

Philippine agriculture saddled by poor irrigation systems

AGRICULTURE PLAYS A BIG ROLE in the development of the Philippine economy and attainment of inclusive growth. Irrigation is an important component of the agricultural system. It raises land productivity by providing sufficient water to crops to increase yield and ensure the stability of production even under extreme weather conditions.

Despite receiving the bulk of major public investments year after year, the country's national irrigation systems have always performed below expectations. This poor performance has been attributed by PIDS consultants Drs. Cristina David and Arlene Inocencio to overly optimistic technical and economic assumptions, inadequate water supply, inappropriate designs, and difficulties in operation and maintenance. These problems have been documented since the 1980s and are still present 20 years later.

Several component studies under an evaluation project commissioned by the National Economic and Development Authority and the Department of Budget and Management to the Philippine Institute for Development Studies exposed the large gap between design assumptions and operational realities, which resulted in the chronic underperformance of the national irrigation systems.

A very disturbing pattern in performance are the generally declining trends in all indicators, such as the ratio of service area, firm-up service area, and irrigated area to design area, the cropping intensity, and the irrigation service fee collection rate. While the



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Editor's Notes

Philippine agriculture has consistently been marred by low productivity. Its growth rates and levels are still inferior compared with those in most developing countries in Asia. Low public investments in agriculture have repeatedly been pinpointed as the culprit for this low performance. In this last issue of the *Development Research News* for 2014, our banner story reveals that the issue is not low public expenditures in agriculture but the poor performance of the publicly funded irrigation systems due to incorrect and "overly optimistic technical and economic assumptions" that led to ineffective and inefficient designs. The authors of the PIDS study, which is an appraisal of selected national irrigation systems across

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ratios of service and irrigated areas to design area were 80 and 60 percent, respectively, in the earlier years, these were only 70 and less than 40 percent, respectively, for national irrigation systems that were built after the mid-1990s.

The irrigation performance indicators have generally been falling over time across the vintages of the national system because “the best options for irrigation development have been developed earlier, and later public investments have been allocated to marginal projects with higher cost of construction and low and uncertain benefits,” David and Inocencio noted.

In 1964, the National Irrigation Administration (NIA) was established to further strengthen the institutional support for irrigation development and provide greater financial resources for irrigation development. Moreover, the NIA has been given the financial flexibility to charge the cost of irrigation to farmer-beneficiaries.

In 2012, the national irrigation systems that started operating in the 1990s showed poorer performance indicators than before, leading to questions about the relevance of the NIA and the importance of continuing the heavy public investments for irrigation expansion.

Several issues that can explain the underperformance of the irrigation systems were highlighted in the irrigation engineering analysis, a component of the evaluation study.

First is the underestimation of the field water requirements. Before even thinking of constructing an irrigation system, information on peak water requirements should be on top of the list. The peak water requirement should be the main consideration in constructing an irrigation system—determining the size, capacity,

and required canal capacities, based on an assumed cropping intensity.

Second is the underestimation of water losses. Seepage estimates for irrigation systems were found to be grossly underestimated by at least 8 to 40 times what is actually happening in the field. Added to this is the percolation rate or the absorption rate of the soil for septic drain. The percolation rate multiplies as the size of the irrigation area increases.

Third, water facility distribution must be set up so that there will be no difference if the water flow is at minimum or under full-water supply elevations. Where this is not checked, the flow of water malfunctions, leaving farmers with ditches that increase project costs. Unfortunately for the farmers, they have to find alternative ways to put this stalled water into use.

Fourth, to assume high water use efficiency presupposes that there is cooperation between and among farmers and operators so that losses are minimized. However, irrigation systems should be built under the assumption of maximum use with inefficiencies caused by losses during distribution properly addressed. Canal lining is still not as efficient as drainage catchment facilities in controlling water wastage. This leads farmers either to lessen the use of water or to find other ways of efficiently reusing waste water. The design should also provide reuse and drainage catchment facilities so farmers can capture these water losses and use them to irrigate their crops.

Fifth, studies on irrigation needs within an area must include other underlying factors. Some farmers resort to shallow tube-well irrigation that may work better for them than mass-based irrigation systems. This may be a big determinant in identifying areas that would benefit more under constructed irrigation systems.

Sixth, the quantity and quality of water supplied to irrigation systems is critical to the reliability of water supply and can be affected by various environmental factors. Dams collect sediments that can clog waterways. Strong typhoons can wash away irrigation systems. River courses are sometimes diverted.

Correct and reasonable assumptions and estimates are crucial in designing irrigation projects. Irrigation systems are supposed to be long-term solutions. Assumptions to be realistic should address both current and future needs. The PIDS study noted other factors, such as the elevation of areas to be irrigated, availability of alternative uses for irrigation, and losses in distribution, which should be considered in calculating the maximum use of an irrigation system. Unless all relevant factors are taken into account, the underutilization of irrigation systems in the country will remain to be a chronic problem.

Deep-well pumps

The study on NIA's investments in deep-well pumps in Tarlac and Nueva Ecija also revealed miscalculated assumptions.

A slower turnaround in the delivery of water was observed. Farmers have to look for faster ways to irrigate their farmlands, which is an additional cost for them. Moreover, the installation of the deep-well pumps did not consider the elevation of some service areas; shallow tube pumps were used to irrigate these areas with waters coming from the rivers and drainages.

Estimates were not made to maximize water usage; pump installations did not account for repairs and maintenance so not all pumps were operating at 100-percent capacity.

Cropping intensity in the service areas is very low to zero. A large number of the service area is now planted to mungo and sugarcane, the latter being a perennial crop whereas sugarcane is planted once a year. During the rainy season, a big portion of the area is not planted because it is under flood waters.

Problem of irrigable areas: Existing gravity irrigation systems

The study on “Appraisal of methodology in estimating irrigable areas and process of evaluating feasibility of NIA irrigation projects” exposed the technical and financial issues that plague the four major irrigation systems in the country: the Angat-Maasim River Irrigation System (AMRIS), Pampanga Delta Irrigation System (PDIS), Balog-Balog Irrigation System (BIS), and Upper Pampanga Irrigation River System (UPRIS).

Actual irrigated area versus service area estimated has been consistently low because of the overestimation of service areas. This is because the assumptions when these systems were made did not take into account built-in areas (those that could be subject to urbanization), areas that were flooded during the rainy season, and the upland or elevated areas that could not be serviced by gravity-dependent irrigation systems.

Another problem is that these are the same systems where households get their water supply. The issue is more glaring during the El Niño months when households are given priority, to the detriment of the farmers.

Having a continuous water source is another problem in the Balog-balog Irrigation System. The service area has already been consistently low and this was aggravated by the eruption of Mt. Pinatubo when lahar flowed to the Tarlac River Dam, its water source. To have a

continuous water source, the Balog-Balog Dam was constructed. However, the cost of the dam was also underestimated and the volume of water spillage was way below what it was projected to produce.

The main goal of rehabilitating NIAs irrigation systems is to close the gap between the irrigated areas and the service areas. Rehabilitation works generally focus only on maintaining original canals and headwork. Canal lining, which is the most common improvement work, has been identified as one big water waster because it involves a lot of waste seepage.

An irrigation system to be effective should take into consideration the structure and other underlying factors that may affect efficient use such as water supply, areas that can actually be serviced, and the monitoring and evaluation system that will make people accountable in the rehabilitation work.

A diagnostic assessment of the capacity of the physical structure and the operation and maintenance of irrigation systems needs to be carried out to identify the bottlenecks to improving irrigation system performance and choosing strategic improvement options.

Addressing the gap between the actual irrigated areas and the service areas has been a problem since the 1970s. The performance indicators of irrigation systems built in the 1990s registered even poorer performance. The availability now of more modern facilities to gather information can significantly improve technical assumptions and calculations. Despite this, there is no visible effort to upgrade the level of service with regard to effective water distribution.

It is important to prioritize not just improving water distribution but also the construction of drainage and flood control projects in the service areas. This would

enable the flood-prone areas to be planted even during the rainy season.

The national government should carefully analyze if its expenditures on repairs and rehabilitation are indeed worthy of public investments. Monitoring collections and payments at the grassroots level is also important. The viability incentive grant, which is given to productive field offices of the NIA, is a good way to promote efficiency in cost recovery collection.

The benefits from efficient national irrigation systems will accrue not only to farmers but to consumers and the general public, as increases in production due to productivity growth can result in lower prices of farm produce. **CSM**

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PH on target to achieving health-related MDGs but access to health care remains unequal

ALTHOUGH THE PHILIPPINES is on track in terms of progress in many of the health-related Millennium Development Goals (MDGs), inequities in accessibility, availability, and affordability of health services across the country still exist.

Speaking at a regional forum on the Philippine Health Sector Performance in Cebu City, Dr. Celia Reyes, PIDS senior research fellow, said the recent economic gains have not translated to better and equitable social outcomes, particularly for health status.

Using official data, Reyes and her team found that people from Luzon generally have better access to health services and facilities, thus they have better health situation compared with their counterpart from Visayas and Mindanao.

“In terms of hospital-beds-to-population ratio, for example, only one-third of the provinces are able to meet the required one bed for every 1000 people. Most of these hospitals are located in the National Capital Region (NCR),” Reyes pointed out.

Likewise, Reyes highlighted the uneven distribution of health labor force across the country. For example, there are 28 doctors per 100 thousand population in the NCR whereas there are only 12 per 100 thousand in Central Visayas. In Bicol Region, the ratio is lower at 10 doctors per 100 thousand and even lower in the Autonomous Region in Muslim Mindanao (ARMM) at only 3 doctors per 100 thousand population.

When it comes to health facilities, not all hospitals have x-ray and ultrasound machines. Hospitals in the NCR are more equipped compared with those in other regions. Aside from this, not all hospitals have complete basic emergency equipment. Only 56 percent of hospitals in NCR have complete basic emergency equipment while for the rest of the regions, less than half of hospitals have these facilities.

Access to health facilities translates to better health situation. For example, in NCR where people have better access to health services and facilities, health indicators such as infant mortality, maternal health, and antenatal care are also better.

According to Reyes, these regional disparities need to be addressed to continue the gains that have been achieved in the health sector. She noted that government should put more resources and capacity-building programs for regions that persistently trail behind in terms of health indicators.

Despite the regional disparities, Reyes noted improvements in the overall health status among regions from 2008 to 2013.

Looking at indicators like infant mortality rate, malnutrition, antenatal care, immunization, and birth delivery by health professional, Reyes stated that by 2011, the rates have gone down and have become slightly more equitable across regions.

“Regions [in the Philippines] are comparable to the level of development of [some Asian] countries when it comes to health outcomes. For instance, in terms of birth delivery by health professional, the figures for Central Visayas are just slightly higher than that of Cambodia and Myanmar. In terms of antenatal care, figures for NCR are close to that of Singapore while for ARMM, performance in antenatal care is similar to that of Bangladesh,” Reyes explained.

Meanwhile, Reyes said the Philippines is likely to achieve the target in health-related MDGs, particularly in reducing child mortality, and in combating malaria and tuberculosis. However, it would be difficult for the country to achieve the target for maternal health and HIV/AIDS, she added.

“There has been no significant difference for the maternal mortality figures between 2006 and 2011 and given this progress, it could be very difficult for the country to achieve the goal by 2015. The indicators for HIV/AIDS are also not favorable given the increasing number of reported cases,” Reyes expounded.

In 2000, the Philippines, together with other United Nations member-countries, adopted the eight Millennium Development Goals for 2015 that aim to free people from extreme poverty and multiple deprivations. Three of these goals are related to health: reduce child mortality, improve maternal health, and combat HIV/AIDS, malaria, and other diseases.



On health financing

Mr. Oscar Picazo, a PIDS consultant, cited the dramatic increase in health insurance coverage from 2008 to 2013. This upward trend in the number of households who sought care was fueled mainly by the government's subsidy program for poor people. He also attributed the improvement in people's treatment-seeking behavior to the improved accessibility of health facilities.

"Health facilities are now getting closer to the people than five or six years ago when one had to travel for hours to get to the nearest health facility," he commented.

Meanwhile, the introduction of a new provider payment system called the case rate system by the Philippine Health Insurance Corporation (PhilHealth) has helped bring down the average cost of in-patient hospitalization as well as the length of stay of patients in hospitals.

However, Picazo noted that despite these improvements in health financing, there remain some challenges that need to be addressed.

"Although the coverage rates have expanded because of the premium subsidy given to poor and near-poor households, a lot of these lower-income households still are not utilizing health services more frequently than the middle- and upper-income families," Picazo stated. Many of them, he added, are still not aware of their entitlements.

Another major problem, according to Picazo, is the high out-of-pocket expenditures or the amount being paid directly by patients for expenses such as medicines and doctor's fees.



From 2008 to 2013, there are noted improvements in the overall health status among regions, in particular, infant mortality and malnutrition rates have gone down. (Photo: Kenneth Pornillos / World Bank Photo Collection)

He noted that many of these out-of-pocket expenses have to do with the consumption of medicines.

He also cited the increasing catastrophic health spending of households as another challenge in the Philippine health sector, with around 2 million families in the country or 2 percent of total households getting into catastrophic expenditures every year.

Based on the definition of the World Health Organization, out-of-pocket expenditure in health can be considered 'catastrophic' if it exceeds 40 percent of a household's nonfood expenses.

Currently, PhilHealth has the Z benefit package that provides financial support of around PHP 100,000 to PHP 300,000 for catastrophic conditions such as cancer, heart attack, and kidney transplant, among others.

Reyes and Picazo's presentations are part of a project by PIDS and the Department of Health (DOH) that looks into the government's *Kalusugang Pangkalahatan* or universal health care program, a component of the Health Sector Reform Agenda in 2010. It has three major components: financial risk protection, health facilities improvement, and attainment of health-related MDGs.

Results and key findings of the PIDS-DOH research project will help policymakers steer the health system, monitor existing health policies and programs, and provide DOH and PhilHealth with relevant inputs for their future policy decisions and programs.

The forum on the Philippine Health Sector Performance was organized by PIDS in partnership with the DOH and the Philippine Information Agency Region VII. **GGM**

Bringing the AEC 2015 discussions closer to the people

THE PHILIPPINES MUST PREPARE for the ASEAN Economic Community (AEC) integration in 2015. The ultimate goal of the AEC is to further develop and strengthen the economies of the Association of Southeast Asian Nations (ASEAN) through the establishment of “a single market and production base, a competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy” (<http://www.asean.org>).

State think tank Philippine Institute for Development Studies (PIDS), the National Economic and Development Authority (NEDA) Regional Offices, in cooperation with the Regional Development Councils (RDCs), partnered to conduct several AEC fora in 2014 in various regional hubs around the country.

These fora were intended to orient regional economic and business leaders and communicate to them the challenges that need to be addressed and the opportunities that can be exploited from the ASEAN integration.

Southern Mindanao

On January 21–22, the NEDA Region XI Office conducted a two-day planning workshop on the updating of the Davao Region Priority Industry Cluster Roadmaps at the Grand Regal Hotel in Davao City. The theme of the event was “Strengthening Industry Clustering Strategy towards ASEAN Economic Community Integration”. Around 150 representatives from government agencies and the business sector attended the event.

The forum was aimed at orienting Davao’s key industry players on the AEC, the national initiatives on strengthening the Philippine manufacturing sector, and the role of the sector in fostering inclusive

growth in the Davao region. By the end of the two-day event, 15 industry cluster roadmaps were validated and updated by the attending stakeholders.

Ms. Ma. Lourdes Lim, NEDA regional director and RDC XI acting chairperson, reminded the stakeholders that the updating of Davao Region’s Industry Cluster Roadmaps is mandated by the RDC XI through its Resolution No. 34, series of 2013. The roadmaps will complement the strategies in the updated Davao Regional Development Plan 2014–2016. Together, the two strategies are meant to enhance the capacities of the region’s local industries to benefit from the opportunities of AEC 2015, especially in agriculture-based industries that remain as the region’s top economic driver.

Lim expressed concerns over the underperformance of the manufacturing sector. The sector is considered to have the highest potential to promote inclusive growth and thus should be developed.

Ms. Margarita Songco, NEDA deputy director-general, said it has been the government’s thrust to transform the Philippines from a consumption-driven economy to an investment-led and employment-oriented economy. This is one of the critical strategies outlined in the updated *Philippine Development Plan (PDP) 2012–2016*. Songco highlighted the manufacturing sector’s potential for innovation, value-adding, and backward linkage with the agriculture sector, which the region should take advantage of to achieve faster and more inclusive economic growth.

Dr. Rafaelita Aldaba, PIDS senior research fellow, who is on secondment to the Department of Trade and Industry (DTI) as assistant secretary, gave an overview of AEC 2015. “AEC 2015 is expected to

promote freer flow of goods, investments, skilled labor, and capital through the removal of tariff and nontariff barriers, and restrictions and regulations affecting services and investment, trade facilitation, and transport connectivity, among other things. The AEC is envisioned to create a larger market with more trade and investment opportunities and more job opportunities that can help achieve inclusive growth,” Aldaba said.

She emphasized, however, that for the country to benefit from the AEC, the government should implement reforms to strengthen the institutional and regulatory environment and to implement industry upgrading and restructuring by producing highly competitive and profitable products. The Philippines should capitalize on its strong macroeconomic environment and address its weaknesses such as high power cost, poor infrastructure, smuggling, and weak industry competitiveness.

The importance of developing the country’s manufacturing sector was affirmed by Dr. Josef Yap. The former president of PIDS discussed the need to focus on the manufacturing sector to accelerate inclusive growth through the AEC. Yap said the high poverty incidence and low per capita income in the Philippines stemmed from the country’s failure to develop and strengthen its manufacturing sector despite the many reforms undertaken in the past as part of the trade liberalization programs. The Philippines did not develop its manufacturing industry to export goods where it has a comparative advantage. Yap said that the government should focus on the manufacturing sector and grab the opportunities presented by the AEC. “The manufacturing sector is important in reducing poverty because it can provide higher-paying jobs to less-educated workers and therefore can effectively address poverty reduction,” he argued.

Meanwhile, Dr. Adoracion Navarro, also a senior research fellow of PIDS, explained how improving infrastructure and logistics is crucial to economic integration. She gave updates on the current implementation status of the ASEAN Master Plan on Connectivity.

Completing the PIDS team of experts were Drs. Erlinda Medalla and Roehlano Briones, also research fellows of PIDS. Medalla discussed the trade policies that the Philippines had undertaken in the past decade and how to move forward beyond AEC 2015. Briones discussed how the free flow of investments under the AEC could potentially benefit the Philippine agricultural sector.

Caraga Region

Shortly after the forum in Davao, the same group of resource speakers from PIDS travelled to Butuan City to speak at the AEC forum on January 24 co-organized with the NEDA Caraga Regional Office and the Regional Development Council.

Dr. Rafaelita Aldaba highlighted the importance of regional consultations in helping the government “assess coordination failures and issues” and in formulating specific industry roadmaps. “The regional development plans may be updated and transformed into a roadmap similar to what the DTI is doing. This will provide the regional content or regional dimension to these roadmaps,” she said.

Dr. Erlinda Medalla dismissed the perceived negative impacts of ASEAN integration on local businesses. “The integration has been going on for a while and there is nothing to fear with the coming AEC in 2015. The economic integration is a work in progress.” She added that the AEC concept started a little over two decades ago and has already been a part of Philippine trade for some time.

Dr. Roehlano Briones echoed Medalla’s thoughts. “The potential losses from AEC must not be exaggerated and we actually have little to fear. The AEC is not a threat



Enhancing the capacities of the SMEs will boost local industries both in the cities and provinces and will benefit from the opportunities AEC offers. (Photo: Gizelle Manuel)

to be managed but an opportunity to be seized,” he added. He cited the country’s agricultural export-oriented sectors such as mango, banana, and pineapple as “integration ready”.

For the transport sector, Dr. Adoracion Navarro said four Philippine ports were considered in the study of the Japan International Cooperation Agency: Brooke’s Point in Palawan, Zamboanga City, General Santos City, and Davao City. “According to the MARINA [Maritime Industry Authority], one of the major factors considered is the port distance between countries. Although the Philippines has large ports capable of handling roll-on roll-off vessels (e.g., the Batangas Port and Cebu Port), these were just too far from the ports of other ASEAN countries, making them not economically viable to be part of the proposed network,” she said. Out of the four ports, the Davao City-General Santos connection was prioritized since it has the shortest distance from the neighboring ASEAN country port of Bitung, Indonesia, she said.

Ms. Mylah Faye Aurora Cariño, NEDA Caraga regional director, said the region should be able to “walk on the two legs of manufacturing and services”. She added

that to become more competitive, the region’s higher education sector should “ensure quality education to produce competent graduates”.

Western Visayas

On March 11, a group of experts from PIDS, headed by its president, Dr. Gilberto Llanto, served as resource speakers in a forum on AEC 2015 in Iloilo City hosted by the NEDA Region VI Office. Llanto gave an overview of AEC 2015 and explained how the Western Visayas region can strategically align itself in the ASEAN integration.

More than a hundred representatives from various sectors, such as state colleges and universities, government agencies, nongovernment organizations, and the private sector, attended the forum. Socioeconomic Planning Secretary and NEDA Director-General Arsenio Balisacan gave the keynote address. He presented the strategies and activities in the updated PDP that are related to the AEC. “The country can take advantage of the opportunities that the ASEAN integration offers,” he noted. He showed how the strategies in the PDP are integrated in the updated Regional Development Plans

within the context of achieving the national goal of inclusive growth and poverty reduction.

Dr. Roehlano Briones who was also present in the Iloilo forum talked about the potential impacts of the ASEAN integration on the agricultural sector and the factors that are affecting the sector's readiness to AEC. Better coordination of investments, better access to credit by farmers, improvement of the quality of agricultural products, and addressing price volatility issues are some of the measures that he recommended.

Dr. Rafaelita Aldaba shared her policy recommendations to gear up the country's small and medium enterprises for AEC 2015. Structural transformation is an important key toward a globally competitive manufacturing industry, she said.

Dr. Adoracion Navarro presented ways on how to improve infrastructure and logistics operations in the country and how crucial these are to the upcoming ASEAN integration.

Concerns and ideas on how to place the region's industries strategically within the AEC were raised by the participants during the open forum.

Bicol Region

On November 4, PIDS partnered with the NEDA Region V Office and the RDC to gather various stakeholders for the year's last AEC forum which was held in Legazpi City.

Albay Governor Joey Salceda welcomed the participants to the forum. He said the AEC is geared for both domestic and national integration and encouraged the business community to remain upbeat and vigilant at the same time. "The AEC is an opportunity for the country to engage with and challenge other countries in terms of competencies," he said. The governor reminded the business leaders that the AEC is a call for all to strengthen

and complement each other and not a call for internal competition. "We must compete with our ASEAN counterparts not with our neighboring provinces." He added that local businesses must be complementary to effectively compete in the business chain and make Philippine products and services stand out from their competitors.

Ms. Fatima del Prado, PIDS supervising research specialist, also stressed the need for complementation rather than competition among business leaders. "There is a difference between complementation and competition. While it is a business practice to compete with each other, we must be complementary in such a way that we supply the needs of each other to produce that unique Filipino product that can compete in the ASEAN market," she said.

She also allayed fears about the somewhat apocalyptic impressions of the coming AEC integration. "The AEC is not like the Y2K virus," she said, referring to the paranoia over the effect of the new millennium to the worldwide computing system. "The effects of the AEC are already here. Tariffs are already low. This is one of the benefits of the AEC," she said.

Dr. Adora Navarro supported del Prado's observation. She said that among the tangible effects of the AEC is the liberalization of the transport industry. "The transport industry now is more liberalized than it was before. Airfares are much more competitive now," she said.

She emphasized, however, that in terms of infrastructure, the country is still lagging behind its ASEAN neighbors. She cited the irony of a more robust tourism industry spurred by a liberalized air transport industry which is being held down by poor public transport infrastructure. "Unfortunately, we still have airports that do not have night-landing capabilities."

She re-echoed the need for the country to be more aggressive in financing various infrastructure projects to lure more foreign

investors. "We are not as aggressive as Singapore in developing the country as a hub for infrastructure activities." She advised business leaders that by thinking regionally and globally, the Philippines has a better chance of becoming more attractive to foreign investors. "If Singapore, which is way smaller than the Philippines, has done it, we can do it, too."

She added that even without the country's commitments to the ASEAN integration, it is our moral obligation to the Filipino people to give them the best possible products and services. "With or without the AEC, we need to be competitive for the benefit of the Filipino consumers."

Dr. Georgina Bordado, president of the Central Bicol State University for Agriculture, said the liberalization of the jobs market in the ASEAN region under the AEC should be seen by the academe as a "beautiful opening" for the rich talent pool of the Philippines to compete with its neighbors. "For us in the academe, it [AEC] gives us the opportunity to enhance the capabilities of our personnel and at the same time to better serve our country and our people," she said.

Local business executives present in the forum agreed that a more "regionally tailored" AEC plan is needed to effectively identify the key competencies of the Bicol region in agriculture, tourism, and services, and what needs to be done to enhance the region's competitiveness.

The series of AEC fora conducted nationwide in 2014 is a tangible reflection of the NEDA-PIDS-RDC partnership for public engagement. It successfully brought the AEC closer to the regional business leaders, thus clarifying myths about AEC and highlighting facts such as the opportunities and gains that can be seized from the ASEAN integration. The active engagement of local stakeholders underscores the importance of developing buy-in and collaboration down to the grassroots level to generate strong national support to a regional agenda like the AEC. *RFL, JIT, GGM, KCO, SVS*

Scholarship program for the poor needs to finetune selection process

GRANTING FINANCIAL AID to poor but deserving students to enroll in college is not enough. Government must help ensure these grantees finish their education through a proper selection process.

These were the recommendations presented by a study released by state think tank Philippine Institute for Development Studies (PIDS).

Authored by PIDS consultant Denise Valerie Silfverberg, the study “How should income-based grantees in tertiary education be chosen?” is a preliminary review of the Students Grants-In-Aid Program for Poverty Alleviation (SGP-PA) of the Commission on Higher Education (CHED) and the Department of Social Welfare and Development (DSWD).

As a “form of affirmative action”, SGP-PA provides financially constrained but deserving students the opportunity to obtain college degrees and “break the cycle of poverty”. A related PIDS study published in 2013 found that the higher a person’s educational attainment, the better are his chances to get employed and earn higher wages.

CHED and DSWD plan to expand the number of the program’s recipients to 36,000 from the current 4,000 in the current academic year. Since the program was first implemented in AY 2012–2013, CHED selected the SGP-PA candidates from the DSWD’s list of *Pantawid Pamilyang Pilipino* Program



PIDS Consultant Denise Valerie Silfverberg. (PIDS File Photo)

(4Ps) households. Selection was based on the following criteria: the candidates must be 16–30 years old; have completed high school; are not receiving a scholarship, grant, or funding; and must come from households who do not have any other college graduate.

The complex challenges to the SGP-PA’s success became more obvious when the selection process was put under the discretion of the state universities and colleges (SUCs).

By looking at the selection and implementation stages of the program, and analyzing available data from two SUCs, Don Mariano Marcos Memorial State University (DMMSU) and Mindanao University of Science and

Technology (MUST), Silfverberg identified some problems and provided possible interventions to fine-tune the program.

For example, having different policies to accommodate the program contributed to the variations in the SGP-PA’s success rate. “The SUCs implementing the SGP-PA were requested to waive the entrance exams and accommodate the potential beneficiaries identified in their area. DMMSU heeded this request but MUST enforced its admission process, albeit lowering the passing grade a little for the grantees,” she noted.

Comparisons between the household characteristics of grant recipients and ordinary tertiary students clearly reveal that the grantees were disadvantaged. These setbacks often affected the grantees’ abilities to perform well and finish their schooling.

Thus, it is essential, she says, that SUCs incorporate indicators such as admissions exams, social adaptation, and strategies to help grantees gain a developmental approach to their education.

“Between DMMSU and MUST, the latter proved more persistent when it came to intervening in several aspects of the grantees’ student life. MUST provided avenues for socialization, and helped induce improved academic performance through assigned student tutoring and by

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PIDS continues forum series at the House of Representatives

STATE THINK TANK Philippine Institute for Development Studies (PIDS), in partnership with the Congressional Policy and Budget Research Department (CPBRD), directly informs policymakers on key economic issues through its Legislators Forum Series conducted at the House of Representatives.

This series brings together members of the lower chamber, staff of various congressional committees, representatives of government agencies and nongovernment organizations, faculty members of academic institutions, and members of the media, to discuss the findings of various studies conducted by PIDS.

In 2014, the PIDS-CPBRD partnership produced four seminars. Three of these seminars featured the evaluation studies commissioned to PIDS by the Department of Budget and Management (DBM) in support of the zero-based budgeting approach. The fourth and last seminar tackled an in-house study on the effects of the minimum wage policy.

Quick response funds

On July 2, PIDS supervising research specialist Sonny Domingo presented the results of his assessment of the “Quick Response Funds (QRFs) and Disaster Risk Reduction Management Resources in the Department of National Defense and Various Departments”.

The seminar attendees included representatives of the National Disaster

Risk Reduction and Management Council (NDRRMC), Office of the Civil Defense (OCD), Department of Social Welfare and Development (DSWD), Department of Public Works and Highways (DPWH), and Commission on Audit (COA); district representatives and their staff; and technical staff of various committees of the House of Representatives and the Senate.

QRFs are “built-in budgetary allocations that represent pre-disaster or standby funds for agencies to immediately assist areas stricken by catastrophes and crises” (<http://www.dbm.gov.ph>). Using the QRFs does not require the recommendation of the NDRRMC or the approval of the Office of the President. Prior to 2012, the QRF was treated as a lump-sum fund, the release of which was subject to the president’s approval.

Domingo observed that the National Disaster Risk Reduction and Management Plan is implemented by different agencies whose primary mandates are not disaster response. He noted that the implementing agencies rely on their current pool of assets when responding to calamities (e.g., aircraft, bulldozers, schools/classrooms).

He noted that the one-year validity of the QRF’s appropriation is counterproductive because for the past three years, disasters happened in the last quarter especially in the months of November and December. This is the time of the calendar year when the QRF financial reports would have to be completed. “This partly explains the low utilization [of the funds] by

the Department of National Defense and the Office of Civil Defense for the period 2008-2010. The COA reports also showed inadequacies in planning and implementation that resulted to funding delays,” Domingo said.

Further complicating the issue is that the QRF cannot be used for predisaster purchases that could assist the communities in preparing for disasters.

Congressman Pryde Henry Teves of the third district of Negros Oriental asked if audit requirements for disaster-related expenses can be made more flexible. COA representatives in attendance said a memorandum circular on the use of QRF has already been issued by the Commission. The congressman also suggested the concept of “twinning” of local government units (LGUs) whereby a twin LGU will be responsible for relief operations in the event its twin LGU needs disaster relief or assistance. The Office of Civil Defense officer in attendance confirmed that twinning is allowed and that funds can be pooled by the twin LGUs.

Government interventions for job generation

The next forum which was held on July 9 dealt with the “Study of Government Interventions for Employment Generation in the Private Sector”. Conducted by PIDS senior research fellows Marife Ballesteros and Danilo Israel, the study was aimed at reviewing the employment facilitation programs of the national government.



The authors noted that the country's recent economic growth has not been accompanied by significant improvements in employment. "The faster growth in the Philippine economy has not led to more jobs as unemployment remained unchanged, while underemployment continued to be high," Ballesteros said.

The government's response was to implement the Active Labor Market Programs (ALMP), one of the strategies to improve the employability of skilled, semi-skilled, and low-skilled workers in various projects of national government agencies, local government units, government-owned and -controlled corporations, government financial institutions, and public-private partnerships in the national, regional, provincial, city, and municipal levels. "ALMPs have been adopted as stop-gap measures to address the adverse effects of economic crises on employment," Ballesteros said.

Israel said the "employment performance of ALMPs of government agencies appears transitory and short term". He added that although some programs exceeded the employment targets, it is not clear how these can be translated at the macro level. "The programs are apparently intended to address other social issues such as poverty reduction, social/human development or community development," he said, but added that they cannot be cited "for providing net employment impact".

Israel highlighted the need for a comprehensive methodology to assess the overall impact of ALMPs. Funding and personnel for project monitoring, evaluation, and impact assessment should be part of the implementing agencies' work program, he said.

Review of programs offered by SUCs

The third forum held on July 22 discussed the results of the study "Review and

Assessment of Programs Offered by State Universities and Colleges" authored by PIDS Senior Research Fellow Rosario Manasan and PIDS Supervising Research Specialist Danileen Kristel Parel.

Manasan and Parel evaluated the programs offered by state universities and colleges (SUCs) in relation to their mandates, the quality of their graduates, and other programs offered by other SUCs and private higher education institutions (PHEIs) in each region.

Manasan took note of the broad mandate of SUCs in their charter resulting in duplications in the programs offered by SUCs and PHEIs in the same region. Average program duplication rate stood at 56 percent. SUCs in Region VII posted the highest duplication rates (86%–90% on programs; 96%–99% on total enrollment) while those in the Autonomous Region in Muslim Mindanao (ARMM) registered the lowest duplication rates (69%–71% on programs; 82%–86% on total enrollment).

Program duplication is an important budget consideration according to Manasan. In a 2011 study she authored, Manasan noted that an increase in the number of programs drives up per student cost in SUCs. This is because SUCs rarely close down programs even if the number of enrollees is diminishing through time. Given that the number of personnel and other associated overhead costs remains the same as opposed to a lesser number of students enrolling and graduating, SUCs end up spending more. In spite of all these, SUCs continue to offer these programs.

Another critical issue the study revealed is the prevalence of SUCs and PHEIs that continue to offer programs with zero



Residents affected by typhoon Haiyan (Yolanda) carry on with their daily activities after Typhoon Haiyan destroyed lives, livelihoods, and property in Tacloban City. (Photo © Dominic Chavez/World Bank Photo Collection)

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PIDS trains NEDA regional staff on impact evaluation methods

“IMPACT EVALUATION is currently the hot topic of the day,” remarked Philippine Institute for Development Studies (PIDS) President Gilberto Llanto as he closed the Impact Evaluation Training on November 13, following a four-day workshop for representatives of the National Economic and Development Authority (NEDA) from Regions 5, 8, and 9. It is the third in the series of impact evaluation (IE) workshops organized by PIDS in 2014 to promote the use of IE in enhancing evidence-based policymaking.

Government interventions need to be measured for their effectiveness to make policymakers and leaders accountable for their proposed policies, projects, strategies, and programs. IE is one method to put government action on the scales.

“We keep hearing about evidence-based policies,” explained Dr. Llanto. “We need to produce more evidence. That is the default now in the minds of oversight agencies. This training is PIDS’ step toward helping an oversight agency like the NEDA in attaining said standard.”

Dr. Aniceto C. Orbeta Jr. and Dr. Jose Ramon G. Albert, senior research fellows at PIDS, and Ms. Arnelyn May Abdon, researcher at the Department of Social Welfare and Development and

former economics officer at the Asian Development Bank (ADB), made up the roster of trainers. They gave lectures on different IE methods with practical examples and conducted hands-on exercises in designing evaluation systems for projects, programs, policies, and other forms of intervention.¹

Report card

Ms. Jasmin Zantua, senior economic development specialist of NEDA Region 5, had attended previous IE workshops hosted by PIDS, including the “Making Impact Evaluation Matter: Better Evidence for Effective Policies and Program” conference at the ADB headquarters last September. She said this was the first time she came with a whole team representing the Bicol region.

Bicol has been making heavy strides in its long race to become the Most Livable Region by 2016. Four major development goals are emphasized in its Regional Development Plan: provision of basic needs, promotion of economic growth, investment in infrastructure, and sustaining development.²

According to a report by the National Statistical Coordination Board, Bicol was the fastest growing economy in

2013, expanding by 9.4 percent.³ Much of the leap was made by the service sector, followed by agriculture and manufacturing. In terms of gross value added, the service sector grew at 11 percent while industry and agriculture grew at 10.8 and 4.5 percent, respectively. Among the service sectors, tourism was the major contributor.⁴ A record 3.5 million people visited Bicol last year, following several projects to revitalize tourism.

The Albay-Masbate-Sorsogon Tourism Alliance or ALMASOR, for example, is a Tourism Development Area⁵ designed to revitalize the tourism industry. Bicol plans to capitalize on its stunning natural and manmade destinations. ALMASOR intends to spur the region’s tourism potential through an integrated promotion approach that highlights the three provinces’ “shared history and culture.”⁶

Zantua said Bicol needs to boost the economic performance of its agriculture sector, which is still the main source of livelihood of many residents. Bicol remains an agricultural region, famous for its abaca and pili. The regional government intends to transform the region’s natural attributes into a growth asset. Along with other plans to develop the region, Bicol needs to address environmental issues like

¹ Paraphrased from the Training Design prepared for the Impact Evaluation Training, November 10–13, 2014, by Philippine Institute for Development Studies and the workshop trainers, Dr. Aniceto C. Orbeta, Jr., Dr. Jose Ramon G. Albert, and Ms. Arnelyn May Abdon.

² NEDA Region V. Bicol Updated Regional Development Plan.

³ National Statistical Coordination Board, Press release: Bicol region records fastest economic growth in 2013. Posted July 31, 2014. <http://www.nscb.gov.ph/ru5/statnews/grdp.html>. Accessed November 17, 2014.

⁴ <http://www.nscb.gov.ph/ru5/statnews/grdp.html>

⁵ Foreword, “Soul of the South”, a coffee table book on ALMASOR Alliance, prepared by the Provincial Government of Albay. <http://albay.gov.ph/wp-content/uploads/2014/06/almasor-2nd-ed-gov-salceda-foreword.jpg>. Accessed December 3, 2014.

⁶ “Foreword, “Soul of the South”, Provincial Government of Albay.



illegal fishing, destruction of coral reefs, and deforestation.

Bicol's industry sector, which expanded at a much lower rate in 2013 than in the previous year (10.8% vs 14.6%), could be expected to rise with continued massive infrastructure spending.

The Bicol Regional Development Council identified infrastructure connectivity as a fundamental development step toward achieving the region's goals.

Increased accessibility and mobility from building airports and highways not only benefited the tourism sector, but also simultaneously opened pathways to improving trade, movement of goods and services, and distribution of basic needs like energy and health care.

Grading system

Zantua remarked that the IE training modules can be made more relevant by incorporating techniques to evaluate the impact of infrastructure projects. Most of the methods are applicable for assessing social interventions.

Directly identifying the social and economic effects of infrastructure development projects would help the Regional Development Councils (RDCs) make timely adjustments to their agenda. For example, if the ALMASOR project proved vital to raising the incomes of local communities, how can its infrastructure components be replicated in other areas and still be further optimized?

Currently, the Bicol Regional Development Council employs as its grading system a combination of the Projection Implementation and



NEDA regional staff undergo a four-day hands-on Impact Evaluation Training at the Romulo Hall of the NEDA sa Makati Bldg. This is the third in the series of IE workshops organized by PIDS in 2014. (Photo: Gizelle Manuel)

Monitoring System (PIMS) and the Regional Project Monitoring and Evaluation System (RPMEs).⁷

The results and analyses published in the Regional Development Plan monitor regional development projects, programs, and policies.

Zantua said this is where the skills acquired by the team from the IE workshop will matter most. The RDC, she explained, would now be able to evaluate early on whether an intervention will yield the results they want or not.

“Will this work? If it does, impact evaluation can help us determine whether and how we should scale it up,” she said. The IE methods they learned can help them make better funding decisions and program designs.

Zantua said Bicol needs projects that are unique to the region. Interventions are often handed down by the national government.

The IE workshop has helped to capacitate Bicol's development council and the other NEDA representatives who attended by imparting the knowledge and skill needed to scrutinize their region's development trajectory. But as Llanto noted in his closing remarks, “This is just the start.” The national government should promote similar IE capacity-building skills across all government agencies.

The nation has much to gain if development workers and monitoring and evaluation practitioners learn to better analyze the impact of development interventions, identify areas for improvement, and use the opportunity to design projects that are most suited to the needs and contexts of their intended partner-beneficiaries.

Dr. Anindya Chaudhuri, senior economist of the Global Development Network, also attended the event and gave updates on the global research network's programs and activities. *MHB, RFL*

⁷ Regional Project Monitoring Committee Report, Fourth Quarter, 2014. <http://nro5.neda.gov.ph/rpmc-accomplishment-reports/>. Accessed December 4, 2014.

Scholarships... from p. 9

waiving summer school fees for grantees to retake failed subjects. Meanwhile, DMMMSU enforced a buddy system and likewise offered counseling,” explains Silfverberg.

The figures of grantees that dropped out of their college programs so far revealed the limits and complex challenges of the SGP-PA program. One reason, which is within the control of CHED and the SUCs, included the consequence of financial difficulties due to the fact that grantees did not receive their stipends on time.

Other reasons for dropping out were not related to academics, Silfverberg notes, such as pregnancy, health issues, family obligations, behavioral issues, and homesickness. Meanwhile, 30 percent of grantees dropped out because they were uninterested or preferred to work.

Silfverberg recommends that CHED and DSWD refine their selection process and focus their efforts on finding candidate grantees that fit their initial criteria and who, at the same time, have the interest and ability to finish their education. “The best available tool for gauging this would be admission exams,” she said.

A more intensive and detailed information campaign of the availability of SGP-PA is also recommended. Those who are committed in sincerely obtaining tertiary education would avail of the program, which would improve the process of selection instead of scouting candidates from 4Ps beneficiaries.

She also recommends that SUCs take into consideration the cultural challenges experienced by the grantees when designing intervention programs. “These interventions

are necessary for the program objectives to be met. Grantees have to be well-adjusted academically, which would then lead to a considerably higher likelihood of completing tertiary education,” she concludes. **MHB**

HOR forum series... from p. 11

passing rates in many professional board exams for at least three consecutive years during the period 2004–2011.

Among the study’s recommendations is the need for the Commission on Higher Education to vigorously enforce its policy of closing down programs when their performance is below par year after year. The normative funding formula should also be adjusted so that SUCs do not get an additional subsidy from the national government for the additional enrollment resulting from offering popular programs. The study also emphasized uplifting the overall quality of instruction through faculty development and facilities upgrading.

The JEDI initiative

The final seminar for 2014 held on October 22 is the presentation of the PIDS in-house study “Jobs Expansion and Development Initiative” by Senior Research Fellow Aniceto Orbeta, Visiting Research Fellow Vicente Paqueo, and PIDS consultant Leonardo Lanzona. The authors asserted that the minimum wage policy is detrimental to the common man and the disadvantaged.

Citing empirical evidence from their study, the authors noted that a rise in minimum wage results in lower household income by 20 percent and reduces the demand for workers in small firms. Lanzona explained that increasing

the minimum wage raises the operational cost of firms, which may force the small firms to reduce their workforce or to stop operating. Increases in minimum wage also hinder small firms to expand.

To address the perennial issues of unemployment and underemployment in the country, Paqueo stressed the importance of expanding gainful jobs in the manufacturing sector and greater investments in education and workers’ training. These recommendations form part of their 12-point strategy called Jobs Expansion and Development Initiative or JEDI.

At the open forum, representatives of the National Wages and Productivity Commission cautioned against the study’s recommendation to allow companies to hire unskilled workers who voluntarily opt out from the minimum wage. They argued that this practice can lead to abuse. They also raised concerns over the study’s recommendation to provide cash grants and other subsidies to poor families.

Paqueo suggested conducting a pilot test to determine the consequences of the JEDI recommendations.

Romulo Miral Jr., OIC-director general of the CPBRD, stressed the importance of the PIDS-CPBRD Legislators Forum Series. “It brings together stakeholders from various sectors of society to discuss, dialogue, and exchange ideas on how to improve the condition of the common Filipino,” Miral said.

PIDS President Gilberto Llanto said that partnering with CPBRD to disseminate the results of PIDS studies shows the resolve of the Institute to make policy research relevant to the policymaking process. **RFL, SVS**



Research Digests

Policy Notes 2014-18

The Need (or Not) for Fiscal Incentives

by *Rosario G. Manasan and Danileen Kristel C. Parel*

Fiscal incentives are one of the instruments in a country's development and investment promotion strategies. In the Philippines, the bill on the rationalization of fiscal incentives for investments to further shore up government collections has been certified as a priority measure of the Aquino administration. This bill aims to rationalize fiscal incentives across industries to improve transparency, further bolster revenues, and level the playing field. This *Policy Note* examines two Senate bills being proposed to provide significant improvements to the current fiscal incentive regime in the country.

Policy Notes 2014-21

Establishing the Linkages between Human Resource Development and Inclusive Growth

by *Tereso S. Tullao, Jr., Christopher James Cabuay, and Daniel Hofleña*

The 21-member economies of the Asia-Pacific Economic Cooperation (APEC) have different levels of economic development and, in turn, differentiated stages of human resource development. Given this asymmetry, the benefits of complementation and learning from the experiences of economies that have achieved a certain degree of inclusive growth are worth exploring. This initiative can provide avenues for addressing the development gaps within the Asia-Pacific region, which can contribute to achieving inclusive growth. This *Policy Note* is an output of a research project on APEC 2015 commissioned by the Department of Foreign Affairs to the Philippine Institute for Development Studies. It discusses the linkages between human resource development and inclusive growth. It also

provides policy recommendations on possible cooperative measures in human resource development for APEC member-economies.

Policy Notes 2014-22

Why Global Value Chains and Services Matter: Implication for APEC 2015

by *Ramonette B. Serafica*

Hosting the Asia-Pacific Economic Cooperation (APEC) 2015 provides an opportunity for the Philippines to advance its economic interests in services trade and contribute to regional integration by highlighting the critical importance of global value chains (GVCs). An output of a research project on APEC 2015 commissioned by the Department of Foreign Affairs to the Philippine Institute for Development Studies, this *Policy Note* looks at the GVC phenomenon and presents a measure of GVC participation at the aggregate level. It discusses the role of services in GVCs and proposes that further analytical work on services value chains in the Asia-Pacific region be undertaken. This will contribute to a better understanding of how individual economies can maximize GVC participation and how APEC can create the appropriate policy environment conducive to the growth of services value chains.

Discussion Paper 2014-37

Scrutinizing Urbanization Challenges in the Philippines through the Infrastructure Lens

by *Adoracion M. Navarro*

Managing urban growth in countries requires that leaders plan ahead using national physical plans that, among others, safeguard land for utilities and physical infrastructure decades ahead, deliberately configures transport networks to induce factor mobility, and actively targets the removal of slums and

urban renewal. Given this, it appears that Philippine urban development planning and implementation have overly focused on housing and neglected other types of physical infrastructure. Moreover, the urban development plans of local government units are fragmented and lack complementarity. This paper traces the roots of this state of affairs, proposes alternative ways of responding to the urbanization challenges in the Philippines, and discusses how regional cooperation among ASEAN Plus Three countries can help countries like the Philippines respond to urbanization challenges.

Discussion Paper 2014-38

Community Governance for Disaster Recovery and Resilience: Four Case Studies in the Philippines

by *Ebinezer R. Florano*

This research aims to investigate the role of communities in disaster recovery and in building resilience to answer the questions: "What is the role of community in the disaster recovery process? What roles do various stakeholders play in community-led disaster recovery? Is community-based disaster recovery affected by exposure to hazards and disasters, or by the community's level of socioeconomic development?" To answer these questions, five hypotheses were tested in the 12 barangays of Tacloban, Iligan, Dagupan, and Marikina cities. The cases were investigated by reviewing their documents, interviewing city government officials, and conducting focus group discussions involving barangay officials and residents. These were all conducted with the use of unstructured questionnaires and checklists for the Disaster-Resilient Community Index, which was used to compute the level of resilience of the barangays.



Editor's... from p. 1



the country, underscored that these design flaws have been documented since the 1980s. Sad to say, they were not properly addressed over the years in spite of the availability of modern equipment and facilities that can assist irrigation engineers and planners in making more accurate technical calculations.

As 2015 draws near, the Institute has intensified knowledge dissemination on the ASEAN Economic Community (AEC). Aside from releasing a special issue on AEC 2015 in the *Philippine Journal of Development*, its technical, peer-reviewed journal, PIDS also partnered with four regional offices of the National Economic and Development Authority (NEDA) and the Regional Development Councils in holding AEC fora in the cities

of Davao, Butuan, Iloilo, and Legaspi, the details of which are also presented in this issue.

The year was also marked by the Institute's continuing partnership with the Congressional Planning and Budget Research Department (CPBRD) in bringing the Legislators Forum Series to the House of Representatives. The PIDS-CPBRD seminar collaboration, which started in the late 1990s, yielded four well-attended fora in 2014, three of which featured the results of studies conducted by PIDS in support of the zero-based budgeting approach of the Department of Budget and Management (DBM).

As part of its mandate to promote evidence-based policymaking, the

Institute also rolled out a major research project during the year on conducting process evaluation and impact evaluation (IE) of key government programs. The PHP 300-million project funded by the General Appropriations Act and initiated by the NEDA and DBM aims to strengthen the Aquino Administration's reform agenda. The studies will help government determine what interventions and strategies work or need to be fine-tuned or stopped. The research project includes a capacity-building component on IE tools and methods for NEDA and DBM staff. The Institute conducted three IE workshops in 2014, which were all well attended by central and regional personnel of the two oversight agencies.



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