

STRUCTURAL POLICY
COUNTRY NOTES

Philippines



Philippines

A. Medium-term economic outlook (forecast, 2013-17 average):

GDP growth (percentage change):	5.5
Current account balance (% of GDP):	2.7
Fiscal balance (% of GDP):	-1.7

B. Medium-term plan

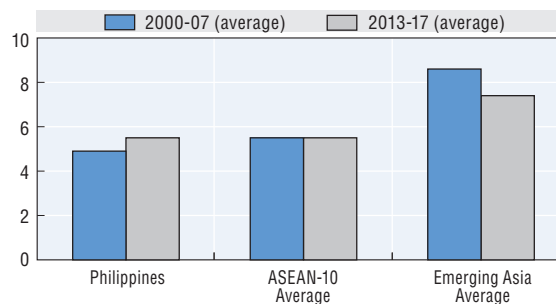
Period:	2011-16
Theme:	In pursuit of inclusive growth

C. Basic data (in 2011)

Total population:	96 million*
Population of Manila:	11.9 million (in 2010)
GDP per capita at PPP:	4 073 (current USD)

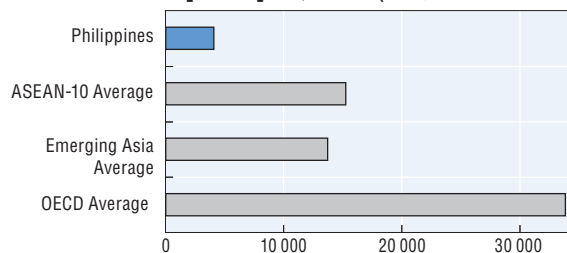
Note: *Total population data for 2011 are an estimate.
Sources: OECD Development Centre, MPF-2013, national sources and IMF.

GDP growth rates (percentage change)



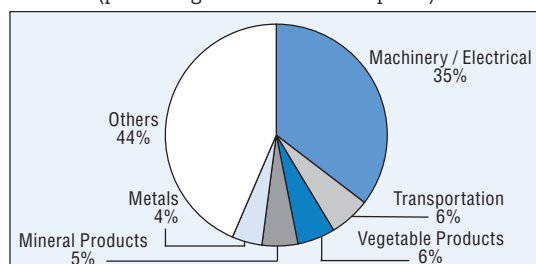
Source: OECD Development Centre, MPF-2013.

GDP per capita, 2011 (PPP, current USD)



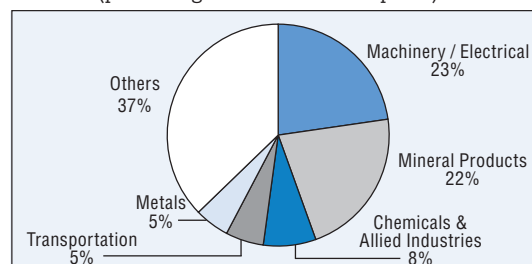
Source: IMF and national sources.

Composition of exports in 2011 (percentage share of total exports)



Source: Trademap.

Composition of imports in 2011 (percentage share of total imports)



The major policy challenge the Philippines faces in its Medium-Term Development Plan is improving its infrastructure, access to education and development resources, and ensuring jobs for all. Both road transport and power are critical to a more closely integrated Philippine economy, helping to attract widely dispersed private-sector investment. Increasing secondary enrolment and improving the standards of teachers and pupils are vital reforms, without which there can be no human and economic development or job creation. Establishment of appropriate job creation strategies is vital for the Philippines.

Philippines' medium-term policy challenges and responses

- Improve road transport, power and energy infrastructure and strengthen public and private investment
- Focus sharply on job creation strategies
- Improve access to quality education and training by strengthening the K+12 programme

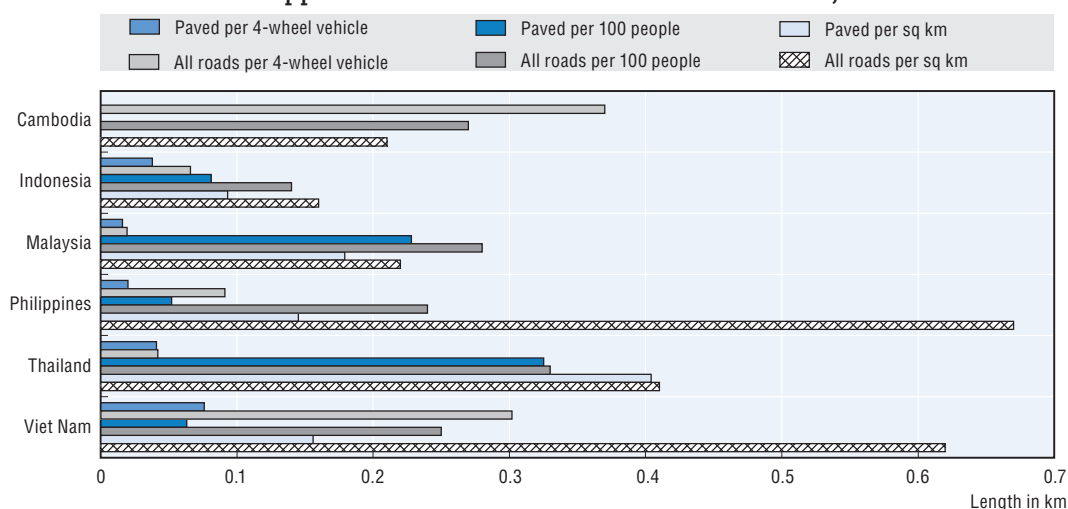
POLICY FOCUS

Improve road transport, power and energy infrastructure and strengthen public and private investment

More and better road networks key to rekindling the economy...


Infrastructure is a critical enabler of economic development of the Philippines. However, the Philippines lags behind other countries in Southeast Asia in quality infrastructure.¹ Its road network, to take that example again, is one of the longest, yet it is also of poor quality and thus unable to provide connectivity and efficiency in the delivery of goods. The Philippines also has the highest road density (number of kilometres of road for every square kilometre of land), but fewer kilometres of paved road per 100 people than Indonesia, Malaysia, Thailand and Viet Nam. (Data for Cambodia are too limited for comparability). Figure 2.4.1 compares road network coverage in Southeast Asian countries.

Figure 2.4.1. Road network coverage in the Philippines and other Southeast Asian countries, 2003-04



Notes: Total length is for 2003-04 for all countries. Paved length data for Indonesia are for year 2002, Viet Nam for 1998, and for all other countries for 2003. Paved length data for Cambodia are not available.

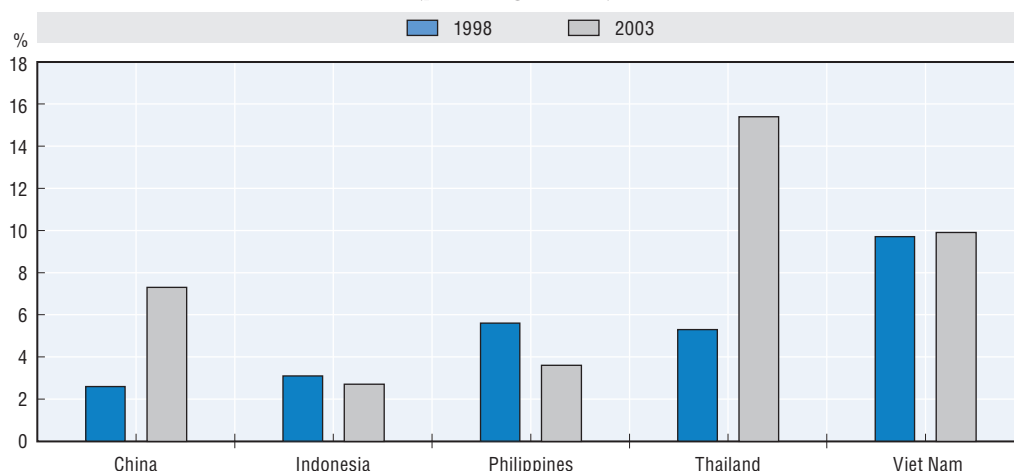
Source: World Bank, Philippines Meeting Infrastructure Challenges, and WDI.

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The data show that the Philippines are committed to building roads, but without matching their quantity with quality. Of the total road network, only 21.7% is paved (asphalt and concrete), which compares poorly to Indonesia's 57.6% and Thailand's 97.1%.² The 2011 data from the country's infrastructure agency (Department of Public Works and Highways) show a higher proportion, 43.7%, of the road network is paved (which excludes those classified as paved but in poor or bad condition). The department's data also consider only the country's primary and secondary national roads which account for slightly over 10% of the overall road network (for the comparable data shown in Figure 2.4.1 above). Given that the overall average stands at 21.7%, local roads are clearly less paved and poorly maintained.

Infrastructure is the outcome of public and private investments in infrastructure facilities in the same way as economic growth is partly driven by gross domestic capital formation. The percentage of infrastructure expenditure to gross domestic product (GDP) captures the extent of the Philippines investment in building road networks. Figure 2.4.2 shows the country's total expenditure on infrastructure, along with comparable data for China, Indonesia, Thailand and Viet Nam between 1998 and 2003.

Figure 2.4.2. Infrastructure expenditure in the Philippines and other Southeast Asian countries, 1998-2003
(percentage of GDP)

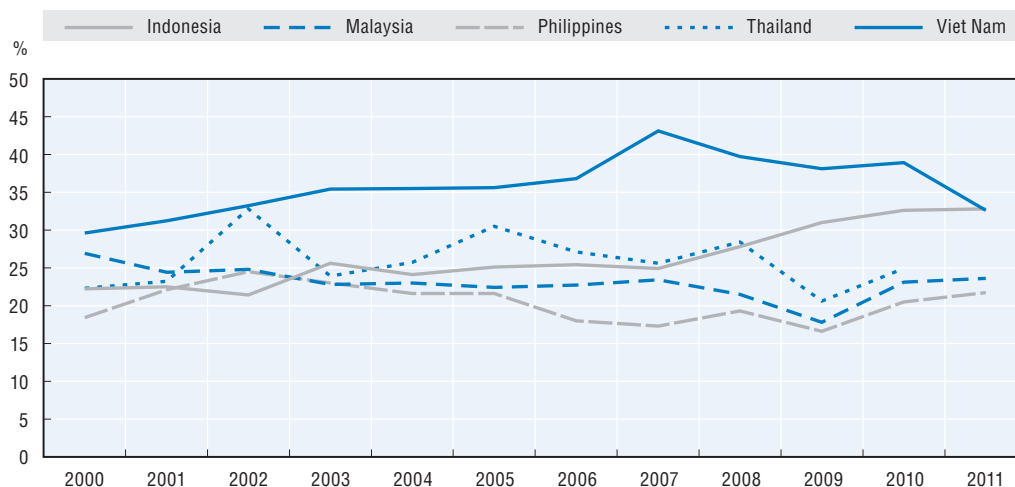


Source: World Bank.

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Infrastructure expenditure as a share of the Philippines' GDP declined from 5.6% in 1998 to 3.6% in 2003, while other countries, especially China and Thailand (whose 2003 expenditure nearly tripled their 1998 figure), managed to increase theirs. So the fall in the Philippines' spending was actually a relative decline.³ Figure 2.4.3 shows the investment ratio of the Philippines at aggregate level from 2000 to 2011 in comparison with other countries. Its ratio (defined as the share of gross domestic capital formation in current US dollars to GDP in current US dollars) is actually the lowest during the 12-year time series (with the exception of Indonesia in 2002). Investment rates hardly exceeded 20% in most years, while other countries exceeded 25% despite the dip in 2009 associated with the global financial crisis. Lethargic investment, coupled with inadequate infrastructure expenditure, partly explain the country's low growth rate.

Figure 2.4.3. Investment rates in the Philippines and other Southeast Asian countries
(percentage of GDP)



Source: ADB Key Indicators (2012a).

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Going back another decade does not change the overall low investment rate in the Philippines. It only highlights an underlying constraint and policy challenge. Unlike other countries in Asia – or the selected countries in Figures 2.4.1, 2.4.2, and 2.4.3 with the exception of Indonesia – the Philippines is an archipelago with many inhabited islands that is more than 1 800 kilometres long. Although the largest three island groups (Luzon, Visayas and Mindanao) make up most of the country, its aggregate growth is not as evenly distributed as it might be if the islands were more contiguous. One part of the country lies along the path of Pacific storms, while its southern part is drier – a configuration that requires varied infrastructure provisions. Fostering more inclusive growth becomes a more formidable task than those faced by Thailand, Viet Nam or even Indonesia.⁴

Infrastructure encompasses more than roads – it includes power and energy, water resources, flood and drainage management, sewerage and sanitation, telecommunications, and digital infrastructure. With the country scattered across 16 administrative regions,⁵ the distribution of infrastructure resources tends to be uneven. While it is not possible to examine them in detail, the impacts of their inequalities suggest some policy responses towards more inclusiveness. This policy challenge considers the most important types of infrastructure.

The pattern of gross regional domestic product (GRDP) in the Philippines has always showed a bias towards the National Capital Region, which accounted for 35% of GRDP in 2011, followed by Southern Luzon with 17%, and Central Luzon with 9%.⁶ These three regions thus account for more than 60% of the country's annual output and, when the remaining regions in the main island group are added, their share rises to more than 70%. The GRDP figures should be set against regions' areas: Luzon represents 47% of the Philippines' land area, followed by Mindanao with 34% and Visayas with 19%. The right way to examine the validity of the GRDP bias is to relate it to the regions' resources.

Road transport is only one of four modes of transport that can connect different parts of the archipelago. Without dwelling on the air, rail and sea systems it is important

to point out their development and policy challenges. Sea-going transport is essential for connecting island groups to inter- and multi-modal transport system. In addition to the primary and secondary highways that underlie road connections, the country's transport infrastructure embarked on its nautical highway through roll-on/roll-off terminals that link the major island groups where some 22 ports have been built or rehabilitated. These are reported to have reduced travel time by 12 hours and transport costs by between 24% and 43% (NEDA, 2010). The extension of existing expressways in the north and south of Manila has opened up transport arteries to more provinces in Region 3 (Central Luzon) and Region 4 (Southern Luzon). On the other hand, the government's transport objective of separating the operations and regulatory functions of transport agencies remains to be achieved, especially in the rail and ports networks.

The infrastructure policy agenda remains essentially nationwide – the need for better project preparation, execution and monitoring to avoid delays; the integration of local and national plans to reduce the gaps in transport network, which includes building local government capacity to finance and manage local projects, particularly roads; the design of a transport policy framework; and the associated institutional structure for all of the above. Yet what the agenda fails to address directly is how to achieve greater inclusiveness in infrastructure and redress the apparent inequality in access and inequity in growth which characterise archipelagic Philippines. While it is obvious that attention to this array of policy issues would eventually impact on inclusiveness, it is also important to face the pressing matter of more even regional development.

Infrastructure development in the power and energy sector is key

Power and energy are a form of infrastructure that impinges on economic growth. Their availability and lack thereof impact the effectiveness of transport and related infrastructure.⁷ And where there are location differences in sources and use, they may affect the country's goal of more inclusive growth.

The Philippines experienced its worst power crisis in the early 1990s, which it took the country two years to address – through emergency powers to the President, government restructuring (which created the Department of Energy), comprehensive legislation to restructure the energy sector through the Electric Power Industry Reform Act (EPIRA) that only came into force later, and separate laws to encourage private sector participation (build-operate-transfer laws). There is both government and independent analysis of the country's power and energy sector (e.g. NEDA, 2004; Del Mundo and Espos, 2011) which need no further summary. Suffice it to say that assessments seem to concur that the various measures taken during the power crisis laid the foundations of long-term power and energy development, averting imbalances and encouraging private sector participation in energy generation and distribution in a more competitive environment.

However, since many measures – particularly those that enhance competition, which includes pricing – have not been implemented a decade after they were introduced, the sector continues to be vulnerable (NEDA, 2010). What is more, another power and energy crisis looms, its seeds sown in the Visayas and Mindanao island groups. And because it is located in less developed regions of the country, it threatens the inclusive growth that is the government's stated objective. It also nips in the bud the economic potential that has yet to bear fruit and sets back efforts to increase resource flows into the other parts of the country. It would seem that the conditions are similar to those that triggered the first crisis and that lessons have not been learned.

According to the 2009-2030 Power Development Plan (PDP), the dependable capacity of each major island group is already entering a critical period where supply becomes tight to very tight. Projections to 2030 suggest that additional power plant capacity will be required. Table 2.4.1 reproduces the PDP for Luzon, Visayas, and Mindanao minus the detailed capacity needs during the critical periods identified by the government.

Table 2.4.1. Power supply and demand outlook in the Philippines, 2009-30

GRID	Dependable Capacity (MW)	Peak Demand (MW) 2008	Avg. Annual Growth Rate (%)	Committed Capacity (MW)	Critical Period	Required Additional Capacity (MW) 2009-30	Indicative Capacity (MW) 2009-30
Luzon	10 030	6 822	4.5	600	2011	11 900	3 449
Visayas	1 505	1 176	4.6	654	2009	2 150	182
Mindanao	1 682	1 228	4.6	100	2010	2 500	581
PHILIPPINES	13 217		4.6	1 354		16 550	4 211

Notes:

Dependable Capacity is based on the reports of power plant owners, i.e. National Power Corporation (NPC), NPC-Independent Power Producers (IPPs), and Non-NPC IPPs.

Peak Demand is based on the System Operator (SO) recorded peak demand by grid for the year.

The AAGR is based on the energy and demand forecasts of the distribution utilities (DU) as indicated in their respective Distribution Development Plan (DDP).

Critical Period is the year when existing generating capacity will not be able to meet the peak demand and the required reserve margin (23.4% above the peak demand for Luzon and Visayas, 21% above the peak demand in Mindanao).

Required Additional Capacity is the necessary generating capacity (on the top of the committed) to meet the system requirement (including reserve). These are indicative capacities that are open for private sector investments.

Source: NEDA 2010.

It is, of course, true that even as installed capacities across the three main islands remained the same in 2010 and 2011, there was only feeble improvement in their dependable capacity. At the same time, the mix of energy supplies has seen significant declines in the oil and coal traditional sources and the emergence of renewable sources such as natural gas, hydropower and geothermal energy. The required grid interconnection has not materialised owing to the different forms of energy the island groups use – natural gas in Luzon, thermal energy in the Visayas and hydro energy in Mindanao.⁸

Off-grid infrastructure is needed in order to bring electrification into some 3.3 million households that are either not completely energised, use undependable capacity, or have only up to 12 hours daily of electricity.⁹ Off-grid electrification may not be economically unviable as it would serve remote areas and islands and systems would have to be self-contained. However, the government's commitment of 100% *barangay* (village) electrification will not be a challenge. The current effort, being undertaken through the Missionary Electrification Programme (and the attendant Five-Year Missionary Electrification Development Programme) goes in the right direction by seeking to reach unserved parts of the country. However implementation is hampered by a shortage of funds and, more critically, the lack of additional transmission lines, new generating sets (where half of existing sets are more than 10 years old), fuel efficiency to meet Energy Regulatory Commission standards, and continued support for sustainability.

The framework set out in the aftermath of the energy crisis in the 1990s appears to be adequate. Further reforms are nevertheless needed and, while they may not be drastic (See Del Mundo and Espos, 2011, Part IV), they do need special attention to avert a potential power crisis.

Both road transport and power are highly critical to a more integrated Philippine economy: they support enhanced private-sector investment that is widely dispersed and contribute to the narrowing of development gaps that preclude an inclusive economic growth. A firmer policy focus on these two important pillars of the development process will not only address the unevenness of the country's economic directions, but allow other infrastructures to achieve greater efficiencies.

POLICY FOCUS

Focus sharply on job creation strategies

Job creation – the ability of the economy to generate employment on a scale that reduces unemployment rates to acceptable levels – is now emerging as a critical structural problem in both developing and developed regions of the world.

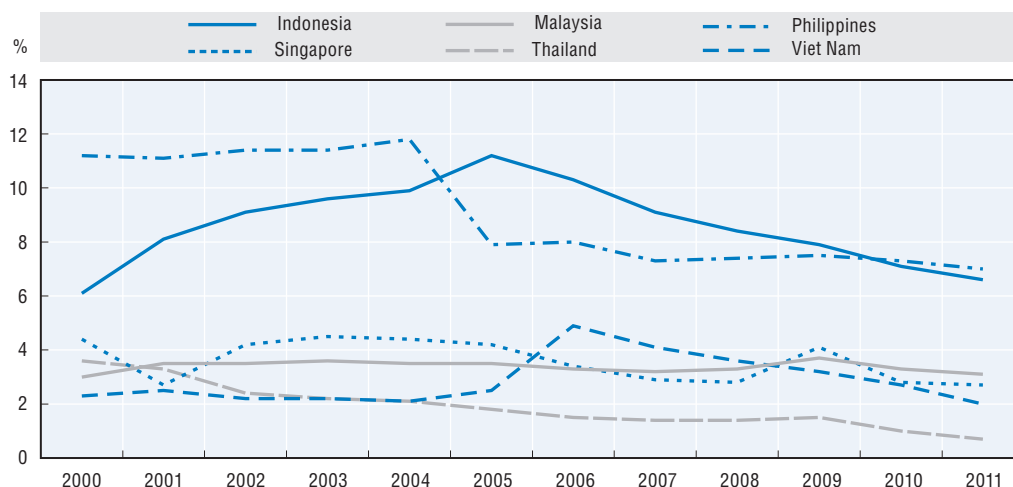
Unemployment and the job creation problem are not new to the Philippines. In fact, they seem endemic to the country. High unemployment and joblessness have plagued it for decades, which explains why many Filipinos opt to work overseas. The employment response to structural changes in growth defies expectations that are based on empirical evidence. Sectoral shifts from agriculture to industry to services have been accompanied by the emergence of vibrant industries and rises in employment in other countries. Not, though, in the Philippines. Rapid falls in real relative agricultural output in neighbouring countries such as Indonesia, Malaysia and Thailand have been more than matched by increases in both output and employment in their manufacturing sectors. At the same time as sectoral changes have unfolded in these countries, productivity has risen, so staving off adverse terms of trade and potential crisis. Unemployment in the Philippines, on the other hand, is even more serious than the stubbornly high figures suggest, since jobless rates vary considerably across the regions and between rural and urban areas. And the poor underlying infrastructure further erodes the market connectivity that could even out employment opportunities. Aggregate unemployment rates thus tend to hide pockets of associated structural problems that need to be equally attended to. However, comparing average unemployment rates alone may not reveal related underlying problems that are not found in other economies. Figure 2.4.4 shows unemployment rates for the Philippines between 2000 and 2011 compared with Indonesia, Malaysia, Singapore, Thailand, and Viet Nam.

The unemployment rates of Malaysia, Singapore, Thailand and Viet Nam cluster at around 4%, while Indonesia's and the Philippines' exceed 6%. What distinguishes the Philippines from the rest, though, is how little its yearly unemployment levels seem to have varied throughout the decade in the data. The sharp drop in 2005 was due to the adoption of a different definition of unemployment.¹⁰ Otherwise, the stickiness around a modal value is remarkable. This characteristic does not seem to be as pervasive in the other countries, even if they, too, have had steady unemployment rates for some years. In short, unemployment has not responded properly to either good or bad times (indicated, for example, by GDP growth rates).


The other measure of job creation is the underemployment rate. In the Philippines, underemployment refers to workers who are employed but still wish to work longer hours ("visibly underemployed" means those working less than 40 hours per week). This measure depends on workers' perceptions and may therefore be quantitatively

biased. But it does give an idea of job environments and the underlying labour market. It points, in particular, to the likelihood that high underemployment rates reflect less than satisfactory working conditions, e.g. informal jobs and short-term or piecemeal contracts. Underemployment provides a reference point from which employment policies are crafted.

Figure 2.4.4. Unemployment rates in the Philippines and other Southeast Asian countries



Source: ADB Key Indicators (2012a).

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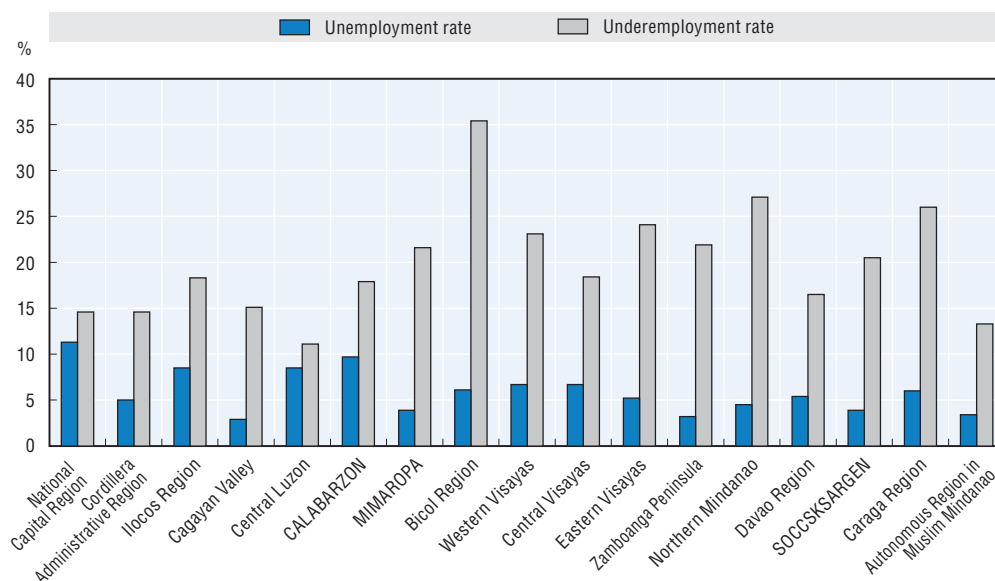
The results of labour force surveys (LFSs) over the years reveal meagre increases in job creation relative to the increases in the size of the labour force (the population aged 15 years and above). For example, the April 2012 LFS found that the labour force increased by 68 000 workers, which hardly made a dent in the number of unemployed – 2.8 million at the time¹¹ – and did not take into account the increase in the number of underemployed workers. And when variations in unemployment and underemployment by region are considered, the magnitude of the job creation problem becomes even greater. Figure 2.4.5 tracks the scale of unemployment and underemployment rates by region which indicates fragmented labour and job markets.

Fluctuations in regional unemployment and particularly underemployment rates need to be rigorously examined and understood both within a period of time and across time. They roughly reflect some of the structural inadequacies in a country's job creation. High underemployment rates coupled with below-average unemployment rates, for example, signify poor quality jobs (Bicol Region and Eastern Visayas in Figure 2.4.5). To the extent that agricultural employment dominates in the regions these results are understandable.

There may indeed be mismatches between supply of labour and industry demand. People with high school education account for close to half of the unemployed (44.5% in the April 2012 LFS) and those with college education constitutes one-third (34.8%). The combined share of those with secondary and tertiary education among the unemployed thus reaches 79%. The underlying reason – be it the content of their education, their inability to complete their education, their age (and thus experience), or other causes – cannot be derived from these shares alone. In fact, individuals who did not finish high school or college account for a lower share of the unemployed than those who easily


completed their education. Moreover, much of the secondary-educated workforce belongs to the age group that lacks experience and is likely to be unemployed – the 15-24 year-olds have the highest unemployment rates, which then fall sharply in the 25-34 age bracket.

Figure 2.4.5. Unemployment and underemployment rates in the Philippines, by region, 2011



Note: CALABARZON, MIMAROPA and SOCCSKSARGEN are acronyms, combining the names of the provinces. The CALABARZON region is composed of Cavite, Laguna, Batangas, Rizal and Quezon. The MIMAROPA region is composed of Occidental Mindoro, Oriental Mindoro, Marinduque, Romblon and Palawan. The SOCCSKSARGEN region is composed of five provinces and one city: South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos City.

Source: National Statistics Office, LFS.

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Unless there are unemployment rates by level of education (elementary, high school, post-secondary, college) which use standard measures, it is difficult to draw any conclusion about the pervasiveness of the uneducated unemployed. The supposed solution proposed by the Basic Education Sector Reform Agenda (BESRA) and its flagship strategy, Enhanced K12, has to be viewed with guarded optimism.

What has been, and is still, challenging to the government is how to bring the high unemployment rates down to acceptable levels, alter the environment to achieve tighter labour markets, and raise real incomes and reduce poverty. The task is enormous, has been long delayed, and is pressing. In 2012, the economy generated 1.021 million jobs to absorb the new 953 000-strong labour force entrants, so reducing the number of unemployed by 68 000.¹² In the last four years, the net reduction in the total number of unemployed was just above 100 000 workers, a paltry amount against the huge numbers of unemployed. Such a low net reduction in unemployment spread over four years suggests it would take many, many more years before the unemployment rate falls to Thailand's level of 4% or lower. The country's labour force's over-reliance on overseas work has to be seriously re-examined, if not abandoned, especially against the background of conflict and tension affecting many of the countries that host overseas Filipino workers (OFWs).¹³ With the fluctuations in unemployment rates across the Philippines' regions, it is important to identify various ways of creating jobs and narrowing regional disparities at the same time (see Box 2.4.1).

Box 2.4.1. The search for inclusive job creation

Whatever employment policies the Philippines designs and implements, they have to satisfy at least two important conditions. First, they must generate a substantial volume of jobs that are capable not only of absorbing new labour entrants every year, but of reducing over a reasonable period of time the large pool of unemployed workers. In April 2012, the number reached 2.8 million people. Second, they must spread job generation to the less developed parts of the country – i.e. the different regions and the rural areas.

It appears that job creation and related employment have been weak responses to the aggregate economic growth of the country over the last few years. It would take not only new investment to stimulate mass employment, but the kinds of investments that break with historical patterns – e.g. away from consumer-oriented industries for incremental investments.

SMEs absorb workers better than large firms and may be important contributors to job creation. At the same time, large-scale investment (from both domestic and foreign sources) of the kind that big organisations can provide would likewise contribute to job creation. And in the more recent times, the spread of Business Process Outsourcing (BPO) also has potential for labour absorption. Neither SMEs nor investment should be purely market-driven, but helped along by appropriate policies. Industries which have high employment elasticities are obvious candidates. One study identifies industries such as jewellery, luggage and bags, sports goods, knitted fabrics, made-up textiles, fabricated metals and stone products (Das and Kalita, 2009).

One industry that fits the bill on most accounts and is often assumed to cater to foreigners is tourism. The tourism industry is not only capable of generating a wide variety of jobs, many of which do not require great skills or higher education, but also absorbs primary and secondary school leavers. In the Philippines, the tourism industry absorbs close to 10% of employment and is patronised mostly by domestic tourists – for example, more than 90% of visitors to Baguio and 65% of to Boracay are local tourists (NSCB, 2009).

In addition to its job creation potential, tourism also qualifies as an inclusive employment industry. As incomes rise (favouring cities and urban areas) tourism expenditure normally rises faster. Domestic tourists are more likely to spend their time and money in the provinces, attractive rural areas, and traditional locations in the regions away from the cities. Add to this foreign tourism, and the magnitude of the multipliers is bound to be greater.

Indirect job creation could also be substantial if there were private investment in the related industries – e.g. food and beverages, transportation, accommodation and indigenous products. Local governments would have to beef up their capacity to spruce up localities, develop local areas of interest and allocate resources for associated infrastructure through public investments

In an archipelagic country like the Philippines with its fragmented pockets of development and weak geographical integration, there are not too many sources for generating jobs with their ability to provide equal opportunities and, in the process, narrow employment access gaps and reduce welfare dependence.

One direction is to mobilise small and medium-sized enterprises (SMEs) as vehicles for generating jobs through self-employment. It is an approach that could work as government funding opens more windows. But how far it could make inroads into the magnitude of unemployment remains to be seen. With the country's limited track record of creating mass employment through SMEs, the direction of policy is more towards ensuring that SME development involves more than encouraging ambulant traders, sidewalk vending and buy-and-sell activities. It should encourage real small-scale production that can potentially grow in size and contribute to reducing unemployment. However, it is also important that such an approach fosters the kind of quality job that is likely to reduce underemployment.

What could effectively reduce the ranks of the unemployed and underemployed is a massive injection of investment, both domestic and foreign, to generate formal jobs. Unfortunately the country has a poor record of attracting foreign investment and encouraging domestic savings. There is also a need for determining the kinds of industries that not only contribute to job creation, but offer prospects for increasing international trade. While some of the existing programmes for enticing investment may be appropriate, it is sheer numbers that matter – e.g. small factories that can employ sufficiently large aggregate workforces of sufficient size to reduce unemployment.

POLICY FOCUS

Improve access to quality education and training by strengthening the K+12 programme

Improving the access to education and enhancing quality of education are one of the most important challenges in the Philippines. Universal education (or the Universal Kindergarten Education Law) is an important stepping stone to universal primary education. There is concrete evidence that primary schooling itself already reduces poverty rates, substantially redressing inequality and providing access to secondary and tertiary education. In fact, the poverty reduction momentum is maintained up to university, when it starts to falter (see Table 2.4.2).

Table 2.4.2. Poverty reduction* in the Philippines, by education differential
(percentage points)

Education differential	2000	2006
Between no schooling and completed primary course	19.9	21.4
Between completed primary and completed high school course	17.1	21
Between completed high school course and higher education	11.7	12

Note: *Poverty by education level of household head (percentage of household heads).

Source: World Bank (2011).

Table 2.4.2 shows that, irrespective of the poverty rate (headcount), individuals who completed primary school experience much steeper poverty reduction than those who never attended. And that reduction is maintained between pupils who complete primary school and those who complete high school.

Short of complete 100% primary net enrolment and completion, there will always tend to be variations across regions or between rural and urban areas in the country, with the geography of the Philippines possibly accentuating such variations. Indeed, while education inequality appeared to fall between 1980 and 2000 and between and

within provinces (when an aggregate indicator such as average year of schooling is used), the fall does not capture the likely inequalities by level of education (Mesa, 2007). There are wide regional variations in percentages of children in school: children in Mindanao enjoy relatively less access to schooling than in Luzon (and, within Luzon, the National Capital Region) or in the Visayas.¹⁴ One way of reducing access disparities and evening out imbalances between urban and rural areas and among regions is to universalise secondary education as well as primary.

The feeble increase in the country's net enrolment rate for over a decade was redeemed only by its head start over other countries, which put it comparatively closer to the Millennium Development Goal (MDG) 2. The low rise in enrolment rates is coupled with the dismal quality of the country's primary education system. A readiness assessment test administered to pupils entering public primary school (Grade 1) in academic year 2006-07 indicated that only 40% to 45% were ready to begin the curriculum. Furthermore, a National Elementary Achievement Test (NEAT) given to all Grade 6 pupils completing elementary education in public and private schools in academic year 2000-01 showed an achievement rate of 51.7% (UNESCO, 2011). At 75%, the standard achievement rate of Philippine students leaves much to be desired. Even if broken down by subject or location, achievement in each subject remains below standard or just above it – only 38% of the 131 competencies and skills were learned.

Nevertheless, the 2006-07 NEAT scores do show some improvement over previous years despite being below standard. The mean percentage score (MPS) for all subjects in 2007 was 59.9%, an improvement over the 51.7% in 2001. There were improvements in English, science and mathematics. In general, urban areas still had an edge over rural areas in most of the subjects.

Comparisons with other countries, however, throw into relief the Philippines' relatively poor performance in both primary and secondary education. For example, tests in 2003 for Grade IV primary students in 25 countries ranked the country 23rd in both mathematics and science scores – just above Tunisia and Morocco.¹⁵ Among the OECD countries, Japan was placed 3rd in mathematics and science, while the United States was 12th and 6th.

As for technical and vocational education and training (TVET), it falls under the responsibility of the Technical Education and Skills Development Authority (TESDA) in the three-pronged Philippine education system. TESDA's constituency is supposed to include people already in the labour market who wish to upgrade their skills or learn new skills, high school graduates, secondary school leavers, and college undergraduates and graduates seeking to acquire competencies in different fields. TVET operates through school-based programmes, TESDA training centres in various regions and provinces, community-based training (mainly for self-employment), and firm-based schemes such as apprenticeships, understudies or dual training among others. There are more than 4 500 TVET institutions, of which 1 710 are public and 121 TESDA establishments – 57 schools, 15 regional training centres, 45 provincial training centres and 4 specialised training centres. The remaining ones are in state universities and colleges, local colleges, local government units, other government agencies offering skills training, and Department of Education (DepEd) supervised schools (UNESCO, 2011).

The Commission on Higher Education (CHED) is the third of the three prongs in the Philippine education system. It is mandated, under the terms of Republic Act 7722, to formulate and implement policies, plans, and programmes for the development of

higher education; set minimum standards for programmes and institutions of higher learning and monitor and evaluate their performance. CHED covers both public and private higher educational institutions (HEI).

The close relationship between educational attainment and poverty reduction, the need for redressing and balancing accessibility to education for all, and the importance of raising the standards of learners and students are strong underlying reasons for crafting and implementing the BESRA with the K+12 as the flagship reform strategy. The reform's efforts are consistent with MDG 2 in that they seek to increase cohort survival at primary and secondary levels of education and to correct skills mismatches through further specialisation at secondary level. The K+12 strategy came into effect in school year 2012-13 for Grade 1 junior high school entrants.

If K+12 is to meet the BESRA objectives, it will have to be closely monitored, regularly evaluated, and recalibrated for any mid-course correction. Several concerns have been expressed about K+12. For one, it is not clear how it will address the problems it is intended to solve, i.e. universal pre-schooling, increased cohort survival and better performance in critical subjects such as mathematics and science. Nor is it clear how the flagship strategy will contribute to reducing poverty.

While primary education is within the immediate supervisory and management remit of the DepEd, other levels of education are firmly in the hands of the private sector. And if the universal kindergarten is to materialise, common standards, stricter regulations and tighter co-ordination have to be addressed in accordance with the Early Childhood Care and Development (ECCD) Law. Many day-care centres and homes, pre-schools, and related facilities are privately run. Government agencies, too, provide pre-primary schooling facilities: local government through barangay (village) centres, the Department of Social Welfare and Development (DSWD) through day-care centres, municipal health centres through clinic-based child care facilities that include pre-school activities, and the DepEd itself. Universal kindergarten, designed to increase children's readiness for primary school, is a critical part of the flagship strategy.

Table 2.4.3 shows the private sector's share of enrolment and schools in the Philippines as parameters in the flagship strategy. It is difficult to determine the precise number of pre-primary schools or centres since they are not standardised and no data are therefore provided.

An issue that needs addressing is the financing of the K+12 flagship strategy in light of DepED's diminishing real budget measured in expenditure per pupil. As reported in Luistro (2012), there has been a continued rise in nominal expenditure. In real terms, however, expenditure per pupil in the 2009-10 academic year is even lower (in 2000 prices) than in school year 1997-98. At the same time, even if future poverty reduction may be inferred in K+12, extending schooling for two more years will place an additional cost burden on students, even if they are not charged tuition and related fees.

In summary, the Philippines' path to improving tertiary education may require more than BESRA is expected to deliver. The K+12 flagship strategy has to consider not only the direct policy and administrative instruments it should use, but the role of the private sector in all components of the strategy.

Table 2.4.3. Private sector share of enrolment and schools in the Philippines

Level of education	Enrolment		Schools	
	Number	Private (share %)	Number	Private (share %)
Pre-school	1 474 644	420 444 (28.5)		
Primary level	13 934 172	1 134 456 (8.1)	44 486	7 084 (15.9)
Secondary level	6 806 079	1 340 456 (19.7)	10 384	4 707 (45.3)
Tertiary level	2 770 965	1 687 771 (60.9)	2 180	1 573 (72.1)
TVET	1 680 402	1 344 322 (80.0)	4 500	2 790 (62.0)

Note: Data are for school year 2009/10 with the exception of Technical and Vocational Education and Training (TVET) where data are for 2007.

Source: UNESCO (2011).

Box 2.4.2. Enhancing teachers' capacities and effectiveness by induction programmes with mentoring: Examples from OECD countries

High quality, effective teachers are the single most important factor in improving students' performances, especially in disadvantaged schools. Thus, in addition to attracting high quality teachers, it is also essential to give them further support by providing induction and mentoring programmes.

OECD experience shows that induction and mentoring improve teacher effectiveness and increase the retention of novice teachers by offsetting the negative effects of inexperience. Mentor teachers help their novice colleagues to understand the main challenges of a particular school and its students and to develop appropriate pedagogical and relational strategies in response to students' needs. Furthermore, while mentoring is especially important for new teachers – because it helps them become competent and effective faster – it is also considered to be beneficial for experienced teachers.

Selected OECD examples of induction programmes with mentoring:

In **Japan**, induction centres provide in-service training to all new teachers, while in schools teachers regularly observe and evaluate each other against criteria set out in specific demonstration lessons. Teachers also need to complete an action research project on a classroom lesson.

In **New Zealand**, teachers receive substantial release time during their first two years in accordance with the Advice and Guidance programme. In release time, an experienced teacher leads a peer support group of new teachers and novices regularly observe other teachers.

In **Switzerland**, new teachers take part in collaborative practice groups led by experienced teachers, have access to counselling services, and take regular voluntary and required courses to improve their practice.

Source: OECD (2012a).

Notes

1. The Global Competitiveness Report of the World Economic Forum (WEF) for 133 countries ranks the Philippines 104th in road infrastructure and 87th in electricity (WEF, 2011).
2. The latest available comparative data from the World Bank are for 2003. Indonesia and Viet Nam are more comparable to the Philippines in total road network: Indonesia has 368 263 kilometres, Viet Nam 229 488, and the Philippines 202 205, while Thailand has just 63 370 kilometres (World Bank, Transport Data and Statistics,).
3. Numbers in Figure 2.4.2 are indicative. The Philippines reports only capital outlays. For all countries expenditure includes all types of infrastructure, although data may be omitted, deleted, or from other years.
4. It is possible to analyse the notion of inclusive growth by using regional, rural and urban categories or city and municipality criteria. What is considered here is the regional configuration, as primary data on GRDP are by regions.
5. National Capital Region, Cordillera Administrative Region (CAR), Ilocos (Region 1), Cagayan Valley (Region 2), Central Luzon (Region 3), Southern Luzon, Mindoro, Marinduque, Romblon, Palawan (Region 4), Bicol (Region 5), Western Visayas (Region 6), Central Visayas (Region 7), Eastern Visayas (Region 8), Western Mindanao (Region 9), Northern Mindanao (Region 10), Eastern Mindanao (Region 11), Southern Mindanao (Region 12), Caraga Region, and Muslim Mindanao Region.
6. Many aggregate data on the Philippines can be decomposed into administrative regions. However, because some administrative regions have been split up (Caraga and CAR were originally parts of other regions, for example) some have been scattered. What is particularly difficult with decomposed data is attributing them to the associated region and not by virtue of the reporting system.
7. Transport accounted for the largest share of energy consumption (36.5%) between 2009 and 2016 (NEDA, 2011).
8. There is over-reliance in each island grid on a single energy source, which makes island groups more vulnerable to security risks and the mounting incidence of poverty. For example, the average poverty headcount in the Visayas and Mindanao is significantly higher than in Luzon and the average for the country (World Bank 2011; Del Mundo and Espos, 2011).
9. The estimate of unenergised households is the residual between the total number of households and the connection reach as of 2010 (NEDA, 2011).
10. Beginning with the Labour Force Survey (LFS) of April 2005, an additional criterion (the so-called “availability criterion”) was added to the two others. See NSCB (2005) for details.
11. The use of the April LFS may overestimate the number of unemployed, since graduates are entering the labour force for the first time. The use of LFS from other times of the year may remove some seasonality but is not likely to change the drift of the above text.
12. These are derived from the April 2012 LFS (BLES, 2012).
13. The World Bank (2011) estimates that OFWs constitute 2% to 3% of the working labour force (15-64 years old). It is doubtful there will be any further increases. On the contrary, if OFWs return to the domestic workforce, the need for more jobs becomes greater.
14. This variation is driven by the definition of children in school as being 16 years of age and under. A stratification by children aged 5 years or under (for pre-school) and those who are 9 years and under (for primary school) would likely yield less variation owing to the higher enrolment rates.
15. The Philippines did not participate in the 2007 Trends in International Mathematics and Science Study (34 countries for Grade 4).

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