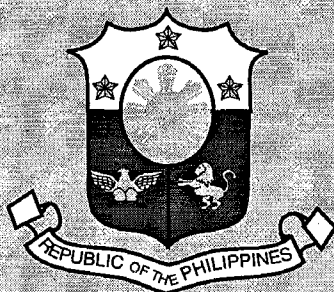
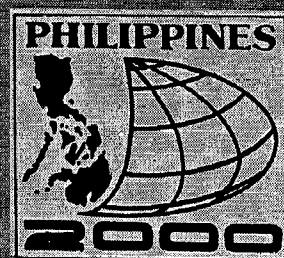


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**UPDATED
MEDIUM-TERM
PHILIPPINE
DEVELOPMENT PLAN
1996-1998**



REPUBLIC OF THE PHILIPPINES
Manila, Philippines

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MESSAGE OF THE PRESIDENT

At the halfway mark of the Medium-Term Philippine Development Plan (MTPDP) for 1993-98, I am proud to report that the Philippines has entered the international arena with a newfound vitality. The Executive, with the support of Congress and the Judiciary, has engineered an economic turnaround that has brought us to the threshold of realizing the long-range goal of Philippines 2000: to transform a still largely agricultural economy into a newly industrializing one.

Over the period 1993-95, we were able to overcome the basic economic weaknesses we inherited upon assuming the Presidency in June 1992. Following the strategy spelled out in the MTPDP, we put in place, as a first step towards stabilizing the economy, a deficit-reduction program.

By working closely with Congress, we were able to reduce the budget gap with a responsible revenue-raising and expenditure-cutting program, using a package of adjustments that kept to a minimum the burden on individuals and groups least able to bear the brunt of the tax enhancements and spending cuts.

We targeted a surplus in the national government budget and realized it. Simultaneously, we instructed key public enterprises to slow down, if not stop, the flow of red ink in their ledgers. We also rationalized government spending on services that had been devolved to local government units.

Moreover, we raised the quality of public investments through a careful selection of projects and by instituting an implementation plan that cut down time and cost overruns, while shielding flagship projects from any possible revenue shortfall. In this connection, I acknowledge with gratitude the enactment by Congress of the Electric Power Crisis Act, which was most effective in resolving the acute electricity shortage the economy struggled with between 1992 and the second half of 1993.

At the same time, having seen the drag imposed on the economy by excessive government intervention, we placed greater reliance on the coordinative ability of private markets guided by a price system. We privatized several public enterprises, including the Philippine National Bank and Petron. We deregulated many industries that for long were hampered by excessive government regulation, such as, telecommunications, interisland shipping and oil and petroleum. We accelerated the liberalization of imports and set the course for the reduction of tariffs up to the year 2004.

To help our exports, we successfully concluded many international and regional trade agreements. The Senate, with the support of the Administration, ratified accession to the World Trade Organization. Our efforts at economic diplomacy, meanwhile, have made the Philippines a key player in the Asean Free Trade Area (AFTA) and in the Asia-Pacific Economic Cooperation (APEC).

To facilitate the transfer of technology and advanced managerial techniques, we further liberalized direct foreign investments. The Executive and Congress, for example, worked jointly in extending the leaseholding period on land by foreigners, and in removing Negative List C from the Foreign Investments Act.

To all these policy reform measures, our countrymen—whether as consumers, investors, workers, owners or managers of firms—have responded positively, thereby putting the economy on a solid footing never before witnessed in our postwar economic history.

In the aggregate, the economy is healthy and vigorous. The national output adjusted for inflation grew by 2.8 percent in 1993, 5.3 percent in 1994, and 5.5 percent in 1995. This sustained output growth over the period 1993-95 permitted the creation of nearly two million jobs, more than 90 percent of which were by the private sector in industry (particularly manufacturing) and services. The country's exports—led by a nontraditional manufactured product group, semiconductors and electronics—have reached new heights and spread out to new destinations. Meanwhile, private investments both from local and foreign sources have increased fast to lay the foundation for long-term productivity growth, the key to the creation of a plenitude of high-wage jobs in the future.

More Filipinos have been able to share in the rewards of a growing economy. The proportion of the employed seeking additional work has declined. This should not be surprising, considering that we already reached our 1998 target of US\$1,000 in per capita income in 1995, three years ahead of the schedule. We need to make sure, however, that the overall rise in the quality of life continue to touch the lives of low-income households. We are encouraged by the fact that the poverty incidence fell from about 40 percent in 1991 to nearly 36 percent in 1994. Our target is to bring this poverty rate down some more to 30 percent by 1998.

These developments in the last three years have placed the economy in a strong position to face the challenges of the 21st century. The updated MTPDP for 1996-98 documents, the unfinished business, the remaining elements of the structural policy reform program that we must complete to maximize the success rate in battling the challenges of the new international economic order.

We must sustain the gains we have made in economic stabilization. Accordingly, we must pursue the tax reform program to its logical end so that the government can efficiently and equitably provide the goods and services it is mandated to supply in a market-reliant economy and decentralized governmental setting.

We will continue to provide a policy environment conducive to productivity improvements. It is productivity that makes enterprises competitive even in the face of rising real wages. To prepare our workers for international competition, we are making additional investments aimed at raising the quality of basic and tertiary education.

To develop a human resource base capable of mastering the new tasks that constantly emerge in a technologically changing world, the components of a lifelong learning are being assembled, including, early childhood development and a vocational-technical education and training


program responsive to the skill requirements of an industrializing economy. These investments in human resource development unlock new economic opportunities for our people and are no doubt potent instruments in the government's fight against poverty.

Recognizing that majority of households in poverty are still caught in rural traditional agriculture, we must hasten the modernization of this sector. The elements of rural industrialization are in place and we must pursue our initiatives here with greater vigor than before. We must encourage farm enterprises to be run like modern business units concerned with cutting costs and adapting to modern technologies. We must institute an environment conducive to the full flowering of off-farm, small and medium enterprises so that they can provide gainful employment during the slack seasons of a monsoon agriculture, and in the process, help stem undesirable rural-urban migration.

Three years of growth have shown the need to make more investments in physical infrastructure, both in the major urban centers and in the regions. The estimates of the financial requirements of our desired infrastructure program in the coming years are huge, and to meet these investment needs, we must expand private participation. We must continue to refine existing policies, as well as the legal and administrative procedures, so that private capital has the incentive to support the government in its infrastructure development program.

Meanwhile, the right-sizing of the government bureaucracy is a continuing concern. We will produce a corps of government workers and managers truly supportive of private economic activities. We will continue to strengthen the legal and judicial system for contractual performance and adjudication of contractual disputes. The government and the private sector need to cooperate to usher in lasting peace and order and national unity, while the government leads in providing security from external aggression. These are preconditions of the new international economic order that must be satisfied so that our country will reap a great portion of the economic opportunities that are unfolding.

The Administration, working in close coordination with the two other branches of government, is committed to meet the challenges of the coming century. I ask our countrymen to share in the responsibilities involved. I want to underscore the importance of hard and productive work, entrepreneurship, savings, and investments in the human capital of future generations, consensus-building on which should not pose any difficulty since these attributes lie at the core of traditional Filipino values.



FIDEL V. RAMOS
President

MALACAÑANG

MEMORANDUM CIRCULAR NO. 113

DIRECTING THE UPDATING OF THE MEDIUM-TERM PHILIPPINE DEVELOPMENT PLAN, 1993-1998 FOR THE PERIOD 1996-1998

WHEREAS, the Medium-Term Philippine Development Plan, 1993-1998, as approved by the National Economic and Development Authority (NEDA) Board on December 15, 1992, shall be the basis for all development activities to be undertaken by the government during the said planning period;

WHEREAS, the development goals of improved quality of life through the twin strategies of international competitiveness and human development remain to be the overriding objectives of the government in the medium-term;

WHEREAS, recent developments such as the World Trade Organization (WTO), World Summit for Social Development, the Social Reform Agenda, and the Technical Education and Skills Development Authority (TESDA), among others, will affect the prioritization and implementation of programs and projects which were originally identified in the Medium-Term Philippine Development Plan;

WHEREAS, there is a need to formulate a strategic plan which will contain a realistic program of action for the remaining three years of the Plan period considering these recent developments and which will ensure that the Plan targets are achieved in 1998.

NOW, THEREFORE, it is hereby ordered that:

SECTION 1. The National Economic and Development Authority (NEDA) shall coordinate the preparation of the Updated MTPDP, 1996-1998. The NEDA Board Committees and the Cluster system shall be tapped as the plan updating committees.

SEC. 2. All government departments, offices and instrumentalities, including local government units (LGUs) shall formulate their respective updated plans for the period 1996-1998.

SEC. 3. The Plan shall contain at least the following basic elements:

1. Revised targets for the next three years;
2. Statement of goals and policies;
3. Priority programs and projects; and
4. Legislative agenda.

SEC. 4. The updated MTPDP, 1996-1998 shall be submitted to the NEDA Board by December 1995.

SEC. 5. All departments, agencies and government-owned and -controlled corporations shall draw inputs from their regional offices considering updated regional development strategies, physical framework and local needs. The regional development component of various department, agency and corporate updated plans shall be consistent with the updated regional development plans.

SEC. 6. All local government units shall likewise consider their respective regional development framework and local needs in the preparation of their own updated plans.

SEC. 7. The private sector shall be consulted to obtain their opinions and positions on matters related thereto.

SEC. 8. The form and content of and the institutional process to be followed in the formulation of the Updated MTPDP, 1996-1998 are contained in the attached guidelines which shall be made an integral part of this circular.

SEC. 9. All agencies and instrumentalities of the government are therefore enjoined to follow these guidelines.

SEC. 10. Funds that are necessary for the attainment of the objectives of this Circular shall be provided by the Department of Budget and Management subject to the usual accounting and auditing requirements.

SEC. 11. This Circular shall take effect immediately.

DONE in the City of Manila, this 31st day of March, in the year of Our Lord, Nineteen Hundred and Ninety-Five.



FIDEL V. RAMOS

By the President:



(Sgd.) TEOFISTO T. GUINGONA, JR.
Executive Secretary

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ACRONYMS

ACTETSME	APEC Center for Technology Exchange and Training for SMEs
AD	Accelerated Depreciation
ADB	Asian Development Bank
AFP	Armed Forces of the Philippines
AFTA	ASEAN Free Trade Area
AIDS	Acquired Immunodeficiency Syndrome
ALS	Alternative Learning System
APEC	Asia-Pacific Economic Cooperation
APT	Asset Privatization Trust
ARCs	Agrarian Reform Communities
ARMM	Autonomous Region of Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
ATEP	Agricultural Technology Education Project
ATO	Air Transportation Office
BARIL	"Bring a Rifle, Improve your Life"
BFAD	Bureau of Food and Drug
BFP	Bureau of Fire Protection
BIMP-EAGA	Brunei, Indonesia, Malaysia and the Philippines-East ASEAN Growth Area
BIR	Bureau of Internal Revenue
BJMP	Bureau of Jail Management and Penology
BOC	Bureau of Customs
BOI	Board of Investments
BOO	Build-Operate-Own
BOP	Balance of Payments
BOT	Build-Operate-Transfer
BSP	Bangko Sentral ng Pilipinas
BTO	Build-Transfer-Operate
CALABARZON	Cavite, Laguna, Batangas, Rizal and Quezon
CAR	Cordillera Administrative Region
CARP	Comprehensive Agrarian Reform Program
CBFMA's	Community-Based Forest Management Agreements
CDLMIS	Contraceptive Distribution and Logistics Management Information System
CEP	Coastal Environment Protection
CEPT-AFTA	Common Effective Preferential Tariff Scheme under the ASEAN Free Trade Agreement
CESB	Career Executive Service Board
CHCA	Comprehensive Health Care Agreement
CHED	Commission on Higher Education
CIDSS	Comprehensive and Integrated Delivery of Social Services
CISD	Critical Incident Stress Debriefing
COA	Commission on Audit
CONSTEL	Continuing Science Education via Television

COP	Committee on Privatization
COPS	Community-Oriented Policing System
CSC	Civil Service Commission
CSCs	Certificates of Stewardship Contract
CSR	Cohort Survival Rate
CSUs	Core Shelter Units
DA	Development Administration
DA	Department of Agriculture
DAP	Development Academy of the Philippines
DAR	Department of Agrarian Reform
DARAB	Department of Agrarian Reform Adjudication Board
DBE	Department of Basic Education
DBM	Department of Budget and Management
DCC	Day Care Centers
DECS	Department of Education, Culture and Sports
DENR	Department of Environment and Natural Resources
DILG	Department of Interior and Local Government
DOE	Department of Energy
DOF	Department of Finance
DOH	Department of Health
DOJ	Department of Justice
DOLE	Department of Labor and Employment
DOT	Department of Tourism
DPWH	Department of Public Works and Highways
DSM	Demand-Side Management
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
EAGA	East ASEAN Growth Area
ECAs	Environmentally Critical Areas
ECE	Early Childhood Experiences
EDCOM	Congressional Commission on Education
EFA	Education for All
EFIP	Educational Facilities Improvement Project
EIA	Environmental Impact Assessment
EO	Executive Order
ERB	Energy Regulatory Board
ERDS	Ecosystems Research and Development Sector
ESC	Education Service Contracting
ESEP	Engineering and Science Program
EVAT	Expanded Value-Added Tax
ExCOM	Executive Committees
FBs	Farmer-Beneficiaries
FIES	Family Income and Expenditure Survey
FLEMMS	Functional Literacy and Exposure to Mass Media Survey
FLMAs	Forest Lease Management Agreements
FMD	Foot-and-mouth disease
FP	Family Planning

FSSO	Foreign Service Staff Office
FTI	Food Terminal Incorporated
GAD	Gender and Development
GASTPE	Government Assistance to Students and Teachers in Private Education
GATT	General Agreement on Tariffs and Trade
GATT-UR	Uruguay Round of the General Agreement on Tariffs and Trade
GATT-WTO	General Agreement on Tariffs and Trade-World Trade Organization
GDP	Gross Domestic Product
GFI	Government Financial Institutions
GIR	Gross International Reserves
GIS	Government Information System
GIST-NET	Government Information Sharing Technology Network
GNP	Gross National Product
GNs	Growth Networks
GO	Government Organization
GOCCs	Government-Owned and Controlled Corporations
GOLs	Government-Owned Lands
GTEB	Garments and Textile Exports Board
GVA	Gross Value-Added
GWH	Gigawatt-hours
HDMF	Home Development Mutual Fund
HEIs	Higher Education Institutions
HES	Human and Ecological Security
HIGC	Home Insurance and Guarantee Corporation
HIV	Human Immunodeficiency Virus
HRD	Human Resource Development
HUDCC	Housing and Urban Development Coordinating Council
IALDM	Integrated Approach to Local Development Management
ICAO	International Civil Aviation Organization
ICBP	Integrated Capability Building Program
ICC-IAD	Indigenous Cultural Communities-Integrated Area Development
ICG	Internal Cash Generation
IEC	Information-Education-Communication
IEs	Industrial Estates
IFPs	Industrial Forest Plantation
ILGA	Institute for Local Government Administration
IMF	International Monetary Fund
IPAF	Integrated Protected Area Fund
IPO	Initial Public Offering
IRA	Internal Revenue Allotment
IRAP	Integrated Rural Accessibility Program
IRR	Implementing Rules and Regulations
IT	Information Technology
ITCs	Industry Tripartite Councils
KPAs	Key Production Areas
KRAs	Key Result Areas
LAKASS	Lalakas ang Katawang Sapat sa Sustansiya

LBP	Land Bank of the Philippines
LEDAC	Legislative-Executive Development Advisory Council
LGC	Local Government Code
LGU	Local Government Unit
LIBOR	London Interbank Offered Rates
LMC	Labor-Management Council
LRA	Land Registration Authority
LRMC	Long-run Marginal Cost
LRT	Light Rail Transit
LRTA	Light Rail Transit Authority
LTI	Land Tenure Improvement
LTO	Land Transportation Office
MBN	Minimum Basic Needs
MCH	Maternal and Child Health
MCIA	Mactan Cebu International Airport
MCSMEs	Micro, Cottage, Small and Medium Enterprises
MFPCs	Multisectoral Forest Protection Committees
MMBFOE	Million Metric Barrels of Fuel Oil Equivalent
MMDA	Metro Manila Development Authority
MNC	Multinational Corporation
MTPDP	Medium-Term Philippine Development Plan
MWs	Megawatts
MWSS	Metropolitan Waterworks and Sewerage System
NAPOLCOM	National Police Commission
NAWASA	National Waterworks and Sewerage Authority
NBC	National Budget Circular
NCA	Notice of Cash Allocation
NCC	National Computer Center
NCCA	National Commission on Culture and Arts
NCEFA	National Committee on Education for All
NCIS	National Crime Information System
NDC	National Development Company
NEA	National Electrification Administration
NEAT	National Elementary Achievement Test
NEDA	National Economic and Development Authority
NFA	National Food Authority
NG	National Government
NGAs	National Government Agencies
NGOs	Non-Government Organizations
NHMFC	National Home Mortgage Finance Corporation
NIC	Newly Industrializing Country
NIPAS	National Integrated Protected Area Systems
NITP	National Information Technology Plan
NMYC	National Manpower and Youth Council
NNS	National Nutrition Survey
NOLCO	Net Operating Loss Carry-Over
NPC	National Power Corporation

NSAT	National Secondary Assessment Test
NSC	National Steel Corporation
NSP	National Shelter Program
NSTIC	National Science Teaching Instrumentation Center
NTC	National Telecommunications Commission
NYDP	National Youth Development Plan
O&M	Operation and Maintenance
OCWs	Overseas Contract Workers
ODA	Official Development Assistance
OFWs	Overseas Filipino Workers
OP	Office of the President
OWDC	Overseas Workers Development Center
PAG-IBIG	Pagtulungan sa Kinabukasan: Ikaw, Bangko, Industriya, Gobyerno
PALs	Private Agricultural Lands
PAMBs	Protected Areas Management Boards
PATVEP	Philippine-Australia Technical Vocational Education Programme
PBD	Program Beneficiaries Development
PCCD	Presidential Council for Countryside Development
PCFP	Presidential Commission to Fight Poverty
PCGG	Presidential Commission on Good Government
PCOs	Public Calling Offices
PCSB	Presidential Committee on Streamlining the Bureaucracy
PCSD	Presidential Council for Sustainable Development
PEM	Protein-Energy Malnutrition
PES	Parent Effectiveness Service
PESFA	Private Education Student Financial Assistance
PESOs	Public Employment Service Offices
PEVOTI	Project for Enhancing Vocational Training
PEZA	Philippine Economic Zone Authority
PIA	Philippine Information Agency
PICs	People's Industrial Centers
PIEs	People's Industrial Estates
PLCPD	Philippine Legislative Committee on Population and Development
PNB	Philippine National Bank
PNOC	Philippine National Oil Company
PNOC-EDC	PNOC-Energy Development Corporation
PNP	Philippine National Police
PNR	Philippine National Railways
PO	People's Organization
POPDEV	Population and Development
POs	Postal Offices
PPA	Philippine Plan of Action
PPA	Philippine Ports Authority
PPAN	Philippine Plan of Action for Nutrition
PPGD	Philippine Plan for Gender-Responsive Development
PRE	Population, Resources and Environment
PRESEED	Promotion of Rural Employment through Self-Employment and

	Entrepreneurship Development
PROBE	Project for Basic Education
PSC	Philippine Sports Commission
PSs	Postal Services
PTV	People's Television
R&D	Research and Development
RA	Republic Act
RAICs	Regional Agri-Industrial Centers
RCEFA	Regional Committee on Education for All
RECs	Rural Electric Cooperatives
RGCs	Regional Agri-Industrial Growth Centers
RMAO	Records Management and Archives Office
RORO	Roll on-Roll off
RSTCs	Regional Science Training Centers
S&T	Science and Technology
SDO	Stock Distribution Option
SEDP	Secondary Education Development Project
SEZs	Special Economic Zones
SFRS	Simplified Fund Release System
SHOPC	Socialized Housing One-Stop Processing Centers
SMEs	Small and Medium Enterprises
SRA	Social Reform Agenda
SSIs	Social Security Institutions
STD	Sexually-Transmitted Disease
STEP	Science and Technology Education Plan
SUCs	State Universities and Colleges
TB	Tuberculosis
TBI	Technology Business Incubators
TEC	Teacher Education Council
TEEP	Third Elementary Education Project
TESDA	Technical Education and Skills Development Authority
TFS	Tuition Fee Supplement
TLA/TPSA	Timber License Agreement/Timber Production Sharing Agreement
TMP	Tourism Master Plan
TOSCA	Technical Office for Senior Citizens Affairs
TSI	Timber Stand Improvement
TVET	Technical-Vocational Education and Training
TWG	Technical Working Group
UDHA	Urban Development and Housing Act
UN/JCGP	United Nations Joint Consultative Group on Policy
UNDP-TOKTEN	United Nations Development Programme-Transfer of Knowledge thru Expatriate Nationals
UNFPA	United Nations Fund for Population Activities
UNIDO	United Nations Industrial Development Organization
VAT	Value-Added Tax
WHO	World Health Organization
WISE	Works Improvement in Small Enterprises
WTO	World Trade Organization

Chapter 1
VISION
and
GUIDING PRINCIPLES:
AN OVERVIEW



CHAPTER 1

VISION AND GUIDING PRINCIPLES: AN OVERVIEW

Philippines 2000, which seeks an improved quality of life for all Filipinos, is the main guide to the Updated Medium-Term Philippine Development Plan for 1996-98. Policies and strategies continue to be anchored on the twin strategies of people empowerment and international competitiveness within the framework of sustainable development. Crucial to realizing this development objective is poverty reduction. The estimated 1994 poverty incidence of 35.5 percent is targeted to go down to 30 percent by 1998.

Over the period 1993-95, Philippines 2000 achieved significant economic and social gains. The package of stabilization and structural adjustment measures combined with social and political policy reforms helped bring about this progress.

While much progress has been made, the industrial transformation envisioned under Philippines 2000 is by no means complete at this point. New challenges and opportunities have emerged, brought about by global changes in the economic, social and political spheres. Growth with stability must be sustained, while making sure that the benefits of growth are widely distributed. To achieve this, the various policies and strategies that must be initiated or continued are spelled out in this Updated Plan.

Principles Underlying the Vision

A Competitive Economy. Competition provides incentives to innovate and to be productive. The economic policies of the Administration thus rest on promoting competition and relying on the underlying strengths of competitive markets in directing scarce resources to their most valued uses. The rapid progress in the telecommunications industry, for example, owes a lot to the efforts of the government to enhance competition and reduce government regulation in the sector. Trade and industrial policies are also guided by the principle of open competition. Exposing domestic firms to foreign competition spurs productivity improvements, the key to long-term growth.

A Productive Workforce. To empower people and to raise standards of living, it is important to develop a pool of skilled and productive workers. The Administration has put together a human resource development program that complements private

investments in education, training, health and nutrition. By investing in people, the Administration expects to raise total factor productivity, an important source of long-term growth and the key to high-wage jobs in the future.

A Just, Orderly and Peaceful Society. National unity and peace and order are necessary conditions for sustained growth and development. With peace and order, households and firms will save and invest, fully confident that they will be able to enjoy the fruits of their investments. In case disputes arise, they expect the existing legal and judicial institutions to have thus instituted, among other measures, a comprehensive peace process and stronger legal and political institutions.

People Participation in Development. The Administration seeks consensus in the implementation of various policies and programs. The policies governing the social development objectives of the Plan, such as poverty alleviation, generally involves consultation with the affected sectors. Assistance of community-based and non-governmental organizations (NGOs) with known track records in service delivery and social preparation is sought by the Administration. However, while economic opportunities are created by the government, individuals and groups are expected to exercise personal responsibilities so that the initiatives of government are sustained even after such support has ended.

Good Governance. A competent, honest and impersonal bureaucracy is a precondition for the desired industrial transformation. In the meantime, the respective comparative advantage of the national and local governments will be explored to the fullest in the delivery of social and economic services. The Local Government Code (LGC) has set the course for devolution and decentralization. To realize fully the benefits from this new institutional arrangement, efforts will be sustained to raise the capacity of local governments to carry out the tasks devolved to them.

Organization of the Updated Plan

The Updated Plan serves as a comprehensive guide to the economic and social policy reforms in the next three years. It consists of two parts: (a) an assessment of the country's socioeconomic performance over the last three years vis-a-vis the goals, targets, policies and strategies contained in the Medium-Term Philippine Development Plan for 1993-98; and (b) the policy reforms for implementation in the last three years of the Plan.

The objectives, policies and strategies are organized around the following themes: (a) macroeconomic policies for stability; (b) long-term policies for industrial restructuring; (c) social policy reforms directed toward poverty alleviation and human development; (d) policies for infrastructure development; and (e) policies on development administration.

Chapter 2
MID-TERM
ASSESSMENT
OF THE MTPDP



CHAPTER 2

MID-TERM ASSESSMENT OF THE MTPDP

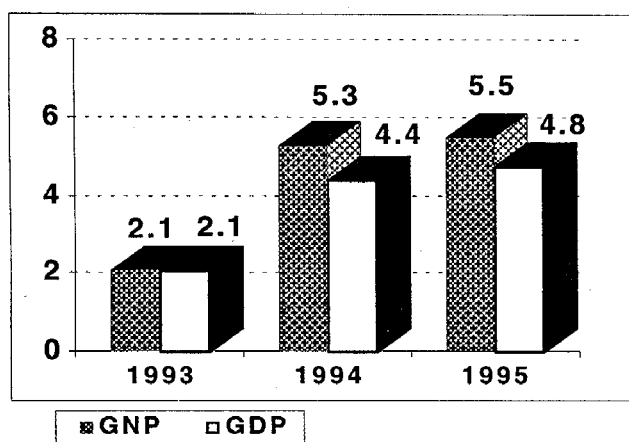
A. PROGRESS AND ACHIEVEMENTS

1.0 MACROECONOMIC PERFORMANCE

Economic recovery was attained in 1993 and sustained throughout 1994 and 1995. The adoption of market-friendly reforms firmed up the conditions for sustained growth. The government further pursued stabilization-cum-structural adjustment measures anchored on the plan objectives of attaining: (a) a sustained and broad-based growth of output and employment; (b) price stability; and (c) a sound balance of payments position.

1.1 Sustained Growth in Output

Figure 2.1
REAL OUTPUT, 1993-95
(In Percent)



Source: National Statistical Coordination Board (NSCB)

The economy staged a strong recovery from the recession of 1991-92. Gross national product (GNP) expanded by 2.1 percent in 1993. This growth was achieved notwithstanding the serious power problem which plagued the country during the period. The unexpected acceleration in GNP was partly due to the recovery of domestic production which, as measured by gross domestic product (GDP), expanded by 2.1 percent. The agriculture and services sectors made

up for the slump in industrial production, particularly in manufacturing, which was badly hit by the power crisis (Table 2.1).

With the resolution of the power supply problem, economic growth accelerated in 1994. GDP expanded to 4.4 percent as targeted. Strong domestic production, together with substantial inflows of income from remittances of overseas contract workers (OCWs), raised GNP growth to 5.3 percent in real terms, exceeding the 3.5-4.5 percent target in the plan.

The economy's growth momentum gained strength in 1995 with the attainment of strong macroeconomic fundamentals. GDP expanded by 4.8 percent despite the emergence of several external and domestic difficulties. Significant net factor income flows from abroad coupled with robust domestic production increased GNP growth to 5.5 percent, keeping in stride with the planned 4-6.5 percent growth for the year.

The growth can be attributed to strong exports and investments, which propelled the economy to recovery in 1993 through 1994. Exports in 1993 grew by 6.2 percent from the 4.3 percent in 1992. With the recovery of the country's trading partners, the volume of exports grew by a robust 19.8 percent in 1994. A deceleration in the export of nonfactor services, however, weighed down total exports in 1995, falling short of the 14.5-16 percent target. Total exports, nevertheless, continued to grow at a double-digit pace led by merchandise exports, rising by 16.2 percent in 1995 from 15.2 percent in 1994. Nontraditional products, namely electronics and components, holiday decor, furniture, seaweeds and marble were among the major export winners during the period, accounting for about 88 percent of exported goods in 1995. The increase in exports could partly be attributed to the incentives granted to exporters, such as increased access to cheaper loans and full retention of their export receipts which compensated for their losses from the exchange rate appreciation.

The government's commitment to structural reforms and its success in maintaining macroeconomic stability, meanwhile, bolstered investments by 8.6 percent in 1994. This is within the 8.3-9.3 percent target for the period, and slightly higher than the 7.9 percent growth in 1993.

To finance these investments, the economy relied mostly on gross domestic savings, which increased from 18.1 percent of GNP in 1993 to 19 percent in 1994 (Table 2.2). Foreign savings consequently declined to 2.6 percent of GNP in 1995 from 4.5 percent in 1994 and 5.4 percent in 1993.

With the increase in average annual incomes, higher demand from newly-created establishments, as well as increased availability of products and services, consumer spending steadily inched up to 3.8 percent in 1995 from three percent in 1993, while staying within plan targets.

1.2 Higher Employment Generation in Industry and Services

The Philippine labor market showed signs of improvement following the sustained recovery of the economy.

The labor force grew at an average of 2.6 percent for the period 1993-95. An annual average of 697,000 entrants joined the labor force as growing optimism over the country's improving economic activities continued to build up. Likewise, majority of the labor force is rural-based, which reflects the need to create more jobs in this area.

Labor demand, on the other hand, has been on the uptrend as more productive and better quality jobs are being generated. Close to about two million jobs were created during the assessment period. The number of workers in higher paid and better quality jobs increased by an average of 3.7 percent in the last three years. This consequently raised the share of wage and salary workers to total employment from 44.2 percent in 1993 to 46.2 percent in 1995. Meanwhile, the number of unpaid family workers declined significantly in 1995 (1.6%).

Furthermore, the recovery of the industry and the services sectors led to higher job creation in 1994 and 1995, generating 503,000 and 784,000 new jobs in industry and services, respectively.

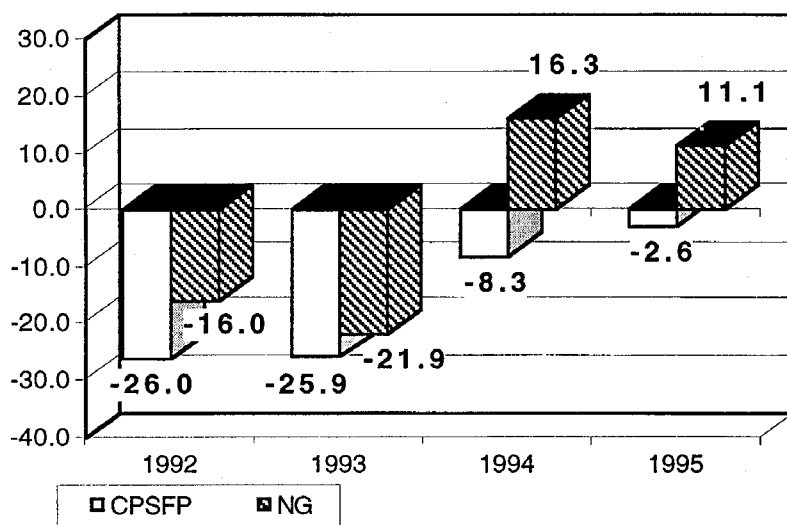
Unemployment, on the other hand, remains a challenge for government and its partners in development as employment generation was insufficient to absorb the growing labor force. In 1995, about nine jobs were created for every 10 entrants. However, despite the shortfall in job creation, the quality of jobs created have improved as reflected by the decreasing underemployment rate.

1.3 Stronger Macroeconomic Fundamentals

The economic recovery in 1993 through 1995 was accompanied by sound macroeconomic fundamentals. The average inflation rate was kept manageable at single-digit levels; the fiscal position was relatively healthy; and the external account recorded surpluses starting in 1994.

Fiscal Sector. The fiscal sector improved significantly since 1993. The consolidated public sector financial position (CPSFP) ended in 1995 with a small deficit of P2.6 billion or 0.1 percent of total output, a huge improvement over the programmed deficit of P20 billion (1% of GNP) and the deficits posted in 1993 and 1994 (Table 2.3). This was largely due to the higher-than-expected nontax collections of the national government (NG) that sustained the surpluses in the last two years and the generally better-than-program performance of the rest of the public sector.

Figure 2.2
FISCAL POSITION, 1992-95
(In Billion Pesos)



Source: Department of Finance (DOF)

The NG, in particular, continued to improve its revenue collection and remained prudent in its public spending. This led to a surplus of P16.3 billion in 1994, an impressive turnaround from the P21.9 billion accumulated deficit in 1993. The surplus in 1994 was sustained in 1995 at P11.1 billion.

Total revenues grew annually by 14.6 percent on the average for the past three years while the revenue effort reached 18.4 percent of GNP in 1995 (Table 2.4). The revenues in 1994 and 1995 were nearly P11 billion more than their targets due largely to nontax receipts which grew by 27.3 percent on the average during 1993-95. These nontax collections exceeded the programmed targets as a result of the fasttracking of the privatization program involving big ticket items and higher collections from other fees and charges. Some of the big ticket items privatized from 1993 to 1995 included the following: (a) Fort Bonifacio (P39.2 billion); (b) Petron Corporation (P25 billion); (c) National Steel Corporation (P15.1 billion); (d) Manila Electric Company (P13.6 billion); (e) Philippine National Bank (P6.5 billion); (f) Paper Industries Corporation (P2.4 billion); (g) International Corporate Bank (P2.2 billion); (h) Philippine Shipyard and Engineering Corporation (P2.1 billion); (i) Oriental Petroleum Minerals Corporation (P1.5 billion); and (j) Philippine National Construction Corporation (P1.5 billion).

The tax effort increased, albeit marginally, from 15.3 percent in 1993 to 15.8 percent in 1995. Collections from direct taxes improved from 33.8 percent of total tax revenues in 1993 to 37.7 percent in 1995. Indirect tax kept pace with the program for



three years with a minimal decline in its contribution to total tax.

Important tax laws were enacted in 1993-95, namely: (a) an increase in the stock transactions tax (RA 7717 signed in May 1994); (b) tariff restructuring after 1995 (EO 189 issued in July 1994); (c) modified rates of import duties on capital equipment and textiles (EO 204 issued in September 1994); (d) declaration and remittance of at least 50 percent of government-owned and -controlled corporations' (GOCCs) annual net earnings (RA 7656 signed in November 1993); (e) documentary stamp tax (RA 7660 signed in December 1993); (f) the 6/3 percent withholding tax on VAT for government contracts (RA 7649 signed in April 1993); (g) excise tax on cigarettes (RA 7654 signed in June 1993); and (h) expanded value-added tax (EVAT) (RA 7716 signed in May 1994).

Cash programming and management were also streamlined during the period to address the delays in release of the budget. National Budget Circular (NBC) 437 and NBC 440 were issued in January 1995, to rationalize and expedite the quarterly releases of Notice of Cash Allocations (NCAs) to various government agencies under the Simplified Fund Release System (SFRS).

Prudence in spending led to the gradual decline in disbursements as a percentage of GNP from 18.8 percent in 1993 to 17.8 percent in 1995. Unlike the previous two years, however, the 1995 expenditure was higher than the target due largely to huge increases in capital spending and net lending. To address infrastructure bottlenecks, capital outlays grew by 19 percent on the average from 1993 to 1995, doubling the average growth from 1987-92. Current operating expenses, on the other hand, grew by only 8.9 percent for the same period. Net lending to corporations was above the program, as it grew by 34.7 percent on the average.

Public investments programmed for 1993-95 reached P282 billion. These include the capital expenditure of NGAs and GOCCs. Programmed investments in infrastructure demanded the most resources due to their intensive capital expenditure requirements. Three-fourths of the total public investments was provided for infrastructure development from 1993 to 1995, averaging P71.2 billion annually. The financing of major infrastructure projects of the government through the Build-Operate-Transfer (BOT) scheme helped ease the pressure on government resources.

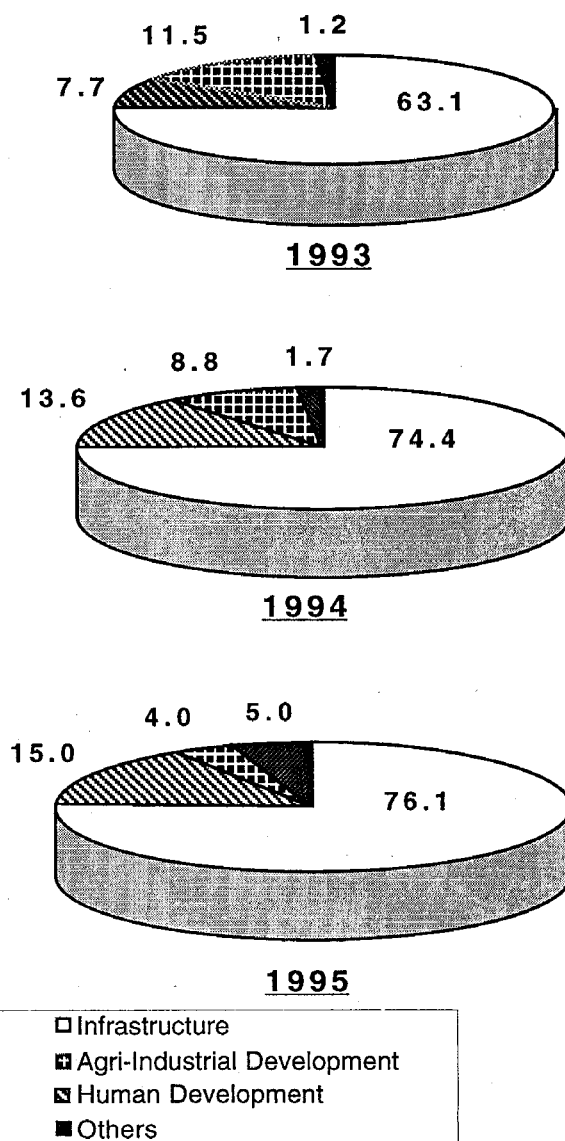
Investments on human development grew consistently from P7.7 billion in 1993 to P15 billion in 1995, in line with the NGAs' programs and projects that were supportive of the Social Reform Agenda (SRA). The share of the agri-industrial development sector, however, declined from 13.7 percent in 1993 to a low of four percent in 1995 due to the decentralization of most of the activities to local government units (LGUs). These include research services, setting up demonstration farms, and incentives for livestock and poultry, and fishing. Other investments which include development

administration and disaster mitigation among others, increased from P1.2 billion in 1993 to about P5 billion in 1995.

Project implementation, specifically of flagship projects, continued to improve alongside the healthy fiscal position. The implementation of flagship projects proceeded without the usual funding program that dogged infrastructure projects in the past. This was made possible through, among others, the expansion of the BOT scheme to accommodate the private sector in the public infrastructure program.

The overall implementation of Official Development Assistance (ODA)-assisted programs and projects also improved as a result of the vigorous facilitative efforts of the government. Some institutional issues, however, still affect implementation of some projects. These include: budgetary shortfalls; right-of-way/relocation problems; cost increases due to delayed project implementation, foreign exchange rate movements, changes in design and price escalation, among others; and extension of implementation period and loan closing dates.

Figure 2.3
PUBLIC INVESTMENTS PROGRAM, 1993-95
(In Billion Pesos)



The combined financial deficit of the government corporate sector, which includes the 14 major nonfinancial GOCCs, the four major government financial institutions (GFIs), and the two social security institutions (SSIs), amounted to P7.8 billion in 1993 (Table 2.5). The portfolio shift of the SSIs for public sector financial instruments to



private sector assets led to the higher deficit in their operations in 1994. The sector, however, made a sterling performance in 1995, posting an overall financing surplus of P3.8 billion, due to the substantial decrease in the deficit of the GOCCs.

On the government corporate sector, lower receipts from operations of the GOCCs were more than offset by the proceeds from the privatization of several big-ticket items, led by Petron. Most corporations reduced their current expenditures due to the appreciation of the exchange rate and lower interest payments and personnel costs, and underspent in capital expenditures. On the whole, the GOCCs posted a combined deficit of only P1.3 billion in 1995, way below the P28.6 billion programmed deficit and the P9.7 billion financing gap recorded in 1994 (Table 2.6).

Money and Prices. Monetary policy generally supported the economic expansion in 1994 and 1995, while keeping liquidity growth within program to contain inflationary pressures. Monetary authorities engaged in active open market operations to sterilize the effect on liquidity of the surge in foreign exchange inflows and smoothen out movements in the exchange rate. The Bangko Sentral ng Pilipinas (BSP) also closely coordinated with the national government to keep its programmed deposit withdrawals from BSP in 1995 on track. Reserve money growth was brought down to 6.2 percent in end-December 1994 from the previous year's 18.3 percent, and to 16.6 percent in 1995. Similarly, domestic liquidity grew by 26.5 percent in 1994 from 24.6 percent in 1993, growing further by 25.3 percent in 1995 (Table 2.7). The growth in liquidity for both years was channelled to credits to the private sector, particularly in manufacturing, real estate, and wholesale and retail trade.

As a result, the inflation rate in both years was kept single-digit at nine percent and 8.1 percent, respectively.

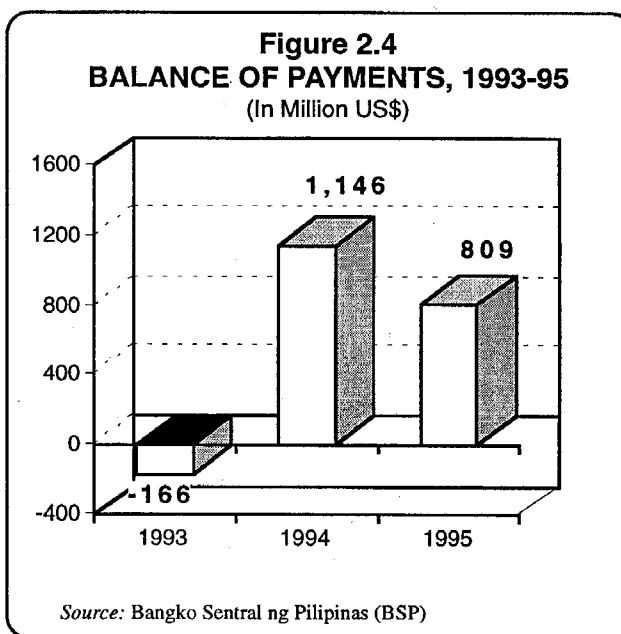
Interest rates generally moved downward in 1994 and 1995. The average 91-day Treasury bill rate fell to 11.3 percent, lower than the 1993 and 1994 averages. The fall in interest rates was supported by the reduction in banks' minimum reserve requirement to 15 percent in May 1995 (plus two percent representing the option to invest in market-yielding government securities purchased from the BSP), slower inflation, an improved fiscal position, and higher levels of savings.

Inflationary pressures were felt in the early part of 1994 due to the upward adjustment in wages in December 1993 and April 1994 in Metro Manila, the hike in domestic oil prices in February, and the power rate increase in April. Prices were generally on the downward trend until the rice supply problem in August 1995.

External Sector. In keeping with the Plan's objective of maintaining a sound balance of payments (BOP) position, the country realized BOP surpluses in 1994 and 1995 amounting to \$1,146 million and \$809 million, respectively, a turnaround from

the \$166 million deficit in 1993. Strong export performance and higher foreign investment inflows contributed to this favorable external position (Table 2.8).

In 1994 and 1995, exports grew by 18.5 percent and 29.4 percent, respectively (Table 2.9). Electronics and garments were on the top spot with earnings of \$5.4 billion and \$2.6 billion, respectively, in 1995. Increasingly, several identified export winners were enlarging their share in total exports, accounting for 70 percent of exports in 1995. These were garments/textile yarns and fabrics, basketwork, holiday decor, decorative ceramics, jewelry, furniture, processed food, marine products, seaweeds, marble, electronics and metal products. These exports registered an aggregate growth of 31.8 percent during the period.



By destination, a large chunk of the country's export products remained headed towards the United States and Japan in 1995, accounting for 35.3 percent and 15.8 percent of the market, respectively. However, due to the sluggish recovery of the Japanese economy, the share of exports to the latter slightly declined from its 1994 level, with other countries taking on the slack. Exports to ASEAN member countries increased by a hefty 63.8 percent in 1995, with those going to Thailand and Singapore rising by 119.5 percent and 40.5 percent, respectively. Exports to Korea and Taiwan, likewise, expanded by 52.1 percent and 25.4 percent, respectively, indicating increasing trade in the Asian region. The United Kingdom, Netherlands and Germany remained the top export markets for Philippine goods in Europe.

On the average, however, imports slightly outpaced exports, reflective of the economy's strong recovery and a more encouraging investment climate (Table 2.10). Raw materials and intermediate goods, and capital goods comprised the bulk of imports, accounting for 77.2 percent and 76.6 percent of total imports in 1994 and 1995, respectively. Major sources of imports were Japan (22.6%), USA (18.4%), Saudi Arabia (6.2%), Singapore (5.9%), Taiwan (5.4%) and South Korea (5.2%).

The trade deficit expanded in 1994 and 1995 from the 1993 level. This was, however, offset by inflows from nonmerchandise trade and withdrawals of foreign



currency deposits. As a result, the current account deficit dropped to \$3 billion in 1994 (equivalent to 4.5% of GNP), and further to \$2 billion in 1995 (2.6% of GNP).

The BOP was buoyed by a surge in foreign investments which swelled by 91.9 percent in 1994, and 49.3 percent in 1995. Short-term capital inflows were also significant in 1994. These net inflows offset the slowdown in medium- and long-term loans due to the postponement of previously scheduled public sector bond flotation and the deferred availment of program loans. The inflow of foreign equity and portfolio investments after the Mexican crisis reflects renewed confidence in emerging markets, as well as the strong fundamentals of the Philippine economy.

The exchange rate policy of the government remained primarily market-oriented but flexible, with the BSP intervening in the foreign exchange market only to minimize unwanted fluctuations in the peso/dollar exchange rate. Simultaneously, open market operations sterilized the effects of the intervention and the capital inflows. In 1994, the large foreign exchange inflows from remittances from Overseas Filipino Workers (OFWs), foreign investments, and withdrawals from foreign currency deposit units caused the peso to appreciate to an average of P26.42:\$1. In 1995, the following external and internal factors, however, caused the peso to depreciate by 7.4 percent: (a) reduction of the forward oil cover from 180 days to only 120 days in December 1994 and by 30 days effective March 1, 1995, which increased the dollar requirements of the three oil companies; (b) the payments of US\$140 million to service the government's Paris Club obligations; (c) rice importations of the National Food Authority (NFA) during the second half of 1995 to build up its buffer stock; (d) the reduction in investment inflows due to the Mexican financial crisis, the increase in US interest rates, and the attraction of Wall Street, which breached the 5,000-point Dow Jones index barrier.

On the average, however, the 1995 exchange rate strengthened to P25.71:\$1 from P26.42:\$1 in 1994, with the Bangko Sentral ending up as a net buyer of foreign exchange in the Philippine Dealing System. OFWs remittances and the inflow of short-term capital due to the Philippines' strong macroeconomic fundamentals caused the peso to strengthen in May, June, July and October.

In other developments in the sector, the Philippines gained Article VIII status with the IMF which signals to foreign investors the country's commitment to maintain current account convertibility and to keep an open and liberal foreign exchange and payments system. In line with this, the BSP last year issued separate circulars which: (a) waived prior approval of foreign loans in order to allow private firms to avail of cheaper sources of financing; (b) removed the requirement to submit a written application to purchase up to \$25,000 from banks for nontrade purposes; and (c) raised the outward and inward remittance of pesos from P5,000 to P10,000.

For better exchange rate management, the Philippines concluded a bilateral

repurchase agreement with Hongkong to access dollars in exchange for US Treasury Bonds in case of huge dollar withdrawals from the country.

The BSP also issued circulars which affected the foreign exchange operations of commercial banks, to wit: (a) setting the ceiling of banks' long foreign exchange position at 20 percent of their unimpaired capital and short foreign exchange position at 10 percent; (b) amending the prescribed debt-to-equity ratios of different industry groups relative to the peso borrowings of foreign firms; (c) authorizing commercial banks to engage in foreign currency-to-foreign currency swaps and setting foreign currency cover requirements; and (d) setting rules and regulations on financial derivatives (including foreign exchange swap and forward transactions). The BSP also issued guidelines to govern the establishment of additional branches of foreign banks.

Finally, for export purposes, the BSP allowed qualified banks to avail of the Exporters Dollar Facility against the eligible dollar-denominated loans of their exporter-borrowers. It also amended the regulation on rediscounting of peso-denominated eligible export papers by commercial banks, and scrapped the requirement for offshore business units to bring in foreign exchange (export proceeds) to be sold to domestic banks.

The improvement in the country's overall external position and the monetary authorities' accommodation of foreign exchange inflows were reflected in the increase in the gross international reserves (GIR) to about \$7.1 billion in end-December 1994 (equivalent to 3.1 months' worth of imports) and \$7.8 billion in end-December 1995 (equivalent to 2.6 months' worth of imports). This is significantly higher than the 1993 level of \$5.9 billion.

2.0 SECTORAL PERFORMANCE

The growing confidence in the economy and the implementation of market-friendly policies led to improved performance of all production sectors, except agriculture. Industry, which was adversely affected by the power crisis in 1993, rebounded in 1994. Growth was sustained and was well within the 5.2-7.9 percent target for 1995. Services, on the other hand, performed consistently within target from 1993 through 1995, keeping pace with industrial expansion. Despite the government's efforts to assist the agriculture sector, output suffered in 1995 as a result of adverse weather conditions such as the prolonged dry spell and the severe typhoons.

Agri-industrial restructuring and development were vigorously pursued during the period. Trade and investments policies were liberalized in tandem with the deregulation of the financial system, acceleration of privatization, and enhanced competition in the provision and operation of public utilities. Some of the significant trade and investment reforms implemented include, among others: (a) the reduction in

the level and spread of tariff rates; (b) the elimination of the remaining quantitative restrictions on imports subject to administrative discretion; (c) the country's accession to the World Trade Organization (WTO) under GATT; (d) the issuance of the First Regular Foreign Investment Negative List which further liberalized foreign investments; (e) the financial restructuring and strengthening of the Central Bank; (f) the liberalization of the entry of foreign banks; (g) the reduction in the minimum reserve requirement of banks; (h) the sale of big-ticket items such as Petron and Meralco shares; and (i) the enactment of the expanded (BOT) law.

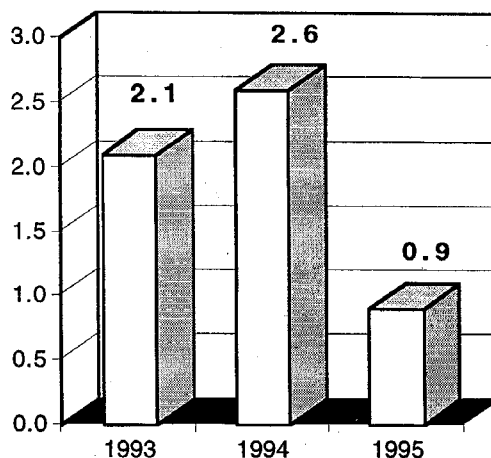
Meanwhile, more business-ready investment sites were developed in different areas of the country. Of the 14 Regional Agri-Industrial Growth Centers (RGCs) identified in the Plan, four have been operating for some time while seven feasibility studies and one prefeasibility study for various sites were completed in 1994. Further in 1995, a special economic zone was established in Zamboanga City while two additional RGCs were developed in Cagayan.

2.1 Agriculture

Gross value added of the combined agriculture, fishery and forestry sector expanded by 2.1 percent in 1993 and 2.6 percent in 1994, well within the targets set for these periods. Generally, good weather conditions and productivity improvements contributed to this favorable performance. In 1995, however, production eased to 0.9 percent, falling short of the 2.4-3 percent target for the period. Weak crop production and the continued contraction in the forestry output, due to forest conservation measures led to the slowdown of agricultural output.

Adequate rain and investments in irrigation facilities contributed to positive growth rates for palay production during the period 1993-1995, with growth reaching a peak of 11.7 percent in 1994. However, the adverse effects of the dry spell during the first half of 1995 and the typhoons and flashfloods in the latter half of the same year affected palay output, which increased by a mere 0.1 percent from the 1994 level.

Figure 2.5
GROWTH OF THE AGRICULTURE,
FISHERY AND FORESTRY SECTOR, 1993-95
(In Percent)



Source: NSCB

Corn production, on the other hand, grew by 3.9 percent in 1993 but output declined by 5.8 percent and 8.6 percent in 1994 and 1995, respectively, as a result of crop shifting and weather disturbances.

Sugarcane production, likewise, recorded a positive 7.9 percent growth in 1993 and 3.1 percent in 1994. However, this contracted by 24.4 percent due to shifting, reduction in hectarage and poor growing conditions.

Massive cutting of coco lumber led to a slowdown in coconut production in 1993. However, improved fertilizer application combined with the government's coconut replanting program buoyed up coconut production in 1995, growing by 8.6 percent.

The increase in area planted and favorable weather conditions contributed to the output gains of the following crops: (a) onions which posted the highest increase of 20 percent in 1995 from 8.4 percent in 1993; (b) garlic which increased from 4.3 percent in 1993 to 9.5 percent in 1995; and (c) mongo whose increase ranged from one percent in 1993 to 10 percent in 1995. On the downside, banana production declined by one percent while the output of abaca went down by 5.3 percent.

Another sector which favorably performed during the period was livestock and poultry which benefited from the continuing import liberalization program of the government and heightened consumer demand. Output of the sector grew by an average of 4.7 percent during the three-year period. Fishery production, meanwhile, rose by an average of 1.4 percent during the last three years, with the increased use of improved fishing equipment as well as the higher output of aquaculture production. Forestry products continued to decline as a result of the government's standing policy to preserve the country's remaining forest cover.

Agrarian Reform. Land tenure improvement activities under the Comprehensive Agrarian Reform Program (CARP) contributed towards improving incomes and access to resources among small farmers and workers. An area-focused approach to CARP implementation was adopted through the identification of agrarian reform communities (ARCs) which serve as the focal point of CARP. In order to accelerate land distribution activities, the survey function for private agricultural lands was transferred to the Department of Agrarian Reform (DAR). A memorandum of agreement was forged between the DAR and the Land Registration Authority (LRA) to expedite land titling. Coordination with the Land Bank of the Philippines (LBP) was, likewise, done to simplify the process of land valuation. The land valuation formula was amended, increasing the compensation package to landowners. The amortization scheme was also revised to make it less burdensome to the farmer-beneficiaries.

A total of 3.7 million hectares was distributed by the DAR and the Department of



Environment and Natural Resources (DENR) from July 1987 to December 1995. Accomplishment for the period 1993-95 accounted for 41 percent of the total land distributed since the CARP was instituted in 1987.

The bulk of lands distributed by the DAR during the three-year period came from private agricultural lands (PALs) and government-owned lands (GOLs), both of which accounted for 68 percent of the total land area distributed by the DAR from 1993 to 1995. The noticeable increase in the coverage of PALs can be attributed to a significant improvement in the operating guidelines and procedures initiated under the program. Among others, these included the simplification of survey procedures, speedy settlement of agrarian disputes and the refinement of the land valuation formula, which effectively increased the land value per hectare to as much as 50 percent.

Of the 3.7 million hectares distributed by both the DAR and the DENR, the latter distributed 1.5 million hectares of which 392,173 hectares were distributed during the period 1993 to 1995.

The combined accomplishments of the DAR and the DENR leave a balance of about 6.6 million hectares based on the original scope of these two agencies. The results of the recent CARP scope validation exercise, however, reduced the scope of the DENR by 2.9 million hectares; while that of the DAR increased by around 470,000 hectares. Taking these into account, a combined balance of around 4.2 million hectares remain to be distributed during the next three years of the CARP's implementation.

In terms of landowners' compensation, the LBP has approved payment for landowners covering a total of 540,717 hectares, of which 155,579 hectares were approved for the period 1994-95. Since July 1987, the approved value for land compensation amounted to P10.1 billion. Of this amount, some P4.6 billion was approved for payment during the last two years.

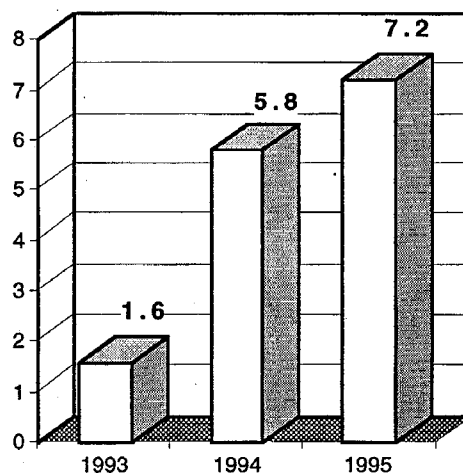
For nonland transfer activities, a total of about 504,769 tenants were freed from bondage of share tenancy since the program's implementation in 1987. A total of P390 million worth of production and profit shares was distributed to farmer-beneficiaries covering 50,201 hectares. A total of 14 applications for the Stock Distribution Option (SDO) was also approved by the PARC for the period 1993-94, covering 8,388 hectares.

As part of the package of support services for farmer-beneficiaries, the different CARP implementing agencies conducted a total of 3,837 trainings to 164,867 farmers and landowners. A total of 339 farm-to-market roads were completed covering some 533 kilometers. Thirty-four irrigation projects were, likewise, completed, providing irrigation services to more than 13,324 hectares of agricultural land.

2.2 Industry

Recovering from the crippling power crisis in 1992, industry rebounded to a growth of 1.6 percent in 1993, reaching a peak of 7.2 percent in 1995. Industry performance was well within the target of 5.2-7.9 percent in the Plan, as strong market fundamentals and the implementation of crucial reforms boosted confidence, leading to higher investments in the sector. During the last three years, all industry subsectors improved their performance.

Figure 2.6
GROWTH OF THE INDUSTRY SECTOR, 1993-95
(In percent)



Source: NSCB

In the manufacturing sector, expansion continually moved on an upward trend, buoyed by the recovery of the export sector and substantial capital infusions which built up production capacities. From a 0.8 percent increase in output in 1993, manufacturing expanded at a heftier pace of five percent and 6.8 percent in 1994 and 1995, respectively (Table 2.11). Growth was broad-based with all major industry groups, except for tobacco manufacturing, recording positive growth as of 1995. Manufacturing accounted for 71.3 percent of total industrial production.

Meanwhile, deliberate government policy to address infrastructure bottlenecks as well as growing confidence moved the construction sector at a healthy pace. Due to the ongoing local construction boom and the lower interest rate environment, growth in construction in 1993 reached 5.7 percent. This accelerated to nine percent in 1994, but tapered to 6.5 percent in 1995. Nonetheless, planned targets were met during the three-year period. Higher capital outlays of government as well as the active participation of the private sector in the establishment of major infrastructure facilities fueled growth in 1995.

The utilities sector, likewise, improved substantially, as it recovered from the power crisis experienced in 1992. Massive investments in power-related infrastructure projects effectively resuscitated the sector, which grew from 2.9 percent in 1993 to 13.8 percent in 1994 and 13 percent in 1995. The target range set for the sector for each period was surpassed.

Similarly, the mining and quarrying subsector started to regain lost ground. From a meager growth of 0.7 percent in 1993 and a contraction of seven percent in 1994, the industry grew by 5.9 percent in 1995. A combination of factors which includes the higher demand from the construction sector, favorable world metal prices and the

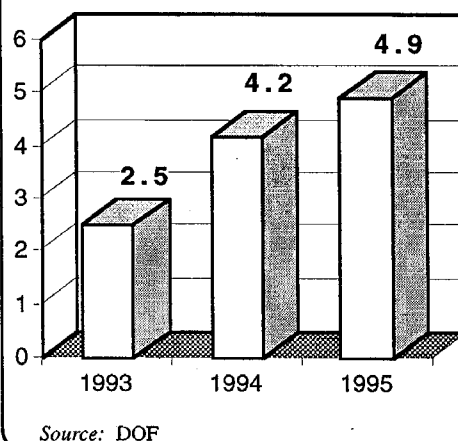
passage of the Mining Act, notwithstanding the poor performance of the oil sector, accounted for the turnaround. Furthermore, the subsector's recovery sets it back on track with the plan target for 1995.

The tourism industry performed considerably well. Visitor arrivals steadily increased from 1.4 million in 1993 to 1.8 million in 1995, posting an average growth rate of 15.2 percent over the three-year period. Correspondingly, tourist receipts grew by an average of 14 percent during the same period.

2.3 Services

Services, on the other hand, continued to keep pace with domestic production. With output growing, services increased from 2.5 percent in 1993 to 4.9 percent in 1995, well within planned targets. Growth in the financial services sector, in particular, was attributed to the liberalization of the banking sector, the rise in demand for credit and the reduction in intermediation cost. Meanwhile, other services subsectors also made significant gains with the liberalization of the shipping industry and innovations introduced in the area of telecommunications.

Figure 2.7
GROWTH OF THE SERVICES SECTOR, 1993-95
(In Percent)



3.0 HUMAN DEVELOPMENT AND HUMAN RESOURCES

The quality of life of the average Filipino significantly improved over the past two years. This was mainly due to increased empowerment of the citizenry through sustained, strong and broad-based economic growth, as well as better policy development and service delivery by government. In addition, a more focused and rational safety net program, designed to sustain the most vulnerable (i.e., unempowered) sectors of society who are yet unable to fully exploit economic opportunities, contributed to the upliftment of the country's living standard.

3.1 Economic Empowerment: Income, Poverty and Employment

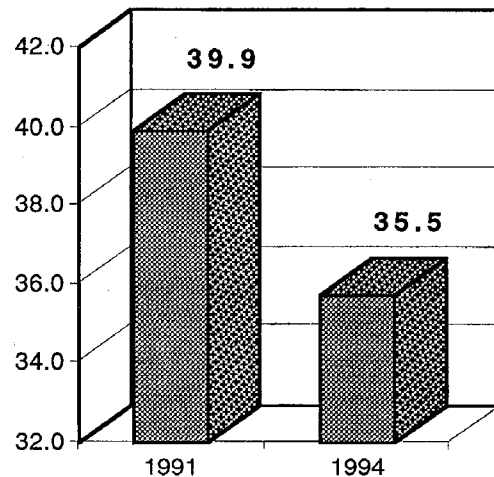
The final results of the 1994 Family Income and Expenditure Survey (FIES) show that the country's average annual family income at current prices rose substantially from P65,186 in 1991 to P83,161 in 1994. At constant prices, however, it slightly declined by 0.2 percentage point or by P86. This could be mainly attributed to the 6.2 percent decline in the average annual income of the top 10 percent of total families and the faster increase (6.5%) in the number of families during the period.

A more equitable distribution of income was observed during the period 1991-94. The income share of the richest 10 percent declined and was redistributed to all income deciles. Real average annual incomes increased from a high of 4.7 percent (fifth decile) to a low of 1.9 percent (ninth decile). This reflects an improvement in the purchasing power of these families. In addition, the gap in income share between the rich and the poor narrowed. Although total household savings decreased by 2.1 percent from 1991-94, the average annual family savings of the lowest 30 percent of families significantly improved. The less affluent regions (Southern and Central Mindanao, Bicol and Western Visayas) posted the highest growth in average annual family incomes, adjusted for inflation, during the period. These improvements in income distribution, therefore, show that the benefits of economic growth have reached the masses.

As a result, the incidence of poverty substantially went down from 39.9 percent in 1991 to 35.5 percent in 1994. This translated to about 221,891 families freed from the bondage of poverty within this three-year period. Poverty incidence in the urban areas decreased substantially by 6.9 percentage points (from 31.1% in 1991 to 24.2% in 1994) with the more robust growth in industry and services which are largely located in the urban areas. Rural poverty incidence, also improved from 48.6 percent in 1991 to 47.1 percent in 1994.

The higher purchasing power of households came about as a result of more productive and remunerative jobs being generated during the period. A total of 1.98 million new jobs were created between 1993 to 1995. What is more noteworthy, however, is that an increasing proportion of these jobs were accounted for by the better paid and more fully employed wage and salary occupations (44.3% in 1993, 45.2% in 1994 and 46.1% in 1995 from 45% in 1992). As a result, the underemployment rate was firmly on a downward trend from 21.7 percent in 1992 to 20 percent in 1995.

Figure 2.8
POVERTY INCIDENCE, 1991 & 1994
(In 1988 Prices)



Source: 1991 and 1994 Family Income and Expenditure Survey (FIES)

3.1.1 *Instruments of Empowerment*

The higher and more equitable distribution of household income was realized not only because of proper macroeconomic and industrial policies but also because government sought to directly equip the most vulnerable sectors to exploit the better economic opportunities available. Topping the list of initiatives was the launching of Social Reform Agenda (SRA). The SRA is a package of government interventions intended to address the critical needs of the disadvantaged sectors, namely: the farmers, fisherfolks, indigenous people, urban poor, workers in the informal sector and the disadvantaged groups such as persons with disabilities, women, youth, victims of disasters, and others. The Agenda also focuses on 20 priority provinces for poverty alleviation and countryside development, as identified by the Presidential Council for Countryside Development (PCCD) and the Presidential Commission to Fight Poverty (PCFP). Nine Flagship Programs were identified to operationalize the SRA: Comprehensive and Integrated Delivery of Social Services (CIDSS), Worker's Welfare and Protection, Socialized Housing, Credit and Livelihood, Institution-Building, Agricultural Development, Fisheries Development, and Protection of Ancestral Domain. The achievements in the physical empowerment of the nation can be attributed to the enactment of important legislation and the successful implementation of the various health, nutrition and population management policies and programs mounted by the government to address the most serious and urgent health and nutrition problems of the country.

3.2 *Physical Empowerment: Health, Nutrition and Population*

A comparison of the 4th (1993) and 3rd (1987) National Nutrition Survey (NNS) findings indicates that the health and nutritional status of the average Filipino significantly improved. Protein-Energy Malnutrition (PEM) among preschool children (0-6 years old), as indicated by the prevalence rate of the moderately and severely underweight, declined significantly to 8.4 percent or by 1.5 percentage points from the third survey (1987). More encouraging was the gain in height by preschoolers as implied by the reduction in stunting prevalence by 2.6 percentage points from the 1987 level.

Vitamin A deficiency, commonly characterized by night blindness and Bitot's spot, likewise, went down from the 1987 survey for preschool children though not significantly.

Furthermore, the battle against iron deficiency gained ground as the prevalence of anemia in infants six months to one year was markedly reduced from 70.4 percent in 1987 to 49.2 percent in 1993. Overall prevalence of anemia was lower in urban areas (27.1%) than in rural areas (29.3%).

Meanwhile, the intensive immunization campaign of the government resulted in the reduction of measles cases to half of the number in 1993. Also, the last polio case in the country was recorded in 1993.

There has also been progress in population management. The percentage of currently married women 15-44 years who were using Family Planning (FP) methods increased from 36.1 percent in 1988 to 40 percent in 1993. The number of new acceptors of the national FP program increased from one million in 1993 to 1.3 million in 1994. Consequently, current FP users increased from 2.9 million in 1993 to 3.1 million in 1994.

3.2.1 *Legislations*

A number of vital health legislations were passed by Congress to complement the policy and service programs of the Executive Branch. Among those that have been enacted into law are:

1) Republic Act (RA) 7719 - promoting voluntary blood donation in order to provide for an adequate supply of safe blood, regulate blood banks and provide penalties for violators;

2) RA 7846 - requiring compulsory immunization against Hepatitis-B for infants and children below eight years old;

3) RA 7493 - specifying manufacturers to print warning labels on the dangers of smoking on both sides of cigarette packs;

4) RA 7875 - providing the 60 percent of our population not covered by MEDICARE with a health insurance mechanism;

5) RA 7883 - granting benefits and incentives to accredited Barangay Health Workers; and

6) RA 8172 - promoting salt iodization nationwide to address iodine deficiency disorders.

3.2.2 *Operational Plans/Policies*

In 1993, the President approved and launched the Philippine Plan of Action for Nutrition (PPAN) and consequently issued Proclamation No. 311 entitled "Proclaiming the Adoption of the 1993-1998 PPAN." The PPAN embodies the country's response to the global goal to eradicate hunger and malnutrition. It also serves as the country's blueprint for achieving nutritional adequacy for all.



The draft comprehensive national plan of the health sector for the period 1995-2020 was formulated. The following plans were also drafted: (a) a ten-year investment plan for the health sector called "Investing in Equity in Health"; (b) Mindanao Public Investment Plan for the Health Sector; and (c) Control of Diarrheal Disease Plan.

Furthermore, the management of public health services was devolved under a decentralized system in order to improve delivery and effectiveness. Under this system, the role of the Department of Health (DOH) has changed from implementation to governance, with its present functions focused on the following: (a) setting national goals and standards; (b) licensing and regulation; (c) influencing health policies and programs; and (d) providing technical assistance and support. The Comprehensive Health Care Agreement (CHCA) is the instrument to operationalize the DOH and local government unit (LGU) cooperation in providing the health services to the people.

3.2.3 *Programs*

In the health sector, preventive and promotive health care and the provision of health information and education on health were emphasized, as manifested in the following strategic programs namely, "23 in 93", "Health for More in 94", and "Think Health, Health Link" and "Five for Life in 95". Each of these programs offered a package of health services-cum-information and education campaign on the following: immunization (*Oplan Alis Disease*), micronutrient supplementation (*Sangkap Pinoy*), family planning, anti-smoking (*Yosi Kadiri*), Acquired Immunodeficiency Syndrome (AIDS) prevention, care to the eyes (*Oplan Sagip Mata*), environmental health and awareness and prevention of cancer, heart disease (*Bantay Presyon*), leprosy (*Kilatis Kutis*), mosquito-borne diseases, cholera and tuberculosis. Other notable programs include the health development program for the 19-25 priority provinces, program for the indigenous communities, doctors to the doctorless barrios, traditional medicine, and hospitals as centers of wellness. The last refers to hospitals that are reformed so that aside from curative care, preventive and promotive health services have been integrated in their operations. Also in 1995, the DOH launched the People's Health Day with the primary aim of helping indigent Filipinos avail of expensive surgical interventions and medical care.

In nutrition, the following preventive and promotive programs were vigorously implemented:

- 1) The "*Araw ng Sangkap Pinoy*" or National Micronutrient Day, the country's direct response to the global efforts of eliminating micronutrient malnutrition by the year 2000, was held once a year in 1993, 1994 and 1995;

2) Training and deployment of 18,835 barangay nutrition scholars and 252 district nutrition program coordinators in all regions as of 1995;

3) Credit assistance in 1994 for livelihood projects to help augment income and improve capabilities to cope with acute food shortages;

4) Distribution of assorted fruit and vegetable seeds to poor families to supplement their food supply and to improve the level of nutrition consciousness of the people; and

5) Intensified advocacy campaign on food fortification and on the use of iodized salt.

In order to improve program operations in population and development, the following were pursued:

1) Spot mapping of family planning service outlets of both government and nongovernment outlets to pinpoint gaps in service delivery;

2) The maintenance of 609 service outlets;

3) Launching of a multimedia campaign called the National Communication Campaign;

4) The installation of the Contraceptive Distribution and Logistic Management Information System (CDLMIS) in all regions; and

5) Conduct of two surveys, namely, the Demographic Health Survey and Cluster Survey to provide policy-makers relevant and timely information.

On health infrastructure, more than P700 million were spent for the development and improvement of a number of specialty hospitals, region/public hospitals, health centers, and barangay health stations nationwide.

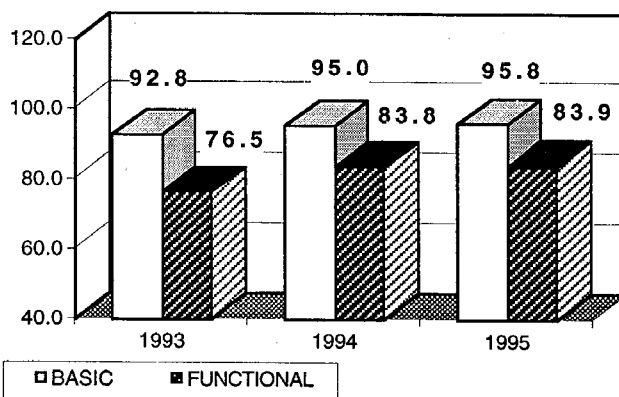
3.3 Sociocultural and Spiritual Empowerment: Education, Culture and Manpower Development

The education, training and culture sector equipped more Filipinos to take advantage of the growing opportunities in the economy through the provision of vital information, channels of values formation and the development of necessary skills.

In the education sector, improved access to and enhanced quality of basic education continued to get the highest priority. Results of the 1994 Second Functional

Literacy, Education and Mass Media Survey (FLEMMS II) revealed that basic literacy has risen from 93.5 percent in 1990 to 95.8 percent in 1995 while the functional literacy has remarkably improved from 75.6 percent level in 1989 to 83.9 percent in 1995. This favorable development now places the Philippines among the countries of the world with very high literacy rates.

Figure 2.9
BASIC AND FUNCTIONAL LITERACY RATES, 1993-95
(In Percent)



Source: Functional Literacy, Education and Mass Media Survey (FLEMMS, 1995)

Total enrolment in formal basic education reached the level of 15.6 million in school year (SY) 1994-95 and expanded by 4.3 percent to 16.3 million in SY 1995-96. For the basic nonformal education subsystem, the number of learners increased to 523,533 in the years 1992-94, while nonformal education-cum-livelihood trainees was recorded at 44,423 in 1994. Total enrolment in formal post secondary education meanwhile rose by 0.07 percent to 499,040 in SY 1995-96 from the previous school year.

In higher education, the enrolment trend is improving by about 1.7 percent annually, from 1.5 million in SY 1990-91 to around 1.6 million in 1994-95. There was a notable increase in enrolment in traditional courses such as arts, social sciences and humanities and health and related programs. Across all programs, the number of graduates also rose at an annual average rate of 8.9 percent from 1990 to 1994, particularly in the fields of information technology, maritime studies, criminology and agriculture.

Participation rate at the elementary level rose from 85.4 percent in SY 1993-94 to 87.1 percent in SY 1994-95. These elementary participation rates are slightly lower than the Plan targets of 85.9 percent and 88.8 percent for 1993 and 1994, respectively. In the secondary level, the participation rate slightly increased from 58 percent to 59.7 percent for the same period. The 1993 secondary participation rate met the Plan target of exactly 58 percent while the 1994 rate slightly exceeded its target of 59.6 percent. In SY 1995-96, the participation rates of both elementary and secondary levels increased further by 5.7 and 3.2 percentage points, respectively, from their 1993 levels.

For 1994, the agencies and institutions engaged in skills development trained a

total of 626,394 graduates, 0.3 percent higher than the 1993 level of 624,572. Trade skill courses posted the largest number (198,540) and share (31.7%) of graduates. Training programs for skills development program implementors from the government and special interest organizations also posted a considerable 26.6 percent increase in the number of trained graduates in 1994 which totalled 166,611. Female trainees, who were recipients of home-based and livelihood training, dominated the number of graduates from 1993-94.

The total employed persons who were trained increased by 55.7 percent, from 105,808 in 1993 to 164,758 in 1994. However, a decline of 12.8 percent was also noted in the total number of out-of-school youths who were trained (i.e., 119,019 in 1993 to 103,751 in 1994). Similarly, the total number of unemployed adults who were trained also declined by 15.3 percent from 112,230 in 1993 to 95,050 in 1994.

Skills testing and certification for skilled workers went into high gear in 1994 as the program coverage expanded to service special groups of workers. A total of 44,423 trainees and skilled workers took the trade tests. Of this number, only 49 percent or 21,737 workers passed and were issued skills certificates.

3.3.1 Legislations

The Legislature, through the Congressional Commission on Education (EDCOM), initiated the massive restructuring of the system of the middle-level skills training and higher education. This formed part of the bigger package of reforms to make the education and training system more responsive to present needs and to make it more efficient by putting proper focus on educational priorities. To pursue the initial reforms, two EDCOM-recommended landmark legislations were passed, namely, RA 7722 creating the Commission on Higher Education (CHED) and RA 7796 creating the Technical Education and Skills Development Authority (TESDA). These two bodies seek to enhance quality and excellence in higher education towards global competitiveness and to put in place a stronger multiagency focus, market-oriented, user- and private sector-led development of highly skilled middle-level manpower.

The CHED started operation in late 1994 while the TESDA has officially absorbed the functions of the Bureau of Technical-Vocational Education of the DECS, the National Manpower and Youth Council (NMYC) and the Apprenticeship Office of the Department of Labor and Employment only in early 1995.

Earlier, RA 7686 was also enacted by Congress to strengthen the development of middle-level manpower by institutionalizing the Dual Training System in both public and private post-secondary institutions and covering both industrial and agricultural technology type of activities.

RA 7784 provides for the creation of a Teacher Education Council (TEC) and the



establishment of Centers of Excellence in teacher education.

RA 8047, otherwise known as the Book Publishing Industry Development Act, was passed in June 1995. The law provides for the implementation of a National Book Policy and a corresponding Book Development Plan that will serve as a basis for fostering the growth and viability of the book industry.

Finally, RA 7797 was also enacted into law in 1994. Premised on the positive effect of the amount of time spent on actual teaching on pupil learning, the legislation institutionalized increased student contact time. It extended the school calendar from 185 to not more than 220 class days.

3.3.2 Operational Plans/Policies

The establishment of the CHED in 1994 established the framework for complementary roles of government and private higher education institutions (HEIs) in providing for quality higher education. Mechanisms have been instituted to ensure the maximum utilization by public HEIs of institutional resources through greater responsibility and accountability. The state universities and colleges (SUCs), now conscious of the need to actively pursue imperatives of quality education, have started their own accreditation program.

The Science and Technology Education Plan (STEP) was formulated to develop a scientifically and technologically-literate citizenry and accelerate the development of S&T manpower. The Plan outlines major programs and projects covering curriculum/instructional materials development, manpower development, acquisition of physical facilities/equipment, research and development, institution-building and alternative learning system.

The implementation plan to improve basic education has been formulated in preparation for another major investment in both elementary and secondary education. This new plan is being designed to improve access to and quality of education as well as in developing the institutional capacity of the education machinery to manage change particularly in the areas covered by SRA.

Meanwhile, beginning SY 1995-96, the entry age to Grade I was reduced to six years from 6 1/2 years in SY 1994-95.

In the area of sports development, the establishment of the Philippine Sports Commission (PSC) in January 1994 was a response to the clamor of the sports sector for a body to attend to their needs and promote the further development of sports in the country.

3.3.3 Programs

The Education for All (EFA) movement was launched by the government in 1992. It posted some modest gains in terms of advocacy and some components are being given closer attention. Among others, a Debt-for-Education swap was explored and applied on a small scale; the literacy problems of the indigenous cultural communities in the far-flung regions were given focus and assistance; the multigrade approach was adopted for greater outreach in elementary education. Meanwhile, the ADB funded major innovative and service expansion components like the Alternative Learning System (ALS) and literacy mapping and literacy-cum-livelihood recommended in the Philippine Plan of Action (PPA).

The program on Early Childhood Experiences (ECE) has been integrated in the Grade I curriculum starting SY 1995-96. Under this program, preschool experiences are integrated during the first eight weeks of the school year before starting the Grade I curriculum.

The Project for Basic Education (PROBE) has been developed in collaboration with the Australian Government. The project focuses on the improvement in the teaching of English, Mathematics and Science in the elementary and secondary levels.

The continued implementation of the Government Assistance to Students and Teachers in Private Education (GASTPE) under its various components benefited 343,418 students under the Education Service Contracting (ESC) scheme with 1,114,313 recipients of the Tuition Fee Supplement (TFS) for high school, and 61,737 students for the Private Education Student Financial Assistance (PESFA) Program. An additional fund of about P400 million was added to the Study Now Pay Later Plan (SNPLP).

The Engineering and Science Education Program (ESEP) granted a total of 2,992 scholarships and training by 1994. These scholarships covered undergraduate and postgraduate programs, both degree and short-term training programs. About 2.3 percent of these grants were foreign scholarships. Meanwhile, to address the persistent underachievement in science and mathematics education due to the inadequacy of teaching devices, the Science and Technology Improvement Project was established at the National Science Teaching Instrumentation Center (NSTIC) in Cebu.

The provision and completion of schoolbuildings in barangays without elementary schools as well as municipalities without high schools was addressed through the regular School-building Program with additional support from the President's Social Fund. In addition, multigrade classes were organized as a stop-gap measure to the problem of incomplete elementary schools or those schools which do not offer all the six grade levels. These classes numbered 1,278 in SY 1993-94 and 5,201 in SY



1994-95.

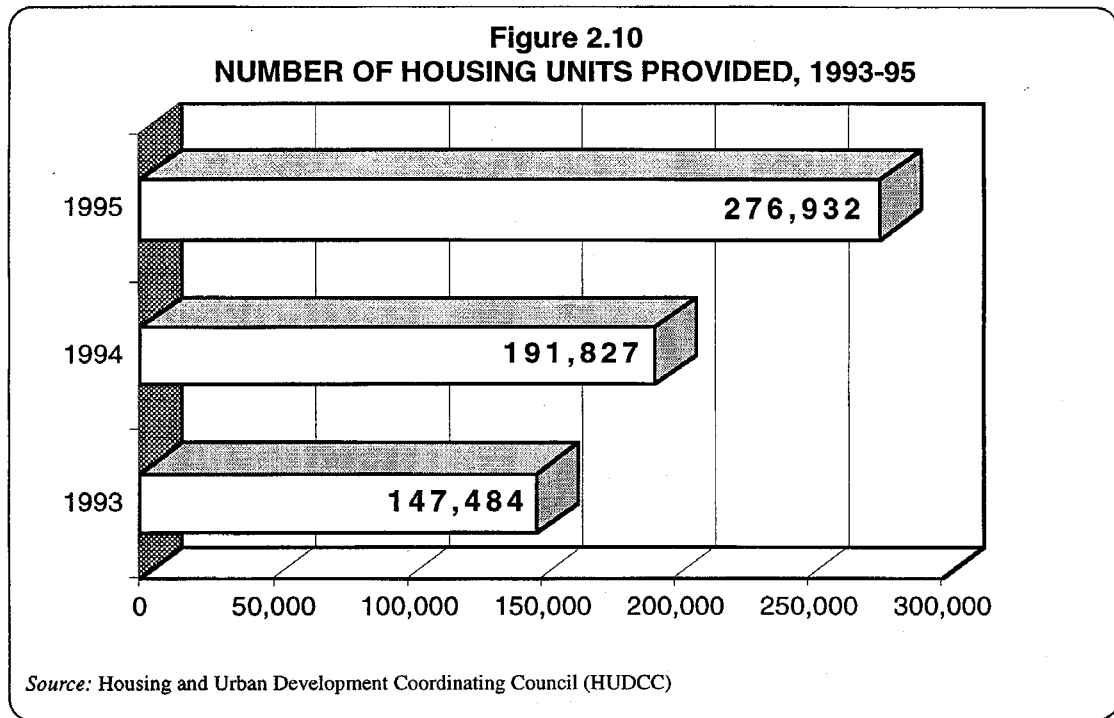
The informal education channels, particularly the broadcast and print media and the science centers complemented formal basic education. The Continuing Science Education via Television (CONSTEL) was launched to fast-track the development of science awareness among Filipinos and in support of the thrusts of the SRA. This distance education project also uses television to upgrade the knowledge and the teaching skills of the targeted 350,000 elementary school teachers, 5,000 high school physics teachers and 6,000 high school chemistry teachers. Considered a technological breakthrough, the project produces and broadcasts telecourses through the People's Television (PTV) network of stations as well as through video viewing centers in 200 divisional leader schools of the DECS and in the 15 Regional Science Training Centers (RSTC). On the other hand, the Philippine Science Center, a private sector initiative fully supported by the government, has expanded its programs and facilities to accelerate outreach to people from all walks of life, thus, broadening their opportunities to appreciate and learn science and technology through alternative delivery channels.

In the area of culture and arts, the National Centennial Commission was constituted in 1993 to spearhead the five-year preparation for the celebration of the Centennial of the Declaration of Philippine Independence (1898-1998) on June 12, 1998. The Centennial celebration seeks to teach Filipinos to love one's country and to infuse a clear understanding and appreciation of the true Filipino identity. To achieve these goals, the Commission has prepared a whole range of events which focus on important historical milestones in the Filipinos' struggle for freedom, identity and sovereignty as well as on the inculcation of cherished Filipino values among all sectors of society.

Another milestone in cultural development is the setting up of a Regional Council in Region VII by the National Commission on Culture and the Arts (NCCA) and the establishment of a Mandaya Culture and Arts Center in Davao City in keeping with the decentralization policy. Furthermore, a total of 307 projects in arts and culture costing P52.4 million was implemented, benefiting about 500,000 artists, cultural workers, and cultural communities throughout the different regions of the country. These projects include, among others, historical documentation, research, exhibits, performances, cultural events, restoration and conservation.

3.4 Empowerment through Human Settlement Security: Housing

The government continued to implement a National Shelter Program (NSP) for the low- and middle-income households, particularly in the urbanized areas. This program recognizes the empowering effect of decent and secure housing, which is also a basic need. The secure ownership of a decent shelter empowers the citizenry through



the promotion of physical and mental health and active participation in the development process as residents become direct stakeholders in the prosperity of the community.

For the 1993-95 period, the NSP extended total housing assistance of 616,243 units broken down by program as follows: (a) production - 74,285 units; (b) individual mortgages - 344,590 units; (c) development financing - 138,852 units; and (d) community programs - 58,516 units. The total accomplishment represents half of the 1.2 million targeted units for the 1993-98 Plan period. The total NSP assistance, which was valued at P64.1 billion, benefited 485,047 households or 108 percent of the 1993-95 target.

3.4.1 Legislations

Considered a milestone in the housing sector is the enactment of RA 7279 or the Urban Development and Housing Act (UDHA) of 1992, which aims at uplifting the conditions of the underprivileged and homeless citizens in urban and resettlement areas by making available to them decent housing. The Implementing Rules and Regulations (IRR) of this Act include guidelines for:

- 1) the inventory of government idle lands for socialized housing where a total of 115 cities out of the targeted 286 cities set for 1994 and 1995 have conducted land inventory;



- 2) moratorium on demolition and eviction of squatters;
- 3) 20 percent socialized housing;
- 4) registration of socialized housing beneficiaries;
- 5) tax incentives for private sector participation in socialized housing;
- 6) acquisition, utilization and distribution of lands for socialized housing; and
- 7) land valuation.

To ensure a continuous flow of funds to the NSP, some of the most notable interim and long-term funding measures passed by the legislature include: (a) Comprehensive and Integrated Shelter and Finance Act (RA 7835), which ensures funding for housing for a 5-year period and recapitalizes the Home Insurance and Guarantee Corporation (HIGC) and the National Home Mortgage Finance Corporation (NHMFC); and (b) Mandatory PAG-IBIG Membership Law (RA 7742), which is expected to generate additional funds for housing activities. To improve the collection efficiency of the NHMFC, Administrative Order No. 72 was issued, mandating a salary deduction scheme for all salaried housing loans beneficiaries. Since its implementation in July 1993, NHMFC collection efficiency increased to 65 percent in 1994 and 70 percent during the first quarter of 1995.

3.4.2 Operational Plans/Policies

Housing indicators were enhanced to make housing intervention more “people-oriented.” It is envisioned that these indicators will result in better planning and target setting of housing assistance as the targets now reflect the number of household beneficiaries assisted in a given year aside from the number of units of assistance provided.

Since the launching of the NSP in 1986, under which the government shifted from being the sole provider of housing to that of an enabler and facilitator, involvement of the private sector in housing delivery has been more substantial. By 1994, housing delivery between the private sector providers and the beneficiaries themselves became a shared responsibility. Thus, housing provision particularly for the underprivileged and homeless is now a social responsibility of all sectors. In the same vein, LGUs have also been tapped to implement their own housing programs/projects for their constituencies.

The Socialized Housing One-Stop Processing Centers (SHOPCs) also enhanced efficiency in housing delivery.

A Housing Summit was held in January 1995, primarily to define the problems that hamper effective housing delivery and identify the specific requirements for attainment of the targeted housing assistance for 1.2 million households. The Summit, which was initiated by the Housing and Urban Development Coordinating Council (HUDCC), Home Development Mutual Fund (HDMF), Home Insurance and Guaranty Corporation (HIGC), National Housing Authority (NHA), and the National Home Mortgage Financing Corporation (NHMFC), launched the *Sariling Kayod* Movement which promoted, among others, a better understanding of the whole spectrum of shelter provision by all sectors; the realization and recognition of the roles of the different key actors; and the maximization and optimization of resources as well as an appreciation of the nonnegotiable terms of land use.

With respect to the commitments in the SRA, the HUDCC, as the designated Flagship Champion for Socialized Housing Program, has prepared its master plan of operation by integrating appropriate existing programs to bring more focus on the housing needs of the urban poor. It also coordinated with the concerned agencies in the provision of basic and infrastructure services to socialized housing sites. During the last two years, the Council also established mechanisms for continued dialogues with the urban poor organizations and NGOs and facilitated the convening of urban poor organizations so that they can select their representatives to interagency bodies. Finally, to improve the planning process, it also firmed up the reform indicators as well as indicators for housing as a minimum basic need.

In response to the burgeoning squatter problem, EO 129 was issued to establish an institutional mechanism that would curtail the activities of professional squatting syndicates and professional squatters as well as intensify the drive against them.

On October 1993, the President created the Task Force on Anti-Squatting with the mandate of arresting the proliferation of squatters in urban areas.

3.4.3 Programs

Steps toward right-sizing the bureaucratic procedures for housing production and delivery were made. SHOPCs were established in strategic regions of the country to expedite the processing and releasing of all licenses, clearances, permits and certificates of socialized housing projects. The HUDCC set up nine operational SHOPCs covering 12 administrative regions where processing of applications will be completed within a period of 90 days. The HUDCC has also established eight regional offices to support the decentralization efforts of the government and to deliver housing services on a much wider scope.

With the enactment of the Local Government Code (LGC) which revitalized the participation of the LGUs in the provision of basic services, the housing agencies



initiated programs to enhance the partnership between the housing agencies and the LGUs. These programs include: (a) HIGC's Municipal Financing Program, which provides guaranty facility to cover the municipal bond issues of the LGUs to raise funds for housing development; and (b) HDMF's Local Government Pabahay Program. For the period 1994 to June 1995, three LGUs — the municipality of Victorias (Negros Oriental), the City of Legazpi and the municipality of Claveria (Misamis Oriental) — issued bonds amounting to P8 million, P26 million and P20 million, respectively. It is estimated that a total of 2,144 households will be benefited by this undertaking.

As of August 1995, 10 LGUs signified interest in availing of the Local Government Pabahay program, namely: the cities of Mandaue and Marawi; the municipalities of Angat (Bulacan), Poblacion Sulop (Davao del Sur), Guimaras (Iloilo), General Trias and Noveleta (Cavite); and the provinces of Nueva Vizcaya, Antique and Aklan. The HDMF approved in principle the granting of a P20 million loan to each of these LGUs.

3.5 Safety Nets: Social Welfare and Community Development

To protect the vulnerable sectors of society, the government put in place a more rational and focused set of safety net programs centered on poverty alleviation, labor welfare, gender and development (GAD), and on the provision of welfare and development services for the youth, children, urban poor, senior citizens, domestic and overseas Filipino workers, persons with disabilities, indigenous peoples and victims of natural and man-made disasters. Greater access to basic social welfare services was enhanced through the provision of livelihood opportunities and the encouragement of greater participation of the sector's clientele groups in the formulation of policies and programs.

3.5.1 The Social Reform Agenda

The SRA manifests the government's objective of rationalizing, coordinating and focusing the country's safety net and poverty alleviation programs for greater effectiveness.

3.5.2 Subsector/Clientele-Specific Initiatives

Gender and Development. Pursuant to RA 7192, otherwise known as Women in Development and Nation-Building Act, significant developments paved the way for a more comprehensive and concrete strategy on gender and development. These include the formulation of a Philippine Plan for Gender-Responsive Development (PPGD) which spells out the direction of GAD mainstreaming in the whole development process for the period 1995-2025. With the Plan, the integration of

gender concerns in the programming exercise, the intensification of advocacy on GAD to the international donor agencies, and the design of the labor sector's Integrated Plan for GAD, among others, were instituted.

Children and the Youth. In terms of policy and program initiatives, the National Youth Development Plan (NYDP) 1994-1998 and the year-round Kabataan 2000 Program were approved to enhance the welfare and development of the youth and improve their contribution to nation-building. Welfare and rehabilitation assistance was, likewise, extended. In 1994, additional day care centers (DCCs) located in about 27,538 barangays served a total of 1,097,459 children and provided supplemental feeding to 254,488 underweight preschool children.

Moreover, 2,086 families were provided nutri-cum-livelihood opportunities, 8,647 mothers and other family members were trained on food processing/preservation, while 9,421 parents were provided nutrition education. On the other hand, the IRRs for RA 7658 (An Act Prohibiting the Employment of Children Below 15 Years of Age in Public and Private Undertakings) and RA 7610 (An Act Providing for Stronger Deterrence and Special Protection Against Child Abuse, Exploitation and Discrimination) were approved.

Senior Citizens. To support the implementation of RA 7432, otherwise known as the Senior Citizens Act, a Technical Office for Senior Citizens Affairs (TOSCA) was created to coordinate the different activities of the concerned national agencies. A total of 1,464 TOSCAs were established, covering 96 percent of LGUs. Rehabilitation programs were, likewise, implemented. A total of 1,272 elderly persons were served in residential care homes, while 138,949 senior citizens were assisted during the period.

Overseas Filipino Workers (OFWs), The Kabuhayan 2000: *Sa Pagbabalik ng Pinoy* was launched in Overseas Workers Development Centers (OWDC) abroad to maximize benefits from overseas employment. Kabuhayan 2000 provides a complete package of social as well as economic services to OFWs, including preemployment and postemployment assistance. The most important component of the reintegration program is the provision of services that will ensure the effective reintegration of OFWs in the local labor market. These include business and investment counseling, entrepreneurship management training and business planning for self-employment.

Persons with Disabilities. The Philippine Plan of Action for the Asian and Pacific Decade of Disabled Persons for 1993-2002 was formulated. This is aimed at improving the total well-being of persons with disabilities and their integration into the mainstream of society. Specifically, the Plan is attuned to the principles articulated in the Agenda for Action of the Asia and Pacific Decade of Disabled Persons and the World Program of Action Concerning Disabled Persons. Rehabilitation assistance was extended to 28,407 persons with disabilities, both in the community-based and



institution-based rehabilitation centers for the disabled, and to 36,267 children with signs of early disabilities. A five-year program on early detection, prevention and intervention of disabilities among zero to six-year olds was started in 15 regions. Under the parent effectiveness service (PES) program, a total of 455,252 parents, surrogate parents and guardians were served to strengthen the capability of families to provide proper care. On the other hand, a total of 4,632 persons with disabilities benefited in terms of training and employment through the TULAY 2000 project.

Indigenous Cultural Communities. The implementation of Indigenous Cultural Communities-Integrated Area Development (ICC-IAD) projects to empower the indigenous communities and foster self-reliance and self-sufficiency were initiated.

Victims of Natural and Man-Made Calamities. To manage natural and man-made disasters, improvements in planning for and responding to disaster situations were pursued through: (a) establishment of an upgraded disaster response and monitoring stations nationwide; (b) activation of disaster inquiry desks and preparedness training for families in identified disaster-prone areas; (c) the provision of core shelter units (CSUs); (d) preparation of ready-to-eat food commodities; and (e) employment of critical incident stress debriefing for safeguarding the psychosocial well-being of disaster victims.

4.0 INFRASTRUCTURE

In line with the Plan's strategy of attaining global competitiveness, the infrastructure sector focused on unclogging infrastructure bottlenecks under a more liberalized, deregulated, and competitive environment. Private sector investments in infrastructure were further encouraged with the introduction of amendments to the BOT Law and its IRR.

4.1 Energy

Several institutional and policy reforms were implemented to enhance private sector participation in the energy sector. The government privatized Petron Corporation in 1994, with the sale of 40 percent of its shares of stocks to Saudi ARAMCO and another 20 percent to the public through an initial public offering (IPO).

To foster a truly competitive market that will better achieve fair prices, adequate and continuous supply of environmentally-clean and high quality petroleum products, the Downstream Oil Industry Deregulation Act of 1996 (RA 8180) was signed into law on 28 March 1996. The two-phased oil industry deregulation policy includes a transition phase (Phase I) which will see a liberalized oil importation, exportation, manufacturing, marketing and distribution between July 1996 to February 1997 and full deregulation (Phase II) which will take effect from March 1997 onwards.

A program for the restructuring of power tariffs to approximate long-run marginal cost (LRMC) was initiated. Complementary to this reform, an Executive Order was issued during the 1995 Power Summit for the removal of subsidies in the power sector. Meanwhile, a revised power tariff schedule for the Luzon Grid was approved by the Energy Regulatory Board (ERB).

With increased energy consumption arising from the recovery of the economy, the exploration and development of oil and other indigenous resources were intensified. A total of 13 wells were drilled in 1995 compared to only 11 in 1994. About 2.4 to 4.1 trillion cubic feet of commercial gas was confirmed in the Camago-Malampaya field in Northern Palawan.

Generating capacity shortages were addressed with the installation of more than 3,100 megawatts (MWs) of additional capacity over a period of five years ending in 1995. This brings the total system generating capacity as of end-1995 to 9,563 MW (Table 2.13). Gross power generation rose by 18.7 percent to 33,296 gigawatt hours (GWH) in 1995 from the 1994 generation level of 30,620 GWH (Table 2.14). Oil-based power plants, however, still accounted for the majority share of the total power mix (Table 2.15).

Meanwhile, the country's electrification level reached 55 percent as of end-1995, covering some 3.9 million households out of the 7.1 million potential beneficiaries serviced by electric cooperatives (Table 2.16).

Refinery upgrading programs were started by the oil industry to boost their capabilities in producing high quality products (i.e., low-sulfur diesel and fuel oil and unleaded gasoline). These are meant to support the government's thrust of providing environment-friendly fuel products. Some 710 service stations of the country's gasoline outlets were selling unleaded gasoline as of February 1996 from the initial 30 service stations on February 14, 1994.

On August 2, 1995, the Department of Energy (DOE) issued Department Circular No. 95-08-007, institutionalizing Demand Side Management (DSM) by electric utilities pursuant to Section 5(a) of RA 7638 (DOE Law). Under this Circular, all electric utilities were directed to consider alternative methods of meeting future demand for electrical services. Along this line, electric utilities including electric cooperatives are enjoined to formulate and submit DSM plans periodically every two years to the ERB for review and approval.

4.2 Transportation

Key policy reforms were undertaken to improve efficiency, encourage competition and promote the modernization of the water transport sector, civil aviation



and land transportation industry.

The domestic water transport industry was opened to new operators and investors through EO 185. The demonopolization and privatization program for government ports, especially in the area of cargo-handling and other port services, was accelerated with the issuance of EO 212. The approval process for the construction and operation of private ports was also streamlined. Domestic shipping rates were deregulated through EO 213. In line with the decentralization program, RA 7601, which created the Cebu Ports Authority, was operationalized. The liberalization policy for domestic and international civil aviation was established by virtue of EO 219. The operation of air-conditioned buses was deregulated. Regulation of the operations of small sea vessels, tricycles, etc. were either decentralized or devolved to the LGUs. Measures to modernize public utility vehicle fleets, particularly taxis, and sea vessel fleets were adopted.

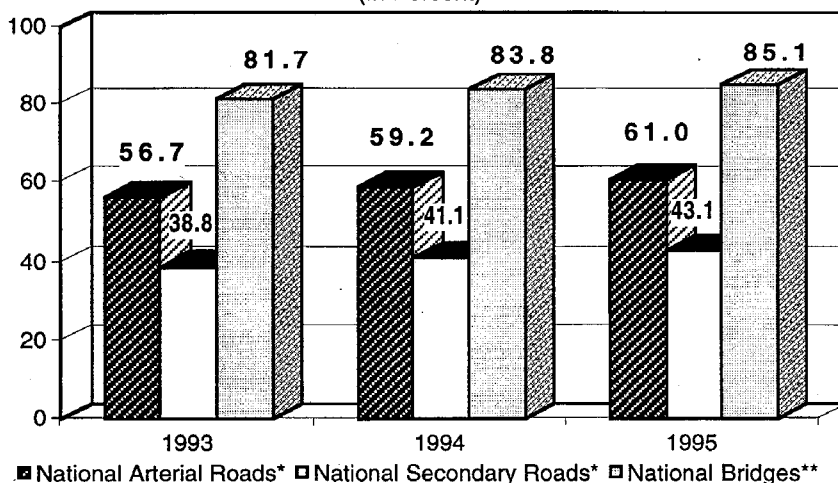
A Four-Year Public Works and Highways Infrastructure Program which involves about P142.5 billion for road infrastructure development was passed. In accordance with a Memorandum of Agreement recently signed between the Department of Interior and Local Government (DILG) and Department of Public Works and Highways (DPWH) concerning the executing agency arrangement for devolved infrastructure activities, the DILG shall oversee/administer LGUs in their implementation of foreign-assisted local roads projects.

In support of Brunei, Indonesia, Malaysia and the Philippines-East Asean Growth Area (BIMP-EAGA), the following measures were adopted: (a) opening of shipping service between Zamboanga and Sandakan; (b) application of domestic port tariffs to all vessels from participating countries calling on designated BIMP-EAGA ports; and (c) exemption from travel tax payment of all passengers by air and/or sea originating from any international ports in Mindanao to any destination within the BIMP-EAGA region by virtue of Memorandum Order (MO) 266.

In Metro Manila, the responsibility for traffic management was completely transferred to the Metro Manila Development Authority (MMDA). Some of the measures that have been undertaken to improve the traffic situation were: (a) the introduction of single-ticketing system for traffic violators; (b) the implementation of the odd-even scheme which prohibits private vehicles from major thoroughfares during rush hours; and (c) the phase-out of right-hand drive vehicles.

Significant accomplishments in the implementation of roads, water, air transport and rail transport projects were recorded. During the past three years, the DPWH constructed/upgraded/rehabilitated about 3,858 km. of national roads and 25,044 lineal meters of bridges. For the country's national arterial road network, paved segments increased from 56.7 percent of the total network in 1993 to 61 percent in 1995; for the

Figure 2.11
ROAD TRANSPORT DEVELOPMENT, 1993-95
(In Percent)



Source: Department of Public Works and Highways (DPWH)

* Paved sections

** Reconstruction of bridges along national roads

national secondary road network, this increased from 38.8 percent in 1993 to 43.1 percent in 1995. For the same period, the coverage of permanent bridge structures along national roads increased from 81.7 to 85.1 percent (Table 2.17).

The following major transportation projects were completed during the three-year period:

1) Under the road transport program

- a) the southern segment of the Circumferential Road 5 (C-5);
- b) the EDSA/Boni-Pioneer Interchange in Metro Manila;
- c) segments of the Pan-Philippine Highway in Luzon (Laoag-Allacapan Road, Aritao-Sta. Rita Road, Laguna-Quezon Road);
- d) the Pres. Roxas-Estancia Road in Capiz and Iloilo;
- e) the rehabilitation of major bridges in Samar island; and
- f) the Dapitan-Dipolog-Manukan, Dapitan-Calamba and Pagadian-Tukuran roads in Zamboanga del Sur and del Norte.

2) Under the water transport program

- a) the South Harbor component of the Second Manila Port Project;
- b) completion of the Davao Fishing Port;
- c) rehabilitation/improvement of nine major port projects and completion of port infrastructure facilities in 16 ports nationwide; and
- d) installation of about 150 lighthouses nationwide.



3) Under the air transport program

- a) construction of the new Ninoy Aquino International Airport (NAIA) control tower;
- b) commissioning of the flight inspection aircraft;
- c) delivery of 26 crash-fire-rescue vehicles;
- d) renovation of the country's international airports and improvement/rehabilitation of 63 domestic airports nationwide; and
- e) enhancement of security at the two major international airports (NAIA and Mactan-Cebu International Airport Authority (MCIAA) to meet International Civil Aviation Organization (ICAO) standards).

4) Under the rail transport program

- a) rehabilitation of the Lucena-Naga segment of the Philippine National Railways (PNR) Main Line South.

4.3 Communications

The implementation of the compulsory interconnection of public telecommunications network and the requirement for international gateway operators and cellular mobile telephone service providers to cross-subsidize local exchange services for underserved and unserved areas continued in 1995.

The Public Telecommunications Policy Act (RA 7925) was promulgated as the new legal, policy and regulatory framework in the promotion and governance of the development of Philippine telecommunications and the delivery of public telecommunications services. Major highlights of the Act include: (1) the requirement for congressional franchise to cover all telecommunications entities; (2) the privatization of all government telecommunications facilities by 1998; (3) the partial deregulation of value-added services protection of operators from uncompensated bypass; (4) public ownership of at least 30 percent of the aggregate common stocks of telecommunication companies within a five-year period; (5) the provision of cross-subsidy in access charge or revenue-sharing agreements; (6) right of users to be given a telephone line within three months after targeted commencement of service in the concerned area; and (7) the scrapping of the 12 percent ceiling in the determination of rates of return.

With the combined efforts of the government and the private sector, the total number of main lines was raised to 1,409,639 in 1995 bringing the telephone density to 2.01 lines per 100 population (Table 2.18). Moreover, the total number of public calling offices reached 838, bringing the availability of telephone service to 1,184

municipalities in 1995 from 627 in 1992. The number of local exchanges not connected to the public switched telephone network was reduced from 17 in 1992 to only four in 1994.

Some 3,074 Barangay Post Offices were established as of year-end 1995 to bring postal services closer to the people. This compensated for the reduction in the number of postal offices/postal stations from 2,181 in 1992 to 2,012 towards the end of 1995. Mail delivery improved with the mechanization of mail sorting and processing. In 1994, 47 percent of inter-Manila ordinary mails were delivered in 24 hours and 100 percent in three days. Thirty-six percent of interregional ordinary mails were delivered in two days and 100 percent in six days. For intra-Manila priority mails and nationwide express mails, 100 percent delivery performance was attained in 24 hours.

4.4 Water Resources

Management of the country's water resources to effect its maximum utilization and conservation, and to provide dependable and safe water supply to both domestic and industrial users continued. Involvement of the LGUs in water supply and sanitation development was emphasized. In particular, LGUs were empowered to implement all levels of water supply service.

In flood control, 700 projects were completed in 1995 from only 332 flood control projects completed in 1994. River/shore protection works were undertaken in affected areas. Construction of impounding sabo or check dams were done in river systems affected by the Mt. Pinatubo eruption/mudflows.

Total irrigated area increased to 1.3 million hectares (representing 43 percent of the total potential irrigable area) as new areas totaling 9,103 hectares in 1994 and 9,292 hectares in 1995 were provided with irrigation facilities. Existing irrigation systems were, likewise, rehabilitated consisting of 11,998 hectares of service areas.

As of end 1995, 68 percent of the country's total population have direct access to, albeit intermittent, potable water supply. This represents about 69 percent for Metro Manila and its adjacent areas being served by Level III system, and 61 percent of the population in other urban areas provided with Levels II and III systems. Moreover, 70 percent of the rural population were directly served by Level I system.

5.0 DEVELOPMENT ADMINISTRATION

Development administration (DA) initiatives provided support in promoting global competitiveness and people empowerment during the first half of the Plan period. The private sector was encouraged to participate in the government's privatization program. Critical areas of economic activities were liberalized and



deregulated and monopolies were also dismantled to make the Philippines more market friendly.

People participation, as an avowed strategy, was given impetus when government called on sectors deemed affected by certain government policies to participate in various summits and other consultative fora to give their inputs or contributions in the formulation of a common program of action to solve the country's socioeconomic problems. Similarly, the sustained implementation of the decentralization policy also demonstrated the government's resolve to empower the people so that they become part of the overall development effort.

A creditable performance was, likewise, recorded in the pursuit of national stability and peace and order. The various programs that were undertaken to bring back to the fold of the law certain groups that were once considered enemies of the state deserve commendation. Also, the forging of greater collaboration between the citizenry and the law enforcement agencies will go a long way in creating a society where peace and justice reign.

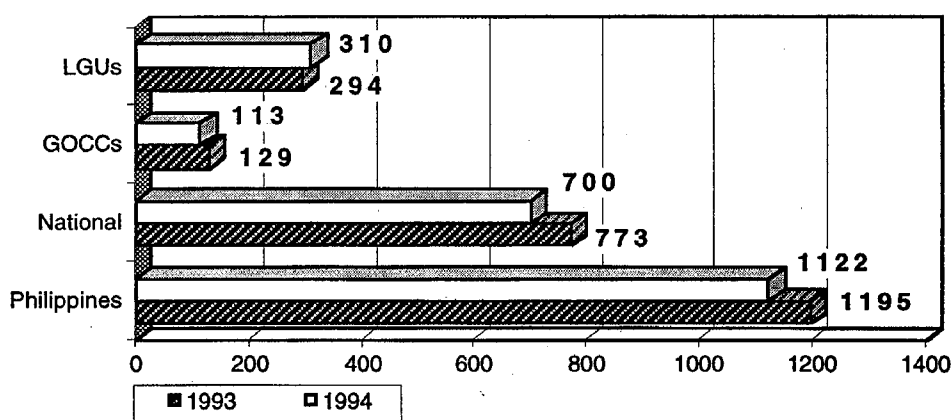
The DA agencies likewise deserve credit for milestone achievements in the area of administrative reforms, i.e., in improving the structure, processes, and operations of the government's administrative machinery. The development of an overall framework for reengineering the bureaucracy and the continuing right-sizing program are concrete manifestations of the government's commitment to good governance. Reforms in the auditing and budgeting fields also signalled a less restrictive and less bureaucratic atmosphere in government. And lastly, a more efficient service delivery through information technology and better frontline services was instituted.

The significant reforms and achievements in development administration are highlighted below:

5.1 Reengineering and Right-Sizing the Bureaucracy

Several initiatives were launched to make the administrative machinery a lean yet effective instrument for implementing development programs and projects. One such initiative was the implementation of MO 27 which mandated national government agencies and instrumentalities to streamline and improve their operations. As a result, 288 agencies representing 89.7 percent of national government agencies undertook an assessment of their respective functions, projects, activities, and the implications thereof on their structures. Of this number, 130 refocused their programs, projects and activity structures while 53 implemented structural improvements including phasing out of redundant activities. Consequently, 4,987 positions were abolished, generating for the government P227.3 million in savings.

Figure 2.12
INVENTORY OF GOVERNMENT PERSONNEL, 1993-94
(By Major Subdivisions, In Thousands)



Source: Civil Service Commission (CSC)

In addition to right-sizing activities being undertaken by individual agencies, the government, through the Presidential Committee on Streamlining the Bureaucracy (PCSB), spearheaded the conduct of several studies aimed at giving the bureaucracy a hard look. These studies later on became the basis for the drafting of a bill that seeks to give the President the authority to reengineer the bureaucracy, subject to the principles of governance, structural parameters and policies stipulated by Congress and provided for in existing laws.

Meanwhile, the Attrition Law was strictly enforced resulting in the reduction in the government workforce from 1,195,373 in 1993 to 1,122,359 in 1994. Consequently, government expenditures for personal services declined by at least P1.5 billion and P1.1 billion in 1993 and 1994, respectively.

5.2 Pursuit of Privatization, Deregulation, Liberalization, Demonopolization Policies

The government revitalized its privatization program to further encourage the private sector to assume its role as the engine of growth. With the issuance of EO 37, the government reaffirmed its resolve to privatize activities better left to the private sector by expanding the program to include roads, ports and water supply as areas for possible privatization.

In terms of revenues, the privatization program yielded in 1995 alone a total of P43.9 billion in gross revenues. In 1994, P32.7 billion was remitted to the National Treasury and was the highest remittance so far in the history of the Philippine privatization program.



Consistent with the privatization program, the government succeeded in broadening the ownership base of several GOCCs. Noteworthy of these were: (a) Petron Corporation, which sold company shares to some 495,000 small investors during its initial public offering; (b) PNB, which allowed small loan investors such as teachers, farmers, fisherfolks and overseas workers to become part-owners of the Bank; and (c) Metro Manila Transit Corporation (MMTC), which sold its buses to its former employees.

A review of the mandates of the existing GOCCs was, likewise, undertaken to find ways to further improve their effectiveness and efficiency.

5.3 Better Decision-Making through Consensus-Building and Greater Private Sector Participation

Efforts to build consensus among decision-makers in the Executive and Legislative branches of government gained momentum in 1993 when the Legislative-Executive Development Advisory Council (LEDAC) was created to serve as an advisory and consultative mechanism to ensure consistency between development planning and Congressional budgeting. This body deliberated and reached consensus on a number of crucial policy issues, noteworthy of which pertains to the country's accession to the Uruguay Round of the General Agreement on Tariffs and Trade (GATT-UR). In support of GATT, significant pieces of legislation were, likewise, enacted through the efforts of the Council, namely, the Anti-Dumping Law and the Export Development Act (EDA).

A strong partnership between and among the Legislative, the Executive, labor, business and basic sectors was forged during the Economic Summit in 1993 where they jointly developed a coherent socioeconomic development framework for the country. More significantly, the basic sectors' active involvement in this Summit brought them into the mainstream of economic policy-making, planning, and decision-making processes. The basic sectors were also active participants in another summit called the People Empowerment Caucus held on 17 June 1994 in which the SRA was launched.

There were six other summits where consensus was forged on priority concerns of government. These were the Water; Housing; Peace and Order; Mindanao; Traffic; and Employment Summits.

A cutting-edge innovation in the institutionalization of people empowerment and civil society's participation in governmental decision-making was also launched when nongovernment organizations (NGOs) were granted counterparting status in the decision-making structures of the Philippine Council for Sustainable Development (PCSD). Under the PCSD, decisions are arrived at through consensus by government organization (GO) and NGO/peoples' organization (PO) members, both at the Council

and secretariat levels.

As part of the liberalization program, an overall tariff review was initiated to further reduce the level and spread of tariff rates leading to the adoption of a uniform rate of duty. A highly consultative process on the tariff restructuring program was undertaken through the conduct of public hearings and symposia where farmers, food processors, exporters, consumers, and industry associations aired their concerns. In the area of investment liberalization, major reforms included: (a) the reorganization of the Board of Investments (BOI) to enable it to undertake aggressive and active investment promotion campaigns; (b) the passage of the Export Development Act to promote investments in the 14 identified export winners; (c) the passage of the Expanded BOT Law which provided attractive benefits and incentives to investors in BOT projects; (d) the passage of the Foreign Bank Liberalization Law which liberalizes the entry and scope of operations of foreign banks in the Philippines; and (e) the strengthening of the Bangko Sentral by vesting it with flexibility and independence in its operations.

5.4 Sustaining Decentralization and Local Autonomy

The transfer of devolved functions with corresponding resources and personnel to LGUs was substantially completed after the passage of the LGC in 1991. At least 70,498 personnel from affected agencies and P518.8 million worth of assets in the form of buildings and improvements, equipment and vehicles were transferred to the LGUs. To assist LGUs in assuming devolved functions, national agencies affected by devolution adopted new systems in the areas of health planning, project implementation, environmental management, fiscal administration, and budgeting.

To strengthen the competencies of LGUs to handle the demands and challenges of devolution, the Integrated Capability Building Program (ICBP) was launched in October 1993. The ICBP provided the general framework for all training and capability building programs for local governments and, so far, about 200 showcase municipalities benefited from the various core components of the program. Other programs which harnessed the potentials of LGUs under a decentralized mode of government included the Integrated Rural Accessibility Program (IRAP) and the Integrated Approach to Local Development Management (IALDM).

To sustain momentum in implementing the 1991 LGC, the LGC Master Plan was adopted in 1994. It essentially outlines the framework for devolution and synchronizes all efforts in policy, operating systems, organizational development, and capability building for LGUs. At the local level, several LGUs responded to the challenges of devolution, and were subsequently given due recognition through the “*Galing Pook*” Awards. The Award honors outstanding local government initiatives in areas such as Baybay, Leyte; Sampaloc, Quezon; Marikina, Metro Manila; and Kidapawan, Cotabato, among others.

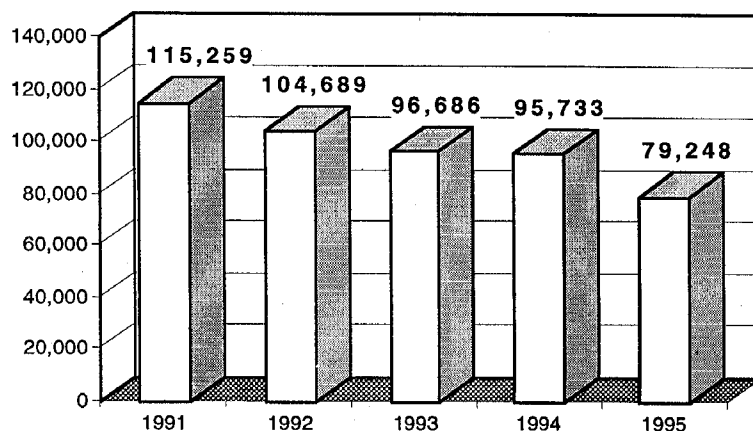
5.5 Improving Peace and Order and Justice Administration

Justice administration was made the cornerstone of a just, peaceful and orderly society. The Barangay Justice System Training Program was vigorously undertaken in 1994 to equip barangay officials and members of the *Lupong Tagapamayapa* with the techniques for amicable settlement, arbitration of disputes, and mediation and conciliation that will enable them to implement simple paralegal means for the expeditious and decentralized resolution of certain cases. Moreover, the legal outreach program of the Public Attorney's Office was heightened with 96,301 indigents given assistance during investigation and/or custodial interrogation. The Witness Protection, Security and Benefit Program was, likewise, mainstreamed into the justice system with 280 individuals entering the Program.

Relatedly, the National Crime Information System was established to link the database of different government agencies in order to facilitate access to and exchange of information as well as facilitate coordination and cooperation among concerned agencies. In an effort to bring genuine and lasting peace in the country, the government intensified the implementation of the National Program for Unification and Development. Under the Program, 1,028 returnees benefited from the P8.2 million livelihood loan assistance in 1994. In a similar program called "Bring a Rifle, Improve your Life (BARIL)" Program, the government also succeeded in bringing to the fold of law some 2,618 rebels who surrendered 857 firearms.

The President also issued two amnesty proclamations in March 1994 designed to end decades of civil strife in some areas of the country.

Figure 2.13
COMPARATIVE NATIONAL CRIME VOLUME, 1991-95



Source: Department of Interior and Local Government (DILG)

At the police front, the adoption of the Community-Oriented Policing System (COPS) and the establishment of COPS- "*Kababayan*" Centers in the National Capital Region promoted increased police visibility and credibility in the community and built better rapport between policemen and residents. A sustaining information campaign and greater collaboration with NGOs in such initiatives as "*Bantay Bayan*", Citizens Crime Watch, and Crusade Against Violence also contributed to better enforcement of the laws.

The government also reaped success in its anti-crime criminality campaigns when it implemented "*OPLAN Paglalansag*". Under the program, 482 private armed groups were disbanded and 29,594 firearms were confiscated. The "*COMPLAN Pagbabago*", which is a parallel program to OPLAN, also proved successful based on the number of undesirable policemen (4,716) who were dropped from the rolls and/or given due penalty.

All of these initiatives helped in reducing the crime rate in the country from a monthly average of 13.7 crimes per 100,000 persons in 1992 to 11.9 crimes per 100,000 persons in 1994.

5.6 Improving Frontline Services and Professionalizing the Civil Service

Numerous innovations were introduced in the various service-oriented operations of government. In the area of government auditing, the government issued the new Government Accounting and Auditing Manual which contains new auditing and accounting directions and guidelines for government officials and other users in their financial transactions. Likewise, the preaudit of all financial transactions of the NG, LGUs and GOCCs was totally lifted to curb undue bureaucratic red tape and to facilitate government operations.

Improvements in the budgeting system were also pursued. Notable of these improvements were: (a) the computerization of the budget preparation process; (b) the adoption of the Simplified Fund Release System (SFRS) which allowed agencies and departments to draw funds at the start of the year; (c) standardization of the allocation scheme for units/agencies with similar functional and operational concerns; and (d) decentralization of authority over certain budgetary items from DBM to the heads of agencies.

Reforms to professionalize the civil service were, likewise, continuously instituted. These included, among others, the strengthening of the merit and incentive systems; the grant of eligibility for skilled workers in government through the Skills Certificate Equivalency Program; the establishment of the Local Scholarships Program; the implementation of Value Development Programs; and the issuance of the Anti-Sexual Harassment Policy. Behavioral reforms were also adopted with the launching of the "*Mamamayan muna, Hindi Mamaya na!*" program.



Another major reform was the implementation of the Salary Standardization Law II which upgraded and rationalized the compensation structure in government. Simplified systems and procedures were likewise continuously implemented to facilitate the delivery of governmental services. In this regard, more One-Stop-Shops or centers were opened which include the *Mabuhay* Lane and the Inter-Agency Tax Credit and Duty Drawback Center at the Department of Finance (DOF); the One-Stop-Shops for socialized housing development at the Housing and Urban Development Coordinating Council (HUDCC); the One-Stop Export Documentation Centers at the Bureau of Export Trade Promotions' offices in Cagayan de Oro, Cebu and Subic Bay; the Investment One-Stop Action Center at the (BOI); and the "same-day" processing of requests at the National Statistics Office (NSO).

5.7 Promoting Information Technology

Initiatives to upgrade the information technology (IT) infrastructure of government agencies were undertaken to enable them to access local as well as international information networks. A notable achievement in this regard is the approval and adoption of the National Information and Technology Plan 2000 (NITP 2000) and the creation of the National Information Technology Council (NITC). The NITP 2000 embodies the national policy on information technology development in the country and serves as a guide to all government agencies in the effective utilization of IT resources.

Government agencies started implementing computerization programs to enhance and improve delivery of services to the public. For the national government, the following computerization initiatives are being implemented, among others: (a) Philippine Tax Computerization Program; (b) Civil Registry System Computerization Program; (c) Geographic Information System Computerization Program; (d) Development Diplomacy Information Network; (e) Computer-Assisted Audit Technology System; and (f) Defense and Security Information Databanking System. The LGUs, on the other hand, are also currently using IT as a tool to build up local government capability especially in their revenue-generating activities such as the business permit, and license tax and administration, and real property tax administration and local civil registry.

B. LESSONS LEARNED AND CHALLENGES FOR THE NEXT THREE YEARS

1.0 HUMAN DEVELOPMENT AND HUMAN RESOURCES

Various human development indicators clearly show that significant progress and achievements were attained during the first half of the current planning period. However, the level of progress has not been even across all the facets of human

development. There are sectors which posted minimal progress performing substantially below their expected potential. Moreover, the improvements remain at risk of being overwhelmed by a growing population, rapid urbanization and various institutional challenges to service delivery. Some setbacks have also been largely brought about by certain fundamental changes in the domestic and international sociopolitical environment and economic restructuring as well as by the effects of certain policies. For instance, the implementation of the LGC paved the way to the devolution of the management of health, nutrition and population services and this came at a time when the public health sector is still grappling with the problems related to both infectious and communicable and chronic degenerative diseases as well as the emerging concerns of Human Immunodeficiency Virus (HIV/AIDS).

The overall planning of human development has consistently been plagued by the lack of purposive monitoring and follow up actions not only of programs and quantitative targets of projects but also compliance with the numerous policy reforms formulated to address social development.

In the light of developments and conditions that persisted throughout the past planning periods, more efforts and policy and program adjustments have to be made for the rest of the plan period and thereafter. In summary, the following are the major challenges faced by the social sector.

1.1 Income, Poverty and Employment

In spite of the gains highlighted above, however, the challenges in poverty alleviation, equity promotion and the generation of productive employment remain substantial.

More than a third of all families totalling 4.6 million continue to be poor. In addition, improvements in household incomes and income distribution is threatened by declining household savings. Household savings, though still positive, generally declined between 1991 and 1994. Only Eastern Visayas, Central Mindanao and Central Luzon posted growth in savings. The regions with the least savings were mostly those which posted the fastest real income growth. Given that these were in the less affluent areas, the expenditure response to growing affluence was expected to be strong thus pulling down savings even faster. This observation is further supported by the fact that the strongest decline in real savings was exhibited by the low-income deciles. As a result, the richest 30 percent of families in the country accounted for a larger share of total household savings. If this trend is not arrested, the economy will increasingly depend on foreign savings to ensure the continuation of economic growth. This will increase the vulnerability of the economy to the vagaries of international economic developments. Efforts at domestic savings mobilization, especially in the household must, therefore, be further promoted and intensified.



Jobs were not being generated fast enough even though job quality has been improving. Job creation in 1994, fell short by 208,000 from the Plan target. In 1995, the Plan target of 972,000 new jobs was not achieved due to the setbacks in the agriculture sector.

Even though the rate of underemployment has been on a general downtrend, it, nevertheless remains chronic as fully one-fifth of all employed workers in the domestic labor market or about 5.1 million workers are still underemployed. This means that industry and the high-value sector of services must grow and turn out jobs even more rapidly.

1.2 Health, Nutrition and Population

Side by side with the major strides gained by the health, nutrition and family planning sectors, some setbacks have, nevertheless, been noted during the first two years of the plan period. For instance, although PEM has been substantially reduced on the average, there are areas in the country where it continues to be unacceptably high. The 1993 NNS shows that the Autonomous Region of Muslim Mindanao (ARMM), Bicol, Eastern Visayas and Western Visayas were the areas most nutritionally at risk with high prevalence of all forms of malnutrition among preschoolers (0-6 years old) and school children (7-10 years old).

Iodine deficiency, as seen from goiter incidence in 1993, doubled the 1987 level. The prevalence of goiter for all grades increased from 3.5 percent in 1987 to 6.9 percent in 1993 with occurrences highest among pregnant women. A higher prevalence of goiter was found among urban subjects (6.9%) compared to rural subjects (6.8%).

In addition, greater efforts will have to be exerted by the sector to effectively address the following:

- 1) The increased prevalence of nightblindness among 7-14 year olds and pregnant women;
- 2) The decrease in food consumption particularly rice and rice products;
- 3) The emergence of lifestyle diseases as well as other illnesses arising from environmental and occupational health hazards with rising mortality rates;
- 4) The need to reconcile the differing views between government and the Church on the population issue to ensure success in program implementation;
- 5) The need to address the increasing incidence of teenage pregnancies/sexuality-related problems;

6) The need to determine the viable alternatives to the phase-out of foreign food aid in order to sustain the gains in nutrition;

7) The need to empower patients based on their basic rights to: medical care treatment, informed consent, privacy, information, privileged communications, choose his/her physicians, self-determination, religious beliefs, access to medical records, refuse participation in medical research, correspondence and receive visitors, express grievances, and be informed of his/her rights and obligations as a patient;

8) The need to upgrade hospital care so that they can cater not only to the critically ill but also to all who need health assistance, disease prevention and health promotion;

9) The need to decentralize the management of population and other related activities; and

10) The need for sufficient allocation of specific budget for health and other devolved functions.

1.3 Education and Manpower Development

While the sector has done well in improving access to education, there remains some concerns on the less favorable outcomes and outputs of the educational system. The cohort survival rate (CSR), which can be viewed as a quality indicator, merely increased from 67.7 percent to 69.7 percent during the two-year period in the elementary level. This falls short of the Plan targets of 71 percent and 73.8 percent for 1993 and 1994, respectively. Similarly, the cohort survival rate for the secondary level had a minimal increase from 76.2 percent to 77.2 percent for the same period, which was below the Plan target.

That the quality of basic education has further lagged behind was revealed by the new forms of assessment of the achievement levels in both elementary and secondary education. The National Elementary Achievement Test (NEAT), which was administered for the first time in 1993, showed a National Achievement Level of only 41.8 percent against the targeted 75 percent. In 1994, the NEAT results showed only a little improvement with its Achievement Level of 43.6 percent. This low academic performance was more particularly true for the Science, Math and English subjects. In its first two years of implementation, the NEAT showed that private schools tended to perform better than public schools.

In the secondary level, the National Achievement Level indicated by the National Secondary Achievement Test (NSAT) in 1994 was 38.9 percent. This is only a little more than one half of the targeted level of 75 percent. As in the elementary level, the



achievement levels in Science and Math were only 35 percent and 38 percent, respectively. The low achievement in Science and Math could be attributed to some factors affecting the teaching-learning process such as shortage of qualified teachers in the subject areas and the inadequacy of instructional science equipment, among others. There was not much difference between public and private schools in the NSAT performance in the secondary level.

Performance in licensure examinations reveals a marked disparity in the quality of programs offered by the HEIs. Medicine registered the highest percentage passing, from 73 percent in 1990 to 83 percent in 1993. Examinees in the accountancy, teacher education, civil engineering, and law had relatively low passing rates. The substandard levels or noncompliance to the minimum requirements for curricular/program offerings of HEIs and the poor implementation of the policies and standards on higher education in effect contributed to the dismal performance in licensure examinations. Performance indicators are, therefore, currently being developed in view of the perceived disparity in the quality of programs.

Moreover, efforts to fulfill some educational commitments have not been sustained. The overall program of the EFA movement that should have galvanized all the formal, nonformal and informal teaching-learning processes undertaken by both government agencies and NGOs under the principle of a continuing Grand Alliance for basic education seem to have lost steam. This is owing to the long inactivity of the National Committee on Education for All (NCEFA) and many of its regional counterparts, the Regional Committee on EFA (RCEFA) which have been tasked to provide direction and sustained follow-up action towards the implementation of the big number of approved projects and policies outlined in the Philippine Plan of Action.

In summary, the following additional specific issues and problems will have to be addressed both in the short- and medium-term:

- 1) Intensify efforts to improve the quality of formal basic (elementary and secondary) education;
- 2) Sustain the country's commitment to the EFA vision and objectives of basic education which involve the concerted efforts among formal, nonformal and informal modalities of learning under the principle of Grand Alliance;
- 3) Minimize the uncertainties and difficulties faced by the post-secondary and HEIs as a result of the massive restructuring of the educational system;
- 4) Democratize the process of educational planning and policy-making especially among the HEIs;

5) Formulate a vision which encourages moral recovery, national discipline, peace and unity and productivity to be rooted among the people through effective utilization of the informal education channels like mass media, culture and sports;

6) Review the enabling laws of most existing SUCs that make them responsive to reforms and developmental requirements;

7) Decentralize decision-making authority in the public schools;

8) Make higher education more relevant and responsive to the emerging issues and challenges of global competitiveness, sustainable development, and people empowerment; and

9) Encourage unanimity and unity in supporting and sustaining mass-based sports priorities.

1.4 Housing

For the remaining years of the Plan period, it is recognized that the National Housing Program must not only be responsive to the needs of disaster victims, but more increasingly of the urban poor, one of the basic sectors under the SRA. Moreover, since the 147,268 households provided with units of assistance in 1994 constitute only 23 percent of the year's total housing needs, the output of the National Housing Program has to increase from 34.7 percent in 1996 to 51.3 percent of total housing needs in 1998 in order to meet the annual targets. This requires not only the cooperation of the national housing agencies, LGUs and POs but also more efficient funds recovery and more effective funds generation.

Overall, the housing sector should go on gearing resources and the political will to confront the following very specific issues and problems:

1) The ever increasing backlog and the growing unaffordability of decent shelter which is one of the basic human needs;

2) The need to strengthen the capabilities of the key actors (LGUs, NGOs/POs, Private Sector and Shelter-and-Urban) and other development-related agencies in shelter and urban development in the face of continually evolving housing and urban development strategies technologies and concepts;

3) The need to strengthen mechanisms and other support schemes for increased and sustained private sector participation in shelter and urban development; and

4) The need to develop housing packages designed to meet the affordability of



beneficiaries belonging to the lower 30 percent of the population.

1.5 Social Welfare and Community Development

Amidst the favorable developments of the sector which saw successful implementation of interventions for its principal clientele groups, the need for sustained provision of safety nets that will protect the affected sectors from the adverse effects of structural adjustments such as temporary job losses, is the single most important challenge in the next three years. Considering the magnitude of the needs of the various clientele groups, it appears that the overall effectiveness of the safety nets is being undermined by the inadequacy of resources being earmarked for the program. Relatedly, the sector will still require determined efforts and focus on the following institutional and policy issues:

- 1) The proliferation of poverty alleviation-related bodies with overlapping functions;
- 2) Weak integration of GAD concerns at the national and subnational planning processes and immediate need to mainstream these concerns beyond the social welfare sector;
- 3) Weak linkage between the national government and LGUs with respect to the targets of the devolved programs and services as well as the monitoring and accounting of their performance;
- 4) Inadequate mechanisms to encourage full participation and provide equal opportunities for persons with disabilities; and
- 5) Insufficient budgetary provision for the implementation of the Sharia program that will protect the rights of migrant Filipinos and overseas workers needing adequate legal protection in Muslim countries.

2.0 MACROECONOMY AND DEVELOPMENT FINANCE

The experience of the past three years has demonstrated the positive effects of the structural reforms that have been undertaken. Together with a stable macroeconomic environment, these have fostered a climate conducive to growth and development. The challenge in the remaining years is to remain committed to the reforms that have already been started and to continue to pursue prudent macroeconomic management. Specifically, the following are the challenges for the next three years:

Increasing savings. With the need for more investments to support growth, national savings as a percent of GNP has to be raised in order to reduce reliance on

foreign savings. This is important as the market for foreign funds is expected to become more competitive.

Improving resource mobilization. Resource mobilization is critical for improving the country's infrastructure base. In particular, the tax effort must be further increased to reduce the government's reliance on nonrecurring nontax revenues. In this regard, the passage of crucial tax reform measures must be pursued.

Maintaining macroeconomic stability. There is a need to further improve the country's external position, by making exports more competitive while at the same time attracting more foreign investments. This will ensure that growth will not be constricted by problems related to the balance of payments.

3.0 AGRI-INDUSTRIAL DEVELOPMENT

3.1 Agriculture, Fishery and Forestry

Efforts so far undertaken to increase production efficiency in agriculture continued to be hampered by the government's limited capability to provide adequate rural infrastructure, particularly irrigation and drainage, postharvest facilities and marketing infrastructure. Weaknesses in the present extension delivery system, following the devolution of this function to the LGUs, have likewise hindered the effective transfer of production and postproduction technologies to farmers in the rural areas.

Moreover, pressures of a growing population have led to the heavy exploitation of the country's fishery and other natural resources. For the fisheries subsector, this problem is compounded by the destruction of fish habitats due to, among other things, destructive fishing methods, conversion of mangrove areas into fishponds, mismanagement of watersheds and industrial pollution. Although considerable mileage has been achieved towards addressing the more pressing problems affecting the environment and natural resources sector, the following issues remain to be addressed: (a) resource depletion as a result of deforestation and destruction of wildlife habitat; (b) environmental degradation due to unabated soil, water, air and land pollution; (c) inequitable distribution and allocation of lands and other natural resources; and (d) poverty in the uplands and the continuous influx of migrants from the lowland area.

As the country gears up to face the challenges of a more dynamic world trade regime, the need to achieve competitiveness in the sector becomes even more imperative. A number of measures needs to be undertaken to increase productivity and to make our agricultural products more world competitive. Foremost among these measures is the enactment of policy reforms in accordance with the country's



commitments under the GATT-UR, including the amendment or repeal of laws that impose quantitative restrictions on some agricultural products.

Priority should likewise be accorded to the provision of basic rural infrastructure and support services to allow for the expansion of the country's market base to boost farmers' competitiveness. Research and development (R&D) will have to play a major role not only in increasing productivity, but also in improving product quality. Moreover, the capability of LGUs also need to be further strengthened, particularly in the delivery of agricultural extension services.

3.2 Environment and Natural Resources

In its effort to keep pace with the global trend towards sustainable development, emphasis should be given to the attainment of a healthier environment and the sustainable use of the country's natural resources. This calls for a mass-based ecological consciousness, capability-building and greater exercise of responsibilities in environment and biodiversity management covering all aspects of the decision-making process. Further, the immediate passage of the following pending legislations will have to be pursued: Environment Code, Forestry Code, National Land Use Act and the Ancestral Domains Act.

3.3 Trade and Industry

In the drive towards achieving global competitiveness and economic growth that is fueled by investments, there is no doubt that the pursuit of an outward looking strategy via the adoption of investment liberalization and deregulation among others, has indeed started to pay off. Foreign investments have continuously poured into the country since 1993 and lately to special economic zones (SEZs) being promoted by government through incentive packages claimed by foreign investors to be better than that offered by the Board of Investments (BOI). While this may not really be unfavorable as foreign investments are in a way being diverted to the regions, caution should be exercised in the implementation of the incentive policy for SEZs. The preference of foreign investors to register with the Philippine Economic Zone Authority (PEZA) indicates a possible competition among incentive-giving agencies of government.

The positive impact of investment liberalization and deregulation having been affirmed, the challenge for the next three years is to adopt further measures to maintain such a liberal investment policy stance. This is particularly necessary in the light of the Philippines being promoted as a gateway to the ASEAN Free Trade Area or the East Asia Growth Triangle; the ambition of the country to catch up with its high-growth ASEAN neighbors and attain NIC status by the year 2000; and the need to make Philippine industries globally competitive with the accession to the WTO. The BOI,

as the government's lead agency for investment promotion, should actively pursue a mix of investment promotion strategies that will effectively promote the Philippines as the "most attractive" investment site.

The structural reforms implemented by the government in the past three years have paved the way for the development of the trade sector, particularly the export sector which performed remarkably in the past two years. Much, however, still needs to be done. The Export Development Act of 1994 should be implemented efficiently in order to fully achieve the objective of strengthening the competitiveness of the export sector in the international front. There is also the need to continue the synchronization of tariff reform and exchange rate policies. The import liberalization program remains to be completed, especially in the agriculture and agribusiness sector, with the lifting of import restrictions and its conversion to equivalent tariff rates. On trade diversification, Philippine exports need to be continually promoted in order to penetrate nontraditional markets. As regards domestic trade, a strengthened antitrust/antimonopoly law must be enforced in order to assure fair trade practices.

In tourism, the relatively low budget allocation of the Department of Tourism (DOT) has constrained it from undertaking a more aggressive stance in promoting the development of a highly competitive tourism industry. The positive development in the sector should further encourage the DOT to continue its efforts of promoting tourism development to maximize the country's potential as a tourist destination. Promotional efforts, however, should give due consideration to the role of the environment as a key resource of the industry.

In the area of development diplomacy, the state visits of the President have resulted in more bilateral trade, investment and other agreements as well as return visits of other heads of state to the Philippines. The increased trade with ASEAN countries like Singapore and Thailand, which comprised 5.5 and 4.7 percent shares to total exports during the first three quarters of 1995, respectively, may be attributed partly to the country's active participation in the Common Effective Preferential Tariff scheme under the ASEAN Free Trade Area (CEPT-AFTA). In the ensuing years, the country should accelerate economic diplomacy, putting economic considerations over political ones; focus on ASEAN and APEC relations; observe AFTA and APEC commitments; and refrain from new commitments outside ASEAN and APEC.

Another area where much has yet to be done is Science and Technology (S&T). The private sector has to be encouraged to invest in S&T activities. The country's R&D expenditures in the past two years have remained at 0.2 percent of GNP which is way below the one percent level set by UNIDO for industrializing countries. However, there is great degree of optimism that this level will be attained in the coming years as the country gears toward global competitiveness.



In the succeeding years of the Plan period, the remaining bottlenecks shall be addressed to sustain the gains from the first two years and effectively build on these, accelerating the growth of the country as it takes advantage of the enormous opportunities and challenges presented by the significant new realities of the global economy.

4.0 INFRASTRUCTURE DEVELOPMENT

As in the past, the implementation of infrastructure projects met with difficulties due to limited funds which affected the implementing capability of many agencies. Against this background, the successful participation of the private sector in the country's power program was a welcome development and, at the same time, a notable example for the other sectors, e.g., transportation and water resources, to follow.

Insufficient coordination among various national government agencies (NGAs) and with LGUs, resulted in delays particularly with regard to devolved activities, although steps have been taken to address this. Still, to avert any further delays in project implementation, a more effective system of coordination among government agencies and consultation with stakeholders will have to be adopted to minimize future delays particularly in relation to right-of-way acquisition, public acceptability, and environment-friendliness. Institutional reengineering may ultimately be required for certain agencies with overlapping functions and responsibilities.

In many areas, natural calamities aggravated the situation by destroying facilities already in place or by worsening living and working conditions. In this light, the government may have to formulate a more rational and extensive approach to disaster mitigation. Peace and order conditions in some areas still posed some problems although to a lesser extent.

The rapid deterioration of facilities, which can be attributed to outmoded design standards or parameters coupled with excessive loading and inefficient maintenance practices, is negating gains from infrastructure development. This should necessitate a high priority for maintenance of existing facilities, as well as additional capital outlays for new projects.

Significant policy and institutional reforms toward demonopolization, privatization, and deregulation have begun to pay dividends with the sizeable entry, particularly in telecommunications and transport services of the private sector which is bringing into the country investments and modern technology. To sustain the trend, government should ensure that lingering bottlenecks and inefficiencies are eventually eliminated.

Even as the participation of the private sector increases in the delivery of services, the government should not lose sight of providing the basic infrastructure support requirements particularly in the countryside. Moreover, government should maintain a healthy presence in the regulation of service and safety standards.

Improvements within implementing agencies are also necessary, particularly in capability-building and in research and development which should be geared for the long term.

5.0 DEVELOPMENT ADMINISTRATION

The numerous initiatives launched to streamline the bureaucracy proved successful in terms of rationalizing the size, structure and processes in the bureaucracy. For example, the Attrition Law, which was a centerpiece program, has significantly reduced the number of government personnel due to the “stop hiring” scheme of government as a result of resignation, retirement, dismissal, or death. Thus, the philosophy of “doing more with less” became the strategy for maintaining a lean and mean government workforce. This notwithstanding, the crucial consideration at this time is the impact of the Attrition Law on the productivity levels of individual agencies and employees. While at the aggregate level, the significant contribution of the Law may be appreciated in terms of the savings incurred due to the nonfilling up of vacated positions in the bureaucracy, the more important yet overlooked indicator is its direct effect in the operations and productivity of agencies which are hardest hit by rapid personnel turnover. There have been reports that overall, the quality of the bureaucracy has suffered.

In light of this, efforts to reengineer the bureaucracy should consider not only perceived social and political dislocations that may be brought about by the pending reorganization, but also the assurance that remaining personnel are optimally utilized, and their productivity and morale are enhanced. In this regard, open discussions on the reengineering program should be held to allay fears and anxieties as well as reduce undue resistance of affected employees thereon. More importantly, these consultations will elicit the support of government employees themselves for the speedy enactment by Congress of the draft reengineering bill.

Consensual forms of decision-making, as exemplified by the LEDAC and the conduct of consultative fora and summits, need to be replicated at all levels of governance because such experiments proved successful in fostering meaningful cooperation between the actors in the decision-making process and in minimizing gridlock arising from confrontational stance of the parties involved. While consensus-driven fora and mechanisms are already institutionalized at the national level, it is likewise crucial that follow-through mechanisms are established to ensure that commitments and agreements reached are translated into doable action programs. In



the next three years, similar mechanisms and initiatives are expected to be harnessed in subnational spheres of jurisdiction.

The enormous powers and opportunities ushered in by the LGC are not without the attendant challenges and apprehensions of LGUs. Despite pockets of successes in local governance under the new LGC, the crucial concern on the absorptive capacity of LGUs remains a valid continuing priority of government. In this regard, vigorous efforts have to be exerted in building LGU capabilities to ensure the delivery of devolved services. Moreover, the involvement of NGOs and POs in local governance has to be enhanced to make them more effective allies in the community. At the national level, an incentive system has to be put in place to ensure compliance to the Master Plan for the Sustained Implementation of the LGC. An assessment of the performance of devolved agencies could also be undertaken which will provide the basis for their possible restructuring to meet the demands of devolution.

In the area of national unity, peace and order, and justice administration, a lot remains to be desired in support of current initiatives and programs. Despite the recorded decline in the crime rates and the establishment of a climate of growth and investment, the public perception that “nobody feels safe even in his own home” continues to betray whatever gains have been achieved in the previous years. The alleged involvement of the police in unlawful activities contribute to the credibility problem of law enforcers, thereby reinforcing the perception of a slow and disheartening war against criminality and domestic aggression. In view of this, intensive and vigorous reorientation and value formation programs for peacekeeping personnel have to be sustained. Moreover, the passage of the PNP Modernization Bill needs to be supported to transform the PNP into a professional and highly-motivated police corps.

Efforts to improve systems and processes in government need to be continued. More one-stop shops need to be established, particularly in client-sensitive agencies and in areas where the private sector transacts the most. Reskilling of government employees shall also be pursued in view of emerging global technologies of doing things better in government. Specifically, access to and sharing of local and international data shall be pursued through cost-effective and user-friendly information technology applications in government.

Chapter 3
CHALLENGES
for
HUMAN DEVELOPMENT
and
HUMAN RESOURCES



CHAPTER 3

CHALLENGES FOR HUMAN DEVELOPMENT AND HUMAN RESOURCES, 1996-98

In response to the new issues that emerged as well as persisting gaps, the four major subsectors of human development shall, for the next three years, continue to pursue the goals set forth in the original plan centered around broad-based people empowerment. Efforts at all levels shall, therefore, be geared towards: (a) meeting the minimum basic needs (MBN); (b) harnessing peoples' productive capacities; and (c) promoting greater social integration.

1.0 INCOME, POVERTY AND EMPLOYMENT

Employment generation shall continue to be the key to increasing incomes and alleviating poverty. Hence, the three-year program of action of the Employment Summit as well as the flagship programs under the Social Reform Agenda (SRA) will receive priority attention.

1.1 Key Measurable Targets

Poverty incidence is targeted to decline from 35.5 percent in 1994 to no more than 30 percent in 1998. This shall be attained through the provision of more jobs and more focused services toward the poor. New jobs to be generated shall increase from 643,000 in 1995 to about 1.1 million in 1998. This shall bring down the unemployment rate to 6.9 percent in 1998 from about 9.5 percent in 1995.

The number of poor but creditworthy household-entrepreneurs to be provided with sustainable microfinance services shall increase from 250,000 in 1995 to 1.3 million in 1998.

1.2 Policies and Strategies

The generation of productive and remunerative employment shall be maximized through the implementation of the multisectoral commitments forged during the Employment Summit held on 22 September 1995. The implementation and impact of the Comprehensive Employment Strategy Program (CESP) shall be closely monitored.

With the passage of the Migrant Workers and Overseas Filipinos Act, a major agenda for the rest of the planning period (1996-1998) shall be the reorientation and revitalization of the overseas employment program to provide protection and welfare mechanisms to workers from predeparture to onsite and until reentry into the mainstream of society upon termination of contracts.

Refocusing and reprioritization of the utilization of manpower and financial resources shall be implemented to deploy more personnel to critical labor posts abroad. A package of protective and welfare programs, including legal aid to OCWs with cases, shall be pursued. Forging of bilateral agreements shall also be pursued with host countries to seek mechanisms for migrant workers.

SRA programs and projects shall be effectively and efficiently implemented through the implementation of the Convergence Policy (Administrative Order 194) and by synchronizing the efforts of the local and national government units in addressing the MBN of the targeted communities and beneficiaries.

A social investment endowment fund for capacity and institution building that will promote microfinance services for the poor and enable the poor to meet their MBN shall be provided.

1.3 Priority Programs and Projects

1) The three-year program of action agreed upon during the Employment Summit which covers the agricultural labor market, the nonagricultural labor market, overseas employment and public sector employment;

2) SRA Flagship programs of respective focal agencies, namely:

- a) Socialized housing delivery for the poor (HUDCC);
- b) Delivery of integrated social services (DSWD);
- c) Agricultural development (DA);
- d) Fisheries management and development (DA);
- e) Protection of ancestral domain (DENR);
- f) Workers welfare and protection (DOLE);
- g) Expansion of credit (DOF/LBP);
- h) Livelihood programs (DOLE and DTI); and
- i) Institution building and effective participation in governance (DILG).

2.0 HEALTH, NUTRITION AND FAMILY PLANNING

The focus in the next three years shall be on the prevention and control of leading communicable, noncommunicable and lifestyle-related diseases/conditions and illnesses

Better nutrient intake will lower the incidence of anemia among infants, preschoolers, the elderly, pregnant and lactating women. The prevalence of Vitamin A deficiency, as manifested by Bitot's spot, among preschool children will decrease from 0.11 percent in 1993 to 0.03 percent in 1998. Goiter will also be less prevalent, decreasing from 6.9 percent in 1993 to two percent in 1998.

2.2 Policies and Strategies

2.2.1 *Meeting the Minimum Basic Needs*

Health, nutrition and population concerns shall effectively be integrated at the regional level by explicitly considering and operationalizing them within the context of the human and ecological security development planning system.

Measures towards women's health and nutrition, safe motherhood and child survival shall be vigorously promoted, especially as part of the family planning program.

The nine-point nutrition action agenda which focuses on the 20 priority provinces shall be pursued. These include nationwide salt iodization; micronutrient supplementation; appropriations and credit facilities for nutritionally at-risk households; reinforced capabilities for policy formulation, advocacy, resource generation and coordination for nutrition program management; infrastructure facilities for increased food security; thorough information-education-communication (IEC) campaign; incentives to business to invest in nutrition; nutrition programs in 20 SRA provinces; and nonwage nutrition benefits package in collective bargaining agreements.

Hospitals shall be upgraded or converted into centers for wellness not only to cater to the critically ill but also to all who need health assistance, whether curative care, primary health care, disease prevention and health promotion.

2.2.2 *Harnessing People's Productive Capacity*

The management of health, nutrition and population programs and related activities shall be strengthened at the local level with the local government units (LGUs) playing a significant role. A specific budget for the health, nutrition and population subsectors shall be provided and sourced from the annual Internal Revenue Allotment (IRA) of the LGUs. This should include the cost of implementing the Magna Carta of Public Health Workers.

A comprehensive national health facilities enhancement program including locally-administered health facilities and services shall be provided.

or conditions arising from environmental and occupational health hazards while paying attention to health service capacity improvement.

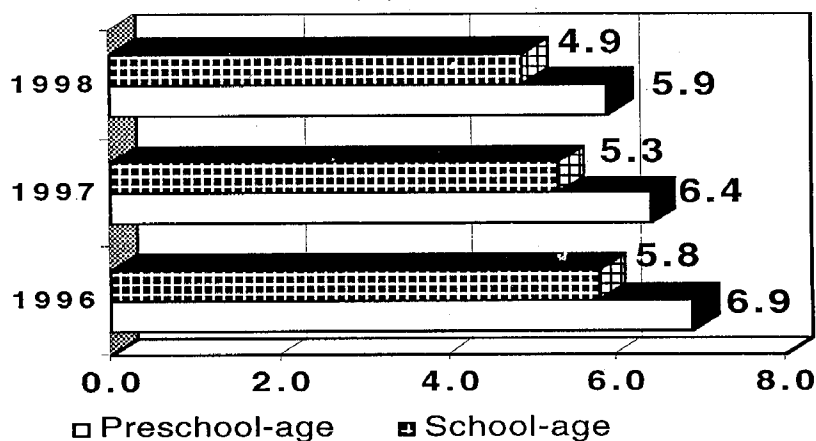
2.1 Key Measurable Targets

Better health programs shall raise life expectancy from 68.7 years in 1995 to 69.7 years in 1998 (Table 3.1). Infant mortality rate per 1,000 live births, on the other hand, will decrease from 48.9 in 1995 to 44.3 in 1998. Moreover, crude death rate per 1,000 population is estimated to decline from 6.6 in 1995 to 6.2 in 1998. Meanwhile, the maternal mortality rate will slightly decline from 0.7 in 1995 to 0.6 in 1998.

More intensive promotion of family planning programs will increase the contraceptive rate from 41.5 in 1995 to 42.8 in 1998 and will bring down total fertility rate from 3.8 in 1995 to 3.5 in 1998. Crude birth rate per 1,000 population is, likewise, estimated to decrease from 29.7 in 1995 to 27.6 in 1998. As a result, the population growth rate is expected to decline from 2.4 percent in 1995 to 2.2 percent in 1998.

Higher incomes will raise per capita energy intake from 1,872 kilocalories in 1993 to 1,977 kilocalories in 1998. The percentage of preschool children who are moderately and severely underweight will decline from 8.4 percent in 1993 to 5.9 percent in 1998. Schoolchildren who are also moderately and severely underweight will decrease from seven percent of total school children in 1993 to 4.9 percent in 1998. Among the adult population, the percentage of underweight males aged 20 years old and over will decrease from 11.5 percent in 1993 to 7.5 percent in 1998. Underweight females, on the other hand, will decrease from 16.1 percent in 1995 to 10.1 percent in 1998.

Figure 3.1
MODERATELY AND SEVERELY UNDERWEIGHT CHILDREN, 1996-98
(In percent)



Source: National Nutrition Council (NNC)

2.2.3 Promoting Greater Social Integration

Patients shall be empowered by according them the right to: medical care treatment; informed consent; privacy; information; privileged communications; choose his/her physician; self-determination; religious belief; medical research; correspondence and receive visitors; express grievances; and be informed of his/her rights and obligations as a patient.

A coordinated program directed to the high-risk groups of the 10-24 years old shall be revitalized to arrest the increasing incidence of teenage pregnancies and adolescent fertility or sexually-related problems.

The rights of women and men to choose the size of their families and to practice legal and medically accepted means of family planning based on their own beliefs, religion and conscience shall continue to be supported.

2.3 Priority Subsector Activities

- 1) Strengthen the preventive and promotive aspects of various public health and disease prevention and control programs;
- 2) Establish mechanisms to monitor the prevalence and transmission of HIV infection;
- 3) Implement the National Drug Policy through advocacy and capability/institution building activities;
- 4) Provide direct health and nutrition services for priority urban poor population groups;
- 5) Provide technical and financial assistance to nutritionally depressed areas;
- 6) Provide promotive, preventive and curative health and nutrition services to severely and moderately undernourished preschool and school children;
- 7) Provide selected food subsidy to targeted population groups;
- 8) Establish local nutrition surveillance units;
- 9) Intensify family planning services to new acceptors and continuing users;
- 10) Conduct multisectoral and sustainable social mobilization/advocacy for health, nutrition and population and family planning programs among legislators, policymakers,

local chief executives, program managers and implementors;

11) Conduct capability-building activities for local health, nutrition and family planning implementors and workers; and

12) Improve health, nutrition and family planning/population data base as well as research and information systems for sound planning and policy formulation.

2.4 Legislative Agenda

1) Providing for a Public Health Code;

2) Amending the Dangerous Drugs Act;

3) Vesting the Bureau of Food and Drugs (BFAD) with quasi-judicial powers;

4) Institutionalizing the Philippine Emergency Medical Services Systems;

5) Institutionalizing and strengthening AIDS prevention and control;

6) Recognizing and guaranteeing the rights of patients;

7) Providing for national health facilities enhancement;

8) Providing for a comprehensive strengthening of nutrition services (Nutrition Act of 1995);

9) Regulating cigarette labeling, sale and advertisement;

10) Prescribing and enforcing a system of hospital licensure;

11) Providing for a system of rabies control;

12) Mandating the labeling of the nutrition information on processed food products;

13) Prescribing and enforcing a system of managing hospital waste;

14) Prescribing a comprehensive population policy and strengthening of the Population Commission (Population Act of 1995); and

15) Granting tax incentives to private companies that fortify certain food commodities.

3.0 EDUCATION AND MANPOWER DEVELOPMENT

The education sector shall focus on creating the conditions for enhancing basic quality education in the next three years while pursuing the measures necessary for the restructuring and rationalization of middle-level training and higher education institutions.

3.1 Key Measurable Targets

Basic (or simple) literacy rate which has now reached a high level of 95.8 percent in 1995 is expected to further increase to 98 percent in 1998. On the other hand, functional literacy, which has also improved to 83.9 percent in 1995, will be expected to increase to 84.2 percent in 1998 (Table 3.2).

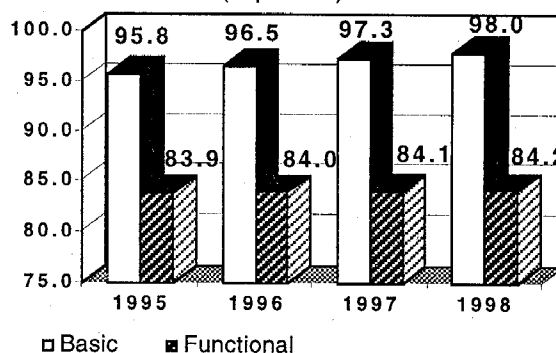
Increased school-age population along with availability of school facilities and services will raise the elementary and secondary level participation rates from 91.1 percent and 61.2 percent in 1995 to 95.8 percent and 65.8 percent in 1998, respectively.

The cohort survival rate from Grade I to Grade VI will increase from 67.5 percent in 1995 to 75.1 percent in 1998, while that for Year I to Year IV in high school is expected to increase from 75.9 percent in 1995 to 81.2 percent in 1998. Moreover, the achievement levels for elementary and secondary schools based on the NEAT and NSAT are expected to improve from 45.6 percent and 40.9 percent in 1995 to 52.6 percent and 47.2 percent, respectively, in 1998.

Skills training shall be vigorously pursued. The number of workers and trainees tested will increase from 64,856 to 90,000 in 1998 and those certified from 39,584 in 1995 to 63,000 in 1998. The passing rate is expected to remain at 75 percent. The relatively high target in the number of workers and trainees tested and certified is attributed to the expected improvement in the capability of Technical Education and Skills Development Authority (TESDA).

In higher education, enrolment will increase from 1.7 million in 1995 to about two million by 1998. The average percentage passing in all licensure examinations shall

Figure 3.2
BASIC AND FUNCTIONAL LITERACY RATES,
1995-98
(In percent)



Source: National Statistics Office (NSO)

increase from 40 percent in 1995 to 55 percent in 1998. At least 75 percent of Higher Education Institutions (HEIs) are expected to comply with the minimum standards for every program by 1998.

3.2 Policies and Strategies

3.2.1 *Meeting the Minimum Basic Needs*

The priority given to quality basic education shall be sustained. Basic educational inputs (classrooms, good teachers and textbooks) will be provided to the formal subsystem. Proven educational technologies and alternative delivery schemes will be adopted in remote and hazardous areas and where there are shortages of teachers and classrooms. Moreover, the Educational Service Contracting (ESC) scheme and Tuition Fee Supplement for secondary school students will continue to be implemented.

3.2.2 *Harnessing People's Productive Capacity*

Greater competition, responsiveness and efficiency among schools shall be promoted. School heads shall be empowered by giving them more prerogatives and ready resources to address the academic and community-related problems affecting their schools. Meanwhile, schools will be provided with pedagogical and community-support systems in order to decentralize decision-making authority at the lowest level of the public school system.

To prepare students and teachers for a technology and information-driven environment, initial steps toward the modernization of the educational system shall continue. Modernization would involve upgrading instructional tools and providing well-equipped science laboratories, upgrading teacher skills in content and techniques through preservice and in-service teacher training and enhancing the competence of educational managers through information-based decision support systems.

The governance, financing, modernization and the roles of all HEIs shall be fully aligned with the principal socioeconomic thrusts of Philippines 2000 through a system of incentives that will generate and diffuse knowledge responsive to the dynamically changing domestic and international environment.

Reasonable guidelines and incentives governing the classification and delineation of roles, functions and program/institutional realignment of both postsecondary and HEIs that fall under the jurisdiction of TESDA, Department of Education, Culture and Sports (DECS), and the Commission on Higher Education (CHED) will be formulated and enforced in accordance with the envisioned restructuring of the entire educational system.



A national technical education and skills development plan shall be formulated. This will set the direction and the implementation of: (a) the transfer of the control of technical education and job-related training to LGUs, industry groups and NGOs; (b) reforms in the apprenticeship/learnership program; (c) devolution of the responsibility to plan, deliver and finance the major part of the cost of occupation-related skills training; and (d) accreditation of networks of formal and nonformal technical-vocational education and training (TVET) institutions and enterprises engaged in skills training and technical education.

Legally mandated sanctions to HEIs shall be strictly enforced to ensure adherence to quality standards and to support the establishment of centers of excellence for the priority disciplines.

The system of recognition, accreditation and equivalency of institutional programs shall also be strengthened. Research will be institutionalized as an integral part of the academic preparation of faculty and students.

The system of recognizing academic equivalency and the validation of the knowledge and expertise derived by individuals from relevant work experiences and high-level nonformal training or self-learning activities shall be strengthened in order to harness their full potentials and productivity in the drive towards global competitiveness and internationally-shared human resources.

An effective system of incentives to channel students to the courses or programs in middle-level skills and high-level professions needed for national and regional development shall be established.

Prudence shall be observed in the contracting of big foreign loans for education projects.

3.2.3 *Promoting Greater Social Integration*

Greater participation of all stakeholders including LGUs and NGOs shall continue to be promoted in educational planning and policymaking.

The enabling laws governing the creation, maintenance, and financing of the public HEIs toward the promotion of institutional responsiveness, academic freedom, fiscal autonomy, and greater accountability and efficiency shall be comprehensively reviewed.

Both traditional and popular as well as indigenous media shall be strengthened in the propagation of moral recovery, national discipline, increased productivity and a culture of peace and unity. Furthermore, informal and nonformal training of community

leaders in conflict-prone areas in the principles and practice of conflict resolution shall complement the peace education programs of the formal school system.

Priority shall be accorded to mass-based sports through adequate funding. The Sports for All Program shall be vigorously implemented.

3.3 Priority Subsector Activities

1) Provide instructional facilities, materials and equipment in the elementary and secondary levels especially in the Visayas and Mindanao;

2) Implement the various programs and projects under the four areas of the Education for All (EFA) program;

3) Expand the nonformal education programs particularly on functional literacy and institution-building;

4) Adopt alternative learning and delivery schemes;

5) Improve the preservice teaching program and institutionalize the in-service teaching program with emphasis on Science, Math and English;

6) Improve maritime education and agricultural education and technology;

7) Improve private education;

8) Develop high quality scientific and technological manpower required by the research academe and industry;

9) Strengthen science and mathematics education;

10) Conduct training on manpower planning;

11) Upgrade TESDA training and research centers, provide incentives for the private sector to assume greater role in skills development, improve the apprenticeship program, and develop the capabilities of LGUs and NGOs to deliver training systems to the informal sectors;

12) Strengthen school and nonschool based technical-vocational education programs;

13) Accelerate the social development-oriented programs of state institutions of higher learning;



14) Implement activities related to physical fitness, school sports and physical education;

15) Construct and rehabilitate cultural buildings and undertake comprehensive human resource development for the cultural sector;

16) Implement the National Cinema Values Formulation Program;

17) Establish a geographic media services system through a five-year system acquisition and development project;

18) Establish a national electronic information library; and

19) Produce advertisements espousing positive moral values and inculcate national unity and discipline.

3.4 Legislative Agenda

3.4.1 Education Subsector

1) Reorganizing the DECS into a Department of Basic Education (DBE);

2) Putting up a complete public elementary school in most barangays and a complete public high school in every municipality where there is no public high school;

3) Amending the enabling laws of tertiary institutions (postsecondary schools and higher education institutions) altogether to reestablish their role and program categories; strengthen and democratize their governing boards and promote academic freedom, institutional responsiveness and relevance, fiscal autonomy and greater accountability and efficiency;

4) Providing for a Magna Carta for students;

5) Prescribing and enforcing criteria for establishment or conversion of higher education institutions (HEIs);

6) Increasing scholarship/study grants/tuition fee subsidy funds;

7) Rationalizing location of HEIs through program mapping;

8) Directing the Civil Service Commission (CSC) to review its hiring policies that

require baccalaureate degrees for jobs that can be performed by nondegree holders;

9) Prescribing a mandatory five-year service in the Philippines for all recipients of state-funded higher education programs;

10) Creating the S&T Education Development Fund;

11) Providing a system of incentives to encourage the private sector to support S&T education development;

12) Establishing a system of identifying and addressing the special needs of the gifted in science and technology (S&T); and

13) Directing the CSC to provide measures that allow flexibility in the hiring, promotion and reward system of S&T teachers.

3.4.2 *Culture and Arts Subsector*

1) Providing the protection of all objects of underwater cultural heritage development programs;

2) Improving and strengthening the National Historical Institute;

3) Promoting the development of the Philippine music industry;

4) Providing for the Protection and Preservation of Philippine Cultural Heritage and for Other purposes (HB430); and

5) National Archives Act.

3.4.3 *Mass Media/Public Information Subsector*

1) Mandating government-controlled media to air S&T programs; and

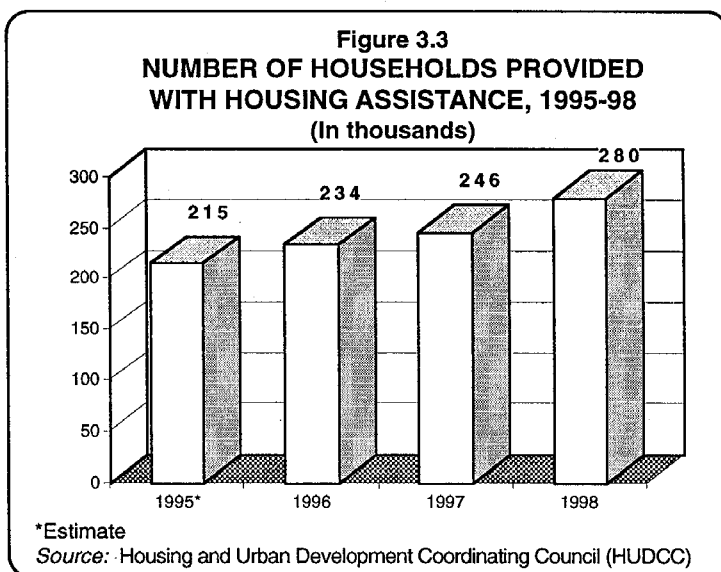
2) Prescribing and enforcing standards and sanctions to protect the public from scientifically erroneous advertising.

4.0 HOUSING

Provision of assistance to more household-beneficiaries, especially to the low-income families, shall continue to receive priority in the next three years.

4.1 Key Measurable Targets

The number of households to be provided with housing assistance is expected to increase from 214,591 in 1995 to 279,611 in 1998. The percentage of housing needs to be addressed by the NSP for the said period remains the same as the original targets — 28.7 percent in 1995 to 51.3 percent in 1998 (Table 3.3).



4.2 Policies and Strategies

4.2.1 Meeting the Minimum Basic Needs

Priority shall be accorded to the provision of affordable, low-cost housing. A comprehensive housing finance program that is affordable to the lowest 30 percent of the population will be formulated.

Other sources of additional funds for housing like debt-for-housing, sale of government lands, official development assistance (ODA) and real estate taxation, etc., shall be fully explored.

The SRA Socialized Housing Program and the Comprehensive and Integrated Shelter and Finance Act shall be vigorously implemented.

4.2.2 Harnessing People's Productive Capacity

A system of awards that recognizes the significant or outstanding contribution of individuals or organizations in housing and urban development shall be developed.

The operation of the Socialized Housing One-Stop Processing Centers (SHOPCs)

shall be expanded in selected regions of the country.

4.2.3 Promoting Greater Social Integration

Tax incentives and other related measures shall be adopted or implemented to encourage provision of housing assistance.

The procedures and processes related to the issuance of clearances, licenses and development permits, application for funding/financing, accreditation of developers, urban poor organizations, nongovernment organizations (NGOs), and housing technologies shall be streamlined.

Housing program guidelines, especially on town planning and urban development, shall be simplified.

4.3 Priority Subsector Activities

- 1) Establish resettlement areas and undertake sites and services development, completed housing, and medium-rise housing for the underprivileged and homeless populace; and
- 2) Produce new housing units in the National Government Centers.

4.4 Legislative Agenda

- 1) Amending the *Abot-Kaya Pabahay* Fund;
- 2) Exempting socialized housing from the payment of documentary stamp taxes, transfer taxes and other registration fees;
- 3) Mandating the imposition and collection of idle land and social housing tax;
- 4) Granting fiscal incentives to manufacturers of low-cost housing materials and technologies;
- 5) Amending the Commission on Audit (COA) regulations on the disposition of government land for socialized housing;
- 6) Amending the procedures on extra-judicial foreclosure;
- 7) Amending the Home Development Mutual Fund (HDMF) Charter particularly on the expansion of authority to include condonation of penalties or surcharges of loans;

- 8) Amending the National Home Mortgage Finance Corporation (NHMFC) Charter particularly on the change of agency name, expansion of home mortgage concept;
- 9) Amending the Home Insurance and Guarantee Corporation (HIGC) Charter on the extension of corporate terms up to March 2000;
- 10) Creating Local Housing Boards; and
- 11) Amending the General Banking Act.

5.0 SOCIAL WELFARE AND COMMUNITY DEVELOPMENT

The most vulnerable sectors of society shall receive priority attention in the next three years by improving the delivery and effectiveness of social safety nets.

5.1 Key Measurable Targets

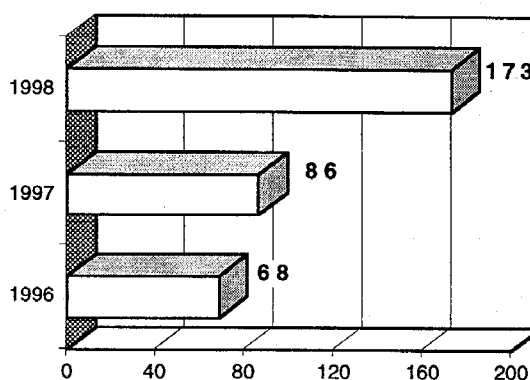
Provision of basic social services shall focus on the poorest sectors of society. The proportion of ultra-poor families provided with basic welfare services will increase from 67,500 in 1996 to 172,500 in 1998 (Table 3.4).

The percentage of abandoned children in government custody given adoptive placement (legally free for adoption) will increase from 20 percent in 1996 to 50 percent in 1998. Meanwhile, those to be given substitute parental care arrangement shall increase from 20 percent in 1996 to 45 percent in 1998.

Children aged 10-14 years working in hazardous occupations will be reduced by 20 percent in 1996 and by 50 percent in 1998.

The percentage of children displaced by armed conflict and provided with basic social welfare services will increase from 20 percent in 1996 to 50 percent in 1998.

Figure 3.4
NUMBER OF POOR FAMILIES PROVIDED
WITH BASIC WELFARE SERVICES, 1996-98
(In thousand)



Source: Department of Social Welfare and Development (DSWD)

To fully realize this vision, the national government agencies (NGAs), LGUs and NGOs/POs shall be partners in planning and implementing the programs and projects with the LGUs playing a crucial role in working towards the attainment of these goals given the devolution of powers. Moreover, the development of accurate monitoring systems and schemes shall be put in place prior to the evaluation of the impact of such poverty programs.

5.2 Policies and Strategies

5.2.1 *Meeting the Minimum Basic Needs*

Social protection programs shall likewise be formulated to protect the affected sectors from the adverse effects of structural adjustments and other uncertainties. The provision of effective safety nets shall be sustained.

5.2.2 *Harnessing People's Productive Capacity*

For a more effective and efficient social service delivery system, networking and advocacy with LGUs, NGOs, POs, and church groups shall be sustained and strengthened.

Persons with disabilities shall be empowered to provide them with equal opportunities in the task of nation-building.

5.2.3 *Promoting Greater Social Integration*

Gender and development (GAD) concerns shall be effectively integrated across sectors at the national and subnational planning processes. In particular, agency action plans on GAD mainstreaming and institutionalization shall be integrated into agency implementation plans at the national and regional levels. Moreover, the accountability of local officials and agency heads in addressing GAD concerns shall be strengthened through the inclusion of GAD-focused activities in their key result areas (KRAs) or performance contracts.

Sufficient budgetary allocation shall be provided to the Sharia implementation program as a component of the national social justice system in order to: (a) strengthen the continuing information program; (b) train qualified Sharia lawyers on the systems, procedures and administration of Sharia courts; (c) establish linkages with institutions in Southeast Asia and other Muslim countries for the administration of Muslim laws; and (d) deployment of competent, and qualified Sharia counselors among the Muslim Filipinos in Philippine embassies and missions in Muslim countries.



5.3 Priority Subsector Activities

- 1) Conduct skills training among disabled/handicapped persons, women, community volunteers/rural workers, indigenous cultural communities (ICCs), urban poor families and parent couples;
- 2) Conduct public information campaign for urban poor communities;
- 3) Undertake capability-building activities among volunteers, field workers and the community development projects;
- 4) Strengthen the delivery mechanisms of programs directed at meeting the needs of children and women in especially difficult circumstances, disabled persons, drug dependents, elderly, youth, ICCs, and urban poor;
- 5) Implement community organizing and resource mobilization activities; and
- 6) Conduct research on topics such as welfare of disadvantaged families, disability and aging, productivity improvement, ethnography and labor welfare.

5.4 Legislative Agenda

5.4.1 *Social Welfare and Community Development*

- 1) Establishing juvenile and family courts within a comprehensive juvenile justice system;
- 2) Reclassification of the crime of rape;
- 3) Amendment to Article 184 of the Family Code (Adoption);
- 4) Providing for a Magna Carta for the urban poor;
- 5) Recognizing the right of the illegitimate child to use the surname of the putative father;
- 6) Ensuring equal rights between men and women particularly in the areas of property, citizenship, safety standards and equal opportunities in all sectors; and
- 7) Declaring pedophilia as a heinous crime.

5.4.2 Labor Welfare

- 1) Strengthening and expanding the welfare support and rescue services for documented and undocumented overseas workers;
- 2) Omnibus amendments to social security law (RA 1161);
- 3) Providing for an unemployment assistance program;
- 4) Regulating the practice of labor sub-contracting;
- 5) Mandating the payment of contractual and daily wage workers on special nonworking holidays;
- 6) Amending the Productivity Incentives Act of 1990;
- 7) Imposing penal sanctions and administrative fines for violation of implementing regulations and standard issues;
- 8) Institutionalizing the Public Employment Service Offices (PESOs);
- 9) Amending the Apprenticeship Law;
- 10) Strengthening voluntary arbitration;
- 11) Rationalizing the Employees Compensation Program; and
- 12) Restricting Fixed Period of Employment.

Chapter 4
**MACROECONOMIC
FRAMEWORK**



CHAPTER 4 MACROECONOMIC FRAMEWORK, 1996-98

The strong recovery of the Philippine economy during the first three years of the Plan period highlights the effectiveness of the macroeconomic policies implemented by the government. The growth targets were attained at the same time that macroeconomic stability was further strengthened. Consistent with the worldwide trend towards liberalization, significant market-friendly reforms were, likewise, implemented which fostered increased confidence in the economy.

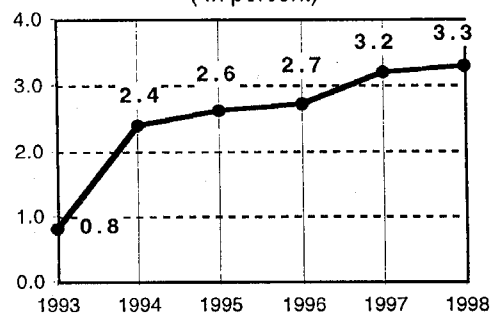
In the next three years, the challenge is to sustain the growth momentum and ensure broadbased growth of output and employment. These are necessary in attaining the long-term goals of poverty alleviation and improved income and wealth distribution.

Equally important is the maintenance of macroeconomic stability which is a necessary condition for sustained growth. In this regard, monetary discipline and fiscal prudence will be given priority to ensure price stability. Maintaining a sound balance of payments position will, likewise, be given priority attention.

1.0 GLOBAL OUTLOOK IN THE MEDIUM-TERM

In general, the world economy staged a steady recovery in the past two years from the recession in the early 90s. World output as estimated by the UN Link, expanded by about 2.4 percent and 2.6 percent in 1994 and 1995, respectively. The developing economies in Asia posted the fastest growth of about 8.6 percent on the average during the last two years. The developed economies, on the other hand, still contributed the largest share to the growth of world production.

Figure 4.1
WORLD OUTPUT GROWTH, 1993-98
(In percent)



Source: Project LINK Estimates as of May 1996

World output is foreseen to grow moderately in 1996-98. Based on forecasts by the UN Link, the world economy is expected to grow at around 2.7 percent in 1996, reaching 3.3 percent in 1998. The acceleration of world growth lies in the ability of developing economies to contain mounting inflationary pressures as expansion matures. These economies, however, are expected to withstand the carryover impact of protracted weaknesses and a series of financial debacles in some industrialized countries and emerging economies.

1.1 Prices and Interest Rates

Success at keeping inflation low is chiefly dependent on a country's monetary management. The appropriate path of monetary policy will differ, depending on one's position in the business cycle. For countries which are fairly advanced in their recovery, shifting to a less considerate stance might prevent excess demand from pushing inflation up. For those in the early stages of their recovery, monetary policy is expected to be accommodating. The expectation in general is that growth in major countries will be sustained just enough to fill up the output gap, thereby preventing a run-up in inflation.

The baseline forecasts for the medium-term assume a soft landing for high-growth economies. Low inflation at an average of 3.2 percent in 1997 is expected to keep nominal interest rates low at around six percent for the six-month LIBOR.

1.2 Trade and Investment

Bright prospects are expected for world trade. World export is forecasted to grow by 7.9 percent, on the average, for the period 1996-1998. The flow of goods will be characterized largely by sizable trade volumes from developing nations to the global markets.

There will also be mounting pressures on industrialized nations to channel capital into the developing economies due to the increasing urgency of cutting production costs. The Philippines, along with Thailand, Indonesia, and Malaysia is seen to benefit from this new rush of investments. Competitive pressures are, nevertheless, on the rise with the emergence of the once-ignored economies of India, Vietnam, Eastern Europe and Latin America which are expected to intensify the attempts of developing nations to surpass one another in deregulating and opening up their economies to make them more attractive to trade and investment opportunities.

2.0 GROWTH PROSPECTS

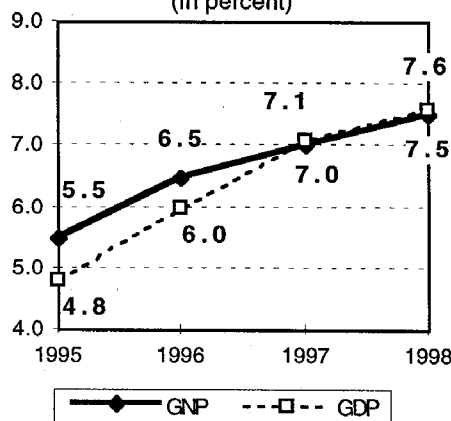
The prospects for the period 1996-98 will continue to be favorable. Gross National Product (GNP), in real terms, will grow at an average of 7-8 percent, driven by strong investments and exports, both of which are targeted to grow at double-digit rates (Table 4.1).

Rapid expansion of domestic activities is expected to spur growth. Gross Domestic Product (GDP) is projected to increase to 7.6-8.3 percent in 1998 (Table 4.2). Output growth will be led by industry and services, both of which are expected to benefit from the structural reforms in trade and investments as well as the liberalization of the various services sectors such as transportation, banking and finance, among others.

On the demand side, growth will be investment- and export-driven. Investment is projected to rise from 21.8 percent of GNP in 1995 to 24.7 percent in 1998 with the increase coming largely from the private sector (Table 4.3). As the government gears up to improve the infrastructure backbone of the country, public investments are projected to reach 5.8 percent of GNP. These investments will be financed by the domestic sector whose savings are projected to increase from 19.2 percent of GNP in 1995 to 20.4 percent by 1998. Meanwhile, continued fiscal prudence is expected to contain expenditures so that public savings will increase from 3.1 percent of GNP in 1995 to 6.8 percent of GNP in 1998. As domestic resource mobilization improves, the country is expected to be less dependent on foreign savings to finance investments. Hence, foreign savings are projected to average 4.3 percent of GNP during the period.

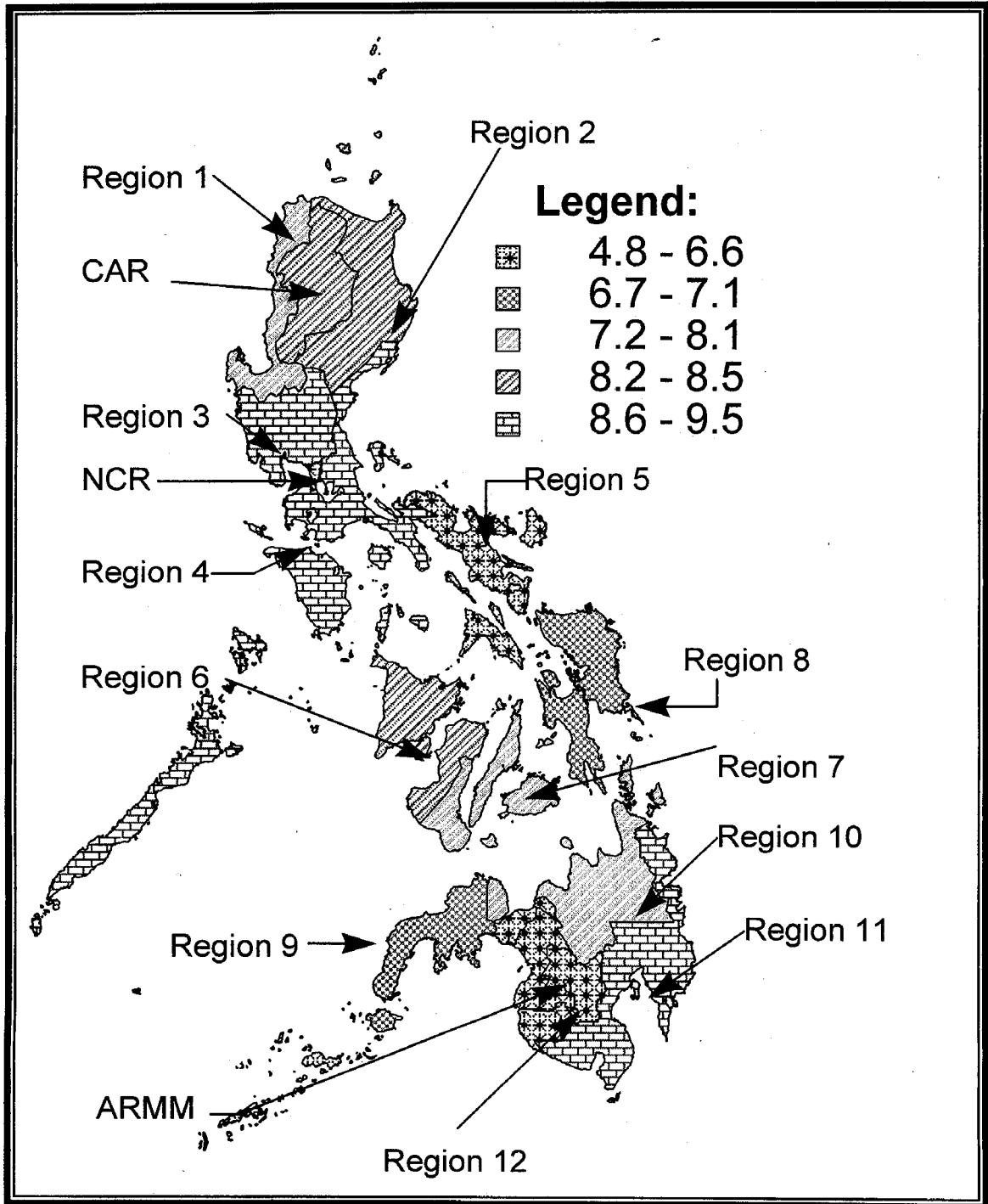
At the regional level, majority of the regions are expected to post growth rates higher than the 7.3 percent national average for the period 1996-98. Region IV is expected to register the fastest growth rate during the plan period at 9.5 percent, followed by Region XI (8.7%). On the other hand, the regions which are expected to expand below the national average are: Region VIII (7.1%), Region IX (6.9%), Region XII and Autonomous Region of Muslim Mindanao (ARMM) (6.6%), and Region V (6.5%). National Capital Region (NCR), being the most progressive region, will post the lowest increase in Gross Regional Domestic Product at 4.8 percent.

Figure 4.2
GROWTH TARGETS, 1995-98
(In percent)



Source: National Economic and Development Authority (NEDA)

Figure 4.3
AVERAGE GRDP GROWTH TARGETS, 1996-98
 (In percent)



Source: NEDA



The slower growth of the NCR relative to the other regions will be brought about by the sustained implementation of the government's decentralization policy. Among the strategies and programs to be undertaken along with this policy are: (a) the full implementation of the Local Government Code (LGC), which will enhance the financial and management capability of local government units (LGUs) to develop the resources within their areas; (b) the increase in government resources that will be channeled to poorer regions; (c) the continuing pursuit of poverty alleviation programs; and (d) the development of industrial and alternative urban centers.

The growth of Region IV will be anchored on the expansion of economic activities in the Cavite-Laguna-Batangas-Rizal-Quezon (CALABARZON) areas. Meanwhile, Cordillera Administrative Region (CAR), which will grow at an 8.4 percent average, will benefit from the recovery of the mining sector and the continuing boom in the tourism industry. Region III will grow by 8.6 percent, on the average, during the plan period. Its economy will start to recover in 1997 from the persistent lahar-induced destruction which is an aftermath of the Mt. Pinatubo eruption. The established viability of Subic and Clark as economic zones will contribute significantly to the rapid rise in the growth rates of Region III, particularly in 1997 and 1998.

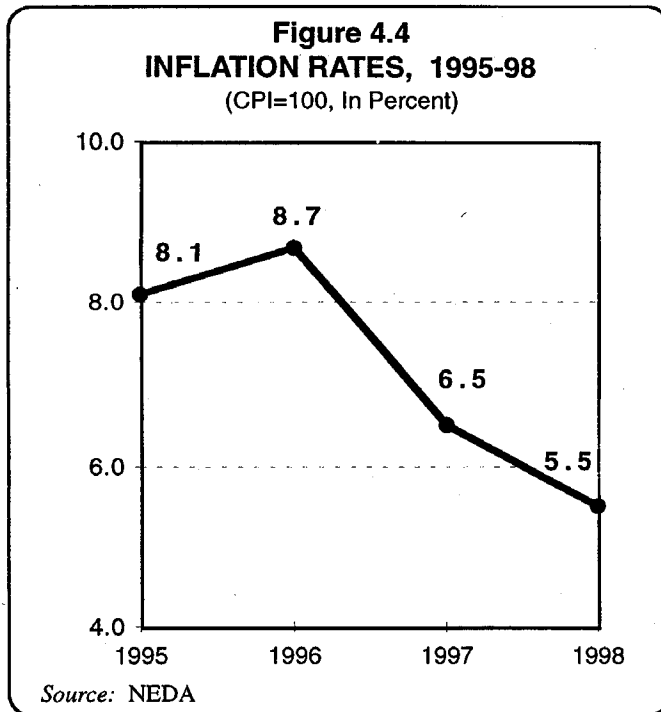
The Mindanao regions will experience significant increases in their economic output due to the beneficial effect of the cross-border economic cooperations with Brunei, Indonesia, and Malaysia under the auspices of the BIMP-East ASEAN Growth Area (EAGA). Region XI, which serves as the center of BIMP-EAGA business activities in Mindanao, will benefit from these initiatives, thus allowing it to attain the second highest average annual growth rate in Gross Regional Domestic Product for the period 1996-98.

The growth of the regions will also benefit from the lagged effects of foreign and domestic investments registered during the preceding years, improved performance of the export sector due to liberalization efforts, and improved productivity in the manufacturing sector.

3.0 PRICES, MONETARY MANAGEMENT AND FINANCIAL RESOURCE MOBILIZATION

The implementation of policy reforms in line with fiscal and monetary prudence, improved domestic resource mobilization, trade liberalization and sustained agricultural production will ensure price stability in the medium-term. The medium-term objective is to reduce the inflation rate to approximate ASEAN norms. Consistent with this, liquidity management will aim to maintain price stability conducive to a balanced and sustainable economic growth under a liberalized regime.

3.1 Targets



The inflation rate is targeted to decline from 8.7 percent in 1996 to 5.5 percent in 1998 (Table 4.4). Prudently rising liquidity levels, from P761.4 billion in 1995 to P1,495 billion in 1998, will not feed into inflation but will essentially reflect financial deepening in the economy (Table 4.5). The ratio of broad money to GNP will rise from 38.7 percent in 1995 to 51 percent in 1998. On a slightly declining trend, the bellwether for interest rates, the 91-day Treasury bill rates, will average 11.2 percent for the three-year period.

3.2 Policies and Strategies

In the next three years, policies will focus on the following:

1) Reduction in financial intermediation costs

Measures that will further reduce intermediation costs will be reviewed and adopted, if conditions warrant. For instance, the possible abolition of the gross receipts tax (GRT) is undergoing study. Moreover, the mandatory credit allocation to general agriculture and agrarian reform beneficiaries and to small enterprises is also being reviewed.

Meanwhile, the reserve requirements on bank deposits will be rationalized to levels comparable to ASEAN, if not international, norms and in line with liquidity goals. A uniform reserve requirement will contribute more effectively to monetary management. As Section 94 of the New Central Bank Act points out, required reserves will be applied to all banks of the same category and without discrimination. In the long run, the preferential reserve requirements granted to thrift banks will be lifted.



To meet money supply targets, however, open market operations will be increasingly relied upon instead of the imposition of minimum reserve requirements.

2) Promotion of greater competition and efficiency in the banking system

Banking laws and other laws and regulations in the banking sector will be amended in response to a dynamic financial system. The desired changes will take concrete shape with the passage by Congress of a modern general banking law as well as other financial laws that promote efficiency and competitiveness in the banking system. The BSP will continue to review the new set of rules and regulations governing financial derivative activities of banks and nonbank financial intermediaries with quasi-banking functions to ensure that the regulatory framework for this new market is adequate and aligned with those of the rest of the world.

The legal and institutional setup for bank supervision will continue to be strengthened in the face of more innovative financial products and a deregulated financial system. Careful oversight over financial markets, institutions and trading practices will be exercised.

With the recent liberalization of the ownership of banks by foreigners (RA 7721 and RA 7906 authorizing foreigners to own up to 60 percent of the voting stock), the entire banking industry should already be excluded from the coverage of the Anti-Dummy Law. This law (Commonwealth Act No. 108) prohibits the employment of foreigners in the management, operation, administration or control of management, except technical personnel whose employment may be specially authorized by the Secretary of Justice.

Following the recent liberalization of foreign exchange and trade regulations, Senate Bill No. 1545 repealing RA 529 (an act to assure uniform value of Philippine coin and currency) will be supported. The objectives of this Act have become obsolete and irrelevant under a liberalized regime.

3) Development of the rural finance sector

The liberal policy towards the establishment of strong banks and bank branches in the rural areas will be maintained to ensure the flow of credit to the countryside. Programs to strengthen existing rural financial institutions such as the Countryside Financial Institutions Enhancement Program and the Rural Bank Rehabilitation Program will continue to be implemented. Once operationalized, the National Credit Council is, likewise, expected to play an active role in shaping credit policies.

4) Mobilization of domestic savings

As inflation falls and fiscal consolidation is attained, interest rates are projected to

stabilize in the medium-term. Deposit rates will be maintained at levels that compensate for inflation and other risks to attract savers, while lending rates will be kept at levels that encourage investments.

To generate savings, the authorities will continue to improve the government securities market by: introducing new instruments with longer maturities; liberalizing and expanding the government securities dealership network; operationalizing an automated clearing and settlement system; and marketing government securities to small savers.

Moreover, the liberal branching policy will be maintained to encourage the establishment of bank branches in the regions. This will enhance the small savers' access to new and innovative savings products.

5) Capital Market Development

The ongoing capital market reforms will be pursued, including the strengthening of the secondary market for securities. The computerization of the treasury bill auction system should lead toward daily price quotations. The utilization of long-term instruments, i.e., 7-year and 10-year T-notes, will be encouraged.

Core reforms that will be put in place before the end of 1996 are: (a) the establishment of a central clearing depository system; (b) the implementation by the Securities and Exchange Commission (SEC) of minimum disclosure requirements, particularly the issuance of a prospectus to all subscribers; (c) a halt to the mandatory setting by SEC of an initial offer price in registration statements; (d) appointment of at least three nonbrokers in the Philippine Stock Exchange Board of Governors; (e) an identical tax treatment of options and warrants to that of stocks; (f) elimination of the double taxation of mutual funds; and (g) a third wave of privatization that aims at refocusing government's attention on influencing demand for a broad range of services and empowering the consumer to make their choices.

3.3 Legislative Agenda

Consistent with the above policies, the following measures may be reviewed for possible legislative action:

- 1) Phasing out of the gross receipts tax (GRT);
- 2) Amendments to the Agri-Agra Law by lowering banks' intermediation costs through the phasing out of the mandatory credit requirements;
- 3) Amendment to the Magna Carta for Small Enterprises of 1991, particularly the

mandatory credit allocation to small enterprises;

4) Amendments to the Revised Securities Act to institute reforms for the development of the capital market, as well as to institutionalize the collegial character of the Commission and the tenure mechanism for the Commissioners; and

5) Amendments to the Investment Company Act to liberalize the mutual fund industry from restrictive policies and practices that militate against its growth.

4.0 FISCAL SECTOR

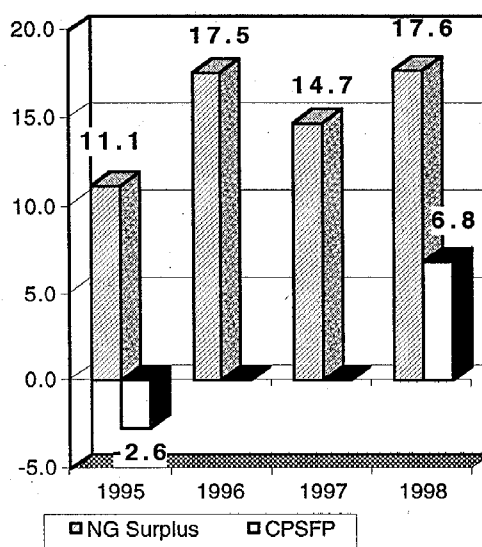
The healthy performance of the overall public sector will be sustained during the next three years. Greater prudence combined with an intensive domestic resource mobilization will continue to serve as the guiding framework for government operations.

4.1 Targets

Consistent with the above objectives, the target for the last phase of the Plan period is to reduce the overall deficit of the public sector. Specifically, the consolidated public sector financial position (CPSFP) will improve from a deficit of 0.1 percent of GNP in 1995 to reach a balanced position by 1996 and to a surplus of about 0.2 percent of GNP in 1998 (Table 4.6). In particular, the national government (NG) will continue to be in surplus, averaging about P16.6 billion equivalent to 0.7 percent of GNP.

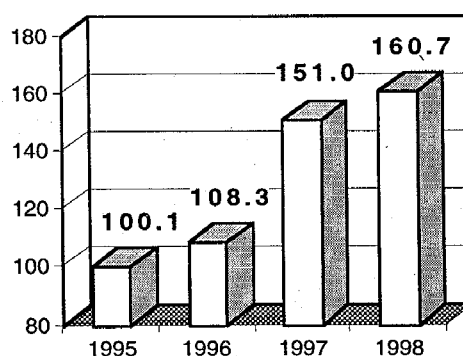
Over the medium term, public investment targets are expected to grow annually by 18 percent. For 1996, total investments in capital expenditures of NG and government-owned and controlled corporations

Figure 4.5
FISCAL POSITION, 1995-98
(In billion pesos)



Source: Department of Finance (DOF)

Figure 4.6
PUBLIC INVESTMENTS PROGRAM, 1995-98
(In billion pesos)



Source: NEDA

(GOCCs) will reach P108.3 billion, representing an improvement in the composition of the national budget with the shift in the budgeting process from the incremental budgeting system to zero-based capital budgeting. Total investments for the next three years will amount to P420 billion.

4.2 Policies and Strategies

Policies in the next three years will focus on the following:

1) Improving the efficiency of revenue collection

Resource mobilization will continue to be a priority with the adoption of a comprehensive package of policy reforms aimed at increasing the efficiency of the tax system. Salient features of this comprehensive package include the following: (a) low income earners will have higher personal and additional exemptions as the tax base broadens; (b) fewer and lower tax rates will be adopted; (c) the share of direct taxes relative to indirect taxes as a proportion of total revenues will be increased while the gradual shift from international trade taxation to direct taxation will be pursued; (d) the tax system will be simplified with the adoption of the modified gross income taxation scheme; (e) firms will be allowed to deduct net operating losses and use the accelerated depreciation method; (f) effective taxation of fringe benefits and institution of safety nets including continued rationalization of granting fiscal incentives will be pursued; and (g) a simple and more rational excise tax structure with an automatic inflation adjustment will be adopted.

By 1998, the tax effort is expected to inch up to 17.7 percent from 15.8 percent in 1995 (Table 4.7). Revenue collecting agencies, for their part, will continue to fasttrack their respective computerization programs.

2) Maintaining prudence in government spending

For the remaining part of the medium-term, the national budget will continue to be austere, prudent, selective and focused on the most critical elements of the administration's medium-term goals and objectives.

The national government will continue to generate higher levels of savings through tighter expenditure management. Among others, it will control the growth of its current operating expenditures by reducing the share of both the personal services and other overhead costs in the budget through the proposed reorganization of the bureaucracy. The right-sizing exercise will result in the merger and abolition of government agencies and corporations undertaking duplicative functions and those that are better undertaken by the local government units and government-owned and -controlled corporations.



Under the reorganization program, government will focus on its primary role of providing the appropriate social, political and physical environment that will spur development. The scope of government will be clearly circumscribed and basically be within the available resources. Its role and responsibilities will be defined and delineated in relation to the different sectoral concerns as well as levels of government. Thus, further devolution of responsibilities to LGUs is envisioned under the program. This is aimed at bringing government closer to the governed. It also aims to achieve more effective and efficient public services geared toward producing results consistent with overall development objectives. Greater flexibility, effectiveness and control in managing functions are expected from the devolution process. Likewise, privatization will be expanded under the reorganization program. Appropriate activities of the national agencies will be transferred to the private sector as may be deemed necessary.

While sufficient resources will be provided for the proper maintenance of existing facilities, the national government will, likewise, aim at reducing maintenance and operating expenses (MOE) through the standardization of MOE provisions. Standardized allocation of subsidy that are being applied to state universities and colleges and hospitals will be expanded to other similar facilities and manning and costing standards will be developed for the regular agencies of government. Similarly, transfers to GOCCs will also be reduced by at least 10 percent a year to foster financial viability among them.

3) Increasing capital outlays

The NG will also continue to raise its provision for capital outlays (CO) by improving the selection process for capital investment projects. To ensure success in the implementation of these projects, their prioritization and selection will be improved by institutionalizing a multiyear budgeting process which will, among others: (a) establish a more systematic means of allocating resources and evaluating expenditures classified as capital investment projects of agencies by taking account of the buildup of government commitments; (b) ensure that baseline estimates reflect only what is needed to maintain existing programs and allow a more focused allocation of resources towards sectors with highest priority; and (c) enable policymakers and agency heads to focus on the medium-term budgetary implications of both existing programs and new proposals as well as policy issues involving substantive changes in these programs.

4) Improving the government financial management systems

The modernization of the government's financial management system will also be pursued in the medium-term to obtain greater value out of limited resources. Following the right-sizing of the budget preparation phase of the budget cycle, a Budget Execution and Accountability Tracking (BEAT) system will be installed. The

system will have the capability to track allotment/cash releases and balances as well as facilitate the programming of allotments and cash. Under the accountability phase, tracking and evaluation of obligations, disbursements and liquidations will be among the main functionalities of the system.

5) Improving the management of debt

Projects and activities initiated in 1994 to reduce both domestic and foreign debts will be pursued in the medium-term. NG borrowings will be used to meet both foreign and domestic debt service obligations rather than as a source of financing of budgetary disbursements.

To the extent possible, the amount of domestic borrowings will be pegged at the level of domestic debt maturing weekly and/or monthly to prevent unnecessary increases in domestic debt. The market for longer term instruments will be continuously developed with the issuance of the 2-year T-notes with fixed coupon rate to be gradually followed by the longer-term maturing tenors such as 3-year, 5-year, and 7-year instruments. This will lengthen the maturity profile of government debt and will provide the capital market with a benchmark for longer term credits; e.g., mortgage and consumer financing. The longer maturity structure of the notes will facilitate the management of government domestic debt, lessen the pressure on interest rates and administratively ease debt servicing with less frequent payment of interest.

As the Philippines' creditworthiness improves, external financing will be trade- and project-related. There will be less reliance on exceptional financing from official creditors. International voluntary markets will also be tapped as we build upon the renewed confidence in the Philippine economy by foreign investors.

The Bureau of Treasury will also continuously focus efforts towards cash optimization. NG cash balances will be utilized for the retirement of debt. This will reduce the negative differential between the costs of borrowings and earnings of the NG cash balances caused by large volume of domestic borrowings. This will be done when interest rates are lower than the yields on the maturing bills.

6) Further rationalizing the government corporate sector

The organization and financial position of retained corporations will be strengthened. Various fiscal and financial reforms will be implemented to instill financial discipline and better resource allocation among GOCCs to improve the consolidated public sector financial position. The targeted internal cash generation (ICG) of the GOCCs will increase by 26 percent on the average during the remaining plan period (Table 4.8). The fiscal and financial reforms will include: (a) the implementation of revenue generation measures through adjustments in fees and charges



and increases in sales due to increased capacity; (b) implementation of cost-reduction measures such as right-sizing operations and reduced overhead expenses; (c) improvement in billing operations and intensification of efforts to collect receivables including arrears; (d) prudent management of financial resources; (e) utilization of idle assets or sale of properties; and (f) privatization activities.

Meanwhile, the government corporate sector's claims from NG will be reduced while enhancing fiscal transparency and financial accountability through: (a) tightened subsidy support in the form of stringent review of requests for tax subsidy from GOCCs, advances for GOCCs and other forms of direct or indirect financial support; (b) strict enforcement of NG's dividend policy by requiring GOCCs to remit 50 percent of their net earnings as dividends to NG; (c) charging of interest on Treasury advances for GOCC debt servicing and fees on GOCC obligations guaranteed by the NG; (d) maximizing the sourcing of external and domestic funds at lower cost and of longer maturities to finance the budget deficit and to reduce debt servicing; (e) granting more autonomy to GOCCs in setting user charges; (f) close coordination between the Department of Finance (DOF) and other government agencies in the issuance of NG guarantee on GOCC loans and performance undertakings for Build-Operate-Transfer (BOT) projects; and (g) reviewing heavily subsidized programs with the endview of reducing or eliminating them.

The privatization program will be accelerated. The government further commits to reduce the role of public sector in the economy by privatizing assets and companies which the private sector can effectively handle. The Committee on Privatization (COP) of the DOF, together with the disposition entities, will continue to sell the remaining assets and companies in the government's portfolio. Major privatization plans for the medium-term include the following: (a) Food Terminal, Inc. (FTI); (b) National Development Company's (NDC) shares of stocks in National Steel Corporation (NSC); (c) some of the mining firms and real estate properties of Asset Privatization Trust (APT) and Presidential Commission on Good Government (PCGG); (d) disposition of Philippine National Oil Company's (PNOC) subsidiaries such as the PNOC-Shipping and Transport Corporation and PNOC-COAL; (e) Philippine Ports Authority (PPA)-managed utilities and services; and (f) remaining NG shareholdings in the Philippine National Bank (PNB).

A more comprehensive privatization program will be established involving second and third wave levels. The second wave covers the privatization of public utilities while the third wave refers to public-private partnerships in social services, especially in the health sector, the education sector and pension funds.

Additional efforts at privatizing GOCCs will also be seen on the following: (a) National Power Corporation's (NPC) contracting of lead privatization adviser for the restructuring and privatization of the electricity sector and the National Power

Corporation (NPC); (b) study on the privatization of Metropolitan Waterworks and Sewerage System (MWSS); (c) privatization of train and commuter services of the Philippine National Railways (PNR) and commercialization of railway stations; (d) privatization of Energy Development Corporation (PNOC-EDC), a subsidiary of the Philippine National Oil Company; and (e) privatization of the METRO, Inc., a subsidiary of the Light Rail Transit Authority (LRTA).

Performance monitoring of GOCCs will be continuously undertaken, utilizing the performance evaluation system wherein targets and monitoring of accomplishments will be set up using financial, managerial and operational criteria. Review of the creation of new GOCCs and its subsidiaries will also be undertaken.

4.3 Legislative Agenda

Consistent with the above policies, the following measures are proposed for legislative action:

- 1) Comprehensive Tax Reform Package;
- 2) Amendments to the Seed Industry Act (RA 7308);
- 3) Irrigation and Agricultural Productivity Enhancement Act to address the impact of WTO on agricultural development through the acceleration and rapid evolvement of integrated irrigation programs;
- 4) Increased capitalization of the Light Rail Transit Authority (LRTA) to enable the implementation of future LRT lines and prevent high economic cost of traffic congestion;
- 5) Increased capitalization of the Philippine National Railways (PNR) to provide the necessary funds for its modernization program;
- 6) Increased capitalization of the National Electrification Administration (NEA) to support its electrification program for the rural barangays within the next 15 years;
- 7) Increased capitalization of the Local Water Utilities Administration (LWUA) to enable it to respond to the increasing demand for financial assistance from existing and proposed water districts;
- 8) Condonation of electric cooperatives' loan obligations to strengthen NEA;
- 9) Amendment to the *Abot-Kaya Pabahay* Fund to make it more accessible to socialized housing beneficiaries by increasing the loanable amount for development



financing and by raising the maximum family income levels eligible for amortization support;

10) Imposition of the Progressive Agricultural Land Tax to help finance the projected deficit in CARP funding, encourage land distribution and promote optimum land utilization;

11) The Government Reorganization Act which prescribes the principles of governance and the structural framework that will guide future creation and reorganization of agencies, define the role of the national government and its relationship with the private sector and LGUs, and establish provision for efficient, quality and responsive public services;

12) Amendment to the LGC to equitably allocate the internal revenue allotments of LGUs;

13) Amendment to the LGC to provide LGUs the flexibility to pursue a comprehensive approach to disaster management;

14) Amendment to the BOT Law to rationalize the issuance of guarantees to BOT projects;

15) Magna Carta for small farmers;

16) Expanding Social Security Law (RA 1161) protection to workers in the informal sector and providing nonpermanent employees in the formal sector;

17) Creation of the Export Development Corporation (merging of Philguarantee and the Guarantee Fund for Small and Medium Enterprises); and

18) Amendment to Section 11 (B) of PD 1146 which revises the Government Service Insurance Act.

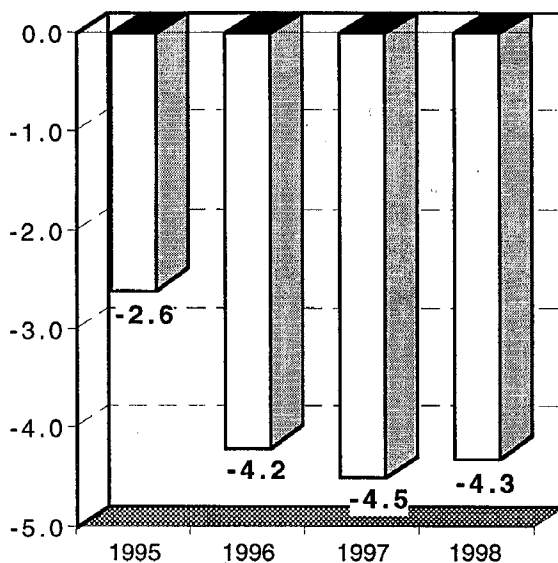
5.0 EXTERNAL SECTOR

Since a sound balance of payments position is important in maintaining macroeconomic stability, policies will be geared towards further strengthening the country's external position in the context of the increasing globalization of finance and production.

5.1 Targets

The current account deficit will be at 4.3 percent of GNP by 1998 (Table 4.9). Consistent with the Export Development Act, this will be done partly through vigorous promotion of exports, less dependence on incentives for exporters and more progressive policies for exports, which are projected to grow by an average of 20.8 percent annually until 1998. In addition to the recent amendments to the Foreign Investments Act of 1991, foreign investments will be encouraged through the various programs that will promote the Philippines as an attractive site.

Figure 4.7
CURRENT ACCOUNT DEFICITS, 1995-98
(As percent of GNP)



Source: Bangko Sentral ng Pilipinas (BSP)

5.2 Policies and Strategies

The focus of policies in the next three years will be the following:

1) Continued adherence to market-determined exchange rates

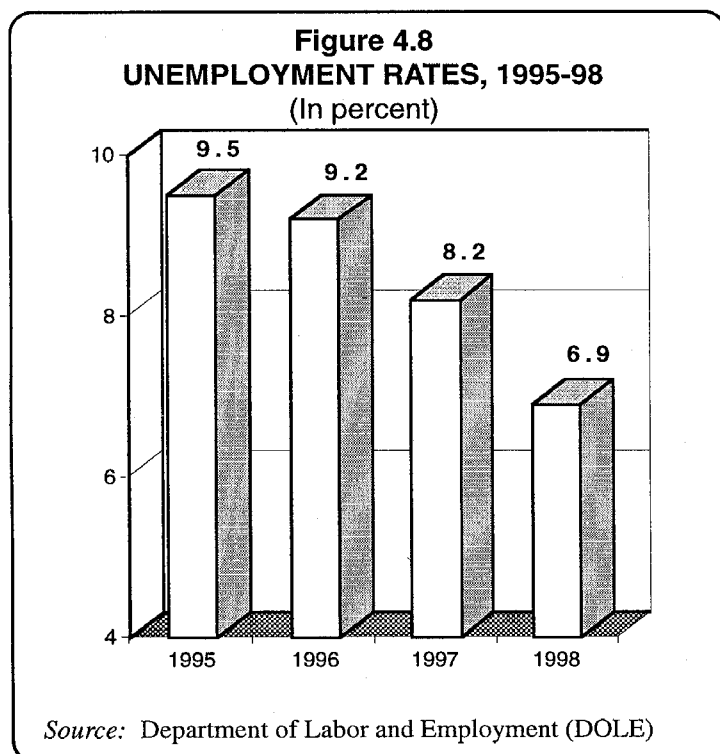
Bangko Sentral ng Pilipinas' (BSP) intervention in the foreign exchange market will continue to be limited to smoothing fluctuations and building up international reserves. Gross international reserves will be built up to reach three months' worth of imports by 1998 from about 2.6 months' worth of imports in 1995. In the event of destabilizing threats to the peso, the BSP will respond with sterilized intervention and partial monetary accommodation. Nevertheless, the exchange rate will continue to be market-determined. The foreign exchange regulatory framework will be continually reviewed in order to fully liberalize all types of foreign exchange transactions, including capital flows.

2) Pursue further foreign exchange liberalization

The forward cover granted to oil companies has been reduced from 180 days to 90 days in December 1994 and will be eliminated by December 1996.

3) Review the existing BSP rediscounting window in order to benefit a larger number of exporters

4) Rationalize monetary policy in a setting of liberalized trade in securities and national currencies



6.0 LABOR AND EMPLOYMENT SECTOR

The economy's ability to create high-wage jobs today and in the future rests on continuing productivity improvements particularly in industry and services, the two high-growth sectors of the economy.

6.1 Targets

The number of workers necessary to man the economy is targeted to grow from 26.5 million in 1996 to 28.5 million in 1998, or at an average annual growth

rate of 3.6 percent (Table 4.10). These targets imply that an average of 946,000 new jobs have to be created each year. Considering that the labor force is growing at an average rate of 2.6 percent and the expected new jobs to be generated, the unemployment rate is projected to decline between 6.9 to 7.6 percent in 1998.

By sector, agriculture will continue to employ the biggest number of workers among the sectors, although its share to total employment is projected to be on the downtrend during 1996-1998. From 42.3 percent in 1996, agriculture's share will decline to 39.9 percent in 1998. In absolute figures, however, the number of employed in agriculture will continue to increase from 11.2 million in 1996 to 11.4 million at the end of the plan period.

The industrial sector will account for only 17 percent of the total employed, on the average, but will post an increasing share to total employment for the next three years. Employment in this sector is targeted to exhibit an average growth rate of 6.3 percent.

At this rate, the sector is projected to employ an average of 4.7 million workers each year.

Almost 63 percent of the employment opportunities in the industrial sector will be in the manufacturing subsector, which is expected to employ about 2.7 million in 1996 to 3.1 million in 1998. The construction subsector will be the next biggest employer among the industry subsectors. The level of employment in this subsector will grow at an average of 7.3 percent, compared to manufacturing's 5.8 percent. The expected boom in infrastructure will contribute to the attainment of the employment targets for the construction subsector. On the other hand, only 2.8 percent of employment opportunities in the industrial sector will be found in the utilities sector, which will employ an average of 129,000 workers during the plan period.

The services sector, which serves as support to both the agriculture and industry sectors, will continue to be the second biggest employer of the economy. The sector will experience an increasing employment share from around 41.2 percent in 1996 to 42.7 percent in 1998. Employment in this sector will register an average growth rate of 5.4 percent, growing from 10.9 million in 1996 to 12.2 million workers by 1998.

The targeted labor market scenario necessitates that the industry captains adopt a more purposive management of the economy. Inputs to production have to be optimized to attain the necessary factor productivity (GDP to worker ratio) growing from P32,000 in 1996 to P35,000 in 1998 (Table 4.11).

6.2 Policies and Strategies

Policies to generate more productive employment in the next three years will be supportive of the Comprehensive Employment Strategy Program (CESP) and the commitments forged among the executive and legislative branches of government, the private and business sectors, the nongovernment organizations and basic sectors during the National Employment Summit of September 1995. In pursuit of the objectives of the CESP, strategies below will be focused on the implementation and monitoring of the specific action programs in the following sectors: (a) agriculture; (b) industry and services; (c) human resources development; (d) industrial relations; and (e) public sector employment.

6.2.1 Agriculture

1) Provision of basic infrastructure to boost agricultural productivity in key production areas;

2) Prevention of the indiscriminate conversion of prime/irrigated agricultural lands;



- 3) Increasing the profitability of municipal fishing;
- 4) Formulation of alternative livelihood programs for forest communities/upland dwellers;
- 5) Prevention of the depletion of the natural resource base;
- 6) Removal of highly protectionist/distortionary policy interventions in agriculture; and
- 7) Review of minimum wage setting.

6.2.2 *Industry and Services*

- 1) Increasing exports;
- 2) Raising of adequate domestic and foreign capital;
- 3) Removal of distortions in the fiscal incentive system and in the local taxation systems;
- 4) Acceleration of infrastructure development in the countryside;
- 5) Promotion of investments at the regional and provincial levels; and
- 6) Development of micro, cottage, small—and medium-scale enterprises.

6.2.3 *Human Resources Development*

- 1) Enhancement of the trainability of workers to prepare them for higher-value jobs;
- 2) Focused education and training on the development of skills which are critical to the operations of priority sectors;
- 3) Development of the services sector by upgrading skills and competencies in identified service areas to make the Philippines the service center of East and Southeast Asia; and
- 4) Diversification of financing and incentive schemes for education and training, among others.

6.2.4 Industrial Peace and Stable Industrial Relations

- 1) Reduction of legalism and promotion of bipartisanship;
- 2) Economic and political empowerment of workers; and
- 3) A more effective system of minimum wage fixing.

6.2.5 Public Sector Employment

- 1) Right-sizing the government bureaucracy;
- 2) Enhancement of the productivity of government agencies and workers; and
- 3) Provision of a mechanism to facilitate government's role in employment generation.

6.3 Legislative Agenda

Consistent with the above policies, the following measures are proposed to be prioritized for legislative action:

- 1) Skills Training and Retraining Act;
- 2) Amendments to the Apprenticeship Law;
- 3) Creation of the Department of Basic Education;
- 4) Amendments to the Productivity Gain-Sharing Law;
- 5) Amendments to the Labor Code;
- 6) Right-sizing the government bureaucracy;
- 7) Amendments to the Administrative Code of 1987;
- 8) Upgrading of salaries and benefits of government employees; and
- 9) Provision of necessary budgetary resources to enhance the productivity of government agencies/workers.

Chapter 5
AGRI-INDUSTRIAL
DEVELOPMENT



CHAPTER 5

AGRI-INDUSTRIAL DEVELOPMENT, 1996-98

Bold and determined initiatives toward liberalization and deregulation were instrumental in improving industry's competitiveness. Industry growth rebounded while export performance dramatically improved. Competitiveness reinforced the gains from a liberalized investment climate which, with aggressive investment promotion efforts, helped boost foreign direct investments to remarkable levels. The enactment of the Export Development Act of 1994 further enhanced the prospects of the export industry by promoting investments in export enterprises, particularly in the 14 identified export winners.

Rapid developments in the international trading environment such as the establishment of the World Trade Organization (WTO), liberalization/deregulation and facilitation initiatives under the Association of Southeast Asian Nations (ASEAN) and the Asia Pacific Economic Cooperation (APEC) will require the country to pursue more aggressively the measures to attain international competitiveness. In agriculture, increased investments in agri-related infrastructure are expected to boost production as an increasing population will exert additional demand for food.

The attainment of international competitiveness will partly hinge on a supportive macroeconomic environment and the need to have consistent trade and macroeconomic policies. Specifically, this involves the continuation of trade liberalization measures and the maintenance of a market-determined exchange rate to encourage the development of competitive and efficient domestic industries.

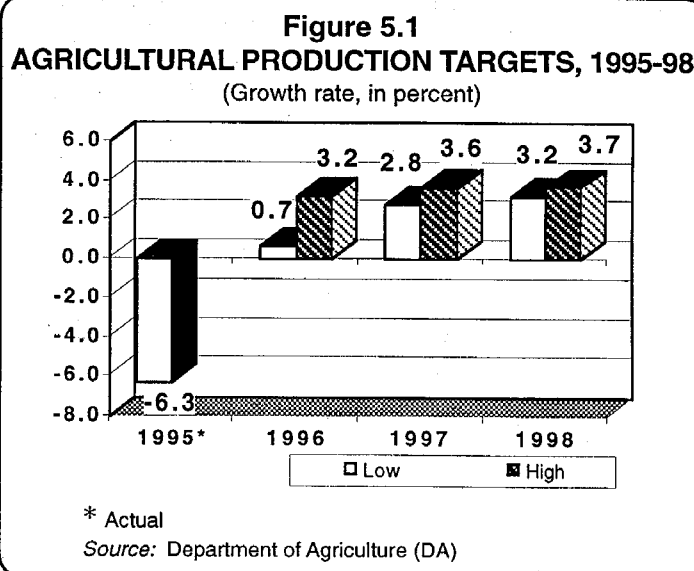
1.0 AGRICULTURE, FISHERY AND FORESTRY

With the new world trading arrangement, enhancing the productivity and competitiveness of agriculture will be the overriding concern in the next three years. Measures will continue to be undertaken to ensure food security, particularly, in food staples such as rice and corn.

1.1 Targets

Total agricultural production is expected to grow at an annual average rate of 2.3-3.5 percent for the remaining years of the plan period (Table 5.1). Specifically, self-sufficiency in palay at the level of 11.2-12.3 million metric tons (MT) is targeted by 1998 (Table 5.2). Palay production is expected to grow at an annual average rate of 2.2-5.4 percent during the plan period.

Meanwhile, corn production will grow at an average annual rate of 7.6-9.9 percent to achieve self-sufficiency, particularly in white corn for human consumption. Livestock and poultry production, on the other hand, is projected to grow at an annual average rate of 5.9 percent and 5.5 percent, respectively. Fishery is expected to grow by 1.3 percent on the average.



1.2 Policies and Strategies

1) Providing adequate infrastructure support

Consistent with the need to ensure food security, more government resources will be allocated for the establishment and maintenance of rural infrastructure, particularly irrigation and drainage, livestock infrastructure and services, and fisheries infrastructure. Increased access to postharvest and processing facilities such as multipurpose drying pavements, mechanical dryers and farm-level grains centers will also be ensured.

Achieving competitiveness in agriculture necessitates lowering the costs of inputs and marketing. Towards this end, a more efficient agricultural transport system will also be developed. This means constructing or rehabilitating farm-to-market roads and bridges, expanding the capacities of existing ports and upgrading port handling and storage facilities.

2) Enacting policy reforms in support of the growth and competitiveness of agriculture and agribusiness activities

Implementation of tariff reforms shall be pursued to ensure greater access to



lower-priced and sufficient quantities of production and processing inputs. These include farm machinery, transportation facilities and their spare parts, and packaging materials.

A fair taxation policy for agricultural processors will be adopted. The value-added tax (VAT) system will be reoriented to encourage the entry of new and more investments into agri-based processing. The expanded value-added tax (EVAT) has already incorporated the provision of a presumptive input tax on agricultural products used by agricultural processors.

Government regulations will be streamlined to encourage the growth and development of agribusiness activities, through the following measures: (a) simplification of licensing procedures and reduction of documentation requirements; and (b) modification of regulation and procedures governing private entry into agri-based enterprises.

3) Strengthening support services in agriculture

A more conducive rural credit policy environment will be created through the following: (a) accelerating the rehabilitation of distressed rural banks; (b) encouraging the establishment of cooperative banks; (c) channeling credit resources to capable farmers' organizations; and (d) increasing the funds in existing guarantee facilities for rural lending.

Research and development (R&D) on appropriate production and postharvest technologies will be strengthened in collaboration with state universities and colleges (SUCs). Agricultural extension and training will, likewise, be strengthened, in coordination with local government units (LGUs), in order to increase farmers' access to new production and post production technologies.

Cooperatives will continue to be tapped as possible sources of agricultural credit and other inputs, and in the marketing of agricultural products.

4) Promoting sustainable agricultural management policies and practices

Conversions of land will be rationalized to respond to the needs of both economic development and resource conservation. A land use policy consistent with agrarian reform objectives and one that promotes the best use of the land will be adopted. Consistent with this, the development of Key Production Areas (KPAs) for rice and corn, livestock, fisheries and key commercial crops will be promoted.

An integrated pest management program will be implemented. The use of organic fertilizers, biological pest control and other environmentally-sound techniques

will be encouraged in order to increase agricultural productivity. The use of partially-treated effluent in agriculture and agri-industry will continue to be promoted.

5) Promoting the judicious use and sustainable management of fishery and aquatic resources

The government will work for the passage of the Fisheries Code that features, among others, the strengthening of existing fishery institutions; the formation of empowered fishery cooperatives; the adoption of community-based coastal resource management; the optimal use of inland water resources, near-shore as well as offshore marine resources; and such other fishery-related activities that are consistent with the judicious use and sustainable management of fishery and aquatic resources.

6) Building the foundation for a productive, efficient, economic and sustainable livestock industry

Priority will be accorded to the development of the cattle and carabao subsectors. The establishment of nucleus farms (i.e., 500-1000 cow modules) and anchor farms (i.e., 200 cow modules) which will be operated by cooperatives and private ranchers, will be intensified. Animal disease prevention and eradication programs will continue to be implemented, focusing on the reduction of incidence of major animal diseases, e.g., foot-and-mouth disease (FMD), hemorrhagic septicemia, hog cholera, Newcastle disease, blackleg and anthrax.

7) Strengthening the role of women in agricultural development

The role and participation of women in agricultural and fisheries production will be enhanced to ensure that they enjoy an equitable share from development programs and projects.

1.3 Priority Subsector Activities

1) Grains production will include the following activities:

a) Development, verification and packaging of production and postproduction technologies, e.g., on varietal improvement, postharvest, crop protection, farm mechanization, etc.;

b) Propagation and distribution of quality seeds through upgrading of seed processing techniques, quality control, proper storage facilities and farm implements;

c) Information dissemination, technology assistance and support of field implementation;



d) Institutional development of farmers' cooperatives and assistance to enterprise operation and management;

e) Market assistance to cooperatives in support of the National Food Authority's (NFA) procurement activities; and

f) Support for the establishment, rehabilitation and maintenance of irrigation systems.

2) Rehabilitation of unproductive coconut farms in support of the coconut development program

3) Continuation of the sugar mills rehabilitation program

4) Livestock and poultry development, which is comprised of the following:

a) Generation, verification and packaging of technology on livestock and poultry;

b) Provision and strengthening of animal health services, regulatory mechanisms and other support services;

c) Development and establishment of improved market support facilities;

d) Development and promotion of post-production/processing facilities; and

e) Institutional development of farmers'/livestock raisers' cooperatives and provisional assistance to its operation and management.

5) Fisheries and aquaculture development to include the following:

a) Development, verification and packaging of technology on fish production and processing;

b) Seed production, hatchery development and fingerling dispersal;

c) Management and conservation of fisheries resources, enforcement of laws and other regulatory services;

d) Provision of technical support/advisory services/training, and information dissemination on aquaculture, marine fisheries, postharvest technology and conservation techniques;

Figure 5.2
MAP OF KEY GRAIN AREAS

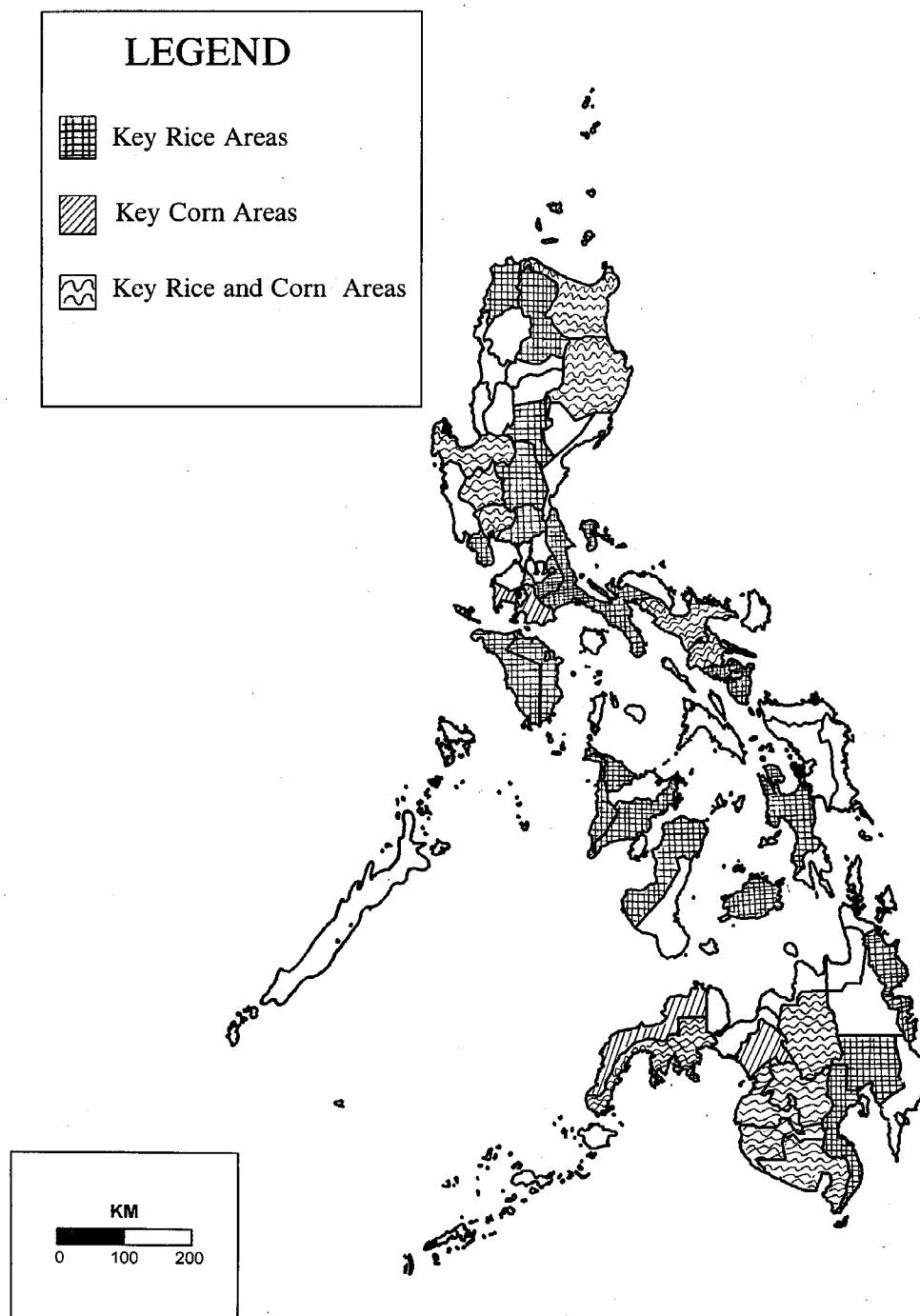
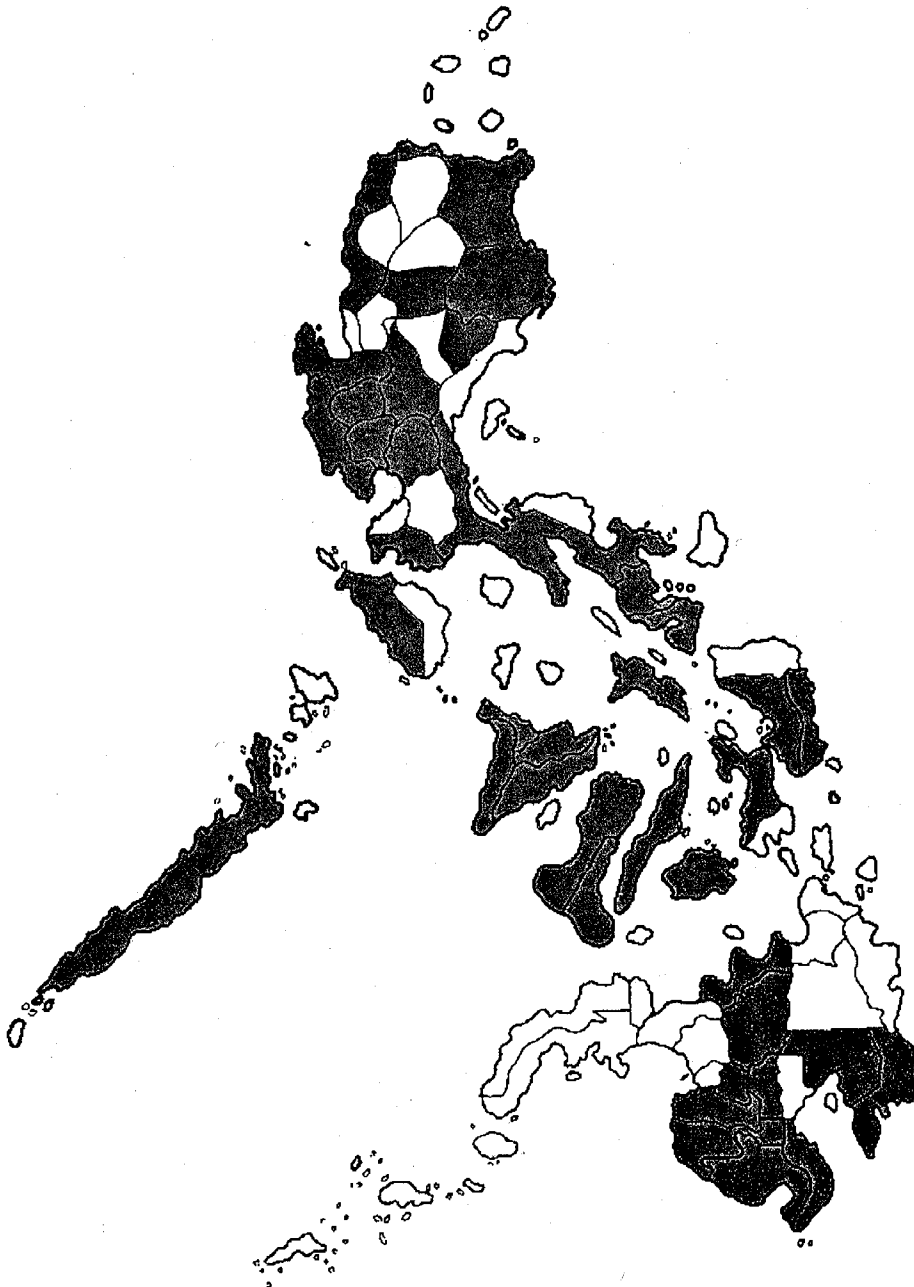
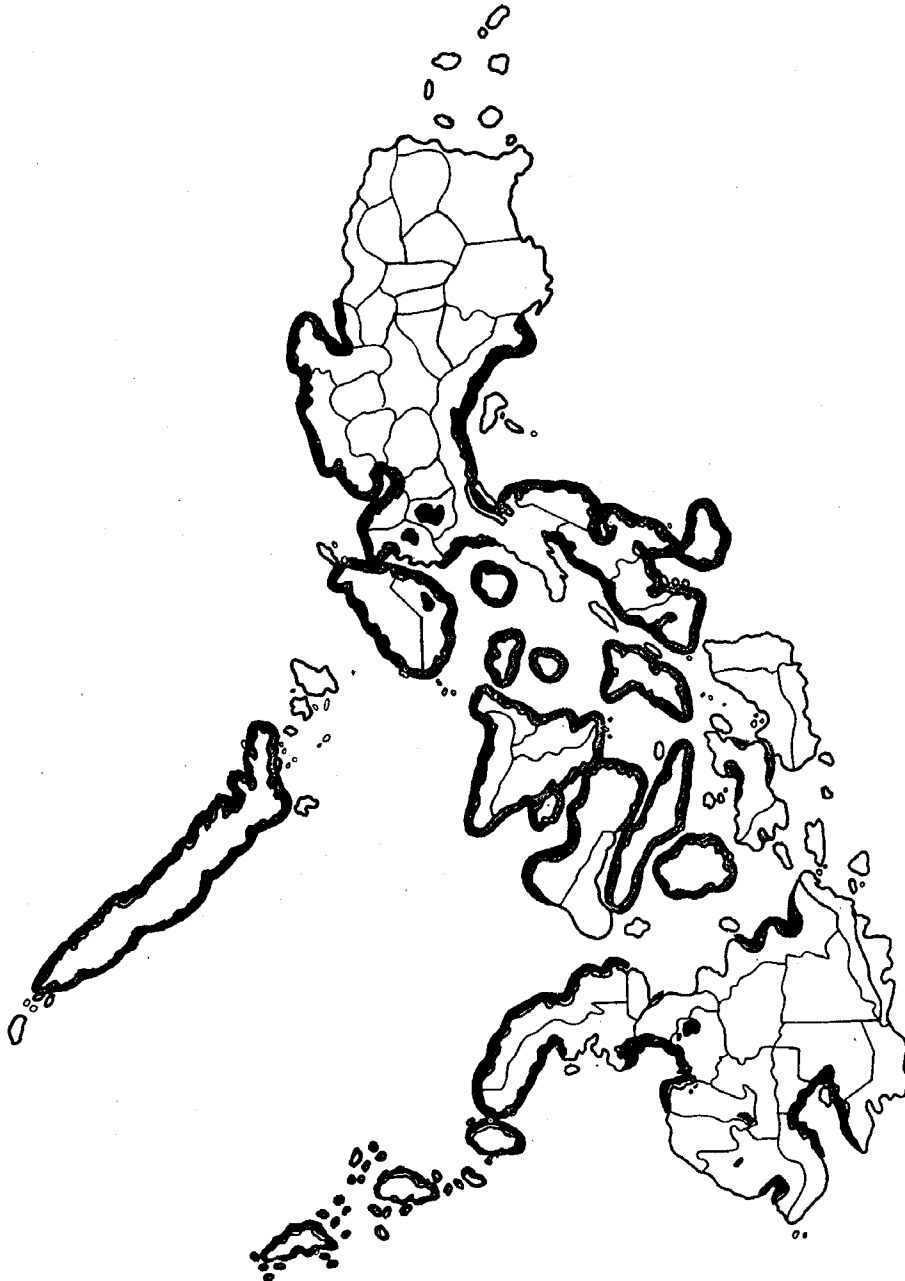


Figure 5.3
MAP OF KEY LIVESTOCK DEVELOPMENT AREAS



* Representational only; does not reflect actual hectareage covered by the Program.

Figure 5.4
MAP OF AQUACULTURE MANAGEMENT AREAS



* Representational only; does not reflect actual hectareage covered by the Program.



e) Fishery regulatory services support to LGUs, NGOs and fishing communities on law enforcement and other conservation measures;

f) Institutional and development support to cooperatives; and

g) Installation of monitoring, control and surveillance system for the country's coastal and marine areas.

6) Cash and commercial crops (e.g., fruits, vegetables, cutflowers, other priority crops - fiber crops) development activities which will include:

a) technology development, generation and packaging;

b) mass production of superior crop varieties and planting materials, e.g., through tissue culture; and

c) establishment of processing plants and storage facilities.

7) Economic and policy research/studies and advocacy activities

8) Credit facilitation and development of credit delivery schemes

9) Agricultural marketing and investment promotion/assistance; and

10) Institutional development of agricultural cooperatives.

1.4 Legislative Agenda

1) Rice Reserve Act;

2) Irrigation and Agricultural Productivity Enhancement Act;

3) Codification and Integration of All Existing Laws and Regulations on Fisheries and Aquatic Resources (Fisheries Code);

4) Amendment of the Agri-Agra Law;

5) Plant Variety Registration and Protection;

6) Imposition of Presumptive Input Tax on Agricultural Products;

2.0 TRADE AND INDUSTRY

The rapid changes in the international trading environment require the government to pursue, with strong determination, its goal of achieving global competitiveness. Recent international initiatives and developments such as those within the ambit of the WTO, the ASEAN Free Trade Area, the East ASEAN Growth Area, and the APEC forum pose enormous opportunities and challenges which the Philippines must take advantage of.

2.1 Targets

2.1.1 Industry

Industrial gross value-added (GVA) shall grow at an average of 10-11 percent per year over the remaining years of the Plan period (Table 5.3). It shall rise from 7.2 percent in 1995 to 10.7-11.8 percent in 1998. Industry's share in gross domestic product (GDP) is expected to increase from 34.4 percent in 1995 to 38.9 percent in 1998. The projected performance of the different industry subsectors are as follows: (a) mining and quarrying will grow at an average of 6.0-6.5 percent annually, with its share to GDP averaging at 1.4 percent for the period 1996-98; (b) manufacturing will grow at an average of 9.7-10.7 percent annually, with its share to GDP increasing from 24.5 percent in 1995 to 27.5 percent in 1998; (c) construction will grow at 12.4-13.2 percent annually on the average, and its share to GDP will rise from 5.4 percent in 1995 to 6.4 percent in 1998; (d) the growth of utilities will increase at an average rate of 9.8-11.5 percent each year while its share to GDP will grow from 3.1 percent in 1995 to 3.6 percent in 1998. The industry sector will grow fastest in Regions I (Ilocos Region), XI (Southern Mindanao), IV (Southern Tagalog), VI (Western Visayas), VII (Central Visayas), VIII (Eastern Visayas) and X (Northern Mindanao).

2.1.2 Services

The growth of the services sector will average 5.9-6.7 percent annually. However, its share in GDP will increase from 41.6 percent in 1995 to 41.8 percent in 1998 (Table 5.3). Regions XI, IV, X, VI, VII, IX (Western Mindanao) and V (Bicol) will register the highest growth rates in services GVA.

2.1.3 Exports

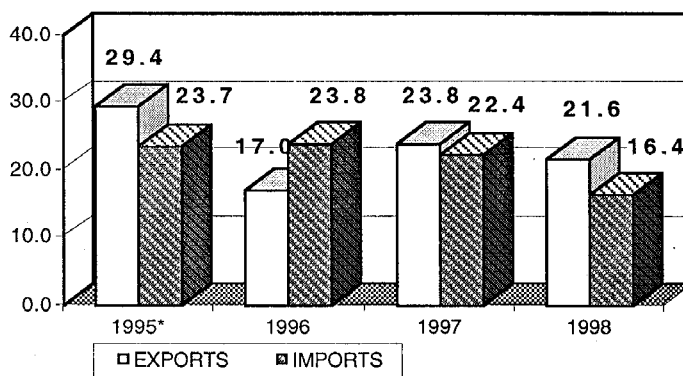
In nominal terms, the export of goods and services is expected to grow at an annual average rate of 24.7 percent from US\$32.9 billion in 1995 to US\$63.7 billion in 1998 (Table 5.4). Value of merchandise exports will rise by an average of 20.8 percent from US\$17.4 billion in 1995 to US\$30.7 billion in 1998, while total earnings from nonmerchandise exports will increase by 29.3 percent on the average, from US\$15.4 billion in 1995 to US\$33 billion in 1998.

2.1.4 Imports

Similarly, the value of imports of goods and services in nominal terms will grow by an average of 24.8 percent from a level of US\$35.6 billion in 1995 to \$69.1 billion in 1998. Compared to exports, the relatively lower growth of imports is due to the lower growth projected for imports of goods, at 20.9 percent average, rising from US\$26.4 billion in 1995 to

US\$46.5 billion in 1998. Payments for nonmerchandise imports, meanwhile, will rise by an average of 35 percent from US\$9.3 billion in 1995 to US\$22.6 billion in 1998.

Figure 5.5
MERCHANDISE EXPORTS AND IMPORTS, 1995-98
(Growth rate, in percent)



* Actual

Source: Bangko Sentral ng Pilipinas (BSP)

2.2 Policies and Strategies

1) Closer coordination of macroeconomic and trade and industry policies

Continuing efforts to liberalize the trade environment will be pursued to encourage the development of efficient and competitive domestic industries. These efforts will include the elimination of the remaining quantitative restrictions that are subject to administrative discretion and the sustained implementation of the tariff reform program, alongside the implementation of a market-determined exchange rate. Relatedly, efforts will be pursued to strengthen and rationalize current anti-trust and anti-monopoly laws. Moreover, the tax incentive package will be focused on industries with comparative advantage as well as those undergoing adjustments to ensure more effective and efficient utilization of incentives, at the same time, minimizing the level of exemption. Moreover, the universal application of net operating loss carry-over (NOLCO) and accelerated depreciation will form part of incentive rationalization.

2) Strengthen linkages among sectors and intensify dispersal of industries

Linkages between the agriculture and industry sectors will be intensified. In the same manner, networks and linkages with LGUs will be strengthened to boost their

capabilities and investment promotion efforts. The dispersal of industries will also be intensified by fasttracking the operationalization of the priority regional growth centers, i.e., the Regional Agri-Industrial Growth Centers (RGCs), and the development of identified special ECOZONES.

3) Promotion of exports

Measures toward strengthening the international competitiveness of Philippine exports will continue to be pursued, with the private sector taking the lead. These include: (a) the continued strengthening of export winners and identification and promotion of new products that have comparative advantage and high value added; (b) diversifying export markets and strengthening footholds in existing markets; (c) nurturing the growth of more entrepreneurs and would-be-exporters, particularly small and medium enterprises through business assistance such as market exposure through trade fairs; and (d) the implementation of the Export Development Act.

Import liberalization measures will continue to be implemented to increase the country's competitive strength. Programs to improve the quality of products through International Organization for Standardization (ISO) 9000 certification, increase efficiency in systems and design, and encourage innovativeness in all aspects of production and operation will, likewise, continue to be implemented.

4) Investment liberalization

Existing laws will continuously be reviewed with the objective of further easing up the investment environment. This will be complemented by the introduction of reforms in the issuance and use of business visas and other investment-enhancing measures.

5) Promotion of environment-friendly industrial policies

Consistent with the government's commitment to pursue sustainable development, measures to address industry and environment issues, which are increasingly demanding attention, will be formulated and implemented. These measures will focus on three key areas of industrial operations, namely: pollution control, energy efficiency and waste minimization. Clean production will also be encouraged through the continuous search for new and more efficient technologies; development of local expertise and capability on environmental assessment; implementation of appropriate environmental standards/policies/rules and regulations; and regular dialogues/consultations with business and industry sectors.



6) Promotion of SMEs

To assist small and medium enterprises (SMEs) in improving their production and marketing capabilities, efforts will be exerted toward the promotion of subcontracting between large firms and SMEs. Subcontracting arrangements such as the Center-Satellite Factory System (C-S System) have been designed to integrate larger firms (center factory) and SMEs (satellite factories) in production and marketing activities. SME productivity improvement programs will also be intensified.

To gain international exposure, linkages between Philippine SMEs and ASEAN/APEC SMEs will be initiated to help the local SMEs overcome cost constraints which are greater when undertaken on an individual basis. The establishment of the APEC Center for Technology Exchange and Training for SMEs (ACTETSME) in the country is expected to upgrade the technologies of and improve their utilization by SMEs. In particular, ACTETSME will provide APEC SMEs with the following services: (a) information; (b) networking; (c) mobilization of training opportunities for technical know-how absorption and upgrading; and (d) organization of specialized activities to reach out to SMEs for syndicating technology transfer projects. In addition, the establishment of databank trade houses and provincial one-stop SME centers nationwide are expected to enhance countryside development through the provision of information and other related services to SMEs.

7) Strengthening the role of women in industrial development

The role and participation of women, as partners of men in industrial development, will also be strengthened.

2.3 Priority Subsector Activities

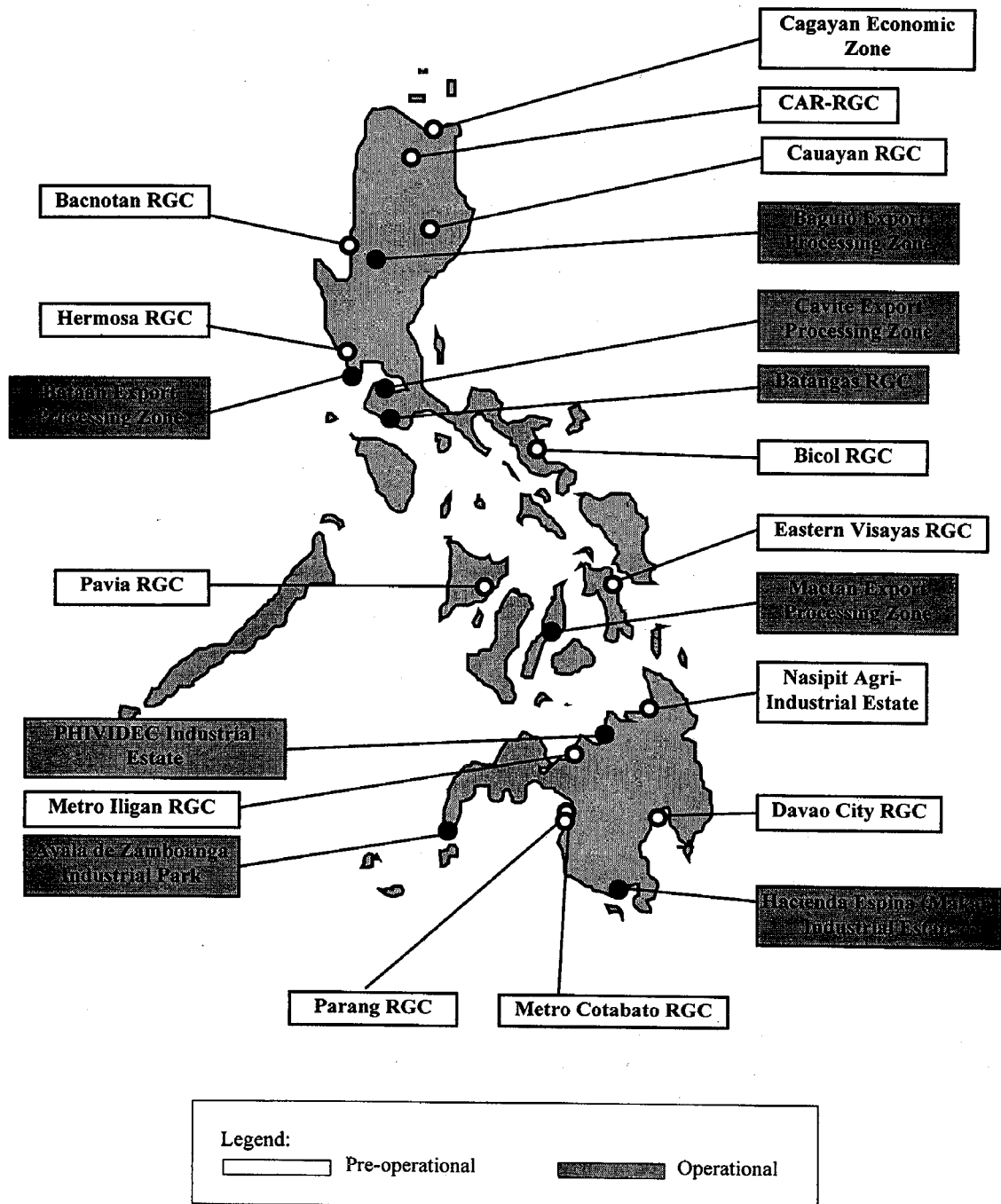
1) Enhance investment missions overseas and investment clinics in the countryside;

2) Intensify negotiation and implementation of bilateral investments promotion and protection agreements;

3) Operationalize the national geographic information system to facilitate investment promotions by providing spatial and non-spatial investments in identifying areas in the Philippines which are suitable for promotion;

4) Institutionalize joint private sector and government planning and implementation for industrial development;

Figure 5.6
LOCATION MAP: REGIONAL AGRI-INDUSTRIAL GROWTH CENTERS





- 5) Expand backward linkages and center-satellite projects and develop the subcontracting sector;
- 6) Focus the Investment Priorities Plan (IPP) on a few highly selected industries such as export-oriented and catalytic industries as well as those undergoing industrial adjustments due to the opening up of the Philippine market;
- 7) Increase productivity through industry expansion and dispersal, information dissemination and policy advocacy;
- 8) Promote industry expansion, countryside development and establishment of growth zones or areas;
- 9) Rationalize the financing programs for SMEs;
- 10) Enhance industrial capability-building for industries;
- 11) Encourage investments into export-oriented industries;
- 12) Develop sectoral plans, programs and industry studies;
- 13) Improve management of 15 export winners and expand the export winner list to include 12 strategic industries;
- 14) Increase market presence abroad (i.e., implement strategic actions on priority sectors and potential growth markets);
- 15) Strengthen policy support for international and domestic trade in consonance with regional and international developments;
- 16) Strengthen export enterprise and product development;
- 17) Monitor product prices and implement fair trade laws;
- 18) Align Philippine national standards and international standards;
- 19) Conduct consumer education and information campaigns; and
- 20) Automate search and administration of patents and trademarks.

2.4 Legislative Agenda

1) Amendment of the following:

- a) Sections 20 and 29 (d) and (f) of the National Internal Revenue Code as Amended, to provide for the Grant of NOLCO and accelerated depreciation (AD) deductions for income tax purposes;
- b) Laws on Intellectual Property Rights (IPR) protection:
 - i) RA 165 (Philippine Trademarks Law);
 - ii) RA 166 (Philippine Patents Law);
 - iii) PD 49 (Copyright Law) to align provisions thereof with the Uruguay Round of the General Agreement on Tariffs and Trade (GATT-UR) Final Act on IPR;
- c) PD 1203 (Reprinting Law) to align the rules on compulsory licensing with the GATT provisions;
- d) EO 1073 prescribing safeguards for domestic industries upon lifting of import licensing for certain products to align the same with the GATT provisions on safeguards;
- e) EOs 537, 823 and 953 - Charter of the Garments and Textile Exports Board (GTEB) - to give a new mandate by the year 2005 when the quota provided by the Multi-Fiber Arrangement would have expired;
- f) EO 226 (Omnibus Investment Code) as amended by RA 7369 (An Act Granting Tax and Duty Exemption and Tax Credit on Capital Equipment) to phase out local content and export performance requirements by the year 2000;
- g) Books III and IV of EO 226 to clarify and simplify the rules, regulations and incentives for the establishment and operation of multinational corporation (MNC) regional headquarters and warehouses;
- h) Section 18 of EO 172, as amended by RA 7638 (DOE Act) to allow the importation of coal and coal products, among others, without prior clearance;
- i) Article 123 of the 1991 Consumer Act of the Philippines (RA 7394) establishing standards of conduct for business and industry to protect and promote the interest and general welfare of the consumers and providing for penalties for violation thereof;
- j) Section 302 of the Tariff and Customs Code strengthening the mechanisms to

implement countervailing duties to conform with the provisions of the GATT-UR Final Act;

- k) RA 4276 (Condominium Law) to extend the law's application to industrial estates (IEs);
 - l) RA 7721 to allow more foreign banks to operate in the country;
 - m) RA 2629 (Investment Company Act) to develop an active mutual fund industry and a globally competitive capital market and to allow membership of foreign investors in the Board of Directors of an investment company; and
 - n) PD 129 (Investments House Law) as amended to liberalize foreign equity participation in investment houses.
- 2) Repeal of the following laws:
- a) RA 1180 to liberalize the retail trade business; and
 - b) RA 5980 (Financing Company Act) to promote the growth of the mutual fund industry.
- 3) Enactment of laws on the following:
- a) geographical indications to prevent the use of any means that would mislead the public as to the true place of origin of a good;
 - b) topography of integrated circuits to provide protection to the layout designs of integrated circuits;
 - c) protection of undisclosed information against unfair competition;
 - d) anti-smuggling law to remove impediments to the establishment and prosecution of smuggling cases and imposition of heavier penalties on those found guilty of unlawful importations; and
 - e) provision of incentives for the jewelry industry.

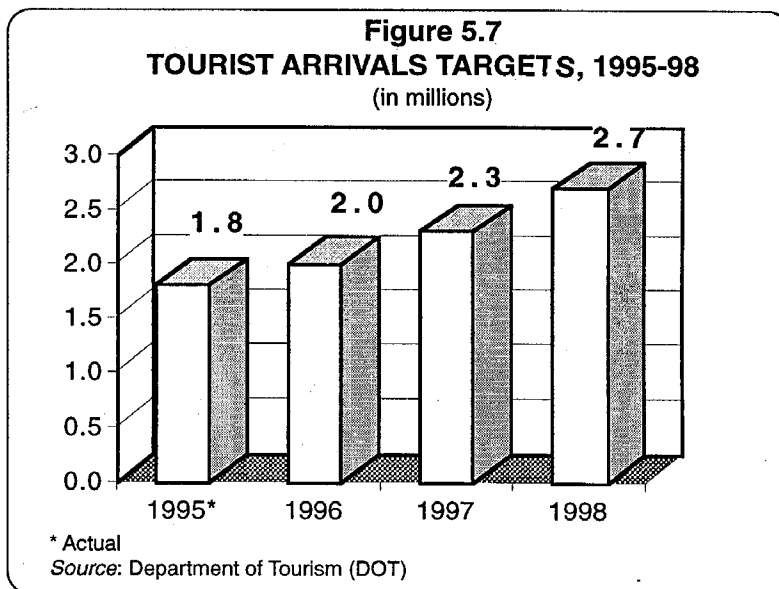
3.0 TOURISM

Tourism development will generate much-needed foreign exchange for the country. Hence, for the next three years, the Philippines will continue to be promoted

as an attractive tourist destination not only for foreigners but for Filipinos as well.

3.1 Targets

Visitor arrivals will grow at 15.9 percent on the average from 1.8 million in 1995 to 2.7 million in 1998 (Table 5.5). Visitor receipts will increase from US\$2.4 billion in 1995 to US\$3.8 billion in 1998, or an average annual growth rate of 16 percent.



3.2 Policies and Strategies

1) Promotion of destination clusters for major island groups

Three main destination clusters will continue to be established, corresponding to the Luzon, Visayas and Mindanao island groups. Each cluster will be supported by at least one major international gateway and tourism estates/zones connected to a variety of satellite destinations. The implementation of major development projects identified in the Tourism Master Plan (TMP) for Boracay, Samal, Panglao, Northern Palawan, CALABARZON, Northern Luzon and Bicol Region will be fasttracked. In addition, the establishment of Subic Bay, Clark Field and Club John Hay as prime tourist destinations will be vigorously undertaken. The formulation of tourism master plans for all regions will be stepped up and the identified regional priority areas will be included in the TMP for priority development.

2) Promotion of History, Culture and Arts

The Philippines' rich history, culture and arts will be promoted aggressively as a vehicle in attaining social cohesion and national unity. Domestic tourism will be encouraged among the citizenry to bring about greater appreciation of the country's natural, historical and cultural assets while protecting the environment.

3) Promotion of a Mix of Destinations and Products

A combination of niche and mass marketing approaches will be actively pursued



to promote a mix of tourism destinations and products for various tourist segments such as special interest and family-oriented resorts, convention, exhibition, recreational/theme parks, heritage centers and ecotourism products.

4) Conduct Policy Review in Response to Changing Trends

In view of the global competition and liberalization of service industries including the tourism sector brought about by the GATT-UR, policies on travel movements, investments, standards, and manpower will be reviewed and revised as necessary to make them more responsive to the changing global trends.

5) Establish and Strengthen Linkages and Networking

Stronger interagency linkages and multi-sectoral support will be established to ensure the provision of adequate infrastructure, facilities and services in tourism areas, as well as the development, enhancement and promotion of existing and potential tourist attractions. Closer cooperation and networking with other countries and regional/international organizations will be pursued to secure mutual assistance in expanding the country's tourism sector.

3.3 Priority Subsector Activities

- 1) Formulation of TMPs for all regions and detailed physical plans for priority tourism areas or 'must-see' destinations identified in the regional development framework;
- 2) Preparation of a Cluster Development Plan for Luzon, Visayas and Mindanao including the development of an integrated tourism infrastructure plan along the lines of conserving the sociocultural heritage and preserving the environment;
- 3) Conduct of market research programs to identify target segment, product offerings, pricing, etc.;
- 4) Promotion of investments by both local and foreign developers in priority tourist areas;
- 5) Establishment of regional tourism training centers including the formulation of training modules at crafts/skills level and mobile training units in the regions;
- 6) Establishment of cultural and heritage centers in areas identified in the TMP and regional master plans including the restoration of national parks,

historical sites and shrines, e.g., Rizal Park, Intramuros, Vigan, Taal and Nayong Pilipino;

- 7) Conceptualization and packaging of “freedom trail tours” in line with the Philippine Freedom Centennial Celebration;
- 8) Pursuit of aggressive marketing campaigns focusing on the thematic campaign “Islands Philippines” during the Plan period, leading toward the holding of a “Visit Philippines Year” Campaign in 1998;
- 9) Organization of regional tourism councils and tourism advisory councils in selected major travel markets (e.g., North America, Europe and Asia/Pacific) to assist the government in tourism promotion in their respective areas;
- 10) Extension of technical assistance and implementation of joint cooperative projects with the LGUs and tourism associations in view of the devolution of tourism promotion and development to LGUs; and
- 11) Development of programs that address the social impact of tourism development on the basic sectors of the society (farmers, fisherfolks, indigenous cultural communities, etc.), women and children including the conduct of tourism skills training and livelihood programs among affected families.

4.0 LABOR AND EMPLOYMENT

The promotion of remunerative employment is an important strategy to fight poverty. In this connection, a comprehensive employment strategy program was adopted during the Employment Summit organized in 1995. The commitments in this program contain important policy directions that will ensure that the employment targets are reached by 1998.

4.1 Targets

Agriculture’s share in employment will decline from 43.4 percent in 1995 to 39.9 percent in 1998 (Table 5.6). The share of industry in total employment, on the other hand, will increase from 16.1 percent in 1995 to 17.4 percent in 1998. Employment in the services sector as a proportion of total employment will increase from 40.4 percent in 1995 to 42.7 percent in 1998.



4.2 Policies and Strategies

1) Generation of productive employment

Promotion of investments is critical to employment generation, particularly those that generate greater employment for both women and men. The bias for policies that promote labor-intensive industries and strong forward and backward linkages will be maintained. Policies that excessively favor capital-intensive industries will continue to be discouraged.

2) Promotion of rural employment

To improve employment in the rural areas, the potentials of the micro, cottage, small and medium enterprises (MCSMEs) to provide alternative employment to farm workers, fisherfolk, and forest and upland dwellers will be tapped. Programs which will provide remunerative off-farm and non-farm employment opportunities to rural workers will also be established.

3) Promotion of labor welfare

Employment and training assistance for the unemployed will be extended. The protection and welfare of the employed both locally and abroad will be expanded and strengthened. Greater compliance with labor standards and safety and health regulations will be enforced. Enterprise-based schemes to upgrade workers' skills and productivity, e.g., the setting-up of productivity improvement and gain sharing schemes, quality control circles and work councils will be encouraged. Labor market information systems and employment facilitation programs in support of desired industrial restructuring objectives will be strengthened. The emerging special employment arrangements that enhance the flexibility and competitiveness of enterprises will be recognized and promoted while giving adequate protection to the security and welfare of workers.

Systems and procedures for dispensing labor justice and forming labor organizations will be simplified. Labor representation in decision-making shall also be enhanced. The Regional Tripartite Wages and Productivity Boards (RTWPBs) will be strengthened and other tripartite and multisectoral consultations for macroeconomic, industry and area-wide policy-making will be institutionalized.

4.3 Priority Subsector Activities

- 1) Business program for rural women microentrepreneurs in nonfarm enterprises;
- 2) Implementation of the Promotion of Rural Employment through

Self-Employment and Entrepreneurship Development (PRESEED);

- 3) Special employment assistance program for dislocated and laid-off workers;
- 4) Facilitation of Labor Management Committees (LMCs) and training for LMC members;
- 5) Facilitation of the organization of Industry Tripartite Councils (ITCs) as venues of consultation and dialogue on industry-specific concerns;
- 6) Institutionalization and strengthening of voluntary approaches to labor dispute settlement;
- 7) Facilitation/Implementation of Workers Organization Development Program; and
- 8) Conduct of joint labor-management education on labor relations.

5.0 AGRARIAN REFORM

Land tenure improvement (LTI) activities shall focus on accelerating the direct land transfer and nonland transfer programs for farmer-beneficiaries (FBs). Priority shall be accorded to the distribution of rice and corn lands, government-owned lands, settlements and private agricultural lands.

5.1 Targets

About 4.2 million hectares of land shall be distributed to FBs over the next three years (Table 5.7). A total of 67 additional agrarian reform communities (ARCs) will be launched over the next three years while sustaining the development of some 723 ARCs already launched during the last three years (1993-1995).

5.2 Policies and Strategies

LTI will be accelerated focusing on direct land transfer and nonland transfer programs to FBs. Relatedly, program beneficiaries development (PBD), focusing on support services provision will be accelerated. The concept of Comprehensive Agrarian Reform Program (CARP) will be rationalized in order to make it more conducive to the modernization of agriculture and promotion of industrialization. The CARP bureaucracy will be energized for effective program results. Partnership with various government organizations (GOs)/ nongovernment organizations (NGOs)/ private organizations (POs), LGUs, FBs, landowners, legislature, media, and the academe will be strengthened. Local and foreign resources for the development of ARCs will be mobilized.



5.3 Priority Subsector Activities

- 1) Acceleration of LTI activities through the following:
 - a) acquisition and distribution of agricultural lands;
 - b) payment of just compensation to landowners; and
 - c) coverage of other agricultural lands under the leasehold arrangement.
- 2) Refocusing program beneficiaries development through the following:
 - a) resolution of agrarian cases, conduct of relevant training for FBs, provision of technical assistance and information dissemination campaigns;
 - b) development of active, self-reliant and viable ARCs; and
 - c) provision of investment counseling and bond servicing to landowners.

5.4 Legislative Agenda

- 1) Amendment of the following:
 - a) Section 63 of RA 6657, making the Agrarian Reform Fund a revolving fund and increasing the fund to P100 billion;
 - b) The National Internal Revenue Code for purposes of imposing the following taxes to augment the Agrarian Reform Fund: (a) progressive agricultural land tax; (b) a land conversion tax; and (c) an idle land tax; and
 - c) Increasing the Composition of the Department of Agrarian Reform (DAR) Adjudication Board's (AB) full-time members from three to nine and upgrading their salaries equivalent to that of the National Labor Relations Commission and the augmentation of P20 million to the budget of DAR to cover the costs of the reorganization and the beefing-up of the Board's manpower requirements.
- 2) Protection of agrarian reform beneficiaries whose lands were converted to commercial, industrial or residential use by making them shareholders or co-investors of the new industrial/commercial venture.

6.0 NATURAL RESOURCES AND THE ENVIRONMENT

The Philippine government is committed to the principles set forth in Agenda 21 which emphasizes the need to attain economic growth and equity through sustainable utilization of the country's resources. Towards this end, the following will be given priority: (a) the integration of environmental impact assessment (EIA) into the project development cycle; (b) strict enforcement of existing policies, laws and regulations on resource use and pollution; and (c) provision of limited, time-bound and performance-based incentives to ensure that resources are managed in an environmentally-responsible manner.

6.1 Targets

1) Forest Resources

Forestry production is targeted to reach approximately 2.4 million cubic meters of logs, 1.1 million cubic meters of lumber and 0.2 million cubic meters of plywood and 0.3 million cubic meters of veneer. The logs will be sourced mainly from mature forest plantations and sustainably managed second growth dipterocarp production forests. To increase existing forest stocks, some 360,000 hectares of timber and non-timber forest plantations shall be established including 2.4 million hectares of dipterocarp forest estates. To enhance the growth and quality of timber stand in the residual dipterocarp forest, timber stand improvement activities shall be undertaken covering a total of 22,500 hectares of forestland.

In addition, effective protection of some 5.8 million hectares of forestland shall be undertaken through an expanded forest protection program wherein 18 surveillance and control teams will be organized and operationalized together with the acquisition of modern equipment such as radio communications, fixed-wing aircraft, motorized boats and helicopters. Multi-sectoral forest protection committees (MFPCs) shall be organized and mobilized to assist in the enforcement of forest laws, rules and regulations.

To improve access to resources, about 57,750 hectares of forestland shall be managed under the Community-Based Forest Management Program involving, among other things, the issuance of 94,800 Certificates of Stewardship Contracts (CSCs) and 180 Community-Based Forest Management Agreements (CBFMAs). Likewise, 288 Forest Lease Management Agreements (FLMAs) shall be issued to boost industrial plantation establishment.

Other supportive measures to attain the above targets will include the establishment of 234 nurseries and 14 forest seed orchards.



2) Land Resources

Land management, on the other hand, shall be made more efficient with the fasttracking of cadastral surveys of the remaining 81 unsurveyed municipalities/cities. Comprehensive land use plans shall be prepared for 64 cities, 76 provinces and 1,542 municipalities to effectively implement existing land use policies as well as in support of agrarian reform objectives. In recognition of ancestral domain rights, priority shall, likewise, be accorded to the survey of 1.7 million hectares of ancestral lands. These activities shall be supported by the operationalization of improved land information and survey verification systems.

3) Mineral Resources

Mining activities shall be enhanced through the conduct of geological mapping covering about 160,000 square km. Promotion of small-scale mining shall continuously be pursued through the provision of technical assistance for the organization of 45 small-scale miners' associations. In addition, inland and marine geological hazard mapping will also be conducted covering 4,350 sq. km. focusing on soil erosion, land slides and flood risks. Mineral production shall be supported by the assessment for chromite and nickel deposits of 12,000 hectares in Agusan del Sur and another 21,000 hectares for rare elements.

4) Protected Areas and Wildlife

Nineteen priority areas covered under the National Integrated Protected Areas System (NIPAS) shall be managed. Some 5,500 hectares of buffer zone shall be established and managed. Thirty-six communities shall be organized to effectively manage these protected areas.

All the initial components of NIPAS such as survey and registration of protected area occupants, suitability assessment and boundary delineation shall be fully implemented. Some 214 Protected Areas Management Boards (PAMBs) shall be organized and strengthened while a central Integrated Protected Area Fund (IPAF) shall be established for purposes of financing projects for the protected areas. Furthermore, the management and conservation of cave resources shall be ensured through the identification and assessment of 45 caves nationwide.

One nature conservation training center and one ASEAN Regional Center for biodiversity conservation shall be established.

Sustainable ecotourism shall be given importance through extensive assessment and studies on the potentials of protected areas for ecotourism development. Likewise, to stress the importance of biodiversity conservation, a National Zoological

and Botanical Garden shall be established. Monitoring of wildlife trade shall also be undertaken with the establishment of 15 wildlife rescue centers nationwide.

5) Environment

Conservation and protection activities shall be intensified to improve overall environmental quality.

The strengthening of the current EIA system shall be pursued through policy formulation and area-based procedures, computerization of EIA databases, development of one-stop-shop and conduct of specialized trainings. Industry ecolabelling and technology management/linking shall be implemented.

Improvement of air quality shall be a priority activity in accordance with national acceptable standards based on revised 1993 levels as well as the installation of one fixed air quality monitoring station in every region in the country. Corollarily, a water classification program shall be implemented and water resource quality shall be improved. Meanwhile, rehabilitation of three heavily polluted rivers and river systems shall be undertaken including rehabilitation and protection of other rivers and survey and sampling of 24 major rivers and bays. In addition, 36 Coastal Environment Protection (CEP) sites shall be established and managed through the organization of CEP groups (Bantay Dagat).

Waste management shall be enhanced by the formulation of a national framework plan, enhancement of existing sanitary landfills, identification of new and potential disposal sites and its development through build-operate-transfer (BOT) schemes and the establishment of industrial waste exchange center in strategic areas like Cebu as well as through the conduct of vigorous campaigns for waste reduction, re-use and recycling practices.

Urban greening will also remain a priority through the establishment of 12 urban mini-forests. Roadside planting will be intensified covering 150 km. and 171 compounds.

6.2 **Policies and Strategies**

1) Forest Management

Pursuant to EO 263 adopting the community-based forest management as the strategy to sustainably manage the country's forest resources, existing people-oriented/ community-based forest management program shall be strengthened with emphasis on the participation of both men and women, upland and indigenous communities and other key stakeholders in the maintenance and development of forest resources.



Moreover, the implementation of the current programs on forest protection shall be strengthened through the enlistment of the cooperation and support of all sectors of society. An intensified forestry information, education and communication program shall, likewise, be pursued.

2) Land Management

In line with the agreements in the Social Reform Agenda (SRA), the immediate settlement of ancestral land claims shall be affirmed in recognition of the right of indigenous communities to develop their ancestral domain.

The tenurial arrangement and security of land ownership of both women and men farmers will be strengthened to spur rural development.

Ecological profiling and physical framework planning at the national, regional and provincial levels will be undertaken in support of the national land use policy. A Long-Term Master Plan for Land Resources Management will, likewise, be developed, implemented and translated into regional master plans.

Overall, the new National Land Use Act and the Land Code of the Philippines shall be operationalized to pave the way for a more proactive land management regime.

3) Mineral Resources Development

Measures will be implemented to promote and increase investments in the mining sector. Geo-environmental protection measures will be implemented. R&D efforts on the development of new processing and extraction technologies will be enhanced in order to reduce adverse effects on the environment. Technologies to control pollution due to mineral extraction and processing will also be developed and adopted. To provide overall direction for the development of the sector, the Mines Master Plan and regional counterpart plans shall be completed and operationalized.

4) Protected Areas and Wildlife Management

The full implementation of the NIPAS Law shall be vigorously pursued. Along this line, regional operations in implementing policies on protected areas, wildlife and biodiversity will be strengthened.

The nature conservation education program will be intensified to promote public participation in the conservation of protected areas and biological diversity. A National Biodiversity Action Plan shall also be implemented.

5) Environmental Management

A major focus of environmental policies and strategies shall be the improvement of the overall environment quality. Both public and private sector participation shall be enhanced while extensive and mass-based action on environmental management shall be promoted in order to effectively transform the citizenry into an action-oriented society.

A Master Plan for Environment shall be formulated and supported by framework plans covering specific environmental concerns, e.g., National Framework Plan for Solid Waste Management. The BOT scheme shall be adopted to implement environmental programs and projects such as establishment of alternative waste disposal sites and systems.

To facilitate the incorporation of environmental concerns in the decision-making process, the EIA system shall be streamlined. Environmental research and development shall be promoted.

6) Ecosystems Research and Development

Research and development on the environment and natural resources towards year 2000 and beyond shall provide relevant technology and information with emphasis on the sustainability and enhanced productivity of the natural resources including the protection of the environment.

R & D proposals will be formulated and ongoing projects implemented focusing on various ecosystems, such as:

a) R&D geared towards finding effective management, development, conservation and protection approaches for the five major ecosystems namely: forests, upland farms, grasslands, coastal zones and fresh water, and urban, including the development of appropriate strategies and community-based project in the uplands; and

b) R&D directed to address issues and problems on pollution, impact of industrialization and other concerns on urban ecosystems, environment, mines and lands.

To back up R&D efforts in the different ecosystems, a technology transfer program shall be formulated to intensify dissemination of research-based information and accelerate the transfer, adoption and commercialization of adaptive and environment-friendly management and conservation schemes.



A Research Management Information System for pilot testing in the Regional Ecosystems Research and Development Sector (ERDS) will be developed and maintained. The Information Systems Plan and the Information Technology Strategic Plan will also be implemented at the national and regional levels.

6.3 Priority Subsector Activities

- 1) Establishment of forest plantations and tree farms through industrial forest plantations (IFP), mandatory Timber License Agreement (TLA)/Timber Production Sharing Agreement (TPSA) plantation and reforestation contract and agroforestry/tree farm schemes including urban forestry;
- 2) Soil conservation and watershed management including management of natural dipterocarp and pine forest;
- 3) Coastal resources management programs;
- 4) Forest protection;
- 5) Implementation of the Integrated Protected Areas System and related initiatives on the conservation of biodiversity;
- 6) Delineation, inventory and mapping of environmentally critical areas (ECAs) including geological hazard prone areas;
- 7) River Rehabilitation Program;
- 8) Air and water quality monitoring and improvement;
- 9) Integrated organization and human resources development program for the environment and natural resources (ENR) sector;
- 10) Environmental impact studies;
- 11) Implementation of the People-Oriented Forestry Program;
- 12) Conduct of plant surveys and implementation of the Land Information System;
- 13) Establishment of an integrated information support system, to include operationalization of the Geographic Information System (GIS);
- 14) Establishment of Forest Tree Seed Center;

- 15) Establishment of Industrial Waste Exchange Centers;
- 16) Solid Waste Management Programs;
- 17) Environment and Natural Resources-Information Education and Communication (ENR-IEC) Program;
- 18) Integration of Gender and Development (GAD) in ENR programs/projects;
- 19) People's Mining Program;
- 20) Establishment of community-based high impact small-scale entrepreneurship and livelihood projects in the upland;
- 21) Conduct mineral exploration and geological surveys and related studies;
- 22) Implementation of comprehensive land use planning and ecoprofiling; and
- 23) Survey and delineation of ancestral domain including management of such areas.

6.4 Legislative Agenda

Passage of the following:

- 1) Land Use Code;
- 2) Forestry Code;
- 3) Ancestral Domain Act of 1994;
- 4) Environment Code; and
- 5) Clean Air Act

7.0 SCIENCE AND TECHNOLOGY

The development of science and technology will be harnessed in order to attain the objective of increasing productivity and attaining competitiveness in the global market. The country's expenditures in R&D must be increased through greater private sector participation in Science and Technology (S&T) activities. Harmonized S&T efforts of the scientific community and the production sector is essential to strike a balance between the supply of, and demand for, technologies and to focus its activities



on technology areas and/or products where the country has comparative advantage. The institutionalization of S&T forecasting will provide a mechanism for determining technologies which the country should acquire or develop in support of its development vision.

7.1 Targets

R&D expenditures will reach one percent of Gross National Product (GNP) by 1998 as originally planned. A total of 36 technologies will be commercialized from 1996 to 1998 while a total of 84 new researches will be contracted with the private sector by 1998. Scholarships, trainings and degree programs will also be supported for a number of recipients, averaging at 13,182 each year from 1996 to 1998 (Table 5.8).

7.2 Policies and Strategies

1) Technological Advances for Global Competitiveness

To attain competitiveness in the world market, a clear and coherent vision of technological advances in the next generation, including superior technologies with high-efficiency performance applicable to Philippine conditions will be established. Major or specialized experimental capabilities, supported by a large-scale contemporary instrumentation and laboratories especially for testing and analysis, which can meet world standards, will also be established.

2) Strategic Research Plan

A strategic research plan focused on critical advances in knowledge, tools and technologies to improve the productivity of the agriculture, manufacturing and service sectors will be formulated and implemented. The private sector will be involved in planning, research and education programs to focus on short- and long-term needs of industry and strengthen techno-transfer efforts to industry and other users. The research management system will be improved to optimize use of financial, physical and human resources leading to higher internal efficiency of R&D institutions. Educational programs involving students in research teams with exposure to industrial needs will, likewise, be developed.

3) Harness the Best and the Brightest

Cross-disciplinary teams of scientists, engineers and inventors will be organized to harness the best and the brightest, regardless of institutional affiliation to improve productivity, focusing on high value-added products. To encourage scientists and engineers to remain in the country, incentives and other benefits will be instituted.

7.3 Priority Subsector Activities

- 1) Accelerated implementation of human resources development utilization and retention programs including specialized S&T training to improve local S&T capability;
- 2) Conduct of short- to medium-term R&D projects in advanced science and technology in the fields of biotechnology, materials science, metal working, information technology and energy to improve competitiveness;
- 3) Transfer and commercialization of technologies for the development and production of competitive goods and services;
- 4) Global technology search to acquire foreign technology in the priority areas;
- 5) Provision of S&T services such as tests and standards, quality control, chemical and physical analysis, pilot testing, consultancy and information services;
- 6) Establishment and strengthening of S&T network and institutions;
- 7) Establishment of Technology Business Incubators (TBI)/science parks for the closer linkage with the academe and the private sector in the development of advanced areas; and
- 8) Enhancement of the Transfer of Knowledge through Expatriate Nationals (TOKTEN) project management capability through: (a) harnessing systematically expatriate community networks through rich database of information on expatriate resources; (b) worldwide information dissemination of UNDP-TOKTEN projects and related program documentation; (c) intensive research and development facility on various consultancy areas/needs vis-a-vis Philippines 2000 on Science and Technology; and (d) systematic evaluation and monitoring of projects and consultancy activities and performance.

8.0 DEVELOPMENT DIPLOMACY

Development diplomacy shall continue to be a major thrust of the country's foreign policy. Towards this end, the Philippines will intensify efforts to obtain access to external resources, break into new external markets and expand in existing ones, and to promote tourism and technology transfer. Bilateral and multilateral relations in the ASEAN, APEC, WTO and UN shall be further strengthened. Special attention will continue to be given for the protection and welfare of the Filipino overseas workers in recognition of their vital and substantial contribution to the country's economic development.



8.1 Policies and Strategies

- 1) Adopt a comprehensive and pragmatic strategy for overseas workers;
- 2) Harness Philippine foreign service posts to launch strong trade, investment and tourism drives in addition to the regular functions of extending consular services and assistance to nationals; and
- 3) Address the priority concerns of the national marine policy in the development of the Philippines as an archipelagic country, namely: (a) maritime security; (b) marine economy and technology; and (c) marine environment.

8.2 Priority Subsector Activities

- 1) Promotion of exports through expats seminars in North America, the Middle East, Europe, and the Asia Pacific; trade and investment missions; and market research and development;
- 2) Implementation of all trade, investment, scientific, economic and technical cooperation agreements and projects;
- 3) Training of foreign service and other government personnel handling international matters, as follows: (a) secondment training; (b) training in trade, investment and tourism promotion; and (c) language courses;
- 4) Distribution of Medium-Term Philippine Development Plan (MTPDP) and other economic documents to Philippine embassies and consulates abroad; conduct of workshops for honorary consuls abroad and training for departing chiefs of mission and foreign service officers; and
- 5) Development and implementation of the Integrated Maritime Program for the Philippines in pursuance of the national marine policy.

Chapter 6
CHALLENGES
for
INFRASTRUCTURE
SUPPORT



CHAPTER 6

CHALLENGES FOR INFRASTRUCTURE SUPPORT, 1996-98

The anticipated growth of the economy is expected to exert more pressure for infrastructure support. The next three years thus require an even faster pace of infrastructure development on two fronts: (a) providing for the primary needs of the population such as reliable and adequate water supply, shelter, health facilities and transportation; and (b) providing support facilities for the productive sectors, with focus on regional agri-industrial centers.

In the light of the recent successes in implementing Build-Operate-Transfer (BOT) projects in the power sector, private sector investments in the provision, operation and maintenance of infrastructure through the BOT schemes will continue to be encouraged. Towards this end, the implementing rules and regulations of the BOT Law will be amended to eliminate sources of bottlenecks and resolve conflicts with other laws. Private sector participation, especially in public utilities, will be boosted via deregulation of entry and fare-setting. Restructuring of the energy sector will commence during this period.

To avert any delay in project implementation, a more effective system of coordination among agencies, local government units (LGUs), the private sector and affected communities will be put in place as early as the formulation phase of infrastructure plans and projects. Where warranted, institutional restructuring will be initiated to streamline the bureaucracy. Environmental and sociocultural concerns will also be integrated in planning and in the different stages of project implementation.

Adequate funds for the capital investment program and operation and maintenance (O&M) will be provided, with priority on the latter. Maintenance and rehabilitation programs will be upgraded and quality assurance will be enforced. Research and development (R&D) on the use of alternative construction materials and technology for energy and cost-efficient structures will also be promoted.

Local government infrastructure programs will continue to be responsive to the requirements of the various sectors of the local economy (e.g., basic facilities for socially depressed areas or support facilities for areas with the highest growth potential).

1.0 ENERGY

1.1 Key Measurable Targets

Total energy supply is targetted to meet total energy demand, growing at an average annual rate of about eight percent for the period 1996 to 1998. This implies that production will reach 258.1 million metric barrels of fuel oil equivalent (MMBFOE) in 1998 (Table 6.1).

Meanwhile, the electrification program of the government through the electric cooperatives (ECs) will benefit an additional 1.1 million households to increase the coverage to 63.1 percent in 1998 from 55.2 percent in 1995 (Table 6.2). Barangay coverage will expand from about 68.9 percent in 1996 to 74.2 percent in 1998, with an additional 2,713 barangays energized during the period. All 1,409 municipalities under the franchise area of government-assisted ECs will receive electric service by 1996.

New electricity generation projects will increase aggregate capacity from 9,563 megawatts (MW) in 1995 to 12,080 MW in 1998, most of which will be implemented through the BOT, Build-Transfer-Operate (BTO), and Build-Operate-Own (BOO) arrangements with private developers (Table 6.3). This capacity expansion will be complemented by the installation of about 5,681 circuit-km. of new transmission lines and 20,327 circuit-km. of distribution lines. Transmission losses will be maintained at 2.5-3.0 percent and distribution losses of government-assisted ECs will be reduced from 17.4 percent to 16.1 percent between 1996-1998.

The country's three major island groups will be interconnected in the next five years to strengthen system reliability and reduce the needed capacity through effective sharing of reserves. The Leyte-Samar and Cebu-Negros-Panay interconnection project is programmed for completion in mid-1996 while the Leyte-Luzon project will be finished in mid-1997. On the other hand, the Leyte-Mindanao interconnection project is scheduled for operation in the year 2000.

Moreover, the following major power facilities will be rehabilitated: (a) Binga (100 MW) hydroelectric plants; (b) Malaya-Kalayaan-Tayabas 500 KV transmission lines; and (c) 14,804 circuit-km. of distribution lines.

1.2 Objectives

For the next three years, the policy directions for the sector will have the following objectives:

- 1) Ensure the availability and security of market-based energy supply;
- 2) Promote the judicious and efficient use of energy resources; and



3) Avert negative impacts of energy activities to health and safety and environmental quality in the design and operation of energy projects.

1.3 Policies and Strategies

The major policies in the next three years shall focus on the following:

1) Ensuring energy availability and security

The sources and types of local and imported energy will be diversified through: (a) the utilization of natural gas for power generation or other competitive uses; (b) exploration and development of oil and geothermal resource potential; (c) mine-mouth coal power plant operations for low-grade coal deposits; and (d) large-scale utilization of new and renewable sources of energy including small- and mini-hydro resources, solar, wind and biomass-based resources and its promotion and use as decentralized energy systems for areas outside electricity grids. The expansion of petroleum distribution networks will also be rationalized. Electrification coverage shall be expanded to provide for the energy needs of countryside development.

Consistent with the ongoing deregulation of the industry, private sector participation in energy projects will be enhanced. In this connection, competition and long-term efficiency in the energy industry shall be promoted. With respect to the power sector restructuring, preparatory activities such as public consultation and refinement of legislative bills shall be undertaken.

To hasten project implementation, existing and future sites of power and energy resource development projects will be secured.

2) Promoting judicious and efficient use of energy

Efficient use of energy will be promoted through: (a) least-cost supply options; (b) the restructuring of electricity tariffs to reflect cost of provision; (c) the strict implementation of comprehensive O&M and rehabilitation program; (d) the enforcement of standards of efficiency and reliability in power generation and in distribution utilities; (d) the promotion of energy conservation, energy efficient technologies, and energy R&D; and (e) the deregulation of downstream oil industry to promote efficiency, e.g., petroleum product pricing and distribution.

3) Averting the negative impacts of energy activities to health, safety and environmental quality

Consistent with the sustainable development efforts of the government, clean technologies for the utilization of coal and other hydrocarbons shall be promoted and

adopted. The share of new and renewable energy sources to the country's energy mix shall be maximized. Moreover, environmental and sociocultural concerns shall be integrated in the planning and implementation of energy programs and projects, e.g., environmental management and community relations activities in energy project sites.

1.4 Priority Subsector Activities

For the period 1996-98, the following activities have been programmed:

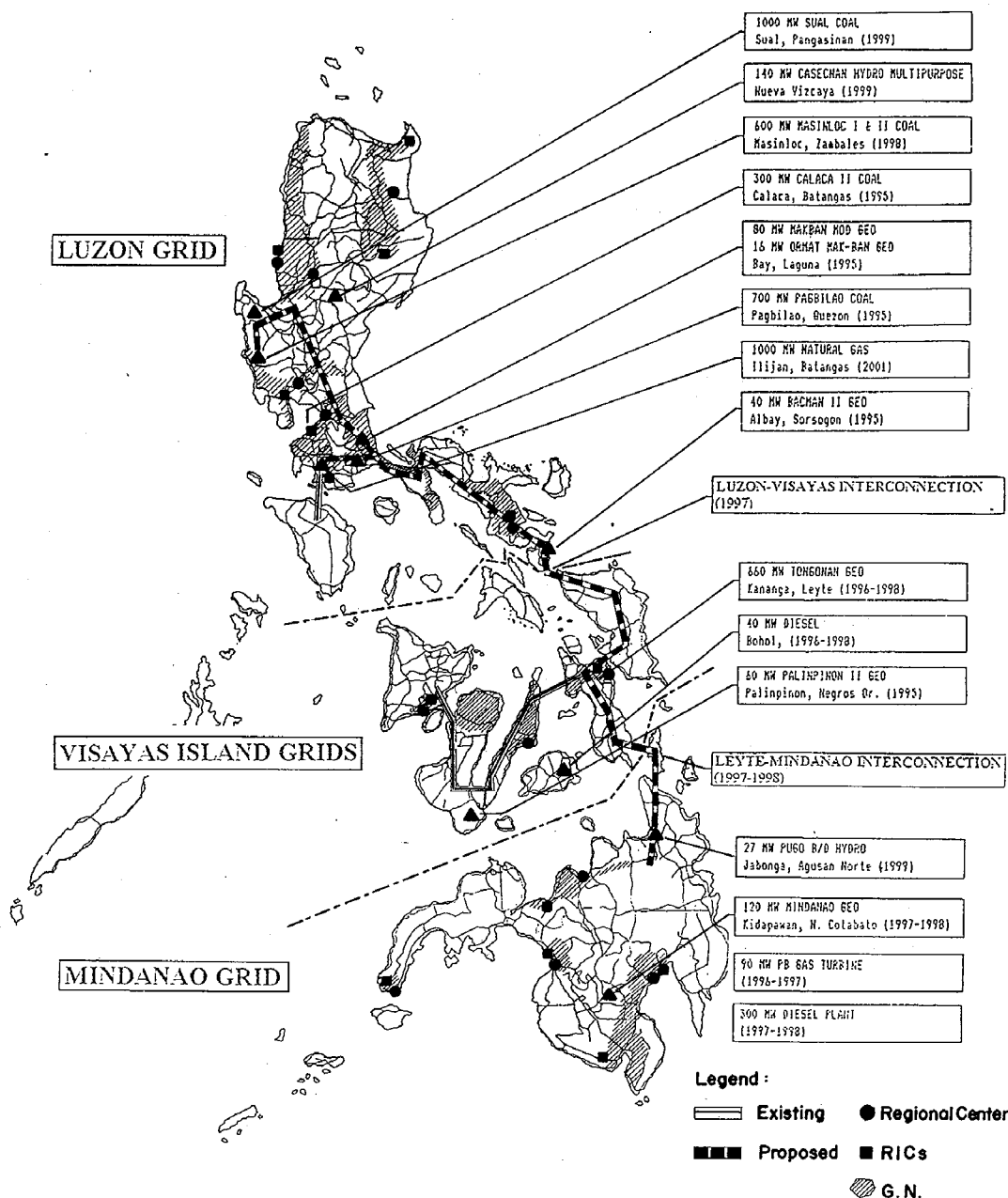
- 1) Maintenance, rehabilitation and construction of power plants, transmission lines and substations in the Luzon, Visayas and Mindanao grids;
- 2) Exploration and development of indigenous energy resources including downstream activities;
- 3) Expansion of electrification coverage and improvement in the efficiency of distribution through the construction, rehabilitation, upgrading and maintenance of facilities; and
- 4) Implementation of research and development, institutional strengthening and energy conservation programs.

1.5 Legislative Agenda

Passage of the following bills:

- 1) Power Sector Restructuring Bill: "An Act to Ordain Reforms in the Electric Power Sector to Ensure the Total Electrification of the Philippines and Optimal Participation of the Private Sector in Power Generation, Transmission and Distribution, and for Other Purposes";
- 2) Geothermal Resources Act: "An Act to Promote the Exploration, Utilization and Production of Geothermal Resources;"
- 3) Indigenous Oil and Gas Act: "An Act to Promote the Exploration, Discovery and Production of Indigenous Oil and Gas;"
- 4) "An Act Increasing the Authorized Capital Stock of the National Electrification Administration Amending for the Purpose PD 269, As Amended", otherwise known as "The NEA Decree;"
- 5) "An Act to Institutionalize Energy Conservation and Enhance Efficient Use of Energy;"
- 6) Coal Resources Act: "An Act to Promote the Exploration, Development and Production of Coal Resources;" and
- 7) National Non-Conventional Energy Program Act: "An Act to Strengthen a National Program for the Development and Promotion of Use of Non-Conventional Energy Systems."

Figure 6.1
MAJOR POWER PROJECTS



2.0 TRANSPORTATION

2.1 Key Measurable Targets

2.1.1 Road Transportation

The arterial road network consisting of a north-south backbone, east-west laterals, and other strategic roads will be developed. The government shall improve 97 percent of national arterial roads and 74 percent of national secondary roads into all-weather condition. Ninety-two percent of all bridges along national roads will be converted into permanent structures. Under the local roads program, it is projected that LGUs will be able to upgrade 90 percent of barangay roads to all-weather condition (from 61% in 1992). Farm-to-market roads totaling about 2,000 km. per year will be constructed/rehabilitated. Access roads to schools will also be provided.

Ten government regional motor vehicle inspection stations will be established in addition to the four existing stations to raise inspection capability.

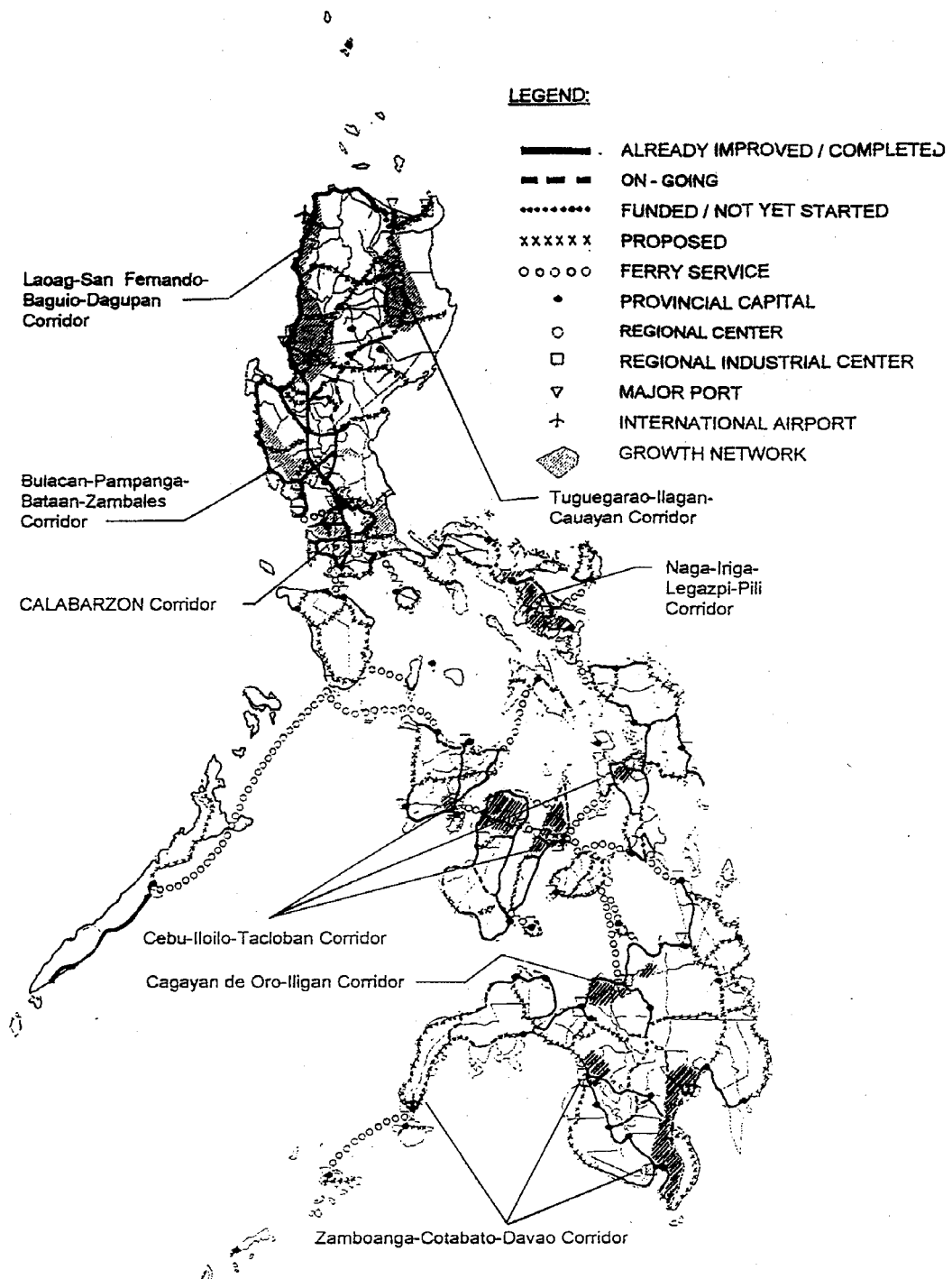
2.1.2 Water Transportation

The levels of services at national, municipal, feeder, and fishing ports and river landings will be upgraded. Roll on-Roll off (RORO) facilities in six sites will be developed in accordance with the nationwide RORO Development Master Plan. Seventy-six additional lighthouses will be constructed while 35 will be upgraded or rehabilitated. A grains terminal will be constructed at the Port of Manila through the BOT scheme.

2.1.3 Air Transportation

Clark International Airport and Ninoy Aquino International Airport (NAIA) will be developed simultaneously, with the former becoming the country's premier international airport in the medium- to long-term. At the same time, five major airports (Cebu, Davao, Zamboanga, Laguindingan and Gen. Santos) will be upgraded to meet international standards. Master plans will be prepared for Bacolod, Iloilo, Tacloban and Legazpi. Aircraft movement areas (e.g., runway, apron and taxiway) in 27 airports and landside facilities (e.g., terminal building, parking area and access road) in 26 airports will be developed/improved. Air navigation and communications facilities (e.g., Instrument Landing System (ILS), Very high frequency Omni-Range (VOR)/ Distance Measuring Equipment (DME), Very Small Aperture Terminal (VSAT), etc.) in 61 national airports and sites will be modernized/established. Full radar coverage for the entire Philippine Flight Information Region will also be provided.

Figure 6.2
MAJOR ARTERIAL ROADS



2.1.4 Rail Transportation

The construction of Light Rail Transit (LRT) lines 2 and 3 and the capacity expansion of LRT line 1 will be started. About 550 km. of the Philippine National Railways (PNR) network, which includes the PNR Mainline South, will be operational by 1998.

The feasibility of rehabilitating and possibly extending the northern line in Luzon will be studied. The feasibility of adopting rail as a means of transportation in other areas of the country will be explored.

2.2 Objectives

As the economy expands toward the countryside, transportation policies shall continue to focus on the following:

- 1) Strengthen interregional and urban-rural linkages to ensure people's mobility and continuous flow of goods;
- 2) Ensure the safety and efficiency of transport services to meet the needs of an increasing population and dynamic market demands; and
- 3) Develop international gateways to optimum standards to enhance the country's global competitiveness.

2.3 Policies and Strategies

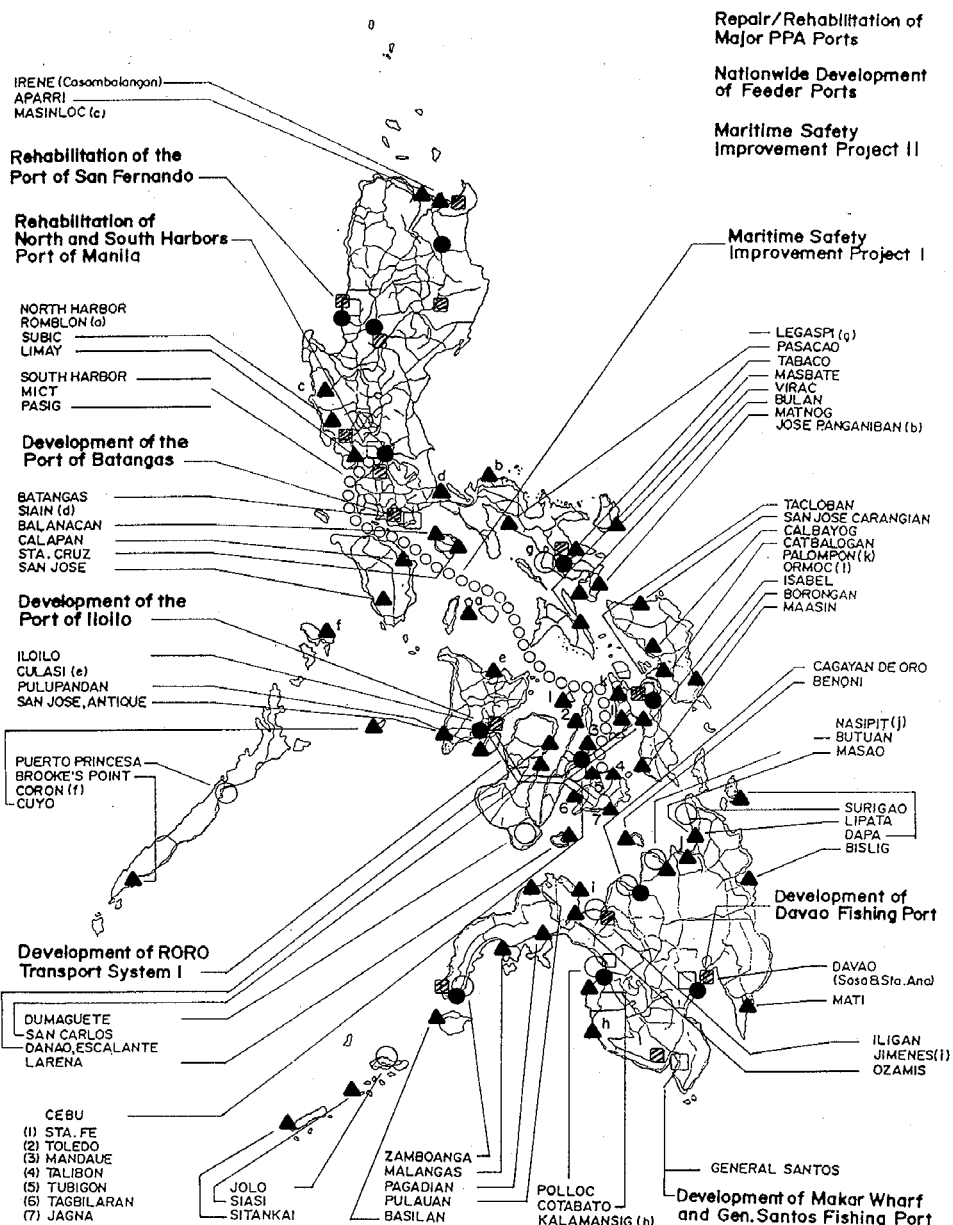
Basic transport infrastructure will be identified and provided to ensure access to and allow the integration of depressed communities. At the same time, the transport facility requirements of agriculture, fishing and agrarian reform areas, regional centers, and tourism areas will be provided. Multimodal transport to facilitate trade will also be promoted.

Transport facilities and service standards will be continuously upgraded to make sure that their quality and quantity are responsive to traffic growth. Proper maintenance of existing transportation facilities will also be undertaken to prolong their use.

Efficiency and competition-enhancing measures such as deregulation, decentralization, appropriate pricing mechanisms, and rationalization of user charges will be promoted. Private sector participation in transport development, e.g., construction, maintenance, and operations of roads, expressways, mass transit systems, ports, railways and terminals, will be encouraged.

Consistent with decentralization, the capability of LGUs in administering, implementing and developing infrastructure facilities, e.g., local roads and municipal ports,

Figure 6.3
MAJOR MARITIME DEVELOPMENT PROJECTS



as embodied in the Local Government Code will continue to be enhanced. Institutional and interagency coordination of planning and project implementation will be improved to ensure effective and efficient intermodal linkage and reduce disruption of services.

Truck load limits along with road design standards will be adjusted to achieve a proper balance between trucking and infrastructure costs, and strictly enforce load limits.

Urban transport management measures will be integrated with land use control, and alternative modes of transport will be developed in coordination with LGUs to alleviate traffic congestion. The existing mass transit systems will be expanded to provide affordable means of transport and pursue new projects, including expressways and tollways.

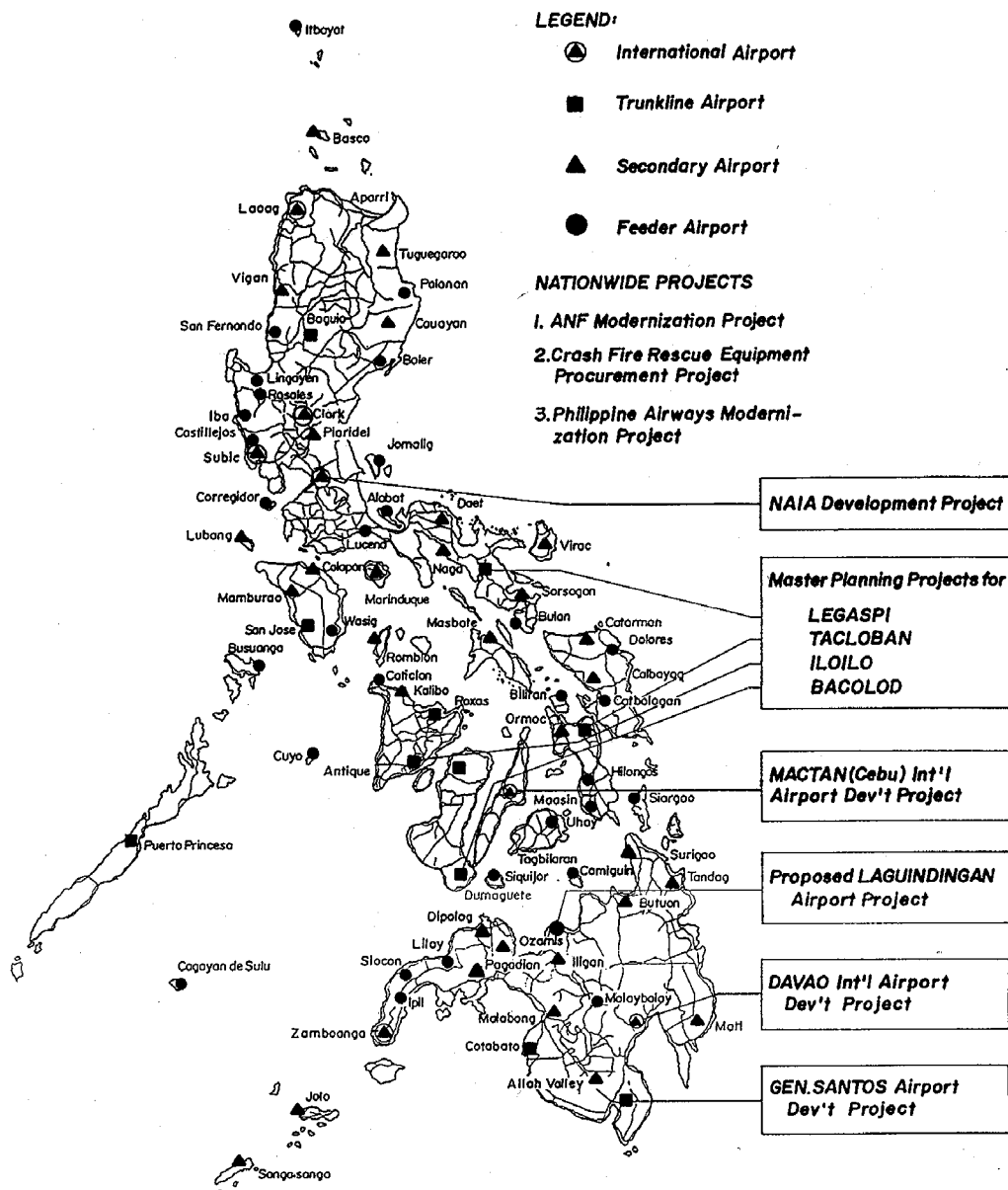
The development of feeder ports will be undertaken under the Nationwide Feeder Ports Program in preparation for the devolution of their O&M to LGUs. Specialized handling facilities for grains and bulk cargo in selected ports shall be established and additional fishing ports will be constructed through the Nationwide Fishing Ports Development Program.

To minimize accident risks and protect lives, transport safety programs will be intensified through the implementation of relevant recommendations of the Civil Aviation Master Plan, Maritime Safety Master Plan, and the Road Safety Program. Environmental protection measures such as controlling vehicle emissions, water pollution, and noise pollution will be strictly enforced to safeguard the health of the population.

2.4 Priority Subsector Activities

- 1) Upgrading of national arterial and secondary roads to all-weather roads, and conversion of bridges along these roads into permanent structures;
- 2) Construction and improvement of airport facilities including aircraft movement areas, terminal buildings, fire stations, etc.;
- 3) Upgrading and modernization of air navigation and communication facilities, and crash-fire-rescue vehicles;
- 4) Development and improvement of national ports and port facilities, feeder, fishing and municipal ports, and river landings;
- 5) Acquisition and upgrading of aids to maritime navigation, search and rescue vehicles, hydrographic fire-fighting vessels, marine pollution control vessels, and other vessels;
- 6) Expansion and development of urban rail transit in Metro Manila;
- 7) Study on the viability of adopting rail transport in various areas of the country; and
- 8) Implementation of the following major BOT projects: (a) Metro Manila

Figure 6.4
MAJOR AIRPORT DEVELOPMENT PROJECTS



Skyway; (b) Manila-Cavite Expressway; (c) North Luzon Expressway and its related projects; (d) South Luzon Expressway Extension Project (to Batangas City); (e) Metro Manila Urban Expressway Project; (f) NAIA International Cargo Terminal; (g) Port Passenger Terminals in Manila North Harbor and Cebu Port; (h) LRT Lines 3 and 4; and (i) privatization of LTO plate-making scheme.

2.5 Legislative Agenda

- 1) Amending the Public Service Law (Public Transport Services Act);
- 2) Establishing the Davao International Airport Authority;
- 3) Converting the Air Transport Office (ATO) into a corporate entity;
- 4) Increasing the Capitalization of the Light Rail Transport Authority (LRTA);
- 5) Increasing the Capitalization of the PNR; and
- 6) Adjusting Truck Load Limits and Design Standards to Achieve a Balance Between Trucking and Infrastructure Cost.

3.0 COMMUNICATIONS

3.1 Key Measurable Targets

3.1.1 Telecommunications

All government telecommunications assets, as mandated by RA 7925, will be privatized by 1998.

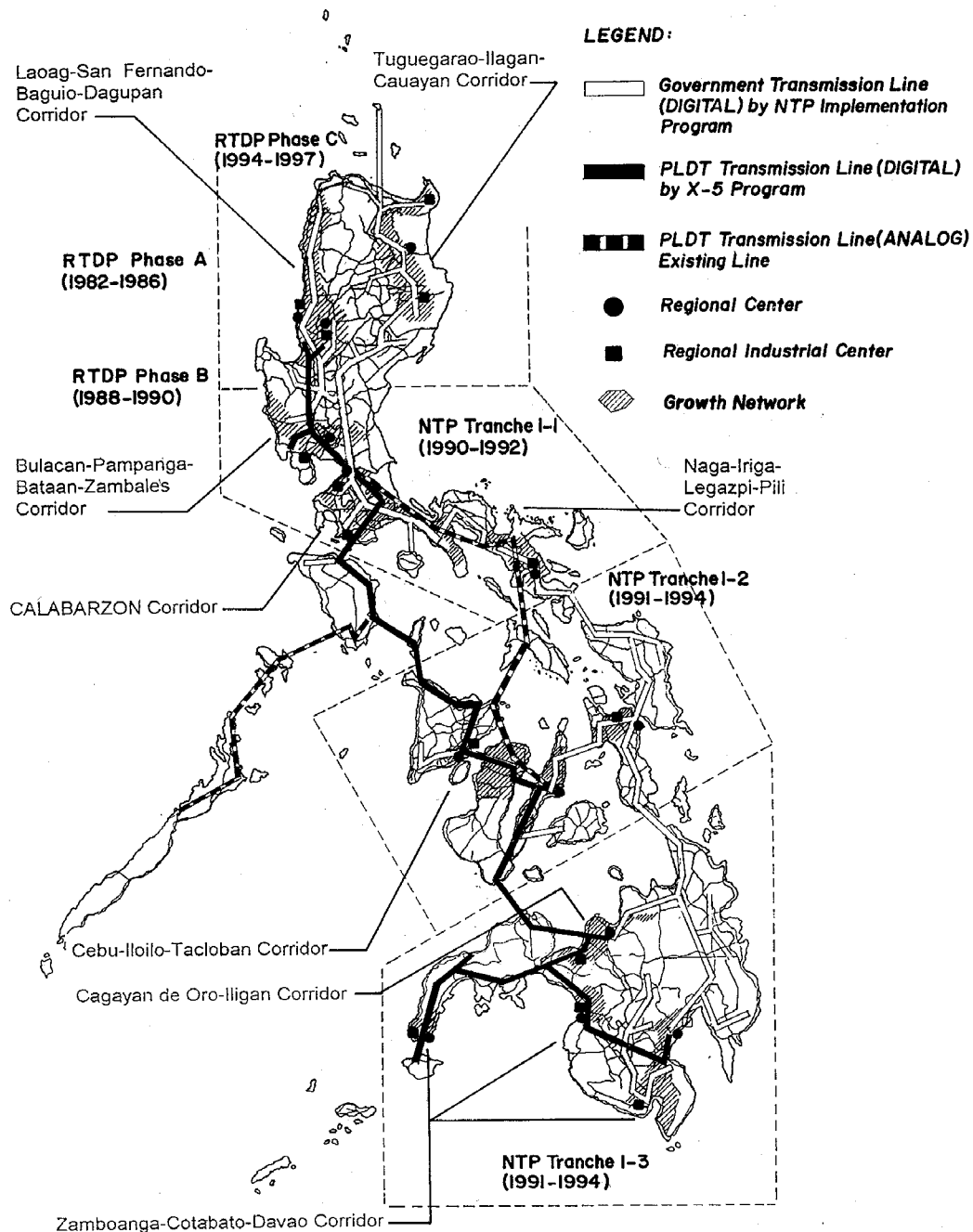
Telephone density will increase from two main lines per 100 population in 1995 to about 7.3 lines per 100 population by the end of 1998 through the installation of about 4.2 million additional lines in both private and government-owned exchanges to meet the growing demand of the populace. Public Calling Offices (PCOs) will be provided to all unserved municipalities to ensure that all people will have access to telephone service. All local telephone exchanges will be interconnected to the main backbone to enable subscribers to make or receive all other calls.

Disaster-mitigating and life-saving telecommunications facilities such as those for weather forecasting, maritime communications and government communications network for information exchange and data sharing will be established or improved.

The Philippine-owned satellite, AGILA, will be in orbit and operational by December 1996.

The modalities for implementing the Government Information Sharing Technology (GIST-NET) will be explored.

FIGURE 6.5
MAJOR TELECOMMUNICATIONS PROJECTS



3.1.2 Postal Communications

Postal density will be improved from 1:28,800 persons in 1992 to 1:27,000 persons by the end of 1998 through the establishment of 425 additional post offices or postal stations across the regions. In addition, Metro Manila mail will be delivered within 24 hours and interregional mail, within two days.

3.2 Objectives

Increased globalization of production and finance requires that the Philippines keep pace with the latest advancements in the area of communications. In this connection, the sector in the next three years will strive to:

- 1) interconnect all local telephone exchanges into the main backbone;
- 2) strengthen the regulatory and management capability of government to enable the private sector to meet the growing demand for telephone and other value-added services, and to achieve and maintain a high quality of telecommunications service; and
- 3) expand postal service to far-flung/unserved areas and improve delivery efficiency in those areas covered.

3.3 Policies and Strategies

More open entry of private firms will be allowed to promote greater competition and efficiency in telecommunications services.

Clear and simpler rules for connecting all local telephone exchanges into the local backbone will be formulated. Toll revenue sharing schemes will also be encouraged to ensure the financial viability of the local exchanges. Rules and regulations for a more rationalized delivery of broad band and personal communication services will be established.

In order to take advantage of the latest developments in the area, the development and expanded use of satellite and related technology will be pursued. The quality of postal communication service will likewise be upgraded to internationally accepted standards. Postal circuits in barangays not effectively covered by existing Post Offices (POs)/Postal Stations (PSs) will be established.

3.4 Priority Subsector Activities

- 1) Installation of telephone main stations and PCOs throughout the country;
- 2) Construction of postal offices/buildings and improvement of mail distribution service;



- 3) Improvement of the quality of telecommunications service; and
- 4) Establishment of telecommunication facilities to improve weather forecasting, enhance safety and improve information exchange.

3.5 Legislative Agenda

- 1) Proposed Bill Reorganizing the National Telecommunications Commission;
- 2) "An Act to Prohibit and Penalize Telecommunication Network Access Fraud and Other Similar Fraudulent Deeds" (Anti-Cloning Act-HB 8430); and
- 3) Proposed Bill on Cable TV.

4.0 WATER RESOURCES

4.1 Key Measurable Targets

4.1.1 Irrigation

The present area provided with irrigation facilities will be increased to 1.4 million hectares or about 47 percent of the total irrigable area. Some 390,959 ha. of existing systems will also be rehabilitated.

4.1.2 Water Supply, Sewerage and Sanitation

The proportion of the population served with potable water will increase to 76.4 percent nationwide, corresponding to 81.6 percent of the population in Metro Manila and outlying areas, 68.8 percent in other urban areas and about 79 percent in the rural areas.

Sewerage facilities in Metro Manila and other highly urbanized areas will be constructed. The plan is to construct around 1,765,000 toilet facilities nationwide.

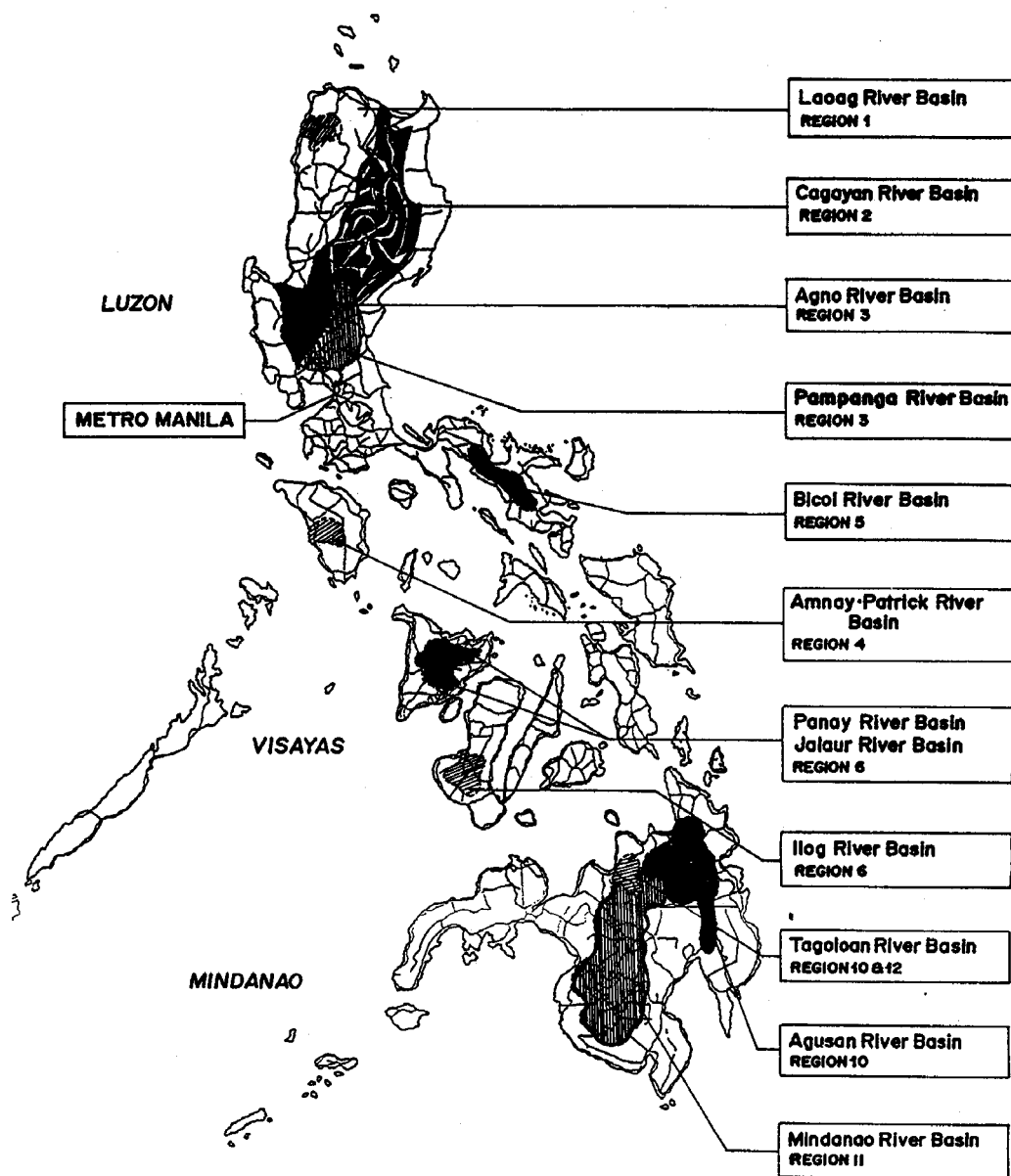
4.1.3 Flood Control and Drainage

Desirable flood control and drainage projects in the 12 major river systems in the country will be identified and implemented. Construction of lahar-control facilities and desilting of the river system in the Mt. Pinatubo-affected areas will be carried out. At the same time, adequate structural schemes for Metro Manila and other highly urbanized and identified industrial centers will be provided.

4.2 Objectives

The policies related to flood-control and drainage sector will have the following objectives:

Figure 6.6
FLOOD CONTROL AND DRAINAGE PROJECTS IN
12 MAJOR RIVER BASINS AND IN METRO MANILA





- 1) Increase the provision of irrigation facilities and sustain productivity of existing irrigated areas in support of the food security program;
- 2) Continue the provision of safe and adequate water supply and sanitation services;
- 3) Pursue proper O&M of facilities for sustainable water supply in identified industrial centers and in both urban and rural areas;
- 4) Undertake gradual construction and installation of sewerage facilities;
- 5) Address the growing water supply demand of Metro Manila and adjacent areas;
- 6) Encourage LGUs to develop their capabilities to implement devolved water supply system;
- 7) Give priority to the major river basins which encompass large tracts of fertile lands;
- 8) Implement nonstructural measures such as floods plain management, zoning regulations, flood forecasting and warning, and reforestation works;
- 9) Provide appropriate flood control and drainage mechanisms in Metro Manila and other highly-urbanized centers; and
- 10) Carry out river improvement/revival program.

4.3 Policies and Strategies

Decentralized, coordinated and efficient management of water resources will be pursued. An integrated planning and development strategy for an area-wide development scheme for purposes of combining irrigation, power, flood control, and domestic and industrial water supply will be adopted. Coordination among concerned agencies to develop a comprehensive information system using computer-based approaches on water resources and the sanitation sector will be undertaken.

Investments in water resources and sanitation development will be based on demand and local initiative.

Participation of LGUs, NGOs, and private groups in sector development will be encouraged/facilitated.

Environmental protection shall be given due consideration in water resource development. Management of water resources shall integrate quality and quantity concerns. Appropriate environmental charges will be introduced to protect public health and ensure environmental sustainability.

The construction of small-scale irrigation, rehabilitation and maintenance of existing irrigation systems will be given high priority in the next three years to ensure higher growth of the agriculture sector and to sustain the productivity of existing irrigated areas in support of the food security program.

Cost-efficient water resources development projects shall be implemented for increased productivity and employment opportunities.

The provision of improved sewerage and sanitation services shall be integrated in all water development programs and projects.

In the next three years, economic consideration shall play a greater role in determining the allocation of water among users.

4.4 Priority Subsector Activities

1) Construction, rehabilitation and maintenance of national and communal irrigation facilities nationwide;

2) Construction and upgrading of water supply and sewerage/sanitation facilities nationwide; and

3) Construction and implementation of flood control and drainage projects in the 12 major river systems in the country including Metro Manila.

4.5 Legislative Agenda

1) Passage of the following bills:

a) Irrigation and Agricultural Productivity Enhancement Act;

b) Safe Water Drinking Act of 1995;

c) Irrigated Land Use Bill; and

d) Irrigation Watershed Management Act.

2) Amendment to the following:

a) PD 198 (otherwise known as the "Provincial Water Utilities Act of 1973" as amended by PDs 768 and 1479 and EO 68) to Increase the Capitalization of the Local Water Utilities Administration;

b) RA 6234 (An Act Creating the MWSS and Dissolving the NAWASA and for Other Purposes as Amended by PDs 425, 1269 and 1940, EOs 796, 1036, 1063 and 197, and BP 799) to Increase MWSS Capitalization, Local and Foreign Loan Ceilings, and to Restore Tax Privileges (as Withdrawn by PD 1931) Subject to Review; and

c) PD 1067, Otherwise Known as the "Water Code of the Philippines."

Chapter 7
DEVELOPMENT
ADMINISTRATION



CHAPTER 7

DEVELOPMENT ADMINISTRATION, 1996-98

Development Administration (DA) initiatives provided support in promoting global competitiveness and people empowerment during the first half of the Plan period. Great strides were noted in terms of encouraging the private sector to participate in the government's privatization program. Moves were, likewise, taken to liberalize critical areas of economic activities. People participation, as an avowed strategy, was also given impetus when government called on sectors deemed affected by certain government policies to participate in various summits and other consultative fora where they were able to give their inputs or contributions in the formulation of a common program of action to solve the country's socioeconomic problems. Similarly, the sustained implementation of the decentralization policy demonstrated the government's resolve to empower the people so that they become part of the overall development effort. Creditable performance was likewise recorded in the pursuit of national stability and peace and order. The various programs aimed at bringing back to the fold of the law certain groups that were once considered enemies of the state deserve commendation. Also, the forging of greater collaboration between the citizenry and the law enforcement agencies will go a long way in creating a society where peace and justice reign.

The DA agencies, likewise, deserve credit for milestone achievements in the area of administrative reforms, i.e., in improving the structure, processes and operations of the government administrative machinery. The development of an overall framework for reengineering the bureaucracy and the continuing right-sizing program are concrete manifestations of the government's commitment to good governance. Reforms in the auditing and budgeting fields also signalled a less restrictive and less bureaucratic atmosphere in government. And, lastly, more efficient service delivery through information technology and better frontline services are other important accomplishments.

1.0 OBJECTIVES

The following objectives of Development Administration are reiterated in the Updated Plan:

- 1) Clearly articulate the role of government in pursuing the development vision;
- 2) Effect more active and responsive private sector and citizen involvement in development activities;
- 3) Improve collaborative processes and mechanisms for consensus-building and effective decision-making in government;
- 4) Reinvigorate the public service towards greater productivity and responsive service delivery; and
- 5) Establish a peaceful, stable, and just environment conducive to national growth and development.

2.0 POLICIES AND STRATEGIES

For the remainder of the Plan period, the government shall continue to pursue the policies and strategies enunciated in the MTPDP 1993-1998. Focus, however, shall be given to the following priority policies:

2.1 On Reengineering and Right-Sizing the Bureaucracy

2.1.1 Actively pursue the reengineering of the government bureaucracy.

The reengineering of the bureaucracy will be pursued to rationalize structures, procedures and key delivery systems in government aimed at establishing a customer-oriented administrative machinery. This will entail: (a) strengthening customer-orientation in government through development and enforcement of standards for services; and (b) right-sizing processes with focus on reduction of overall processing time and documentary requirements in government.

An appropriate legislation shall be advocated which will grant the President authority to reengineer the bureaucracy. A structural and functional master plan for reengineering shall be prepared and subjected to consultations with affected sectors. The master plan shall also provide for mechanisms for retooling, retraining, and redeploying qualified personnel affected by the reorganization. The merit system and security of tenure shall be preserved in the implementation of said reorganization particularly for qualified and competent civil servants.

2.1.2 *Vigorously pursue the government's privatization program.*

In the government corporate sector, the disposition of the remaining GOCCs/assets in the existing portfolio shall be completed. At the same time, performance evaluation systems for retained GOCCs will be instituted and enhanced. Other privatization schemes such as management and services contracting, leasing, concessions, etc., shall also be vigorously pursued in appropriate areas of government operations.

2.2 *On Better Decision-Making through Consensus-Building and Greater Private Sector Participation*

2.2.1 *Strengthen institutional arrangements of joint legislative-executive consultative bodies by developing new modes of decision-making.*

Appropriate responsibilities and corresponding authorities shall be delegated to Executive Committees (ExComs) of joint councils and similar bodies to enable them to deliberate and decide on substantive matters. "Informal mechanisms" shall be established to enhance lines of communication and close cooperation among concerned line departments and congressional bodies. Moreover, existing institutional tie-ups among Executive and Legislative bodies including the Legislative Liaison System shall be enhanced to keep track of agreements/commitments made in consultative fora and to ensure these agreements are operationalized. In like manner, consensual forms of decision-making at the national level shall be replicated at the local level.

2.2.2 *Harness meaningful involvement of the private sector in shaping public policy and implementing development programs.*

To build on efforts that encourage meaningful involvement of the private sector in key aspects of governance, the following initiatives will be undertaken: (a) improving further the existing functional and operational linkages among national agencies, LGUs and the private sector to enhance consensus-building among policy-makers, program administrators, and project managers; (b) providing guidelines and incentives to facilitate effective partnerships in the delivery of public services; (c) reviewing and examining the replicability of the experiences of counterparting mechanisms in multistakeholder policies; and (d) institutionalization and enhancement of a system of co-opting the private sector in the evaluation and monitoring of government programs and projects.

2.3 On Sustaining Decentralization and Local Autonomy

2.3.1 *Undertake a comprehensive review of the 1991 LGC and advocate specific amendments thereto.*

To address identified gaps and limitations in sustaining decentralization and local autonomy, a comprehensive review of the LGC will be undertaken to identify necessary amendments thereto. Meanwhile, specific amendments already identified and deemed to address implementation gaps shall be pushed and given priority. In conducting the review, the following shall be undertaken: (a) assessing the compliance of national agencies and LGUs to the LGC Master Plan; (b) involving local officials and staff in the review and formulation of amendments to the LGC; (c) subjecting these proposed amendments to extensive and intensive consultations among all concerned sectors; and (d) instituting and developing indices of governance for LGUs.

2.3.2 *Intensify the implementation of capacity building programs to improve capabilities of LGUs to assume devolved functions.*

To build on the gains of empowering LGUs, the government shall intensify the implementation of capability building programs for LGUs for them to assume greater powers and accountabilities. This shall be pursued by: (a) enhancing access of all provinces to functional Institutes for Local Government Administration (ILGAs); (b) fast-tracking the implementation of the Integrated Capability-Building Program (ICBP); and (c) sustaining the training of Multi-Disciplinary Mobile Teams.

2.3.3 *Enhance institution-building and effective people's participation in governance.*

People's participation shall also be given impetus at the local level by giving nongovernment organizations (NGOs)/people's organizations (POs) and the private sector formal representation in government planning and decision-making bodies, such as the local planning boards. They shall likewise be extended assistance and given access to information on the various programs/projects of the government. The private sector shall also be encouraged to set up advocacy mechanisms such as advocacy committees, polling systems, and preparation of position papers on various issues.

2.4 On Peace and Order and Justice Administration

2.4.1 *Implement an improved program for national reconciliation through a more responsive and productive assistance scheme for rebel returnees.*

Following the reconciliation initiatives in the last three years, an improved program for national reconciliation will be implemented through a more responsive



and productive assistance scheme for rebel returnees. The National Program for Unification and Development shall be intensified to ensure speedy integration of returnees into the mainstream of society.

2.4.2 Improve the institutional and professional capability of agencies in charge of crime prevention and suppression.

In the area of peace and order, efforts will focus on improving the institutional and professional capability of agencies in charge of crime prevention and suppression. In this regard, capability-building programs and activities shall continue to be conducted to upgrade the technical and combat skills and competencies of police personnel. In addition, linkages with foreign police organizations shall also be forged to update the PNP with the latest foreign information and knowledge on police matters and to enhance intelligence-sharing as well. The modernization of the PNP shall also be pursued.

Moreover, community-based programs that promote peace and order shall be promoted, replicated and refined. Greater public information and education on the roles and accountabilities of people involved in peace and order at various levels of governance shall also be pursued.

2.4.3 Institute continuing reforms to speed up the dispensation of justice.

Continuing reforms to speed up the dispensation of justice will be undertaken through: (a) the establishment of the National Prosecution Academy and the Career Prosecution Service Development Program; and (b) the implementation of access to counsel projects.

2.5 On Improving Government's Frontline Service Delivery and Professionalizing the Civil Service

2.5.1 Promote accountability, transparency, economy, productivity and effectiveness in the conduct of government operations.

Efforts to improve frontline service delivery of government agencies shall be continuously pursued. Systems and procedures in agencies where government is most visible shall be made simpler and more customer-friendly. These would include agencies engaged in health and nutrition services, education, housing, taxation, and such other services where government is in direct contact with its clients. More one-stop shops shall be established to expedite public transactions and delivery of services. Moreover, new approaches to auditing and budgeting shall be developed and implemented.

2.5.2 *Implement human resource development schemes that will humanize, professionalize, energize and empower the bureaucracy.*

Government shall exert continuing efforts to professionalize and humanize the civil service. Competencies of government personnel shall be continually upgraded through competitive examinations and trainings. Private sector management and human resource development (HRD) experiences as well as government-private sector partnerships in the delivery of public services shall be replicated and refined to improve the quality and productivity of civil servants. Gender sensitivity will also be promoted.

2.6 On Promoting Information Technology Applications

2.6.1 *Accelerate the use of information technology in planning, programming and project implementation, and in the delivery of public services.*

To increase the productivity of government workers, the government information systems will be improved through the accelerated use of information technology (IT) as a tool for generating, storing and disseminating information for planning and implementation of government programs and projects. Access to global information to support policy needs of government shall also be pursued. Moreover, the computerization and decentralization of data generation, processing and dissemination will be expanded to respond to the needs of LGUs.

As part of the advocacy program of government, a one-stop statistical information center that links up and networks with major data producers will be established to provide users ready access to data. Data management and computer systems in the areas of taxation, auditing, budgeting, justice and other development administration concerns will be improved. Finally, the facilities and equipment of agencies shall be upgraded to enhance the various operations of government, e.g., communication and management information system, training equipment, etc.

3.0 PRIORITY PROGRAMS/PROJECTS/ACTIVITIES

3.1 Reengineering and Right-Sizing the Bureaucracy

3.1.1 Comprehensive Reengineering Program (DBM, CSC, DAP); and

3.1.2 Evaluation/review of the impact of the implementation of the Attrition Law (CSC, DBM).



**3.2 Pursuit of the Privatization/Deregulation/Liberalization/
Demonopolization**

3.2.1 Program for the selective privatization of services traditionally delivered by government (OP, DOF, DBM).

**3.3 Better Decision-Making through Consensus-Building and Greater
Private Sector Participation**

3.3.1 Strengthening of the Legislative Liaison System (OP);

3.3.2 Documentation of successful alternative modes of decision-making at the local levels (DILG, LGUs);

3.3.3 Replication of Legislative-Executive Development Advisory Council (LEDAC) at the local level (DILG, LGUs); and

3.3.4 Pilot testing of public-private partnership in the delivery of public services, e.g., public health, education (NGAs, LGUs).

3.4 Sustaining Decentralization and Local Autonomy

3.4.1 Conduct of the Integrated Capability Building Program for LGUs (DILG);

3.4.2 Implementation of the Local Government Code Master Plan/Monitoring System (DILG);

3.4.3 Implementation of capability-building programs for People's Law Enforcement Boards and Peace and Order Councils (DILG, LGUs);

3.4.4 Retooling of DILG field officers so they become advisers to LGUs (DILG);

3.4.5 Strengthening of information centers/upgrading of communication facilities of the Local Government Sector of DILG (DILG, LGUs); and

3.4.6 Development of indices for local governance (DILG, CSC, DAP).

3.5 Improving Peace and Order and Justice Administration

3.5.1 Modernization of public safety institutions and services (DILG, PNP, BJMP, BFP);

- 3.5.2 Implementation of the AFP Modernization Program (AFP);
- 3.5.3 Professionalization of all personnel involved in prosecution work (DOJ, PNP);
- 3.5.4 Prevention/control of crime through Community-Oriented Policing System (PNP, LGUs); and
- 3.5.5 Installation of the National Crime Information System (NAPOLCOM, DILG, DOJ).

3.6 Improving Frontline Services and Professionalizing the Civil Service

- 3.6.1 Multiskilling of civil servants (CSC);
- 3.6.2 Promotion of employee participation in agency decision-making (CSC);
- 3.6.3 Secondment and sabbatical program for government managers (CSC, CESB);
- 3.6.4 Intensification of transfer assistance program (CSC, CESB);
- 3.6.5 Comprehensive productivity improvement program in government (CSC, DAP, DBM);
- 3.6.6 Establishment of an integrated career and development plan for all levels of the career service (CSC);
- 3.6.7 Vigorous auditing of revenues of the BOC, BIR, GOCCs and LGUs (COA);
- 3.6.8 Intensification of comprehensive audit with emphasis on value for money audit (COA);
- 3.6.9 Accreditation of government agencies (CSC, NGAs); and
- 3.6.10 Conduct of Foreign Service Staff Office (FSSO) Examination (CSC).

3.7 Promoting Information Technology

- 3.7.1 Implementation of the National Information Technology Plan 2000 (NITP) especially fast-tracking the Government Information System (GIS) and government-wide information technology (IT) training and education program (NCC, LGUs, NGAs); and



3.7.2 Accelerated computerization in the area of taxation, auditing, budgeting (BIR, COA, DBM).

4.0 LEGISLATIVE AGENDA

- 4.1 Reengineering and right-sizing the bureaucracy;
- 4.2 Revised Government Auditing Code;
- 4.3 Amending the Local Government Code by providing, among others, equitable distribution of the internal revenue allocation and granting of expanded operating autonomy to LGUs in revenue generation and utilization;
- 4.4 Creation of the Cordillera Administrative Consultative Commission; and
- 4.5 PNP Modernization.

APPENDIX

Table 2.1
MAJOR ECONOMIC INDICATORS, 1993-95
(In Percent)

INDICATORS	Average Growth Rate 1987-92	1993			1994					1995					Average Growth Rate 1993-95
		Actual	Plan Estimate	Deviation*	Actual	Plan Low	Target High	Deviation* Low	High	Actual	Plan Low	Target High	Deviation* Low	High	
Gross National Product, Real	4.2	2.1	2.4	(0.3)	5.3	3.5	4.5	1.8	0.8	5.5	4.0	6.5	1.5	(1.0)	4.3
Personal Consumption	4.1	3.0	3.0	-	3.7	3.0	3.8	0.7	(0.1)	3.8	3.3	4.0	0.5	(0.2)	3.5
Government Consumption	4.1	6.2	(7.0)	13.2	6.1	8.3	8.5	(2.2)	(2.4)	3.6	5.5	6.1	(1.9)	(2.5)	5.3
Investments	10.2	7.9	10.1	(2.2)	8.6	8.3	9.3	0.3	(0.7)	3.5	9.9	10.7	(6.4)	(7.2)	6.7
Exports	7.1	6.2	6.2	-	19.8	13.2	14.0	6.6	5.8	11.9	14.5	16.0	(2.6)	(4.1)	12.6
Imports	13.5	11.5	13.0	(1.5)	14.5	8.5	9.5	6.0	5.0	16.6	11.5	9.5	5.1	7.1	14.2
Gross Domestic Product, Real	3.3	2.1	2.0	0.1	4.4	3.4	4.4	1.0	-	4.8	4.1	6.2	0.7	(1.4)	3.8
Agri., Fishery & Forestry	2.0	2.1	2.0	0.1	2.6	2.2	2.7	0.4	(0.1)	0.9	2.4	3.0	(1.5)	(2.1)	1.9
Industry	3.2	1.6	1.8	(0.2)	5.8	4.7	5.7	1.1	0.1	7.2	5.2	7.9	2.0	(0.7)	4.9
Services	4.2	2.5	2.1	0.4	4.2	3.0	4.3	1.2	(0.1)	4.9	4.1	6.4	0.8	(1.5)	3.9

Note:

* Difference in percentage points; negative deviation means that the actual rates/estimates were below the target while a positive deviation implies that the actual growth rates exceeded the targets.

Sources: National Statistical Coordination Board (NSCB); and MTPDP, 1993-98

Table 2.2
SAVINGS AND INVESTMENTS, 1993-95
(Ratio to GNP)

INDICATORS	Annual Average 1987-92	1993			1994			1995			Annual Average 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
Foreign Savings	2.5	5.4	5.9	(0.5)	4.5	4.8	(0.3)	2.6	4.6	(2.0)	4.2
Gross Domestic Savings	18.0	18.1	17.5	0.6	19.0	19.8	(0.8)	19.2	21.2	(2.0)	18.8
Public	0.4	3.4	3.7	(0.3)	2.6	4.4	(1.8)	3.1	5.0	(1.9)	3.0
Private	17.7	14.7	13.9	0.8	16.4	15.4	1.0	16.1	16.2	(0.1)	15.7
Gross Domestic Investments	20.6	23.6	23.4	0.2	23.5	24.5	(1.0)	21.8	25.8	(4.0)	22.9
Public	4.3	5.7	6.3	(0.6)	4.8	6.2	(1.4)	4.5	5.9	(1.4)	5.0
Private	16.3	17.9	17.2	0.7	18.7	18.3	0.4	17.3	19.9	(2.6)	18.0

Sources: NSCB and MTPDP, 1993-98

Table 2.3
CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION, 1993-95
 (As Percent of GNP)

A-3

INDICATORS	Average Growth Rate 1987-92	1993			1994			1995			Average 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
Consolidated Public Sector Financial Position	(2.9)	(1.7)	(2.6)	0.9	(0.5)	(2.2)	1.7	(0.1)	(1.0)	0.9	(0.8)
Public Sector Borrowing Requirement	(2.1)	(3.7)	(2.9)	(0.8)	(0.4)	(2.4)	2.0	(0.8)	(2.2)	1.4	(1.7)
National Government	(2.4)	(1.5)	(1.4)	(0.1)	0.9	(0.3)	1.2	0.6	0.8	(0.2)	0.0
CB Restructuring	-	(1.0)	-	(1.0)	(1.4)	(1.5)	0.1	(1.0)	(1.7)	0.7	(1.1)
14 MNFGCs	(0.5)	(1.7)	(1.8)	0.1	(0.6)	(0.7)	0.1	(0.1)	(1.5)	1.4	(0.8)
Oil Price Stabilization Fund	-	(0.5)	(0.5)	(0.0)	0.1	0.1	0.0	(0.5)	-	(0.5)	(0.3)
Adjustments	0.7	1.0	0.8	0.2	0.4	*	0.4	0.1	0.1	0.0	0.5
Other Public Sector	(0.8)	2.0	0.1	1.9	(0.0)	0.2	(0.2)	0.7	1.2	(0.5)	0.9
Government Financial Institutions	0.2	0.4	0.4	0.0	0.2	0.2	(0.0)	0.3	0.3	(0.0)	0.3
Social Security Institutions	0.7	0.8	0.8	(0.0)	(0.7)	0.1	(0.8)	0.0	0.8	(0.8)	0.0
Central Bank ¹¹	(1.4)	-	(1.1)	1.1	-	-	-	-	-	-	-
Bangko Sentral ng Pilipinas	(1.9)	(0.1)	-	(0.1)	0.3	-	0.3	0.2	-	0.2	0.1
Local Government Units	0.1	0.4	*	0.4	0.3	0.1	0.2	0.1	0.1	(0.0)	0.3
Adjustments	0.1	0.5	*	0.5	(0.1)	(0.2)	0.1	0.2	*	0.2	0.2

¹¹ Included in PSBR starting in 1994

* Less than 0.1 percent

Source: DOF

Table 2.4
NATIONAL GOVERNMENT FISCAL POSITION, 1993-95
(In Billion Pesos) ^{/1}

INDICATORS	Average Growth Rate 1987-92	1993			1994			1995			Average Growth Rate 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
TOTAL REVENUES (% of GNP)	20.9	260.4 17.4	260.3 17.3	0.1 0.1	336.2 19.4	325.6 19.0	10.6 0.4	361.2 18.4	350.2 18.2	11.0 0.2	14.6
Tax Revenues (% of GNP)	21.7	230.2 15.3	229.7 15.2	0.5 0.1	271.3 15.6	273.0 15.9	(1.7) (0.3)	310.5 15.8	304.7 15.8	5.8 0.0	14.2
Direct Tax % of total tax	23.7	77.7 33.8	77.3 33.6	0.4 0.2	98.4 36.3	99.7 36.5	(1.3) (0.2)	117.0 37.7	108.6 35.6	8.4 2.1	17.5
Indirect tax % of total tax	21.1	152.5 66.2	152.5 66.4	0.0 (0.2)	172.9 63.7	173.3 63.5	(0.4) 0.2	193.5 62.3	196.1 64.4	(2.6) (2.1)	12.5
Non-tax Revenues (% of GNP)	17.8	30.2 2.0	30.6 2.0	(0.4) -	64.9 3.7	52.6 3.1	12.3 0.6	50.7 2.6	45.6 2.4	5.1 0.2	27.3
TOTAL DISBURSEMENTS (% of GNP)	15.5	282.3 18.8	280.9 18.6	1.4 0.2	319.9 18.4	330.4 19.2	(10.5) (0.8)	350.1 17.8	334.7 17.4	15.4 0.4	10.6
Current Operating Expenditures (As % of total disbursements)	21.9	226.6 80.3	223.3 79.5	3.3 0.8	258.4 80.8	266.8 80.8	(8.4) -	277.3 79.2	268.7 80.3	8.6 (1.1)	8.9
Capital Outlays (As % of total disbursements)	10.0	53.0 18.8	55.4 19.7	(2.4) (0.9)	55.6 17.4	62.3 18.9	(6.7) (1.5)	69.1 19.7	65.6 19.6	3.5 0.1	19.0
Net Lending	(18.7)	2.7	2.2	0.5	5.9	1.2	4.7	3.8	0.5	3.3	34.7
BUDGETARY DEFICIT (-) / SURPLUS (+) (% of GNP)		(21.9) (1.5)	(20.6) (1.4)	(1.3) (0.1)	16.3 0.9	(4.8) (0.3)	21.1 1.2	11.1 0.6	15.5 0.8	(4.4) (0.2)	
DEFICIT FINANCING		21.9	20.6	1.3	(16.3)	4.8	(21.1)	(11.1)	(15.5)	4.4	(56.4)
Net External Borrowings (% share to total)	45.3	12.9 58.9	11.2 54.3	1.7	(11.6) 71.2	1.1 23.3	(12.7)	(13.3) 119.8	2.4 (15.5)	(15.7)	110.7
Net Domestic Financing (% share to total)	7.5	9.0 41.1	9.4 45.7	(0.4)	(4.7) 28.8	3.7 76.7	(8.4)	24.3 (218.9)	(17.9) 115.5	42.2	(272.3)

^{/1} Details may not add up due to rounding

Sources: Department of Finance (DOF); and Bureau of Treasury (BTr)

Table 2.5
GOVERNMENT CORPORATE SECTOR FINANCIAL POSITION, 1993-95
(In Billion Pesos)

SECTOR	<u>Average</u> 1987-92	<u>Actual</u>			<u>Average</u> 1993-95
		1993	1994	1995	
Government-Owned and Controlled Corporations	(6.20)	(25.60)	(9.69)	(1.26)	(12.19)
Government Financial Institutions	2.50	6.07	3.09	5.04	4.73
Social Security Institutions	7.30	11.70	(11.96)	0.01	(0.09)
Total	1.20	(7.83)	(18.56)	3.79	(7.54)

Source: DOF

Table 2.6
FINANCIAL OPERATIONS OF THE MAJOR NON-FINANCIAL GOVERNMENT CORPORATIONS, 1993-95
(In Billion Pesos)

INDICATORS	Average Growth Rate 1987-92	1993			1994			1995			Average Growth Rate 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
Total Receipts	18.8	112.3	112.0	0.3	107.2	118.9	(11.7)	89.2	101.7	(12.5)	3.1
Current Expenditures	16.3	96.3	96.2	0.1	74.8	80.7	(5.9)	68.1	76.2	(8.1)	(10.0)
Capital Expenditures	32.8	41.6	43.3	(1.7)	42.0	50.1	(8.1)	22.3	54.1	(31.8)	25.4
Internal Cash Generation	367.9	16.0	15.8	0.2	32.3	38.1	(5.8)	21.1	25.6	(4.5)	82.3
Financing Deficit	215.6	(25.6)	(27.5)	1.9	(9.7)	(12.0)	2.3	(1.3)	(28.6)	27.3	6.9

Source: DOF

Table 2.7
MONETARY SECTOR, 1993-95
(In Percent)

INDICATORS	Average Growth Rate 1987-92	1993			1994			1995			Average Growth Rate 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
Inflation Rate	11.0	7.6	7.5	0.1	9.0	9.0-10.0	-	8.1	6.5-7.5	1.6	8.2
Interest Rate	17.7	12.3	N.A.		13.6	N.A.		11.3	N.A.		12.4
Total Liquidity (M3, G.R.)	17.9	24.6	N.A.		26.5	N.A.		25.3	N.A.		25.5

N.A. - Not available.

Sources: National Statistics Office (NSO); and Bangko Sentral ng Pilipinas (BSP)

Table 2.8
SELECTED EXTERNAL INDICATORS, 1993-95
(In US\$ Million)

INDICATORS	Average 1987-92	1993			1994			1995			Average 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
I. BALANCE OF PAYMENTS											
Trade Balance	(2,771)	(6,222)	(6,222)	-	(7,850)	(6,491)	(1,359)	(8,944)	(8,524)	(420)	(7,672)
Exports	7,911	11,375	11,375	-	13,483	13,044	439	17,447	16,754	693	14,102
(g.r. in %)	12.7	15.8	15.8	-	18.5	14.7	3.8	29.4	24.3	5.1	21.2
Imports	10,682	17,597	17,597	-	21,333	19,535	1,798	26,391	25,278	1,113	21,774
(g.r. in %)	19.8	21.2	21.2	-	21.2	11.0	10.2	23.7	18.5	5.2	22.0
Services	879	2,507	2,234	273	3,964	2,839	1,125	6,084	5,151	933	4,185
Receipts	4,885	7,497	7,528	(31)	10,550	9,214	1,336	15,412	13,640	1,772	11,153
Payments	4,006	4,990	5,294	(304)	6,586	6,374	212	9,328	8,489	839	6,968
Transfers	756	699	699	-	936	722	214	880	888	(8)	838
Receipts	759	746	746	-	1,041	769	272	1,146	1,014	132	978
Payments	3	47	47	-	105	47	58	266	126	140	139
CURRENT ACCOUNT BALANCE	1,097	(3,016)	(3,289)	273	(2,950)	(2,930)	(20)	(1,980)	(2,485)	505	(2,649)
Ratio to GNP (in %)	2.5	(5.5)	(5.9)	0.4	(4.5)	(4.8)	0.3	(2.6)	(3.2)	0.6	(4.2)
Foreign Investments	671	812	612	200	1,558	2,003	(445)	2,326	1,425	901	1,565
Purchase/Return of collateral	(78)	-	-	-	-	-	-	-	-	-	-
Medium and Long-Term Loans	336	2,105	2,105	-	657	2,297	(1,640)	1,284	2,089	(805)	1,349
Inflows	3,863	4,853	4,853	-	3,713	4,828	(1,115)	3,981	4,568	(587)	4,182
Outflows	3,527	2,748	2,748	-	3,056	2,531	525	2,697	2,479	218	2,834
Short-Term Capital (net)	119	(148)	(485)	337	1,002	(41)	1,043	(56)	356	(412)	266
Errors and Omissions	219	84	11	73	160	-	160	(2,155)	-	(2,155)	(637)
CAPITAL AND FINANCIAL ACCOUNT BALANCE	1,334	2,306	2,244	62	3,682	4,259	(577)	4,863	4,043	820	3,617
Monetization of Gold	260	113	113	-	154	108	46	177	158	19	148
Revaluation Adjustments	305	431	431	-	100	11	89	(96)	268	(364)	145
Overall BOP Position after Rescheduling and New Money	802	(166)	(501)	335	1,146	1,637	(491)	809	1,558	(749)	596
II. DEBT SERVICE BURDEN	5,558	3,229	3,533	(304)	4,188	4,341	(153)	4,885	5,057	(172)	4,101
% of Exports G/S	45.0	17.1	18.7	(1.6)	17.4	19.5	(2.1)	14.5	16.6	(2.1)	16.3
% of Current Account Receipts	42.4	16.5	18.0	(1.5)	16.7	18.9	(2.2)	14.4	16.1	(1.7)	15.9
% of GNP	13.2	5.8	6.4	(0.6)	6.4	7.0	(0.6)	6.4	6.6	(0.2)	6.2
III. GROSS INTERNATIONAL RESERVES	3,436	5,922	5,801	121	7,122	6,577	545	7,762	8,215	(453)	6,935
Months' Worth of Imports of Goods and Services	2.4	3.2	3.0	0.2	3.1	3.0	0.1	2.6	2.9	(0.3)	3.0

Source: BSP

Table 2.9
EXPORTS BY MAJOR COMMODITY GROUP, 1993-95
 (Growth in Percent)

COMMODITY GROUP	Average Growth Rate 1987-92	1993			1994			1995			Average Growth Rate 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
Coconut Products	6.8	(17.3)	(17.3)	0.0	20.1	13.0	7.1	54.8	18.3	36.5	19.2
Sugar and Sugar Products	4.5	17.3	17.3	0.0	(40.3)	(10.1)	(30.2)	(3.9)	(5.2)	1.3	(9.2)
Fruits and Vegetables	5.4	18.3	18.3	0.0	(2.3)	6.4	(8.7)	6.8	5.4	1.5	7.6
Other Agri-based Products	3.9	10.2	10.2	0.0	11.3	(1.5)	12.8	8.5	9.6	(1.1)	10.0
Forest Products	(15.5)	(21.1)	21.1	(42.1)	(42.2)	15.6	(57.8)	46.2	11.5	34.7	8.4
Mineral Products	5.8	8.4	8.4	0.0	13.7	8.6	5.1	14.5	5.5	9.0	11.9
Petroleum Products	28.0	(9.3)	(9.3)	0.0	(2.9)	(13.2)	10.3	29.5	10.2	19.3	5.5
Manufactures	18.4	19.6	19.7	(0.1)	21.6	17.2	4.4	30.6	15.5	15.1	23.9
Special Transactions	67.9	18.8	2.7	16.1	94.7	21.1	73.7	46.0	21.7	24.3	104.0
Re-exports	2.5	68.4	68.4	0.0	9.7	20.0	(10.3)	50.8	22.7	28.1	43.4
TOTAL EXPORTS	12.7	15.8	15.8	0.0	18.5	14.7	3.8	29.4	14.4	15.0	21.2

Source: BSP (as of 30 May 1996)

Table 2.10
IMPORTS BY MAJOR COMMODITY GROUP, 1993-95
 (Growth in Percent)

COMMODITY GROUP	Average Growth Rate 1987-92	1993			1994			1995			Average Growth Rate 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
Capital Goods	31.2	39.4	39.5	(0.1)	22.4	11.9	10.6	16.9	9.4	7.5	26.2
Raw Mats. and Intermediate Goods	16.0	16.2	16.2	0.0	22.3	16.4	5.9	26.7	11.4	15.3	21.7
Mineral Fuels & Lubricants	17.1	(1.7)	(1.7)	0.0	1.2	(21.0)	22.2	20.6	9.0	11.6	6.7
Consumer Goods	30.5	27.9	27.9	0.0	32.9	17.6	15.3	32.0	8.9	23.1	30.9
Special Transactions	13.0	18.6	18.6	0.0	34.2	23.6	10.6	32.8	8.0	24.9	28.5
TOTAL IMPORTS	107.8	21.2	21.2	0.0	21.2	48.6	-27.4	23.7	46.7	(23.0)	22.0

Source: BSP (as of 30 May 1996)

Table 2.11
GROWTH RATES OF INDUSTRY AND SHARE TO GDP, 1993-95
(In Percent)

INDICATORS	Average Growth Rate 1987-92	1993			1994			1995			Average Growth Rate 1993-95
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation	
Real GVA in Industry											
growth rate	3.2	1.6	1.8	(0.2)	5.8	4.7-5.7	1.1-0.1	7.2	5.2-7.9	2.0-(0.7)	4.9
share	35.0	33.7	33.4	0.3	33.8	34.8	(1.0)	34.4	35.2-35.4	0.3-0.1	34.0
Mining and Quarrying											
growth rate	(1.0)	0.7	0.7	0.0	(7.0)	5.0-5.5	(12.0)-(12.5)	5.9	5.2-5.5	0.7-0.4	(0.2)
share	1.6	1.6	1.5	0.1	1.4	1.6	(0.2)	1.4	1.6	(0.2)	1.5
Manufacturing											
growth rate	3.6	0.8	0.7	0.1	5.0	4.6-5.5	0.4-(0.5)	6.8	5.0-8.2	1.8-(1.4)	4.2
share	25.4	24.7	24.1	0.6	24.2	25.1	(0.9)	24.5	25.3-25.6	(0.5)-(0.8)	24.9
Construction											
growth rate	4.6	5.7	6.7	(1.0)	9.0	5.0-6.8	4.0-2.2	6.5	6.0-8.0	0.5-(1.5)	7.1
share	5.3	5.1	5.1	0.0	5.3	5.3	0.0	5.4	5.4	0.1	5.4
Electricity, Gas & Water											
growth rate	1.9	2.9	2.9	0.0	13.8	5.1-6.0	8.7-7.8	13.0	5.5-6.1	7.5-6.9	9.9
share	2.7	2.7	2.7	0.0	2.9	2.8	0.1	3.1	2.8	0.4	3.0

Sources: NSCB (Nat'l Accounts - as of May 1996); and NEDA

Table 2.12
SELECTED HUMAN DEVELOPMENT AND HUMAN RESOURCES INDICATORS, 1993-95

INDICATORS	Average 1987-92	1993			1994			1995		
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation
I. INCOME AND EMPLOYMENT										
Per Capita GNP (In pesos, at constant 1985 Prices)	11,176	11,151	11,483	(332)	11,458	11,537	(79)	11,805	12,024	(219)
Unemployment Rate	9.8	9.3	9.3	0.0	9.5	9.1	0	9.5	8.8	1
Jobs Created (000)	810.0	686.0	686.0	-	650.0	858.0	(208.0)	644.0	972.0	(328.0)
II. HEALTH AND POPULATION										
Life Expectancy (In years) ^{/1}	64.6		66.6			67.0			67.4	
Infant Mortality Rate ^{/1} (per 1000 livebirths)	58.4		52.0			50.5			48.9	
Crude Death Rate ^{/1} (per 1000 population)	7.3		6.9			6.8			6.6	
Crude Birth Rate ^{/1} (per 1000 population)	31.7		31.2			30.4			29.7	
Maternal Mortality Rate ^{/1} (per 1000 livebirths)	0.8		0.7			0.7			0.7	
Population Growth Rate ^{/1}	2.4		2.50			2.45			2.39	
Total Fertility Rate ^{/1}	4.0		4.0			3.9			3.8	
Contraceptive Prevalence Rate	41.4	40.0	40.0	-		40.6			41.1	
Percentage of preschool children moderately and severely underweight ^{/2}	14 ^{/3}	8.4	11.9	n.c.	n.d.	7.9		n.d.	7.4	
Percentage of school children moderately and severely underweight ^{/2}	13.9 ^{/3}	7.0	11.9	n.c.	n.d.	6.6		n.d.	6.2	

cont'd.

INDICATORS	Average 1987-92	1993			1994			1995		
		Actual	Plan Estimate	Deviation	Actual	Plan Target	Deviation	Actual	Plan Target	Deviation
Per capita energy intake (kcal)	1,753 ⁴	1,872	1,872	-	n.d.	1,892		n.d.	1,913	
Prevalence of Anemia on Infants ²	70.4 ⁴	49.2	67.2	(18.0)	n.d.	47.8		n.d.	46.4	
Vitamin A deficiency among preschool children	0.2 ⁴	0.11	0.11	0.0	n.d.	0.09		n.d.	0.08	
Prevalence of Iodine Deficiency/Goiter ²	3.5 ⁴	6.9	1.9	5.0	n.d.	5.9		n.d.	4.9	
IV. EDUCATION										
Literacy Rate	89.8	n.d.	92.8		95.0	93.5	1.5	95.8	94.3	1.5
Functional Literacy Rate	60.5	n.d.	76.5		83.8	78.1	5.7	83.9	79.6	4.2
Participation Rate										
a. Elementary	91.4	85.4	85.9	(0.5)	87.1	88.8	(1.7)	91.1	91.7	(0.6)
b. Secondary	54.8	58.0	58.0	-	59.7	59.6	0.1	61.2	61.2	-
Cohort Survival Rate										
a. Grades I-VI	67.9	67.7	71.0	(3.3)	69.7	73.8	(4.1)	67.5	76.5	(9.0)
b. Years I-IV	76.0	76.2	76.9	(0.7)	77.2	78.9	(1.7)	75.9	79.5	(3.6)
Achievement Level (%)										
a. Elementary	55.2	41.8	*		43.6	65.2	(21.5)	45.6	66.9	(21.3)
b. Secondary	n.d.	n.a.	*		38.9	*		40.9	*	
Post Secondary Enrolment	330,410	464,736	482,916	(18,180)	498,693	531,739	(33,046)	499,040	585,498	(86,458)
Persons to be given Technical- Vocational Training	n.a.	185,537	149,562	35,975	183,435	133,310	50,125	184,823	150,000	34,823

¹ No actual data; figures are estimates

² Targets for 1994-95 were revised based on the results of the 1993 National Nutrition Survey

³ Actual 1990 figures

⁴ Actual 1987 figures

1987-92 and 1993-95 average for LE, IMR, CDR, CBR, MMR, PGR, TFR and CPR are average estimates

n.c not comparable because different standards were used

n.d. no data

n.a not available

* No plan target

Sources: NSCB; Department of Health (DOH); Department of Science and Technology - Food and Nutrition Research Institute, Department of Education, Culture and Sports (DECS); and Commission on Higher Education (CHED)

Table 2.13
SYSTEM GENERATING CAPACITY, 1993-95 ^{1/}
(In Megawatts)

Plant Type	Actual 1993		Actual 1994		Actual 1995	
	Capacity	%Share	Capacity	%Share	Capacity	%Share
Hydro	2,219	27.83	2,260	24.92	2,260	23.63
Coal	441	5.53	460	5.07	760	7.95
Geothermal	1,018	12.77	1,074	11.84	1,154	12.07
Oil	4,296	53.88	5,274	58.16	5,381	56.27
NRE	0	0.00	0	0.00	8	0.08
TOTAL	7,974	100.00	9,068	100.00	9,563	100.00
<i>Average growth rate of system capacity from 1993 to 1995</i>						9.59%

^{1/} Includes installed capacity from NPC and contracted capacity from independent power producers (IPPs).

Source: NPC

Table 2.14
POWER GENERATION, 1993-95
(In Gigawatt-hours)

Plant Type	Actual		Actual		Actual	
	1993	% Share	1994	% Share	1995	% Share
Hydro	4,983	18.72	5,764	18.82	6,233	18.72
Coal	2,265	8.51	1,587	5.18	2,616	7.86
Geothermal	5,644	21.21	6,350	20.74	6,102	18.33
Oil/Gas	13,570	50.99	16,744	54.68	18,135	54.47
Small Island	152	0.57	175	0.57	210	0.63
TOTAL	26,614	100.00	30,620	100.00	33,296	100.00
Average growth rate of power generation from 1993 to 1995						11.90%

Sources: DOE, NPC

Table 2.15
ENERGY MIX, 1994-95
(In Million Barrels of Fuel Oil Equivalent)

INDICATORS	Actual 1994		Actual 1995	
	Volume	% Share	Volume	% Share
INDIGENOUS ENERGY	42.2	28.8	42.1	26.3
CONVENTIONAL	28.1	19.2	27.3	17.1
Oil	0.5	0.3	nil	nil
Coal	6.6	4.5	6.1	3.8
Hydro	10.1	6.9	10.6	6.6
Geothermal	10.9	7.4	10.6	6.6
NONCONVENTIONAL	14.1	9.6	14.8	9.3
IMPORTED ENERGY	104.4	71.2	117.8	73.7
Oil	102.2	69.7	114.0	71.3
Coal	2.2	1.5	3.8	2.4
TOTAL ENERGY	146.6	100.0	159.9	100.0
POWER USE	52.5	35.8	57.3	35.8

Source: DOE

Table 2.16
GOVERNMENT ELECTRIFICATION PROGRAM, 1993-95

Indicators	Actual ^{1/}		
	1993	1994	1995
No. of Municipalities	1,326	1,345	1,365
No. of Barangays	22,552	23,062	23,636
No. of Household Connections			
Energized	3,491,796	3,698,166	3,924,708
Potential	6,943,932	7,028,257	7,112,596
• <i>Electrification Level, percent of households energized under the franchise area of electric cooperatives</i>	<i>50.29</i>	<i>52.62</i>	<i>55.18</i>

^{1/} Cumulative as of end-year.

Source: NEA

Table 2.17
ROAD TRANSPORT DEVELOPMENT, 1993-95

INDICATORS	Actual			Average
	1993	1994	1995	1993-95
A. NATIONAL ROADS				
National Arterial Roads				
Paved Sections, cum., (%)	56.7	59.2	61.0	
Paved Sections (km)	431	391	285	369
All-Weather Sections, cum., (%)	79.9	82.6	83.6	
All-Weather Sections (km)	331	434	163	309
National Secondary Roads				
Paved Sections, cum., (%)	38.8	41.1	43.1	
Paved Sections (km)	165	257	210	211
All-Weather Sections, cum., (%)	60.6	63.9	66.0	
All-Weather Sections (km)	125	244	228	199
B. NATIONAL BRIDGES				
Reconstruction of Bridges along				
National Roads, cum., (%)	81.7	83.8	85.1	
Reconstruction of Bridges along				
National Roads (lm)	7,925	5,377	3,416	5,573

Source: Department of Public Works and Highways (DPWH)

Table 2.18
TELEPHONE DISTRIBUTION BY REGION, 1994-95

REGION	1994		1995	
	Working Line	Telephone Density per 100 Population	Working Line	Telephone Density per 100 Population
CAR	-	-	16,344	1.23
I	29,460	0.62	27,711	0.69
II	6,304	0.21	7,685	0.28
III	48,215	0.73	91,624	1.28
IV	61,769	0.21	132,114	1.36
V	9,607	0.51	24,256	0.54
VI	31,770	1.10	47,723	0.78
VII	56,706	1.10	82,494	1.56
VIII	8,647	0.23	13,155	0.37
IX	10,171	0.30	17,568	0.61
X	14,604	0.38	23,554	0.57
XI	37,559	0.79	58,532	1.11
XII	8,713	0.29	14,593	0.61
ARMM			5,978	0.28
NCR	786,127	9.04	846,308	9.28
Total	1,109,652	1.67	1,409,639	2.01

Notes:

1. PLDT data are as of September 1994 (3rd Quarter)
2. DIGITEL, NTP & TELOF data are as of December 31, 1993 (status report)
3. PILTEL data are as of December 1994
4. Most data of other carriers are from status and inspection report in 1993-1994
5. Population data are culled from the DOTC and JICA study "A Master Plan Study in the Improvement and Optimization of Telecommunications Network"
6. Working lines considered are the main lines of C.O.

Table 3.1
HEALTH, NUTRITION AND POPULATION INDICATORS, 1996-98

INDICATORS	Estimates		Targets			Average 1996-98
	1994	1995	1996	1997	1998	
Life Expectancy (in years) ^{/1}	67.0	68.7	69.1	69.4	69.7	69.4
Infant Mortality Rate (per 1,000 live births) ^{/2}	50.5	48.9	47.4	45.8	44.3	45.8
Crude Death Rate (per 1,000 population) ^{/1}	6.8	6.6	6.5	6.3	6.2	6.3
Maternal Mortality Rate (per 1,000 live births) ^{/3}	0.7	0.7	0.6	0.6	0.6	0.6
Contraceptive Prevalence Rate ^{/3}	40.6	41.5	41.7	42.3	42.8	42.3
Total Fertility Rate ^{/1}	3.9	3.8	3.7	3.6	3.5	3.6
Crude Birth Rate (per 1,000 population) ^{/1}	30.4	29.7	29.0	28.3	27.6	28.3
Population Growth Rate ^{/1}	2.5	2.4	2.3	2.3	2.2	2.3
Per Capita energy intake (in kilocalories)	1,872 ^{/4}	n.d.	1,934	1,956	1,977	1,956
Percent of preschool children moderately and severely underweight	8.4 ^{/4}	n.d.	6.9	6.4	5.9	6.4
Percent of schoolchildren moderately and severely underweight	7.0 ^{/4}	n.d.	5.8	5.3	4.9	5.3
Percent of underweight adults ^{/5}						
Male	11.5 ^{/4}	n.d.	9.1	8.3	7.5	8.3
Female	16.1 ^{/4}	n.d.	12.5	11.3	10.1	11.3
Prevalence of Anemia						
Infants	49.2 ^{/4}	n.d.	45.0	43.6	42.2	43.6
Preschoolers	26.7 ^{/4}	n.d.	24.3	23.5	22.2	23.3
Elderly	45.6 ^{/4}	n.d.	41.7	40.4	39.1	40.4
Pregnant Women	43.6 ^{/4}	n.d.	39.9	38.6	37.4	38.6
Lactating Women	43.0 ^{/4}	n.d.	39.3	38.1	36.9	38.1
Vitamin A deficiency among preschool children	0.11 ^{/4}	n.d.	0.06	0.05	0.03	0.05
Prevalence of Iodine Deficiency/Goiter	6.9 ^{/4}	n.d.	3.9	3.0	2.0	3.0

n.d. - No data

Sources:

^{/1} Based on Projected Population using 1990 Census on Population and Housing (CPH), medium assumption

^{/2} Estimates of the TWG on Maternal and Child Mortality based on the 1990 CPH, November 1995.

^{/3} Department of Health

^{/4} Actual 1993 figures based on the 1993 National Nutrition Survey (NNS)

^{/5} New indicator

Table 3.2
EDUCATION AND MANPOWER DEVELOPMENT INDICATORS, 1996-98

INDICATORS	Actual		Targets			Average
	1994	1995	1996	1997	1998	1996-98
Basic Literacy Rate (%)	95.0	95.8	96.5	97.3	98.0	97.3
Functional Literacy Rate (%)	83.8	83.9	84.0	84.1	84.2	84.1
Participation Rate (%)						
Elementary	87.1	91.1	94.3	95.1	95.8	95.1
Secondary	59.7	61.2	62.6	64.2	65.8	64.2
Cohort Survival Rate (%)						
Elementary	69.7	67.5	72.3	73.7	75.1	73.7
Secondary	77.2	75.9	79.2	80.2	81.2	80.2
Achievement Level (%)						
Elementary	43.6	45.6	47.6	49.6	52.6	49.9
Secondary	38.9	40.9	42.9	45.1	47.2	45.1
Post-Secondary Enrolment	498,693	530,726	644,692	709,870	781,638	712,067
No. of Workers/Trainees						
Tested ^{/1}	68,191	64,856	83,000	85,000	90,000	86,000
Certified	45,384	39,584	58,100	59,500	63,000	60,200
Higher Education Enrolment ^{/2}	1,651,918	1,726,485	1,803,195	1,881,079	1,960,180	1,881,485
Average percentage passing in all licensure examinations (%) ^{/2}	-	40.0	45.0	50.0	55.0	50.0
Percentage of Higher Education ^{/2} institutions with all programs fully recognized	-	55.0	60.0	65.0	75.0	66.7

^{/1} 70% of the no. of tested workers are projected to be certified.

^{/2} New indicator

Sources: 1990 Census on Population and Housing
1989 Functional Literacy, Education and Mass Media Survey (FLEMMS) of the National Statistics Office (NSO)
Facts and Figures on Philippine Education 1994-1995
Consolidated Enrolment Report 1994-1995
Department of Education, Culture and Sports (DECS) Statistical Bulletin
Technical Education and Skills Development Authority (TESDA)

Table 3.3
HOUSING INDICATORS, 1996-98

INDICATORS	Actual 1994	Estimate 1995	Targets			Average 1996-98
			1996	1997	1998	
Number of households to be provided with assistance	147,336	214,591	234,000	245,611	279,611	253,074
Percentage of housing needs to be addressed by the National Shelter Program (NSP)	-	28.7	34.7	42.2	51.3	42.7

Source: Housing and Urban Development Coordinating Council (HUDCC)

Table 3.4
SOCIAL WELFARE AND COMMUNITY DEVELOPMENT INDICATORS, 1996-98

INDICATORS	Targets			Average
	1996	1997	1998	1996-98
No. of poor families provided with basic welfare services	67,500	86,250	172,500	108,750
Percentage of abandoned children in government custody given adoptive placement	20.0	35.0	50.0	35.0
Percentage of abandoned children given substitute parental care arrangement	20.0	30.0	45.0	31.7
Children aged 10-14 yrs working in hazardous occupations (percent reduction)	20.0	35.0	50.0	35.0
Percentage of children displaced by armed conflict provided with basic social welfare services	20.0	35.0	50.0	35.0

DEFINITION OF TERMS:

"Poor Families" - families with income below the subsistence level and manifest sustained inability to meet the minimum basic needs.

"Basic welfare" services (devolved) - social services designed to enable the family and individual to fully meet the minimum basic needs.

Sources: Department of Social Welfare and Development (DSWD), Council for the Welfare of Children (CWC)

Table 4.1
GROSS NATIONAL PRODUCT BY EXPENDITURE SHARES, 1996-98
 (Growth rates in percent, at constant 1985 prices)

INDICATORS	Actual		Targets						Average	
	1994	1995	1996		1997		1998		1996 - 98	
			Low	High	Low	High	Low	High	Low	High
Gross National Product	5.3	5.5	6.5	7.5	7.0	8.0	7.5	8.5	7.0	8.0
Personal Consumption	3.7	3.8	4.0	4.2	4.3	4.5	4.5	5.1	4.3	4.6
Government Consumption	6.1	3.6	4.0	4.5	4.0	4.5	4.0	5.0	4.0	4.7
Investments	8.6	3.5	11.3	12.9	11.2	13.0	12.1	14.8	11.5	13.6
Exports	19.8	11.9	17.1	17.4	16.0	16.5	16.0	16.5	16.4	16.8
Imports	14.5	16.6	13.7	13.9	13.4	14.2	13.6	15.0	13.6	14.4

Sources: National Economic and Development Authority (NEDA) and National Statistical Coordination Board (NSCB)

Table 4.2
GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN, 1996-98
 (Growth rates in percent, at constant 1985 prices)

INDICATORS	Actual		Targets						Average	
	1994	1995	1996		1997		1998		1996 - 98	
			Low	High	Low	High	Low	High	Low	High
Gross Domestic Product	4.4	4.8	6.0	6.8	7.1	7.8	7.6	8.3	6.9	7.6
Agriculture	2.6	0.9	2.7	3.2	3.7	3.9	4.0	4.2	3.5	3.8
Industry	5.8	7.2	9.0	10.0	10.3	11.3	10.7	11.8	10.0	11.0
Mining	(7.0)	5.9	6.0	6.5	6.0	6.5	6.0	6.5	6.0	6.5
Manufacturing	5.0	6.8	8.5	9.7	10.0	11.0	10.5	11.5	9.7	10.7
Construction	9.0	6.5	10.0	11.0	13.5	14.0	13.8	14.5	12.4	13.2
Utilities	13.8	13.0	12.0	12.5	8.6	11.0	8.8	11.0	9.8	11.5
Services	4.2	4.9	5.3	6.0	6.0	6.8	6.5	7.2	5.9	6.7

Sources: NEDA and NSCB

Table 4.3
SAVINGS AND INVESTMENTS, 1996-98
(Ratio to GNP, in percent)

INDICATORS	Actual		Targets			Average
	1994	1995	1996	1997	1998	1996 - 98
Foreign Savings	4.5	2.6	4.2	4.5	4.3	4.3
Gross Domestic Savings	19.0	19.2	18.6	19.2	20.4	19.4
Public	2.6	3.1	5.3	4.7	6.8	5.6
Private	16.4	16.1	13.2	14.5	13.6	13.8
Gross Domestic Investments	23.5	21.8	22.8	23.7	24.7	23.7
Public	4.8	4.5	4.9	5.4	5.8	5.4
Private	18.7	17.3	17.9	18.3	18.9	18.4

Sources: Bangko Sentral ng Pilipinas (BSP); Department of Finance (DOF); Department of Budget and Management (DBM); NEDA and NSCB

Table 4.4
GROSS NATIONAL PRODUCT AND PER CAPITA INCOME, 1996-98

INDICATORS	Actual		Targets						Average	
	1994	1995	1996		1997		1998		1996 - 98	
			Low	High	Low	High	Low	High	Low	High
Gross National Product (In billion pesos, at constant 1985 prices)	786.2	829.5	883.2	891.6	945.3	963.2	1,016.4	1,045.0	980.9	966.6
Growth rate, in percent	5.3	5.5	6.5	7.5	7.0	8.0	7.5	8.5	7.0	8.0
Inflation rate, in percent	9.0	8.1	7.5	8.7	6.5	6.5	5.5	5.5	6.5	6.9
Per Capita GNP (In pesos, at constant 1985 prices)	11,458	11,805	12,283	12,400	12,857	13,100	13,524	13,904	12,888	13,135
Growth rate, in percent	2.8	3.0	4.0	5.4	4.7	5.6	5.2	6.1	4.6	5.7
Per Capita GNP (In pesos, at current prices)	25,309	28,004	31,528	31,828	35,145	35,810	39,001	40,099	35,225	35,912
Per Capita GNP (In US \$, at current prices)	958	1,089	1,179	1,190	1,255	1,279	1,345	1,383	1,260	1,284

Sources: NEDA; NSCB; National Statistics Office (NSO); and BSP

Table 4.5
INFLATION AND INTEREST RATES, 1996-98

INDICATORS	Actual		Targets			Average
	1994	1995	1996	1997	1998	1996-98
Inflation rate, in percent	9.0	8.1	8.7	6.5	5.5	6.9
91-Day Treasury Bill Rate, in percent	13.6	11.3	12.5	11.0	10.0	11.2
Total Liquidity (M3), in billion pesos	607.6	761.4	958.0	1,199.6	1,495.0	1,217.5
(12-month change in percent)	26.5	25.3	25.8	25.2	24.6	25.2
Ratio to GNP, in percent	35.0	38.7	42.3	46.4	51.0	46.6

Sources: NSO; BSP; and NEDA, as of 25 June 1996

Table 4.6
CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION, 1996-98
(Ratio to GNP, in percent)

INDICATORS	Actual		Targets			Average
	1994	1995	1996	1997	1998	1996 - 98
Consolidated Public Sector Financial Position	(0.48)	(0.13)	0.00	0.00	0.23	0.08
Public Sector Borrowing Requirement	(0.43)	(0.85)	(0.69)	(0.69)	(0.54)	(0.64)
National Government	0.94	0.56	0.77	0.57	0.60	0.65
CB Restructuring	(1.40)	(1.02)	(0.64)	(0.52)	(0.38)	(0.51)
14 MNFGCs	(0.56)	(0.06)	(1.24)	(0.78)	(0.87)	(0.96)
Oil Price Stabilization Fund	0.15	(0.47)	0.34	(0.04)	0.00	0.10
Adjustments	0.44	0.14	0.08	0.07	0.11	0.09
Other Public Sector	(0.04)	0.72	0.69	0.69	0.78	0.72
Government Financial Institutions	0.18	0.26	0.27	0.22	0.19	0.23
Social Security Institutions	(0.69)	0.00	0.36	0.33	0.33	0.34
Bangko Sentral ng Pilipinas	0.30	0.18	0.01	0.18	0.18	0.12
Local Government Units	0.29	0.10	0.16	0.10	0.07	0.11
Adjustments	(0.12)	0.18	(0.10)	(0.13)	0.01	(0.08)

Source: DOF

Table 4.7
CASH OPERATIONS OF THE NATIONAL GOVERNMENT, 1996-98
(In billion pesos) ^{1/}

INDICATORS	Actual		Targets			Annual Ave. Growth Rate (%) 1996-98
	1994	1995	1996 ^{2/}	1997	1998	
Total Revenues (% of GNP)	336.2 19.4	361.2 18.4	431.3 19.0	485.1 18.8	551.1 18.8	15.2
Tax Revenues (% of GNP)	271.3 15.6	310.5 15.8	370.4 16.3	450.6 17.4	517.5 17.7	18.6
Direct Tax (% of total tax)	98.4 36.3	117.0 37.7	144.6 39.0	187.2 41.5	221.4 42.8	23.8
Indirect Tax (% of total tax)	172.9 63.7	193.5 62.3	225.8 61.0	263.4 58.5	296.1 57.2	15.2
Non-Tax Revenues (% of GNP)	64.9 3.7	50.7 2.6	60.9 2.7	34.5 1.3	33.6 1.1	(8.2)
Total Disbursements (% of GNP)	319.9 18.4	350.1 17.8	413.8 18.3	470.4 18.2	533.5 18.2	15.1
Current Operating Expenditures (As % of total disbursements)	258.4 80.8	277.3 79.2	326.7 79.0	369.1 78.5	400.9 75.1	13.1
Capital Outlays (As % of total disbursements)	55.6 17.4	69.1 19.7	84.6 20.4	100.2 21.3	131.0 24.6	23.9
Net Lending	5.9	3.8	2.5	1.1	1.6	(14.7)
Budgetary Deficit (-) / Surplus (+) (% of GNP)	16.3 0.9	11.1 0.6	17.5 0.8	14.7 0.6	17.6 0.6	25.1
Deficit Financing	(16.3)	(11.1)	(17.5)	(14.7)	(17.6)	(25.1)
Net External Financing (% share to total)	(11.6) 71.2	(13.3) 119.8	(12.7) 72.8	(9.6) 65.2	(12.1) 68.9	-1.0
Net Domestic Financing (% share to total)	(4.7) 28.8	24.3 (218.9)	(4.8) 27.2	(5.1) 34.8	(5.5) 31.1	(87.5)

^{1/} Details may not add up due to rounding.

^{2/} Includes the P10 billion transfer from PNOC.

Sources: DOF; DBM; and Bureau of Treasury (BTr)

Table 4.8
**FINANCIAL OPERATIONS OF 13 MONITORED NON-FINANCIAL
 GOVERNMENT CORPORATIONS, 1996-98**
 (In billion pesos)¹

INDICATORS	Actual		Targets			Annual Ave. Growth Rate (%) 1996-98
	1994	1995	1996	1997	1998	
Total Receipts	107.2	89.2	114.5	136.8	159.7	21.5
Current Expenditures	74.8	68.1	99.3	105.9	127.8	24.4
1. Operating Expenditures	37.2	40.1	57.0	73.1	88.9	30.7
2. Other Current Expenditures	37.7	28.0	42.2	32.9	38.9	15.6
Capital Expenditures	42.0	22.3	43.3	50.9	57.5	41.6
Internal Cash Generation	32.3	21.1	15.2	30.8	31.8	26.0
Financing Deficit (-)/Surplus (+)	(9.7)	(1.3)	(28.0)	(20.0)	(25.6)	684.4
Net External Financing	15.4	4.5	11.1	8.5	14.8	65.8
1. Gross External Financing	30.3	21.2	27.5	27.3	30.5	13.6
2. Repayments and Amortization	14.9	16.7	16.5	18.8	15.7	(1.2)
Net Domestic Financing	(5.7)	(3.2)	16.9	11.6	10.8	(222.1)
1. National Government Equity	1.5	0.5	1.1	0.8	5.3	218.4
2. National Government Lending	1.9	0.8	(0.2)	1.0	0.4	(261.7)
3. Net Domestic Bank Credits	0.8	(3.7)	0.5	0.1	(0.9)	(397.8)
4. Other Net Domestic Financing	(9.9)	(0.9)	15.5	9.6	6.0	(632.6)

¹ Details may not add up due to rounding
 Source: DOF-Corporate Affairs Group (CAG)

Table 4.9
SELECTED EXTERNAL INDICATORS, 1996-98
(In US\$ million)

INDICATORS	Actual		Targets			Average 1996-98
	1994	1995	1996	1997	1998	
I. Balance of Payments ^{/1}						
Trade Balance	(7,850)	(8,944)	(12,259)	(14,722)	(15,814)	(14,265)
Exports	13,483	17,447	20,406	25,274	30,731	25,470
Growth rate, in percent	18.5	29.4	17.0	23.8	21.6	20.8
Imports	21,333	26,391	32,665	39,996	46,545	39,735
Growth rate, in percent	21.2	23.7	23.8	22.4	16.4	20.9
Services	3,964	6,084	7,834	9,638	10,393	9,288
Receipts	10,550	15,412	22,300	27,444	32,959	27,568
Payments	6,586	9,328	14,466	17,805	22,566	18,279
Transfers	936	880	784	909	1,042	912
Receipts	1,041	1,146	1,040	1,180	1,342	1,187
Payments	105	266	256	271	300	276
Current Account Balance	(2,950)	(1,980)	(3,641)	(4,175)	(4,379)	(4,065)
Ratio to GNP, in percent	(4.5)	(2.6)	(4.2)	(4.5)	(4.3)	(4.3)
Foreign Investments	1,558	2,326	2,912	3,508	4,960	3,793
Medium and Long-Term Loans	657	1,284	1,803	1,990	758	1,517
Inflows	3,713	3,981	5,345	4,994	3,461	4,600
Outflows	3,056	2,697	3,542	3,004	2,703	3,083
Short-Term Capital (net)	1,002	(56)	191	551	570	437
Change in Commercial Banks' NFA	465	1,309	5,634	1,118	1,176	2,643
Errors and Omissions	160	(2,155)	(3,712)	-	-	(1,237)
Capital and Financial Account Balance	3,682	4,863	10,540	7,167	7,464	8,390
Monetization of Gold	154	177	211	212	220	214
Revaluation Adjustments	100	(96)	(37)	-	-	(12)
Overall BOP Position after Rescheduling and New Money	1,146	809	3,361	3,205	3,305	3,290
II. Debt Service Burden	4,188	4,885	5,884	5,119	4,535	5,179
(% of Exports of Goods and Services)	17.4	14.5	13.8	9.7	7.1	10.2
(% of Current Account Receipts)	16.7	14.4	13.5	9.5	7.0	10.0
(% of GNP)	6.4	6.4	6.8	5.5	4.5	5.6
III Gross International Reserves	7,122	7,762	11,000	13,973	17,278	14,084
Months' Worth of Imports of Goods and Services	3.1	2.6	2.8	2.9	3.0	2.9

^{/1} Based on the new methodology

Sources: BSP and NEDA, as of 29 October 1996

Table 4.10
LABOR AND EMPLOYMENT INDICATORS, 1996-98

INDICATORS	Actual		Targets						Average	
	1994	1995	1996		1997		1998		1996-98	
			Low	High	Low	High	Low	High	Low	High
Labor Force (in '000)	27,654	28,380	29,140	29,140	29,886	29,886	30,640	30,640	29,889	29,889
Employment (in '000)	25,032	25,676	26,395	26,475	27,299	27,448	28,321	28,515	27,338	27,479
By Sector										
Agriculture	11,287	11,147	11,180	11,195	11,259	11,284	11,349	11,378	11,263	11,286
Industry	3,949	4,139	4,349	4,731	4,602	4,650	4,876	4,966	4,609	4,662
Manufacturing	2,539	2,617	2,730	2,748	2,874	2,915	3,029	3,099	2,878	2,921
Construction	1,187	1,302	1,389	1,391	1,485	1,490	1,590	1,608	1,488	1,496
Utilities	112	114	121	121	128	129	136	138	128	129
Services	9,798	10,391	10,865	10,908	11,438	11,514	12,096	12,171	11,466	11,531
Unemployment rate, in percent	9.5	9.5	9.4	9.2	8.7	8.2	7.6	6.9	8.6	8.1
Jobs Created (in '000)	650	644	719	799	904	974	1,022	1,067	882	946
By Sector										
Agriculture	147	(139)	33	48	79	89	90	94	67	77
Industry	144	191	210	232	253	279	274	316	246	276
Manufacturing	82	78	113	131	144	167	155	184	137	161
Construction	77	115	87	89	96	99	105	118	96	102
Utilities	10	2	7	7	7	8	8	9	7	8
Services	359	593	474	517	573	606	658	657	568	593

Source: Department of Labor and Employment-Institute for Labor Studies (DOLE-ILS)

Table 4.11
REAL LABOR PRODUCTIVITY, 1996-98

INDICATORS	Actual		Targets						Average	
	1994	1995	1996		1997		1998		1996-98	
			Low	High	Low	High	Low	High	Low	High
Levels, in pesos										
Labor Productivity ^{/1}	31,409	32,306	33,539	33,754	34,711	35,174	35,969	36,734	34,740	35,221
Labor Productivity ^{/2}	30,619	31,292	32,289	32,432	33,428	33,735	34,663	35,174	33,460	33,780
By Sector										
Agriculture	15,192	15,520	15,892	15,948	16,364	16,439	16,884	16,988	16,380	16,458
Industry	67,352	68,910	71,505	71,849	74,507	75,168	77,848	78,657	74,620	75,225
of which:										
Manufacturing	74,980	77,751	80,868	81,227	84,498	84,996	88,592	89,144	84,652	85,122
Construction	35,193	34,172	35,235	35,504	37,406	37,785	39,757	40,090	37,466	37,793
Utilities	205,902	228,596	241,215	242,298	247,523	252,264	253,346	261,754	247,361	252,105
Services	33,592	33,233	33,467	33,557	33,698	33,952	33,936	34,432	33,700	33,981
Growth rates, in percent										
Labor Productivity ^{/1}	2.5	2.9	3.8	4.5	3.5	4.2	3.6	4.4	3.6	4.4
Labor Productivity ^{/2}	1.7	2.2	3.2	3.6	3.5	4.0	3.7	4.3	3.5	4.0
By Sector										
Agriculture	1.3	2.2	2.4	2.8	3.0	3.1	3.2	3.3	2.8	3.1
Industry	1.9	2.3	3.8	4.3	4.2	4.6	4.5	4.6	4.1	4.5
of which:										
Manufacturing	1.6	3.6	4.1	4.5	4.5	4.6	4.8	4.9	4.5	4.7
Construction	1.9	(2.9)	3.1	3.9	6.2	6.4	6.3	6.1	5.2	5.5
Utilities	3.7	11.0	5.5	6.0	2.6	4.1	2.4	3.8	3.5	4.6
Services	0.4	(1.1)	0.7	1.0	0.7	1.2	0.7	1.4	0.7	1.2

^{/1} GNP/ Total Employment

^{/2} GDP/ Total Employment

Sources: DOLE-ILS; NEDA; and NSCB as of 30 May 1996

Table 5.1
AGRICULTURAL PRODUCTION TARGETS, 1996-98
 (Growth rates, in percent)

INDICATORS	Actual		Targets						Average	
	1994	1995	1996		1997		1998		1996-98	
			Low	High	Low	High	Low	High	Low	High
TOTAL AGRICULTURE	3.1	(6.3)	0.7	3.2	2.8	3.6	3.2	3.7	2.3	3.5
Agricultural Crops	3.1	(7.1)	0.6	3.2	2.7	3.6	3.2	3.6	2.2	3.5
Palay	11.7	0.1	-	7.2	3.1	4.5	3.3	4.4	2.2	5.4
Corn	(5.8)	(8.6)	17.0	20.6	2.7	6.0	3.2	3.0	7.6	9.9
Coconut	(0.6)	8.6	(4.8)	(4.8)	1.6	1.6	1.7	1.7	(0.5)	(0.5)
Sugarcane	3.1	(24.4)	(1.0)	(1.0)	2.6	2.7	3.0	3.0	1.6	1.6
Banana	4.3	(1.0)	6.5	10.7	2.1	3.5	2.4	4.0	3.7	6.1
Other Crops	3.8	4.3	1.5	5.7	3.5	5.0	4.5	5.3	3.2	5.3
Livestock	4.6	4.6	5.6	5.6	5.9	5.9	6.1	6.1	5.9	5.9
Poultry	3.1	5.0	4.8	4.8	5.5	5.5	6.1	6.1	5.5	5.5
Fishery	1.5	1.9	0.7	0.7	1.4	1.4	1.8	1.8	1.3	1.3

Sources: Performance of Agriculture, January-December 1995; Bureau of Agricultural Statistics (BAS); and Department of Agriculture - Planning and Monitoring Services (DA-PMS)

Table 5.2
AGRICULTURAL PRODUCTION TARGETS, 1996-98
(In million metric tons)

INDICATORS	Actual		Targets						Average	
	1994	1995	1996		1997		1998		1996-98	
			Low	High	Low	High	Low	High	Low	High
TOTAL AGRICULTURE	73.4	68.8	69.3	71.0	71.2	73.6	73.6	76.3	71.4	73.6
Agricultural Crops	68.3	63.4	63.8	65.4	65.5	67.8	67.6	70.3	65.6	67.8
Palay	10.5	10.5	10.5	11.3	10.9	11.8	11.2	12.3	10.9	11.8
Corn	4.5	4.1	4.8	5.0	5.0	5.3	5.1	5.4	5.0	5.2
Coconut	11.2	12.2	11.6	11.6	11.8	11.8	12.0	12.0	11.8	11.8
Sugarcane	24.7	18.7	18.5	18.5	19.0	19.0	19.6	19.6	19.0	19.0
Banana	3.1	3.1	3.3	3.4	3.4	3.5	3.4	3.7	3.4	3.5
Other Crops	14.2	14.8	15.0	15.7	15.6	16.4	16.3	17.3	15.6	16.5
Livestock	1.5	1.6	1.7	1.7	1.8	1.8	1.9	1.9	1.8	1.8
Poultry	1.0	1.0	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2
Fishery	2.7	2.7	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8

Sources: Performance of Agriculture, January-December 1995; BAS; and DA-PMS

Table 5.3
INDUSTRY, SERVICES AND INVESTMENTS INDICATORS, 1996-98
(In percent)

INDICATORS	Actual		Plan Targets						Average	
	1994	1995	1996		1997		1998		1996-98	
			Low	High	Low	High	Low	High	Low	High
Industry ^{/1}										
Growth rate	5.8	7.2	9.0	10.0	10.3	11.3	10.7	11.8	10.0	11.0
% share	33.8	34.4	36.5	36.6	37.6	37.7	38.7	38.9	37.6	37.7
Mining and Quarrying ^{/1}										
Growth rate	(7.0)	5.9	6.0	6.5	6.0	6.5	6.0	6.5	6.0	6.5
% share	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Manufacturing ^{/1}										
Growth rate	5.0	6.8	8.5	9.7	10.0	11.0	10.5	11.5	9.7	10.7
% share	24.2	24.5	25.9	26.0	26.6	26.7	27.3	27.5	26.6	26.7
Construction ^{/1}										
Growth rate	9.0	6.5	10.0	11.0	13.5	14.0	13.8	14.5	12.4	13.2
% share	5.3	5.4	5.7	5.8	6.1	6.1	6.4	6.4	6.1	6.1
Utilities ^{/1}										
Growth rate	13.8	13.0	12.0	12.5	8.6	11.0	8.8	11.0	9.8	11.5
% share	2.9	3.1	3.4	3.4	3.5	3.5	3.5	3.6	3.5	3.5
Services ^{/1}										
Growth rate	4.2	4.9	5.3	6.0	6.0	6.8	6.5	7.2	5.9	6.7
% share	41.8	41.6	42.7	42.6	42.2	42.2	41.8	41.8	42.2	42.2
Investments										
In million pesos	180,797	187,100	210,086	213,122	233,519	240,928	261,848	276,556	235,151	243,535
Growth rate	8.6	3.5	11.3	12.9	11.2	13.0	12.1	14.8	11.5	13.6

^{/1} Expressed in value-added terms

Sources: NSCB; NEDA; and Department of Trade and Industry (DTI).

Table 5.4
EXPORT-IMPORT TARGETS, 1996-98
(In US\$ million)

INDICATORS	Actual		Targets			Average
	1994	1995	1996	1997	1998	1996-98
Exports	24,033	32,859	42,706	52,718	63,690	53,038
growth rate (%)	27.3	36.7	30.0	23.4	20.8	24.7
Goods	13,483	17,447	20,406	25,274	30,731	25,470
growth rate (%)	18.5	29.4	17.0	23.8	21.6	20.8
Services	10,550	15,412	22,300	27,444	32,959	27,568
growth rate (%)	40.7	46.1	44.7	23.1	20.1	29.3
Imports	27,919	35,626	47,131	57,801	69,111	58,014
growth rate (%)	23.8	27.6	32.3	22.6	19.6	24.8
Goods	21,333	26,391	32,665	39,996	46,545	39,735
growth rate (%)	21.2	23.7	23.8	22.4	16.4	20.9
Services	6,586	9,328	14,466	17,805	22,566	18,279
growth rate (%)	32.9	41.6	55.1	23.1	26.7	35.0

Source: BSP

Table 5.5
TOURISM INDICATORS, 1996-98

INDICATORS	Actual		Plan Targets			Average
	1994	1995	1996	1997	1998	1996-98
Foreign Visitor Arrivals (in million)	1.57	1.76	2.00	2.32	2.74	2.35
Growth rate (in %)	14.6	12.1	13.6	16.0	18.1	15.9
Visitor Receipts (in US\$ B)	2.28	2.45	2.79	3.24	3.82	3.28
Growth rate (in %)	7.5	7.5	13.9	16.1	17.9	16.0

Source: Department of Tourism (DOT)

Table 5.6
EMPLOYMENT INDICATORS, 1996-98

INDICATORS	Actual		Targets						Average	
	1994	1995	1996		1997		1998		1996-98	
			Low	High	Low	High	Low	High	Low	High
Employment ('000)	25,032	25,676	26,395	26,475	27,299	27,448	28,321	28,515	27,338	27,479
Agriculture ('000)	11,287	11,147	11,180	11,195	11,259	11,284	11,349	11,378	11,263	11,286
(% share)	45.1	43.4	42.4	42.3	41.2	41.1	40.1	39.9	41.2	41.1
Industry ('000)	3,949	4,139	4,349	4,371	4,602	4,650	4,876	4,966	4,609	4,662
(% share)	15.8	16.1	16.5	16.5	16.9	16.9	17.2	17.4	16.9	17.0
Services ('000)	9,788	10,379	10,865	10,908	11,438	11,514	12,096	12,171	11,466	11,531
(% share)	39.1	40.4	41.2	41.2	41.9	41.9	42.7	42.7	41.9	42.0

Source: DOLE-ILS

Table 5.7
LAND ACQUISITION AND DISTRIBUTION TARGETS, 1996-98
(In hectares)

INDICATORS	Actual	Targets			Average
	1995	1996	1997	1998	1997-98
DAR					
<u>Phase I:</u>	188,913	275,701	240,282	-	-
Rice and Corn Lands	25,166	41,954	66,671	-	-
Private Agricultural Lands:	104,621	178,237	43,406	-	-
Voluntary Offer of Sell	38,470	122,377	43,406	-	-
Voluntary Land Transfer	66,151	55,860	-	-	-
GFI-Owned	59,126 ¹¹	22,389	78,086	-	-
KK Lands/EO 448		33,121	52,119	-	-
<u>Phase II:</u>	100,411	147,007	168,917	117,115	143,016
Landed Estates	10,682	3,091	-	-	-
Settlements	72,005	32,520	51,804	-	-
Private Lands >50 has.	17,724	111,396	117,113	117,115	117,114
<u>Phase III:</u>	-	29,342	430,801	722,209	576,505
Private Lands > 24-50 has.	-	18,655	16,956	273,540	145,248
Private Lands > 5-24 has.	-	10,687	413,845	448,669	431,257
Sub-Total	289,324	452,050	840,000	839,324	839,662
DENR					
A and D Lands	108,489	139,961	702,354	702,353	702,354
ISF (CSC)	82,506	88,079	210,939	210,938	210,939
Sub-Total	190,995	228,040	913,293	913,291	913,292
GRAND TOTAL	480,319	680,090	1,753,293	1,752,615	1,752,954

¹¹ Subsumed under GFIs

Sources: Department of Agrarian Reform (DAR) and Department of Environment and Natural Resources (DENR)

Table 5.8
SCIENCE AND TECHNOLOGY INDICATORS, 1996-98

INDICATORS	Actual		Plan Targets			Total
	1994	1995	1996	1997	1998	1996-98
R&D Expenditures (as % of GNP)	0.2	0.2	-	-	1.0	-
No. of new technologies commercialized	9	7	12	12	12	36
No. of contract researches with private sector	36	23	25	28	31	84
No. of scholarships awarded/supported	4,415	6,662	10,115	13,615	15,815	39,545

Source: Department of Science and Technology (DOST)

Table 6.1
PROJECTED ENERGY MIX, 1996-98
(In Million Barrels of Oil Equivalent)

INDICATORS	Actual				Targets					
	1994		1995		1996		1997		1998	
	Volume	% Share	Volume	% Share	Volume	% Share	Volume	% Share	Volume	% Share
INDIGENOUS ENERGY	42.2	28.8	42.1	26.3	95.8	43.7	104.6	44.0	111.9	43.4
CONVENTIONAL	28.1	19.2	27.3	17.1	33.8	15.4	40.8	17.2	46.1	17.9
Oil	0.5 ¹¹	0.3 ¹¹	nil ¹¹	nil ¹¹	0.5	0.2	2.6	1.1	2.8	1.1
Gas					0.2	0.1	0.2	0.1	0.2	0.1
Coal	6.6	4.5	6.1	3.8	9.6	4.4	10.2	4.3	10.2	4.0
Hydro	10.1	6.9	10.6	6.6	9.5	4.3	9.5	4.0	9.6	3.7
Geothermal	10.9	7.4	10.6	6.6	14.0	6.4	18.3	7.7	23.3	9.0
NON-CONVENTIONAL	14.1	9.6	14.8	9.3	62.0	28.3	63.8	26.9	65.8	25.5
Woodwaste	1.6	1.1	1.4	0.9	47.1	21.5	47.7	20.1	48.4	18.8
Bagasse	5.2	3.5	4.0	2.5	5.9	2.7	6.2	2.6	6.6	2.6
Coconut Residues	5.8	4.0	8.0	5.0	5.8	2.6	6.1	2.6	6.5	2.5
Rice Residues	1.0	0.7	1.0	0.6	2.5	1.1	2.8	1.2	3.0	1.2
Animal Manure	0.5	0.3	0.4	0.3	0.5	0.2	0.8	0.3	1.1	0.4
Black Liquor					0.2	0.1	0.2	0.1	0.20	0.1
IMPORTED ENERGY	104.4	71.2	117.8	73.7	123.2	56.3	132.9	56.0	146.2	56.6
Oil	102.2	69.7	114.0	71.3	111.4	50.9	119.7	50.4	130.4	50.5
Coal	2.2	1.5	3.8	2.4	11.8	5.4	13.2	5.6	15.8	6.1
TOTAL ENERGY	146.6	100.0	159.9	100.0	219.0	100.0	237.5	100.0	258.1	100.0
POWER USE	52.5	35.8	57.3	35.8	62.0	28.3	70.0	29.5	79.3	30.7

¹¹ Oil and gas combined

Source: Department of Energy (DOE)

Table 6.2
ELECTRIFICATION PROGRAM, 1996-98
 (Cumulative Physical Targets)

INDICATORS	Actual		Targets			Incremental 1995-98
	1994	1995	1996	1997	1998	
Rural Electric Cooperatives ¹¹						
Municipalities	1,345	1,365	1,409	1,409	1,409	44
Barangays	23,062	23,636	24,246	25,457	26,349	2,713
Households ('000)						
Potential	7,028	7,112	7,860	7,954	8,050	938
Target	3,698	3,925	4,254	4,762	4,992	1,067
Electrification Level, %	52.6	55.2	58.3	60.7	63.1	
MERALCO ¹²						
Households ('000)						
Potential	159	2,407	3,109	3,179	3,248	841
Target	159	2,407	2,882	2,958	3,033	626
Electrification Level, %	100.0	100.0	92.7	93.1	93.4	
Philippines						
Households ('000)						
Potential	7,187	9,519	10,969	11,133	11,298	1,779
Target	3,857	6,332	7,136	7,720	8,025	1,693
Electrification Level, %	53.6	66.5	65.1	69.3	71.0	

¹¹ Assumes 100% electrification of all barangays in Electric Cooperative (EC) areas by 2010

¹² Assumes 100% electrification by 2015

Sources: DOE; National Electrification Administration (NEA); and Manila Electric Company (MERALCO)

Table 6.3
CUMULATIVE SYSTEM GENERATING CAPACITY, 1996-98
(In Megawatts)

Plant Type	Actual						Targets					
	1993		1994		1995		1996		1997		1998	
	Capacity	% Share	Capacity	% Share	Capacity	% Share	Capacity	% Share	Capacity	% Share	Capacity	% Share
Hydro	2,219	27.83	2,260	24.92	2,260	23.63	2,333	22.10	2,336	20.97	2,347	19.43
Coal	441	5.53	460	5.07	760	7.95	1,460	13.83	1,460	13.11	1,760	14.57
Geothermal	1,018	12.77	1,074	11.84	1,154	12.07	1,414	13.40	1,894	17.00	1,974	16.34
Oil	4,296	53.88	5,274	58.16	5,381	56.27	5,349	50.67	5,449	48.92	5,999	49.66
TOTAL	7,974	100.00	9,068	100.00	9,563	100.00	10,556	100.00	11,139	100.00	12,080	100.00

1/ Includes 8 Megawatts of capacity from new and renewable energy (NRE) source.

Sources: DOE, NPC