hold back the pace of expansion. The July–August Purchasing Managers’ Index for new export orders points to a softening in global demand for key exports like electronics, automobiles and auto parts, and machinery and equipment.”<sup>6</sup>

<sup>6</sup> Much of Vietnam’s boost in exports is due to the different free trade agreements that their government has entered with other countries such as: China (15% growth), the US (24.2% growth), the EU (14% growth), ASEAN (25.8% growth), the Republic of Korea (RoK) (15.8% growth), India (21% growth), New Zealand (42.5% growth) and Australia (3.1% growth). Source: <https://en.vietnamplus.vn/vietnams-exports-rise-sharply-in-2021/220449.vnp>

**Figure 19: Exports of Goods and services as % of GDP, ASEAN-6, 1990-2021**

With the expected “softening in global demand” for exports in electronics – the top export product of the Philippines – the need to diversify the export portfolio becomes more apparent.

### Growth projections

The outlook for the Philippine economy continues to be positive, with ADB, AMRO, and IMF all projecting 6.5 percent or higher GDP growth for 2022<sup>7</sup>. The Philippines together with Malaysia and Vietnam are consistently the top three of all three agency in terms of fastest growing ASEAN economy for both 2022 and 2023<sup>8</sup>.

**Table 5. Growth projections of ADB, AMRO, and IMF for ASEAN-6**

	ADB (as of September 2022)		AMRO (as of September 2022)		IMF	
	2022	2023	2022	2023	2022	2023
Indonesia	5.4%	5.0%	5.2%	5.1%	5.3%	5.0%
Malaysia	6.0%	4.7%	7.3%	4.2%	5.4%	4.4%
Philippines	6.5%	6.3%	6.9%	6.3%	6.5%	5.0%
Singapore	3.7%	3.0%	3.1%	2.0%	3.0%	2.3%
Thailand	2.9%	4.2%	3.2%	4.8%	2.8%	3.7%
Vietnam	6.5%	6.7%	7.0%	6.5%	7.0%	6.2%

In looking forward, certain considerations need to be taken into account such as the slowdown in demand from major global economies may impact the volume of exports from ASEAN to major trading partners and the rising inflation

that continues to be a major issue that to be immediately addressed. ASEAN as a whole has been experiencing higher food and fuel prices. In the Philippines, inflation has reached a 14-year high hitting 7.7 percent in October 2022.

<sup>7</sup> AMRO, “Quarterly update of the ASEAN+3 regional economic outlook,” October 2022, [https://www.amro-asia.org/wp-content/uploads/2022/10/Quarterly-Update-AREO\\_October-2022-1.pdf](https://www.amro-asia.org/wp-content/uploads/2022/10/Quarterly-Update-AREO_October-2022-1.pdf)

<sup>8</sup> The projected GDP does not include the recently released Q3 2022 figures which had exceeded expectations of even local economists and the economic managers at 7.6% growth year on year.



NEDA Sec. Balisacan has acknowledged the need to address the rapidly rising cost of basic goods:

**“We are particularly concerned about higher inflation. Our analysis shows that sustained increases in inflation in 2022 and 2023 will cause a slowdown in our economic growth, translating into a GDP level lower by 0.6% in 2023 than its expected level had there been no sustained inflation shock (...) The intention is to address this inflation particularly, by providing assistance to the most vulnerable and poverty groups by continuing the subsidy programs that are for example, currently extended by DSWD (Department of Social Welfare and Development), our cash subsidy programs, our assistance to farmers and fisherfolk, to our drivers and so on”**



**NEDA Sec. Arsenio Balisacan**  
in a televised economic briefing  
on October 18, 2022

The passage of key liberalization measures such as the amendments to the Foreign Investment Act, Retail Trade Liberalization Act, and Public Service Act are among recent economic reforms that have added to the positive outlook for the Philippine economy. The impact of the enactment of these measures have yet to be reflected in the economic figures as of the date of publication. Further enumeration of enacted business and economic reform laws can be found in the 2022 Arangkada legislation policy brief.

Below are some statements on the prospects for Philippine growth from the IMF and World Bank:

**“The Philippine economy remains fundamentally sound, but a gloomier and more uncertain global environment present three important challenges for President Marcos Jr’s new administration:**

- **Calibrating the policy mix to put the recovery on a firmer footing.**
- **Building fiscal buffers as insurance against significant downside risks.**
- **Raising long-term growth and the standard of living for all Filipinos. (...)**

**Looking ahead, sustaining the economy recovery will require a focus on policies to address inflationary risks, increase fiscal and financial resilience to adverse shocks, and successful implementation of reforms to mitigate pandemic scarring and raise productivity growth.”**

IMF Press Release on Article IV Mission to the Philippines  
September 2022

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**“Projections of GDP for 2021–24 are for economic growth to rebound—but rebound does not necessarily mean recovery. GDP is expected to grow by about 5.6 percent annually through 2024, but the return of growth, while necessary, is not likely to be sufficient to prevent the pandemic from scarring the economy, and the people. (...) Although a quick resumption of economic growth is crucial for reversing poverty and inequality, inclusive recovery and long-term resilience need to be the main goals. (...) Policy priorities in the Philippines can be structured around three somewhat overlapping pillars: healing the pandemic’s scars and building resilience, setting the stage for a vibrant and inclusive recovery, and promoting greater equality of opportunity.”**

World Bank, Overcoming Poverty and Inequality  
in the Philippines Past, Present, And Prospects for The Future  
November 2022

## Chapter 2

# Becoming More Competitive

The following reviews the performance of the Philippines in major competitiveness indices between 2010 and 2022.

In the *Arangkada* Philippines book released in 2010, we noted that the globalization of investment, trade, and information has resulted in the expansion of international competitiveness rankings. Citing the link between performance in competitiveness rankings and levels of foreign investment, we emphasized that new investors are likely to look elsewhere when they see that a country ranks poor in infrastructure; high in corruption and in political instability; and weak in observing the rule of law relative to regional

competitors. The same remains true to this day.

Through a survey of the Philippines' performance in major international competitiveness rankings, we concluded in 2010 that "the figures clearly demonstrated that the Philippines was on a downward trajectory." We added that the country "is being left behind by many of its neighbors in terms of competitiveness." How has the country fared more than a decade later? The following table provides a snapshot of the Philippines' most recent performance in major international competitiveness rankings today compared to when *Arangkada* Philippines 2010 was released.

**Table 6. Philippines Performance in Major International Competitiveness Rankings (2010 vs. Latest)**

Source	Survey	2010 Ranking	Percentile Rank	2010 ASEAN-6 Ranking	Latest Ranking	Percentile Rank	Latest ASEAN-6 Ranking
Forbes Magazine	Best Countries for Business	91 of 128	29	5 of 6	79 of 161 (2018)	51	5 of 6
The Fund for Peace	Fragile States Index	51 of 177	29	6 of 6	54 of 179 (2022)	28	6 of 6
Heritage Foundation	Index of Economic Freedom	109 of 178	39	4 of 6	70 of 177 (2022)	55	5 of 6
International Institute of Management Development	World Competitiveness Yearbook	39 of 58	34	5 of 5	48 of 63 (2022)	25	5 of 5
Property Rights Alliance	International Property Rights Index	80 of 125	37	4 of 6	83 of 129 (2022)	36	6 of 6
Transparency International	Corruption Perception Index	134 of 178	25	6 of 6	117 of 180 (2021)	36	6 of 6
United Nations Development Programme	Human Development Report	97 of 169	40	4 of 6	116 of 191 (2021)	39	6 of 6
United Nations Public Administration Network	E-Government Readiness Survey	78 of 183	58	4 of 6	89 of 193 (2022)	54	6 of 6

World Economic Forum	Global Competitiveness Report	85 of 139	39	6 of 6	64 of 141 (2019)	55	5 of 6
World Economic Forum	Travel & Tourism Competitiveness	86 of 133 (2009)	36	5 of 6	75 of 140 (2019)	45	6 of 6
Yale Center for Environmental Law and Policy	Environmental Performance Index	42 of 132	69	3 of 6	111 of 180 (2022)	13	4 of 6

As has been the practice of *Arangkada*, we computed for the percentile rank of the Philippines to account for changes in the number of countries covered by the rankings and also included a separate ranking for the ASEAN-6 to reflect the six largest ASEAN economies (Indonesia, Malaysia, Philippines, Singapore, Thailand, and Vietnam).

In terms of percentile rank, the Philippines improved in five rankings (rank highlighted in green) and declined in six rankings (highlighted in red). Notable improvements were in the Index of Economic Freedom (from 39th percentile in 2010 to 55th percentile in 2022) and the World Economic Forum (WEF) Global Competitiveness Report (from 39th percentile to 64th percentile). Meanwhile, there were notable declines in the Institute of Management Development

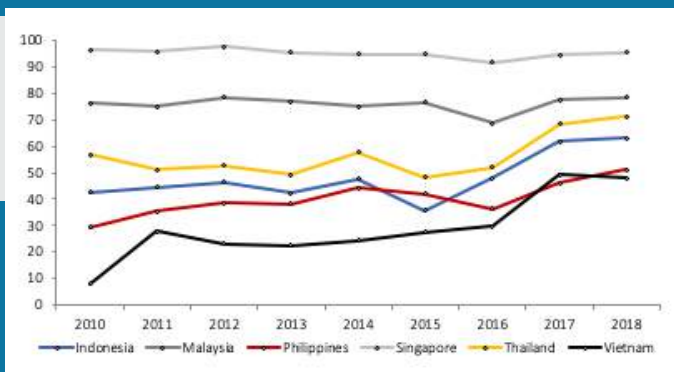
(IMD) World Competitiveness Yearbook (from 34th percentile to 25th percentile) and the Environmental Performance Index (from 69th percentile to 13th percentile).

While the country has improved its standing in some of the major competitiveness rankings, it dropped in majority of the eleven tracked rankings. The Philippines' rank relative to the rest of the ASEAN-6, the country's competitors for foreign investment, also declined in six competitiveness rankings; remained the same in four; and only improved in one.

Evidently, the conclusion that the Philippines is being left behind by its neighbors is as true today as it was in 2010. The following charts illustrate how the Philippines has performed relative to other ASEAN-6 members from 2010 to present.

### Best Countries for Business

The Best Countries for Business list of Forbes Magazine ranks the business friendliness of economies based on 15 different factors<sup>9</sup>. In the last released list in 2018, the Philippines ranked in the 51st percentile at 79th out of 161 countries. Apart from 2014, when we overtook Indonesia, and 2017 when Vietnam overtook us, the Philippines has consistently placed 5th among the ASEAN-6 since 2010.



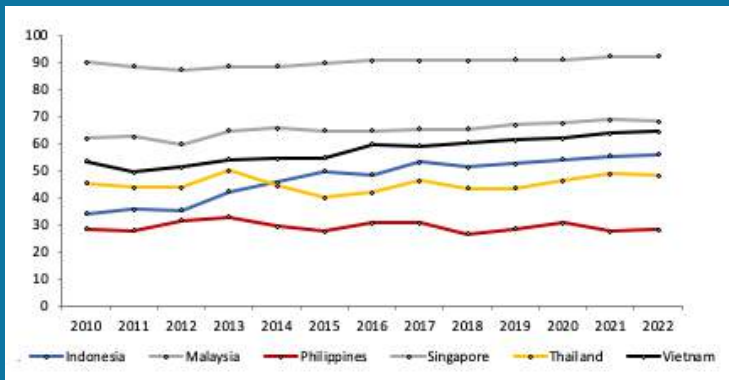
**Figure 20.**  
Forbes Magazine Best Countries for Business ASEAN-6, Percentile Rank, 2010-2018

Sources:  
Forbes Magazine and author's calculations  
Note: Higher percentile means better position

<sup>9</sup> This refers to property rights, innovation, taxes, technology, corruption, infrastructure, market size, political risk, quality of life, workforce, freedom (personal, trade, and monetary), red tape, and investor protection. Ratings for the different factors are taken from various indices and competitiveness rankings.

### Fragile States Index

The Fragile States Index (FSI) is an annual ranking of a country's fragility and vulnerability to collapse based on 12 social, economic, and political indicators.<sup>10</sup> The Philippines has consistently ranked last among the ASEAN-6 in the FSI, with its percentile rank slightly worsening between 2010 and 2022 (from 29th to 28th).



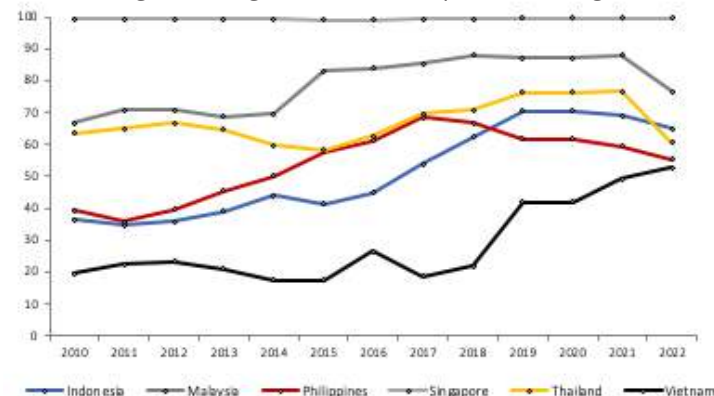
**Figure 21.**  
Fund for Peace Fragile States Index ASEAN-6, Percentile Rank, 2010-2022

Sources: Fund for Peace and author's calculations

### Index of Economic Freedom

The Index of Economic Freedom ranks countries based on their economic freedom, which is described by the Heritage Foundation as “the fundamental right of every human to control his or her own labor and property.” The Heritage Foundation additionally describes economically free societies as ones wherein governments “allow labor, capital, and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself.” Economic freedom is measured by 12 factors<sup>11</sup> across the four categories of rule of law, government size, regulatory efficiency, and open markets.

The Philippines improved its percentile rank from 2010 to 2022 (from 39th to 55th). However, it should be noted that since ranking at the 68th percentile in 2017, the country experienced a steady decline in the succeeding years. This decline allowed Indonesia to overtake the Philippines in the latest rankings, resulting in the latter's drop to 5th among the ASEAN-6.



**Figure 22.**  
Heritage Foundation Index of Economic Freedom ASEAN-6, Percentile Rank, 2010-2022

Sources: Heritage Foundation, Wall Street Journal, and author's calculations

<sup>10</sup> These are security apparatus, factionalized elites, group grievance, economic decline and poverty, uneven development, human flight and brain drain, state legitimacy, public services, human rights and rule of law, demographic pressures, refugees and IDPs, and external intervention.

<sup>11</sup> This refers the rule of law, which includes property rights, government integrity, judicial effectiveness; government size, which includes government spending, tax burden, fiscal health; regulatory efficiency, which includes business freedom, labor freedom, monetary freedom; and open markets, which includes trade freedom, investment freedom, financial freedom.



### World Competitiveness Yearbook

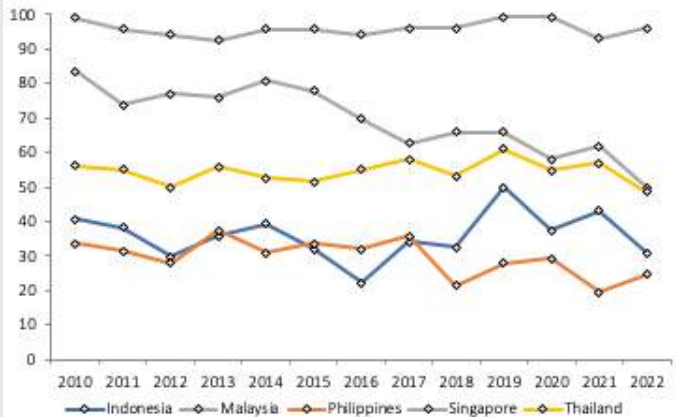
The World Competitiveness Yearbook is an annual report published by the IMD on the competitiveness of countries. The report includes a ranking of countries based on 337 competitiveness criteria composed of both hard data and survey data, which cover factors such as economic performance, government efficiency, business efficiency, and infrastructure. Notably absent in the report is Vietnam.

The Philippines' performance in the World Competitiveness Yearbook declined in 2020 compared to 2010. From ranking in the 34th percentile in 2010, the country dropped to the 25th percentile in 2022. There was improvement in the performance of the Philippines in 2013 and again from 2015 to 2017, which allowed the country to briefly overtake Indonesia in those years. However, since plummeting to the 21st percentile in 2018, the Philippines has yet to best its ranking in 2010 and has languished as the last ranked country among the five largest ASEAN economies included in the report.

**Figure 23.**  
International Institute of Management Development (IMD) World Competitiveness Yearbook ASEAN-5, Percentile Rank, 2010-2022

Sources:  
International Institute for Management Development and author's calculations.

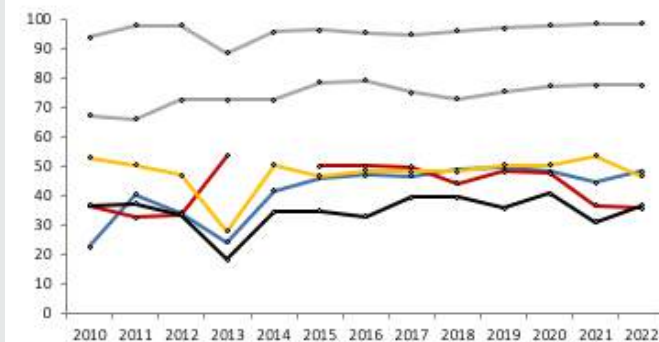
Note: Vietnam is not included in the IMD World Competitiveness Yearbook



### International Property Rights Index

The International Property Rights Index prepared by the Property Rights Alliance "scores the underlining institutions of a strong property rights regime: the legal and political environment, physical property rights, and intellectual property rights." The Philippines dropped in ranking from the 37th percentile in 2010 to the 36th percentile in 2022. It

must be noted that the country's performance reached its peak in 2013 at the 54th percentile, good for 3rd among the ASEAN-6. Since 2013, however, the country's performance stagnated and eventually declined. This stagnation has resulted in the country now being last among the ASEAN-6, compared to 4th in 2010.



**Figure 24.**  
Property Rights Alliance International Property Rights Index ASEAN-6, Percentile Rankings, 2010-2022

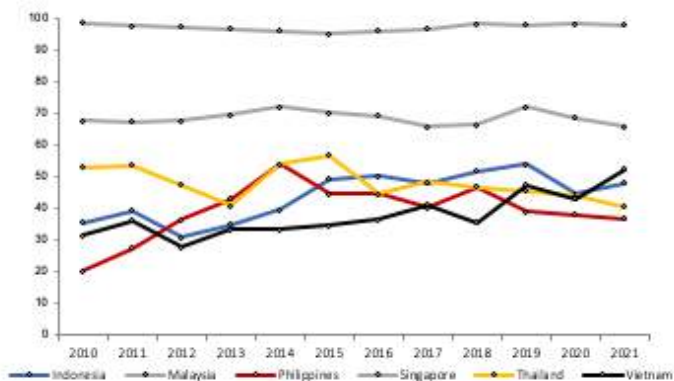
Source:  
Property Rights Alliance and author's calculations.

## Corruption Perceptions Index

The Corruption Perceptions Index is a measure and ranking of countries based on the perceived level of corruption in the public sector. It is a composite index prepared by Transparency International through a combination of 13 surveys and assessments by experts and business executives.

Again, while the Philippines improved from ranking in the 25th percentile in 2010 to ranking in the 35th percentile in 2022, the country has fallen back to last among the ASEAN-6 in the most recently released rankings since placing in the 52nd percentile in 2014 (good for 3rd among the ASEAN-6).

**Figure 25. Transparency International Corruption Perceptions Index, Percentile Rank, ASEAN-6, 2010-2021**



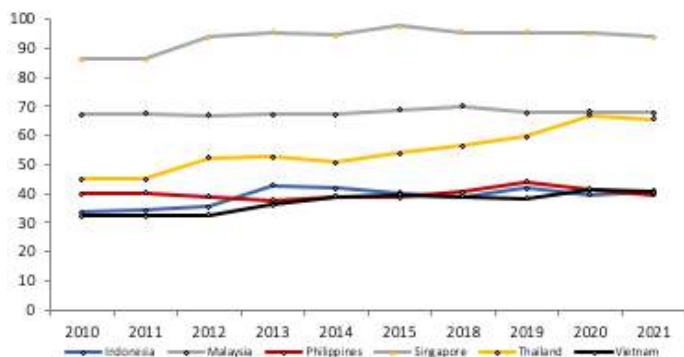
Sources: Transparency International and author's calculations

## Human Development Index

The Human Development Index is a measure of a country's average achievement in key human development dimensions of health, education, and standard of living. The index is composed of statistics such as life expectancy, mean years of schooling, and per capita income.

The Philippines ranked in the 39th percentile in 2022—a slight decline compared to 2010 when it ranked in the 40th percentile. The country is now last among the ASEAN-6 countries.

**Figure 26. United Nations Development Programme Human Development Index ASEAN-6, Percentile Rankings, 2010-2021**



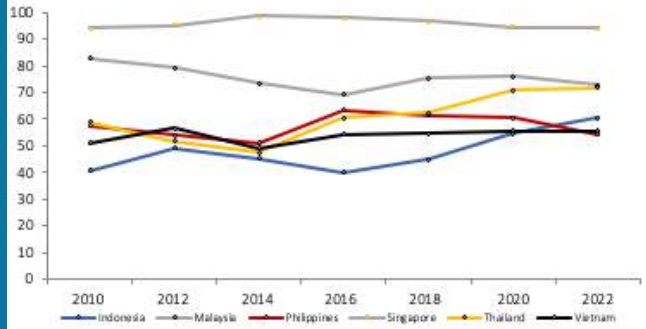
Sources: UNDP and author's calculations

### E-Government Development Index

The E-Government Development Index is a measure used by the United Nations to compare how countries use information technology to promote access and inclusion to its people. It is a composite measure of three important dimensions of e-government: provision of online services, telecommunication connectivity, and human capacity. In light of the COVID-19 pandemic, the dimensions measured by the index has become of even greater importance.

The Philippines ranking dropped from the 58th percentile in 2010 to the 54th percentile in 2020. The country also dropped to last among the ASEAN-6 in 2022 from 4th in 2010 and despite improving to 3rd in 2014 and 2016.

**Figure 27.**  
United Nations E-Government Development Index  
ASEAN-6, Percentile Rankings, 2010-2022



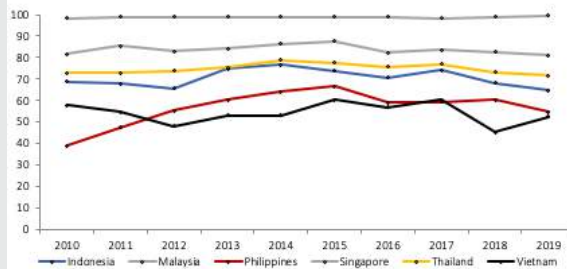
Sources: UNDP and author's calculations  
Note: Biennial release

### Global Competitiveness Report

The WEF Global Competitiveness Report ranks countries' competitiveness through an index derived from 98 indicators across what the WEF refers to as 12 pillars of competitiveness.<sup>12</sup>

A significant improvement can also be seen for the Philippines between 2010 and 2019 as the country improved its ranking from the 39th percentile to the 57th percentile. Consistent improvement was achieved from 2010 to 2015 as the country steadily raised its rank until reached the 67th percentile. The country's performance has declined since 2015, however, and its percentile rank in 2019 was in fact the lowest the country has achieved since 2012, when it similarly ranked in the 55th percentile. The Philippines maintained the 5th place ranking among the ASEAN-6 it first achieved in 2012. However, it is at risk of losing the spot to 6th place Vietnam in the next report.

**Figure 28.**  
World Economic Forum  
Global Competitiveness Report  
ASEAN-6, Percentile Rankings, 2010-2019



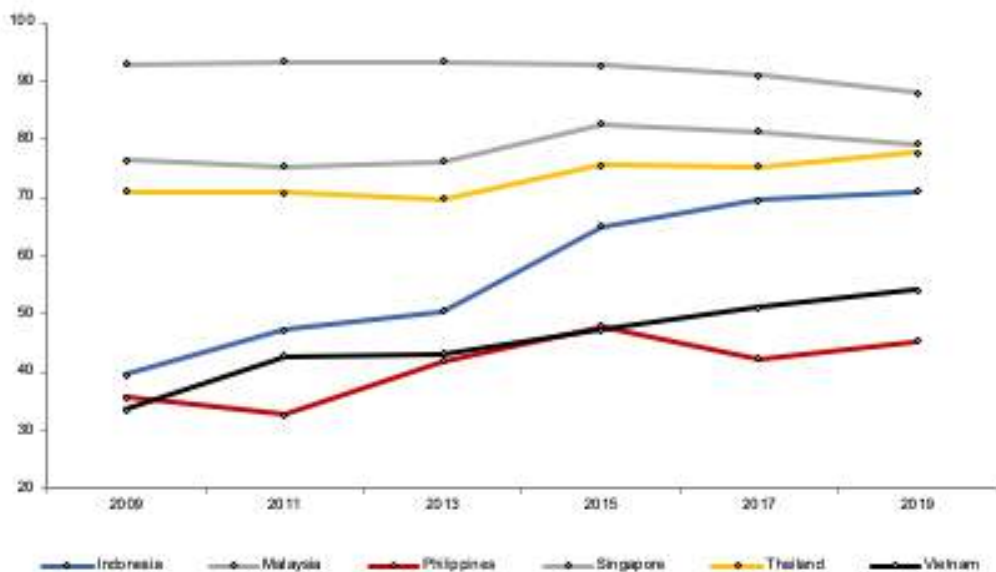
Sources: World Economic Forum, author's calculations  
Note: Global Competitiveness Index 4.0 began in 2018 with a re-ordering of index components.

<sup>12</sup> This includes institutions, infrastructure, ICT adoption, macroeconomic stability, health, skills, product market, labor market, financial system, market size, business dynamism, and innovation capability.

### Travel and Tourism Competitiveness Report

The WEF Travel and Tourism Competitiveness Report measures “the set of factors and policies that enable the sustainable development of the travel and tourism sector.” While the Philippines improved its ranking from the 36th percentile in 2010 to the 45th percentile in 2019, the country ranked last among the ASEAN-6 as Vietnam overtook the Philippines.

**Figure 29.**  
World Economic Forum Travel and Tourism Competitiveness Report



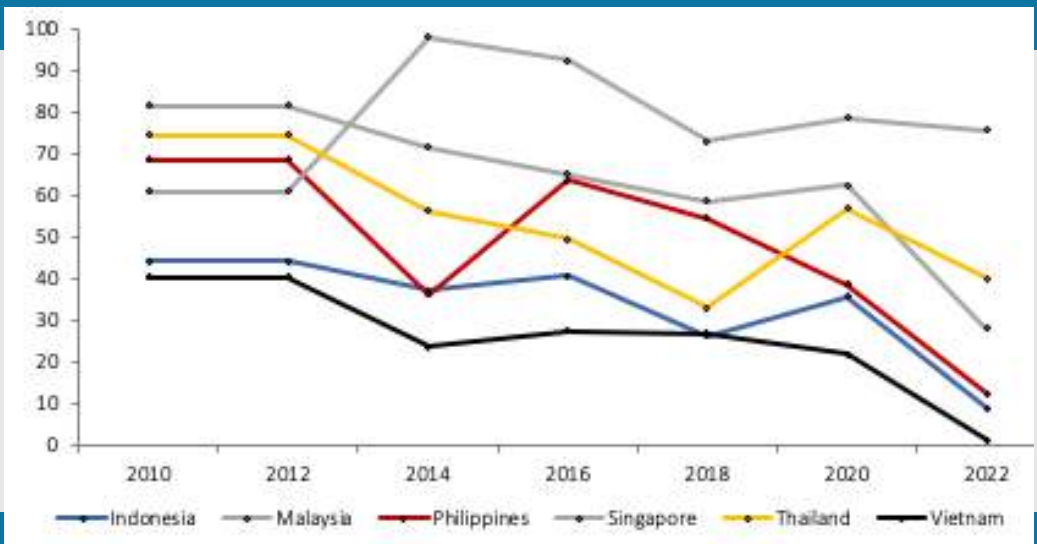
Source: World Economic Forum and authors calculations

### Environmental Performance Index

The Environmental Performance Index prepared by the Yale Center for Environmental Law and Policy measures the effectiveness of countries in addressing environmental challenges—a topic that has become much more important in the past decade. The Philippines regressed significantly as it is now in the 13th percentile in 2022 compared to ranking in the 69th percentile in 2010.

A common theme across many of the competitiveness rankings covered above is the inability of the Philippines to sustain improvements achieved in its ranking. While there may be some improvement when compared to the country's performance in 2010, little to no gains have been made against our regional competitors for investment. In many ways, this mirrors the performance of the country in attracting foreign direct investment during the past decade.

**Figure 30. Yale Center for Environmental Law and Policy Environmental Performance Index ASEAN-6, Percentile Rankings, 2010-2022**



Sources:  
World Economic Forum, author's calculations



## Chapter 3

# Big Winner Sectors

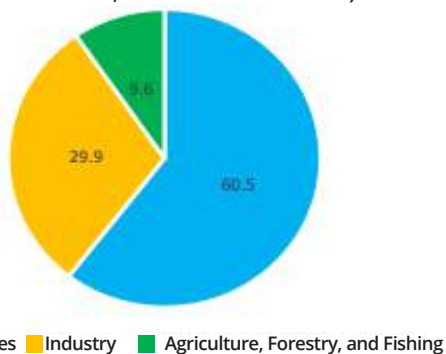
This chapter provides an updated sector assessment and reviews developments relative to the recommendations identified by *Arangkada* over the past decade in the seven “big winner” sectors: **agribusiness, creative industries, information technology-business process management, infrastructure, manufacturing, mining, and tourism.** Infrastructure is also divided into six areas: airports, power, roads and rails, seaports, telecommunication, and water.



## Agribusiness

Many studies have underscored the importance of agriculture in achieving inclusive and sustainable growth. Yet, once among its well-performing economic sectors, agriculture in the Philippines today remains on the decline. This reality brings severe implications in the race to become a food-secure nation amidst geopolitical volatility and resource scarcity resulting from climate change. The potential of the Philippines to become a key exporter of agricultural goods is also hampered by a declining workforce, inadequate rural infrastructure, and poor access to finance and extension services, to name a few.

Figure 31. GDP by Industry, Philippines, 2021 (%)  
(Share to GDP, at Constant 2018 Prices)



Note: Details may not add up to 100 percent due to rounding.  
Source: Economic Growth, Agricultural Indicators System 2017-2020, Philippine Statistics Authority

The *Arangkada* Philippines Project produced a policy brief in 2019<sup>13</sup> by Dr. Roehlano Briones<sup>14</sup> with proposed measures on improving the agribusiness sector of the country, which it considers as one of the seven “big winner sectors” for investments and inclusive growth. This section provides an overview of the sector’s performance based on the latest available data and reviews the extent to which progress has been made relative to these recommendations.

<sup>13</sup> Roehlano Briones, “Agribusiness”, *The Arangkada Philippines Project*, November 2019, <http://www.invest-philippines.info/arangkada/wp-content/uploads/2019/11/TAPP-Policy-Brief-No.-11-Agribusiness-2019.pdf>.

<sup>14</sup> Dr. Roehlano M. Briones is a Senior Research Fellow at Philippine Institute for Development Studies, where he conducts policy research for the Philippine government, with specialization in agriculture. He has authored numerous published research papers and co-edited four books, on the economics of agriculture and natural resources, rural development, food security, international trade, and the macro economy.

## Overview

Data from the latest Agricultural Indicators System<sup>15</sup> shows that the share of agriculture, forestry, and fishing (AFF) remains the least contributor to the country's gross domestic product (GDP) at 9.6 percent in 2021, or PHP 1.78 trillion at constant 2018 prices. This is lower than the 10.2 percent share in GDP posted in 2020 (see Figure 31).

AFF also declined in gross value added (GVA) by -0.3 percent in 2021 versus -0.2 percent in 2020 at constant 2018 prices. Among the agricultural crops, cacao, sugarcane, palay, corn, and coffee posted positive growth rates; while abaca, cassava, and other agricultural crops, n.e.c<sup>16</sup> continued to decline.

Livestock, poultry, and egg production also continued to decline in 2021 at -17.3 percent and -0.3 percent, respectively. On the upside, other animal production grew at 0.9 percent from a decline in 2020, along with fishing and aquaculture at 0.2 percent (see Table 7).

Table 7. Gross Value Added (GVA) in AFF by Industry, 2017-2021 (Growth Rates, at Constant 2018 prices)

Industry	2017-2018	2018-2019	2019-2020	2020-2021
Agricultural crops	-0.7	-2.0	1.6	2.2
Palay	-1.4	-5.9	3.1	3.3
Corn	-1.5	3.3	2.4	2.2
Coconut including copra	5.5	1.0	-2.9	1.1
Sugarcane including muscovado sugar-making in the farm	-16.6	-8.9	21.3	8.0
Banana	1.8	-2.1	-1.3	0.9
Mango	-2.9	4.3	-0.1	0.2
Pineapple	1.8	0.7	-0.1	4.8
Coffee	-3.5	-1.7	0.8	1.4
Cassava	-2.7	-3.4	-1.0	-1.6
Rubber	3.7	2.5	3.2	0.5
Cacao	0.2	4.1	9.9	8.4
Abaca	-0.6	4.1	-1.7	-11.1
Tobacco	-2.8	4.1	25.0	0.8
Other agricultural crops, n.e.c. (e.g. onion, eggplant, calamansi)	0.2	4.0	-1.3	-0.5
Livestock	3.7	-0.8	-6.9	-17.3
Poultry and egg production	5.3	5.8	-2.4	-0.3
Other animal production	9.3	31.8	-3.2	0.9
Forestry and logging	22.9	5.0	-14.4	3.8
Fishing and aquaculture	-0.6	2.5	-1.4	0.2
Support activities to agriculture, forestry, and fishing	3.4	5.8	5.0	6.6
Gross Value Added in Agriculture, Forestry, and Fishing	1.1	1.2	-0.2	-0.3

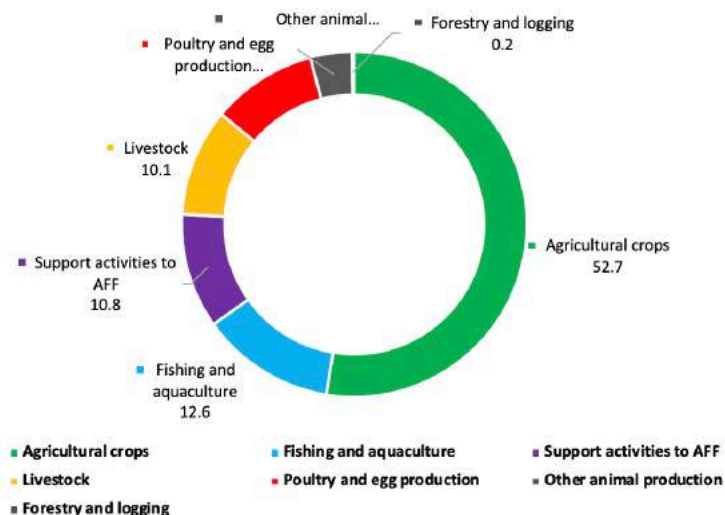
Note: Growth rates may yield different results when computed manually due to rounding.

Source: Economic Growth, Agricultural Indicators System 2017-2020, Philippine Statistics Authority

<sup>15</sup> Philippine Statistics Authority, *Agriculture Indicators System 2017-2021 Economic Growth: Agriculture* (Quezon City: Philippine Statistics Authority, June 2022), [https://psa.gov.ph/sites/default/files/%28ons-cleared%29\\_FO2\\_AIS%20Economic%20Growth%20Agriculture%202017-2021\\_ao\\_June14\\_ONS-signed.pdf](https://psa.gov.ph/sites/default/files/%28ons-cleared%29_FO2_AIS%20Economic%20Growth%20Agriculture%202017-2021_ao_June14_ONS-signed.pdf)

<sup>16</sup> n.e.c - Not elsewhere classified.

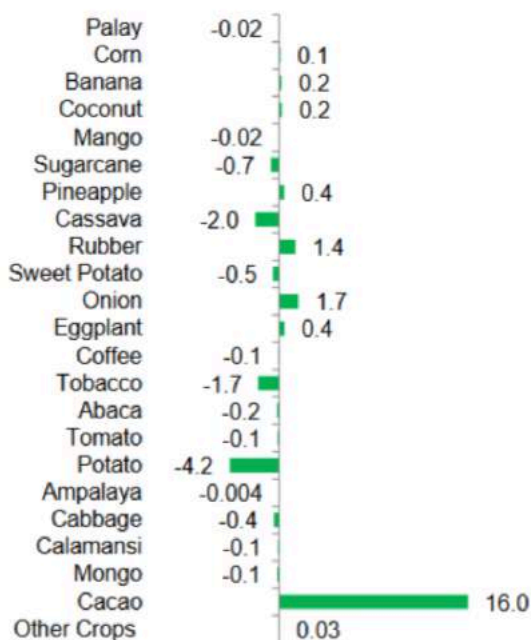
**Figure 32. GVA in AFF by Industry, 2017-2021 (%)**  
(Share to AFF, at Constant 2018 prices)



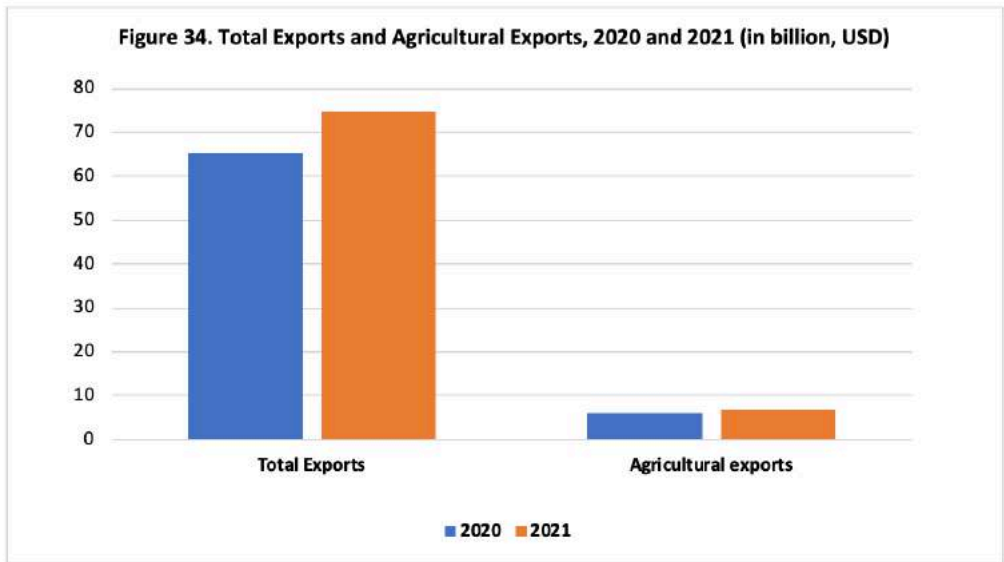
Note: Growth rates may yield different results when computed manually due to rounding.

Source: Agricultural Indicators System 2017-2020, Philippine Statistics Authority

**Figure 33. Average Growth Rates of Area Harvested for Agricultural Crops, Philippines, 2017-2021 (%)**



Source: Agricultural Indicators System 2017-2020, Output & Productivity, Philippine Statistics Authority



Source: Final Results, 2021 Foreign Trade Statistics for Agricultural Commodities in the Philippines  
Philippine Statistics Authority

In terms of share in GVA, agricultural crops remain the highest contributor at 52.7 percent, followed by fishing and aquaculture (12.6 percent) and livestock (10.1 percent) (see Figure 32).

Data on share in GVA by region shows that only Visayas and Mindanao were able to post positive growth at 18.2 percent and 37.6 percent in 2021 from 17.5 percent and 36.5 percent in 2020, respectively. In Luzon, only NCR, Cagayan Valley, and MIMAROPA regions rebounded in 2021 while other regions continued to decline in performance. Overall share stood at 44.2 percent in 2021 from 46.0 percent in 2020.

The area of land harvested for agricultural crops further declined from 13.51 million hectares in 2017 to 13.42 million in 2020. Although the record for 2020 is relatively higher compared to the 13.32 million hectares posted in 2019. Crops with notable expansion in areas of harvested land include cacao (16.0 percent), rubber (1.4 percent), and onion (1.7 percent); while potato, cassava, and tobacco recorded a decrease in

harvested area at -4.2 percent, -2.0 percent, and -1.7 percent between 2017 to 2021, respectively (see Figure 33).

Aside from land, the trend in the share of agriculture in employment has been going down in the past decade—from 33.75 percent in 2009 to 22.86 in 2019<sup>17</sup>. One factor that may have led to this drastic decline in agricultural workforce is the wage gap between agriculture, industry, and services, which had prevailed since 2013<sup>18</sup>.

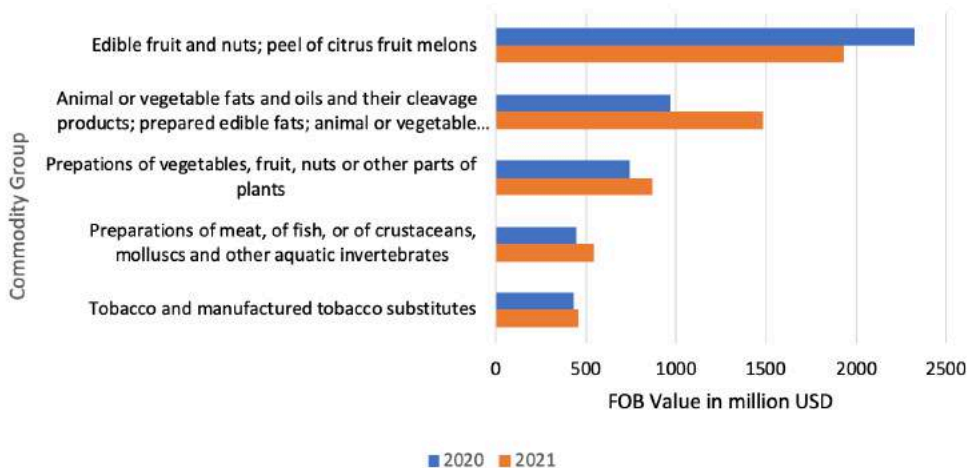
In terms of agricultural export, the Philippines recovered from an 11.0 percent contraction in 2020 to 8.7 percent in 2021. It contributed to 9.1 percent of the total value of exports or lower by 0.4 percent compared to its performance in 2020 (see Figure 34). Edible fruits and nuts, and peel of citrus fruit melons account for the largest share in total agricultural exports at 28.5 percent; while tobacco and manufactured tobacco substitutes contributed the lowest among the top five commodity groups at 6.8 percent in 2021 (see Figure 35).<sup>19</sup>

<sup>17</sup> World Bank, "Employment in agriculture (% of total employment) (modeled ILO estimate) - Philippines," The World Bank Group, accessed September 18, 2022, <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=PH>

<sup>18</sup> Briones, *Agribusiness*, 8

<sup>19</sup> Philippine Statistics Authority, "Highlights of the 2021 Foreign Trade Statistics for Agricultural Commodities in the Philippines: Final Results," accessed August 24, 2022, <https://psa.gov.ph/content/highlights-2021-foreign-trade-statistics-agricultural-commodities-philippines-final-results>

**Figure 35. Value of Philippine Agricultural Exports of Top 5 Commodity Groups 2020 and 2021 (FOB value in million, USD)**



Source: Final Results, 2021 Foreign Trade Statistics for Agricultural Commodities in the Philippines, Philippine Statistics Authority

### Key Developments

The 2019 *Arangkada* policy brief proposed several measures that sought to improve the agriculture landscape in the Philippines by diversifying market access, increasing financial support, ramping up modernization efforts, and expanding investments for rural infrastructure. The following provides an update to these recommendations since the period of publication.

**Market access.** One of the recommended policy reforms then was to implement the Ease of Doing Business and Efficient Government Service Delivery Act (RA 11032), which would provide a more efficient regulatory and service delivery system in government agencies; reforming the incentive regime under the Corporate Income Tax and Incentives Rationalization Act (CITIRA), in which additional incentives would be offered to agribusiness firms located outside urban areas; and the passage of the Sagip Saka Act (RA 11321), which establishes an agricultural value chain and incorporates private-public-producer partnerships, among others.

RA 11032 came into law in May 2018 as an amendment to the Anti-Red Tape Act of 2007. It seeks to improve the Philippine business environment by streamlining the regulatory and compliance processes of government agencies. Since its passage, the Departments of Agriculture (DA) and of Agrarian Reform (DAR) have initiated measures to simplify critical services related to the sector. This includes shortening the process required for availing critical services in DAR's central and regional offices by up to eight steps, thereby reducing turnaround time by up to 65 days. Completion of the land use conversion process has also been reduced from 42 to 26 days.<sup>20</sup>

In 2021, the DA formed a committee that would evaluate the agency's service delivery as mandated by the Anti-Red Tape Authority (ARTA). This will involve conducting several assessments on post-implementation of current regulations, preliminary impact, and regulatory impact.<sup>21</sup>

<sup>20</sup> Department of Agrarian Reform, "Anti-Red Tape Authority lauds DAR's streamlined services," July 30, 2019, <https://www.dar.gov.ph/articles/news/101282>

<sup>21</sup> Revin Mikhael D. Ochave, "Agriculture dept forms anti-red tape committee," *BusinessWorld*, August 12, 2021, <https://www.bworldonline.com/economy/2021/08/12/388944/agriculture-dept-forms-anti-red-tape-committee/> 19 Philippine Statistics Authority, "Highlights of the 2021 Foreign Trade Statistics for Agricultural Commodities in the Philippines: Final Results," accessed August 24, 2022, <https://psa.gov.ph/content/highlights-2021-foreign-trade-statistics-agricultural-commodities-philippines-final-results>





CITIRA, now known as CREATE or the Corporate Recovery and Tax Incentives for Enterprises, took effect retroactively on July 2020 as part of the tax reform packages initiated by the Duterte administration. CREATE reduces corporate income tax by 25 percent for large domestic and foreign firms and 20 percent for small and medium businesses.<sup>22</sup> It also provides several other incentives, such as expanded income tax holidays and additional deductions for business that contribute to job creation and the use of locally produced materials, to name a few.

For its part, the Department of Trade and Industry (DTI) has identified agriculture as among the priority areas under the Strategic Investment Priority Plan. Eligible investors in this sector are expected to benefit from the fiscal incentives provided by CREATE, which the government sees as fundamental to achieve food security and further the modernization of the Philippine agricultural sector.<sup>23 24</sup>

Meanwhile, the revenue regulations under the *Sagip Saka Act* grant tax exemptions for accredited barangay micro-business enterprises engaged in agriculture- and fishery-related economic activities. Structures, buildings, and warehouses that are used as storage for farm goods are also exempt from real property taxes.<sup>25 26</sup>

Amendments to the Public Service Act (PSA) (Commonwealth Act No. 146) and the passage of the Open Access in Data Transmission Act (HB 8910) would be beneficial to further reduce the cost of doing business—particularly logistics and telecommunications—and spur the shift of agricultural and food sectors to Industry 4.0. The Philippine government was also encouraged to promote public-private partnership in research and development (R&D) for agriculture to complement a similar provision for R&D support under the Agriculture and Fisheries Modernization Act (RA 8435).<sup>27</sup>

In March 2022, former President Rodrigo Duterte signed into law RA 11659 or amendments to the PSA, which now allows foreign ownership of up to 100 percent in key industries: telecommunications, airlines, expressways and tollways, railways, and shipping industries. This is expected to boost the country's recovery from the coronavirus pandemic by expanding foreign direct investments in essential public services.

HB 8910 seeks to promote fair and open competition by lowering barriers to market entry, promoting infrastructure sharing, and mandates interconnection among data transmission providers. The legislation has passed second reading in the House of Representatives in February 2022.<sup>28</sup> If passed, it is expected to spur digital transformation in the Philippine agricultural sector.

<sup>22</sup> Provided that the net taxable income is below PhP 5 million and total assets is below PhP 100 million.

<sup>23</sup> Andrea San Juan, "DTI banners SIPP to sustain Philippine economic recovery," *BusinessMirror*, May 30, 2022, <https://businessmirror.com.ph/2022/05/30/dti-banners-sipp-to-sustainphilippine-economic-recovery/>

<sup>24</sup> Alden Monzon, "DTI bats for increase in agri investments," *Philippine Daily Inquirer*, August 20, 2022, <https://business.inquirer.net/358166/dti-bats-for-increase-in-agri-investments>

<sup>25</sup> Provided that the assessed value of the property being used does not exceed PhP 3 million.

<sup>26</sup> Bureau of Internal Revenue, "Implementing the Tax Incentive and Exemption Provisions of Republic Act (RA) No. 11321 otherwise known as "An Act Instituting the Farmer and Fisherfolk Enterprise Development Program of the Department of Agriculture" also known as the "Sagip Saka Act", October 19, 2021, [https://www.bir.gov.ph/images/bir\\_files/internal\\_communications\\_1/Full%20Text%20RRR%202021/RR%20No.%2019-2021.pdf](https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RRR%202021/RR%20No.%2019-2021.pdf)

<sup>27</sup> Briones, *Agribusiness*, 14-15

<sup>28</sup> Filane Mikee Cervantes, "Open access in data transmission bill hurdles 2nd reading," *Philippine News Agency*, March 16, 2021, <https://www.pna.gov.ph/articles/1133820>

**Access to finance.** It is also imperative to promote a more inclusive finance strategy particularly for the small stakeholders in the Philippines agriculture sector. This includes expanding the coverage of agricultural insurance; the passage of the Coco Levy Fund bill; and amending the Agri-Agra Law (RA 10000) to promote a more incentives-based scheme for financing agricultural value chains.<sup>29</sup>

RA 11524 or the Coconut Farmers and Industry Trust Fund (CFITF) Act was signed into law in February 2021. Using coco levy assets recovered by the government, the CFITF aims to rehabilitate and modernize the Philippine coconut industry within the next 50 years through the Coconut Farmers and Industry Development Plan (CFIDP).

The CFIDP was formally launched in June 2022 following the signing of Executive Order No. 172. It will serve as the basis in using the PHP75-billion coco levy fund for various programs and projects intended for “the development of hybrids suitable for Philippine conditions, farm rehabilitation and improvement, integrated coconut processing, and the development of downstream products, research, and support services.”<sup>30</sup>

Amendments to RA 10000 also lapsed into law in July 2022. Now referred to as RA 11901, the amended Agri-Agra Law provides an updated framework that would allow the government to better respond to the financial needs of micro, small, and medium agri and fisherfolk enterprises. The measure is expected to aid in modernizing and improving the productivity of Filipino farmers and fisherfolks.

**Freeing up the land market.** The Philippine government should consider lifting the ownership ceiling on agricultural land, which is currently at 5 hectares, to further consolidate farmland operations. House Bill 4945 was introduced during the 18th Congress by Rep. Joey Salceda to allow limited land consolidation for up to 12 hectares.<sup>31</sup>

The Agrarian Lands Easing Act (HB 9955) was filed by Salceda in 2021, which seeks to increase the landholding limit to 24 hectares. HB 9955 also aims to condone loans of agrarian reform beneficiaries to maximize land use for agri-related purposes and to enable low-interest loan facilities to help farmers repurchase mortgage agrarian reform land.<sup>32</sup>

**Expanding infrastructure investment.**

Enhancements to the Build-Operate-Transfer (BOT) Law would be beneficial in expanding public-private partnerships for priority infrastructure for agriculture, such as farm-to-market roads, post-harvest facilities, and food terminals, storage, and processing facilities. Strict adherence to the Economic Internal Rate of Return (EIRR) threshold of the National Economic and Development Authority (NEDA) may also prove valuable in generating savings in public infrastructure investments.<sup>33</sup>

Amendments to the implementing rules and regulations of the BOT Law were formally approved on September 16, 2022. It addresses concerns from stakeholders, particularly on “the financial viability and bankability of PPP (public-private partnership) projects, clarify ambiguous provisions that could cause delays in the PPP process, and solicit inputs from the public on other possible revisions<sup>34</sup>.” This latest



development is part of the new administration's efforts to expand PPP for key infrastructure projects, which will be crucial for the country's economic recovery. The new IRR became effective in October.<sup>35</sup>

President Ferdinand Marcos Jr., who is also the secretary for agriculture as of writing, has laid out three "goals" for the sector: sustainable livelihood for farmers, food security, and affordable food for all. To do this, he aims to make farming a profitable livelihood to encourage more Filipinos to work in the industry; prioritize local production over food importation to achieve self-sufficiency; and boost food production to make nutritious food more affordable and accessible for Filipinos. Marcos also stated in his first State of the Nation Address his targets to modernize agriculture and reduce importation amidst global resource scarcity and rising food prices.<sup>36</sup>

While addressing the challenges facing the sector will not be easy, we are not without options to do so. The recommendations raised by *Arangkada* in 2019 remain applicable to this day. Recent developments in the policy landscape, however, place the new administration in a better position to pursue a more aggressive and holistic approach to reviving the country's agricultural productivity.



<sup>29</sup> Briones, *Agribusiness*, 17

<sup>30</sup> Revin Mikhael Ochave, "Coconut industry development plan launched," *BusinessWorld*, June 27, 2022, <https://www.bworldonline.com/economy/2022/06/27/457826/coconut-industry-development-plan-launched/>

<sup>31</sup> Briones, *Agribusiness*, 18

<sup>32</sup> Anna Felicia Bajo, "Bill aiming to strengthen farmers' land ownership filed at House," *GMA News Online*, August 13, 2022, <https://www.gmanetwork.com/news/money/economy/799197/bill-aiming-to-strengthen-farmers-land-ownership-filed-at-house/story/>

<sup>33</sup> Briones, *Agribusiness*, 18

<sup>34</sup> Ronnel Domingo, "Changes to problematic BOT rules OK'd," *Philippine Daily Inquirer*, September 16, 2022, <https://business.inquirer.net/362707/changes-to-problematic-bot-rules-okd>

<sup>35</sup> Public-Private Partnership Center, "BOT-IRR Committee approves Amendments to the 2022 Revised IRR of the BOT Law," September 16, 2022, [https://ppp.gov.ph/press\\_releases/bot-irr-committee-approves-amendments-to-the-2022-revised-irr-of-the-bot-law/](https://ppp.gov.ph/press_releases/bot-irr-committee-approves-amendments-to-the-2022-revised-irr-of-the-bot-law/)

<sup>36</sup> Karen Lema and Neil Jerome Morales, "Philippines' Marcos lays out ambitious policy agenda with farm sector in focus," *Reuters*, July 26, 2022, <https://www.reuters.com/world/asia-pacific/philippines-marcos-vows-farm-tax-overhauls-address-nation-2022-07-25/>



## Creative Industries

Creative industries were identified in the *Arangkada Philippines 2010* policy book in recognition of the creative talent of Filipinos and the potential of the sector to provide quality jobs and generate economic activity. The richness of creative talent and cultural traditions provide the Philippines with a competitive advantage. Given the right amount of institutional and policy support, the vision for the country to become the Creative Economy Center of ASEAN by 2030 is attainable.

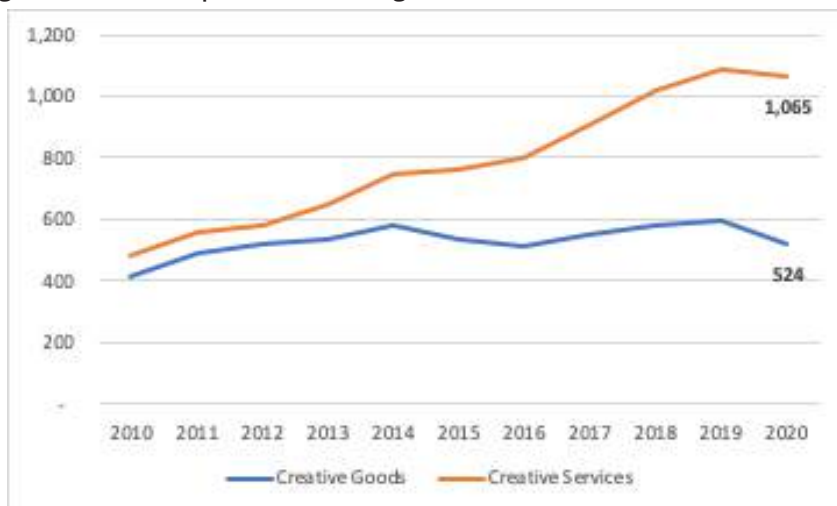


SB19 performing at the 2018 Arangkada Special Forum on the Creative Industries at Fairmont Makati Hotel. File photo.

However, organizing the creative industries sector and measuring its impact to fully maximize its potential remain as challenges. This situation is not unique to the Philippines. A report released by UNCTAD in October 2022 showed that the definition and composition of the creative economy continues to evolve and differs per country.

UNCTAD likewise noted that global exports of creative goods and services nearly doubled from 2010 to 2020, highlighting that this sector was among the most resilient during the pandemic with creative service exports growing by 21 percent in 2020 (see Figure 36). This is seen to increase even further in the post-pandemic economy as the world ushers in the fourth industrial revolution.

Figure 36. Global exports of creative goods and services, 2010-2020, in USD billion



Source: UNCTAD

In 2018, *Arangkada* published a policy brief on the Creative Industries sector authored by Paolo Mercado, founding president of the Creative Economy Council of the Philippines (CECP). The policy brief highlighted several key recommendations in order to maximize the potential of what was called the country's "sunrise industry".

2018 *Arangkada Creative Industries Policy Brief cover*



### Table 8. Recommendations from the 2018 TAPP Creative Industries Policy Brief

Declare creativity as a national priority via a Creative Economy Executive Order and a Creative Economy Act to create a Creative Economy Agency.

Review and reform laws that limit the growth of creative industries.

Map, measure, and prioritize creative industries for accelerated growth in domestic and international markets.

Encourage and incentivize the development of creative hubs and creative clusters as places for incubation, production, education, and research and development.

Push for Philippine Creative Cities development and recognition.

Promote new models of creative tourism that enhance the country's image and promote sustainable tourism.

Establish a Creative Education Task Force to prioritize creative education programs that strengthen the creative workforce and to become the creative education capital of ASEAN.

#### Key Developments

In 2022, several of these recommendations have begun implementation. CECP, in partnership with the National Commission for Culture and the Arts (NCCA), launched Project Dora, which seeks to map the different creative industry sectors. A public dissemination campaign was already conducted by Project Dora for the gastronomy, heritage, and visual arts industries.

This addresses one of the issues raised in the 2018 policy brief of there being no major mapping or measurement of the actual size of the Philippine creative industry sector. As a relatively newly recognized economic sector, this challenge has made measuring global trade difficult because each country tends to have varying categorization of activities under the creative economy.

In 2020, the Philippine House of Representatives created a Special Committee on Creative industry and Performing Arts chaired by Rep. Christopher de Venecia. Among the priorities that they pushed forward was the passage of the Philippine Creative Industries Development Act (PCIDA), which lapsed into law in June 2022.

The new law creates the Philippine Creative Industries Development Council, which was also recommended by *Arangkada* in 2018. The measure was championed by Sen. Aquilino Pimentel III in the Senate and supported by the Joint Foreign Chambers. As of writing, the DTI is going through consultations with stakeholders and members of the different creative economy sectors for the Implementing Rules and Regulations for the newly passed PCIDA.



The following table shows the different sectors and subsectors that fall under the creative industries per the PCIDA.

**Table 9. Creative Industries Sectors**

<b>Audiovisual Media</b>	Recorded and live audio and audiovisual content that are distributed via broadcast media such as television, radio, cable, satellite broadcasts, digital streaming platforms, or exhibited in cinema theaters, including films, television content, animated film productions, vlogs, and other content that utilize motion graphics, two-dimensional, and three-dimensional design technology and animatronics, recorded music, music scores, compositions ready for recording, podcasts, and entertaining audio or audiovisual material or content developed for educational purposes or edutainment content;
<b>Digital Interactive Media</b>	Digital software programs, mobile applications and games created for and operated on interactive digital devices where user input is essential to the experience, including software and mobile apps, video games, computer games, mobile games, virtual augmented or mixed reality games, and digitalized creative content;
<b>Creative Services</b>	Demand-driven commercial creative service work done on behalf of commissioning clients for complete creative output or partial outsourcing work, including advertising and marketing, creative research and development, cultural and recreational services, and live creative experiences, which refer to predesigned, real-time artistic performances and experiences aimed at specific audiences, with management and technical services provided to enhance the delivery of the performance and experience;
<b>Design</b>	Process of envisioning, planning, creation, and manufacturing of symbols, images, and products, whether for industrial or aesthetic purposes, spaces and systems, whether static or for interactive experiences, at the heart of which is creating solutions that address a need or a problem in various fields such as architecture, urban landscaping, interior and spatial planning, fashion and accessory making, textile development, furniture making, jewelry making, and toy making;
<b>Publishing and Printed Media</b>	Creation, publication, and distribution of artistic, journalistic and commercial literature in traditional physical print and digital format, including books, blogs, comics, graphic novels, editorials and commentaries, magazines, and other published media;
<b>Performing Arts</b>	Activities involved in the training of performers, the creation, promotion, distribution, exhibition, and preservation of artistic shows, performances and such other art forms including live music, theatre, musical theatre, dance, opera, circus, spoken word, and puppetry;
<b>Visual Arts</b>	Activities pertaining to the creation, promotion, distribution, and preservation of works that are primarily visual in nature, including paintings, drawings, sculptures, photographs, antiques, performance art, art multimedia art, toys, collages, or other similar decorative material;
<b>Traditional Cultural Expressions</b>	Tangible products and intangible customs, practices and expressions of traditional Filipino culture and heritage, including arts and crafts, gastronomy and culinary practices, cultural festivals, and celebrations;
<b>Cultural Sites</b>	Physical human-made locations, sites, and monuments that are of vital significance to the objective of promoting Philippine 2 Culture, including historic buildings and town sites, important archaeological sites, and works of monumental sculptures or paintings. This domain encompasses the strategic role and activities of museums, libraries, creative cities, performing arts venues, and cultural exhibitions to promote the country's cultural assets;

## Information Technology- Business Process Management (IT-BPM)

The Information Technology and Business Process Management (IT-BPM) industry is considered one of the catalysts to the growth of the Philippine economy since the early 2000s.

While the COVID-19 pandemic has resulted in severe economic losses here and abroad, the Philippine IT-BPM industry managed to survive unprecedented headwinds by generating over USD29.1 billion in revenues and employing over 1.44 million of the country's total workforce in 2021.<sup>37</sup> This suggests that the sector will play an even more important role in the Philippines' economic recovery amidst increasing demand for outsourcing services.

In a 2016 policy note, the *Arangkada Philippines Project* identified continuity of government incentives programs, predictability of government policies, investments in infrastructure, the quality of higher education and talent pool, and technical skills development as factors that could affect growth projections.<sup>38</sup> This section provides an overview of the sector's performance based on the latest available data and reviews the extent to which progress has been made relative to the recommendations identified by *Arangkada* in 2016.

### Overview

The IT-BPM industry in the Philippines consists of several subsectors, which includes contact and call centers (considered the oldest and largest segment of the industry); back office and knowledge process outsourcing (finance and accounting, human resources, research, and analytics); global in-house centers; creative services (animation and game development); and outsourcing of information technology and engineering services and healthcare information management services.<sup>39</sup>

It has continued to grow steadily since the Philippines gained ground in the global business process outsourcing market in the early 2000s.<sup>40</sup> Its exponential growth has been attributed primarily to having a large population of young, highly literate,

and English-speaking population and a combination of fiscal and non-fiscal incentives offered by the government to multinational operators. Since then, the Philippines has been considered among the “global leaders in the IT-BPM sector and remain at the forefront of voice and non-voice BPM as well as IT services” next to India.<sup>41</sup>

According to the 2019 Annual Survey of Philippine Business and Industry for the IT-BPM Industry, there were 2,147 establishments engaged in the formal sector of the IT-BPM industry or up by 40.1 percent compared to the 1,532 establishments in 2017.<sup>42 43</sup> Among the subsectors, computer programming activities under information and communication technology account for 26.6 percent—the highest share—in the number of establishments in the country.<sup>44</sup> This is followed by customer relationship management activities (20.0 percent) and sales and marketing (12.9 percent) (see Figure 37).

<sup>37</sup> Revin Mikhael D. Ochave, “BPO sector surpasses revenue, employment targets set for 2022,” *BusinessWorld*, June 8, 2022, <https://www.bworldonline.com/economy/2022/06/08/453713/bpo-sector-surpasses-revenue-employment-targets-set-for-2022/>

<sup>38</sup> Philippine Association of Multinational Companies Regional Headquarters Incorporated, “Bold Inclusive Reforms for Business Process Outsourcing for the Next Decade,” *The Arangkada Philippines Project*, March 1, 2016, <http://www.investphilippines.info/arangkada/wp-content/uploads/2016/02/FINAL-DRAFT-Policy-Note-BPO.pdf>

<sup>39</sup> *Ibid.*

<sup>40</sup> Nikki Natividad, “A history of the BPO industry in numbers,” *Rappler*, July 2, 2015, <https://www.rappler.com/brandrap/profiles-and-advocacies/98207-bpo-philippines-timeline/>

<sup>41</sup> IT & Business Process Association of the Philippines and Frost & Sullivan, “Accelerate PH Future-Ready Roadmap 2022,” [https://boi.gov.ph/wp-content/uploads/2018/03/Executive-Summary-Accelerate-PH-Future-Ready-Roadmap-2022\\_with-corrections.pdf](https://boi.gov.ph/wp-content/uploads/2018/03/Executive-Summary-Accelerate-PH-Future-Ready-Roadmap-2022_with-corrections.pdf)

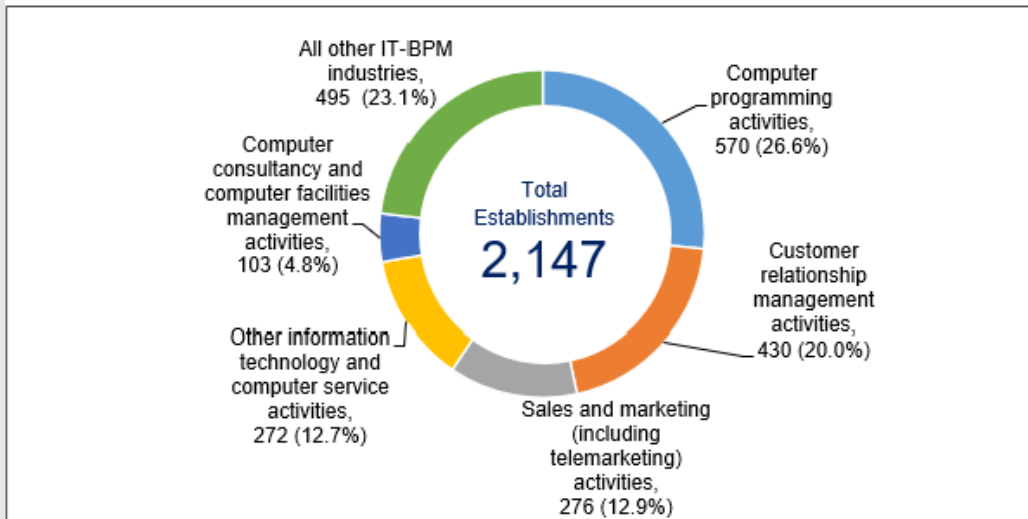
<sup>42</sup> Based on preliminary data released in July 12, 2022.

For more information on the breakdown, see the 2019 Annual Survey of Philippine Business and Industry (ASPBI) - Information Technology - Business Process Management (IT-BPM) Industries: Preliminary Results.

<sup>43</sup> Philippine Statistics Authority, “2019 Annual Survey of Philippine Business and Industry (ASPBI)- Information Technology - Business Process Management (IT-BPM) Industries: Preliminary Results”, July 12, 2022, <https://psa.gov.ph/content/2019-annual-survey-philippine-business-and-industry-aspbi-information-technology-business>.

<sup>44</sup> *Ibid.*

**Figure 37. Percentage Distribution of IT-BPM Establishments by Industry Sub-Class: Philippines, 2019**

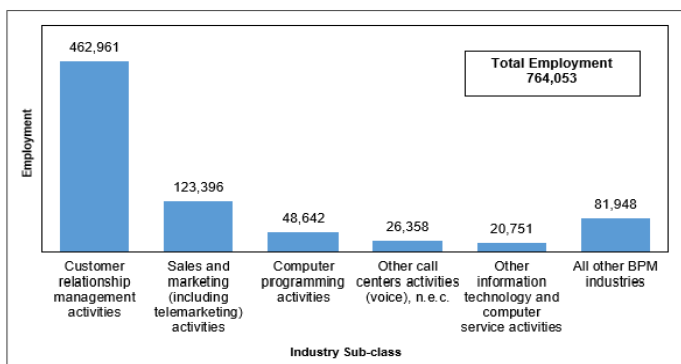


Note: Details may not add up to total due to rounding  
 Source: Philippine Statistics Authority, 2019 ASPBI (Preliminary Results)

Share of employment also increased by 18.6 percent in 2019 compared to its record in 2017, with customer relationship management (CRM) activities employing the highest share of workers (60.6 percent) followed by sales and marketing (16.2 percent) and computer programming activities at (6.4 percent) (see Figure 38). CRM activities also accounted for the highest income from transactions outside the country at 47.1 percent of the total share in 2019.<sup>45</sup>

In 2021, revenue generated by the Philippine IT-BPM industry hit over USD29.49 billion, higher than USD26.7 billion recorded in 2020, according to the IT and Business Processing Association of the Philippines (IBPAP). Full time employees have also reached 1.44 million or 9.1 percent higher than the headcount for 2020.<sup>46</sup>

**Figure 38. Distribution of Employment of IT-BPM Establishments by Industry Sub-Class: Philippines, 2019**



Note: Details may not add up to total due to rounding  
 Source: Philippine Statistics Authority, 2019 ASPBI (Preliminary Results)

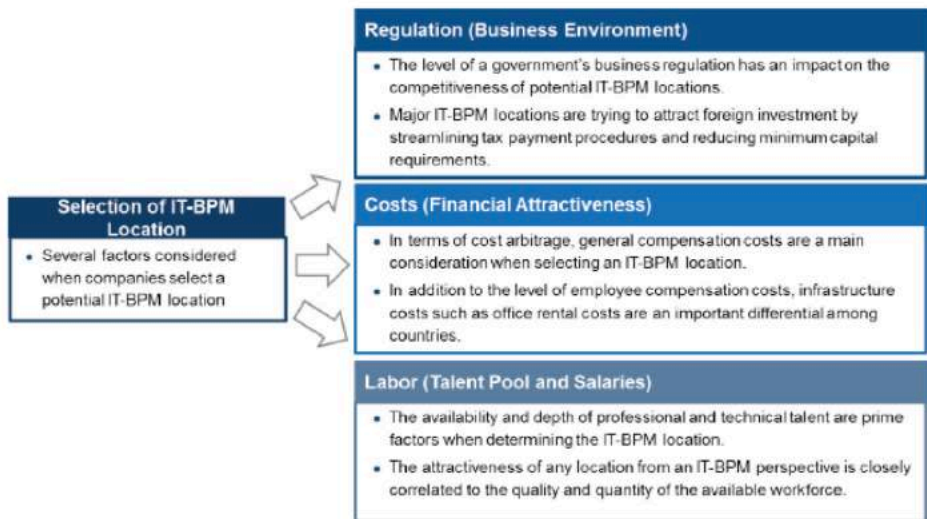
<sup>45</sup> Ibid.

<sup>46</sup> Ochave, BPO sector surpasses revenue, employment targets set for 2022

In 2016, the Philippine Association of Multinational Companies Regional Headquarters Incorporated (PAMURI) released an *Arangkada* policy note with recommendations on achieving and sustaining future growth projections for the Philippine IT-BPM industry. Central to these objectives is the need for the government to ensure that incentive programs and regulatory frameworks in place can adapt to the transformations taking place in the industry.

An IBPAP study in 2015 identified three parameters that determine the selection of a prospective IT-BPM location: regulations, which determine the level of competitiveness in a business environment at the mid- and long-term durations; the cost of doing business, which include compensation and infrastructure costs, among others; and labor, or the quantity and quality of available talent pool in a particular area<sup>47</sup> (see Figure 39).

**Figure 39. Selection Parameters for IT-BPM Locations**



Source: AT Kearney, Frost and Sullivan analysis in Accelerate PH Future-Ready Roadmap 2022, IBPAP

Investors are often concerned about financial volatility and bureaucratic red tape when doing business in the Philippines.<sup>48</sup> Hence, the government is encouraged to develop sustainable incentive programs and regulations that adapt to the rapidly evolving nature of the industry.

Recently, IBPAP welcomed the decision of the Fiscal Incentives Review Board (FIRB) to extend until the end of 2022 the hybrid work arrangement for IT-BPM enterprises under ecozones without losing their tax incentives<sup>49</sup> and being provided a mechanism for the continued enjoyment of incentives beyond 2022 by shifting registration from PEZA to the BOI. This comes after months of debates between the FIRB and the Philippine Economic Zone Authority (PEZA) on whether government should fully adopt remote working arrangement for the sector, which was intended to temporarily address mobility restrictions caused by nation-wide COVID-19 lockdowns.<sup>50</sup> PEZA has cautioned that the industry might suffer from an “exodus of highly-skilled employees” who may opt to work under more flexible setups.<sup>51</sup>

<sup>47</sup> IBPAP and Frost & Sullivan, *Accelerate PH Future Ready Roadmap 2022*, 7

<sup>48</sup> PAMURI, *Bold Inclusive Reforms for Business Process Outsourcing for the Next Decade*

Besides incentives and regulations, *Arangkada* maintains that the growth of the industry is also contingent on improving the country's digital infrastructure and broadband capabilities. This will require an aggressive approach to modernizing roads, public transportation, seaports, and airports, and improving the speed and lowering the cost of broadband service in the country.

For its part, the Marcos Jr. administration has committed to continue ongoing projects under Build, Build, Build (BBB) program, the flagship infrastructure program of the Duterte administration.<sup>52</sup> The Department of Works and Highways said 12 out of the 119 BBB projects have been completed as of April 2022, while another 12 projects are set to be completed by the end of 2022.<sup>53</sup>

President Marcos plans to increase connectivity in the Philippines through the "BroadBand ng Masa" program, which seeks to connect geographically isolated and disadvantaged areas through the implementation of the National Broadband Plan (NBP)<sup>54</sup> and the common tower program<sup>55</sup>. Moreover, the amended Public Service Act—which allows foreign ownership of up to 100 percent for public services like telecommunications—is expected to boost and modernize the country's broadband infrastructure.

*Arangkada* also emphasized the need to produce Filipino graduates with a higher level of Science, Technology, Engineering, and Mathematics (STEM) capabilities to cater to the increasing labor demand in the digital job market. While STEM is embedded in the K-12 system, a study conducted by the Philippine Institute for Development Studies<sup>56</sup> found that many grade school students "were able to only recall terms taught to them, having difficulty in absorbing scientific concepts, and using them in creative and innovative ways" despite having a positive attitude towards the subject.<sup>57</sup>

This suggests that more needs to be done to improve STEM exposure and training

for Filipino students. The Department of Education (DepEd) hopes to address this challenge through the Basic Education Development Planning 2030. Otherwise known as BEDP 2030, it is the "first long-term plan of DepEd" that aims to address current challenges on learning and participation by focusing on four pillars: access, equity, quality, and resiliency and wellbeing<sup>58</sup>.

The overall outlook for the IT-BPM industry is positive. It is expected to reach up to USD38.9 billion in revenue by the end of 2022, with the Philippines poised to take about 15.5 percent of the global IT-BPM sector and generate 5.6 percent in average revenue growth.<sup>59</sup> Industry stakeholders like IBPAP believe that to make this happen, there must be a more coordinated approach to achieve a "sustainable talent supply, predictable regulatory environment, and more enabling infrastructure<sup>60</sup>" that would facilitate the post-pandemic growth of the industry.





<sup>49</sup> Ochave, BPO sector surpasses revenue, employment targets set for 2022

<sup>50</sup> Ben O. de Vera, "FIRB, Peza again at loggerheads over WFH setup of BPOs," *Philippines Daily Inquirer*, September 2, 2022, <https://business.inquirer.net/360288/firb-peza-again-at-loggerheads-over-wfh-setup-of-bpos>

<sup>51</sup> Alden Monzon, "IT-BPO group cheers WFH policy extension," *Philippine Daily Inquirer*, September 12, 2022, <https://business.inquirer.net/361937/it-bpo-group-cheers-wfh-policy-extension>

<sup>52</sup> Lorenz Marasigan, "Marcos vows to continue 'Build, Build, Build' program," *BusinessMirror*, July 25, 2022, <https://businessmirror.com.ph/2022/07/25/marcos-vows-to-continue-build-build-build-program/>

<sup>53</sup> Ted Cordero, "DPWH: 12 out of 119 Build, Build, Build projects completed," April 27, 2022, *GMA News Online*, <https://www.gmanetwork.com/news/money/economy/829909/dpwh-12-out-of-119-build-build-build-projects-completed/story/>

<sup>54</sup> The NBP was introduced by the Department of Information and Communications Technology in 2017. It seeks to "addresses the clamor for universal, faster and affordable internet access" through "three major broad strategies: 1) establishment of policy and regulatory reforms; 2) government investment in broadband infrastructure; and 3) support for the stimulation of broadband demand". To access the plan, see <http://dict.gov.ph/wp-content/uploads/2017/09/2017.08.09-National-Broadband-Plan.pdf>.

<sup>55</sup> Office of the Press Secretary, "PBBM bares nat'l broadband plan to help bridge digital divide," July 25, 2022, [https://ops.gov.ph/news\\_releases/pbbm-bares-natl-broadband-plan-to-help-bridge-digital-divide/](https://ops.gov.ph/news_releases/pbbm-bares-natl-broadband-plan-to-help-bridge-digital-divide/)

<sup>56</sup> Jose Ramon G. Albert et.al., "Future S&T Human Resource Requirements in the Philippines: A Labor Market Analysis," *Philippine Institute for Development Studies*, December 18, 2020, <https://www.pids.gov.ph/publication/discussion-papers/future-s-t-human-resource-requirements-in-the-philippines-a-labor-market-analysis>

<sup>57</sup> Kapampangan Media, "The future of STEM education," August 21, 2022, <https://kapampangan.org/the-future-of-stem-education/>

<sup>58</sup> Department of Education, "DepEd, partners commit to achieve Basic Education Development Plan 2030 goals," *Philippine Information Agency*, June 16, 2022, <https://pia.gov.ph/press-releases/2022/06/16/dep-ed-partners-commit-to-achieve-basic-education-development-plan-2030-goals>

<sup>59</sup> Ed Paolo Salting, "BPO industry thriving despite pandemic," *The Manila Times*, October 11, 2022, <https://www.manilatimes.net/2022/10/11/tmt-anniversary/bpo-industry-thriving-despite-pandemic/1861591>

<sup>60</sup> Andrea San Juan, "IT-BPM sector posts growth in revenue, jobs," *BusinessMirror*, June 8, 2022, <https://businessmirror.com.ph/2022/06/08/it-bpm-sector-posts-growth-in-revenue-jobs/>

## Manufacturing

The Philippine manufacturing industry is considered one of the sectors most vital for economic growth because of its impact on employment and value-added generation.<sup>61</sup> Prior to the COVID-19 pandemic, growth of manufacturing had been steady, averaging 2.5 percent between 1991 and 2000 and 4.1 percent between 2001 and 2010. Recovery appears underway, albeit at a slow pace, after posting 50.3 percent in factory output growth in 2021, following a 40.5 percent contraction in 2020.<sup>62</sup> It was also among the top contributors to GDP growth in the fourth quarter of 2021 at 8.6 percent.<sup>63</sup>

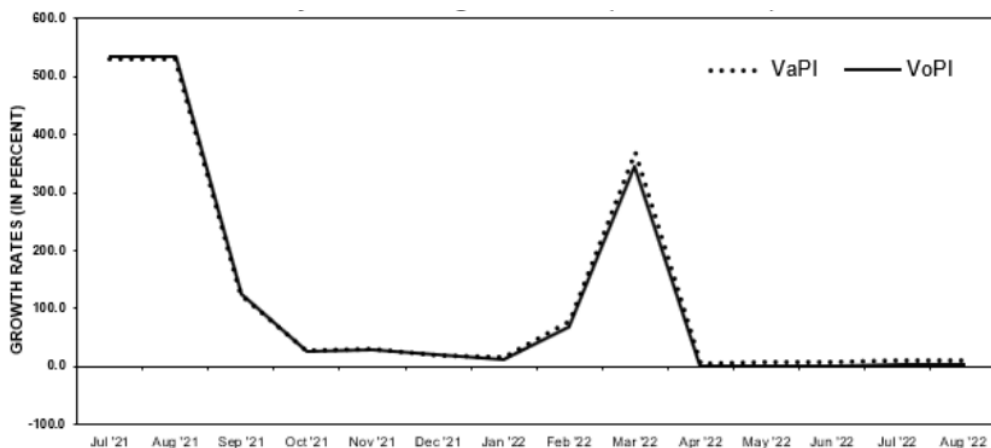
In 2016, the *Arangkada* Philippines Project released a policy note on the opportunities and challenges to make the Philippine manufacturing sector more globally competitive<sup>64</sup>. This section provides an overview of key insights on the sector's recent performance and developments specific to the recommendations of streamlining compliance and regulatory frameworks in place; addressing red tape and the high cost of doing business; and strengthening support for micro, small, and medium enterprises.

## Overview

Preliminary data in the Monthly Integrated Survey of Selected Industries indicate that value of production (VaPI) continued to grow at 11.0 percent year-on-year in August 2022.<sup>65</sup> This was faster than the revised 10.6 percent reported in July 2022. Volume of production (VoPI) also grew at a sustained pace of 3.5 percent in the same period, slightly up versus the revised 2.4 percent for the previous month.<sup>66</sup> In August 2021, the volume and value of production surged at an annual growth rate of 531.3 percent and 533.7 percent, respectively (see Figure 40).

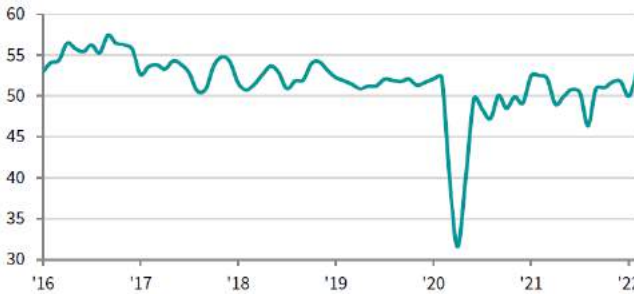
Eighteen out of the 22 industry divisions contributed to the increase of value and volume of production in the same period. Manufacture of machinery and equipment except electrical had the highest VaPI and VoPI annual growth rate at 77.4 percent and 78.0 percent, while manufacture of electrical equipment posted contractions of 48.2 percent in VaPI and 49.3 percent in VoPI.

Figure 40. Year-on-Year Growth Rates of Value and Volume of Production Index for Total Manufacturing, July 2021-August 2022<sup>a</sup> (2018=100)



Meanwhile, the Philippines posted 52.8 in its manufacturing Purchasing Managers Index (PMI)<sup>67</sup> in March 2022—the highest level recorded since December 2018.<sup>68</sup> Analysis by IHS Markit point to expansions in both output and new orders as main contributors to growth, with increase in production attributed to the relaxation of pandemic restrictions and wider material availability<sup>69</sup> (see Figure 41).

Figure 41. Philippines Manufacturing PMI, March 2022



In 2016, the Japanese Chamber of Commerce of the Philippines, Inc. (JCCPI) released an *Arangkada* policy note detailing proposed measures to improve competitiveness of the Philippine manufacturing industry.<sup>70</sup> One of the recommendations sought to address high electricity costs, which was among the primary concerns of stakeholders especially from the textile and garments sector, through tax credits or discounts. Electricity rates for commercial and industrial sectors in the Philippines are considered among the highest in Southeast Asia.

The Marcos Jr. administration plans to boost the use of renewable energy as a two-pronged approach to make the Philippines more energy secure and to slow down the impact of climate change. In a related development, the Department of Justice released a legal opinion in October 2022 stating that the “exploration, development, and utilization of inexhaustible renewable energy” are not subject to the foreign equity restrictions under the Constitution.<sup>71</sup> This is expected to pave the way for more foreign investments on renewable energy, thereby enhancing prospects of lowering power rates in the country.

Prioritizing infrastructure development is also crucial to sustain the growth of the manufacturing industry. This includes expanding the network of roads and bridges to improve logistics and regional connectivity and improving the cargo capacity of major airports and seaports.

<sup>61</sup> Board of Investments. “Philippines Manufacturing Industry Profile”, July 2017, [https://boi.gov.ph/wp-content/uploads/2018/02/Manufacturing-July-2017.pdf?\\_\\_cf\\_chl\\_tk=CqW.2kjBfttKT8y2y-JdAoXNdIzV\\_mwzSoWt227WnO-TA-1665585733-0-gaNycGzNCP0](https://boi.gov.ph/wp-content/uploads/2018/02/Manufacturing-July-2017.pdf?__cf_chl_tk=CqW.2kjBfttKT8y2y-JdAoXNdIzV_mwzSoWt227WnO-TA-1665585733-0-gaNycGzNCP0).

<sup>62</sup> Bernadette Therese M. Gadon, “Manufacturing growth eases in Dec.,” *BusinessWorld*, February 9, 2022, <https://www.bworldonline.com/top-stories/2022/02/09/428796/manufacturing-growth-eases-in-dec/>.

<sup>63</sup> Philippine Statistics Authority, “GDP Posted a Growth of 7.7 Percent in the Fourth Quarter of 2021, Resulting in a 5.6 Percent Full-year Growth in 2021,” January 27, 2022, <https://psa.gov.ph/content/gdp-posted-growth-77-percent-fourth-quarter-2021-resulting-56-percent-full-year-growth-2021>.

<sup>64</sup> Japanese Chamber of Commerce of the Philippines, Inc., “Towards a Globally Competitive Manufacturing Sector,” *The Arangkada Philippines Project*, November 2016, [http://www.investphilippines.info/arangkada/wp-content/uploads/2016/11/POLICY-NOTE-MANUFACTURING\\_NOV15.pdf](http://www.investphilippines.info/arangkada/wp-content/uploads/2016/11/POLICY-NOTE-MANUFACTURING_NOV15.pdf)

<sup>65</sup> Philippine Statistics Authority, “Production Index and Net Sales Index (Monthly Integrated Survey of Selected Industries) August 2022,” October 7, 2022, <https://psa.gov.ph/manufacturing/missi-id/168202>.

<sup>66</sup> *Ibid.*

<sup>67</sup> The PMI published by IHS Markit is used as a benchmark to determine prevailing trends in the manufacturing and service sectors. It provides insights to key economic indicators such as GDP, inflation, exports, capacity utilization, employment and inventories. A reading of above 50 indicates growth, while below 50 is regarded as a contraction in the sector’s performance.

<sup>68</sup> IHS Markit, “Manufacturing PMI highest for over three years amid solid uplift in output and new orders,” March 1, 2022, <https://www.pmi.spglobal.com/Public/Home/PressRelease/3ec761b-69704424bae07e0c94fbd3ff7>.

<sup>69</sup> *Ibid.*

<sup>70</sup> JCCPI, *Towards a Globally Competitive Manufacturing Sector*

<sup>71</sup> A. O. Jose, “More foreign investments in RE projects expected,” *Businessworld*, October 3, 2022, <https://www.bworldonline.com/top-stories/2022/10/03/477955/more-foreign-investments-in-re-projects-expected/>

According to the Department of Works and Highways, 12 out of the 119 infrastructure projects under the Duterte administration's Build, Build, Build flagship infrastructure program have been completed as of April 2022, while another 12 projects are set to be completed by end of 2022.<sup>72</sup> Among these include the final section of the Tarlac–Pangasinan–La Union Expressway; Central Luzon Link Expressway; Skyway Stage 3; Estrella-Pantaleon Bridge; Bonifacio Global City-Ortigas Center Link Road Project; and the Binondo-Intramuros Bridge.<sup>73</sup>

Another recommendation by *Arangkada* was the need to streamline existing regulatory processes required for manufacturing firms. This will entail conducting regular impact assessments and facilitating collaboration among government agencies to identify and solve overlaps and conflicting regulatory provisions. The Ease of Doing Business and Efficient Government Service Delivery Act was enacted in May 2018 specifically to improve the efficiency of the regulatory and service delivery systems in government agencies.

One of the key pillars in the DTI's Industrialization Plan for 2022-2028 will also focus on "strengthening the institutional and regulatory framework to eliminate bureaucratic red tape [and] streamline and automate government procedures and regulations" to create an enabling business environment for more investments.<sup>74</sup>

Enhancing the support for the country's micro, small, and medium enterprises (MSMEs), which account for 99.5 percent of registered businesses and employ over 60 percent of the total workforce, will play an even more important role in the Philippines' post-pandemic recovery. An assessment by the United Nations Industrial Development Organization on the socio-economic effects of COVID-19 found that most microenterprises from the Philippine manufacturing sector "were more disproportionately affected" by pandemic containment measures, which resulted in revenue, production, and employment losses.<sup>75</sup>

In 2020, the DTI rolled out the COVID-19 Assistance to Restart Enterprises microfinancing program, which provides collateral- and interest-free loans, to help MSMEs recover from the impact of the pandemic<sup>76</sup>. The agency also plans to leverage innovation and digitalization to accelerate growth and productivity of Philippine MSMEs, allowing them to better participate in the global value chains<sup>77</sup>. These initiatives are in line with *Arangkada's* recommendation of providing MSMEs with access to technologies and facilities for product development and to capital funding programs to support operations.

While current external conditions will still prove to be a challenge, industry stakeholders remain optimistic that growth of the Philippine manufacturing will now steadily improve with the easing of pandemic restrictions and the reopening of the economy to full operational capacity. The successful implementation of the DTI Industrialization Plan for 2022-2028, which aims to develop "globally competitive and innovative industries" through science, technology, and innovation, is also expected to contribute to the sector's resurgence in a post-pandemic economy.





<sup>72</sup> Cordero, DPWH: 12 out of 119 Build, Build, Build projects completed

<sup>73</sup> Ferdinand Patinio, "Build, Build, Build' continues: Building more for better lives," Philippine News Agency, July 24, 2022, <https://www.pna.gov.ph/articles/1179572>.

<sup>74</sup> Alfredo Pascual, "DTI's Industrial Plan for 2022-2028", BizNewsAsia, September 3, 2022, <https://biznewsasia.com/dtis-industrialization-plan-for-2022-2028/>.

<sup>75</sup> United Nations Industrial Development Organization, "Impact Assessment of COVID-19 on the Philippines' Manufacturing Firms," [https://www.unido.org/sites/default/files/files/2021-03/UNIDO%20COVID19%20Assessment\\_Philippines\\_FINAL.pdf](https://www.unido.org/sites/default/files/files/2021-03/UNIDO%20COVID19%20Assessment_Philippines_FINAL.pdf).

<sup>76</sup> Department of Trade and Industry, "DTI reports almost full utilization of SB Corp. CARES funding for MSMEs," June 11, 2021, <https://www.dti.gov.ph/archives/news-archives/sbcorp-cares-funding-full-utilization/>.

<sup>77</sup> Pascual, DTI's Industrial Plan for 2022-2028



## Mining

The Philippines has long been considered a mineral-rich country. Between the 1970s and the 1990s, the share of mineral products in export revenues of the country was around 21 percent. However, the growth of the sector would decline drastically in the years that followed as a result of policy inconsistencies, environmental concerns, and a tougher fiscal regime.<sup>78</sup> By the end of 2021, mineral and mineral products only accounted for 8.26 percent of total exports.<sup>79</sup>

Notwithstanding its dismal performance in recent years, the mining industry still holds the potential to contribute to the overall growth and pandemic recovery of the Philippine economy. The *Arangkada* Philippines Project released a policy note in 2016<sup>80</sup> with recommendations to realize the potential for mining, which it considers as among the seven “big winner sectors” for investment and inclusive growth. This section provides an overview of recent developments in the sector and reviews the extent to which progress has been made relative to these recommendations.

### Overview

According to the Mining Industry Coordinating Council (MICC), the Philippines ranks 3rd in gold; 4th in copper; 5th in nickel; and 6th in chromite deposits worldwide.<sup>81</sup> Only 2.42 percent out of the estimated 30 percent of the country’s mineralized land area are under mining development.<sup>82</sup> Data cited from PSA in 2020 showed that Region IV-B (MIMAROPA) and the Cordillera Administrative Region contributed the highest to mining and quarrying at 27.9 percent and 15.4 percent, respectively.<sup>83</sup>

Share of mining and quarrying to GDP was at 0.8 percent of total industry contribution in 2021.<sup>84</sup> In terms of revenues, total export of minerals and mineral products and of non-metallic mineral manufactures posted a slight increase from 7.81 percent and 0.35 percent in 2020 to 8.26 percent and 0.40 percent in 2021, respectively (see Table 10).<sup>85</sup> Data from the

Mines and Geosciences Bureau (MGB) show that copper, gold, and nickel are the country’s primary mineral exports with Japan, Australia, Canada, and China as top mineral export destinations.<sup>86</sup>

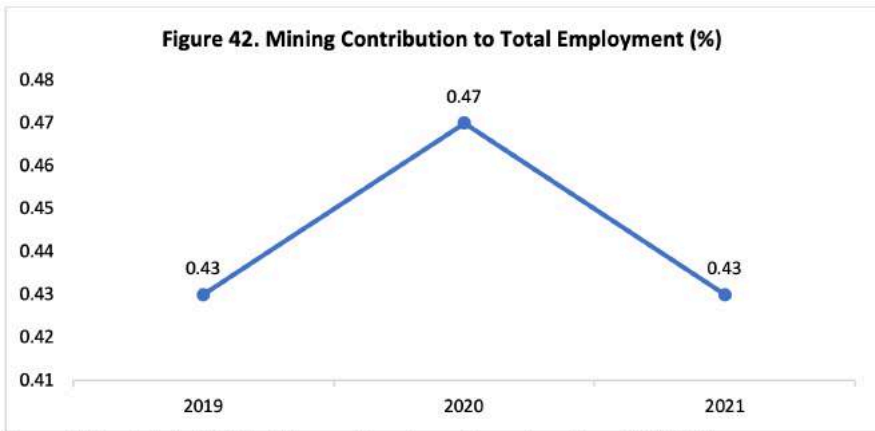
**Table 10. Mining Contribution to Total Exports (%)**

	2019	2020*	2021*
Total exports of minerals and mineral products	6.59	7.81	8.26
Total exports of non-metallic mineral manufactures	0.38	0.35	0.40
*Preliminary Source: Mining Industry Statistics, Mines and Geosciences Bureau (as of August 24, 2022)			

As of July 2022, there are 55 mineral resource development projects for metallic mines; 60 for non-metallic mines; and seven processing plants.<sup>87</sup> There are also 49 sites declared as Minahang Bayan and over 4,416 small quarries and sand and gravel operations with permits issued by local government units.<sup>88</sup>

Overall, the share of the minerals industry to total employment was at 183,352 or 0.43 percent in 2021, lower by 0.04 percent posted in 2020 (see Figure 42).<sup>89</sup> The MGB noted, however, that estimates on the mining workforce may vary as every job in the industry is assumed to generate four indirect jobs in the upstream and downstream sectors.<sup>90</sup>

In its 2016 policy brief, *Arangkada* argued that a developed large-scale mining sector would lead to more employment opportunities and more revenues for government.<sup>91</sup> Global demand is expected to increase amidst dwindling supply for high-value minerals. A report published by the World Bank in 2020 revealed that the global transition to renewable energy will heighten demand for copper, graphite, lithium, and molybdenum to power wind, solar, and geothermal energy sources.<sup>92</sup> This presents an opportunity for the Philippines considering its abundant mineral reserves.



Source: Mining Industry Statistics, Mines and Geosciences Bureau (as of August 24, 2022)

Realizing the mining industry's full potential, however, requires implementing reforms to address the challenges that hinder its development. Among the recommendations raised then that are still relevant today are further easing restrictions on foreign investments and the need to review the fiscal framework for large-scale mining, such that taxes imposed are on par with the average effective tax rate in all countries under the Asia-Pacific Economic Cooperation.

The Committee on Ways and Means of the House of Representatives approved in August 2022 a proposed new fiscal regime to rationalize revenue collection and encourage proper valuation of exported minerals. If passed into law, the tax rate imposed will increase from 38 percent to 51 percent, along with a 5 percent royalty on the market value of large-scale mining output. It also provides the government with a 60-percent share of net mining revenue in all operations and "mandates public disclosure of all tax and revenue data in the extractive industries value chain."<sup>93</sup> The Chamber of Mines of the Philippines has cautioned that the new tax measures could dissuade potential investors and jeopardize flagship mining projects currently in the pipeline.<sup>94</sup>

<sup>78</sup> Gian Michael Gozum, John D. Forbes, and John Ridsel, "Mining," *The Arangkada Philippines Project*, September 2014, [http://www.investphilippines.info/arangkada/wp-content/uploads/2015/09/Mining\\_Policy\\_Brief\\_PDF.pdf](http://www.investphilippines.info/arangkada/wp-content/uploads/2015/09/Mining_Policy_Brief_PDF.pdf).

<sup>79</sup> Preliminary as of August 24, 2022. For detailed breakdown, see Mines and Geosciences Bureau, "Mining and Industry Statistics," Department of Environment and Natural Resources, August 24, 2022, <https://mgb.gov.ph/images/MIS-3Yr-Qtrly-2019-to-S1-2022-for-UPLOAD-as-of-24Aug2022.pdf>.

<sup>80</sup> Canadian Chamber of Commerce of the Philippines, "Bold Inclusive Reforms for Mining for the Next Decade," *The Arangkada Philippines Project*, March 1, 2016, [http://www.investphilippines.info/arangkada/wp-content/uploads/2016/02/POLICY-NOTE\\_MINING.pdf](http://www.investphilippines.info/arangkada/wp-content/uploads/2016/02/POLICY-NOTE_MINING.pdf).

<sup>81</sup> Mines Industry Coordinating Council, "Review of Large-Scale Metallic Mines: Going Beyond Compliance Towards Sustainability," April 2022, <https://neda.gov.ph/wp-content/uploads/2022/06/MICC-Mining-Policy-Note-Online-Version.pdf>.

<sup>82</sup> *Ibid.*

<sup>83</sup> *Ibid.*

<sup>84</sup> Philippines Statistics Authority, "Q1 2019 to Q4 2021 National Accounts of the Philippines," January 2022, <https://psa.gov.ph/sites/default/files/4th%20Quarter%202021%20National%20Accounts%20of%20the%20Philippines.pdf>

<sup>85</sup> Mines and Geosciences Bureau, *Mining and Industry Statistics*

<sup>86</sup> *Ibid.*

<sup>87</sup> *Ibid.*

<sup>88</sup> *Ibid.*

<sup>89</sup> Mines and Geosciences Bureau, *Mining and Industry Statistics*

<sup>90</sup> Philippine Extractive Industries Transparency Initiative, "Resiliency in Transparency: The Seventh PH-EITI Report (FY 2019)," Department of Finance, <https://pheiiti.dof.gov.ph/download/chapter-1-pheiiti-seventh-report/?wpdmdl=2769>.

<sup>91</sup> Provided that additional taxes would not be imposed on the industry so as not to stunt its growth.

<sup>92</sup> Kirsten Hund et al., "Minerals for Climate Action: The Mineral Intensity of the Clean Energy Transition," World Bank Group, May 11, 2020, <https://pubdocs.worldbank.org/en/961711588875536384/Minerals-for-Climate-Action-The-Mineral-Intensity-of-the-Clean-Energy-Transition.pdf>

<sup>93</sup> Luisa Maria Jacinta Jocoson, "Mining bill expected to raise gov't revenue but poses risk to FDI growth," *BusinessWorld*, August 29, 2022, <https://www.bworldonline.com/economy/2022/08/29/471228/mining-bill-expected-to-raise-govt-revenue-but-poses-risk-to-fdi-growth/>.

<sup>94</sup> *Ibid.*



Another *Arangkada* recommendation is to create a mineral wealth fund in which government will invest 50 percent of revenues it receives to support the development of the mining industry. In 2019, Rep. Joey Salceda introduced the concept of a Natural Resource Trust Fund where 2 percent of taxes collected from the gross output of large-scale metallic mining would be stored for future generations. This proposal is part of Salceda's proposed bills in the current Congress.<sup>95</sup>

To address the social and environmental impacts of mining, it is imperative to ensure that provisions under the Philippine Mining Act (RA 7942) are effectively implemented and adhered to by mining operators. This is reiterated by the MICC in its performance review of large-scale metallic mines operating in the country after an audit by the Department of Environment and Natural Resources found 30 out of 41 companies non-compliant in 2016. In its policy note published in April 2022, the MICC noted that assessing the actual compliance of mining companies should go "beyond legal checklist review" in enforcing specific provisions according to their respective contracts.<sup>96</sup> It added that compliance to international standards will be critical in ensuring that mining companies operate efficiently with proper infrastructure maintenance and occupational safety protocols in place.<sup>97</sup>

For its part, the Marcos Jr. administration recognizes the role of mining as a driver for long-term economic growth.<sup>98</sup> Former President Rodrigo Duterte sought to revive the sector to boost the country's pandemic recovery efforts by removing the moratorium on new mineral agreements in April and lifting the four-year ban on open pit mining in December 2021.<sup>99</sup>

Revitalizing the Philippine mineral industry will require policy and regulatory frameworks that strike a balance between providing a competitive business environment that would encourage stakeholders to invest in the country's untapped potential and ensuring that the social and environmental costs of mining are proactively mitigated. Implementing a collaborative, participatory process between the public and private sectors will go a long way in developing a more responsible and sustainable mining industry.

<sup>95</sup> *Manila Standard Business*, "Salceda pushes development of domestic resources to counter inflation," *Manila Standard*, May 25, 2022, <https://www.manilastandard.net/business/314231133/salceda-pushes-development-of-domestic-resources-to-counter-inflation.html>.

<sup>96</sup> *Mines Industry coordinating council*, review of large-scale metallic mines: going beyond compliance towards sustainability

<sup>97</sup> *Ibid*

<sup>98</sup> *Rommel Domingo*, "Mining industry finds favor with Marcos after Duterte snub," *Inquirer.net*, August 4, 2022, <https://business.inquirer.net/355637/mining-industry-finds-favor-with-marcos-after-duterte-snub>.

<sup>99</sup> *Jonathan Mayuga*, "Liberal mining policies to lure foreign investors back to PHL-COMP," *BusinessMirror*, February 22, 2022, <https://businessmirror.com.ph/2022/02/22/liberal-mining-policies-to-lure-foreign-investors-back-to-phl-comp/>.





## Tourism

Tourism was identified as one of the seven big winner sectors in the *Arangkada* Philippines 2010 policy book given the sector's high growth potential, strong poverty reduction and job creation effects, and range of direct and indirect income effects involving agriculture, industry, and services.<sup>100</sup>

We noted the significant growth in international and domestic travel while emphasizing the still untapped potential of the sector as reflected in the low share of international visitors the Philippines receives compared to its ASEAN peers. We also identified key constraints that can be addressed to achieve this untapped potential.

Twelve years since *Arangkada* 2010, tourism remains a vital economic sector, experiencing significant growth over the last decade (before the COVID-19 pandemic) but facing key constraints and the challenge of recovering from a global pandemic.

In 2019, the last year before the outbreak of the COVID-19 pandemic, tourism contributed PHP2.5 trillion to the Philippine economy or 12.9 percent of GDP. In the same year, inbound tourism expenditure was at PHP600 billion (10.8 percent of exports) and the sector employed 5.7 million Filipinos (13.6 percent of total employment) (see Table 11).

**Table 11. Tourism Direct Gross Value Added, Inbound Tourism Expenditure, and Employment of Tourism Industries, 2010 vs. 2019**

	2010		2019	
<b>Tourism Direct Gross Value Added</b>	PHP586 billion	6.2 percent of GDP	PHP2.5 trillion	12.9 percent of GDP
<b>Inbound Tourism Expenditure</b>	PHP136 billion	4.4 percent of Total Exports	PHP600 billion	10.8 percent of Total Exports
<b>Employment of Tourism Industries</b>	PHP4.1 million	11.4 percent of Total Employment	PHP5.7 million	13.6 percent of Total Employment

Source: 2010 and 2019 Philippine Tourism Satellite Accounts, PSA

From 3.3 million in 2010, foreign tourist arrivals increased by 150 percent to 8.2 million in 2019. East Asia continues to be the top source of tourist arrivals with 50.6 percent, with North America (19.2 percent) and Europe (13.5 percent) rounding out the top three (see Figure 43).

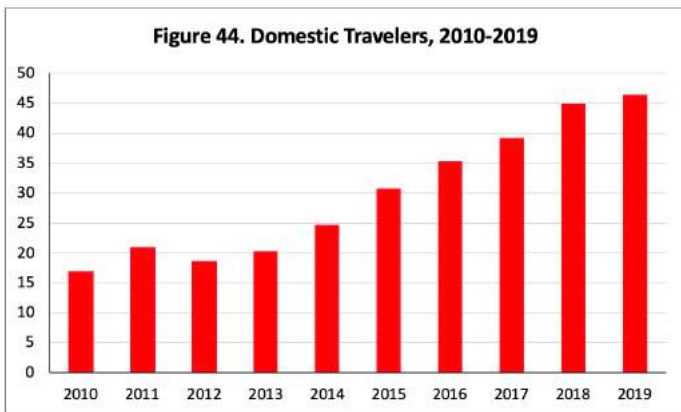
Domestic tourism grew by 172 percent from 17 million domestic travelers in 2010 to 46 million in 2019 (see Figure 44). Growth in domestic tourism is also reflected in increased household spending. Domestic tourism expenditure in 2019 was at PHP3 billion, or 22 percent of Household Final Consumption Expenditure (HFCE), compared to PHP600 million or 9.2 percent of HFCE in 2010.<sup>101 102</sup>



The positive momentum for the sector came to a stop with the outbreak of the COVID-19 pandemic. Tourism in most places ground to a halt resulting from the collapse in international travel and the advent of lockdowns and travel restrictions at both the local and international level. The World Travel & Tourism Council (WTTC) estimated a decline of USD4.9 trillion or 50.4 percent in travel and tourism's contribution to global GDP, with the loss of 62 million or 18.6 percent of jobs in the sector.<sup>103</sup>

The Philippines was no exception, with the country implementing one of the world's longest lockdowns and with foreign tourists only being fully allowed back to the country, subject to vaccination and quarantine requirements, in April 2022.<sup>104</sup>

From 2019 to 2020, tourism's contribution to the economy dropped by 63.4 percent to PHP917 billion, employment in the sector dropped by 18.1 percent to 4.7 million, foreign tourist arrivals dropped by 82.9 percent to 1.5 million, and domestic travelers dropped by 78.2 percent to 10 million (see Table 12).



<sup>100</sup> John D. Forbes, "Arangkada Philippines 2010: A Business Perspective," *The Arangkada Philippines Project*, 2010, <http://www.investphilippines.info/reports/arangkada-2010.pdf>.

<sup>101</sup> 2010 Philippine Tourism Satellite Accounts, Philippine Statistics Authority

<sup>102</sup> 2019 Philippine Tourism Satellite Accounts, Philippine Statistics Authority

<sup>103</sup> Travel & Tourism Economic Impact 2021, World Travel & Tourism Council

<sup>104</sup> Office of the Press Secretary. "Philippines is now open to all fully vaxxed foreign tourists starting April," OPS website, March 25, 2022. [https://ops.gov.ph/news\\_releases/philippines-is-now-open-to-all-fully-vaxxed-foreign-tourists-starting-april-1/](https://ops.gov.ph/news_releases/philippines-is-now-open-to-all-fully-vaxxed-foreign-tourists-starting-april-1/)

**Table 12. Tourism Direct Gross Value Added, Inbound Tourism Expenditure, and Employment of Tourism Industries, 2019-2021**

	2019	2020	2021
Tourism Direct Gross Value Added	PHP2.5 trillion	PHP917 billion	PHP1 trillion
Foreign Tourist Arrivals	8.2 million	1.4 million	146 thousand
Domestic Travelers	46.4 million	10.1 million	13.3 million
Source: 2019, 2020, and 2021 Philippine Tourism Satellite Accounts, PSA			

As of 2022, it appears the worst of the pandemic is over and the sector is on the way to recovery. The WTTC estimates annual growth of travel and tourism to average 5.8 percent from 2022 to 2032, outpacing the 2.7 percent annual growth of global GDP forecasted for the period.<sup>105</sup> Of the 126 million new jobs WTTC forecasts to be created between 2022 and 2032, 2.8 percent or 3.5 million is expected to be created in the Philippines—making it 6th highest in the world behind China (25.5 percent), India (20.4 percent), the US (5.3 percent), Indonesia (4.2 percent), and Thailand (2.8 percent).<sup>106</sup>

Two weeks into the start of the term of his term, President Ferdinand Marcos, Jr. declared during one of first Cabinet meetings that his administration intends to transform tourism into a “major pillar” of economic growth<sup>107</sup>. In the same meeting, Department of Tourism Secretary Christina Frasco outlined the objectives of her agency as it develops the sector:

- Improve tourism infrastructure and accessibility;
- Enable cohesive and comprehensive digitalization and connectivity;
- Enhance overall tourist experience;
- Equalize tourism product development and promotion;
- Diversify portfolio through multi-dimensional tourism; maximization of domestic tourism; and
- Strengthen tourism governance through close coordination with local government units and stakeholders

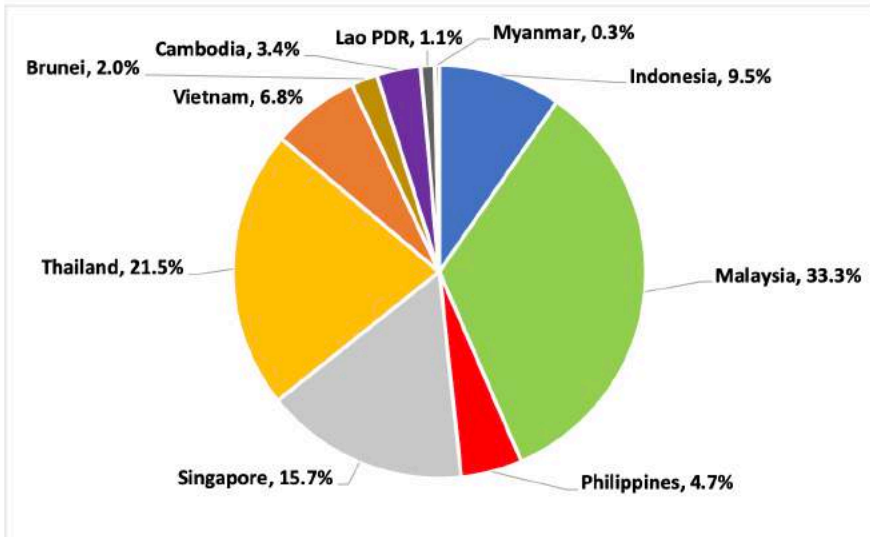
Key constraints and challenges will have to be addressed in order for tourism in the Philippines to recover from the pandemic and to return to, or even exceed, the pattern of pre-pandemic growth experienced by the sector.

Low share of tourist arrivals in the Philippines relative to peers in ASEAN continues to be an issue. In 2019, the country received just 5.8 percent of all international tourist arrivals in the region, slightly up from 4.7 percent in 2010, but still the lowest among the ASEAN-6 and 6th overall among all ASEAN countries (see Figures 45 and 46). In comparison, Vietnam increased its share from 6.8 percent in 2010 to 12.5 percent in 2019, overtaking Indonesia as the 4th largest recipient of international tourists in the region.

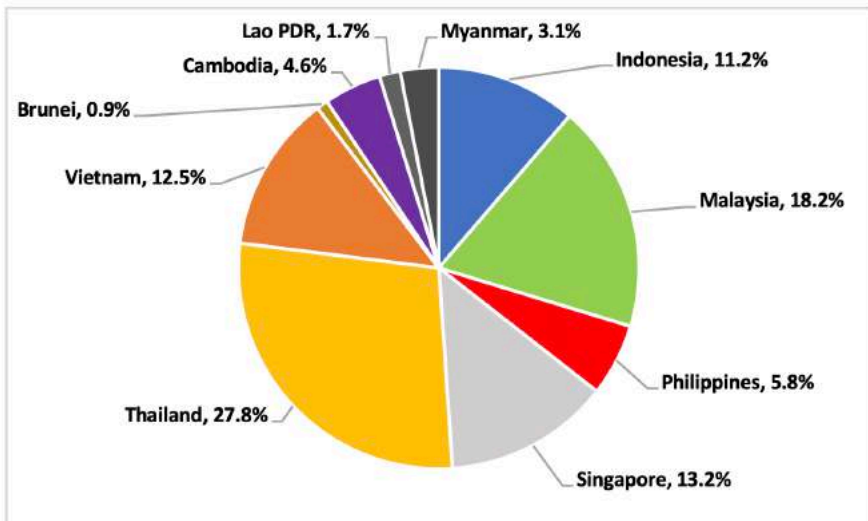
<sup>105</sup> *Travel & Tourism Economic Impact 2022, World Travel & Tourism Council*

<sup>106</sup> *Ibid.*

<sup>107</sup> Joyce Ann L. Rocamora, “Tourism ‘major pillar’ of economic growth under Marcos,” *Philippine News Agency*, July 18, 2022. <https://www.pna.gov.ph/articles/1179129>

**Figure 45. International Tourist Arrivals to ASEAN 2010**

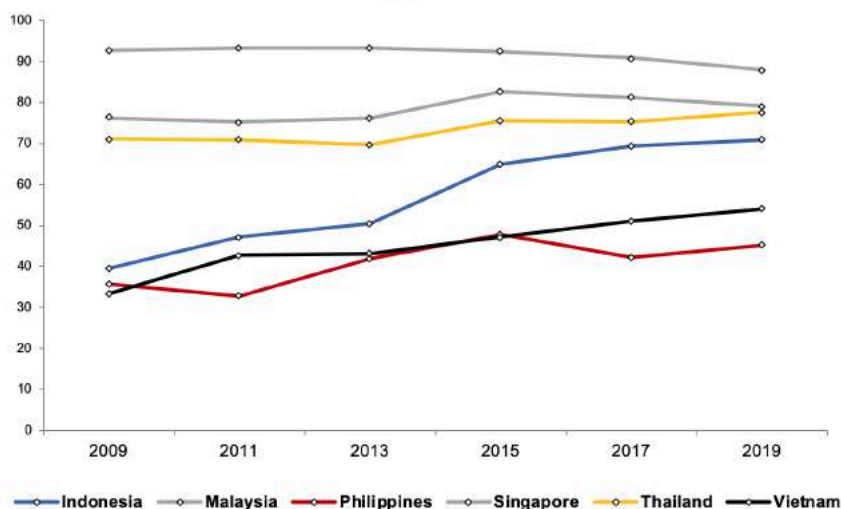
Source: ASEAN Statistics Division

**Figure 46. International Tourist Arrivals to ASEAN, 2019**

Source: ASEAN Statistics Division

Despite significant growth in the sector over the last decade, the Philippines continues to lag behind its ASEAN peers. In the five editions of the WEF's Travel and Competitiveness Report published from 2009 to 2019, the Philippines' performance in the Travel and Tourism Competitiveness Index (TTCI) ranked last among the ASEAN-6 save for 2009 and 2015 (see Figure 47). Even in 2021, when the TTCI was redesigned into the Travel and Tourism Development Index (TTDI), the Philippines continued to rank last among the ASEAN-6. The country's 3.7 score in the TTDI was below the Asia Pacific average of 4.2. Indonesia (4.1), Malaysia (4.3), Singapore (5.0), Thailand (4.3), and Vietnam (4.1) were all at or around the Asia Pacific average<sup>108</sup>.

**Figure 47. WEF Travel and Tourism Competitiveness Report, ASEAN-6, Percentile Rankings, 2009-2019**



Source: Travel and Tourism Competitiveness Index 2009-2019, WEF  
 Note: Biennial release; Higher percentile means better position

Philippines ranked lowest in safety and security (103rd out of 117), environmental sustainability (95th), business environment (93rd), and health and hygiene (92nd); while it ranked highest in natural resources (22nd), price competitiveness (28th), air transport infrastructure (40th), non-leisure resources (41st), and cultural resources (62nd).

<sup>108</sup> Travel & Tourism Development Index 2021

Table 13. Philippines Profile in the WEF Travel and Tourism Development Index 2021

	Rank (out of 117)	Score (1 lowest-7 high- est)
<b>Travel and Tourism Development Index</b>	<b>75</b>	<b>3.7</b>
<b>Enabling Environment Subindex</b>	<b>87</b>	<b>4</b>
Business Environment	93	3.5
Safety and Security	103	4.4
Health and Hygiene	92	3.5
Human Resources and Labour Market	63	4.2
ICT Readiness	84	4.4
<b>Policy and Enabling Conditions subindex</b>	<b>61</b>	<b>4.4</b>
Prioritization of Travel and Tourism	78	3.9
International Openness	71	3.5
Price Competitiveness	28	5.8
<b>Infrastructure subindex</b>	<b>75</b>	<b>3.2</b>
Air Transport Infrastructure	40	3.8
Ground and Port Infrastructure	88	2.9
Tourist Service Infrastructure	85	2.8
<b>Demand Drivers subindex</b>	<b>35</b>	<b>3</b>
Natural Resources	22	3.9
Cultural Resources	62	2.2
Non-Leisure Resources	41	3
<b>Sustainability subindex</b>	<b>85</b>	<b>3.8</b>
Environmental Sustainability	95	3.7
Socioeconomic Resilience and Conditions	69	3.8
Demand Pressure and Impact	63	4

Source: Travel and Tourism Development Index 2021, WEF



### Arangkada Recommendations

In November 2019, roughly four months before the tourism sector was brought to a standstill by the COVID-19 pandemic, the *Arangkada* Philippines Project published a policy brief on tourism that focused on two key aspects: 1) sustainable and inclusive tourism and 2) seamless travel.<sup>109</sup> Focus was given on these two aspects in order to provide a fresh look on how to measure tourism growth in the era of digital information and increased globalization. It sought to emphasize that tourism is a vital force to alleviate poverty, protect the environment, preserve culture, and promote intercultural understanding.<sup>110</sup>

As the Philippine tourism sector recovers its pre-pandemic growth, a focus on sustainability, inclusiveness, and mobility is even more important. In transitioning from the TTCI to the TTDI, the World Economic Forum noted the expanding role of sustainability and resilience in travel and tourism growth and the need to focus more attention on tourism's role in broader economic and social development to mitigate COVID-19's impact.<sup>111</sup>



<sup>109</sup> Aileen C. Clemente, Rolando Cañizal, Cherry Lyn S. Rodolfo, "Tourism", *The Arangkada Philippines Project*, November 2019

<sup>110</sup> *Ibid.*

<sup>111</sup> World Economic Forum. "Travel & Tourism Development Index 2021: Rebuilding for a Sustainable and Resilient Future", May 2022

The recommendations from the 2019 policy brief are listed here in full given their continuing relevance as the country faces the challenging task of reviving the tourism sector and as the government formulates a new National Tourism Development Plan for 2023 to 2028:

#### Sustainable and Inclusive Tourism 1: Resource Management

1. Establish a destination management system to provide information on carrying capacity, land use, infrastructure, and planning.
2. Conduct comprehensive capacity building on sustainable and inclusive tourism for LGUs, NGAs, businesses and enterprises, and community organizations.
3. Invest in low-carbon and resource-efficient tourism infrastructure, such as waste treatment, water, power, among others.
4. Integrate tourism in land use plans at the provincial and municipal/city levels.

#### Sustainable and Inclusive Tourism 2: Destination Stewardship

1. Strengthen convergence on sustainable tourism at national and local levels.
2. Convene the regular or annual meeting of the TCC (Tourism Coordinating Council).
3. Promote sustainable consumption and production.
4. Encourage innovation in the management of tourism enterprises to ensure competitiveness.

#### Sustainable and Inclusive Tourism 3: Workforce Development

1. Conduct regular review of tourism and hospitality courses.
2. Institutionalize policies for the reskilling, upskilling, and training of tourism workforce for the future.
3. Strengthen research and data monitoring on new skills and jobs for the future.
4. Strengthen industry, academe, and government linkages.

### Seamless Travel 1: Mobility Improvement

1. This involves enactment of legislation to separate conflicting functions of transport agencies, which includes:
2. Creation of the Philippine Transportation Safety Board for independent investigations and safety promotion.
3. Amendment of the Civil Aviation Authority of the Philippines Act.
4. Creation of a Philippine Airports Authority to handle all commercial and development functions.
5. Amendment of the Philippine Ports Authority Charter to shift its regulatory functions to a new agency.
6. Develop common transport terminal facilities close to airports and seaports.
7. Sustain the development of airport infrastructure.
8. Upgrade of sea vessels.
9. Improve monitoring of licenses.
10. Adopt low carbon and resource efficient transport (e-vehicles).
11. Expand options of travelers and provision of softscape infrastructure.
12. Adopt 24/7 operation of all major airports, seaports, and transport terminals.
13. Amend the 1940 Immigration Act to professionalize and make the Bureau of Immigration responsive to needs of the State for border protection, while at the same time enabling the growth of tourism and investment.
14. Improve the quality of passports.
15. Increase bilateral and multilateral agreements on visa relaxation and adoption of common visa.

### Seamless Travel 2: Data Integration and Sharing

1. Integrate data gathering protocols at various levels of government and move to almost real-time levels of reporting.
2. Promote the use of technology for better data management and facilitate business transactions.
3. Implement the Advance Passenger Information System (APIS) that will allow for transmission of necessary data elements of a traveler in advance of arrival of an aircraft or ship to the destination state for proper clearance or vetting especially for immigration and border control purposes.
4. Implement reforms in visa processing for foreign tourists, such as eVisa and third-party processing agent.
5. Implement reforms in the Travel Tax through process simplification to address the efficient processing of Travel Tax payment and administration of exemptions and audit of airlines.
6. Enhance current tourism marketing and branding activities taking stock of big data, digital penetration, and multimedia platforms.

### Seamless Travel 3: Workforce Readiness

1. Ensure that technology across education institutions is updated and kept relevant to better prepare the future workforce in the tourism and hospitality industry.
2. Embark on a comprehensive study of the impact of technology and innovation on the tourism industry as a guidepost for manpower planning and formulation of curriculum.
3. Identify critical jobs which skills and competencies can be immediately developed, most especially in new and emerging forms of tourism activities.
4. Strengthen industry, academe, and government linkages.



## Airports

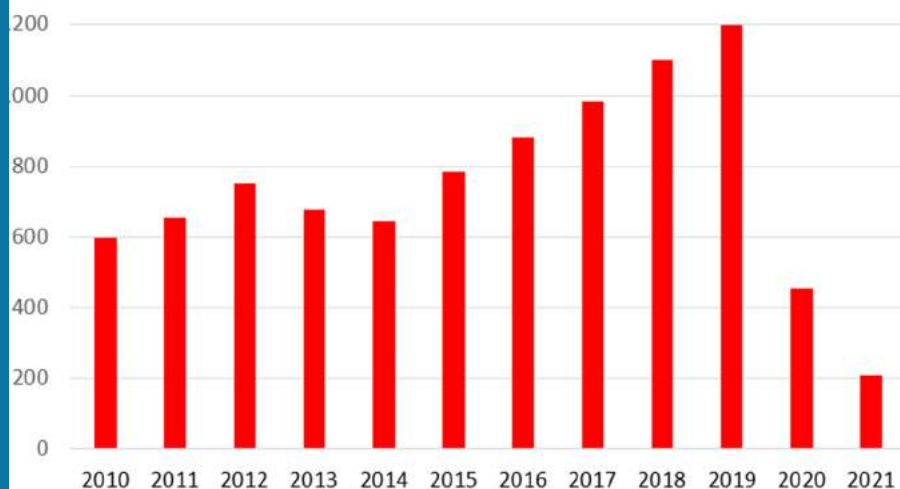
In its 2010 publication, the *Arangkada* Philippines stressed the importance of airports, in tandem with seaports, to an archipelagic country such as the Philippines. We highlighted that airports are crucial for both local and international commerce and travel, in helping unlock the enormous potential of tourism, and stimulating investment, and are an increasingly critical factor for national competitiveness. This was reinforced in two subsequent policy documents released in 2017.

More than a decade later, with domestic and international air travel emerging and recovering from a global pandemic, quality air transportation infrastructure remains an important and pressing concern for the country.

In 2010, 596 thousand aircraft movements and 47.8 million passenger movements were handled by government-owned and controlled airports. By 2019, the last year before the COVID-19 pandemic, aircraft movements increased by 101 percent to 1.1 million, while passenger movements had increased by 96 percent to 93.9 million (see Figures 48 and 49).

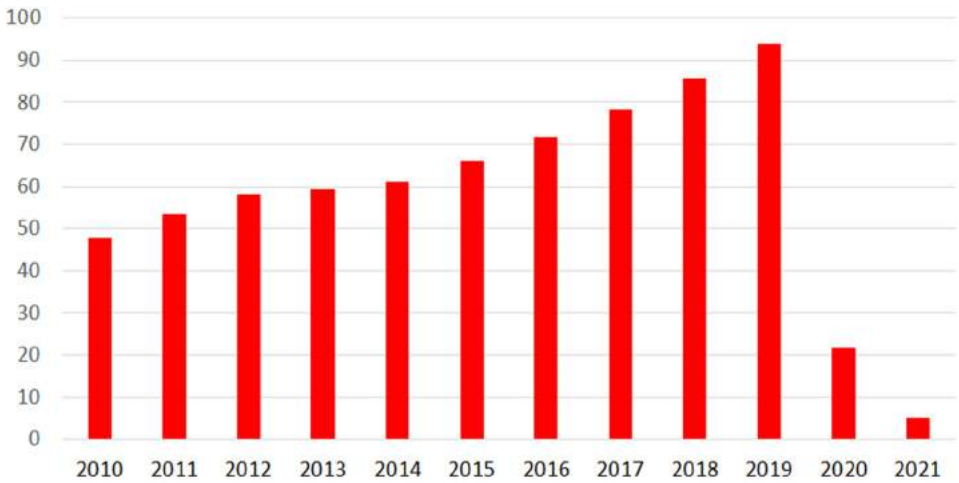
There was a significant decline in 2020 and 2021 due to international and domestic travel restrictions in the wake of the COVID-19 pandemic, with the International Air Transport Association (IATA) forecasting air passenger levels in the country to recover and exceed pre-pandemic levels by 2026.<sup>112</sup>

**Figure 48. Aircraft Movements, Thousands, 2010-2021**



Source: DOTr Air Traffic Statistics, CAAP, MIAA, CIAC/LIPAD, MCIAA

<sup>112</sup> Presentation of IATA Philippines Country Manager Samuel S. David during the JFC Investment Climate Webinar Series: Philippine Airports Update Session 1, May 26, 2022

**Figure 49. Air Passenger Movements, Millions, 2010-2021**

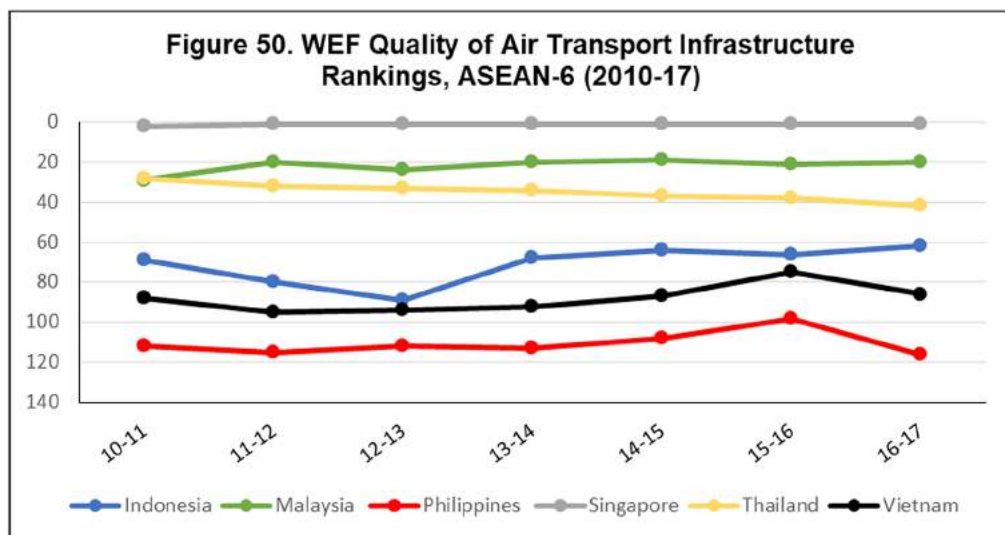
Source: DOTr Air Traffic Statistics, CAAP, MIAA, CIAC/LIPAD, MCIAA

The 2017 *Arangkada* policy brief on airports cited liberalized air transport policies, liberalized charter policy, amendment of commercial annex provisions in air service agreements, opening of new routes, and the opening and utilization of secondary gateways like Mactan-Cebu, Clark, Kalibo, and Iloilo as factors for the expansion of the air transport market in the country.

The Ninoy Aquino International Airport (NAIA) continues to be the busiest airport in 2019, accounting for 25.5 percent (305,622) of aircraft movements and 51.2 percent (48.1 million) of passenger movements. This is compared to 33.5 percent (200,107) of aircraft movements and 56.7 percent (27.1 million) in 2010. Next closest to NAIA was Mactan-Cebu with 8.9 percent (107,794) of aircraft movements and 13.5 percent (12.7 million) of passenger movements in 2019.

In terms of quality of airports, Figure 50 shows that since 2010, the Philippines consistently ranked last among its ASEAN-6 peers in the Quality of Air Transport Infrastructure indicator<sup>113</sup> of the World Economic Forum's Global Competitiveness Index.

The WEF removed the Quality of Air Transport Infrastructure indicator beginning in the 2018 edition of its Global Competitiveness Report, replacing it with the related but not directly comparable Airport Connectivity<sup>114</sup> and Efficiency of Air Transport Services<sup>115</sup> indicators. The Philippines also ranked lowest among the ASEAN-6 in these two indicators (see Table 14).



Source: WEF Global Competitiveness Report 2010-2011 to 2016-2017

**Table 14. WEF Airport Connectivity and Efficiency of Air Transport Services Rankings, ASEAN-6**

Country	Airport Connectivity		Efficiency of Air Transport Services	
	2018	2019	2018	2019
Indonesia	5	5	49	56
Malaysia	20	20	19	25
Philippines	26	26	92	96
Singapore	23	23	1	1
Thailand	9	9	48	48
Vietnam	22	22	101	103

Source: WEF Global Competitiveness Report 2018 and 2019

<sup>113</sup> Weighted average of responses to the question in the WEF Executive Opinion Survey: "In your country, how would you assess the following aspects of transport infrastructure? (c) Air transport infrastructure"

<sup>114</sup> Represents the IATA airport connectivity indicator, which measures the degree of integration of a country within the global air transport network based on number of available seats to each destination weighted by the size of the destination airport

<sup>115</sup> Weighted average of responses to the question in the WEF Executive Opinion Survey: "In your country, how efficient (i.e. frequency, punctuality, speed, price) are air transport services?"



The Department of Transportation (DOTr) reported that, as of May 2022, a total of 250 airport projects were completed under the outgoing Duterte administration.<sup>116</sup> These include major airport projects first planned and awarded even before the term of former President Duterte such as the Bicol International Airport (completed in 2021), Bohol-Panglao International Airport (2018), Clark International Airport O&M (2019), Clark International Airport Terminal 2 (2022), and Mactan-Cebu International Airport (MCIA) Terminal 2 (2018) that were still in various stages of development during the period covered by the WEF rankings. Of particular note is MCIA which has received a number of international design awards.

During President Marcos Jr.'s first State of the Nation Address in July of 2022, he committed to “upgrade our airports and create more international airports to help decongest the bottleneck in the Manila airport” indicating that development of airport infrastructure will be a priority for his administration.

## Key Updates

### ***Multi-airport system policy in the Greater Capital Region and accelerated development of Clark International Airport***

Congestion at NAIA was identified in the 2017 *Arangkada* policy brief on airports as one of the binding constraints to air transport growth in the country.<sup>117</sup> The 48.1 million passengers handled by NAIA in 2019 far exceeded the 30 million combined terminal capacities of the airport. Among the recommendations discussed to address this constraint is the implementation of a multi-airport system policy in the Greater Capital Region (GCR)<sup>118</sup> and the accelerated development of Clark International Airport.

As of 2022, two major airport projects to

service the GCR are underway: New Manila International Airport (NMIA) in Bulacan and Sangley Point International Airport (SPIA) in Cavite. NMIA being developed by San Miguel Corporation and currently undergoing pre-construction activities is a four-runway airport designed to cater to 200 million passengers per year. It is targeted to start operations by 2027.<sup>119</sup>

SPIA, meanwhile, is a two-runway airport with a capacity of 80 million passengers per year and designed to be expandable to four runways with a potential increased capacity of 130 million passengers. Contract for the development of SPIA was awarded to the SPIA Development Corporation in September of 2022.<sup>120</sup> First phase of the project, which includes the completion of the first runway, is targeted to be completed by 2028.

As for Clark, construction of Terminal 2 of Clark International Airport was completed by Megawide-GMR in 2020, with commercial operation starting in May of 2022. The new terminal increased the total capacity of the airport to 12 million passengers per year from 4 million previously. There are also plans for the construction of a second runway which would allow the airport to cater to a higher volume of aircraft movements. The operation and maintenance of the Clark International Airport was also successfully bid out and awarded to the LIPAD Corporation.<sup>121</sup>

<sup>116</sup> Raymond Carl Dela Cruz, “DOTr ‘delivered’ to make Filipinos’ life comfortable: Tugade,” *Philippine News Agency*, May 30, 2022. <https://www.pna.gov.ph/articles/1175486>

<sup>117</sup> *Ibid.*

<sup>118</sup> *National Capital Region, Region III, and Region IV-A*

<sup>119</sup> Public-Private Partnership Center, “New Manila International Airport (Bulacan International Airport) Project Brief,” PPP Center website, accessed October 13, 2022. [https://ppp.gov.ph/ppp\\_projects/new-manila-international-airport-project/](https://ppp.gov.ph/ppp_projects/new-manila-international-airport-project/)

<sup>120</sup> MacroAsia Corporation MAC, SEC Form 17-C (filed September 15, 2022), from PSE EDGE portal, [https://edge.pse.com.ph/openDiscViewer.do?edge\\_no=5bce2fa274937bd33470cea4b051ca8f#download](https://edge.pse.com.ph/openDiscViewer.do?edge_no=5bce2fa274937bd33470cea4b051ca8f#download), accessed October 14, 2022

<sup>121</sup> LIPAD is a consortium comprised of Changi Airports Philippines, Filinvest Development, JG Summit Holdings, and Philippine Airport Ground Support Solutions.

### ***NAIA rehabilitation***

In contrast to the positive momentum for NMIA, Sangley, and Clark, missed opportunity characterizes recent developments at NAIA. Given that operation of alternatives to NAIA—such as NMIA and Sangley—are many years away, the rehabilitation, improvement, and privatization of NAIA were recommended as short to medium-term solutions to improve the country's air transport infrastructure. As of 2022, however, proposals to rehabilitate the airport have failed to materialize.

Two proposals to rehabilitate the airport were submitted in early 2018 by the NAIA Consortium<sup>122</sup> and Megawide-GMR. Original proponent status (OPS) was first granted to the NAIA Consortium in September of 2018 with the NEDA Board approving project in November of 2019. However, in January of 2020, the NAIA Consortium submitted a revised concession agreement in pursuit of a compromise on payment of real property taxes. The consortium later sought further revisions ensure the viability of the project in the wake of the outbreak of the pandemic.

By July 2020, OPS was withdrawn from the NAIA consortium and granted to Megawide-GMR. However, Megawide-GMR would lose its OPS in December of 2020 after MIAA cited supposed financial deficiencies noted by the NEDA-ICC in Megawide-GMR's documentary submission. A motion for reconsideration was denied by MIAA in January 2021. No further proposals to rehabilitate NAIA would be entertained by MIAA for the duration of Duterte's term.

In August 2022, DOTr Secretary Jaime Bautista indicated that rehabilitation of NAIA remains a priority and that the private sector will again be invited to bid for the project.<sup>123</sup> However, it remains unsettled whether the long-term plan will be for the airport to operate alongside NMIA and Sangley or if it will be shut down, and its land sold off and redeveloped once the alternative gateways are fully operational.

### ***Privatization of airport operations and maintenance***

In addition to the development of new and existing airports, another recommendation to improve air transport infrastructure is the privatization of airport operations and maintenance (O&M). Privatization was successfully carried out in Caticlan, Clark, and MCIA. No further airport O&Ms have been privatized as of 2022.

The privatization of O&M for airports in Bacolod-Silay, Davao, Iloilo, Laguindingan, Panglao, and Puerto Princesa was first bid out under a bundled project in 2014.<sup>124</sup> By 2017, the DOTr, under the Duterte administration, decided to unbundle the project and bid out the O&M of each of the airports separately. Each of the projects received unsolicited proposals but negotiations for all six stalled with the onset of the pandemic. Sec. Bautista has stated that the DOTr will continue to pursue PPP for the O&M of regional airports.

The passage of RA No. 11659 or the amendments to the Public Service Act provides further opportunity for the privatization of airport O&M and even ownership as the airport sector (as well as airlines) is among the sectors the law has opened up to 100 percent foreign ownership.

### ***Modernization and strengthening of institutions***

Another recommendation is the modernization and strengthening of institutions through the: 1) amendment of RA 9497 (CAAP Charter) to strengthen CAAP as an agency and separate conflicting functions of CAAP as regulator, operator, and investigator; 2) creation of a Philippine Airports Authority (PAA) that will assume CAAP's current functions of planning, developing, and maintaining all airports; and 3) creation of a National Transportation Safety Board, a non-regulatory and independent agency that will be the primary agency responsible for the conduct of impartial and science-based investigation on transportation-related accidents and incidents.



All three legislative measures failed to pass in the 18th Congress. The farthest the amendments to RA 9497 and creation of a PAA reached was committee-level approval in the House. A bill creating a Philippine Transportation Safety Board was approved by Congress right before the end of the 18th Congress and transmitted to Malacañang for the president's signature. However, it was ultimately vetoed by President Marcos Jr. in July 2022. All three have been refiled in the 19th Congress.

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<sup>122</sup> Consisted of Aboitiz Equity Ventures, Ayala, Alliance Global, Lucio Tan Group, Filinvest Land, JG Summit Holdings, and Metro Pacific Investments with Changi Airports International as technical partner 118 National Capital Region, Region III, and Region IV-A

<sup>123</sup> Darwin G. Amojelar, "DOTR open to new PPP offers for NAIA upgrade," *Manila Standard*, August 12, 2022. <https://manilastandard.net/business/transport-tourism/314251647/dotr-open-to-new-ppp-offers-for-naia-upgrade.html>

<sup>124</sup> Miguel R. Camus, "6 provincial airports bundled into PPP," *Philippine Daily Inquirer*, December 16, 2014. <https://business.inquirer.net/183618/6-provincial-airports-bundled-into-ppp>

## Power

Achieving reliable, affordable, and sustainable electricity remains a challenge in the Philippines. As early as March 2022, peak power demand in Luzon already reached 11,513 megawatts (MW) or just 88 MW short before surpassing the 11,601 MW recorded in May 2021<sup>125</sup>. Energy demand is expected to increase as the Philippine economy reopens following months under stringent lockdowns, with estimate on annual power consumption likely to grow up to 145.1 terawatt-hour (TWh) by 2030.<sup>126</sup> To this end, the Philippine government is targeting to increase the share of renewable energy in the country's power generation mix to ensure energy security.

The *Arangkada* Philippines Project produced policy documents in 2017<sup>127</sup> and 2019<sup>128</sup> with proposed measures to improve capacity, promote competition, and accelerate the country's transition to renewable energy (RE). This subsection on infrastructure provides an overview of key indicators of the Philippine power sector based on latest available data and reviews the extent to which progress has been made specific to the sector's policy and regulatory landscape.



<sup>125</sup> Lenie Lectura, "Luzon power demand rise," *BusinessMirror*, March 24, 2022, <https://businessmirror.com.ph/2022/03/24/luzon-power-demand-rises/>.

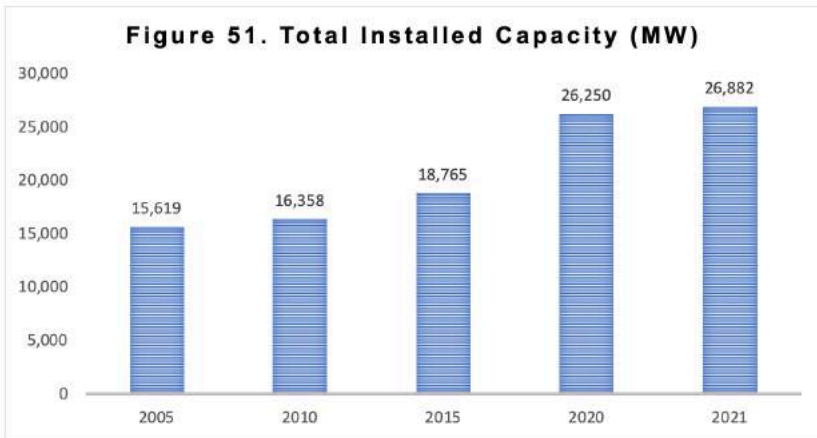
<sup>126</sup> GlobalData, "Philippines power capacity expected to grow more than twofold by 2030, says GlobalData," April 16, 2021, <https://www.globaldata.com/philippines-power-capacity-expected-grow-twofold-2030-says-globaldata/>.

<sup>127</sup> The Arangkada Philippines Project, "Implementing the Ten-Point Socio-Economic Agenda of the Duterte Administration," September 14 2017, <http://www.investphilippines.info/arangkada/arangkada-philippines-implementing-the-ten-point-socio-economic-agenda-of-the-duterte-administration/>.

<sup>128</sup> J.V. Emmanuel de Dios, Lorenz V. Dela Cruz, Bienvenido Oplas Jr., "A Policy Brief on the Philippine Power Sector," *The Arangkada Philippines Project*, November 2019, <http://www.investphilippines.info/arangkada/wp-content/uploads/2019/11/TAPP-Policy-Brief-No.-13-Power-11212019.pdf>.

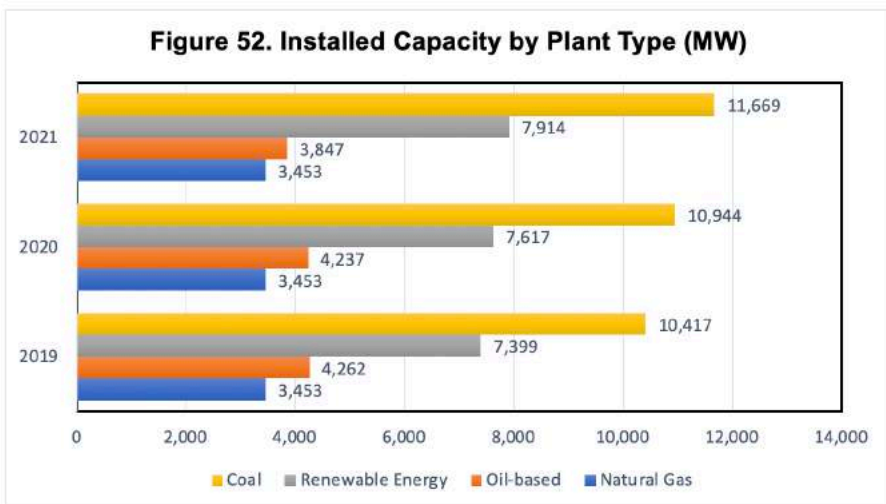
## Overview

According to the annual power statistics released by the Department of Energy (DOE), total installed capacity<sup>129</sup> of the Philippines in 2021 was at 26,882 MW, slightly higher than the 26,250 MW posted in 2020 (see Figure 51).<sup>130</sup>



Source: 2021 Power Statistics, Department of Energy

Coal generated the highest in 2021 at 11,669 MW followed by renewable energy or RE (7,914 MW); oil-based (3,847 MW); and natural gas (3,453 MW) (see Figure 2). Besides coal, contribution of RE sources also increased from 7,617 MW in 2020 to 7,914 MW in 2021. Hydro generated the most at 3,752 MW followed by geothermal (1,928 MW); solar (1,317); biomass (489); and wind (427) (see Figure 52).



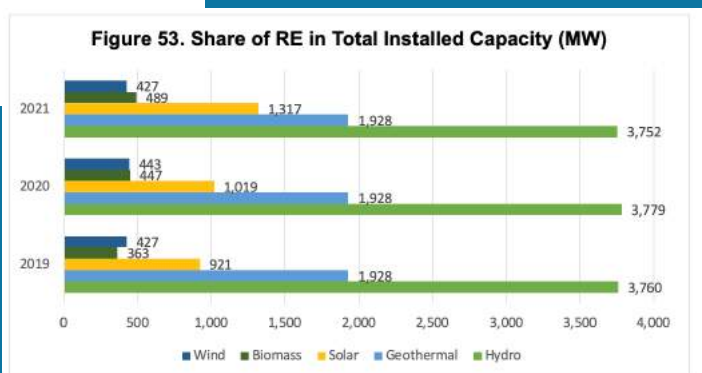
Source: 2021 Power Statistics, Department of Energy

<sup>129</sup> Installed capacity refers to the maximum amount of electricity that a generating station can produce over a certain period.

<sup>130</sup> Department of Energy, "Power Statistics 2021," June 30, 2022,

[https://www.doe.gov.ph/sites/default/files/pdf/energy\\_statistics/2021\\_power\\_statistics\\_01\\_summary.pdf](https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/2021_power_statistics_01_summary.pdf).

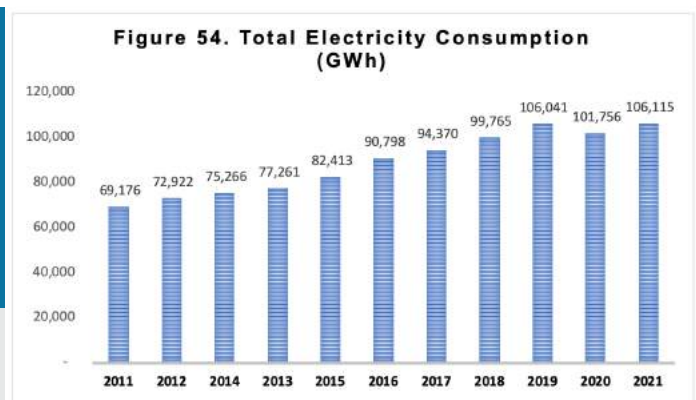




Source: 2021 Power Statistics, Department of Energy

Total electricity consumption rebounded in 2021 at 106,115 gigawatt-hours (GWh) versus the 101,756 GWh posted in 2020—with the steep demand a result of months under stringent lockdown and reduced to no activity in commercial and industrial sectors. Except for 2020, electricity consumption over the past decade continued to increase in the Philippines (see Figure 54).

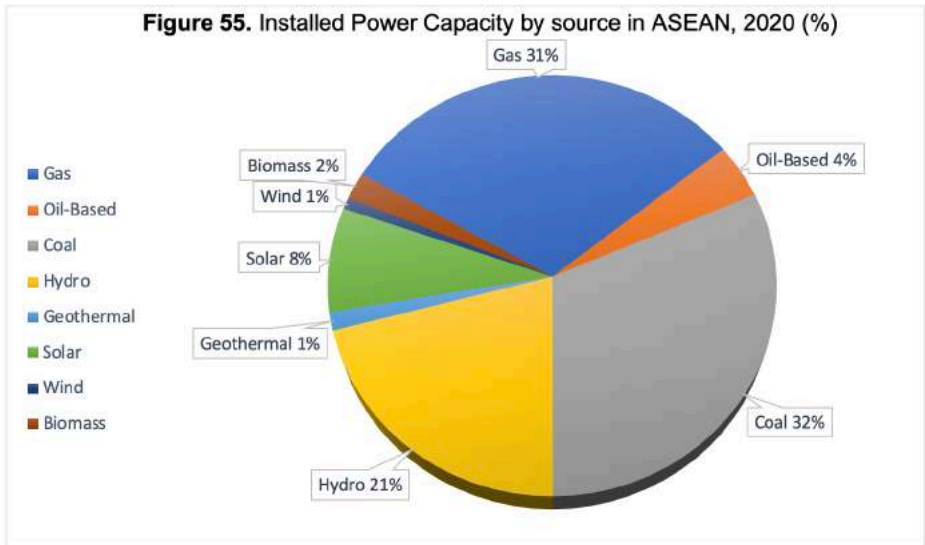
The DOE is targeting to add 7,910.96 MW in capacity to the country's energy mix by 2027, which will consist of 46.8 percent coal-fired plants; 38.71 percent natural gas; 11.39 percent RE; and 6.67 percent oil-based.<sup>131</sup>



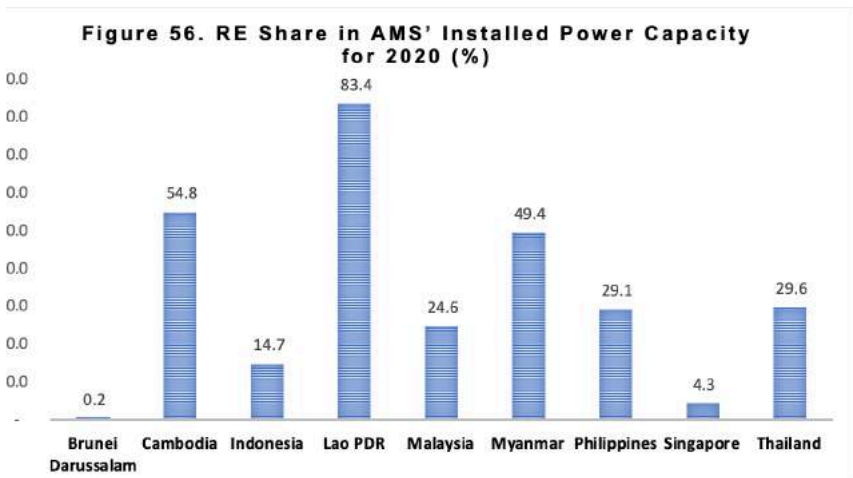
At the regional level, electricity demand in Southeast Asia has grown at an average of more than 6 percent over the past 20 years, with Indonesia, Vietnam, Thailand, and Malaysia accounting for more than 80 percent of total demand in the region according to the International Energy Agency.<sup>132</sup>

Data from the ASEAN Centre for Energy (ACE) showed that the total installed power capacity of ASEAN member states (AMS) was at 285 gigawatts (GW) in 2020. Indonesia contributed the highest installed capacity at 24.9 percent of the total share. This was followed by Vietnam (24.1 percent); Thailand (17.3 percent); Malaysia (12.1 percent); and the Philippines (9.2 percent).<sup>133</sup>

While coal and gas remain the dominant energy sources, the same report noted that about 82 percent of the new capacity in ASEAN for 2020 was renewable. This brings the total regional RE share at 33.5 percent—or just 1.5 percent short of ASEAN's RE target of 35 percent for 2025—with most of the increase attributed to hydro and biomass (see Figures 55 and 56).<sup>134</sup> ACE projects that fuel mix in ASEAN by 2025 will consist of 62.4 percent fossil fuels and 37.6 percent renewables.<sup>135</sup>



Source: ASEAN Power Updates, September 2021



Source: ASEAN Power Updates, September 2021

*Arangkada* Philippines produced policy documents in 2017 and 2019 with proposed measures to improve capacity, promote competition, and accelerate the country's transition to RE. The following discussion reviews the extent to which progress has been made specific to the sector's policy and regulatory landscape.

One of the recommendations raised has to do with minimizing the bureaucratic red tape at the national and local government levels for independent and RE power producers. Central to this is the implementation of RA 11234, or the Energy Virtual One-Stop Shop (EVOSS) Act, which was enacted in March 2019. This led to the establishment of the EVOSS System, an online portal that allows for the coordinated submission and synchronous process of data and information on energy application projects and requests for permits or certifications relative to new power generation, transmission, or distribution projects. In July 2021, former President Rodrigo Duterte signed Executive Order 143 for the creation of the EVOSS Task Group to enhance the implementation of the EVOSS System by conducting routine performance reviews and assessments of its overall implementation.<sup>136</sup>

*Arangkada* noted that the Philippines' transition to clean and sustainable energy sources will be contingent upon achieving the targets indicated in the National Renewable Energy Plan (NREP) and removing the foreign equity restriction in the implementing rules and regulations of the 2008 Renewable Energy Act (RA 9513).

The NREP "lays down the foundation for developing the country's renewable energy resources, stimulating investments in the RE sector, developing technologies, and providing the impetus for national and local renewable energy planning that will help identify the most feasible and least-cost renewable energy development options."<sup>137</sup> For 2020 to 2040, NREP is targeting the share of RE in the country's power generation mix to reach at least 50 percent by 2040.<sup>138</sup>

As of December 31, 2021, a total of 931 MW committed RE projects<sup>139</sup> are expected to operate between 2022 to 2027. These will be composed of solar at 489 MW (54 percent); hydro, 232 MW (26%); geothermal, 116 MW (13 percent); and biomass, 65 MW (7 percent). More than 70 percent of the committed projects will be built in Luzon, while Mindanao and Visayas will account for 13 percent and 10 percent, respectively. Indicative RE projects<sup>140</sup> are also seen as likely to contribute over 27,334 MW within the same period—with the largest share attributed to solar at 14,688 MW followed by wind at 6,473 MW.<sup>141</sup>

Full foreign ownership of RE projects in the country will also enhance prospects for clean energy transition of the Philippines. In September 29, the Department of Justice (DOJ) released Legal Opinion No. 21 series of 2022, which clarified the foreign ownership cap on the exploration, development, and utilization of natural resources for energy projects.<sup>142</sup> According to the DOJ, the Constitutional restriction only applies to resources "that are susceptible to appropriation" and does not include kinetic or inexhaustible energy sources, such as solar, wind, hydro, and ocean or tidal energy.<sup>143</sup> It likewise clarified that "the appropriation of waters, direct from the source, shall continue to be subject to the foreign ownership restriction in the Water Code. [However,] generation plants for the conversion of hydro to power [are] open to foreign ownership."<sup>144</sup>

This opinion now opens the Philippines to more foreign investments in RE projects, which is expected to boost the goal of diversifying the country's energy mix. For its part, the DOE has committed to amend the implementing rules and regulations of RA 9513 to reflect this development.

Another measure proposed by *Arangkada* was stimulating the adoption of electronic vehicles (e-vehicles) in the Philippines to promote a more environment-friendly and energy-efficient alternative to conventional gas-powered vehicles.

RA 11697, or the Electric Vehicle Industry Development Act (EVIDA), lapsed into law in April 2022. EVIDA will serve as the framework for the “manufacture, assembly, importation, construction, installation, maintenance, trade and utilization, research and development, and regulation of electric vehicles”<sup>145</sup> through the creation of the Comprehensive Roadmap for the Electric Vehicle Industry. The DTI is positive that the passage of EVIDA will help attract more investment towards developing a sunrise industry for e-vehicles in the country.<sup>146</sup> Table 15 outlines the fiscal and non-fiscal incentives under EVIDA as compiled by Quisimbing Torres.<sup>147</sup>

Lastly, *Arangkada* recommended creating a solid regulatory framework to determine the potential of nuclear power generation for the Philippines. Duterte signed Executive Order 164 on February 2022, which outlined the National Adoption for a Nuclear Energy Program that would explore the viability of nuclear energy as an alternative baseload power source.<sup>148</sup> The Marcos Jr. administration also plans to reexamine the country’s approach to nuclear energy as stated by the president in his first State of the Nation Address.<sup>149</sup>

<sup>131</sup> Marielle Luceno, “PHL new energy capacity estimated at 7,911 MW by 2027,” *BusinessWorld*, February 27, 2022, <https://www.bworldonline.com/economy/2022/02/27/432528/phl-new-energy-capacity-estimated-at-7911-mw-by-2027/>.

<sup>132</sup> Electricity Market Report - December 2020, “2020 Regional focus: Southeast Asia,” *International Energy Agency*, <https://www.iea.org/reports/electricity-market-report-december-2020/2020-regional-focus-southeast-asia>.

<sup>133</sup> Akbar Dwi Wahyono, Gabriella Ienanto, Beni Suryadi, “ASEAN Power Updates 2021,” *Association of Southeast Asian Nations*, September 8, 2021, <https://aseanenergy.org/asean-power-updates-2021/>.

<sup>134</sup> While hydropower continues to dominate the energy portfolio of Lao PDR, recent developments in the country’s energy sector point to a noticeable shift from hydro to coal power. For more information, see Kamnikar Petchkaew, “Unraveling the Mystery of Laos’ U-Turn from Renewables to Coal to Power the Battery of Southeast Asia,” *Earth Journalism Network*, January 14, 2022, <https://earthjournalism.net/stories/unraveling-the-mystery-of-laos-u-turn-from-renewables-to-coal-to-power-the-battery-of>.

<sup>135</sup> Wahyono, Ienanto, and Suryadi, *ASEAN Power Updates 2021*

<sup>136</sup> Angelica Yang, “New task group to focus on streamlining permit process for energy projects,” *BusinessWorld*, July 9, 2021, <https://www.bworldonline.com/top-stories/2021/07/09/381249/new-task-group-to-focus-on-streamlining-permit-process-for-energy-projects/>.<sup>137</sup> Department of Energy, “National Renewable Energy Program 2020-2040,” [https://www.doe.gov.ph/sites/default/files/pdf/announcements/nrep\\_2020-2040.pdf](https://www.doe.gov.ph/sites/default/files/pdf/announcements/nrep_2020-2040.pdf)

<sup>138</sup> *Ibid.*

<sup>139</sup> The DoE describes committed projects as those already in the advanced stage of development (e.g., financially secured, final permitting procedures, ongoing construction, testing and commissioning) with firm target commercial operation dates.

<sup>140</sup> Indicative projects are those still in the early stage of development with no firm commercial operation dates yet.

<sup>141</sup> Department of Energy, *National Renewable Energy Program 2020-2040*, p.37

<sup>142</sup> Department of Justice, *Opinion 21 Series of 2022 re: the Maximum maximum foreign equity participation allowable in the exploration, development and utilization (EDU) of solar, wind, hydro and ocean or tidal energy resources under Section 2, Article XII of the Constitution*, September 29, 2022, [shorturl.at/xyA17](https://shorturl.at/xyA17)

<sup>143</sup> *Ibid.*

<sup>144</sup> Jordeene Lagare, “Foreigners can own 100% of renewable energy projects – DOJ,” *Philippine Daily Inquirer*, October 3, 2022, <https://newsinfo.inquirer.net/1674047/foreigners-can-own-100-of-renewable-energy-projects-doj>.

<sup>145</sup> Kyle Aristophere T. Atienza, “Duterte signs electric vehicle measure into law,” *BusinessWorld*, April 26, 2022, <https://www.bworldonline.com/economy/2022/04/26/444782/duterte-signs-electric-vehicle-measure-into-law/>.

<sup>146</sup> Department of Trade and Industry, “Passage of EVIDA to make PH more attractive for hi-tech investments,” May 7, 2022, <https://www.dti.gov.ph/archives/news-archives/passage-evida-make-ph-more-attractive-hitech-investments/>.

<sup>147</sup> Quisimbing Torres, “Philippines: The Electric Vehicle Industry Development Act (EVIDA), Republic Act No. 11697, lapses into law,” *BakerMcKenzie*, May 10, 2022, <https://insightplus.bakermckenzie.com/bm/tax/philippines-the-electric-vehicle-industry-development-act-evida-republic-act-no-11697-lapses-into-law>.

<sup>148</sup> *The Official Gazette*, “Executive Order No. 164,” February 28, 2022, <https://www.officialgazette.gov.ph/downloads/2022/02feb/20220228-EO-164-RRD.pdf>.

<sup>149</sup> Gabriel Pabico Lalu, “Time is ripe to examine state policy on nuclear energy, says Bongbong Marcos,” *Inquirer.net*, July 25, 2022, <https://newsinfo.inquirer.net/1634390/time-is-ripe-to-examine-state-policy-on-nuclear-energy-says-bongbong-marcos>.

Table 15. Incentives under the Electric Vehicle Industry Development Act (EVIDA)

Fiscal Incentives	Non-Fiscal Incentives
<p>The manufacture and assembly of EVs, charging stations, batteries and parts and components thereof shall undergo an evaluation process to determine its (i) inclusion in the strategic investment priority plan and (ii) possible entitlement to the incentives for the length of time as provided under the amendments introduced by the Corporate Recovery and Tax Incentives for Enterprises Act or CREATE (R.A. No. 11534) to the Omnibus Investments Code of 1987 (Executive Order No. 226) and National Internal Revenue Code of 1997 (R.A. No. 8424).</p> <p>The importation of completely built EVs shall generally be entitled to incentives under the TRAIN Act (R.A. No. 10963).</p> <p>The importation of completely built charging stations shall be exempt from the payment of duties for eight years from the effectivity of EVIDA.</p> <p>The utilization of battery EVs and hybrid-EVs shall be entitled to a discount of 30% and 15%, respectively, from the payment of the motor vehicle user's charge, vehicle registration and inspection fee for eight years from the effectivity of EVIDA.</p>	<p>Priority registration, priority renewal of registration and issuance of a special type of vehicle plate.</p> <p>Exemption from the mandatory unified vehicular volume reduction program, number-coding scheme or other similar schemes implemented by different government agencies.</p> <p>Expeditious processing of applications and renewals for the franchise to operate public utility vehicles for operators that are exclusively utilizing EVs.</p> <p>Expeditious processing by the Bureau of Customs of the importations of EV manufacturers and importers.</p> <p>Permit for foreign nationals to be employed under technology transfer agreements, subject to the guidelines of the relevant government agencies.</p>

Source: Quisimbing Torres





Photo from Pixabay

## Roads and Rail

One of the greatest challenges faced by previous administrations has been expanding the network of roads and rails in the Philippines. As the country experiences higher economic growth and with a rise in the population in urban centers, the need for safe, convenient, and efficient transportation is of utmost importance.

From 2013 to 2017, “inadequate supply of infrastructure” consistently made it into the World Economic Forum (WEF) survey of the top three most problematic factors for doing business in the Philippines (see Table 16). The Duterte administration launched the Build, Build, Build program to address this concern.

**Table 16. Most Problematic Factors for Doing Business, Philippines, 2013-2017**

	2013	2014	2015	2016	2017
Inefficient government bureaucracy	17%	13%	19%	18%	20%
Inadequate supply of infrastructure	21%	16%	17%	18%	18%
Corruption	18%	18%	16%	17%	14%
Tax regulations	9%	13%	12%	8%	11%
Tax rates	6%	10%	10%	11%	9%
Policy instability	7%	5%	8%	7%	8%

Global Competitiveness Report 2017-2018, World Economic Forum

The WEF Global Competitiveness reports also compare the quality of road infrastructure. Figure 57 shows that while the Philippines no longer ranks last in ASEAN-6, much still needs to be accomplished to improve the quality of road infrastructure.

According to data from the Toll Regulatory Board, the Duterte administration successfully completed the construction of 81.48 kilometers (km) of toll road, slightly less than that of the Aquino administration at 82.98 km. The Roads and Rail policy brief published in 2018 by the *Arangkada* Philippines Project recorded a total of 282 km of toll roads and expressways under construction and 796 km planned and proposed across the Philippines. Table X presents an update of the list of major road projects completed, under construction, and under development - either planned or proposed.



**Figure 57. WEF Quality of Road Infrastructure Rankings, ASEAN-6, 2008-2018**

Table 17. Summary of Major Toll Roads and Expressway Completed, Approved, and Proposed/Planned		
	Current road network	Length
1	Tarlac-Pangasinan-La Union Expressway (TPLEX)	89
2	Subic-Clark-Tarlac Expressway (SCTEX)	94
3	Subic Freeport Expressway (SFEX)	9
4	North Luzon Expressway (NLEX)	80
5	Central Luzon Link Expressway ( <i>partial</i> )	18
6	NLEX Harbor Link Segment 8.1	13
7	NLEX Harbor Link Segment 9	2
8	NLEX Harbor Link Segment 10	8
9	Metro Manila Skyway Stages 1 & 2	19
10	Metro Manila Skyway Stage 3	19
11	NAIA Expressway Phase II	8
12	Manila-Cavite Expressway (CAVITEX)	14
13	CAVITEX-C5 Southlink Expressway ( <i>partial</i> )	4
14	South Luzon Expressway (SLEX)	36
15	Muntinlupa-Cavite Expressway (MCX)	4
16	Cavite-Laguna Expressway (CALAX) ( <i>partial</i> )	14
17	Southern Tagalog Arterial Road (STAR)	42
18	Cebu-Cordova Link Expressway	9
	<b>Total current network (km)</b>	<b>482</b>
	Road projects under construction	Length
1	NLEX-SLEX Connector Road	8
2	NLEX Harbor Link Segment 8.2	8
3	Central Luzon Link Expressway ( <i>remaining</i> )	49
4	Southeast Metro Manila East Expressway Phase 1	32
5	CAVITEX – C5 South Link Expressway ( <i>remaining</i> )	3
6	Cavite-Laguna Expressway (CALAX) ( <i>remaining</i> )	31
7	South Luzon Expressway – Toll Road 4	67
8	Bacolod-Negros Occidental Economic Highway (BANOCEH)	39
9	Davao City Coastal Road	17
	<b>Total network under construction (km)</b>	<b>254</b>
	Planned and proposed road network	Length
1	TPLEX Extension to Ilocos	100
2	Pangasinan-Nueva Ecija Expressway	180
3	Dingalan-Capas-Botolan Expressway	190
4	Pacific Eastern Seaboard Expressway (“Luzon Eastern Seaboard”)	227
5	North Luzon East Expressway Phase 1 (La Mesa Parkways)	19
6	North Luzon East Expressway Phase 2	91
7	NLEX-CAVITEX Port Expressway Link	15
8	NLEX-C5 Link Expressway	12
9	C-3 Elevated Expressway	9
10	C5 Expressway	27
11	Pasig River Expressway (PAREX)	19
12	NAIAX Extension	8
13	CAVITEX-Sangley Extension (Sangley Boulevard)	5
14	Laguna Lakeshore Road Network Project	38
15	Cavite-Batangas Expressway (CBEX)	27
16	Cavite-Tagaytay-Batangas Expressway (CTBEX)	50
17	Manila-Taguig Expressway	18
18	South Luzon Expressway TR5	417
19	Iloilo-Capiz-Aklan Expressway Project (ICAEx)	210
20	Metro Cebu Expressway	57
21	Naawan-Opol-Cagayan de Oro City - Villanueva Expressway	76
22	Davao-Digos Expressway	60
	<b>Total network planned and proposed (km)</b>	<b>1,855</b>
	<b>Total potential road network (km)</b>	<b>2,591</b>

Source: Arangkada Infrastructure Tracker, PPP Center, DPWH

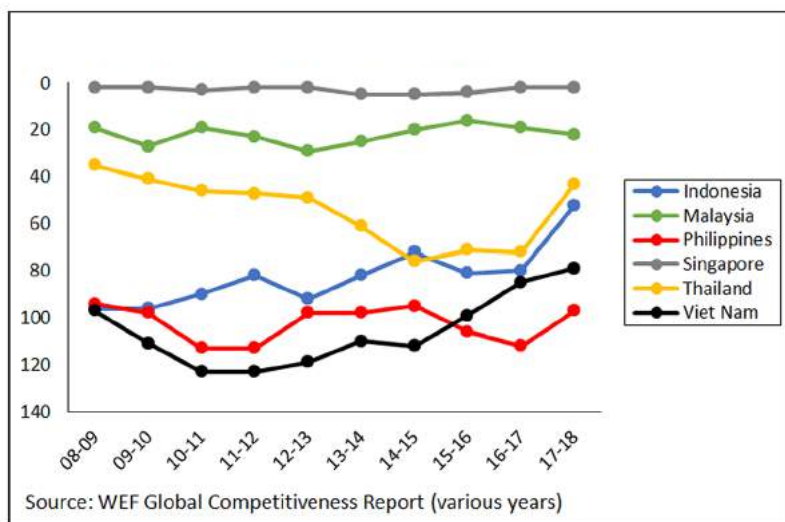
Railways are known as the most efficient mode of transportation, especially in the most populous cities. In ASEAN, the Philippines ranks lowest in the WEF quality of railways indicator (see Figure 58). The Philippines had only 77 km of rail across four railway lines (LRT-1, LRT-2, MRT-3, and PNR) at the start of the Duterte administration. In the last six years, only 4 km of rail, or two additional stations, were added with the completion of the LRT-2 East Extension project.

There are currently four active rail construction projects: LRT-1 Cavite extension (+12 km); MRT-7 (+23 km); PNR North Phase 1 (+38 km); and Metro Manila Subway Phase 1 (+25 km). Completion of these projects will add nearly 100 km of much needed rail expansion in the National Capital Region and the greater Mega Manila area.

The Marcos Jr. administration has expressed interest in bringing in more private sector investment in constructing rail. Currently, most projects are under the Official Development Authority (ODA) through the Japan International Cooperation Agency (JICA) and the General Appropriations Act (GAA) financing. MRT-7 is a project of the San Miguel Infrastructure Corporation.

Among proposed and planned projects that can be taken on by private sector are the LRT-2 West Extension, MRT-4 (Santa Mesa–Taytay thru Ortigas), LRT-6 (to Niog, Cavite), and Cebu light rail projects. The passage of the Public Service Act amendments also enables foreign investment in construction of railway networks.

Figure 57. WEF Quality of Rail Road Infrastructure Rankings, ASEAN-6, 2008-2019



Source: Arangkada Infrastructure Tracker

One of the recommendations in the 2018 Roads and Rail policy brief was the continuity of projects between administrations, which is aligned with the pronouncements of the new Marcos Jr. administration of continuing the priority infrastructure projects of the Duterte and Aquino administrations.

Existing rail network		Length
1	LRT-1 (Roosevelt to Baclaran)	20
2	LRT-2 (Recto to Santolan)	18
3	MRT-3 (North Ave to Taft)	17
4	PNR Commuter	76
Total current network (km)		131
Rail network under construction		Length
1	PNR North South Commuter Rail (Clark-Malolos-Tutuban-Calamba)	147
2	LRT-1 Cavite Extension	12
3	Metro Manila Subway	33
4	MRT-7 (SJDM - North Ave)	22
Total network under construction (km)		214
Planned and proposed rail network		Length
1	LRT-2 West Extension	3
2	LRT-4 (Sta. Mesa - Taytay)	11
3	LRT-6 (Niog to Dasmarinas Cavite)	19
4	MRT-7 Airport Access North Line	30
5	MRT-7 Katipunan Spur Line	13
6	C5 MRT-10	23
7	MRT-11 (Balintawak - SJDM)	18
8	Skytrain (Makati-BGC Monorail)	2
9	Makati Subway	10
10	East-West Rail Project (Diliman, Quezon City to Lerma, Manila)	9
11	PNR Bicol	560
12	Cebu Light Rail	116
13	Cebu Monorail	27
14	Mindanao Railway	1,544
Total network planned and proposed (km)		2,385
Total potential future rail network (km)		2,730

Source: Arangkada Infrastructure Tracker, PPP Center, DOTr



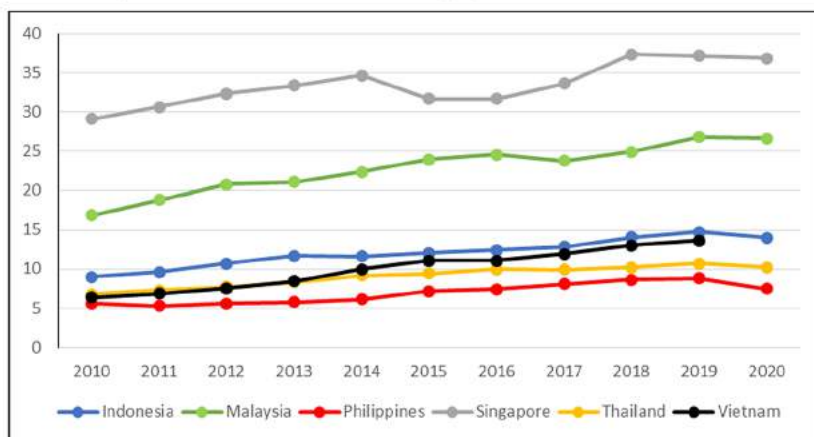
## Seaports

The *Arangkada Philippines 2010* policy book stressed the dependence of the Philippines on seaports because of its archipelagic character compared to countries with large continuous landmasses. It also highlighted that, given the high percentage of domestic and international commerce and travel by sea, the efficiency of maritime transportation became increasingly essential to national competitiveness.

Utilization of Philippine seaports increased since 2010. Container traffic to and from the Philippines increased 34.3 percent from 5.6 million twenty-foot equivalent unit (TEUs) in 2010 to 7.5 million TEUs in 2020.<sup>150</sup> In 2019, the last year before the pandemic, it was higher by 57.8 percent compared to 2010 at 8.8 million TEUs<sup>151</sup> (see Figure 59).

It should be noted, however, that the Philippines has consistently recorded the least volume of container port traffic among the ASEAN-6. Indonesia (14 million TEUs in 2020), Malaysia (26.6 million TEUs in 2020), Singapore (36.8 million TEUs in 2020), Thailand (10.2 million TEUs in 2020), and Vietnam (13.7 million TEUs in 2019<sup>152</sup>) have consistently recorded higher annual container traffic than the Philippines.<sup>153</sup> Most notable among the group is Vietnam, which saw a 112 higher container port traffic in 2019 compared to the 6.4 million TEUs it recorded in 2010—a reflection of the growth and development of its export sector.<sup>154</sup>

**Figure 59. Container Port Throughput, Mn TEUs, 2010-2020**



Source: UN Conference on Trade and Development

<sup>150</sup> UNCTAD, "Container port throughput, annual, 2010-2020", UNCTADstat, <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=13321>, accessed October 14, 2022

<sup>151</sup> Twenty-foot Equivalent Unit

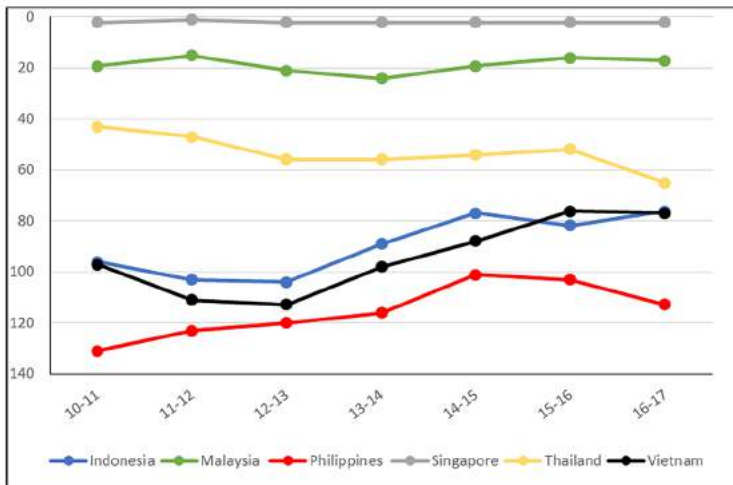
<sup>152</sup> No available UNCTAD data for 2020

<sup>153</sup> *Ibid*

<sup>154</sup> Weighted average of responses to the question in the WEF Executive Opinion Survey: "In your country, how would you assess the following aspects of transport infrastructure? (c) Seaport infrastructure"

In terms of quality of ports, Figure 60 shows that since 2010, the Philippines consistently ranked last among its ASEAN-6 peers in the Quality of Seaport Infrastructure indicator<sup>155</sup> of the World Economic Forum's (WEF) Global Competitiveness Index.

**Figure 60. Quality of Seaport infrastructure Rankings, ASEAN-6, 2010-2017**



Sources: WEF Global Competitiveness Report 2010-2011 to 2016-2017

The WEF removed the Quality of Sea Transport Infrastructure indicator beginning in the 2018 edition of its Global Competitiveness Report, replacing it with the related Efficiency of Ports Services<sup>156</sup> indicator. The Philippines also ranked lowest among the ASEAN-6 in this indicator (see Table 19).

**Table 19. WEF Efficiency of Ports Services Rankings, ASEAN-6**

Country	Efficiency of Ports Services	
	2018	2019
Indonesia	41	36
Malaysia	5	5
Philippines	61	59
Singapore	2	2
Thailand	39	35
Vietnam	20	19

Source: WEF Global Competitiveness Report 2018 and 2019

<sup>155</sup> Weighted average of responses to the question in the WEF Executive Opinion Survey: "In your country, how would you assess the following aspects of transport infrastructure? (c) Seaport infrastructure"

<sup>156</sup> Weighted average of responses to the question in the WEF Executive Opinion Survey: "In your country, how efficient (i.e. frequency, punctuality, speed, price) are seaport services (ferries, boats) (for landlocked countries: assess access to seaport services)?"

The 2018 *Arangkada* policy brief on seaports and shipping stressed that the quality and efficiency of ports are a determining factor for cargo traffic, container traffic, and cost of exporting.<sup>157</sup>

The DOTr reported that, as of May 2022, a total of 579 maritime projects were completed under the outgoing Duterte administration with 163 more ongoing.<sup>158</sup> Included among major pending projects are the New Cebu International Container Port and the Davao Sasa Port Modernization Project.

### *Arangkada recommendations on port development*

The 2018 *Arangkada* policy document prescribed the following recommendations on port development<sup>159</sup>:

1. Certain hub and feeder ports proximate to one another should be connected by barge.
2. The draft of all ports (driven by demand) should be dredged to the needed capacity to accommodate larger vessels.
3. Main ports should be provided with ship-to-shore cranes by their respective operators to avoid the use of ships equipped with cranes, thereby reducing cost. While other main ports already equipped, should be provided with more ship-to-shore cranes.
4. Ship to shore cranes should be shared between international and domestic vessels where available.
5. Refrain from implementing truck bans, which lead to further inefficiencies and increase transportation costs.

Legislative reforms have also been recommended to improve the governance and regulation of ports and shipping. These include:

1. Separating the conflicting functions of the Philippine Ports Authority (PPA) as a developer, operator, and regulator by transforming the PPA into the Philippine Ports Corporation to handle the development, management, and operation of public ports while transferring the regulatory functions to the Maritime Industry Authority (MARINA) or a separate public entity;
2. The redefining and expanding the role of MARINA to protect shippers from financial abuses of international shipping lines, implement safety standards, and monitor compliance of international shipping lines with Philippine laws and international standards;
3. Creation of a National Transportation Safety Board, a non-regulatory and independent agency that will be the primary agency responsible for the conduct of impartial and science-based investigation on transportation-related accidents and incidents; and
4. Passage of the International Maritime Trade Competitiveness Act to strengthen the oversight functions of government agencies over the imposition of shipping charges by international shipping lines and institutionalizes mechanisms for the efficient movement of goods.

As none of these reforms were passed in the 18th Congress, *Arangkada* recommends that these reforms continue to be advocated for in the 19th Congress.

<sup>157</sup> Doris Magsaysay Ho, Henry J. Schumacher, Bettina Bautista, "Seaports and Shipping," *The Arangkada Philippines Project*

<sup>158</sup> Raymond Carl Dela Cruz, "DOTr 'delivered' to make Filipinos' life comfortable: Tugade," *Philippine News Agency*, May 30, 2022. <https://www.pna.gov.ph/articles/1175486>

## Telecommunication

The importance of access to quality telecommunications and internet services was already evident when Arangkada Philippines 2010 was published more than a decade ago. We highlighted that it is vital to the economic growth of the Philippines because of the increasingly significant role it plays in both daily life and the national economy. The global pandemic further accelerated its necessity as a remote alternative to work, study, and socialize along with the wider adoption of online banking, government, and other services, the rise of e-commerce, and an even more increased pervasiveness of social media.

The Philippines' performance in key indicators will show that, despite overall increases in the last decade, improving internet access, affordability, and quality in the Philippines remain challenges that have yet to be addressed.

**Table 20. Mobile Cellular Subscriptions, ASEAN-6, Asia Pacific, and World, 2010 and 2021**

	2010		2021	
	Total (Mn)	Per 100 Inhabitants	Total (Mn)	Per 100 Inhabitants
Indonesia	313.2	130.8	365.9	133.7
Malaysia	44.1	142	43.7	140.6
Philippines	117.8	114.4	149.6	143.4
Singapore	8.2	145.7	8.4	145.8
Thailand	102.9	146.4	116.3	168.8
Viet Nam	120.3	130.5	138.9	138.9
Asia Pacific	2625	67.1	4877.3	112.4
World	5,290	76.6	8647.6	109.9

Source: World Telecommunication/ICT Indicators Database, International Telecommunication Union (ITU)

Mobile phone subscriptions in the Philippines, at 143.4 per 100 persons in 2021, are higher than both the world (109.9) and Asia Pacific (112.4) averages. Among the ASEAN-6, subscriptions per 100 inhabitants in the Philippines are only lower than Singapore (145.8) and Thailand (168.8), while being higher than Malaysia (140.6), Indonesia (133.7), and Vietnam (138.9). Even in 2010, high mobile phone subscription can already be observed in the country (see Table20).



**Table 21. Fixed Broadband Subscriptions ASEAN-6, Asia Pacific, and World, 2011<sup>160</sup> and 2021**

	2011		2021	
	Total	Per 100 Inhabitants	Total	Per 100 Inhabitants
Indonesia	2.7	1.1	12.4	4.5
Malaysia	2.5	8.6	3.7	11.1
Philippines	1.8	1.9	9.7	8.5
Singapore	1.4	26.7	1.5	25.5
Thailand	3.9	5.7	13.1	18.3
Viet Nam	3.8	4.3	19.3	19.8
Asia Pacific	253.2	6.4	727.6	16.7
World	598.0	8.6	1313.2	16.7

Source: World Telecommunication/ICT Indicators Database, ITU

Access to fixed broadband is where the Philippines lags behind its peers. Among the ASEAN-6, the 8.5 fixed broadband subscriptions per 100 inhabitants in the Philippines in 2021 were only higher than Indonesia (4.5) while being well below Malaysia (11.1), Singapore (25.5), Thailand (77.8), and Vietnam (70.3). It is also below the Asia Pacific and world averages (both at 16.7). While access improved compared to 2011, the access in the country remains poor relative to its peers (see Table 21).

**Table 22. Percent of Individuals Using the Internet, ASEAN-6, Asia Pacific, and World, 2010 and 2020**

	2010	2020
Indonesia	10.9	53.7
Malaysia	56.3	89.6
Philippines	25.0	49.8
Singapore	71.0	92.0
Thailand	22.4	77.8
Viet Nam	30.7	70.3
Asia Pacific	25.6	56.6
World	28.5	59.6

Source: World Telecommunication/ICT Inln terms of internet use, 2020 data from the ITU

In terms of internet use, 2020 date from the ITU shows that the percent of individuals using the internet in the Philippines (49.8 percent) is the lowest among the ASEAN-6 and is lower than the Asia Pacific and world averages (see Table 22).

<sup>160</sup> 2010 Philippine data not available



Table 23. Median Download Speed, ASEAN-6 and World, Mbps, September 2022

	Mobile	Fixed Broadband
Indonesia	16.65	22.36
Malaysia	30.65	89.09
Philippines	22.54	78.69
Singapore	75.99	215.83
Thailand	36.91	195.22
Viet Nam	39.48	79.95
World	33.17	71.39

Source: Ookla Speedtest Global Index

As of September 2022, the Philippines has the second slowest median download speed for mobile internet (22.54 Mbps) and the slowest median fixed broadband download speed (78.9 Mbps) among the ASEAN-6 (see Table 23). Slow internet speed is compounded by the relatively higher price that Filipinos pay for the service.

Table 24. Price of Cheapest Plan of Data-Only Mobile Broadband<sup>161</sup> and Fixed Broadband<sup>162</sup>, ASEAN-6, Asia Pacific, and World, USD, 2021

	Data-only mobile broadband	Fixed Broadband
Indonesia	2.71	24.05
Malaysia	8.48	20.28
Philippines	6.21	35.26
Singapore	9.76	35.20
Thailand	8.16	20.44
Viet Nam	1.08	7.77
Asia Pacific	7	21
World	9.3	23.9

Source: ICT Price Baskets, ITU

The cheapest plan of data-only mobile broadband in the Philippines (USD 6.21) is priced higher than the cheapest plans available in most of its peers in the ASEAN-6 aside from Indonesia (USD 2.71) and Vietnam (USD 1.08) and when compared to the median cheapest plan in the Asia Pacific (USD 7) and the World (USD 9.3). When it comes to fixed broadband, however, the cheapest plan in the Philippines is the most expensive among the ASEAN-6 and much higher than the median cheapest plan in the Asia Pacific (USD 21) and the world (USD 23.9) (see Table 24).

<sup>161</sup> Refers to the cheapest plan providing at least 2GB of high-speed data (256Kbit/s) over a 30-day period from the operator with the largest market share

<sup>162</sup> Refers to the cheapest plan providing at least 5GB of monthly high-speed data from the operator with the largest market share

## Key Updates

### Third Telco Player

In order to end the duopoly often cited among the primary reasons for the poor and expensive mobile and internet service in the country, former President Rodrigo Duterte announced in January 2018 his policy to have a third telco selected through a bidding by DICT requiring a joint venture between a local firm with a congressional franchise and a foreign firm. By November of the same year, DICT selected state-owned China Telecom with Mislattel, an old, franchised, and non-operating telco acquired by Davao-based businessman Dennis Uy. Mislattel would later be renamed DITO Telecommunity (DITO). DITO launched commercial operations in March 2021. It claims to have attained a subscriber base of 12 million as of August 2022.<sup>163</sup>

### Public Service Act amendments open the sector to full foreign ownership

The Arangkada Broadband Policy Brief identified also the classification of telecommunications as a public utility as a major barrier to entry constraining the development of the country's telecommunications sector. RA No. 11659, or the amendments to the Public Service Act, passed in March of 2022 removed this barrier.

RA No. 11659 finally provided a definition of public utility and identified specific sectors to be classified as such,<sup>164</sup> clearly distinguishing public utilities from the broader category of public services. With the passage of this major reform, the 60-40 restriction on foreign ownership of public utilities in the Constitution is no longer applied to public services, thereby opening the latter

to full foreign ownership. Of the sectors opened up, perhaps the most significant is telecommunications.

A major hurdle during the deliberation of the measure in Congress had to do with concerns that opening the telecommunications sector to foreign ownership will expose the country to national security risks. To address this, RA No. 11659 also classifies telecommunications as critical infrastructure. Under this classification, foreign state-owned enterprises and entities controlled by or acting on behalf of a foreign government are prohibited from owning capital in a public service classified as critical infrastructure. Foreign nationals are also not allowed to own more than 50 percent of a public service engaged in the operation and management of critical infrastructure unless a reciprocity requirement is satisfied.

Even with the more stringent requirements placed on the sector relative to other public services, this reform can still be expected to allow the much-needed entry of more players and investment in the country's telecommunications sector.

### Common Tower Policy

In May 2020, the DICT issued Department Circular No. 8, s. 2020, which provides guidelines for the regulation, installation, and operation of Shared Passive Telecommunications Tower Infrastructure (PTTI),<sup>165</sup> otherwise known as Common Towers. All PTTIs built, improved, renovated, retrofitted, upgraded, or updated after effectivity are required to provide ample access slots for all telcos and the DICT to co-locate, mount, or install equipment for the rendition of telecommunications and ICT services.

<sup>163</sup> DITO Telecommunity, "DITO hits 12M subscribers," DITO website, August 31, 2022. <https://dito.ph/blog-listing/dito-hits-12m-subscribers>

<sup>164</sup> RA No. 11659 classifies the following as public utilities: 1) distribution of electricity; 2) transmission of electricity; 3) petroleum and petroleum products pipeline systems; 4) water pipeline distribution systems

<sup>165</sup> PTTIs are defined in the circular to refer to all types of outdoor non-electronic telecommunications infrastructure or civil works, including but not limited to towers, masts, poles, and other similar infrastructure as well as facilities auxiliary thereto that are utilized for purposes of mounting antennas, transmitters/receivers, radio frequency modules, and other radio communications systems as macro cell sites for the rendition of ICT services in the telecommunications network. and wastewater pipeline systems, including sewerage pipeline systems; 5) seaports; and 6) public utility vehicles.

The Circular also provided guidelines for the qualification and registration of Independent Tower Companies (ITC) as it seeks to foster and encourage the growth and development of ITCs. As of August of 2022, there are 23 registered ITCs.<sup>166</sup>

The Common Tower Policy outlined in the Circular is in line with the recommendation in the Arangkada Broadband Policy Brief to adopt infrastructure sharing to reduce the cost of cellular tower expansion. Upon the issuance of the Circular, the DICT set the goal of constructing 50,000 common towers in seven years.

### **Inclusive Access to Satellite Services**

In March 2021, former President Duterte issued Executive Order 127, which allowed enfranchised telecommunications entities, Value-Added Service Providers, and Internet Service Providers authorized by the National Telecommunications Commission (NTC) to have direct access to all satellite systems, whether fixed or mobile, international or domestic, to build and operate broadband facilities to offer internet services.

### **Open Access in Data Transmission**

Another recommendation is the passage of the Open Access in Data Transmission Act, which seeks to lower barriers and cost to entry for data service providers and promotes sharing of infrastructure and efficient use of resources through the adoption of an open access model.<sup>167</sup> Among the most significant proposals in the bill is the removal of the congressional franchise requirement for telecommunications companies. The bill was approved on 3rd reading by the House

of Representatives during the 18th Congress but it did not get past the committee level in the Senate. The bill has been refiled in both the House and Senate for the 19th Congress, with both House Speaker Martin Romualdez and Senate President Juan Miguel Zubiri filing their own versions of the bill.

### **Additional Reforms**

The Satellite-based Technologies Promotion Act seeks to further ease regulatory requirements for the use of satellite-based internet technologies, particularly to connect unserved and underserved communities. The Spectrum Management Act seeks to introduce transparency, equity, and competition in radio spectrum management through the creation of a consultative committee to advise on spectrum assignment, the formulation of a spectrum management plan, the conduct of spectrum audits by the NTC, and the conduct of competitive bidding, among other reforms. The Critical Information Infrastructure Protection Act introduces a framework for protecting and promoting cybersecurity through the creation of a cybersecurity body, development of national cybersecurity plan, creation of a Computer Emergency Response Team, and investment in capacity development. All three measures have pending bills in the 19th Congress.

<sup>166</sup> Department of Information and Communications Technology, "Registered Independent Tower Companies (ITCs) as of 15 August 2022," DICT Website. <https://commontower.gov.ph/registered-itc/>, accessed October 16, 2022.

<sup>167</sup> A more detailed discussion of the open access model can be found in the Arangkada Broadband Policy Brief.

## Water

Water security as a policy agenda has become even more pronounced in recent years as a result of the rapid rate of urbanization, climate change, and continued degradation of the environment. The COVID-19 pandemic only magnified the need to ensure access to clean and sufficient water supply for Filipinos. As it stands, the challenge is no longer just confined to better management of water as a natural resource but also investing in climate-resilient and sustainable water infrastructure.

In 2018, the *Arangkada* Philippines Project identified proposals that sought to improve the management of water resources and governance and expand access to water and wastewater services.<sup>168</sup> This subsection on infrastructure provides an overview of recent developments relative to Philippine water sector reform.

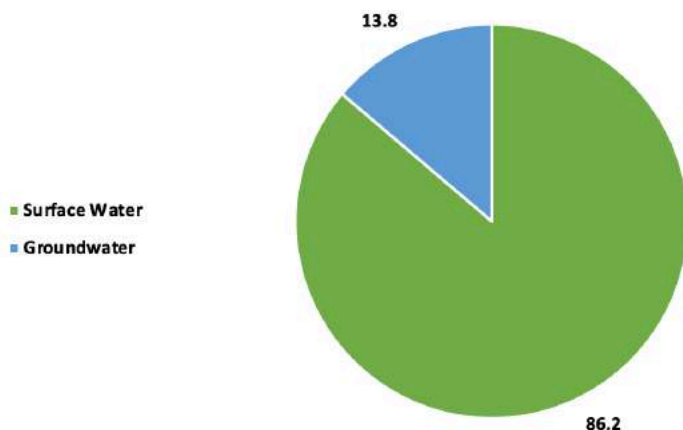
## Overview

According to the National Economic and Development Authority (NEDA), total water resources potential in the Philippines is approximately 145,990 million cubic meters per year (MCM/year)<sup>169</sup> in which total surface water potential is at 125,790 MCM/year and total groundwater potential at 20,200 MCM/year (see Figure 61).<sup>170</sup>

The region with the highest water resource potential<sup>171</sup> was recorded in CARAGA at 18,214 MCM/year followed by Northern Mindanao at 16,859 MCM/year and Western Visayas at 15,343 MCM/year. Overall water availability per capita per annum stood at approximately 1,446 cubic meters (m<sup>3</sup>/year) as of 2015.<sup>172</sup>

Latest available data cited in the ASEAN Statistical Yearbook showed that 95.6 percent of the Philippines' total population had access to improved drinking water in 2019. This is slightly higher than the 93.3 percent recorded in 2017 (see Table 25).<sup>173</sup>

**Figure 61. Total Water Resources Potential (%)**



Source: Philippine Water Supply and Sanitation Master Plan, National Economic and Development Authority

<sup>168</sup> Ramon Alikpala and Chris Ilagan, "A Policy Brief on the Philippine Water Sector," *The Arangkada Philippines Project*, September 2018, <http://www.investphilippines.info/arangkada/wp-content/uploads/2015/09/A-Water-Policy-Brief-on-the-Philippines-July2018-SEPT8.pdf>.

<sup>169</sup> Computed at 80 percent dependability.

<sup>170</sup> National Economic and Development Authority, "Philippine Water Supply and Sanitation Master Plan Abridged Version," September 2021, [https://neda.gov.ph/wp-content/uploads/2021/09/021122\\_PWSSMP\\_Abridged-Version.pdf](https://neda.gov.ph/wp-content/uploads/2021/09/021122_PWSSMP_Abridged-Version.pdf).

**Table 25. Proportion of Population with Access to Improved Drinking Water in ASEAN, 2011-2020 (%)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Brunei Darussalam	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cambodia	50.5	50.7	54.2	54.5	59.2	61.1	64.8	70.9	79.7	-
Indonesia	42.8	42.8	41.1	39.3	71.0	86.4	87.5	87.8	89.3	90.2
Lao PDR	70.0	70.0	-	-	61.4	88.9	77.5	-	-	-
Malaysia	94.4	94.4	-	-	95.1	95.5	96.5	-	95.9	-
Myanmar	-	80.0	78.4	69.5	80.2	81.3	83.9	84.9	86.2	-
Philippines	82.7	82.7	-	-	86.0	83.2	93.3	-	95.6	-
Singapore	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Thailand	99.5	99.3	99.3	99.4	99.3	99.0	99.1	99.4	99.9	-
Vietnam	-	91.0	-	92.0	-	93.4	94.9	95.7	96.3	97.4

“-” = No available data as of publication.

Source: ASEAN Statistical Yearbook 2021, ASEAN Secretariat

Access to improved sanitation among Filipinos also improved in 2019 at 81.1 percent of the total population compared to the 73.6 percent in 2017<sup>174</sup> (see Table 26).

**Table 26. Proportion of Population with Access to Improved Drink Sanitation in ASEAN, 2011-2020 (%)**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Brunei Darussalam	80.0	80.0	-	-	86.7	91.0	92.0	93.0	93.0	93.0
Cambodia	43.6	45.2	51.7	55.9	61.8	72.9	76.0	80.3	80.4	-
Indonesia	55.6	55.6	57.9	-	62.1	71.8	73.1	74.6	77.4	79.5
Lao PDR	57.0	62.0	-	-	73.2	73.8	75.3	-	-	-
Malaysia	98.0	99.3	-	-	99.5	99.7	96.0	-	99.7	-
Myanmar	82.3	80.9	80.0	80.8	-	76.6	78.3	80.4	80.1	-
Philippines	91.6	91.6	-	-	94.0	91.9	73.6	-	81.1	-
Singapore	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Thailand	99.6	99.5	99.6	99.7	99.7	99.5	99.7	99.8	98.7	-
Vietnam	-	77.4	-	80.4	-	83.8	86.4	90.3	92.7	94.0

“-” = No available data as of publication.

Source: ASEAN Statistical Yearbook 2021, ASEAN Secretariat

<sup>171</sup> Computed based on groundwater estimates plus surface water estimates at 80 percent dependability.

<sup>172</sup> NEDA, *Philippine Water Supply and Sanitation Master Plan*, p.6-7

<sup>173</sup> ASEAN Secretariat, “ASEAN Statistical Yearbook 2021,” Association of Southeast Asian Nations, December 2021, [https://asean.org/wp-content/uploads/2021/12/ASYB\\_2021\\_All\\_Final.pdf](https://asean.org/wp-content/uploads/2021/12/ASYB_2021_All_Final.pdf).

<sup>174</sup> *Ibid.*





In September 2018, *Arangkada* released a policy note identifying multi-faceted challenges facing the Philippine water sector. Institutional fragmentation and the lack of a single, cohesive regulatory framework are often cited as main issues that have resulted in conflicting and uncoordinated mandates across the 30 government agencies involved in overseeing around 24,000 water service providers<sup>175</sup> nationwide. The lack of reliable data has also made monitoring progress in water and sanitation in the Philippines more difficult.

To this end, NEDA launched the Philippine Water Supply and Sanitation Master Plan (PWSSMP) to serve as the government's roadmap to achieve "universal access to safe, sufficient, affordable, and sustainable water supply, hygiene, and sanitation by 2030."<sup>176</sup> Its execution is divided into four phases:

- Phase 1 (2019) covers the pre-investment Stage or the approval and adoption of the PWSSMP and Investment Program with no investment costs required.
- Phase 2 (2020 to 2023) and Phase 3 (2024 to 2030) involve the implementation of investment programs within the identified periods.
- Phase 4 (Beyond 2030) considers remaining targets to be implemented after 2030 that would ensure continuity in the improvement of service access and infrastructure, leading towards the culmination of AmBisyon Natin 2040.

One of the key recommendations identified by *Arangkada* seeks to harmonize and streamline governance in the sector. This includes establishing an apex body to coordinate and fulfill policy and reform targets for the Philippine water sector and the appointment of a Water Czar who will oversee the implementation of these restructuring efforts.

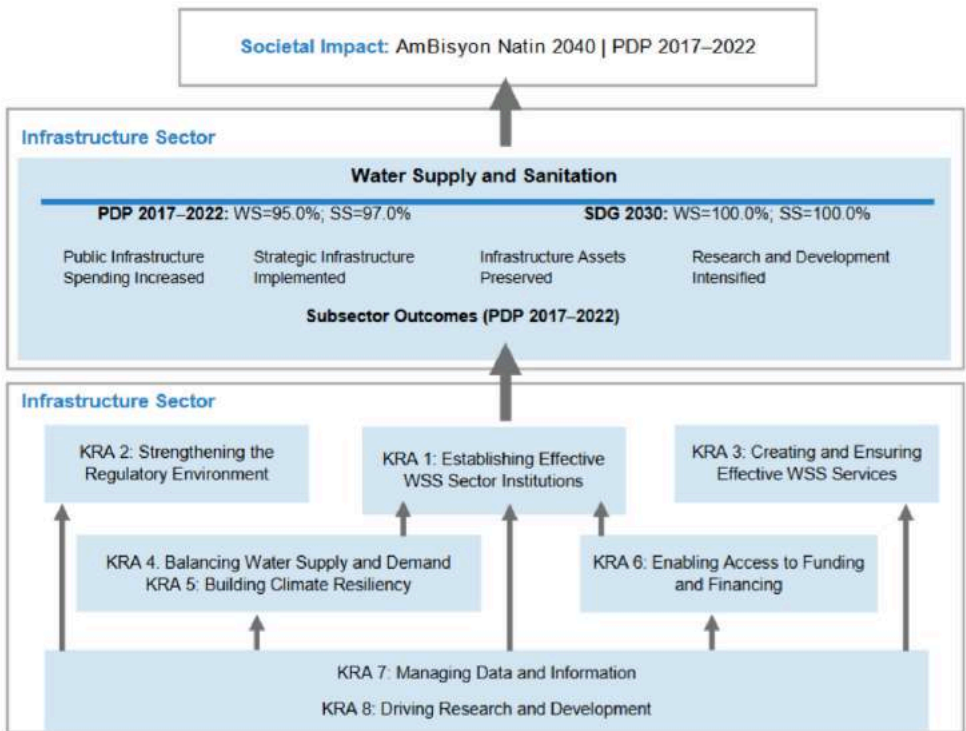
The creation of a Department of Water Resources (DWR) was among the priority measures identified by President Ferdinand Marcos, Jr. in his first State of the Nation Address. In July 2022, Senator Grace Poe refiled Senate Bill (SB) 102, or the National Water Resource Management Act, which identified the DWR as "the primary policy, planning, coordinating, implementing, monitoring, and administrative entity of the executive branch of the government responsible for the comprehensive and integrated development and management of the water resources of the Philippines."<sup>177</sup>

SB 102 also mandates the creation of a Water Regulatory Commission as an independent and quasi-judicial body responsible for overseeing the implementation of regulatory policies on optimal water supply allocation and wastewater service management. This particular provision is also included in the 2018 list of key *Arangkada* recommendations. Among the functions of the Commission would be to issue licenses; review and approve rates; assess and suspend contracts; initiate investigations on erring officials; and ensure that the welfare of consumers is prioritized.<sup>178</sup>

Another *Arangkada* recommendation supports NEDA's plan to rationalize the financing for the Philippine water sector through a Unified Financing Framework for Water Supply and Sanitation. One possible approach would be for private sector funding to be allocated for commercially-viable areas; official development assistance funding would supplement large infrastructure projects to ease the cost shouldered by end-users; and national government funding would cover infrastructure development in remote areas.<sup>179</sup> This blended strategy would be beneficial especially for capital-intensive projects, such as expanding wastewater treatment facilities and other infrastructure requirements.

The overall prospect of a water-secure Philippines may well be within reach through the implementation of the PWSSMP. The creation of the DWR, WRC, and the Unified Resource Allocation Framework (URAF) are part of the PWSSMP's eight key reform agenda (KRA) that focuses on establishing effective WSS sector institutions; strengthening the regulatory environment; creating and ensuring effective WSS services; balancing water supply and demand; building climate resiliency; enabling access to funding and financing; managing data and information; and driving research and development. Figure 62 illustrates the intended outcomes based on these specific reform interventions.<sup>180</sup>

**Figure 62. PWSSMP Results Framework Diagram**



Source: PWSSMP, NEDA

<sup>175</sup> As of December 2018 based on the Listahang Tubig of the National Water Resources Board.

<sup>176</sup> NEDA, Philippine Water Supply and Sanitation Master Plan

<sup>177</sup> Hana Bordey, "Poe refiles bill creating Department of Water Resources," GMA News Online, July 26, 2022, <https://www.gmanetwork.com/news/topstories/nation/839478/poe-refiles-bill-creating-department-of-water-resources/story/>.

<sup>178</sup> Senate of the Philippines, "Poe: Every Filipino should have access to safe, clean water," July 26, 2012, [https://legacy.senate.gov.ph/press\\_release/2022/0726\\_poe1.asp](https://legacy.senate.gov.ph/press_release/2022/0726_poe1.asp).

<sup>179</sup> Alikpala and Ilagan, "A Policy Brief on the Philippine Water Sector", p.23

<sup>180</sup> NEDA, Philippine Water Supply and Sanitation Master Plan, p.25

Achieving the targets for the Philippines water supply and sanitation will require around PHP1.07 trillion over an 11-year period (2020-2030). Of this amount, PHP1.068 trillion will be used for physical investments to cover infrastructure costs, while PHP1.13 billion will be used to carry out the programs and operation plan based on the eight key result areas (KRA)<sup>181</sup> (see Table 27). While majority of the funding requirements will be sourced from the national budget, partnerships with the private sector and other government financing institutions will also be tapped to sustain the long-term implementation of the PWSSMP.

**Table 27. PWSSMP Investment Requirements, 2020-2030  
(in billions, Philippine Peso)**

	2020-2023	2024-2030	Total
<b>Physical Investment Requirements</b>	<b>733.66</b>	<b>334.53</b>	<b>1,068.18</b>
Water Supply	278.07	233.01	511.08
Level III	234.11	216.95	451.06
Level II	37.56	15.32	52.88
Level I	6.40	0.74	7.15
Sanitation	455.59	101.52	557.11
Improved/Basic	349.50	84.02	433.52
Septage	48.89	6.00	54.89
Sewerage	57.20	11.50	68.70
<b>Non-Physical Investment Requirements</b>	<b>0.66</b>	<b>0.47</b>	<b>1.13</b>
Eight KRA*	0.32	-	0.32
Project Management	0.34	0.47	0.81
<b>Total</b>	<b>734.32</b>	<b>335.00</b>	<b>1,069.31</b>

\*Additional investments for the eight KRA for 2024–2030 will be defined at a later stage.

Source: PWSSMP, NEDA





## Chapter 4

# Reform, Rebuild, Recover: The Philippine economy beyond Covid-19

Since its launch in 2010, the *Arangkada* Philippines Project has seen significant improvements to the country's general business environment. An overarching theme in most reform measures proposed by *Arangkada* across different economic sectors is the need to reduce business costs, accelerate human capital development, and encourage more foreign equity participation to promote competition. The importance of achieving these objectives is even more pronounced now as the Philippines recovers from pandemic-induced shocks to its economy over the last two years.

Investors and Philippine business groups welcomed the passage of the Ease of Doing Business Act and establishment of the Anti-Red Tape Authority as part of the government's initiative to reduce the burden of red tape for businesses. To sustain these developments, the government is encouraged to continue its review towards resolving legislations or regulatory provisions that prevent, restrict, or lessen competition.

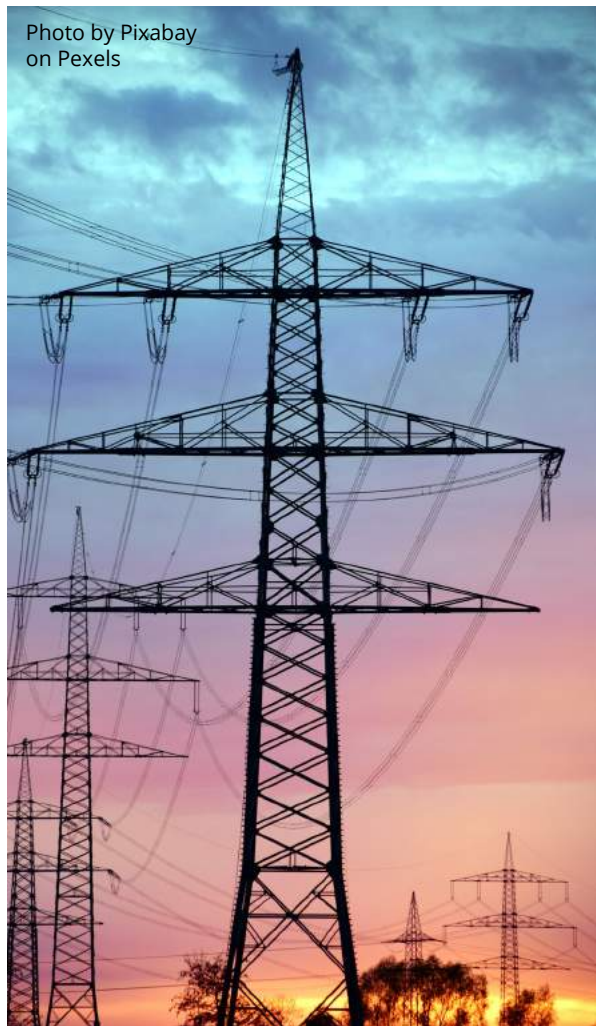
Recent headways in liberalizing the renewable energy (RE) sector will play a crucial role in improving the energy infrastructure and supply landscape in the Philippines. Apart from energy security and affordable electricity, better prospects of transitioning to clean energy will also be beneficial in mitigating the impact of climate change.

While COVID-19 has affected learning outcomes for Filipino students, DepEd has committed to address these gaps through the Basic Education Development Plan 2030. NEDA is also set to come out with the Philippine Development Plan 2023 to 2028

before the end of this year, which will serve as the comprehensive roadmap to address socioeconomic constraints brought about by the pandemic and other external conditions.

Perhaps no other development is as game-changing for the Philippine economy as the passage of amendments to the Public Service Act, the Foreign Investment Act, and the Retail Trade and Liberalization Act. These economic legislation reforms—coupled with investment

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incentives provided by the CREATE Law—are expected to boost economic recovery by attracting more foreign capital, generating more jobs, and modernizing the key services such as logistics, transportation, and digital infrastructure.

Nevertheless, more needs to be done to regain, or even exceed, the country's growth momentum in the coming years. To this end, the Joint Foreign Chambers of the Philippines and its partner Philippines business groups (PBG-JFC)<sup>182</sup> submitted to the Marcos Jr. administration a list of priority and additional reform initiatives that will guide the PBG-JFC in its advocacy initiatives throughout the 19th Congress (see Table 28).<sup>183</sup>

<sup>182</sup> American Chamber of Commerce of the Phils., Inc.; Australian-New Zealand Chamber of Commerce (Phils.), Inc.; Canadian Chamber of Commerce of the Phils., Inc.; European Chamber of Commerce of the Phils., Inc.; Financial Executives Institute of the Philippines; IT and Business Process Association of the Philippines; Japanese Chamber of Commerce and Industry of the Phils., Inc.; Korean Chamber of Commerce of the Phils., Inc.; Makati Business Club; Management Association of the Philippines; Philippine Association of Multinational Companies Regional Headquarters, Inc.; Semiconductors Electronics Industries in the Philippines, Inc.

<sup>183</sup> For more information on the JFC-PBG priority list, see Randall Garcia and Armie Evardone, "Legislation", *The Arangkada Philippines Project*, November 20, 2022

**Table 28. PBG-JFC List of Priority Reform Initiatives for the 19th Congress**

Liberalization of foreign equity restrictions in the Constitution	Amendment is sought to the economic provisions of the Constitution to remove foreign equity restrictions.
Open Access in Data Transmission	Seeks to lower barriers and cost to entry for data service providers and promotes sharing of infrastructure and efficient use of resources.
Ease of Paying Taxes Act	Simplifies and modernizes tax administration in order to increase tax compliance.
Promotion of Digital Payments	Mandates the use of "safe and efficient" digital or electronic mode of payments by all national government agencies, government-owned and controlled corporations, and local government units.
CREATE and PEZA Act Amendments for Hybrid/Flexible Work Schedules	Amendments are sought to allow locators greater flexibility in setting work from home arrangements.
Freedom of Information Act	Provides the parameters and mechanisms for the citizens' access to information in all government offices.
Property Valuation and Assessment Reform	Seeks to introduce reforms to promote the development of a just, equitable, and efficient real property valuation system.
Capital Income and Financial Taxes Reform	Seeks to simplify the taxation of passive income, financial services and transactions; harmonize the tax rates on interest, dividends and capital gains, and the business taxes imposed on financial intermediaries; and rationalize the documentary stamp tax on financial transactions to lessen friction cost and enhance taxpayer compliance.



Build-Operate-Transfer Law amendments/PPP Act	Makes public-private partnership a policy of the Philippine government for infrastructure development; upholds competitive bidding as the core of government procurement policy; discourages the practice of unsolicited bids and negotiated contracts except for infrequent cases; and strengthens the institutional capacity within existing agencies.
Secrecy of Bank Deposits Law amendments	Amends the Secrecy of Bank Deposits Law (RA 1405) to provide an exception that allows the BSP, while acting in the course of its supervisory powers, to examine, inquire, or look into deposits under certain conditions related to unlawful activities.
National Unemployment Insurance	Institutionalizes a National Unemployment Insurance Program, which provides temporary unemployment benefits to protect individuals from the risk of substantial income loss and consumption reduction caused by job loss—at no fault to the worker—while they look for new employment opportunities.
Department of Disaster Resilience	Creates a Department of Disaster Resilience, which will lead the planning, coordination, monitoring, oversight, and implementation of disaster risk and vulnerability reduction and management.
E-Commerce Act amendments	Updates the Electronic Commerce Act to align it with treaty obligations and international best practices, particularly on legal recognition of electronic signatures; formation and validity of electronic contracts; error on electronic communication or electronic document; and the time and place of dispatch and receipt of electronic communications and documents.
Pandemic Protection Act	Aims to adopt efficient and effective measures that will prevent the overburdening of the healthcare system; develop the healthcare and manufacturing industries; preserve and generate employment opportunities during pandemic; ensure adequate and readily available supply of critical products and services to health workers and public; protect the interest of the consumers and establish standards of conduct for business and industry; and build strong partnership with the private sector and other relevant sectors.
Holiday Rationalization Act	Rationalizes the number of non-working holidays to reduce business cost and make it comparable to neighboring countries in the Association of Southeast Asian Nations.
Philippine Airports Authority Act	Creates a Philippine Airports Authority, which will handle the regulation and operation of all airports.
Philippine Ports Authority (PPA) Charter amendments	Amendment is sought to transfer PPA-operated ports to a separate public sector entity.
Intellectual Property (IP) Code amendments	Updates and modernizes the IP code to comply with treaty obligations and adopt international best practices.

Philippine Pension System Portability and Strengthening	Strengthen the Philippine pension system, which includes the improvement of its portability to allow employees to grow their pension fund even if they change employers.
Apprenticeship Program Reform	Further amends the current apprenticeship program to make it more attractive to both enterprises and the prospective apprentices.
Agricultural Lands Ownership Easing Act	Increases landholding ceiling on agricultural land from 5 hectares to 24 hectares and eases restrictions and rationalizes the process on agricultural land transactions.
Commonwealth Act 138 (Flag Act) repeal	Repeal is sought to remove the 15 percent domestic preference in awarding contracts for construction or repair of public works.
International Maritime Trade Competitiveness Act	Strengthens the oversight functions of government agencies over the imposition of shipping charges by international shipping lines and institutionalizes mechanisms for the efficient movement of goods.
Satellite-based Technologies Promotion Act	Eases regulatory requirements for the use of satellite-based internet technologies to connect unserved and underserved communities.



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## THE ARANGKADA PHILIPPINES

📍 7/F, Corinthian Plaza, 121 Paseo de Roxas,  
Makati City, 1229 Philippines  
✉ [arangkada@arangkadaphilippines.com](mailto:arangkada@arangkadaphilippines.com)  
🌐 [www.arangkadaphilippines.com](http://www.arangkadaphilippines.com)

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