



ECCP ADVOCACY PAPERS 2023



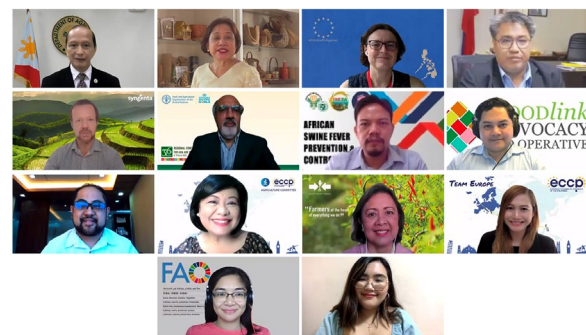
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ABOUT ECCCP

The **European Chamber of Commerce of the Philippines (ECCCP)** is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCCP does this through offering a wide range of consultancy services and by fostering connections between companies, organizations, and individuals with existing or potential business ties to Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCCP views itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES
 19th Floor, Philippine AXA Life Center Bldg.,
 Sen. Gil Puyat Ave. cor. Tindalo Street,
 Makati City, Metro Manila, Philippines, 1200

Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCCP.

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We would also like to acknowledge the support of our committee members.

METHODOLOGY

The 2023 edition of the ECCP Advocacy Papers features issues and recommendations developed after extensive discussions among members of the ECCP sector committees, consultations and meetings with representatives from the Philippine Government, and other stakeholders. Information gathered from organizing events that cover relevant topics, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies were also taken into consideration upon writing.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. The ECCP Advocacy Team carefully examined each issue and advocacy recommendation in close collaboration with the sector committee leaders and members to make sure they were in line with European business interests and priorities. Once the Advocacy Team had finalized the first draft of each sector paper, it was then disseminated to the Committee members and other important stakeholders for consultation. This allowed for the collection of input that would later be used to create the final draft of the papers.

The assessment of the status of each recommendation included in 2022 Advocacy Papers were examined under the following criteria:

Completed/Substantial Progress: Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

Some Progress: Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

No Progress/Retrogression: Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

MESSAGE FROM THE ECCP PRESIDENT

In the past year, we have witnessed the recovery of the Philippines from the global pandemic, resulting in the resumption of economic activities. Moreover, policy reforms that bolster growth prospects have been put in place. Among these include the ratification of the Regional Comprehensive Economic Partnership, creation of Green Lane for Strategic Investments, enactment of the Financial Institutions Strategic Transfer Act, as well as sector-specific reforms including those on electric vehicles, renewable energy, as well as plastic waste management.

Notably, the Philippine government has affirmed its thrust to boost the country's competitiveness and attractiveness to local and foreign investors alike, as well as further enhance its ease of doing business efforts.

The ECCP seeks to build on the recent successes in improving the business climate in the Philippines for European firms and ensuring that these companies can take full advantage of the promising policy developments.

To realise the full potential of the economic relations between Europe and the Philippines, as well as the expansion of the Philippine economy, a number of issues need to be addressed. In order to achieve its socio-economic goals, the Philippines must deepen global and regional market integration, increase its competitiveness as a destination for foreign direct investments, and accelerate sustainable development.

With this, the European Chamber of Commerce of the Philippines (ECCP) is pleased to present to you the 2023 edition of its Advocacy Paper, launched during the 2023 European-Philippine Business Dialogue. The ECCP Advocacy Paper covers updates on the Philippine economic and business environment, as well as industry-specific developments and challenges. Furthermore, this publication highlights the policy recommendations on bolstering European-Philippine economic ties, identified through constructive dialogues between the ECCP and the members of its various Advocacy Committees. This year's publication also features updates on and the Chamber's continued advocacies for the retention and reapplication of the EU Generalised Scheme of Preferences Plus (GSP+), as well as the potential Free Trade Agreement between the European Union and the Philippines.

I would like to extend our sincerest gratitude to our Committee leaders, members, and the team behind the Chamber's flagship publication. We strongly believe that it is through strengthened partnership and collaborative efforts that we attain equitable and inclusive growth for all. To this end, we express our continued commitment to working with our partners as we navigate the Philippines to the centrestage.



Mr. Lars Wittig
ECCP President

MESSAGE FROM THE EUROPEAN UNION AMBASSADOR

Congratulations to the European Chamber of Commerce of the Philippines (ECCP) on the release of its Advocacy Papers for 2023!

As we reflect on the past year, which presented unexpected challenges despite initial expectations of a strong post-recession recovery, it is evident that global economic conditions have been impacted by Russia's aggression against Ukraine, resulting in disruptions and inflationary pressures that have affected food and energy prices worldwide. Consequently, global growth in 2022 was slower at 3.2%. Nevertheless, amidst these headwinds, the global economy has remained resilient, with positive developments such as strong labour markets and robust private consumption observed in the third quarter.

On the domestic front, the Philippines has displayed remarkable economic growth, achieving a record high of 7.6% expansion in 2022. This accomplishment is a testament to the grit and resilience of the nation despite the challenges faced.

As the world faces geopolitical and climate pressures, the European Union (EU) has taken concrete steps towards building resilience, including the implementation of the EU Green Deal Industrial Plan, which introduces innovative approaches to address these challenges. This plan emphasises the green and digital transition, creating an enabling environment for net-zero technologies and critical raw materials, aligning with the EU's long-term vision of competitiveness.

Furthermore, the EU aims to enhance competitiveness by strengthening ties with its trading partners, including the Philippines. Bilateral trade between the EU and the Philippines has steadily grown, surpassing pre-pandemic levels. However, with the Philippines making strides in economic liberalisation, there remains untapped potential to further enhance EU-Philippine trade and investment relations.

The Advocacy Papers released by the ECCP play a vital role in addressing these challenges and identifying growth opportunities. They facilitate a level playing field for industry participation, open doors to new business prospects, and promote a sustainable approach to trade. Together, let us continue to work hand in hand in elevating EU-Philippine trade relations to new heights while advancing towards a more sustainable economy!

H.E. Ambassador Luc Véron

Ambassador Extraordinary and Plenipotentiary
Delegation of the European Union to the Philippines



MESSAGE FROM THE SENATE OF THE PHILIPPINES

Greetings and congratulations to the European Chamber of Commerce of the Philippines, the EU-ASEAN Business Council, and all of the participants of the 2023 European-Philippine Business Dialogue!

In the wake of the COVID-19 pandemic, economies all over the globe have emerged with renewed vigor and optimism, ready to power forward not only toward recovery, but also toward unprecedented success.

The future beckons, pulsing with possibility. And it is our excitement for this future that has fueled us in Congress to pass landmark economic measures that will allow the Philippines to step boldly into the global arena, and establish ourselves as a force to be reckoned with.

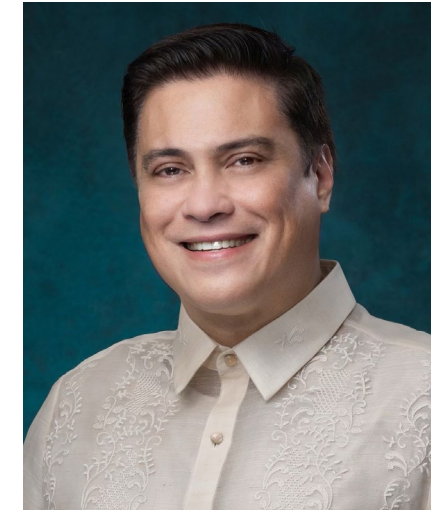
With the Corporate Recovery and Tax Incentives for Enterprises Act, the Foreign Investments Act, the Public Service Act, the Retail Trade Liberalization Act, and the Senate's concurrence to the ratification of the Regional Comprehensive Economic Partnership agreement, we are hopeful that we will be able to invite more foreign investors to the Philippines, toward our mutual growth and development.

With this year's European-Philippine Business Dialogue, I am hopeful that we will be able to illuminate the path forward for European investments in the country, and encourage a more open exchange of innovative ideas, solutions, and resources toward a future of genuine resilience and sustainability.

Thank you very much!

Hon. Juan Miguel F. Zubiri

Senate President
Senate of the Philippines



MESSAGE FROM THE DEPARTMENT OF TRADE AND INDUSTRY SECRETARY

On behalf of the Department of Trade and Industry, I commend the men and women of the European Chamber of Commerce of the Philippines (ECCP) and the EU-ASEAN Business Council for organizing this momentous event that provides an opportunity to discuss how the Philippines can maximize its competitive advantage and propel the country's economic recovery and expansion. With the passage of game-changing economic reforms, the Marcos Administration is steadfast in its commitment to elevate the Philippines' profile at the international level as an investment hub.

In recent years, the Philippine government has been working relentlessly to further solidify economic ties between the Philippines and Europe. The European Union (EU), in particular, is one of the Philippines' largest trading partners and a significant source of foreign direct investments. Hence, we recognize the valuable contribution of European businesses in strengthening the Philippine economy.

We also see ECCP as a key partner in lobbying for the Philippines' retention of the EU GSP+ beyond 2023, as well as the resumption of the PH-EU FTA negotiations. Through the One Country, One Voice (OCOV) mechanism, DTI has sought industries' support for our GSP+ re-application.

Therefore, the DTI ensures the European business community of our continued support, especially in the creation of a healthy environment that will enable businesses to thrive and survive. Our country has made significant strides through the implementation of economic reforms such as the Foreign Investments Act, Corporate Recovery and Tax Incentives for Enterprises Act, Retail Trade Liberalization Act, and the Public Service Act. Alongside this, we are also working toward promoting and strengthening ease of doing business initiatives in the country.

Recently, the President issued Executive Order (EO) No. 18, which mandates the creation of green lanes for strategic investments. This EO is expected to fast track business registration process at all levels, within national government agencies, government-owned and controlled corporations, and local government units.

Once again, we thank your esteemed organization for spearheading this event. We are looking forward to our continued partnership and collaboration as we collectively work toward the achievement of shared prosperity for all. Together, let us forge a stronger, more stable, and mutually beneficial relationship between the Philippines and Europe.

Maraming salamat at mabuhay!

Hon. Alfredo E. Pascual
Secretary
Department of Trade and Industry (DTI)



WHERE ARE WE NOW?

THE PHILIPPINES

The Philippines strives to maintain its dynamic and robust economy, transforming into one of the region's top economic performers and attracting foreign and domestic companies alike to invest and expand their operations. Over the last decade, the country was able to sustain an average annual growth of 6.4% between 2010 to 2019, from an average of 4.5% between 2000 to 2009.¹ After the profound impact of the COVID-19 pandemic on economic growth and activity, the Philippines has recently been cited as the fastest growing economy in the Asia-Pacific region.²

Among its neighbouring countries in the Association of Southeast Asian Nations (ASEAN), the Philippines was ranked 3rd in terms of gross domestic product (GDP) with a growth rate of 7.6% in 2022, from the previous year's 5.7% (Table 1). Buoyed by the removal of remaining restrictions on people's mobility and business operations, as well as the recovery of incomes and jobs, the country's 2022 full-year growth rate has surpassed the 6.5 to 7.5% target range of the Development Budget Coordination Committee³ for that year.

Table 1. ASEAN GDP Year-on-Year Growth Rates, 2021 and 2022 (% per year)⁴

Country	2021	2021 ranking	2022	2022 ranking
Brunei Darussalam	-1.6	9th	-0.5	10th
Cambodia	3.0	5th	5.2	5th
Indonesia	3.7	3rd	5.3	4th
Lao People's Dem. Rep.	2.3	7th	2.5	8th
Malaysia	3.1	4th	8.7	1st
Myanmar	-5.9	10th	2.0	9th
Philippines	5.7	2nd	7.6	3rd
Singapore	8.9	1st	3.6	6th
Thailand	1.5	8th	2.6	7th
Vietnam	2.6	6th	8.0	2nd

Source: Asian Development Bank, Asian Development Outlook 2023

¹ World Bank. (7 April 2021). Philippines: Overview. Retrieved from <https://www.worldbank.org/en/country/philippines/overview>

² Department of Budget and Management. (5 December 2022). DBCC Affirms Moody's Forecast as Fastest Growing Economy in Asia Pacific. Retrieved from <https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/2510-dbcc-affirms-moody-s-forecast-as-fastest-growing-economy-in-asia-pacific>

³ The Development Budget Coordination Committee is an attached agency of the Philippine Department of Budget and Management.

⁴ Asian Development Bank. (4 April 2023). Asian Development Outlook 2023. Retrieved from <https://www.adb.org/publications/asian-development-outlook-april-2023>

For the year 2023, the Philippine government is expecting a slight reduction in the GDP growth ranging from 6.0 to 7.0%, due to several external headwinds.⁵ Multilateral agencies have also anticipated a global economic slowdown which will particularly affect developing countries. For the Philippines, the World Bank and the Asian Development Bank estimate a GDP growth in 2023 of 5.6% and 6.0%, respectively. This is attributed to the Russian invasion of Ukraine, inflationary pressures, and disruptions in the global supply chains. In terms of growth prospects in the Asia Pacific, Moody's Analytics forecasted that the Philippines will lead the region in terms of GDP growth with 6.4%, followed by Vietnam and China at 6.1% and 5.1%, respectively.



Looking ahead, the Philippine growth projections for 2024 by the World Bank and ADB are at 5.9% and 6.2%, correspondingly. Further to this, a report by Moody's Investors Service indicated that the Philippines will likely see its debt decline this year driven by high nominal GDP growth.⁶

The annual preliminary figures show a growth in the country's employment rate from 92.2% in 2021 to 94.6% in 2022 (Table 2). As of February 2023, the services sector dominated the labour market, with a share of 59.6% of the total employed persons. The agriculture sector and industry sectors accounted for 24.1% and 16.3% of the total employed persons, respectively. On another note, latest data reflect that unemployment rate is gradually decreasing and is returning back to pre-pandemic level, with a rate of 4.8% in February 2023 compared to the 6.4% rate in the same period last year.

5 National Economic and Development Authority. (5 December 2022). Review of the Medium-Term Macroeconomic Assumptions and Fiscal Program for FY 2023 to 2028. Retrieved from <https://neda.gov.ph/joint-statement-of-the-dbcc-on-the-review-of-the-medium-term-macroeconomic-assumptions-and-fiscal-program-for-fy-2023-to-2028/>

6 Jocson, M. (20 January 2023). Philippines to see decline in debt burden in 2023. Retrieved from <https://www.bworldonline.com/top-stories/2023/01/10/497386/philippines-to-see-decline-in-debt-burden-in-2023/>

Indicator (%)	2022 ^P	2023 ^P (January - February)
Labor Force Participation Rate	64.7	65.5
Employment Rate	94.6	95.2
Underemployment Rate	14.2	13.5
Unemployment Rate	5.4	4.8

Source: Philippine Statistics Authority, 2023
Note: ^P = preliminary results

On the other hand, inflationary pressures have resulted in the country's full-year inflation rate of 5.8% for 2022, higher than the 2021 average rate of 3.9%.⁸ As of writing, headline inflation slowed down further to 7.6% in March 2023 in comparison to the 8.6% rate in February 2023, yet higher than the 4.0% of March 2022.

In relation to this, a report by the Bangko Sentral ng Pilipinas (BSP) estimates that inflation will remain elevated to average at 6.1% in 2023 before it eases to 3.1% in 2024. This is attributed to higher-than-expected actual inflation, elevated prices of food, utilities and transport, as well as subsequent upward adjustments on rent and restaurant prices. Further, the BSP raised the key policy rate to 6.0 from 5.5% with the aim to reduce the risk of higher inflation in 2024. The increase is meant to slow down growth in credit and consumption activities; and consequently, help reduce inflation.⁹

In terms of the country's Foreign Direct Investments (FDI), the BSP officially recorded USD 9.2 billion net inflows for 2022 (Table 3).¹⁰ FDI inflows for January 2023 stood at USD 448 million, a 45.7% decline from USD 824 million in the same month in 2022. The drop is brought about by the decrease in non-residents' net investments in debt instruments plunging by 56.6% year-on-year to USD 280 million from USD 645 million.¹¹

7 PSA. (11 April 2023). February 2023 Labor Force Survey (LFS). Retrieved from <https://psa.gov.ph/content/employment-rate-february-2023-estimated-952-percent>

8 PSA. (5 January 2023). Summary Inflation Report Consumer Price Index (2018=100): December 2022. Retrieved from <https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2018100-december-2022#:~:text=The%20Philippines'%20average%20inflation%20rate,inflation%20rate%20of-%203.9%20percent.>

9 BSP. Monetary Policy Report - February 2023. Retrieved from https://www.bsp.gov.ph/SitePages/PriceStability/VisualIMPR/MonetaryPolicyReport_February2023.aspx#:~:text=The%20BSP%27s%20latest%20estimates%20show,announced%20in%20December%20last%20year

10 BSP. Net foreign direct investment flows (BPM6), by country of origin. Retrieved from <https://www.bsp.gov.ph/Statistics/External/Table%2010.pdf>

11 Philippine News Agency. (11 April 2023). PH gets \$448-M FDI net inflows in January. Retrieved from <https://www.pna.gov.ph/articles/1199157>

Table 3. Net Foreign Direct Investment Flows				
	2022	2021	2020	2019
Globally	USD 9.2 billion	USD 11.98 billion	USD 6.82 billion	USD 8.67 billion
Europe (both EU & non-EU)	USD 101.79 million	USD -97.47 million	USD 326.47 million	USD 382.54 million

Source: Bangko Sentral ng Pilipinas

Table 4. Net Foreign Direct Investment Flows by country of origin 2022				
Rank	Globally		Europe (both EU & non-EU)	
	Country	FDI	Country	FDI
1	Japan	USD 597.98 million	Germany	USD 66.90 million
2	Singapore	USD 491.45 million	United Kingdom	USD 26 million
3	USA	USD 250.39 million	Russia	USD 25.43 million
4	Malaysia	USD 108.65 million	Switzerland	USD 19.97 million
5	Kuwait	USD 38.34 million	Sweden	USD 5.24 million

Source: Bangko Sentral ng Pilipinas

Table 5. Net Foreign Direct Investment Flows by country of origin January 2023		
Rank	Country	FDI
1	Japan	USD 66.56 million
2	USA	USD 10.18 million
3	Singapore	USD 8.53 million
4	Malaysia	USD 5.42 million
5	Sweden	USD 5.70 million

Source: Bangko Sentral ng Pilipinas

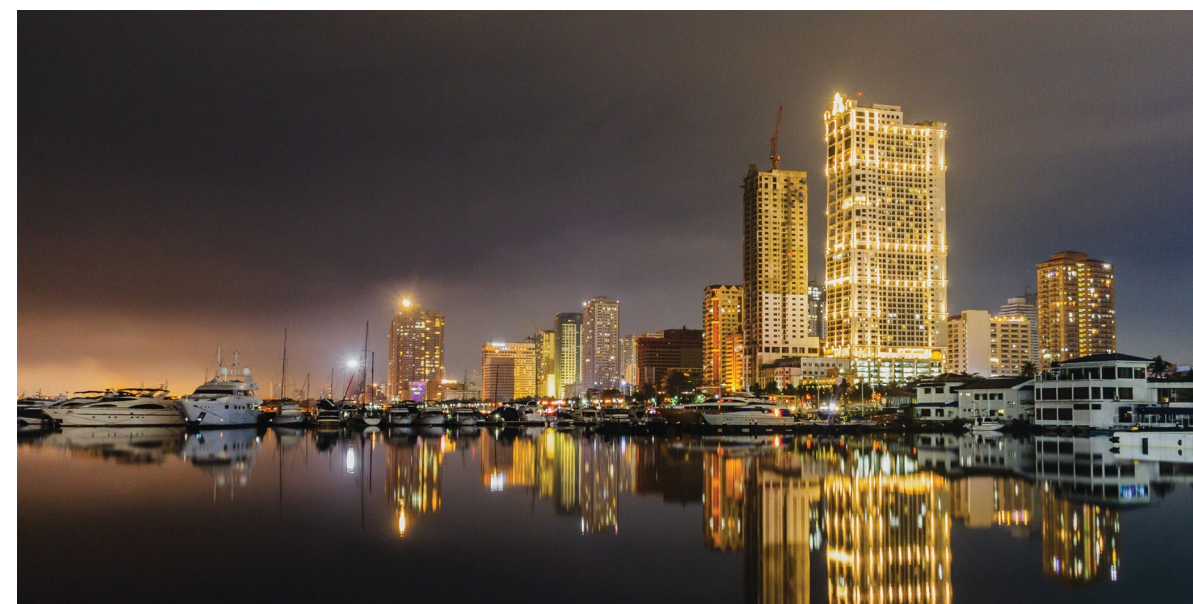
The total external trade of the country in terms of goods amounted to USD 216.20 billion in 2022, an annual increase of 12.9% compared to the USD 191.58 billion recorded in 2021. Of the total external trade in 2022, 63.5% were imported goods, while the rest were exported goods. Exports to the United States of America (USA) had the highest export value followed by Japan, People's Republic of China, Hong Kong, and Singapore.¹²

12 PSA. (1 April 2023). Highlights of the 2022 Annual International Merchandise Trade Statistics of the

Meanwhile, exports to the European Union (EU) reached USD 9.25 billion which accounts for 11.7% of the year's total export receipts. Netherlands ranked as the top export partner with a total trade of USD 2.94 billion, followed by Germany, France, the United Kingdom, and Italy. The top five exported commodities to EU member countries were electronic products, coconut oil, other manufactured goods, tuna, and machinery and transport equipment. On the other hand, total imports from EU member countries amounted to USD 8.58 billion or 6.3% of the total imports of 2022. Germany topped total imports among EU member countries at USD 1.94 billion, followed by France, Italy, Spain, and Netherlands. The top leading imported commodities were electronic products, medicinal and pharmaceutical products, transport equipment, other food and live animals, and industrial machinery and equipment.¹³

In the 2022 World Competitiveness Ranking compiled by the Institute for Management Development (IMD), the Philippines ranked 48th out of 63 countries, climbing four spots from the previous ranking. Specifically, the report notes that the country moved up in two of the factors: Economic Performance rose four places to 53rd, while Infrastructure climbed two spots to 57th. Meanwhile, the ranking for Government Efficiency slipped three more spots to 48th, and Public Finance fell six places to 51st.¹⁴

Amidst the tightening financial conditions and adverse external pressures, significant progress in the country's policies will help restore business confidence and boost the country's position as a competitive destination for trade and investments. The passage of the amendments to the Foreign Investment Act, Retail Trade Liberalization Act, and Public Service Act are among the country's key strategies to attract high-levels of trade and investment and create more jobs for Filipinos. This is further strengthened with the relaxation of the foreign participation limitation in the renewable energy sector, the recent ratification of the world's largest trade bloc known as the Regional Comprehensive Economic Partnership (RCEP), and the issuance of the executive order on the creation of green lanes that will streamline the processes of securing necessary licenses and permits for strategic investments.



Philippines. Retrieved from <https://psa.gov.ph/content/highlights-2022-annual-international-merchandise-trade-statistics-philippines>

13 Ibid.

14 IMD. (15 June 2022). World Competitiveness Ranking. Retrieved from <https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitiveness-ranking/>

ON EU GENERALIZED SCHEME OF PREFERENCES PLUS (GSP+) AND FAST-TRACKING OF THE EU-PH FREE TRADE AGREEMENT

With a young and dynamic population as well as a rapidly growing middle class, the Philippines constitutes a market of enormous opportunities for businesses from the European Union (EU). However, only 4% of the total EU foreign direct investment (FDI) in the ASEAN region is making its way to the Philippines. Nevertheless, there is a great reason to believe that this figure will grow further as the Philippines has displayed increased economic openness in recent years with the passage of game-changing reforms which include amendatory laws to the Public Services Act, Retail Trade Liberalization Act, and Foreign Investment Act as well as the liberalization of several renewable energy investment activities.

On the trade side, the Philippines and the EU have been longstanding trade partners. Furthermore, the Philippines has enjoyed the EU Generalized Scheme of Preferences Plus (GSP+) scheme which provides zero tariffs on 6,274 products, or 66% of all EU tariff lines. In 2021, the country registered exports worth 7.77 billion euros in 2021. Exports to the EU increased by almost 47% from 2014 when the Philippines gained access to the EU's GSP+ grant. The said scheme, however, is set to expire by the end of 2023. Based on the recent reports by the Philippines Department of Trade and Industry, 26% of the country's exports are benefiting from the EU-GSP+.

In this light, the abovementioned trade and investment figures indicate that considerable potential exists for a Free Trade Agreement (FTA) between the EU and the Philippines to help develop bilateral relations. The current EU-Philippine economic landscape **prompts the need for the retention of the GSP+ grant in the Philippines and underscores the urgency of fast-tracking the EU-PH FTA negotiations.**

Talks began for a free trade agreement between the EU and the Philippines in December 2015, followed by the first round of the negotiations in May 2016, and a second one in February 2017. This agreement is crucial in further deepening the EU's relationship with the country and builds upon the EU-Philippines Framework Agreement on Partnership and Cooperation which became effective in March 2018. This seeks to cover various areas such as tariffs, non-tariff trade barriers, investment, public procurement, intellectual property, competition, and sustainable development.

The Philippines has gained momentum since then and has recently expressed its readiness to resume negotiations for a bilateral free trade agreement (FTA) with the European Union and reiterated its commitment to comply with the 27 international core conventions on human rights, labor, environment, and good governance with a desire to maintain the GSP+ privileges. There is also an urgent need to build on the success of the ASEAN-EU Commemorative Summit and the side events held in Brussels last December 2022, as well as push for the realizing the investment pledges in renewable energy, infrastructure, among others.

Currently, the EU has concluded free trade agreements with several ASEAN member states, particularly with Singapore and Vietnam. Also, as of writing time, the EU and Indonesia have conducted several rounds of negotiations on a Comprehensive Economic Partnership Agreement (CEPA), with the most recent one taking place in early May 2023. The EU and Thailand have also recently announced the relaunch of negotiations for an FTA in March 2023.

As such, the ECCP advocates for the timely conclusion of the EU-PH Free Trade Agreement. The FTA could lead to improved trade and investment opportunities, ultimately resulting in economic diversification, increased market competitiveness and openness, better employment prospects, and innovation and technological advancements. Such a deal would also help contribute towards achieving a greener, more inclusive, and sustainable Philippines.



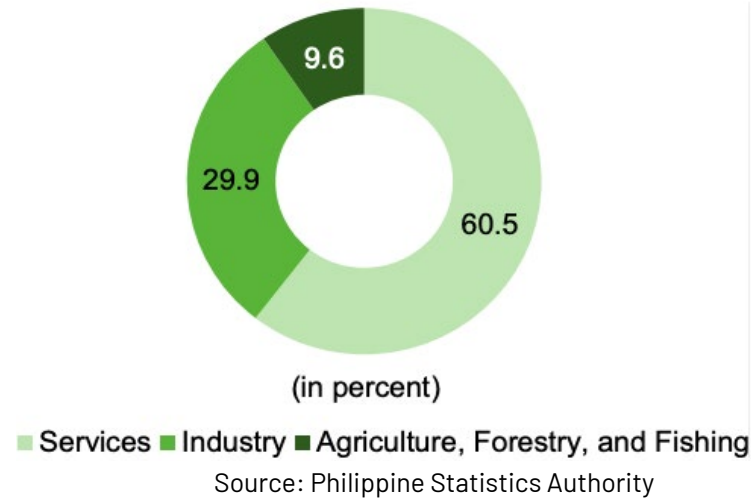


AGRICULTURE ADVOCACY PAPER 2023

INTRODUCTION

Often touted as the backbone of the Philippine economy, the importance of the agriculture sector to the country can never be overstated especially against the backdrop of the COVID-19 pandemic and the ongoing global food crisis. However, the extent of its potential is yet to be fully realised. Data from the Philippine Statistics Authority (PSA) shows that the sector's contribution to the country's GDP in 2021 posted a decline from 10.2% in 2020 to 9.8% valued at PHP1.78 trillion at constant 2018 prices and had the least contribution among the three major industries.¹

Figure 1. GDP by Industry, Philippines, 2021
(Share to GDP, at Constant 2018 Prices)



Similarly, in terms of employment, agriculture and forestry were reported to be one of the top five sub-sectors with the largest decrease in the number of employed persons from March 2022 to March 2023 losing about 607,000 employees in the sector, accounting for 23.5% of the total labour force from 25.2% in March 2022.²

Today, the sector faces pressure from the highly inflationary market as prices for inputs like fertiliser, feed, and fuel remain elevated leading to increased food prices affecting not only the Philippines but globally as well. Data from the Food and Agriculture Organization's Food Price Index (FPI) show that food price indices, averaging at 129.8 for February 2023, continue to be higher than the average level reported from recent years, despite a slight improvement with the levels lowering to the same levels reported prior to the war in Ukraine.³ The decline is mostly attributed to the decrease in the price index of vegetable oils at 135.9 (down by 4.5 down from January), and dairy at 131.3 (down by 3.6 points from January). A slight decrease in the averaged Meat and Cereal price index was also noted at 112 points and 147.3 points respectively. Meanwhile, the sugar price index reached its highest level since February 2017 at 124.9 points, up by 8.1 points from the reported level in January.⁴

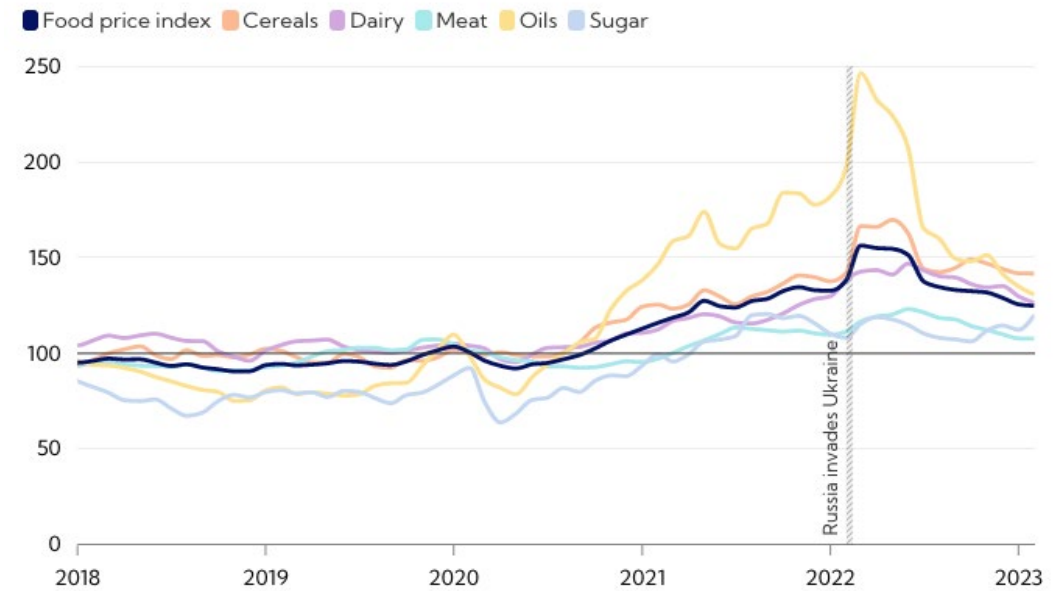
1 Philippine Statistics Authority. (June 2022). Agricultural Indicators System. Retrieved from https://psa.gov.ph/sites/default/files/%28ons-cleared%29_FO2_AIS%20Economic%20Growth%20Agriculture%202017-2021_ao_June14_ONS-signed.pdf

2 Philippine Statistics Authority. (8 May 2023). Employment Rate in March 2023 is Estimated at 95.3 Percent. Retrieved from <https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/title/Employment%20Rate%20in%20March%202023%20is%20Estimated%20at%2095.3%20Percent>

3 Kearns, J. (9 March 2023). Global Food Crisis may Persist, with Prices still Elevated after Year of War. Retrieved from <https://www.imf.org/en/Blogs/Articles/2023/03/09/global-food-crisis-may-persist-with-prices-still-elevated-after-year-of-war>

4 Food and Agriculture Organisation. 3 March 2023. FAO Food Price Index. Retrieved from <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

Figure 2. Real Food Price Indices
(2014-2016 = 100)⁵



Similarly, for the Philippines, food inflation rate posted a slight decline in February 2023, from 11.2% in January to 11.1%, but is still significantly higher than the 1.1% rate in February 2022. The slight decline was mainly attributed to the lower year-on-year index growth in cooking bananas and pulses, plantains, tubers, and vegetables from 37.8% in January to 33.1% in February, as well as the decline in the rice index from 2.7% to 2.2% (see Table 1).⁶

5 [org/worldfoodsituation/foodpricesindex/en/](https://www.fao.org/worldfoodsituation/foodpricesindex/en/)

The period 2014-2016 was chosen as the base as it was considered the most representative period for most markets in the past ten years. A three-year period is chosen to minimise the impact of variation in both internationally traded prices and quantities.

6 Philippine Statistics Authority. (7 March 2023). Summary Inflation Report Consumer Price Index (2018=100): February 2023. Retrieved from <https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2018100-february-2023>

Table 1. Consumer Price Index by Subgroup, Month-on-Month and Year-on-Year Percent Changes in the Philippines

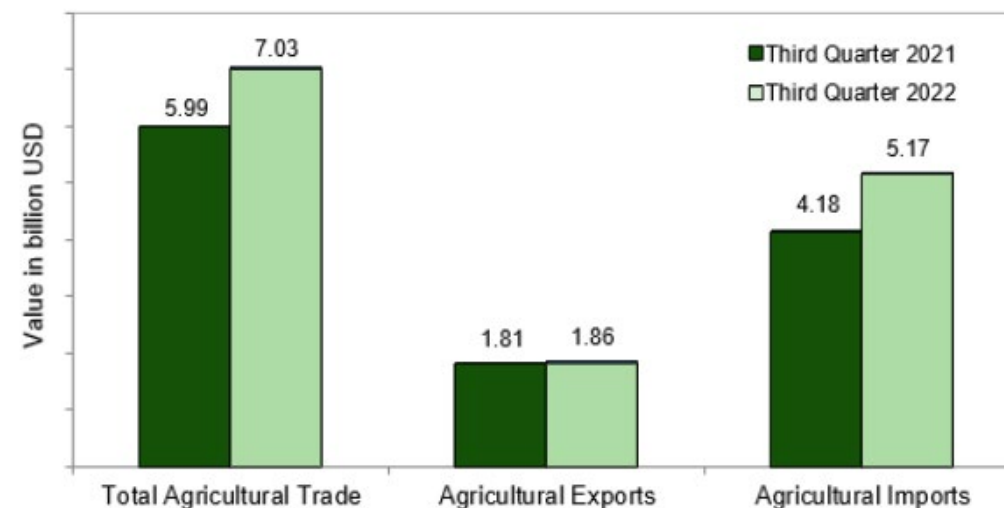
Commodity Group	CPI			Inflation Rates	
	Feb 2022	Jan 2023	Feb 2023	Month-on-Month	Year-on-Year
I. FOOD AND NON-ALCOHOLIC BEVERAGES	111.6	124.6	123.6	-0.8	10.8
* Food	111.8	125.5	124.2	-1.0	11.1
Cereals and Cereal Products	98.3	103.2	103.4	0.2	5.2
Cereals	94.3	97.0	97.0	0.0	2.9
Rice	92.6	94.5	94.6	0.1	2.2
Corn	125.3	142.0	141.1	-0.6	12.6
Flour, Bread and Other Bakery Products, Pasta Products, and Other Cereals	110.8	122.8	123.7	0.8	11.7
Meat and Other Parts of Slaughtered Land Animals	124.7	133.3	132.8	-0.4	6.5
Fish and Other Seafood	123.2	134.3	135.4	0.8	9.9
Milk, Other Dairy Products and Eggs	108.6	120.7	122.8	1.7	13.1
Oils and Fats	116.2	136.0	136.3	0.2	17.3
Fruits and Nuts	117.5	130.1	131.0	0.7	11.5
Vegetables, Tubers, Cooking Bananas and Pulses	120.1	181.4	159.8	-11.9	33.1
Sugar, Confectionery and Desserts	107.8	146.7	147.7	0.7	37.0
Ready-Made Food and Other Food Products N.E.C.	112.2	122.6	123.2	0.5	9.8
* Non-alcoholic Beverages	108.6	115.4	116.2	0.7	7.0
II. ALCOHOLIC BEVERAGES AND TOBACCO	145.9	161.2	162.0	0.5	11.0
Alcoholic Beverages	122.6	131.0	132.1	0.8	7.7
Tobacco	162.0	182.0	182.6	0.3	12.7
Other Vegetable-Based Tobacco Products	137.1	147.2	149.2	1.4	8.8

Source: Retail Price Survey of Commodities for the Generation of Consumer Price Index, Philippine Statistics Authority

In terms of trade, most recent data from the PSA shows that the total agricultural trade for the third quarter of 2022 stood at USD 7.03 billion with a yearly growth rate of 17.3%. During the said period, agricultural exports and imports amounted to USD 1.86 billion and USD 5.17 billion, respectively leading to a deficit in the total balance of trade in agricultural goods at USD -3.31 billion with an annual growth rate of 39.6%.⁷

7 Philippine Statistics Authority. (4 January 2023). Highlights of the Foreign Trade Statistics for Agricultural Commodities in the Philippines Third Quarter 2022, Preliminary. Retrieved from <https://psa.gov.ph/content/highlights-foreign-trade-statistics-agricultural-commodities-philippines-third-quarter-2022#:~:text=The%20total%20value%20of%20agricultural,3.3%20percent%20during%20the%20year.>

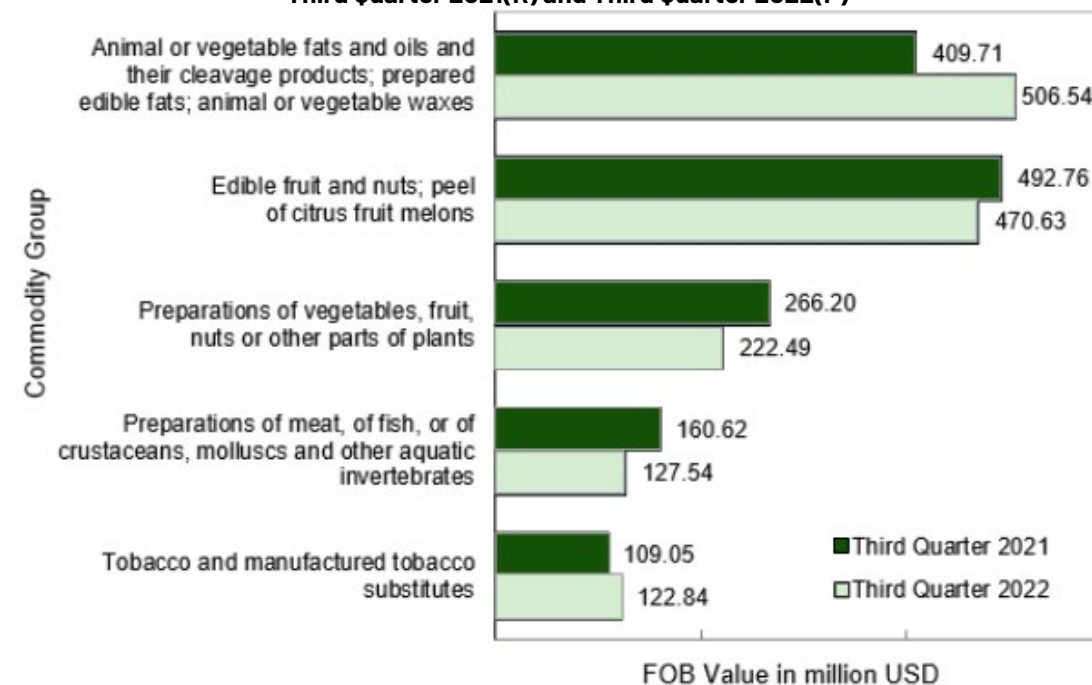
Figure 3. Total Agricultural Trade and Agricultural Export and Import: Philippines, Third Quarter 2021(R) and Third Quarter 2022(P)



Source: Philippine Statistics Authority

Agricultural exports posted an annual growth rate of 2.7% from the figure of USD 1.81 billion reported in the third quarter of 2021. Out of the total agricultural exports, animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes had the largest share at 27.3% or USD 506.54 million. This is followed by edible fruit and nuts; peel of citrus fruit melons valued at USD 470.63 million and preparations of vegetable, fruit, nuts or other parts of plants at USD 222.49 million.⁸

Figure 4. Value of Philippine Agricultural Exports of Top Five Commodity Groups: Third Quarter 2021(R) and Third Quarter 2022(P)

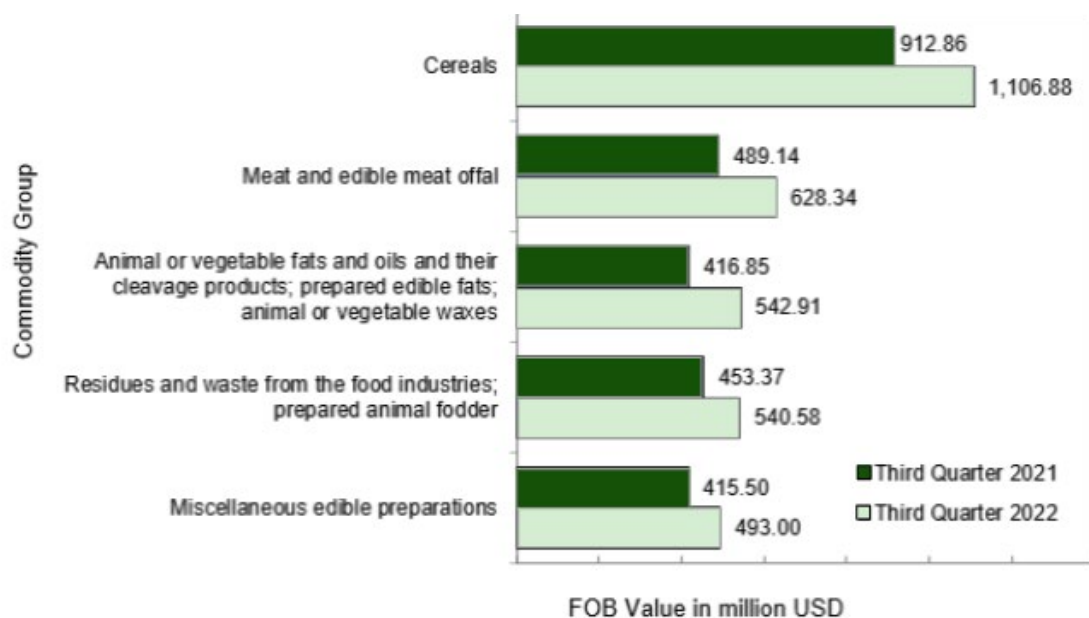


Source: Philippine Statistics Authority

8 Ibid.

Meanwhile, total agricultural imports recorded an annual growth rate of 23.7% from its reported figure at USD 4.18 billion in the third quarter of 2021 and accounted for 14.1% of the country's total imports for the said period. Cereals recorded the largest share in the total agricultural imports at 21.4% or amounting to USD 1.11 billion, followed by meat and edible meat offal valued at USD 628.34 million.

Figure 5. Value of Philippine Agricultural Imports of Top Five Commodity Groups: Thirds Quarter 2021(R) and Third Quarter 2022(P)



Agricultural exports to the European Union (EU) amounted to USD 362.54 million or 16% of the country's total exports to EU member states, with the Netherlands, Spain, and Germany as the top three buyers. Top three major agricultural commodities exported to the EU remain to be (i) animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes valued at USD 180.48 million, (ii) preparations of meat, of fish or of crustaceans, mollusks, and other aquatic invertebrates at USD 65.81 million; and (iii) preparation of vegetables, fruit, nuts or other parts of plants amounting to USD 29.94 million.

Table 2. Top 10 Countries in the European Union for agricultural exports, the total value of agricultural exports, and their respective top export commodity group (3rd Quarter 2022 P)			
Country		Total Value of Agricultural Exports	Top commodity group
1	The Netherlands	USD 176.76 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
2	Spain	USD 50.65 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
3	Germany	USD 29.70 million	Preparations of meat, of fish or of crustaceans, molluscs and other aquatic invertebrates

4	United Kingdom ⁹	USD 28.03 million	Preparations of vegetables, fruit, nuts or other parts of plants
5	Italy	USD 26.23 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
6	France	USD 9.96 million	Fish and crustaceans, molluscs and other aquatic invertebrates
7	Latvia	USD 7 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
8	Greece	USD 6.27 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
9	Belgium	USD 5.97 million	Preparations of meat, of fish or of crustaceans, molluscs and other aquatic invertebrates
10	Sweden	USD 5.07 million	Preparations of meat, of fish or of crustaceans, molluscs and other aquatic invertebrates

Source: Philippine Statistics Authority

Meanwhile, agricultural imports from the EU was valued at USD 525.44 million, accounting for 25.2% of the total imports in the said period, with Spain (USD 139.62 million), the Netherlands (USD 65.76), and France (USD 56.81 million) as the Philippines' top three suppliers. The top three major agricultural commodities imported from the EU were (i) meat and edible meat offal at USD 194.88 million; (ii) dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified at USD 112.19 million; and (iii) residues and waste from the food industries; prepared animal fodder at USD 43.05 million.

Table 3. Top 10 Countries in the European Union for agricultural imports, the total value of agricultural imports, and their respective top import commodity group (3rd Quarter 2022 P)			
Country		Total Value of Agricultural Imports	Top commodity group
1	Spain	USD 139.62 million	Meat and edible meat offal
2	The Netherland	USD 65.76 million	Meat and edible meat offal
3	France	USD 56.81 million	Meat and edible meat offal
4	Belgium	USD 53.73 million	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified

⁹ The United Kingdom of Great Britain and Northern Ireland is listed under the European Union group of the PSA

Country		Total Value of Agricultural Imports	Top commodity group
5	Ireland	USD 50.34 million	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified
6	Germany	USD 39.93 million	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified
7	United Kingdom	USD 33.15 million	Meat and edible meat offal
8	Denmark	USD 28.09 million	Meat and edible meat offal
9	Italy	USD 22.75 million	Residues and waste from the food industries; prepared animal fodder
10	Poland	USD 17.60 million	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified

Source: Philippine Statistics Authority

In terms of self-sufficiency ratio (SSR), banana remained to have the highest ratio among the reference commodities in 2021 with an SSR of 136.5% despite a decrease from the previous year, followed by pineapple at 123.6%. Adequate production of other selected reference fruits such as calamansi, mango, papaya, and pomelo as well as for root crops and vegetables including ampalaya, cassava, eggplant, and sweet potato was likewise observed. SSR for corn also reported an increase from 91.4% in 2020 to 94.8% in 2021 while a decrease for rice from 85% to 81.5% was reported in the same period. Coffee production remained inadequate despite recording an increase in its SSR from 26.8% to 44.4%, along with garlic, mungo, onion, peanut, and potato.¹⁰

For livestock and poultry products, self-sufficiency was reached for chevon, chicken egg, duck egg, and duck (dressed) while decline in SSRs for beef, carabeef, chicken, and pork were noted. Continuous sufficiency in domestic production was registered for several fishery products such as crabs, milkfish, prawns, shrimps, and oyster while inadequacies in production for tuna and roundscad were noted following a decline in SSRs from 89.4% to 70.1% and from 79.5% to 74.9% respectively.¹¹ In consideration of the presented data, industry has called for support to promote the export activities for those over 100% sufficiency as well as government support to increase the production of the commodities that have SSRs under 50%.

10 Philippine Statistics Authority. (November 2022). Agricultural Indicators System: Food Availability and Sufficiency. Retrieved from <https://psa.gov.ph/sites/default/files/AIS%20Food%20Availability%20and%20Sufficiency%2C%202017-2021%20signed.pdf>

11 Ibid.

Figure 6. Self-Sufficiency Ratio of Selected Agricultural Commodities, Philippines, 2021 (in percent)



Source: Philippine Statistics Authority

Crops

In the Philippines, the major agricultural crops are rice, banana, coconut, coffee, corn, mangoes, pineapple, sugarcane, and tobacco while secondary crops include cassava, cabbage, cotton, eggplant, garlic, peanut and rubber. According to the PSA, crop production accounted for 59.1% of the total value of production in agriculture and fisheries (recorded at 611.52 billion at current prices) in the fourth quarter of 2022.¹²

Relatedly, decline in the value of production for several crops including corn (-6.9%), palay (-2.5%), rubber (-9%), and mango (-5.8%) among others were noted while value of production for onion (23.3%), sugarcane (18.7%), tobacco (8.5%), pineapple (6.6%), and coffee (2.3%) reported an increase in the same period.¹³

12 Philippine Statistics Authority. (January 2023). Value of Production in Philippine Agriculture and Fisheries. Retrieved from https://psa.gov.ph/sites/default/files/%28ons-cleared%29_Full%20Report%2C%20Fourth%20Quarter%202022%20Value%20of%20Production%20in%20Philippine%20Agriculture%20and%20Fisheries.pdf

13 Ibid.

Table 4. Year-on-Year Growth Rates of Value of Crop Production at Constant 2018 Prices (in percent)

Subsector/ Commodity	2020-2021				2021-2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Crops	3.3	3.1	-0.2	2.6	-1.6	-2.8	1.8	-1.0
Palay	8.6	1.2	6.7	0.2	-1.9	0.7	1.0	-2.5
Corn	6.5	6.3	-18.6	28.6	-0.2	3.3	2.5	-6.9
Banana	1.0	1.3	-0.2	-0.4	-3.3	0.4	0.1	-0.8
Coconut	-0.8	0.9	2.0	3.6	2.0	2.0	1.0	1.0
Mango	4.1	-0.2	0.6	-1.7	-4.0	-3.8	-3.8	-5.8
Sugarcane	-4.5	34.8	110.8	1.4	-10.1	-53.8	78.8	18.7
Pineapple	5.7	4.6	13.1	0.5	1.0	-1.4	1.5	6.6
Cassava	-7.3	-4.2	-0.3	2.8	-2.6	0.9	0.3	0.6
Rubber	3.8	5.9	2.6	-2.0	-0.3	-0.6	-0.3	-9.0
Sweet Potato	-1.0	0.1	-1.4	1.1	-0.9	4.0	2.2	3.4
Onion	-13.7	22.0	-8.1	-13.1	4.2	20.2	1.7	23.3
Eggplant	1.0	2.1	-5.0	2.0	4.0	0.2	2.3	-0.4
Coffee	12.4	-0.3	-4.3	-6.0	-3.9	-7.1	-4.0	2.3
Tobacco	-6.2	-2.1	3.2	3.4	-24.1	-1.2	1.9	8.5
Abaca	-14.7	-0.4	-21.1	-11.6	14.0	-1.3	21.5	2.9
Tomato	1.8	3.0	1.6	-3.1	-6.1	-6.4	6.1	0.7
Potato	-26.4	24.8	-13.0	-8.7	11.7	-3.3	-1.0	5.4
Ampalaya	2.0	2.7	-3.8	0.4	0.8	1.8	2.7	-4.7
Cabbage	-9.6	13.1	-18.1	-3.9	-7.3	-3.3	1.2	-0.8
Calamansi	-1.6	-7.8	8.3	0.6	-1.5	2.3	-6.2	-2.5
Mongo	6.2	-8.5	-7.6	1.9	0.04	6.4	0.7	-1.9
Cacao	11.8	9.9	-3.6	11.3	6.0	1.4	8.2	2.6
Other Crops	-0.8	3.1	0.3	0.6	1.0	-12.9	1.2	-0.8

Source: Philippine Statistics Authority

Livestock

The Philippines' livestock industry is composed of the following major sub-sectors: carabao, cattle, hog, and goat. In the fourth quarter of 2022, the value of livestock production increased by 2.5% at constant 2018 prices and accounted for 14.3% of the total value of production with hog having the largest contribution. On the other hand, a decrease in the value of goat (-2.5%), cattle (-4%), and carabao production (-3%) was noted for the period. At current prices, livestock production amounted to PHP 96.65 billion and recorded an increase of 8.2% from the same period in the previous year.

Table 5. Year-on-Year Growth Rates of Value of Livestock Production at Constant 2018 Prices (in percent)

Subsector/ Commodity	2020-2021				2021-2022			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Livestock	-23.4	-19.3	-15.3	-9.7	-1.0	2.1	4.0	2.5
Hog	-25.8	-26.2	-17.8	-12.6	-1.2	3.0	4.5	3.4
Cattle	-12.2	32.6	-2.6	1.1	-0.7	0.9	1.2	-0.4
Carabao	-8.4	26.2	7.7	5.8	4.9	-3.9	3.5	-0.3
Goat	-7.2	23.4	-7.9	3.8	-5.7	-6.7	-0.1	-2.5
Dairy	2.8	-6.6	-3.6	1.4	22.2	22.2	16.0	1.0

Poultry

In the fourth quarter of 2022, poultry production accounted for 12.8% of the total value of production in agriculture and fisheries. It posted an increase in value by 1.8% at constant 2018 prices in the said period and a 7% increase from January to December 2022. Among the poultry commodities that posted an increase in the value of production were duck (4.3%); duck eggs (4.3%); chicken (2.3%); and chicken eggs (0.2%).

Fisheries

The value of fisheries production, at current prices, was recorded at PHP 89.90 billion with an annual growth of 6.2% in the fourth quarter of 2022 and accounted for 13.8% of the total value of production. In the same period, improvements in the value of production for skipjack (23.4%), big-eyed scad (18.6%), and yellowfin tuna (11.9%) among others were registered while double digit reductions in bigeye tuna (-43.7%), mudcrab (-37.0%), and slipmouth (-34.3%) among others were exhibited.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **Rice Competitiveness Enhancement Fund (RCEF):** In line with the Administration's thrust to achieve food security, a PHP 10 billion budget for RCEF¹⁴ was allocated for fiscal year 2023, while a PHP 1 billion budget was allocated for assistance to the fisherfolks and farmers – twice of the allocated budget of PHP 500 million in 2022. The said budget will be distributed between the Department of Agriculture (DA) which will receive PHP 510.45 million for corn farmers, and the Bureau of Fisheries and Aquatic Resources which will have an allocation of PHP 489.6 million for fisherfolk.¹⁵
- **Initiatives to increase Corn Production:** On 16 January, the DA released Memorandum Order No. 06-2023 on the guidelines in the implementation of Corn Production Enhancement Project (CPEP).¹⁶ The project aims to boost production of white and yellow corn to increase supply and meet the requirements of the livestock and feed industries. Eligible farmers will be provided two bags of inorganic fertiliser per hectare planted to corn, 20 kilos of improved seed corn and 18 kilos of hybrid seed corn as prescribed by the memorandum order.^{17,18}

Following this, on 19 January 2023, the DA released Memorandum Order No. 08-2023 on the implementing guidelines on the provision and promotion of bio-fertilisers in corn areas.¹⁹ The memorandum aims to aid corn farmers following a significant increase in the price of inorganic fertilisers due to the spike in cost of oil in the international market.²⁰
- **Streamlining of process for trade of processed food:** Following concerns from the Public-Private Trade Council, the Anti-Red Tape Authority (ARTA) met with the Export Development Council's (EDC)²¹ Networking Committee on Agricultural Policy Chairperson, Philip Young, to discuss possible solutions to further streamline the process of required permits for the export and import of processed food. Representatives from the Compliance Monitoring and Evaluation Office (CMEO) and the Better Regulations Office (BRO) were also present in the meeting. CMEO will spearhead the monitoring of compliance by the relevant agencies as prescribed by the Ease of Doing Business and Efficient Government Service Delivery Act while the BRO will lead the review of relevant policies and regulations.²²

14 RCEF aims to boost the competitiveness and productivity of local farmers and increase their income by providing rice extension services, expanded rice credit assistance, and farm machinery and equipment among others.

15 Department of Budget and Management. (15 September 2022). P10 Billion Allotted for Rice Competitiveness Enhancement Fund; P1 Billion for Farmers, Fisherfolks Assistance. Retrieved from <https://www.dbm.gov.ph/index.php/secretary-s-corner/press-releases/list-of-press-releases/2378-p10-billion-allotted-for-rice-competitiveness-enhancement-fund-p1-billion-for-farmers-fisherfolk-assistance>

16 Department of Agriculture. (16 January 2023). Guideline in the Implementation of Corn Production Enhancement Project. Retrieved from https://www.da.gov.ph/wp-content/uploads/2023/01/mo06_s2023.pdf

17 Ibid.

18 Jose, A. E. (19 January 2023). Corn Production Upgrades Planned to Boost Supply of Animal Feed. Retrieved from <https://www.bworldonline.com/economy/2023/01/19/499706/corn-production-upgrades-planned-to-boost-supply-of-animal-feed/>

19 Department of Agriculture. (19 January 2023). Implementing Guidelines on the Provision and Promotion of Bio-Fertilizers in Corn Areas. Retrieved from https://www.da.gov.ph/wp-content/uploads/2023/01/mo08_s2023.pdf

20 Ibid.

21 Formed in 1994 in accordance with Republic Act 7844 or the Export Development Act, the EDC is composed of government and private sector representatives, and aims to identify the bottlenecks hindering the growth of the country's export industry.

22 Ochave, R.M. (2 February 2023). ARTA to help Ease Permit Procedures for Export, Import of Processed Food. Retrieved from <https://www.bworldonline.com/economy/2023/02/02/502775/arta-to-help-ease-permit-procedures-for-export-import-of-processed-food/>

- **Mindanao Inclusive Agriculture Development Project (MIADP):** Along with other high-impact projects, the National Economic Development Authority (NEDA) approved the PHP6.6 billion project seeking to improve agricultural productivity, resiliency and promote access to services and markets of organised fisherfolk and farmers group located within the projects coverage area.²³ This includes identified ancestral domains in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), Caraga, Davao Region, Northern Mindanao, Soccsksargen, and Zamboanga Peninsula.²⁴ According to NEDA Secretary Balisacan, PHP 863.461 million of the estimated cost will come from the DA and the local government units (LGUs) while the major bulk of the cost (PHP 5.3 billion) will be sourced from the World Bank through Official Development Assistance (ODA).²⁵
- **European Free Trade Association (EFTA)-Philippines Free Trade Agreement (FTA):** The Department of Trade and Industry (DTI) reported that the Philippines and EFTA²⁶ are looking into further improving the utilisation rate of their FTA which was reported to be at 30% for the EFTA bloc and 31% for the Philippines in 2020. Signed in April 2016, the FTA, which took effect in June 2018 for the Philippines, aims to foster increased market access, trade and sustainable development, protection of intellectual property rights, and reduction of non-tariff barriers, among others. Data from the DTI shows that total trade between the two parties reached USD 821.41 million in 2019, USD 821.81 million in 2020, and USD 953.58 million in 2021, with the Philippines having a trade surplus of USD 47.12 million in 2019, USD 101.49 million in 2020 and USD 129.89 million the following year. Philippine agricultural and industrial products²⁷ exported tariff-free to the EFTA zone are estimated to be valued at EUR 24.84 million in 2020.²⁸
- **Meat Import Ban from Europe:** Domestic regulators have imposed temporary importation bans on the meat trade from Europe due to the african swine fever (ASF), the highly pathogenic avian influenza and other transboundary animal pests and diseases. As of writing, import bans on poultry are in place in Belgium, Czech Republic, Denmark, Ireland, Poland, and Turkey. For beef products, import bans are in place in the Netherlands and Spain while import bans on pork products are in place in the Czech Republic and Ukraine.
- **Plant-based Food Industry Roadmap:** In partnership with the University of the Philippines, the Board of Investments (BOI) has commenced the appraisal study for the inception of the said Plant-based Food Industry roadmap. The study, known as the Rapid Industry Appraisal (RIA) study, will be conducted for six months in order to have a fuller understanding on the industry's status, performance and prospects which will then serve as a basis in the formulation of the industry roadmap.²⁹
- **Regional Comprehensive Economic Partnership (RCEP):** After several deliberations, the Senate has ratified the free trade agreement on 21 February 2023. RCEP, according to the approved Senate resolution, is expected to boost market access for the country's export products, increase trade facilitation and increase supply of raw materials, among others.³⁰

23 Gita-Carlos, R.A. (3 February 2023). NEDA Approves 6 more 'High-impact' Projects. Retrieved from <https://www.pna.gov.ph/articles/1194310>

24 Ibid.

25 Ibid.

26 Comprised of Iceland, Liechtenstein, Norway and Switzerland

27 Desiccated coconut tuna, fruit and nuts, hairdressing apparatus, malt products, new pneumatic tires, processed food and food preparations, tuna, and vacuum cleaners

28 Ochave, M. (13 February 2023). PHL, EFTA Partners Working to Improve Trade Deal Utilization. Retrieved from <https://www.bworldonline.com/economy/2023/02/13/504659/phl-efta-partners-working-to-improve-trade-deal-utilization/>

29 Talavera, C. (18 February 2023) BOI Starts Industry Study on Plan-based Food. Retrieved from <https://www.philstar.com/business/2023/02/18/2245701/boi-starts-industry-study-plant-based-food>

30 Senate of the Philippines. (22 February 2023). Senate Concurs in Ratification of RCEP Agreement. Retrieved from http://legacy.senate.gov.ph/press_release/2023/0222_prib1.asp#:~:text=The%20Senate%20on%20Tuesday%2C%20February,Juan%20Miguel%20%22Migz%22%20F.

- **Youth Involvement in the Agriculture Sector:** Launched in 2022 by the DA's Agribusiness and Marketing Assistance Service (DA-AMAS), the Young Farmers' Challenge (YFC) is a 'competitive financial grant assistance program for the youth who will engage in new agri-fishery enterprises'.³¹ According to the DA, nearly 2,955 young Filipinos have benefited from the said program. Aside from YFC, young farmers and entrepreneurs can also benefit from the extended credit access to improve their production capacities through the government's Agri-Negosyo Loan Programs (ANLP) and Kapital Access for Young Entrepreneurs (KAYA).³²
- **HALina't magtanim ng Prutas At Gulay sa Barangay Project | Kadiwa Ay Yaman | Plants for Bountiful Barangays Movement (HAPAG KAY PBBM):** Officially launched on 1 March, HAPAG kay PBBM aims to attain food security, accessibility and affordability through community engagement and urban and peri-urban agriculture. The program is the result of combining two government projects from the Department of the Interior and Local Government (DILG) and the DA³³, which are the HAPAG sa Barangay Project and the Green Revolution 2.0: Plants for Bountiful Barangays Movement (PBBM). Aside from food security, the program also encourages environmental conservation by employing urban agriculture innovations and practices including aeroponics, aquaponics, container gardening, fruit-bearing tree planting, hydroponics, square-foot gardening, and vertical gardening.³⁴
- **Onion Situation:** Since mid-2022, the Philippines has struggled with the significant increase in the price of onions – spiking up from PHP 70 per kilo in April 2022 to around PHP 700 per kilo in December 2022, making it more expensive than meat. The onion shortage has largely been linked to import delays with imported onions, particularly those from China and India, needing phytosanitary and sanitary permits for biosecurity and quarantine purposes.³⁵ Aside from government initiatives to expedite importations, the DA, through its High-Value Crops Development Program (HVCDP), has also allocated PHP 326.97 million to boost the local onion industry as a long-term solution. The bulk of the budget amounting to PHP 240.575 million will be used to establish seven onion cold storage facilities³⁶ while PHP 69.949 million will be used to distribute seedlings and other farm inputs.³⁷ Aside from this, the DA is also implementing the Enhanced Kadiwa: Sagip Sibuyas Project which has benefited over 7,800 members of farmers' associations and cooperatives in the Mimaropa region³⁸ and the Bureau of Plant Industry has also established an Allum Task Force to conduct weekly monitoring of onion inventory and prices.
- **Sugar Crisis:** Following the issue of the alleged unauthorised sugar importation in 2022, industries continue to face challenges in their business operations due to the absence of adequate sources of domestic sugar in the market places. To resolve this issue, the Sugar Regulatory Administration released Sugar Order No. 6 on 15 February 2023. The Second Sugar Import Program for Crop Year 2022-

31 Department of Agriculture – Agribusiness and Marketing Assistance Service. (n.d.). Young Farmers Challenge Program 2022. Retrieved from <http://agribusiness.da.gov.ph/young-farmers-challenge-program-2022/>

32 Sevillano, S. (24 February 2023). DA Invests in Next Agri-fishery Generation for Food Security. Retrieved from <https://www.pna.gov.ph/articles/1196034>

33 Led by the Bureau of Plant Industry (DA-BPI), the National Urban and Peri-Urban Agriculture Program (DA-NUPAP) and the High Value Crops Development Program (DA-HVCDP)

34 Vergaram K. Y. (1 March 2023). HAPAG KAY PBBM Signifies Gov't Sincerity, Resolve to Address Food Crisis – PBBM. Retrieved from <https://www.da.gov.ph/hapag-kay-pbbm-signifies-govt-sincerity-resolve-to-address-food-crisis-pbbm/>

35 Dela Cruz, E. and Portugal, A. (15 February 2023). Onions put Philippines in a Stew over Food Price Inflation. Retrieved from <https://www.reuters.com/markets/asia/onions-put-philippines-stew-over-food-price-inflation-2023-02-15/>

36 Five 20,000-bag capacity will be built in Hermosa, Bataan; Talavera and Bongabon in Nueva Ecija; as well as in Rizal and Sablayan in Occidental Mindoro while two 10,000-bag capacity will be built in Pangasinan and Nueva Vizcaya

37 Sevillano, S. (8 February 2023). DA Allots over P300 Million to Boost Onion Industry. Retrieved from <https://www.pna.gov.ph/articles/1194704>

38 Ibid.

2023 allows for the importation of 440,000MT of refined sugar broken down as follows: 200,000 MT for Consumers and 240,000 MT to be allocated for buffer stock (to be released to consumers upon approval of the SRA Board).³⁹ DA Undersecretary Panganiban was said to have handpicked three traders to import sugar which are All Asian Counter Trade, Sucden Philippines Inc., and Edison Lee Marketing Corp.

- **Looming Rice Crisis:** Following concerns over the looming El Niño phenomenon expected to affect the Philippines and other Southeast Asian countries, local agricultural groups have raised concerns over a possible rice shortage starting in July due to the higher production cost which had led to a significant decrease in palay production in 2022.⁴⁰ On the other hand, President Marcos has initially remarked that the country has enough supply of rice, further noting that while supply may decrease, the no rice crisis is expected to occur. However, he noted that the Administration is open to consider importation to augment rice supply before the harvest season.⁴¹
- **Crafting of Commodity Industry Roadmaps:** Spearheaded by the Philippine Council for Agriculture and Fisheries, the DA in partnership with various industry stakeholders officially launched its 20 Philippine Commodity Industry Roadmaps (CIRs) last 17 June 2022. The CIRs are categorised into three clusters namely: (i) High Value Crops Cluster composed of the abaca, banana, coffee, cacao, coconut, mango, onion, and vegetable industries; (ii) Fisheries and Aquaculture Cluster focused on milkfish, seaweed, shellfish, shrimp, and tilapia industries; and (iii) Poultry, Livestock, and Corn Cluster which includes carabao, dairy, hog, poultry broiler, poultry layer, small ruminants, and yellow corn industries.⁴²
- **Three-year Agriculture Development Program:** The program seeks to boost agricultural productivity specifically on corn, fisheries, high-value crops, livestock, poultry, and rice. The following are the DA agencies/banner programs involved in the program:
 - **DA-National Corn Program (DA-NCP):** Identify production areas for genetically modified and open-pollinated varieties to increase corn production. In particular, the DA-NCP is looking into using double cropping to utilise 700,000 hectares of land and intensify production by 1.5 million metric tonnes.
 - **Bureau of Fisheries and Aquatic Resources (BFAR):** Improve production of fisheries by locating areas for capture fisheries and aquaculture.
 - **Bureau of Plant Industry (BPI) and DA-HVCDP:** Determine high-value crops for export and local consumption. In collaboration with the DA-HVCDP, the BPI plans to boost production and export of avocados, bamboo, bananas, cacao, calamansi, cashew, coffee, durian, dragonfruit, jackfruits, mangoes, nuts, ornamentals, pili, pineapples, shallots, and ube.
 - **DA-National Livestock Program (NLP):** Sustain and intensify implementation of biosecurity and repopulation programs to combat transboundary animal pests and diseases like the avian influenza (AI) and ASF.

39 Sugar Regulatory Administration. Sugar Order No. 6 Series of 2022-2023. Retrieved from <https://www.sra.gov.ph/wp-content/uploads/2023/02/2022-2023-SO-6.pdf>

40 Dela Peña, K. 26 April 2022. As Rice Looms, 'Kamote', Other Alternatives Pushed. Retrieved from <https://newsinfo.inquirer.net/1761300/as-rice-crisis-looms-kamote-other-alternatives-pushed>

41 Galvez, D. (20 April 2023). Bongbong Marcos Says No Rice Crisis Expected but Gov't Still Open to Import. Retrieved from <https://newsinfo.inquirer.net/1758865/bongbong-marcos-says-no-rice-crisis-expected-but-govt-still-open-to-import#ixzz7zxeSxScq>

42 Philippine Council for Agriculture and Fisheries. (n.d.). PCAF Quarterly Newsletter. Retrieved from http://www.pcaf.da.gov.ph/wp-content/uploads/2023/02/2022_CIR_Part-2_PCAF-Newsletter.pdf

- **DA-Agricultural Credit Policy Council (ACPC):** Devise credit development and credit assistance programs that are responsive to the needs of the animal feed industry and are complementary to the current credit initiatives for fisherfolks and farmers, in partnership with the DA-Bureau of Animal Industry (DA-BAI).
- **DA-National Rice Program:** Develop strategies to cultivate newly irrigated areas and select areas for hybrid and inbred rice production.⁴³
- **Continued Implementation of Special Safeguard Duties and other Trade Remedies:** Following inquiry from Indonesia during a World Trade Organization Committee on Agriculture meeting on the country's imposition of SSG on imported instant coffee products, the Philippine government has responded that the country will continue to impose the said trade measure for as long as the product is below the country's trigger price. The measure has been implemented since August 2018 following a surge of coffee imports that were priced below the trigger price.⁴⁴

ADVOCACY RECOMMENDATIONS

- **Promote ease of doing business by pursuing a sound, transparent, efficient, and science-based regulatory framework**

As in all industries, ease of doing business is one key consideration for investors when entering a new market. It is therefore imperative to establish a competitive business environment, particularly in the agriculture sector, to create an attractive destination for foreign investment and businesses. Likewise, improvements of regulatory processes in the sector is pivotal to ensure the unimpeded and efficient flow of food systems in the country.

Rationalise the grant of budgetary support for various crops, especially High Value Crops, across the entire country

Considering some limitations in public finance, the distribution of budgetary support for the various crops, especially High Value Crops, should be rationalised. Financial aid should focus on specific crops that are endemic to a certain region without having to spread the limited budget for a certain crop across all regions. This is to ensure that the given support will be substantial enough to result in tangible growth for each crop.

Fast-track the operationalization of TradeNet and pursue integration with the ASEAN Single Window (ASW)

The Philippines' endeavour to establish its own National Single Window (NSW) started as early as 2005 with the signing of Executive Order No. 482.⁴⁵ Now known as TradeNet, the platform "provides for the automated and integrated licensing, permitting, clearance and certification system of the Trade Regulatory Government Agencies (TRGAs) relevant in the import and export trade of regulated goods".

Inefficiency, red tape, and corruption are trade and investment barriers which discourage the doing of business in and with the Philippines. Taking these into consideration, the ECCP highly welcomes

⁴³ Rivera, D. (26 February 2023). Government Drafts 3-year Agriculture Development Program. Retrieved from <https://www.philstar.com/business/2023/02/26/2247634/government-drafts-3-year-agriculture-development-program>

⁴⁴ Arcalas, J. (1 March 2023). SSG to Stay on Imported Coffee-PHL to Jakarta. Retrieved from <https://businessmirror.com.ph/2023/03/01/ssg-to-stay-on-imported-coffee-phl-to-jakarta/>

⁴⁵ Executive Order No. 482, S. 2005. Retrieved from <https://www.officialgazette.gov.ph/2005/12/27/executive-order-no-482-s-2005/>

the recent signing of the long-awaited MoA as a significant development on the full onboarding of the 73 government agencies governing the import and export industry. We likewise look forward to the realisation of the government's objective to onboard all TRGAs by 1H 2024.⁴⁶

The operationalisation of the NSW will address the lack of communication between government agencies, combat smuggling and corruption, and facilitate smoother flow of domestic and international trade in the country. Moreover, the establishment of the NSW will also allow the country to maximise the benefits of being a member of the Association of Southeast Asian Nations (ASEAN) by utilising the ASW. Given all these benefits, the ECCP urgently calls for the integration with the ASW, and the full and expedited operationalization of the NSW in all government agencies.

Further liberalisation of the rice and corn industries

In line with the Chamber's mandate to promote the Philippines as an attractive trade and investment destination, we strongly urge the government to increase facilitation of trade in the country, particularly for the food and agriculture sectors to help address high food inflation today.

Likewise, we reiterate our recommendation to review and amend laws impeding foreign participation in certain agricultural activities. An example of this would be in the rice and corn industry wherein foreign participation is heavily limited by 1960 law that prohibits foreigners from engaging in the culture, milling, warehousing, transporting, exportation, importation, distribution, or acquisition for the purpose of trade of such crops.

It is our position that the liberalisation of the rice and corn industry will reaffirm the promotion of productive foreign investments in agriculture as key to national and rural development and will allow such foreign investments to create ripple effects by generating jobs and invigorate the countryside. As such, we actively call on Congress to enact a legislation in accordance with the provisions set in Presidential Decree (PD) No. 194 which aims to fully liberalise the rice and corn industry by repealing the divestment requirement and by rationalising the definition of rice and corn industry. It is worth noting that the amendment of PD No. 194 along these lines has been identified in the current 2022-2027 Philippine Development Plan as well as the 2021-2040 Yellow Corn Roadmap of the Department of Agriculture as a priority legislation.

Relatedly, we encourage the government to pursue a food security policy that is not overly protective and consider reducing tariffs on certain commodities where the country is currently in deficit, such as corn or even pork, with higher quotas that match the local deficit. The tariff revenues from these imports can then be allocated to boost competitiveness of the same industries so that we can eventually improve local productivity in the long-term and attain food self-sufficiency.

Raise the productivity and competitiveness of the sugar industry.

Over the years, food security remains to be one of the top advocacy priorities of the Chamber much more now, with the pandemic highlighting the need for a stable and accessible supply of food in the country. The Chamber recognizes the socioeconomic importance of the sugar industry in the country as it provides livelihood opportunities for various sectors including agriculture, processing, and trading sectors among others, and in consideration of its relevance to other key industries' production process. We remain steadfast in our commitment to work with the government and other key stakeholders to come up with plans and policies intended to raise the productivity and competitiveness of the sugar industry and uplift the lives of those involved in it, particularly the Filipino sugar farmers.

However, we are also aware of the stark reality that given the decreasing hectares for sugar plantation and the increasing demand by the growing population, the domestic supply of sugar will not be sufficient

⁴⁶ Pablo, R. (11 February 2023). Onboarding of 18 Priority TRGAs on TradeNet Underway. Retrieved from <https://www.portcalls.com/onboarding-of-18-priority-trgas-on-tradenet-underway/>

to meet the needs of both manufacturers and consumers. As such, we express our support to the proposal of allowing direct importation for the affected industries, subject to guidelines to be crafted by the appropriate agencies, in coordination with the affected industries, to ensure that importation is the last resort and will only be allowed when warranted and likewise to guarantee that there is adequate supply of sugar in the market. We would also like to emphasise that the said measure and its guidelines should be crafted in such a way that it does not adversely affect local sugar planters and millers and should be done in close collaboration with the concerned industries and affected stakeholders. This will help ensure that the policy will strike a balance between the needs of the industries and the interest of the local sugar planters and millers.

Sugar is one of the staple consumer goods in the Philippines. It is in numerous manufactured goods that the Filipinos need and enjoy on a day-to-day basis. With the country still dealing with the aftermath of the pandemic and now with the ripple effect of the military aggression in Ukraine, it is imperative that the government implement policies that will help cushion the economic repercussions of these unprecedented events.

Facilitate easier flow for agricultural products

The unimpeded flow of agricultural products plays an essential role in ensuring the productivity of the sector and that Filipinos, particularly those in the far-flung areas, have access to nutritious food. It is imperative for the government to monitor and review the current transportation and logistics system in place and enact policies to resolve any bottleneck.

The ECCP welcomes and calls for the full implementation of the joint issuance of the DILG and ARTA on the “suspension of LGU imposition and collection of illegal fees and taxes relative to the transport of goods and products”. In augmentation of this effort, we encourage the government to consider providing lower rates for the movement of food and agricultural products by reducing transportation fees such as port service fees and toll roads, among others.

We also strongly advocate to review and monitor government-imposed fees on food and other agricultural commodities, undertaking reasonableness or even necessity checks on local fees such as veterinary health certificates, shipping permits, slaughterhouse ante-/post- mortem inspection fees, pass-through fees, etc. to increase competitiveness of end products and, ultimately, of the agriculture sector.

In terms of international trade, we call for the rationalisation of cumbersome regulatory processes such as Certificates of Necessity to Import and Quotas that have led to red tape and inefficiency. The Chamber also highly encourage the facilitation of automatic approval of Sanitary and Phytosanitary Import Clearances (SPICs) from accredited country of origins deemed as “equivalent” while providing for mechanism for the immediate cancellation of permits in cases of animal, plant or food safety outbreaks to promote ease of doing business and, ultimately, encourage foreign businesses to expand their operations to the Philippines. Relatedly, we advocate for the strengthened implementation of ePhyto to modernise and shorten the process, cut operating costs and reduce the risk of fraudulent certificates which would ultimately facilitate easier market access of agricultural products.

Continued implementation of the Special Safeguard Measure (SSG) to ensure the growth of the domestic coffee industry

Over the years, European companies have made substantial investments in the country’s agriculture sector by partnering with local manufacturers to generate employment, utilise local raw materials, purchase more local produce, increase farmers’ incomes, promote knowledge transfer, and boost the country’s export revenues. However, the proliferation of cheap and illegal imported agricultural commodities including coffee products poses a significant risk to the sustainable growth and development of the sector.

As such, the ECCP welcomes and supports the continued imposition of special agricultural safeguards (SSG) on imported coffee and coffee products to ensure a level playing field between importers and local

manufacturers. We also encourage the continuous observance of minimum access volumes of coffee imports in aid to the growth of local industries.

We strongly believe that the said trade measure will help encourage manufacturers to source locally and help support the livelihoods of smallholder Filipino farmers by ensuring a ready market for them.

Enact the Coffee Industry Development Act

After several years of continuous exchange of ideas among experts as well as studying best practices in other countries, the Philippines finally approved and enacted the Coffee Roadmap. This was updated in 2021 to ensure that the standards and targets are attuned to the present reality.

However, without administrative and financial support, the Roadmap remains a piece of paper and continues to be a dream that cannot be achieved. To allow the coffee industry to grow and become sustainable, legislation that seeks to institute the Coffee Industry Development should be supported. The Philippines belongs to the region where land is suitable for coffee production. It is but apt that we use this natural resource to our advantage.

Modernise and streamline regulations for fertilisers and pesticides

The improvement of key aspects in the regulatory processes is undoubtedly a step towards facilitating the importation and certification of agricultural products to the Philippines.

Among key proposals, we look forward to the modernization and digitalisation of the Fertilizer and Pesticide Authority (FPA) to establish efficiency and ease procedures for companies engaged in the said business. We also highly recommend the revision of controlled and regulated chemicals to improve the facilitation of importation of high-quality fertiliser, pesticide products, and biological agents such as pheromone lures in the Philippines to provide farmers with cheaper and safer options to improve and maintain their yield and improve their production.

Delineate the regulatory jurisdiction of veterinary drugs and biologics

To resolve the unnecessary confusion in the industry caused by the duplication regulatory regimes on the registration, inspection, testing, use, and importation of veterinary drugs and biologics between the Bureau of Animal Industry (BAI) and the Food and Drug Administration (FDA), the ECCP strongly calls for the delineation of regulatory jurisdictions between the two agencies in accordance with the provisions of the Joint Administrative Order No. 2013-0026, in line with the government’s thrust to facilitate ease of doing business in the animal industry.⁴⁷

We have complete faith in the technical proficiency of BAI’s veterinarians and animal nutritionists, hence it is our position that animal health products should go under BAI’s purview while human health products should fall under FDA’s purview. We believe that this arrangement will be an optimal resolution to the regulatory tussle between the two agencies and resolve the unnecessary confusion in the industry adversely affecting its overall productivity in terms of cost and compliance issues.

Lastly, we also urge the lower house to pass the Animal Health and Veterinary Services Act, which would enhance and permanently define the authority of BAI over veterinary medications. This would also enable BAI to fulfil its role as the leading body in charge of supervising the animal industry.

Resolve the regulatory processing issue on animal industry disinfectants

In April 2021, by virtue of FPA Memorandum Circular No. 11 s. 2021, BAI had transferred the regulatory jurisdiction over animal disinfectants to the FPA. Following this, a transition regime has been adopted

⁴⁷ JAO No. 2013-0026 made clear regulatory boundaries between BAI and FDA by granting the former the exclusive authority to regulate animal health products such as veterinary drugs and feed ingredients

which allows for the continued importation of these very important commodities in the face of animal pandemics. However, since then, businesses have encountered a number of bottlenecks in the registration process arising from the said transfer of the regulatory jurisdiction including the use of labelling guidelines prescribed in the FPA's Green Book rules that are not fully applicable for disinfectants, additional requirements that are not listed in FPA MC No. 11, as well as the lack of trained ARCO for animal/veterinary disinfectant thereby prolonging the process of attaining an Experimental Use Permit (EUP) and getting the related trials started which are prerequisites to secure a full-fledged FPA registration. Furthermore, the government has yet to establish clear rules on how these products will be regulated after this transition period expires.

In recognition of these issues, FPA had initially informed industry stakeholders of its intent to work with BAI with the intention of potentially transferring back the same to the latter for an admitted lack of expertise and resources to manage the regulation of animal disinfectants. BAI, however, has reportedly also declined to take on the task for an alleged lack of legal jurisdiction and resources.

The ECCP supports the transfer back of these regulatory responsibilities to BAI considering this had been the case for the past many decades and BAI still has the know-how to handle the regulation of such products. To overcome legal obstacles, and considering the intra-departmental nature of this issue (both agencies report under the DA structure), we propose for FPA and BAI to consider entering into a Joint Administrative Order that deputizes BAI to regulate these products on behalf of the FPA. Through such an arrangement, the Chamber is confident that it can continue to serve the livestock and poultry sectors effectively, especially during this time of animal diseases, such as ASF and AI.

Amend Republic Act No. 7308 or the Seed Industry Development Act (SIDA)

To modernise the seed industry regulatory environment, the Chamber highly recommends the amendment of RA No. 7308 or the Seed Industry Development Act (SIDA) to further strengthen the law enforcement powers of the Bureau of Plant Industry and to fulfil the law's main objective of preventing the rapid proliferation of counterfeit seeds including fake genetically modified seeds that are relatively cheaper but are riskier in terms of plant health and yields lower output therefore affecting the livelihood of farmers.

The Chamber supports the inclusion of amendatory provisions that will cover all types of seeds including open-pollinated, hybrids, and seeds developed through biotechnology; shift away from mandatory towards voluntary crop variety registration; and the harmonisation with the Plant Variety Protection Act of 2002 which protects the use of seed varieties by smallholder farmers and the companies that own them. Furthermore, to align the local seeds sector with international standards, we highly recommend the Philippines to become a member of the International Union for the Protection of New Varieties of Plants.

- **Pursue agricultural value chain development to increase food production and achieve stable food supply.**

Undeniably, the last years have brought unprecedented challenges as the pandemic dragged several economic activities in negative territory. For the agriculture sector, the ongoing global food crisis raised awareness on the importance of having a sustainable and stable local food system as disruptions in the international food supply chain became more pronounced.

The ECCP recognizes the vital role that the agriculture sector plays in revitalising the Philippine economy. Likewise, the ECCP reaffirms its commitment in being a strong ally of the government in its pursuit of a food-secure and resilient Philippines with a strengthened and prosperous agricultural sector. In line with our shared advocacy, we submit the following proposals:

Improve financial access for agriculture stakeholders

Access to financial services remains to be a critical challenge for farmers, particularly for smallholder farmers and rural Micro, Small and Medium Enterprises (MSMEs), to acquire the appropriate technology or high quality seeds. To address this issue, the government has passed the amendments to the 2009 Agri-Agra law to promote better access to finance by expanding the range of the agricultural credit and rural development financing to cover 'agri-tourism, digitalization of agricultural activities and processes, public rural infrastructure, programs that promote health and wellness of rural communities, and activities that improve livelihood skills'.⁴⁸

In augmentation of this effort, the ECCP calls for further measures that will reduce the risks in the sector and to make farmers more bankable such as developing an effective crop insurance system, reforming the land title regime, promoting financial literacy to farmers, facilitating long-gestation high-value crops to ensure cash flow capabilities, and exploring innovations in inclusive microfinancing models, Islamic finance, and agricultural cooperatives, to name a few. Additionally, we urge the government to look for alternative ways to expand modes of compliance, reduce administrative burdens and conduct a reassessment of current lending processes to streamline and mitigate paperwork required by applicants, while speeding up the review and approvals process for qualified applicants. We look forward to collaborating with the government and other stakeholders to identify bottlenecks and come up with solutions to make it easier for stakeholders, particularly for smallholder farmers, to access financial services and support.

Invest in Sustainable Agricultural Infrastructure

Investment in agricultural infrastructure plays a crucial role in boosting the supply of input and productivity of the sector as well as in containing post-harvest losses which remains to be a detrimental issue for the sector with post-harvest losses range from 10-50% in major farm commodities as reported by the Philippine Center for Postharvest Development and Mechanization.⁴⁹

The ECCP strongly supports the President's directive to prioritise the construction and maintenance of agricultural infrastructure to aid the country in its pursuit of food security.⁵⁰ Likewise, we welcome the inclusion of agriculture infrastructure projects in the list of the 194 high-impact infrastructure flagship projects under the Build Better More program.

The Chamber maintains its position that development of infrastructure should include not only the construction of farm-to-market roads and post-harvest facilities, which are essential to reduce transportation costs and post-harvest losses, but also the construction and maintenance of irrigation systems, which is a common and major problem for farmers. In this sense, we strongly push for the use of other alternatives such as solar-powered irrigation systems. Since more investment is a must in this field, we opine that European businesses will be able to help modernise the sector and help alleviate the impact of natural disasters on agriculture with their state-of-the-art solutions through public-private partnerships.

48 Chipongian, L. (13 October 2022). BSP Pushes for Sustainable Finance as Agri-Agre Law Compliance. Retrieved from <https://mb.com.ph/2022/10/13/bsp-pushes-for-sustainable-finance-as-agri-agre-law-compliance/>

49 Philippine Center for Postharvest Development and Mechanization. (30 May 2021). PhilMech Spearheads Summit to Address Postharvest Losses. Retrieved from https://www.philmech.gov.ph/?page=story_full_view&action=story_fullview&recordID=NEPHI2021050006&recordCategory=News

50 Balinbin, A. (7 July 2022). Marcos Orders DPWH to Focus on Infra Projects Aiding Agriculture. Retrieved from <https://www.bworldonline.com/economy/2022/07/07/460024/marcos-orders-dpwh-to-focus-on-infra-projects-aiding-agriculture/>

Promote innovation and the use of digital technology in the Agriculture sector

The world's experience with the pandemic has undoubtedly caused a shift on how we view and approach agriculture and food production, resulting in increased focus on the role of the sector in improving the population's nutritional status and its overall impact to the economy. Today, the call to fasten the transformation of the agriculture sector has never been more urgent.

For the Philippines, innovation and the increased use of technology in agriculture plays a critical role in order for the country to meet the growing demand for food and sustain its agricultural growth amidst various challenges such as climate change, shortages in the availability of water, energy, and land, and population growth.

The Chamber firmly believes that investment in innovation as well as creating an innovative culture is imperative to fully maximise the sector's potential, attract investments, and promote sustainable growth and development. As such, we highly encourage the government to actively support and pursue investments and initiatives aimed at innovating the sector. Some examples of ways to do this include the use of incentive schemes and implementation of policy support to entice investors to participate in the sector. We also advocate for the development of a roadmap on farming technologies and systems such as agri- and aqua-energy farms and renewable energy-powered irrigation systems to promote renewable and clean energy in the agriculture sector.

Lastly, the ECCP recognizes the significant benefits of regenerative agriculture to combat the adverse effects of climate change and increase productivity of the sector. Through regenerative agriculture, farmers are able to boost their yields without compromising soil health and also contribute to the creation of a healthier environment where a wider variety of plants and animals can thrive as the farming method also reduces carbon emissions and improves water systems.

Increase productivity and competitiveness of the Livestock and Poultry Sector

Livestock production is an essential component of the agricultural sector, not only for its contribution to direct food production but also for its multiple functions and services. The industry is also one of the main sources of livelihood for rural communities in the Philippines. Unfortunately, over the years, the sector has received limited attention and development assistance from the government despite the serious challenges that the sector faces, in particular the outbreak of transboundary animal pests and diseases such as the ASF and the highly pathogenic avian influenza as well as the increasing price of inputs in the country.

In this context, the Chamber reiterates its support for the passage of the Livestock Industry Development and Competitiveness Act pending at the House of Representatives and Senate which aims to propel the development of the said sector through the institutionalisation of a clearer and streamlined regulatory framework and foster an attractive investment and business environment in the sector. We urge our lawmakers to pursue the immediate passage of the bill and pursue reforms that would encourage increased public-private partnership in the livestock sector.

The Chamber also welcomes the initiative of the Bureau of Animal Industries Animal Feeds Veterinary Drugs and Biologics Control Division to update animal feed regulatory standards. We look forward to contributing to this important discussion and to a close collaboration with the government as we work towards our shared goal of a modernised and efficient regulatory framework to further strengthen the livestock and poultry feeds industry in the Philippines.

Boost efforts to encourage youth participation and promote gender equality in the agricultural sector.

To ensure the sustainability of our agricultural system, we strongly believe that the government should intensify its efforts in attracting and encouraging the youth to engage in the sector and pursue agribusiness opportunities. As such, we support the initiatives of the current administration to intensify the involvement of the younger population in the sector. In particular, we welcome the implementation of the Youth Farmers Challenge which provides start-up capital for agri-fishery enterprises as well as the continued implementation of the Kapital Access for Young Agripreneurs (KAYA) and Agri-Negosyo Loan Programs (ANLP).

Aside from financial support, we push for intensifying youth engagement efforts by furthering education, training, and extension programs to equip young farmer leaders and agripreneurs with the necessary skills that will support achieving the twin goals of increasing agricultural productivity and achieving food security.

Relatedly, the Chamber also advocates for increased government assistance in terms of financial and policy support as well as providing more platforms for representation and learning opportunities to bridge gender gaps in agriculture. It is our belief that addressing the gender gaps in terms of wages, resources, and employment will help maximise the potential of the sector and lower unemployment rates in the country.

- **Maximize the agricultural potential of the Bangsamoro region**

In recognition of the region's massive potential to become a major source of agricultural growth in the country, the ECCP remains to be a staunch partner of the national and local government in the peace process and sustainable socioeconomic development in Mindanao, particularly in the Bangsamoro region.

In line with this, we reiterate our call for stronger policy environment through the enactment of bills, resolutions, and other relevant legal framework that will enable Bangsamoro as an important contributor to the agricultural development of the country with the end-goal to shift from low-value agricultural practices into high-value agribusiness ventures. This could be achieved through the establishment of government-owned and -controlled corporations with the mandate to pursue agricultural development projects and initiatives. Likewise, due to the region's Muslim-dominated demographics, there is an opportunity to also harness the region's competitive advantage in halal food industry and Islamic banking and finance.

Collaboration between the public and the private sector remains crucial for the development of the Bangsamoro region. As such, we call on the Philippine government at the national and local level to support private sector-led initiatives to encourage more trade and investments in the region and provide economic opportunities through job creation, infrastructure development, and integrated value chains among others.

- **Establish an inclusive and regular dialogue between stakeholders**

A continuous dialogue between the public sector and the industry can be mutually beneficial in finding solutions for bottlenecks in the sector.

As such, the ECCP Agriculture Committee respectfully requests the establishment of a regular dialogue among the agriculture stakeholders. This way, the government can identify the initiatives which the private sector can contribute to and can benefit from its expertise. An institutionalised public-private sector dialogue would be advantageous when it comes to identifying possible solutions to increase agricultural production and address possible adverse effects of the global food crisis. To become more effective, dialogues can even be targeted at specific crops or related crops.

ASSESSMENT OF RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Address both European and Philippine agriculture issues in trade arrangements	Guarantee agriculture interests in preferential trade arrangements of the Philippines and European countries	
Further develop the agricultural value chain	Increase investments in agriculture-related infrastructure projects	
	Make access to finance easier for agricultural stakeholders	Following the approval of the reconciled bill by the Senate and the House of Representatives last 23 May 2022, the legislation seeking to amend the agri-agra credit provisions on an older law Republic Act (RA) No. 10000 or the Agri-Agra Reform Credit Act of 2009 (Agri-Agra Law) officially lapsed into law on 28 July 2022. Following this, the BSP has drafted a new IRR for the said legislation. The new law is expected to boost the productivity of the Agriculture sector by facilitating easier access to financial services and programs.
	Strengthen capacity-building measures through youth engagement and agripreneurship	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
The EU and the Philippine held its second joint committee meeting last 26 April 2022 to discuss, among others, the implementation of the EU-Philippines Partnership and Cooperation Agreement and the GSP+ which is set to expire in 2023. A third joint committee is scheduled to be held in Brussels within the first quarter of 2023. Additionally, still on the topic of GSP+, representatives from the EU Commission, Directorate General Trade and Directorate General Employment as well as European External Action Service visited the Philippines last 28 February 2022 with the purpose of assessing and discussing Philippines' compliance with the 27 core international conventions in the field of human and labour rights, the environment and good governance.	While trade officials between Brussels and Manila have virtually met in 2020, there are not yet any clear details as to the next round of negotiations for the EU-Philippines FTA.
President Marcos has called on the DPWH to prioritise the construction and maintenance of the agricultural infrastructure. Additionally, the government has recently approved 194 high-impact infrastructure flagship projects under the Build Better More program, which includes agriculture infrastructure projects.	As of writing, no bill has been re-filed on the 30-Year National Infrastructure Master Plan in both houses of Congress.
The government recently launched the Youth Farmers Challenge which provides start-up capital for agri-fishery enterprises. Aside from this, the following initiatives are also being continuously implemented: <ul style="list-style-type: none"> • Kapital Access for Young Agripreneurs (KAYA) • Mentoring and Attracting Youth in Agribusiness (MAYA) • Rice Extension Services Program (RESP) 	

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Pursue a sound, transparent, efficient, and science-based regulatory framework	Improve fertiliser and pesticide regulations	
	Fast-track implementation of the TradeNet program	
	Modernise the seed industry regulatory environment	
	Utilise trade remedy measures to ensure the growth of the domestic coffee industry	DA DO No. 06-2018 imposing out-quota SSG on coffee and coffee products remains in effect
	Further liberalise the rice and corn trade	
	Delineate the regulatory jurisdiction of veterinary drugs and biologics	
Promote regular, inclusive, and constructive stakeholder dialogue	Actively support participatory governance	
Harness the agricultural potential of the Bangsamoro region	Create a favorable and enabling environment for the sustainable and inclusive growth of the region's agriculture sector	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
The FPA has completed its onboarding to the NSW and TradeNet program and has started to discourage face-to-face transactions in line with COVID-19 physical distancing measures. Nevertheless, members noted that stringent additional requirements remain in place to import and distribute certain natural substances.	
After three years of numerous dialogues and revisions, the Department of Finance (DOF) and Department of Information and Communications Technology (DICT) signed the long-awaited Memorandum of Agreement (MoA) on 6 February 2023. The MoA ensures the sustainability and development of TradeNet and delineates the role of each agency in the said platform as well as provide for the continuous onboarding of the 18 priority TRGA by the DOF before their live operation in the platform.	
	There have been no significant developments on the proposed amendments to SIDA and the country has yet to adopt ISPM 38.
	HB 6161 and HB 6154, both seeking to liberalise the rice and corn industry, remained pending at the Committee level until the end of the 18th congress.
FDA Advisory 2022-0591, released last 14 March 2022, mandates that the manufacture, importation, exportation, distribution sale, offer for sale, transfer, promotion, advertisement, sponsorship of veterinary medicine, vaccines and biologicals as well as other veterinary products and medical devices will now be handled exclusively by the Center for Drug Regulation and Research (CDRR), instead of the BAI.	
The ECCP, through its Agriculture Committee, has been organising various webinars, engaging with key stakeholders through policy advocacy, submitting position papers, and partnering with other partnership platforms on common interests in the agriculture sector.	
In line with the Bangsamoro government's advocacy to attain food security in the region, the government launched the Bangsamoro Food Security and Nutrition Plan (BFSNP) which aims to be a blueprint for the regional government to ensure that BARMM is "self-reliant, food-secured, and resilient, with prosperous farmers and fisherfolks". BFSNP was accomplished last 16-18 March 2022 by the Ministry of Agriculture, Fisheries, and Agrarian Reform (MAFAR) and the Bangsamoro Planning and Development Authority in collaboration with the World Food Programme (WFP)	



AUTOMOTIVE ADVOCACY PAPER 2023

INTRODUCTION

When economies began reopening in 2021, there was a significant increase in demand in the automotive market. There was a total growth of 18.42% in vehicles sold from January to December 2021¹—showing the potential for the industry to continue flourishing in the coming years. Despite the 2022 Russian invasion of Ukraine which resulted in a decline in the global automotive market, the automotive industry in the Philippines went against the trend and saw an increase in the number of purchased vehicles. Following the surge in demand in 2022, vehicles sold in the country reached 352,596 units during the said year. This warranted a 31.3% increase in sales compared to the previous year which only sold 268,488 units. The total sales in 2022 brought optimistic views for the industry for 2023.²

Optimism in the industry continues to grow as there was a reported 29,499 units of motor vehicles sold—a 42% increase—in January 2023 compared to January 2022. This continues the year-end reports of a two-digit growth rate in the automotive industry since 2021.³ Industry data likewise show that there is a 10-15% projected growth in sales for the rest of the year. If these numbers continue, the industry will be able to undoubtedly reach and even exceed pre-pandemic levels in sales.⁴

Compared to the other Association of Southeast Asian Nations (ASEAN) countries, the Philippines ranked third with 31% growth in vehicle sales behind Malaysia at 42% and Vietnam at 31% in 2022. Although there was a slow down in the country's motorcycles and scooters sales compared to 2021, there was still a recorded 9% increase. Back in 2021, the Philippines only had a 20% increase in overall motor vehicle sales which then continued to go up in 2022—proving the continuously growing and flourishing automotive industry.⁵

Number of Automotive Vehicles Sold in 2022

SALES : 2022					
1. MOTOR VEHICLES					
COUNTRY	PASSENGER VEHICLES	COMMERCIAL VEHICLES	2022	2021	VARIANCE (%)
Indonesia	783,563	264,477	1,048,040	887,202	18%
Malaysia	641,773	78,885	720,658	508,883	42%
Myanmar	5,438	1,630	7,068	9,350	-24%
Philippines	88,015	264,581	352,596	268,488	31%
Singapore	32,972	9,578	42,550	58,953	-28%
Thailand	343,349	506,039	849,388	754,254	13%
Vietnam	316,940	87,695	404,635	304,149	33%
TOTAL	2,212,050	1,212,885	3,424,935	2,791,279	23%

2. MOTORCYCLES & SCOOTERS			
COUNTRY	2022	2021	VARIANCE (%)
Malaysia	680,749	497,262	37%
Philippines	1,564,817	1,435,677	9%
Singapore	12,016	11,428	5%
Thailand	1,792,016	1,606,481	12%
TOTAL	4,049,598	3,550,848	14%

Source: ASEAN Automotive Federation

Last year, the Philippines produced 92,223 motor vehicles, more than the 83,846 units made in 2021. With a total of 8,085 units produced in December, the country had the highest growth rate in vehicle manufacturing among the ASEAN nations monitored by the AAF at 57.5%. While the said figures equate to a full-year vehicle production growth of 10%, the Philippines recorded the slowest growth rate among its ASEAN neighbours.⁶

1 Co, B. (31 January 2022). 2021 Philippine auto sales at 293,891 units, up 18.42%. Autoindustriya.com. Retrieved from: <https://www.autoindustriya.com/features/2021-philippine-auto-sales-at-294-223-units-up-18-56.html>.

2 Ochave, RM. (12 January 2023). Car sales up 31% in 2022, exceed industry target. Business World. Retrieved from: <https://www.bworldonline.com/corporate/2023/01/12/497911/car-sales-up-31-in-2022-exceed-industry-target/#:~:text=Passenger%20vehicle%20sales%20in%202022,the%20same%20month%20in%202021.>

3 Talavera, C. (14 February 2023). Vehicle sales up 42% in January. Philstar. Retrieved from: <https://www.philstar.com/business/2023/02/14/2244690/vehicle-sales-42-january>

4 Talavera, C. (15 February 2023). Vehicle sales may grow up to 15% this year. Philstar. Retrieved from: <https://www.philstar.com/business/2023/02/15/2244947/vehicle-sales-may-grow-15-year>

5 Asean Automotive Federation. (2022). Asean Automotive Federation 2022 Statistics. Retrieved from: http://www.asean-autofed.com/files/AAF_Statistics_2022.pdf

6 Talavera, C. (9 February 2023). Philippine vehicle production picks up by 10% in 2022. Philstar. Retrieved from: <https://www.philstar.com/business/2023/02/09/2243535/philippine-vehicle-production-picks-10-2022>

Number of Automotive Vehicles Produced in 2022

PRODUCTION : 2022					
1. MOTOR VEHICLES					
COUNTRY	PASSENGER VEHICLES	COMMERCIAL VEHICLES	2022	2021	VARIANCE (%)
Indonesia	1,214,250	255,896	1,470,146	1,121,967	31%
Malaysia	650,190	52,085	702,275	481,651	46%
Myanmar	2,480	695	3,175	1,956	62%
Philippines	41,663	50,560	92,223	83,846	10%
Thailand	594,057	1,289,458	1,883,515	1,685,705	12%
Vietnam	162,491	69,919	232,410	163,271	42%
TOTAL	2,665,131	1,718,613	4,383,744	3,538,396	24%

2. MOTORCYCLES & SCOOTERS			
COUNTRY	2022	2021	VARIANCE (%)
Malaysia	685,828	496,136	38%
Philippines	934,685	867,453	8%
Thailand	2,015,940	1,780,654	13%
TOTAL	3,636,453	3,144,243	16%

Source: ASEAN Automotive Federation

On electric vehicles (EVs), 13,934 EV stock and models were registered as of 2021, with the e-trike segment accounting for 7,220 units, followed by e-motorcycles with 5,520, and utility vehicles with 815 units.⁷

Local EV Updates : Vehicle Stock and Models



YEAR	E-MOTORCYCLE	E-TRIKE	CAR	SUV	UTILITY VEHICLE	TRUCK	BUS	TOTAL
2010	639	162	5	-	21	1	-	828
2011	309	82	2	-	33	-	-	426
2012	220	62	-	-	7	-	-	289
2013	421	85	3	-	9	2	-	520
2014	244	132	9	1	26	1	1	414
2015	380	162	7	-	28	1	2	580
2016	274	693	9	-	14	1	-	991
2017	498	1,404	66	12	89	1	-	2,070
2018	508	3,629	43	13	66	3	-	4,262
2019	767	372	116	12	302	1	-	1,570
2020	585	317	16	5	84	1	7	1,015
2021	675	120	35	-	136	-	-	969
	5,520	7,220	311	43	815	12	10	13,934

Source: Electric Vehicle Association of the Philippines

With the recent enactment of the Republic Act No. 11697, otherwise known as the Electric Vehicle Industry Development Act (EVIDA) last 15 April 2022, the Department of Trade and Industry (DTI) expressed that the Philippines is now in a stronger position to expand the electric vehicle industry, attract more high-tech investments, and generate high-value employment by leveraging on the current global shift to EVs through strong national policy support.⁸ This also lessens the country's dependency on imported gasoline.

The measure requires the establishment of a Comprehensive Roadmap for the Electric Vehicle Industry (CREVI) to stimulate the development, marketing, and use of EVs in the country, which includes the construction or installation of charging stations in designated parking slots and spaces. It also provides tax incentives to EV manufacturers and assemblers, charging station operators, and other EV-related businesses.⁹ Under EVIDA, there is a 5% mandatory share of EVs in corporate and government fleets within key sectors, the time frame of which will be defined in the CREVI.¹⁰ In a more recent report, the Department of Energy (DOE) is pushing for an increase in the rollout of EVs to 10% from the original 5% mandated under the EVIDA. From that 10% baseline, EV deployment will be increased to 50% by 2040. In the short term, from 2023 to 2028, the government plans to deploy 2,454,200 EVs around the Philippines, including cars, tricycles, motorcycles, and buses, as well as 65,000 EV charging points. An additional 1,851,500 EVs and 42,000 EV charging stations will also be installed in the medium term or from 2029 through 2034. Under the long-term period, or from 2034 to 2040, 2,001,600 EVs and 40,000 EV charging stations will be added.¹¹

⁷ Electric Vehicle Association of the Philippines. (2023). Presentation of President Edmund Araga at the ECCP Automotive Committee Meeting on 17 February 2023.

⁸ Department of Trade and Industry. (2022). Passage of EVIDA to make PH more attractive for hi-tech investments. Retrieved from <https://www.dti.gov.ph/archives/news-archives/passage-evida-make-ph-more-attractive-hitech-investments/>

⁹ Torregoza, H. (28 April 2022). Gatchalian: Electric vehicles now a more viable option with EVIDA law. Retrieved from <https://mb.com.ph/2022/04/28/gatchalian-electric-vehicles-now-a-more-viable-option-with-evida-law/>

¹⁰ Electric Vehicle Association of the Philippines. Presentation of EVAP on the CREVI Industry Consultation during the ECCP Automotive Committee Meeting on EVIDA on 9 June 2022.

¹¹ Velasco, M. (17 March 2023). DOE eyeing rollout of 6.3M EVs until 2040. Retrieved from <https://mb.com.ph/2023/3/17/doe-eyeing-rollout-of-6-3-m-e-vs-until-2040>

EV Stock Share



	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Household																			
Cars	0.1%	0.3%	0.4%	0.7%	1.0%	1.3%	1.6%	2.2%	2.7%	3.3%	3.8%	4.3%	4.7%	7.9%	10.9%	13.8%	16.5%	19.0%	21.2%
UV	0.2%	0.3%	0.4%	0.8%	1.1%	1.5%	1.8%	2.4%	3.1%	3.7%	4.2%	4.8%	5.3%	8.8%	12.2%	15.4%	18.4%	21.2%	23.9%
SUV	0.2%	0.3%	0.5%	0.9%	1.2%	1.6%	1.9%	2.6%	3.3%	4.0%	4.6%	5.2%	5.7%	9.5%	13.2%	16.6%	19.9%	22.9%	25.9%
MC	0.3%	0.6%	0.8%	1.5%	2.2%	2.8%	3.4%	4.7%	5.9%	7.1%	8.2%	9.2%	10.2%	17.1%	23.5%	29.7%	35.5%	41.0%	47.0%
TC	0.3%	0.5%	0.8%	1.4%	2.1%	2.6%	3.2%	4.4%	5.6%	6.7%	7.7%	8.7%	9.6%	16.1%	22.2%	28.0%	33.5%	38.7%	44.0%
Corporate, Logistics and Tourism																			
Cars	0.3%	0.7%	1.0%	2.3%	3.5%	4.7%	5.8%	6.9%	10.0%	12.8%	15.6%	18.2%	20.7%	26.4%	31.9%	37.0%	41.9%	46.6%	51.1%
UV	0.4%	0.7%	1.1%	2.6%	3.9%	5.3%	6.5%	7.7%	11.1%	14.4%	17.4%	20.3%	23.1%	29.5%	35.6%	41.4%	46.9%	52.1%	57.2%
SUV	0.4%	0.8%	1.2%	2.8%	4.3%	5.7%	7.0%	8.3%	12.0%	15.5%	18.8%	22.0%	24.9%	31.9%	38.4%	44.7%	50.6%	56.2%	61.7%
MC	0.7%	1.4%	2.1%	4.9%	7.5%	10.1%	12.4%	14.7%	21.3%	27.4%	33.2%	38.8%	44.0%	56.3%	67.9%	79.0%	89.4%	99.3%	108.9%
TC	0.7%	1.4%	2.0%	4.7%	7.2%	9.6%	11.9%	14.0%	20.2%	26.1%	31.7%	37.0%	42.0%	53.7%	64.8%	75.3%	85.3%	94.7%	103.6%
Trucks	0.2%	0.3%	0.4%	1.0%	1.6%	2.1%	2.6%	3.1%	4.5%	5.8%	7.1%	8.2%	9.4%	12.0%	14.4%	16.8%	19.0%	21.1%	23.1%
Public Transport																			
Cars	1.0%	1.9%	2.6%	5.2%	8.0%	10.1%	12.3%	13.8%	18.7%	23.5%	27.5%	30.9%	37.8%	53.9%	60.9%	81.9%	92.9%	100.0%	100.0%
UV	0.6%	1.3%	2.2%	7.5%	9.8%	11.6%	13.0%	14.1%	17.5%	20.0%	22.2%	24.0%	26.6%	36.7%	43.4%	58.2%	72.3%	79.9%	87.9%
Jeepsneys	0.9%	1.8%	2.6%	6.2%	9.4%	12.2%	12.7%	13.2%	15.6%	17.8%	19.9%	21.9%	23.7%	28.6%	35.3%	47.0%	58.0%	68.0%	78.0%
MC	0.7%	1.4%	2.1%	5.0%	7.7%	10.3%	12.7%	15.0%	21.7%	28.0%	34.0%	39.6%	45.0%	57.5%	69.4%	80.6%	91.3%	100.0%	100.0%
TC	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%	0.4%	0.5%	0.6%	0.7%	0.8%	1.0%	1.5%	1.7%	2.3%	2.7%	3.0%	3.0%
Bus	0.1%	0.1%	0.2%	0.4%	0.6%	0.8%	1.0%	1.2%	1.7%	2.1%	2.4%	2.7%	2.9%	4.3%	8.0%	9.7%	11.3%	13.2%	13.2%
MiniBus	0.4%	0.7%	1.0%	1.6%	2.2%	2.7%	3.2%	3.7%	5.1%	6.4%	7.6%	8.8%	10.0%	10.9%	20.4%	21.4%	22.3%	23.1%	23.1%
Government																			
Cars	0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	100.0%
UV	0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	100.0%
SUV	0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	100.0%
MC	0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	100.0%
TC	0.5%	1.5%	4.0%	7.9%	13.3%	20.2%	28.4%	38.0%	47.5%	56.9%	66.2%	75.3%	84.4%	93.3%	100.0%	100.0%	100.0%	100.0%	100.0%
Trucks	0.1%	0.2%	0.3%	0.5%	0.7%	0.9%	1.1%	1.3%	1.7%	2.2%	2.7%	3.2%	3.6%	6.1%	8.5%	10.9%	13.2%	15.6%	15.6%

Source: Electric Vehicle Association of the Philippines

Once EVIDA is fully implemented, the local EV sector anticipates new substantial investments and players. Placements in renewable energy (RE) contributed significantly to the 11% yearly increase in Board of Investments (BOI) approved investments as of December 2022. An uptick in projects and economic activities related to EVs has also been noted, with charging stations, lease of electric vehicles, and operation of electric vehicle transportation network vehicle services (TNVS) contributing PHP 52.3 billion worth of investments in 2022.^{12,13}

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **Electric Vehicle and Industry Development Act (EVIDA):** The Electric Vehicle Industry Development Act, which lapsed into law last 15 April 2022, promotes the expansion of the electric vehicle industry, which is likewise aimed at increasing employment opportunities for local skilled workers and lessen the country's dependency on imported gasoline. The new law requires the establishment of a Comprehensive Roadmap for the Electric Vehicle Industry (CREVI) to stimulate the development, marketing, and use of EVs in the country, which includes the construction or installation of charging stations in designated parking slots and spaces. It also gives tax incentives to EV manufacturers and assemblers, charging station operators, and other EV-related businesses.¹⁴

The DOE has begun public consultations on the CREVI in March 2023, which will set a timetable for the mandated EV share in corporate and government fleets in key sectors. The Agency is

pushing for an increase in the rollout of EVs to 10% from the original 5% mandated under the EVIDA. From that 10% baseline, EV deployment will be increased to 50% by 2040. This move seeks to stimulate demand and develop the industry and is viewed as the most motivating factor for the EV sector.¹⁵ The government published the final version of the CREVI in April 2023. Moreover, the government aims to issue the finalized CREVI by the first quarter of 2023.¹⁶ More recently, the EVIDA Implementing Rules and Regulations (IRR) was signed and issued last 2 September 2022 and will be effective on 20 September. This will develop a blueprint that would provide a comprehensive and coordinated policy direction among national agencies to accelerate the development, commercialization, and utilisation of EVs.¹⁷ Aside from these policy developments, the DOE released in February and March 2023 the Proposed Department Circular for Guidelines for the Accreditation of Electric Vehicle Charging Stations (EVCS) Providers and Registration of EVCS, Unbundling of EVCS, and EV Recognition and Adoption of EV Standard Classification on Road Transport For Incentive Eligibility Pursuant to the EVIDA. The Agency has already conducted a series of public consultations for the draft issuances.¹⁸

- **Executive Order No. 12** dated 13 January 2023 was signed by President Marcos Jr., approving zero tariffs on electric vehicles, parts, and components to boost the local electric vehicle market and support the shift to emerging technologies. The tariff removal will run for five years.¹⁹
- Last May 2022, Former President Rodrigo Duterte signed Memorandum Order No. 61, approving the **2022 Strategic Investment Priority Plan (SIPP)**, which will be a companion document to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law. Electric vehicle assembly, manufacture of EV parts, components, and systems, and the establishment of EV infrastructure are covered by Tier II of the newly formulated SIPP.²⁰
- In 2021, the Land Transportation Office (LTO) issued **Administrative Order No. 2021-039** to consolidate guidelines in the classification, registration and recording, and operation of all types of electric motor vehicles.²¹ In July of the same year, the DOE released **Department Circular No. 2021-07-0023** providing a policy framework on the guidelines for the development, establishment, and operation of EV charging stations.²²
- In March 2021, the Department of Transportation (DOTr) ordered the LTO to temporarily

15 Velasco, M. (17 March 2023). DOE eyeing rollout of 6.3M EVs until 2040. Retrieved from <https://mb.com.ph/2023/3/17/doe-eyeing-rollout-of-6-3-m-e-vs-until-2040>

16 Crismundo, K. (21 October 2022). Gov't to issue electric vehicle roadmap in Q1 2023. Retrieved from <https://www.pna.gov.ph/articles/1186758>

17 The issued and published Implementing Rules and Regulations of the Electric Vehicle Industry Development Act can be accessed through <https://bit.ly/3U4cwYE>

18 Department of Energy. (17 February 2023). Proposed Department Circular for Guidelines for the Accreditation of Electric Vehicle Charging Stations (EVCS) Providers and Registration of EVCS Pursuant to the Electric Vehicle Industry Development Act. Retrieved from doe.gov.ph/sites/default/files/pdf/announcements/DC%20on%20Electric%20Vehicle%20Charging%20Stations%20Provider_clean%20copy%20with%20dpta_WITH%20ANNEX_WM_compressed.pdf?withshield=1

19 Official Gazette. (2023). Executive Order No. 12, s. 2023. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/01jan/20220113-EO-12-FRM.pdf>

20 Bureau of Investments. (2022). Memorandum Order No. 61. Retrieved from <https://boi.gov.ph/wp-content/uploads/2022/06/Certified-copy-of-Memorandum-Order-No-61-Approved-2022-SIPP.pdf>

21 Land Transportation Office. (2021). Administrative Order No. 2021-039. Retrieved from https://lto.gov.ph/images/ISSUANCES/Admin_Order/AO_2021-039.pdf

22 Department of Energy. (2021). Department Circular No. 2021-07-0023. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2021-07-0023.pdf?withshield=1>

12 Villanueva, J. (22 December 2022). BOI-approved investments up by 11%; P1 trillion eyed for 2023. Retrieved from <https://www.pna.gov.ph/articles/1191275>

13 Campos, O. V. (21 December 2022). BOI-approved investment pledges rose 11.6% to P729b this year. Retrieved from <https://manilastandard.net/business/economy-trade/314289757/boi-approved-investment-pledges-rose-11-6-to-p729b-this-year.html>

14 Torregoza, H. (28 April 2022). Gatchalian: Electric vehicles now a more viable option with EVIDA law. Manila Bulletin. Retrieved from <https://mb.com.ph/2022/04/28/gatchalian-electric-vehicles-now-a-more-viable-option-with-evida-law/>

stop the implementation of its Memorandum directing all its regional offices to adopt the mandatory Private Motor Vehicle Inspection Centers (PMVICs) until the issue on the Geographic Areas of Responsibility (GAOR) is fully resolved.²³ Beginning on 26 July 2021, the LTO started reimplementing the **Motor Vehicle Inspection System** provided under Memorandum Circular Number MC-SC-2021-02,²⁴ which makes vehicle testing procedures on light vehicles and motorcycles mandatory, particularly in areas where PMVICs are already operational.

- In 2020, member-states of the Association of Southeast Asian Nations (ASEAN) reached a landmark accord on the **ASEAN Mutual Recognition Arrangement on Type Approval for Automotive Products** that will now allow cars tested and certified by the production country to enter other member-states without having to undergo another round of testing. Automotive industry groups across the region welcomed the agreement that will ease cross-border regulations and streamline compliance requirements for a vital industry.²⁵
- **European Free Trade Association (EFTA)-Philippines Free Trade Agreement (FTA):** A trade agreement between the Philippines and EFTA comes into force in January 2020 for its remaining member, Iceland.²⁶ Most tariffs will be removed within seven years, and export charges on both parties would be prohibited. While the preferential trade agreement mostly applies to agricultural goods and food products, it also applies to automotive parts and motor vehicles. After Japan, this is the Philippines' second bilateral FTA.
- **European Union (EU) – Philippines Trade Relations:** In January 2021, the EU-Philippines Partnership and Cooperation Agreement (EUPH PCA) established a Subcommittee on Trade, Investment, and Economic Cooperation. Bilateral conversations on several trade-related matters were also held where market access, EU Generalised Scheme of Preferences Plus (GSP+) implementation, and the future of the EU-PH FTA were all discussed. More recently, the 4th Monitoring Mission for the EU GSP+ scheme took place from 28 February to 4 March 2022.²⁷ In total, the Philippines has engaged the EU and completed four GSP+ monitoring dialogue cycles that review the country's compliance with the 27 conventions covered under GSP+.²⁸ Furthermore, the current administration bided for a Philippine free trade agreement with the trade bloc and bolster the country's GSP+ accreditation during the EU-ASEAN Business Summit in December of the same year.²⁹

23 Fernandez, D. (24 August 2021). DOTr halts LTO order allowing private MVIS centers to inspect motor vehicles. Retrieved from <https://newsinfo.inquirer.net/1477927/dotr-halts-lto-order-for-motor-vehicles-to-undergo-inspection-at-private-emission-centers>

24 Department of Transportation. (2021). *Implementation of Geographical Area of Responsibility (GAOR) for Renewal of Registration for Light Vehicles and Motorcycles*. Retrieved from <https://drive.google.com/file/d/1Q81LQtpzQ8Wta2mxvyQpJGF0IE8ACgbb/view>

25 ASEAN. (2021). *ASEAN Mutual Recognition Arrangement on Type Approval for Automotive Products*. Retrieved from <http://agreement.asean.org/media/download/20210205131820.pdf>

26 The member-states of the European Free Trade Association are Iceland, Liechtenstein, Norway, and Switzerland.

27 Talosig-Bartolome, M. (28 April 2022). EU completes review of PHL's rights profile for GSP+ future. Retrieved from <https://businessmirror.com.ph/2022/04/28/eu-completes-review-of-phl-rights-profile-for-gsp-future/>

28 Department of Trade and Industry. Presentation of Secretary Alfredo Pascual at the ECCP Luncheon Meeting on 16 February 2023.

29 Presidential Communications Office. (16 December 2022). European Council welcomes PBBM bid to pursue FTA with EU, strengthen GSP+ accreditation. Retrieved from https://mirror.pco.gov.ph/news_releases/european-council-welcomes-pbbm-bid-to-pursue-fta-with-eu-strengthen-gsp-accreditation/

- Three years after the blueprint's original adoption, the government issued the Implementing Rules and Regulations (IRR) of the **National Transport Policy** in January 2020, with the goal of creating a "safe, secure, reliable, efficient, integrated, intermodal, affordable, cost-effective, environmentally sustainable, and people-oriented national transport system that ensures improved quality of life for the people." Among other significant aspects, the strategy strives to prioritise the movement of people rather than automobiles, as well as to build a foundation for delivering other modes of mobility. According to the IRR, a Philippine Transportation Master Plan would be developed to help transportation agencies and local governments in building the transport network through coordinated planning and execution of projects and programs as an integrated network. The IRR also directs and establishes the parameters for the integrated development and regulation of the Philippine transportation industry.³⁰

On the 19th Congress legislation related to the automotive industry:

- The **Philippine Motor Vehicle Manufacturing Industry Act** has been filed in the House of Representatives. The proposed legislation, which has been pending in the Committee of Trade and Industry since September 2022, intends to develop a comprehensive policy that will accelerate the sound development of the Philippine motor vehicle manufacturing industry. It also aims to encourage technology transfer and advances and promote automotive skills development as a means to drive industry competitiveness.³¹
- **Motorcycles-for-Hire Act:** Multiple bills have been filed in the 19th Congress revising the Land Transportation and Traffic Code to legalise and regulate motorcycles-for-hire and motorcycle ride-sharing services in the Philippines in response to the developing niche of technology- and app-based transport network vehicle service (TNVS) largely employing two-wheeled vehicles. As of writing, all proposed measures have been pending in their respective Senate and House Committees.
- **Road Safety Education Act:** Several pieces of legislation have also been introduced in Congress, proposing the mandatory inclusion of basic road safety, traffic, and comprehensive driver's education in the enhanced basic education curriculum, with the goal of developing well-rounded and responsible citizens at a young age. All bills are now pending in their respective Senate and House Committees.
- **Alternative Modes of Transportation Act:** Senate Bill No. (SBN) 739 has been filed in an attempt to provide regulations to govern alternative modes of transportation.³² Similarly, legislators in the Upper House have presented proposals creating a national policy on sustainable urban mobility and the use of alternative sustainable modes of transportation. All proposed measures are currently pending at the Committee level as of writing time.

30 National Economic and Development Authority. (n.d). Retrieved from <https://neda.gov.ph/national-transport-policy/>

31 House of Representatives. (2023). House Bill No. 4206 - An Act To Strengthen The Competitiveness Of The Philippine Motor Vehicle Manufacturing Industry. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB04206.pdf

32 Senate of the Philippines. (2022). Senate Bill No. 739 - Alternative Modes Of Transportation Act. Retrieved from <http://legacy.senate.gov.ph/lisdata/3843534890!.pdf>

- **Sustainable Transportation System Act:** By developing an integrated and efficient transport system, the proposed legislation seeks to mandate the DOTr and other concerned agencies to create a Sustainable Transport Plan. Non-motorized transportation, the creation of a seamless and inclusive public transportation system, green infrastructure and facilities, and the implementation of transportation demand management mechanisms are all part of the Plan. Furthermore, this legislation shall require the DOTr to adopt regulations and standards to encourage non-motorized transportation. The measures in question are now pending before their respective Committees.
- **Dashboard Camera Act:** There are four House bills filed requiring the installation of dashboard cameras (dash cams) and other recording devices to deter traffic violations and promote responsible driving. House Bill No. (HBN) 817 requires dashcams installation on motor vehicles while HBN-1017 mandates the installation of not only dashcams but also closed-circuit television (CCTVs) and global positioning system (GPS) inside public utility vehicles (PUVs), transportation network vehicle (TNVs), and other public transport vehicles. Likewise, HBN-5745 also provides the installation of dashcam systems in vehicles operated for public utility.
- **Heavy Vehicle Preventive Maintenance Act:** Another lone bill proposed in the Lower House has been pending at the Committee on Transportation since August 2022 and requires buses, trucks, and other heavy vehicles to undergo preventive maintenance with their respective companies as well as monthly inspections with the Land Transportation Office (LTO) to prevent accidents caused by mechanical malfunction and to ensure road safety.³³
- Following calls from some lawmakers and the riding public for a suspension, the implementation of the **Child Safety in Motor Vehicles Act** was deferred in February 2021. The said measure no longer allows children aged 12 and below to take the front seat and requires the use of child restraint systems. Cambodia, Lao PDR, and Singapore are the only other Southeast Asian states with national child-restraint laws.³⁴

³³ House of Representatives. (2023). House Bill No. 2008 - An Act Mandating All Buses, Trucks, and Other Heavy Vehicles to Undergo Preventive Maintenance With Their Respective Companies and Monthly Inspections with The Land Transportation Office (LTO) to Prevent Accidents Due to Mechanical Malfunction/Failure and to Ensure Road Safety. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB02008.pdf

³⁴ Aning, J. (12 February 2021). Duterte suspends child car seat law. Retrieved from <https://newsinfo.inquirer.net/1394924/duterte-suspendschild-car-seat-law>

ADVOCACY RECOMMENDATIONS

- **Facilitate ease of trade in the automotive sector**

Eliminate import tariff duties for European automotive brands in preferential trade arrangements

The ECCP strongly supports adopting measures in the EU-Philippines Free Trade Agreement (FTA) that eliminate import duties for automotive vehicles and automotive parts from the European Union (EU) with immediate effect upon ratification. While there is a positive trend toward market increase according to industry players, European automobile brands tend to lose out in the Philippine market in terms of price competitiveness because their goods are generally in the high-price-tiered segment. Adopting these measures will ensure that European automobile brands are more competitive in the local market.

Furthermore, European vehicle companies in the Philippines are subject to several taxes and duties, including customs, value-added tax, and excise tax, which raises the cost of the vehicles by nearly 102% of their retail prices; whereas, their Asian counterparts benefit from more competitive and preferential tariff rates as a result of existing bilateral and multilateral trade agreements, particularly the country's FTAs with Japan and South Korea through the Association of Southeast Asian Nations (ASEAN)-South Korea FTA as well as the Philippine-Japan Economic Partnership Agreement.³⁵

According to the DTI, the Philippines, with only 10 FTAs, has one of the lowest numbers of trade agreements among the ASEAN-6 countries: Singapore [27], Malaysia [17], Thailand [15], Indonesia [15], and Vietnam [15].³⁶ The ECCP and its Automotive Committee believe that an FTA between the EU and the Philippines will level the playing field for European firms to prosper in the country and offer consumers wider options that can compete in terms of high-quality sustainability and safety standards. With this in mind, we support the government's renewed interest to resume talks on the Philippine FTA with the trade bloc.³⁷

Promote ease of doing business and streamline customs processes for automotive parts and products

Congestion of ports has been one of the most pressing issues that the Philippines face over the years. According to a report from the International Monetary Fund (IMF), not all congestion appears to be caused by rising demand. A significant number of ports, notably since mid-2021, have longer wait times despite handling less cargo than pre-pandemic.³⁸ In the Philippines, particularly in the automotive sector, port congestion can be addressed by streamlining processes for the release of imported vehicle parts and products. For this reason, the ECCP Automotive Committee urges the government to improve the ease of doing business in the automotive industry, particularly in the obtention of the Philippine Standard (PS) Quality and/or Safety Mark and Import Commodity Clearance (ICC) Sticker, as well as the control and inspection of imported goods in order to have a reasonable processing time for their release from the Bureau of Customs.

³⁵ EU-Philippines Business Network. (2017). EU-Philippines Business Network Advocacy Papers The EU and the Philippines: Partners for Progress and Prosperity.

³⁶ Department of Trade and Industry. Presentation of DTI Secretary Alfredo E. Pascual on DTI's priority programs during the general meeting of the Management Association of the Philippines (MAP).

³⁷ Presidential Communications Office. (16 December 2022). European Council welcomes PBBM bid to pursue FTA with EU, strengthen GSP+ accreditation. Retrieved from https://mirror.pco.gov.ph/news_releases/european-council-welcomes-pbbm-bid-to-pursue-fta-with-eu-strengthen-gsp-accreditation/

³⁸ Komaromi, A., Cerdeiro, D., & Liu, Y. (2022). Supply Chains and Port Congestion Around the World. *International Monetary Fund*. Retrieved from <https://www.elibrary.imf.org/view/journals/001/2022/059/article-A001-en.xml>

The ICC does not recognize international certifications which then require licensed goods including automotive products and parts by approved manufacturers to undergo another round of testing process and additional paperwork, thus creating a non-tariff barrier. For instance, aside from the tedious processes for the obtention of the PS Mark and ICC Sticker, automotive manufacturers and distributors still need to wait for an average of 2 to 3 months before their imported goods can be released. On the importation of automotive parts, particularly batteries, an additional process is needed to obtain a certification of exemption from the Dangerous Drugs Board (DDB) because of chemical substance content. Furthermore, a similar concern arises when securing a signed certificate of tax exemption from the Bureau of Internal Revenue (BIR) for the importation of certain automotive products and parts.

In accordance with the government's push to facilitate ease of doing business, trade restrictions on the importation of automotive products and parts, including those from Europe, must be lifted. Furthermore, the Chamber strongly believes that the Anti-Red Tape Authority (ARTA) is needed to help improve government services and will then aid in eliminating barriers to the entry of domestic and foreign investments.³⁹ The Committee maintains that national standards, conformity assessments, and other technical rules should be streamlined and more closely aligned with international benchmarks to ease trade in the automotive sector and improve the business environment for the industry.

- **Strengthen the competitiveness of the automotive industry**

- Review existing motor vehicle development programs and institute incentives for industry players**

The Comprehensive Automotive Resurgence Strategy (CARS) program, which was implemented in May 2015, is the country's most recent motor vehicle development initiative.⁴⁰ The BOI is in charge of putting this program into action. The CARS initiative is intended to encourage foreign investments in the local automobile manufacturing sector by providing time-bound and output- or performance-based subsidy and fiscal support mechanisms to up to three vehicle models. The program's specifications particularly demand each participant to contribute PHP 9 billion in investments to create a volume of no less than 200,000 for six years. Only two Japanese motor vehicle companies are participating in the initiative, both of which have already produced over 200,000 units each under the Program as of December 2022, according to the DTI.⁴¹

However, due to the lack of a third qualified player and the absence of any European carmaker, a third slot is also being considered by the government for the electric vehicles industry. More recently, the DTI is considering a three-year extension of the program, with the prospect of mandating the enrollment of other vehicle models by the participating automotive companies as a requirement for the extension.⁴²

On the legislative front, in the 19th Congress, HBN-4206, which has been pending in the Committee of Trade and Industry since September 2022, has been filed to develop a comprehensive policy that will accelerate the sound development of the Philippine motor vehicle manufacturing industry. It also

39 Ochave, R. M. (17 October 2022). Business groups back ARTA against calls for abolition. Retrieved from <https://www.bworldonline.com/economy/2022/10/17/481222/business-groups-back-arta-against-calls-for-abolition/>

40 Official Gazette. (2015). Executive Order No. 182 - Providing for a Comprehensive Automotive Resurgence Strategy Program. Retrieved from <https://www.officialgazette.gov.ph/downloads/2015/05may/20150529-EO-182-BSA.pdf>

41 Talavera, C. (22 December 2022). Over 200K units produced under CARS program - DTI. Retrieved from <https://www.philstar.com/business/2022/12/22/2232401/over-200k-units-produced-under-cars-program-dti>

42 Ibañez, J. (26 August 2021). CARS participants reach a third of local production target as of May, says Lopez. Retrieved from <https://www.bworldonline.com/top-stories/2021/08/26/391725/cars-participants-reach-a-third-of-local-production-target-as-of-may-says-lopez/>

aims to encourage technology transfer and advances and promote automotive skills development as a means to drive industry competitiveness.⁴³ The Chamber appreciates the measures taken by the government to support the sector and stands ready to work with stakeholders to ensure the industry's sustainable growth and development.

- Develop a comprehensive support program for the domestic market adoption of electric vehicles**

With the Electric Vehicles and Charging Stations Act (EVIDA) lapsing into law on 15 April 2022, the ECCP Automotive Committee lauded the passage of this measure as it would allow the Philippines to partake in the global transition to EVs. The Committee believes that this law would also provide a national EV policy framework to promote the EV sector in the Philippines, support vital infrastructure to encourage the use of EVs, and incentivize EV adoption and charging stations in the country. The Committee also welcomes the inclusion of EVs in the 2022 SIPP, approved last May 2022 under Memorandum Order No. 61, as well as the plan of the DOTr to centre its EV industry promotion by developing "green" transportation routes, with operators receiving incentives for deploying EVs.⁴⁴

To help encourage their adoption, the Chamber and its Automotive Committee strongly support the plan to lift the 30% duty on imported electric vehicles. Following the issuance of EO No. 12, however, we reiterate the call for the extended scrapping of EV tariffs coming from all countries, which should last over a span of at least eight years, allowing more time for the maturity of both EV and charging station infrastructure to be aligned. Accordingly for hybrid vehicles, the tariff duties should be 15% for at least four years since the current excise tax for this type is half of the tax for petrol vehicles.

Aside from the extension of EV tariff exemptions, the Committee also calls for the inclusion of two-wheelers—as the primary choice of transport for ordinary Filipinos, and more than four-wheelers in the zero duties scheme. The health and environmental gains of switching to EVs in the Philippines, apart from the economic benefits of the law, are more crucial than ever. In recent years, there has been a clamour both in the local and international space for sustainable transportation. In the post-pandemic period and in pursuit of building back better, alternative modes of greener transport are much needed for the continued development of the automotive sector in the country. It is on this ground that the promotion of efficient, stable, and sustainable energy supply should be strengthened to meet the demands of the EV industry.

Following the initial CREVI presentation of the DOE, the Committee recognizes that the EV ecosystem is based on two pillars: vehicles and a charging station (CS) network. As such, we emphasise the necessary support in the implementation of the CS network as an enabler for EV expansion. The Committee urges the concerned government agencies to adopt the European standards for EV charging connectors. The European-preferred Combined Charging System Type 2 (CCS2) is more aligned with the rest of the ASEAN EV market, enabling the Philippine EV industry to keep pace with its regional peers. Aside from making the local manufacturing of EVs more cost-saving, the European standards have larger industry support and will eventually drive the EV charging infrastructure. Strategic development of the EV charging infrastructure value chain is also required to support the push towards EV adoption by making charging stations accessible to users. For light electric vehicles, especially two-wheeler EVs, the Committee recommends the adoption of a battery-swapping system. Swapping solutions are the most economical for commercial use

43 House of Representatives. (2023). House Bill No. 4206 - An Act To Strengthen The Competitiveness Of The Philippine Motor Vehicle Manufacturing Industry. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB04206.pdf

44 Jocson, L. M. J. (20 February 2023). Electric vehicle rollout strategy to incentivize 'green' transport routes. Retrieved from <https://www.bworldonline.com/economy/2023/02/20/505884/electric-vehicle-rollout-strategy-to-incentivize-green-transport-routes/>

and developing a dense swapping network in localities is considered by industry players to be a lever in increasing demand at the stations. To make it easier for mobility users, the number of charging points and real-time number of available charging slots should be ideally identified on a mobile application in order to locate nearby stations.

Considering the foregoing, the establishment of a roaming network via access control in all charge points is imperative as well as strengthening the non-tangible such as data centres and reliable internet connection. Furthermore, the ECCP Automotive Committee urges government leaders to incorporate fiscal and non-fiscal incentives including reductions on rental costs, real property tax exemptions, Value-Added Tax (VAT) exemptions for such charging players, and other tax exemptions for locally assembled units. The Committee also suggests having EV retrofitting regulated by the government to ensure safety standards. Issuance of driver's licences specific to retrofitted vehicles as well as the re-registration of vehicles from ICEs to EVs should be effective.

There must also be a clear system for the implementation and monitoring of compliance with the mandatory share of EVs. Fundamentally, a comprehensive support program should be developed for the establishment of charging infrastructure as well as for ensuring the standards of locally produced EVs.

- **Further promote and improve emission and roadworthiness testing standards**

- **Develop effective and efficient implementation of the motor vehicle inspection system**

In March 2021, the DOTr ordered the LTO to temporarily stop the implementation of its memorandum directing all its regional offices to adopt the mandatory Private Motor Vehicle Inspection Centers (PMVICs) until the issue on the Geographic Areas of Responsibility (GAOR) is fully resolved.⁴⁵ Starting 26 July 2021, the LTO began reimplementing the **Motor Vehicle Inspection System** provided under Memorandum Circular Number MC-SC-2021-02⁴⁶, which makes vehicle testing procedures on light vehicles and motorcycles mandatory, particularly in areas where PMVICs are already operational. Under the new MVICs, vehicles to be registered must pass a stringent 73-point inspection system to be conducted in three stages with the use of state-of-the-art equipment that sends, automatically and in real time, the results to the Land Transportation Office's information technology (IT) system.

The existing PMVICs are insufficient to cover the country's demand and make the inspections user-friendly. According to the DOTr, only 99 MVICs are operational as of 2021.⁴⁷ On this note, the ECCP Automotive Committee recommends the appointment of independent, certified workshops manned by qualified trained personnel and for the PVICs to have the necessary and effective test equipment. The appointment for the inspection could be accessed through a centralised online system (integrating all existing PMVICs) where the vehicle owner could access and select the closest PMVIC in the area of residence and select the available time slot for the inspection. In order to expand the number of MVICs in the country, which will eventually make inspections mandatory, car dealers should be certified as bay-type workshops/inspection centres, provided that there is a significant distance between MVICs' locations. This option will enable more MVICs to operate in the country, with better nationwide coverage and wider options for testing, and faster processing by reducing the waiting time to get the inspection done. The Chamber remains committed to public-

45 Fernandez, D. (24 August 2021). DOTr halts LTO order allowing private MVIS centers to inspect motor vehicles. Retrieved from <https://newsinfo.inquirer.net/1477927/dotr-halts-lto-order-for-motor-vehicles-to-undergo-inspection-at-private-emission-centers>

46 Department of Transportation. (2021). Implementation of Geographical Area of Responsibility (GAOR) for Renewal of Registration for Light Vehicles and Motorcycles. Retrieved from <https://drive.google.com/file/d/1Q81LOtpzQ8WTa2mxvyQpJGFOIE8ACgpb/view>

47 According to the DOTr Undersecretary for Road Transport and Infrastructure Mark Steven C. Pastor during the meeting with the ECCP Automotive Committee last 15 February 2023.

private sector cooperation that will facilitate the full implementation of the MVIS program and the promotion of global best practices on modern, safe, and sustainable vehicle registration standards.

Strengthen the implementation and enforcement framework of the Euro 4 emission standards

The present emission system in the Philippines applies to all industries and is based on Euro 4 emission standards, which were introduced in 2016 in accordance with existing environmental legislation such as the Philippine Clean Air Act of 1999. The shift is at par with counterparts in the region and establishes a more stringent set of requirements with current rules from the Departments of Energy and Environment and Natural Resources (DENR) mandating new vehicles sold in the Philippines to have Euro 4-compliant engines to fulfil United Nations (UN) regulations on pollutant emissions of cars based on their engine fuel requirements before the issuance of a certificate of conformity. This certificate is required for initial car registration with the LTO.

Timeline of current and adoption of Euro emission standards for road vehicles in select countries in Asia-Pacific					
Country	2021	2022	2023	2024	2025
Brunei Darussalam	Euro 4				
China	Euro 6				
India	Euro 6				
Indonesia	Euro 4				
Lao PDR	Euro 2				
Japan	Euro 6				
Malaysia	Euro 4				Euro 5
Philippines	Euro 4				
Singapore	Euro 6				
South Korea	Euro 6				
Thailand	Euro 4		Euro 6		
Vietnam	Euro 4	Euro 5			

Source: Clean Air Asia⁴⁸

While the ECCP welcomes these regulations as a great step toward considerably reducing harmful vehicle emissions, which pose major health and environmental issues, we caution that rigorous compliance remains a key concern. The DTI has continuously postponed the implementation of a department administrative order that was supposed to take into effect in 2019, which prohibited the entry of truck engines and auto parts that do not meet Euro 4 emission standards, citing a shortage of skilled technicians and limited training on Euro emission standards. Its most recent

48 Clean Air Asia. (n.d.). Clean Fuels and Vehicles in Asia. Retrieved from <http://www.airqualityandmobility.org/PCFV/PDF/CleanFuelsVehiclesinAsiaUpdate.pdf>

postponement claims a public health emergency caused by the COVID-19 pandemic.⁴⁹ In 2020, the DOTr released Department Order No. 2020-021, setting out the guidelines for the scrapping of old Public Utility Vehicle Units (PUVs) to push towards more environment-friendly public transportation to limit carbon emissions of the industry.⁵⁰ Nevertheless, an enhanced implementation is needed for the government's vehicle scrapping program.

The ECCP strongly proposes both strengthening the implementation and enforcement of the Euro 4 emission standards framework and earlier preparation for the adoption of Euro 5 standards by 2024 and Euro 6 by 2028, in order to further improve emissions standards in a timelier manner. This will encourage better and higher compliance of the industry and the general public with global best practices on vehicle emission control. In particular, we recognize the critical need to align testing facilities, especially privately owned centres, to Euro 4 and higher emission standards, as well as to incentivize the adoption of equipment upgrades such as clean exhaust devices on automobiles. Taking this direction will put the country on the right track should it decide on official preparations for the gradual introduction of higher emission standards.

- **Institutionalise mechanisms to improve vehicle and road safety**

Adopt compulsory vehicle safety standards for passenger cars and two-wheelers, including anti-lock braking systems (ABS) and electronic stability programs (ESP)

According to the European Commission, human errors cause around 90% of all road accidents; consequently, effective solutions to avoid accidents or reduce their impact should target this risk factor.⁵¹ In 2019, the Land Transportation Office (LTO) also reported that motorcycle crashes are the 9th leading cause of death among Filipinos.⁵² In relation to the foregoing, the employment of more standard driver-assist technologies is vital in reducing the risk of road crashes. Vehicle manufacturers have started to equip their products with electronic aids, the most popular of which is the anti-lock braking system (ABS). ABS is a type of electronic assistance that modulates braking and prevents wheel lock automatically. Regardless of the rider's brake input or the road condition, the mechanism allows the vehicle to stop within the shortest possible distance.⁵³ More recently, the Thai Department of Land Transport announced in its government gazette that ABS will become a mandatory part of all new two-wheeler vehicle models from 2024. In the Philippines, exploring a similar move of mandating ABS on two-wheeler vehicles will progress vehicle and road safety. Aside from ABS, electronic stability control (ESC) assists in significantly reducing the number of road deaths and serious injuries. As a result, a significant number of countries, including Australia and those in Europe, have passed legislation making these features mandatory for four-wheeled and, in certain cases, powered two-wheeled vehicles.⁵⁴ In 2018, Malaysia became the first Southeast Asian country to require ESC on all new automobiles. In accordance with this, the United Nations includes both ESC for cars and ABS for motorcycles in its eight priority vehicle safety standards, which serve as an indication to assess the quality of road safety laws globally.

49 DTI. (2021). DTI defers implementation of specific provision of DAO 18-04. Retrieved from <https://www.dti.gov.ph/archives/specificprovision-of-dao-18-04/>

50 Department of Transportation. (2020). Department Order No. 2020-021

Guidelines for the scrapping of old Public Utility Vehicle Units (PUVS) under the Department Order 2017-011 otherwise known as the Omnibus Franchising Guidelines. Retrieved from <https://drive.google.com/file/d/1qxlL8iP3McdC0rM37CGEW5Cr92LM/SvCH/view>

51 European Commission. (n.d.) Intelligent transport systems: Road. Retrieved from https://ec.europa.eu/transport/themes/its/road_it

52 Diaz, J. (06 October 2019). Motorcycle crashes No. 9 killer in Philippines. Retrieved from <https://www.philstar.com/nation/2019/10/06/1957784/motorcycle-crashes-no-9-killer-philippines>

53 Universal Technical Institute. (04 February 2021). *What Are Anti-Lock Braking Systems (ABS)?*. Retrieved from <https://www.uti.edu/blog/automotive/abs-braking-system>

54 Bhalla, K. & Gleason, K. (2020). Effects of vehicle safety design on road traffic deaths, injuries, and public health burden in the Latin American region: a modelling study. *Lancet Glob Health* 8(6). DOI: 10.1016/S2214-109X(20)30102-9

Priority UN vehicle safety standards and associated existing technologies	
UN regulations	Associated technologies
UN regulations 14, 16, and 129: seatbelt, seatbelt anchorages, and child restraints	Occupant restraints
UN regulation 78: motorcycle anti-lock brakes; helps maintain control during emergency braking	Motorcycle anti-lock brakes
UN regulations 94 and 95: frontal impact protection and side impact protection; crashworthiness in crash tests at specific speeds	Occupant restraints, airbags (frontal and side), side structure and padding, and side door beams
UN regulation 127: pedestrian front protection; vehicle frontend modifications to reduce severity of pedestrian injuries	Vehicle front-end design
UN regulation 140: electronic stability control; prevents skidding and loss of control, requires anti-lock brakes	Electronic stability control

Source: United Nations Economic Commission for Europe⁵⁵

The European business community recognizes and applauds the concerted efforts of several automobile manufacturers to include such features in their model lineups. In this context, we urge the government to take another step forward by mandating vehicle safety features such as ESC for passenger cars of vehicle category M1 and ABS for powered two-wheelers over 125 cubic centimetres sold and used in the country in order to promote road safety and facilitate innovation in transportation and mobility solutions. In essence, the Committee urges the government to democratize and sensitize ABS and ESC in order to make these electronic aids more accessible to other automotive market segments, which will significantly reduce fatalities and injuries.

55 United Nations Economic Commission for Europe. (2021). UN Vehicle Regulations for road safety Cost-benefit methodology. Retrieved from https://unece.org/sites/default/files/2021-09/CBA%20publication%20E%20web_0.pdf

Fully implement the Child Seat Law, require the installation of dashboard cameras (dash cams), and restrict dark car tints on public and private vehicles

Following calls from some lawmakers and the riding public for a suspension, the implementation of the **Child Safety in Motor Vehicles Act** was deferred in February 2021. The said measure no longer allows children aged 12 and below to take the front seat and requires the use of child restraint systems. Cambodia, Lao PDR, and Singapore are the only other Southeast Asian states with national child-restraint laws.⁵⁶

As such, the ECCP Automotive Committee urges the government to initiate dialogues with various stakeholders and address public concerns to fully implement the Child Car Seat Law for private vehicles. Formulating the necessary guidelines for its full enforcement is imperative, especially in designing standards for fitting stations and technical standards for car seats. Similarly, concerned government agencies should work together in setting out a transition plan with concrete steps for the law's full implementation, once the Office of the President approves the resumption of the measure's enforcement. This will guarantee the safety and welfare of infants and children, and prevent traffic-related deaths and injuries.

Additionally, the Committee expresses support for the bills filed in the 19th Congress, requiring the installation of dashboard cameras or dashcams. We believe that mandating the use of dashcams will prevent criminal incidents from happening including kidnapping, road rage, and carnapping. In resolving such cases, dashcams can serve as a great addition to closed-circuit televisions (CCTVs) and provide a different angle of incidents for accuracy. The Automotive Committee underlines that the use of such devices will be effective for evidence-based recording on the streets and of violations of traffic rules. The ECCP will continue monitoring developments in the Legislative branch and support efforts that will further promote road safety and responsible driving.

Lastly, the ECCP Automotive Committee supports the move of mandating the front windshield and first-row windows of private vehicles to be clear and not dark. Since 2018, the Land Transportation Office (LTO) has been consulting with relevant sectors regarding the government's proposal on restricting car tints on public and private vehicles. The measure seeks to ban window tints for public transportation vehicles and regulate those of private vehicles for anti-crime purposes.⁵⁷ Dark tinted windows are more susceptible to causing road accidents, especially at night due to low visibility of roads resulting in a much slower reaction time among drivers. The ideal vehicle light transmission level of tints for the front windshield and passenger windows is 70% and above. Restricting dark car tints will aid in effectively implementing the No Contact Apprehension Policy, which refers to active traffic management and road traffic safety measures devised to ensure accountability among drivers who committed violations. The Committee maintains its position that safety and security should be the primordial concern for this matter.

Incorporate road safety education into the basic education curriculum

As more cars use the country's thoroughfares, the likelihood of traffic accidents rises, placing motorists, passengers, and pedestrians at greater risk of serious injury or, worse, death. Despite being in compliance with World Health Organization (WHO) best practices in terms of having numerous national legislation associated with road safety in place, the Philippines was classified as having the 4th highest road death rate in Southeast Asia by the same health authority.⁵⁸ Meanwhile,

56 Aning, J. (12 February 2021). Duterte suspends child car seat law. Retrieved from <https://newsinfo.inquirer.net/1394924/duterte-suspendschild-car-seat-law>
57 Cabato, R. (02 January 2018). Gov't proposal restricts car tint on public, private vehicles. Retrieved from <https://www.cnnphilippines.com/news/2018/01/02/government-proposal-restricts-car-tint.html>
58 World Health Organization. (09 February 2021). The Global Health Observatory: Road traffic deaths. Retrieved from <https://www.who.int/data/gho/data/indicators/indicator-details/GHO/estimated-number-of-road-traffic-deaths>

vehicular accidents cause an estimated 2.6% loss in the Philippines' gross domestic product per year.⁵⁹ The dire scenario only emphasises the necessity for officials to properly establish adequate road safety education for its younger population.

Road safety education is included in formal education systems at varying levels in numerous countries around the world, including European economies, as part of their respective national traffic safety programs and policies.⁶⁰ Whereas these countries have made road safety education an integral component of compulsory schooling, the Philippines lacks similar mandatory modules in its national education system and often relies on short and voluntary trainings and courses provided by the private sector and advocacy groups. In the lack of a national direction, regional LTO offices promoted road safety education initiatives exclusively in their areas of operation.

Figure 1. Levels of education at which traffic safety and mobility education is given in Europe



Source: European Transport Safety Council

59 Global Road Safety Partnership. (n.d.). Philippines. Retrieved from <https://www.grsproadsafety.org/programmes/countries/philippines/>
60 Mütze, F. & De Dobbeleer, W. (2019). The Status of Traffic Safety and Mobility Education in Europe. Retrieved from <https://etsc.eu/wp-content/uploads/ETSC-LEARN-Report-on-the-Status-of-Traffic-Safety-and-Mobility-Education-in-Europe.pdf>

LTO and the Department of Education established a pilot program in Quezon City in July 2019 to integrate road safety into the country's K to 12 basic education curriculum (K-12). However, there have been no substantial improvements in terms of its formal adoption on a nationwide scale since then. Meanwhile, politicians introduced measures in Congress on the matter, but there has been no significant movement as they are still pending at the Committee level.

For this reason, the ECCP calls for the inclusion of road safety education in K-12 as a proactive policy toolset to guarantee the dissemination of practical knowledge on the road and traffic safety, as well as other pertinent information to youth. This knowledge transfer will assist the next generation of drivers, commuters, and pedestrians, reducing road fatalities and enhancing the mobility environment. To that end, we are ready to collaborate with policymakers, civil society organisations, and other stakeholders to achieve this shared commitment to instilling traffic standards and road safety regulations.



ASSESSMENT OF 2022 RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Facilitate ease of trade in the automotive sector	Eliminate import tariff duties for European automotive brands in preferential trade arrangements	
	Promote ease of doing business and streamline customs processes for automotive parts and products	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
The EFTA-Philippines FTA entered into force for its remaining party-state, Iceland, last January 2020.	While the Philippine government expressed a renewed interest to resume talks on the EU-PH FTA, there are not yet any clear details as to the next round of negotiations for the EU-Philippines FTA.
	The Bureau of Philippine Standards (BPS) Mandatory Product Certification Schemes include the Philippine Standard (PS) Quality and/or Safety Certification Mark Licensing Schemes and ICC Sticker and Import Commodity Clearance (ICC) Certification Scheme. However, no improvement has been noted as of date regarding the processing time for the obtention of these certifications and licenses.

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
<p>Strengthen the competitiveness of the automotive industry</p>	<p>Review existing motor vehicle development programs and institute incentives for industry players</p>	
	<p>Develop a comprehensive support program for the domestic market adoption of electric vehicles</p>	<p>The EVIDA lapsed into law last 15 April 2022, which promotes the expansion of the electric vehicle industry.</p> <p>Last May 2022, Former President Rodrigo Duterte signed Memorandum Order No. 61, approving the 2022 SIPP. Electric vehicles are covered by Tier II of the newly formulated SIPP.</p> <p>The government published the final version of the CREVI in April 2023.</p>

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The DTI is considering a three-year extension of the program, with the prospect of mandating the enrollment of other vehicle models by the participating automotive companies as a requirement for the extension.</p> <p>On the legislative front, in the 19th Congress, HBN-4206, which has been pending in the Committee of Trade and Industry since September 2022, has been filed to develop a comprehensive policy that will accelerate the sound development of the Philippine motor vehicle manufacturing industry.</p>	
<p>Executive Order No. 12 dated 13 January 2023 was signed by President Marcos Jr. approving zero tariff on electric vehicles, parts, and components to boost the local electric vehicle market and support the shift to emerging technologies. However, the tariff removal will only run for five years. Two-wheelers and vehicles with four-wheels and up are not covered by the EO.</p>	

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Further promote and improve emission and roadworthiness testing standards	Develop effective and efficient implementation of the motor vehicle inspection system	
	Strengthen implementation and enforcement framework of the Euro 4 emission standards	
Institutionalize mechanisms to improve vehicle and road safety	Adopt compulsory vehicle safety standards for passenger cars and two-wheelers, including anti-lock braking system (ABS) and electronic stability program (ESP)	
	Require the installation of dashboard cameras (dashcams), restrict car tints on public and private vehicles, and fully implement the Child Seat Law	
	Incorporate road safety education in basic education curriculum	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
Starting 26 July 2021, the LTO started reimplementing the MVIS provided under Memorandum Circular Number MC-SC-2021-02, which makes vehicle testing procedures on light vehicles and motorcycles mandatory.	
In 2020, the DOTr released Department Order No. 2020-021, setting out the guidelines for the scrapping of old Public Utility Vehicle Units (PUVS) to push towards more environment-friendly public transportation to limit carbon emissions of the industry.	The DTI deferred for the second time the implementation of DAO No. 18-04 banning the importation of non-Euro 4 standard parts and components for rebuilding purposes due to the subsistence of the national health emergency brought about by the COVID-19 pandemic.
	There are currently no implemented policies from the government requiring the mandatory installation of vehicle safety features in motor vehicles sold and used in the Philippines.
Several pieces of legislation have been filed in the 19th Congress requiring dashcam installations on vehicles. They are all pending in their respective Committees.	The implementation of the Child Safety in Motor Vehicles Act was deferred in February 2021. The said measure no longer allows children aged 12 and below to take the front seat and requires the use of child restraint systems. No significant measure has materialised on banning dark window tints for public transportation vehicles and regulating those of private vehicles for anti-crime purposes.
	Several proposals have been introduced in the 19th Congress, proposing the mandatory inclusion of basic road safety and comprehensive driver's education in the enhanced basic education curriculum.

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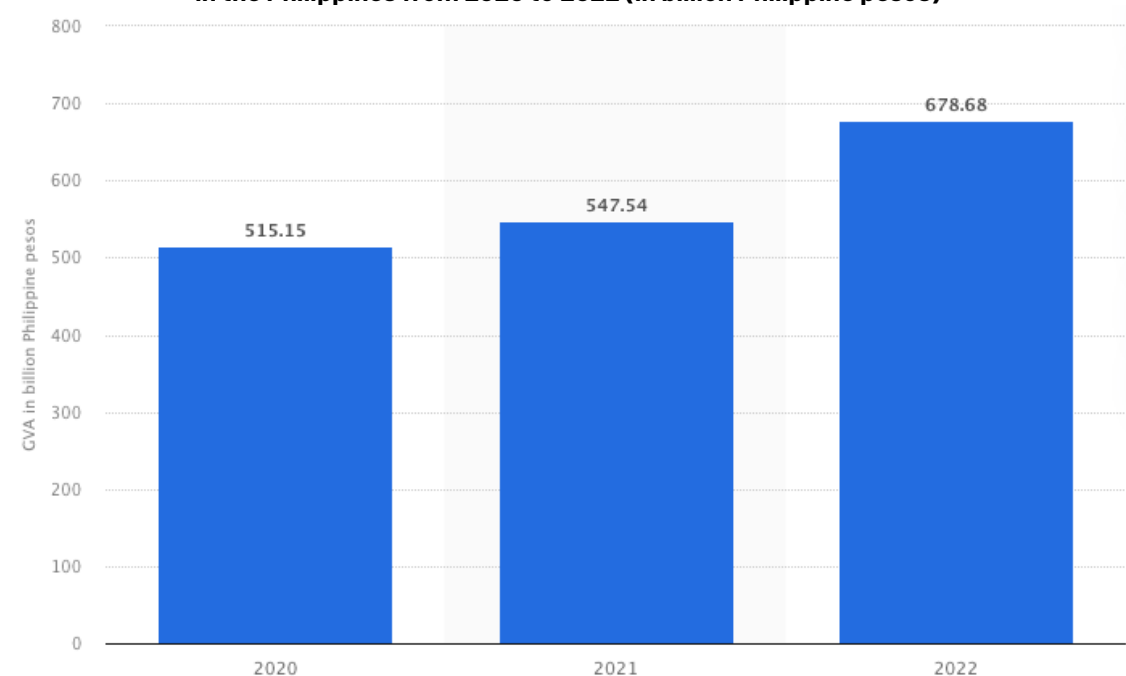


INTRODUCTION

Even before the onset of the pandemic, the logistics sector in the Philippines has been faced by a number of barriers that continue to pose challenges in ensuring efficient logistical processes. The three main concerns, according to the Department of Trade and Industry (DTI) and the Organisation for Economic Co-operation and Development (OECD), are port congestion, delays in the delivery of freight, and customs processing delays. In addition to this, the OECD found in 2020 that the Philippines had a high cost of logistics-to-sales which was at 27%, while its neighbouring ASEAN countries—Indonesia, Vietnam, and Thailand, had much lower percentages at 21%, 16%, and 11% respectively. Additionally, according to the World Bank's Logistics Performance Index for 2018, the Philippines ranked sixth among the ten ASEAN members and 60th overall. Although it ranked fourth in ASEAN and 37th overall for international shipments, reports state that the country has to improve on infrastructure, logistics efficiency, timeliness, and customs, according to the assessment.^{1,2} Further data in 2022 found that traffic is one of the challenges to supply chain management in the Philippines, where logistics costs are still the greatest compared to its ASEAN neighbours. Logistics costs as a proportion of sales in the Philippines was found to be 25% thus it costs nearly one-third of the product's cost to arrive at its destination. When compared to other developed countries, where the average cost of logistics is between 10% and 11%, the Philippines is roughly twice as expensive.³

Meanwhile, the Philippines' transportation and storage sector earned roughly PHP 678.7 billion in gross value added (GVA) in 2022. This represents a considerable increase over the sum of PHP 547.54 billion from the prior year.⁴ However, while the Philippines recorded an increase in its GVA, it still continues to have declines in its external trade performance. According to a preliminary report published by the Philippine Statistics Authority (PSA), the country's total goods exports in January 2023 was USD 16.20 billion, a -2.4% annual decline from its level during the same period in the previous year. Contributing to the total external trade during this period were 67.7% imported goods, while the remaining 32.3% were exported goods. Following the 18.8% annual growth in January 2022, the year ended with a recorded -8.9% decline in December 2022. In January 2023, total external trade was USD 16.2 billion, down 2.4% from USD 16.6 billion in the same month prior year.⁵

Gross value added generated from transportation and storage industry in the Philippines from 2020 to 2022 (in billion Philippine pesos)



Source: Statista

Based on the findings of the PSA, the Philippines' trade deficit posted an increase of USD 5.74 billion in January 2023 from USD 4.51 billion in the same month the previous year. As a result of continued declines in exports and increased imports, this has been the highest numbers recorded for trade since August 2022. Shipments similarly had a decrease of 13.5% to USD 5.23 billion from a year earlier. This is the steepest drop since May 2020 and the second straight month of declines, as overseas demand declined amidst severe cost constraints and persistent global headwinds. After the pandemic restrictions were eased, the economy entirely recovered and purchases rose by 3.9% to USD 10.97 billion—the first growth seen in three months, which was due to the slowdown in commodity prices and indication of a recovery in domestic demand.⁶

Table A. Summary of External Trade Performance in the Philippines January 2022, December 2022^r, and January 2023^p

Indicator	January 2022		December 2022 ^r		January 2023 ^p	
	FOB Value (in million USD)	Year-on-Year Growth (%)	FOB Value (in million USD)	Year-on-Year Growth (%)	FOB Value (in million USD)	Year-on-Year Growth (%)
Total Trade	16,604.95	18.8	16,101.82	-8.9	16,201.54	-2.4
Balance of Trade	-4,513.07	57.0	-4,503.34	-11.9	-5,738.63	27.2
Exports	6,045.94	8.9	5,799.24	-7.7	5,231.46	-13.5
Imports	10,559.01	25.3	10,302.58	-9.6	10,970.09	3.9

p – preliminary, r – revised

Source: Philippine Statistics Authority

1 Organisation for Economic Co-operation and Development (OECD). (2020), OECD Competition Assessment Reviews: Logistics Sector in the Philippines. Retrieved from: <https://www.oecd.org/daf/competition/oecd-competition-assessment-reviews-philippines-2020.pdf>

2 Brunei Darussalam-Indonesia-Malaysia-Philippines East Asian Growth Area. (31 March 2021). Breaking Down Barriers in the Logistics Industry in the Philippines. Retrieved from: <https://bimp-eaga.asia/article/breaking-down-barriers-logistics-industry-philippines>

3 San Juan, A. (4 May 2022). Traffic disrupting supply chain; logistics cost highest in PHL. Retrieved from: <https://businessmirror.com.ph/2022/05/04/traffic-disrupting-supply-chain-logistics-cost-highest-in-ph/>.

4 Statista. (2023). Gross value added generated from transportation and storage industry in the Philippines from 2020 to 2022. Retrieved from: <https://www.statista.com/statistics/1018609/philippines-value-added-of-transportation-and-storage-industry/>

5 Philippine Statistics Authority. (14 March 2023). Highlights of the Philippine Export and Import Statistics January 2023 (Preliminary). Retrieved from: <https://psa.gov.ph/content/highlights-philippine-export-and-import-statistics-january-2023-preliminary>

6 Ibid.

Despite the trade deficits that the country has been facing, the Philippines' customs revenue and collections have seen an upward trend in recent months. Based on a preliminary estimate, the Bureau of Customs (BOC) reported P70.327 billion in revenue collection for January 2023, up 11.79% or P7.415 billion from its P62.911 billion objective. The Bureau boosted its collection by 20.53% or P11.98 billion this year, from the P58.346 billion reported in January 2022. Under the previous Bureau leadership, it maintains its strong performance by stepping up border protection measures and bolstering its anti-smuggling program to guarantee the most effective legal revenue collection.⁷ The BOC saw a similar increase in February as it exceeded its goal of PHP 61.827 billion by bringing in PHP 63.015 billion in revenue. The Bureau boosted its collection by PHP 3.583 billion compared to the PHP 59.433 billion reported in the same period last year. Their total revenue as of 28 February 2023 is PHP 133.38 billion, exceeding its objective of PHP 124.738 billion for the first two months of the year by PHP 8.643 billion.⁸

In recognition of the importance of customs and trade facilitation, the European Chamber of Commerce of the Philippines (ECCP) urges relevant government agencies to aid in the ease of doing business efforts by fully implementing the 10-year Maritime Industry Development Plan (MIDP); making amendments to the Philippine Port Authority's Trusted Operator Program – Container Registry Monitoring System (TOP-CRMS) and Empty Container Storage Shared Service Facility (ECSSSF); and fully operationalizing the National Single Window (NSW) and integrate it with the ASEAN Single Window (ASW).

As for concerns brought about by high shipping costs, the ECCP proposes the following: (1) the charges of the shipping lines must be transparently clarified and justified; (2) International Commerce Terminology (INCOTerms) must be observed and respected; (3) official clarification on the lead government agency responsible for matter relating to shipping rates and port congestion; and (4) the continued cooperation between public and private sectors when it comes to technical working groups and other consultations for the aforementioned matters.

7 Bureau of Customs. (3 February 2023). BOC Exceeds January Revenue Target, Strengthens Border Control Measures. Retrieved from: <https://customs.gov.ph/boc-exceeds-january-revenue-target-strengthens-border-control-measures/#:~:text=Bureau%20of%20Customs,-Philippine%20Standard%20Time&text=911%20billion%20target%20based%20on,98%20billion%20this%20year.>

8 Bureau of Customs. (3 March 2023). BOC SURPASSES FEBRUARY COLLECTION TARGET, GARNERS ₱63B IN REVENUE. Retrieved from: <https://customs.gov.ph/boc-surpasses-february-collection-target-garners-%E2%82%B163b-in-revenue/>

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- In December 2022, **Executive Order (EO) No. 10** was passed to extend the effectivity of temporarily reduced tariff rates on rice, maize (corn), coal, and swine meat (fresh, chilled, or frozen) due to several factors affecting the ability of obtaining these products from local sources in the Philippines.⁹
- The Philippine Congress is once again addressing the problem of fraudulent and unjustified destination charges through **House Bill (HB) No. 4933**¹⁰. The last Congress did so by approving HB No. 10575 in the third reading. The legislation has recently been recommended for passage by the Congress Committee on Transportation by a Technical Working Group of Congress. The bill will become the national law as it safeguards Philippine importers against arbitrary fees and lowers inflation after it has been fully passed by the Congress, Senate, and President. The restriction against charging anyone anything without a mutually agreed-upon duty to pay is one of the bill's main provisions.
- **Customs Administrative Order (CAO) 07-2022** was released by the BOC which intends to streamline the accreditation procedure for importers, using mandatory receipt of electronic notices. Although it has been noted that as of writing, the automatic renewal of accreditation of importers has not yet been implemented by the BOC.¹¹
- Through **CAO 01-2023**¹², the BOC made amendments to the rules on the implementation of the Convention on Temporary Admission (Istanbul Convention) also known as the ATA Carnet Systems. Should there be a re-exportation be done without complete documents recognized by the BOC, a the following regularisation fees are then imposed:
 - 1st offence - PHP equivalent to USD 25
 - 2nd offence - PHP equivalent to USD 50
- Following multiple appeals from different business groups, the Philippine Ports Authority (PPA) has agreed to **modify the previously issued PPA AO 04-2021**, the operational guidelines for executing a proposed regulation requiring the registration and monitoring of containers, according to the Anti-Red Tape Authority (ARTA). The PPA also indicated that the implementation of the operational guidelines would be put through a pilot implementation and modified as necessary to solve any problems or issues that might come up.¹³
- The BOC has accelerated the **digitalization of customs processes and operations** to enhance trade facilitation and to keep port efficiency. Implementations are as follows:
 - The **Liquidation and Billing System (LBS)**¹⁴ was put into place by the BOC in March 2022 to boost the efficiency of their Liquidation and Billing Division (LBD). The LBS web portal enables the LBD to automatically send notices and final demand letters regarding

9 Official Gazette. (2022). Executive Order No. 10. Retrieved from: <https://www.officialgazette.gov.ph/2022/12/29/executive-order-no-10-s-2022/>

10 House of Representatives. (2022). House Bill No. 4933. Retrieved from: https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB04933.pdf

11 Bureau of Customs. (2022). Customs Administrative Order (CAO) 07-2022. Retrieved from: <https://customs.gov.ph/wp-content/uploads/2022/07/CAO-07-2022-Accreditation-of-Importers.pdf>

12 Bureau of Customs. (2023). Customs Administrative Order (CAO) No. 01-2023. Retrieved from: <https://customs.gov.ph/wp-content/uploads/2019/02/2023CAO-01-2023-1.pdf>

13 Isip, I. (9 March 2023). PPA to amend guidelines on container registration. Retrieved from: https://malaya.com.ph/news_business/ppa-to-amend-guidelines-on-container-registration/

14 Bureau of Customs. (24 March 2022). Customs Memorandum Order (CMO) No. 09-2022. Retrieved from: <https://customs.gov.ph/wp-content/uploads/2022/03/cmo-09-2022-Guidelines-in-the-Implementation-of-the-Liquidation-and-Billing-System-and-Post-Entry-Modification-of-SAD.pdf>

revenues that still need to be collected from the consignees as necessary.

- In April 2022, the BOC launched the **Electronic Customs Baggage and Currencies Declaration (iDeclare) System (eCBCD)**, which seeks to provide guidelines on the customs clearance process for all travellers and crew members using the said system.¹⁵
- Beginning 2 May 2022, the **Raw Materials Liquidation System (RMLS)**¹⁶ began being implemented at the Port of Manila. The RMLS is an automated system that calculates the volume and value of raw materials that are exported and are liable for liquidation, as well as the duties and taxes owed on any allowable residues, wastes, byproducts, or other parts of imported goods that were brought into the country through warehousing but are no longer suitable for use in producing the exported goods.
- To increase bureaucratic effectiveness and lower barriers to entry between ASEAN member states, the regional initiative **ASEAN Customs Declaration Document (ACDD) System**¹⁷ was commenced in the Philippines beginning 13 May 2022. The ACDD is a digital instrument that exchanges customs declaration documents between the Philippines and the following countries:
 - Brunei Darussalam
 - Cambodia
 - Indonesia
 - Malaysia
 - Myanmar
 - Thailand
- The BOC released the **Customs Memorandum Order (CMO) No. 17-2022**¹⁸ on 16 June 2022. This specifies how the integration of the **Electronic-to-Mobile (E2M) System** and the **Electronic Tracking of Containerized Cargo (E-TRACC) System** should be implemented. This integration will allow information from E-TRACC to be automatically submitted to the E2M and to be easily accessible by BOC staff.
- On 22 June 2022, the BOC implemented the **National Customs Intelligence System (NCIS)**, which acts as an online web storage for intelligence data from different subunits and sources.¹⁹
- An upgraded version of the previously carried out Payment Application Secure 5 (PAS5), the **Payment Application Secure 6 (PAS6)** was implemented beginning 1 October 2022

15 Bureau of Customs. (25 May 2022). BOC implements Electronic Customs Baggage and Currency Declaration System. Retrieved from: https://customs.gov.ph/boc-implements-electronic-customs-baggage-and-currency-declaration-system/?fbclid=IwAR3c23jVWi2ovREb5ltO4sVAX9HBCOVs9C_Hr_Ccz17SDpUvqNKMEF6evW8o

16 Bureau of Customs. (17 November 2021). BOC Issues Guidelines on the Implementation of Raw Materials Liquidation System in the E2M System.

17 Bureau of Customs. (30 May 2022). ASEAN Announces the Live Electronic Exchange of the ASEAN Customs Declaration Document (ACDD) of the Philippines with Brunei and Indonesia. Retrieved from: <https://customs.gov.ph/asean-announces-the-live-electronic-exchange-of-the-asean-customs-declaration-document-acdd-of-the-philippines-with-brunei-and-indonesia/>

18 Bureau of Customs. (16 June 2022). Implementation Guidelines in the Integration of Electronic to Mobile System and Electronic Tracking of Containerized Cargo System. Retrieved from: <https://customs.gov.ph/wp-content/uploads/2022/06/cmo-17-2022-Implementation-Guidelines-in-the-Integration-of-Electronic-to-Mobile-System.pdf>

19 Bureau of Customs (6 July 2022). BOC Implements The National Customs Intelligence System. Retrieved from: <https://customs.gov.ph/boc-implements-the-national-customs-intelligence-system/>

to create a quicker and more efficient payment facilitation. An accurate and immediate transaction information regarding the assessment details of payable duties and taxes is ensured by the new feature.²⁰

- The Maritime Industry Authority's (MARINA) amended its **10-year Maritime Industry Development Plan (MIDP)**²¹ to attain the goal of making the Philippine marine sector nationally integrated and competitive on a global scale. In order to support the country's development plan, the MIDP aims for the Philippines to have a robust and dependable merchant fleet by 2028 that can handle the archipelago's marine transportation needs. Three overriding programs, four core programs, and one enabling program are included in the upgraded version which all have interconnected objectives and results. The core programs include the following:
 - **Modernization and expansion of the domestic shipping industry**—intends to modernise and construct a robust and active domestic shipping fleet that will offer secure and effective inter-island and commercial routes, boost local economies, and create new cruise routes and ports for tourism
 - **Promotion and expansion of the overseas shipping industry**—focuses on enhancing the Philippine ship registry and seeks to increase the commercial fleet of the nation, lessen dependency on vessels flying foreign flags, and generate employment opportunities for Filipino seafarers and maritime employees on land
 - **Modernization, promotion, and expansion of the shipbuilding and ship repair industry**—seeks to meet the demand for contemporary and cutting-edge ships. The rise in domestic commercial ships built in the Philippines is targeted as a priority result because it results in savings of foreign exchange that would otherwise be paid to foreign shipbuilders
 - **Promotion of highly-skilled and competitive maritime workforce**—aims to increase the maritime industry's competitiveness by building a pool of qualified maritime human resources. This will support the dissemination of best practices and knowledge transfer through academic and training institutions

While the enabling programs are as follows:

- **Enhancement of maritime transport safety and security**—its goal is to improve regional collaboration while increasing the safety and effectiveness of Philippine ships
- **Promotion of environmentally sustainable maritime industry**—seeks to hasten the adoption of environmental norms and standards in order to lessen the detrimental effects on the maritime environment caused by invasive aquatic species, greenhouse gas emissions from ships, as well as pollutants from other shipping activities
- **Implementation of a sustainable maritime innovation, transformation, digitalization and knowledge centre**—automation and digitization in maritime transport will improve operations, provide novel opportunities, and change trade geography as well as supply chains²²

20 Robles, DG. (19 September 2022). *BoC to launch online processing payment system next month*. Philstar. Retrieved from: <https://www.bworldonline.com/economy/2022/09/19/475544/boc-to-launch-online-processing-payment-system-next-month/>

21 Maritime Industry Authority (MARINA). (2021). *Maritime Development Plan (MIDP) 2019-2028*. Retrieved from: <https://marina.gov.ph/wp-content/uploads/2022/06/10-YEAR-MIDP-2021.pdf>

22 PortCalls. (2 March 2023). *MARINA updates maritime industry development plan*. Retrieved from: <https://www.portcalls.com/marina-updates-maritime-industry-development-plan/>

ADVOCACY RECOMMENDATIONS

- **Promote Ease of Doing Business in the Customs and Logistics Industry**

- **Expedite the operationalization of the National Single Window (NSW) and pursue integration with the ASEAN Single Window (ASW)**

The Philippines' endeavour to establish its own National Single Window started as early as 2005 with the signing of Executive Order No. 482.²³ Now known as TradeNet, the platform "provides for the automated and integrated licensing, permitting, clearance and certification system of the Trade Regulatory Government Agencies (TRGAs) relevant in the import and export trade of regulated goods".

Inefficiency, red tape, and corruption are trade and investment barriers which discourage the doing of business in and with the Philippines. Taking these into consideration, the ECCP highly welcomes the recent signing of the long-awaited Memorandum of Agreement (MOA) as a significant development on the full onboarding of the 73 government agencies governing the import and export industry. We likewise look forward to the realisation of the government's objective to onboard all TRGAs by 1H 2024.²⁴

The operationalization of the NSW will help enhance communication between government agencies, combat smuggling and corruption, and facilitate smoother flow of domestic and international trade in the country. Moreover, the establishment of the NSW will also allow the country to maximise the benefits of being a member of the Association of Southeast Asian Nations (ASEAN) by utilising the ASW. Given all these benefits, the ECCP urgently calls for the integration with the ASW, and the full and expedited operationalization of the NSW in all government agencies.

- **Complete Revocation of the PPA's Trusted Operator Program – Container Registry Monitoring System (TOP-CRMS) and Empty Container Storage Shared Service Facility (ECSSSF)**

Upon further review of the PPA Administrative Order No. 04-2021 and its implementation operational guidelines, the ECCP respectfully calls for the revocation of the PPA's Trusted Operator Program – Container Registry Monitoring System (TOP-CRMS) and Empty Container Storage Shared Service Facility (ECSSSF). The Chamber concurs with the assessment of various business groups that the Administrative Order violates the Ease of Doing Business Act (RA 11032), the Implementing Rules and Regulations of RA 11032, and international standards of good governance as the PPA was unable to conduct a Regulatory Impact Assessment and proper consultations prior to its issuance. Additionally, we wish to clarify and challenge the requirement of a container insurance since the containers are a resource owned by shipping lines and not by the PPA.

Moreover, the ECCP believes that this proposed measure will result in inefficiencies and dramatically increase costs for consumers and businesses which are still reeling from the adverse effects of the pandemic. Industry experts also cautioned against the negative outcomes of this proposed measure, specifically the longer container flow times as well as increased trucking costs by 38%²⁵, particularly due to extra costs going to the tagging area and the tagging fees. These conservative estimates exclude other factors such as road traffic conditions and other incidental costs.

Furthermore, the proposed system duplicates the functions of the Bureau of Customs (BOC) in terms of providing real-time monitoring of the containers' movements. The BOC already has its monitoring policy under Customs Administrative Order (CAO) No. 08-2019 which covers the guidelines and procedure for the

²³ Executive Order No. 482, S. 2005. Retrieved from <https://www.officialgazette.gov.ph/2005/12/27/executive-order-no-482-s-2005/>

²⁴ Pablo, R. (11 February 2023). Onboarding of 18 Priority TRGAs on TradeNet Underway. Retrieved from <https://www.portcalls.com/onboarding-of-18-priority-trgas-on-tradenet-underway/>

²⁵ PortCalls (May 2022). PPA Container Monitoring System to Jack Up Logistics Cost Carriers Say. Retrieved from <https://www.portcalls.com/ppa-container-monitoring-system-to-jack-up-logistics-cost-carriers-say/>.

monitoring and controlling the movement of all types, categories, or classification of containers (loaded/empty) at the seaports. As such, the proposed measure could create an additional layer of hurdle and complexity to European trade with the Philippines, and even result in port congestion. This would also run counter to the Philippine government's overall efforts to reduce regulatory trade costs and ensure predictability and fairness to encourage foreign direct investments.

After stakeholders and government organisations questioned the benefits it provides, the PPA decided to temporarily put on hold the implementation of the TOP-CRMS. Despite opposition from private stakeholders as well as other government offices, the PPA plans to reconvene at a later time to discuss the finalisation of the system.²⁶ Given the aforementioned concerns, the ECCP reiterates its position to have the PPA and relevant authorities consider the full revocation of the TOP-CRMS.

- **Promote competitive shipping costs by establishing fair guidelines to regulate the application of local charges at origin and destinations imposed by international shipping lines to comply with existing laws on obligations and contracts and international commercial terminology (INCOTERMS)**

- **Strengthen and appoint MARINA to have primary jurisdiction the promotion of fair and transparent destination and other shipping charges among forwarders and agents of international shipping lines.**

Over the years, stakeholders of the Philippine logistics services sector have experienced high shipping costs, excessive and unnecessary fees, charges and surcharges imposed as origin and destination charges. These charges imposed and collected at will by international shipping lines have negatively affected the economy as it spikes the cost of importing raw and intermediate goods, escalates the prices paid by domestic consumers, and undermines the government's collection of correct taxes. While fair competition on the international lines shipping industry should be unregulated, it should not be left unbridled as far as imposing myriads of destination charges. Unfortunately, such a scheme has adversely impacted the competitiveness of local industries and is estimated to cost the Philippine economy about USD 2 billion to USD 5 billion per year based on industry data.

The "prepaid" INCOTERMS arrangement is subverted to zero or negative freight at origin and consequently is recovered by charging exorbitant amounts at destination to recover the cost of such negative or highly subsidised freight, to the detriment and injury of the consignee of the shipment.

Under prepaid INCOTERMS shipping arrangements, the shipper should be the one to pay all appertaining costs of the shipment of the goods to the designated delivery place of the consignee. However, with the unscrupulous scheme employed by some shipping lines, the freight that should have been collected from the shipper is charged to the consignee as "destination charges" even if there is no existing contract of affreightment between the shipping line and the consignee at the destination in violation of the privity of contract principle. Also, while shipping lines are not party to the INCOTERMS agreed by the shipper and the buyer, the shipping lines must, however, comply and adhere to the contract of affreightment shipping lines entered into by the party that engaged their services. The rule should be that no origin and destination charges shall be billed and/or charged by international shipping lines to Philippine consignees in the absence of a contractual relationship with the carriers, and/or if they are not obligated to pay them under INCOTERMS.

Non-adherence to INCOTERMS through negative freight arrangement impairs the right of the government to collect the right amount of taxes from importers as there is little international shipping lines that call at Philippine ports should be mandated to justify the collection of destination charges and local charges as well as clarify the nature thereof and explaining the corresponding local services rendered in exchange for such charges. By doing this, the government can separate and identify what are the different destination charges or local charges being collected that are considered local services activities within the Philippines, which are apart from the freight paid to the shipping lines outside the Philippines.

²⁶ Yu, LS. (13 April 2023). TOP-CRMS paused amid opposition, fears of higher shipping costs. *Rappler*. Retrieved from: <https://www.rappler.com/business/top-crms-paused-opposition-fears-higher-shipping-costs/>.

Proper identification of the type and situs of revenue created by destination charges should be imposed in order for the taxing authority to determine whether these charges are imposed as local services.

By properly identifying these, all revenues generated by international shipping lines for destination charges generated for local services within the Philippines can be imposed with the appropriate taxes (income tax and VAT for services) in accordance with the applicable provisions of the Tax Code.

Considering the foregoing, the ECCP appreciates the move of the 18th Congress to address concerns and regulate international shipping lines. In principle, the ECCP advocates for the filing of legislation under the 19th Congress that will promote the following: (1) the sanctity of contractual relations; (2) transparency of destination charges imposed; (3) observance of INCOTERMS if the contract of carriage so provides; (4) regulation of demurrage and detention charges; and (5) study and imposition of the appropriate taxes on the charging of destination charges.

Furthermore, we submit that the Maritime Industry Authority (MARINA) be the sole implementing regulator. The MARINA is already empowered through its charter, among others, to regulate the registration of international liners calling the ports of the Philippines and, most importantly, is empowered with quasi-judicial functions to adjudicate violations of law and impose corresponding penalties within its jurisdictional powers. Thus, it will be a complete end-to-end process.

- **Impose fair, commensurate and graduated fines and surcharges for clerical errors, misdeclaration, misclassification and undervaluation**

Revisit and re-establish if the PHP 5,000 penalty for every clerical error determined, and in the absence of a maximum penalty to be imposed for every good declaration, is indeed not excessive, particularly for a clerical error that has no effect on the valuation and assessment of the duties and taxes.

To discourage repetition of errors on goods declaration, Section 4.1 of CAO No. 01-2020 stipulates that, "the concerned District Collector, through the Deputy Collector for Assessment, shall, in addition to the assessed duties, taxes, fees, fines or surcharges due, collect a fine of Five Thousand Pesos (PHP 5,000) for every clerical error determined to have been committed in the covering Goods Declaration upon the Lodgment thereof."

However, we wish to refer to the Customs Modernization and Tariff Act (CMTA)'s Section 108 on penalties for errors in goods declaration stipulates that "the Bureau shall not impose substantial penalties for errors when such errors are inadvertent and there was no fraudulent intent or gross negligence in the commission thereof: Provided, That in order to discourage repetition of such errors, a penalty may be imposed but shall not be excessive."

In this context, it must be established if the PHP 5,000 penalty for every clerical error determined, and in the absence of a maximum penalty to be imposed for every good declaration, is not excessive particularly for a clerical error that has no effect on the valuation and assessment of the duties and taxes. While the BOC has the power to regulate and impose corresponding penalties for clerical errors, the penalty relating to CAO 01-2020 must be commensurate with and graduated to the act or omission being penalised. Otherwise, excessive or exorbitant penalties imposed on acts or omissions that are defined in law as 'inadvertent' and falls on excusable negligence are arguably confiscatory and arbitrary.

Furthermore, there is a prevailing public perception that in order to avoid the imposition of a PHP 5,000 penalty per clerical error, an unreceipted cost of PHP 2,000 per clerical error can be paid, which is ultimately passed to the public as the cost of importation. As a result, we advise that importers and declarants not be fined or penalised for the following items:

- E2M system limitations;
- changes/revisions to Goods Declarations triggered by the Bureau for the proper assessment of duties and taxes of the goods, changes/revisions that are not connected to the data input made by the importer or Declarant;

- Revisions that do not fall under the definition of clerical error as provided under Section 4.1.1 of this CAO

On Customs Memorandum Order No. 12-2021's guidelines on the imposition of penalties relative to the Customs Accreditation of Importers, we respectfully submit our recommendations and comments on the following sections of said CMO:

SECTION	RECOMMENDATIONS AND COMMENTS
<p>Section 2 - General Provision Section 2.2</p> <p>The accreditation of the importer or broker may be preliminarily suspended pending proper administrative proceedings to ensure border protection, suppress all forms of smuggling and other frauds committed against the collection of lawful revenues.</p>	<p>The temporary suspension of a maximum period of 90 days could have a significant impact on the importers' or brokers' other shipments not covered with any derogatory report or suspected violation of the Customs laws, rules, and regulations.</p> <p>While the CMO provides the guidelines in requesting for continuous processing of the importers or brokers' other shipments, the below specific requirements and limitations will result in delays in clearing the goods from customs:</p> <p>(1) The CMO will only cover shipments in transit or which arrived at ports prior to preliminary suspension;</p> <p>(2) The request for continuous processing will need to be filed at the legal service for resolution and approval of the Customs Commissioner; and</p> <p>(3) The 100% examination of the goods regardless of selectivity screen will need to be conducted with cost to be incurred by the requestor.</p>
<p>Section 4 - Grounds for Preliminary Suspension Section 4.3</p> <p>Other analogous circumstances, at the discretion of the Commissioner</p>	<p>The ECCP strongly recommends the removal of "other analogous circumstances" as a ground for preliminary suspension as it is vague and could be used discriminatorily.</p> <p>Section 4.3 is pervasive and overbroad and does not specifically provide what it proscribes. The BOC must specify with reasonable precision the behaviours it aims to prohibit while exercising its authority to define what constitutes an offence. This is to allow a clearly intelligible code of conduct and for logistics providers to be aware of the actions that they are required to avoid.</p>

SECTION	RECOMMENDATIONS AND COMMENTS
<p>6.1 Light Infractions –</p> <p>Suspension of accreditation privileges for a period of 1 month to 6 months:</p> <p>(a.) Inadvertent mistake or erroneous information in the submitted documents, not substantial in nature;</p> <p>(b.) Failure to report changes in requirements after approval of accreditation;</p> <p>(c.) Late submission of import permit/clearance issued by government agencies for regulated and restricted imports/exports;</p> <p>(d.) Excusable negligence in protecting E2M password from abuse and misuse; and</p> <p>(e.) Other analogous circumstances.</p>	<p>Infractions are grave penalties that are not commensurate with the acts being penalised.</p> <p>The acts penalised under Section 6.1 are in nature ‘excusable negligence’, honest mistake or delays in submission of updated documentation. These are merely administrative requirements that do not involve defrauding the government or impairing the government’s right to collect the correct duties and taxes. Therefore, the imposition of a maximum of six (6) months of suspension of customs accreditation is confiscatory and may be subject to abuse or misuse.</p> <p>As such, the ECCP urges BOC to review and consider the deletion of Sec. 6.1 Light Infractions or at the very least 6.1(a), or a reduction of penalties as the same is too much for the light infractions contemplated therein.</p>

- **Promotion of Blue Economy**

To support and advance the nation’s marine industry or so-called “blue economy,” the government is firmly urged to establish a Philippine National Flag registry for ships trading nationally and internationally.

Many nations have open registrations, either as their primary or secondary registry. Open registries provide shipping lines with both financial and non-financial incentives, including flexibility regarding the nationality of the crew, tax exemptions (increasingly in the form of tonnage tax collection rather than corporate income tax), and the development of maritime hubs supporting shipping lines. A modernised and appealing ship registry must be created for the Philippines to truly be a competitive maritime nation. In 2022, refiling of the bills seeking to establish a ship registry system in the Philippines have commenced once again.

With this, the ECCP is in favour of passing legislation to establish a cutting-edge, attractive Philippine ship registry with competitive incentives for registered ships and improved linkages between registered ships and flag states. The registry will serve the Philippines’ goal of becoming a maritime nation by offering preset benefits to EU ship owners and boosting the Philippine maritime industry.



ASSESSMENT OF 2022 RECOMMENDATIONS

ISSUE	RECOMMENDATIONS
<p>Enact laws to restructure the Civil Aviation Authority of the Philippines (CAAP) into a regulatory body, including the amendments of the Civil Aviation Authority Act of 2008, the establishment of the Philippine Airports Authority, and the creation of the Philippine Transportation Safety Board</p>	
<p>Promote Competitive Shipping Costs</p>	<p>Philippine ports should be mandated to justify the collection of destination charges and local charges as well as clarify the nature thereof and explaining the corresponding local services rendered in exchange for such charges</p> <p>The rule should be that no origin and destination charges shall be billed and/or charged by international shipping lines to Philippine consignees in the absence of a contractual relationship with the carriers, and/or if they are not obligated to pay them under INCOTERMS.</p> <p>There should also be a proper identification of the type and situs of revenue created by these destination charges in order for the taxing authority to determine whether these charges are imposed as local services.</p>
<p>Impose fair, commensurate and graduated fines and surcharges for clerical errors, misdeclaration, misclassification and undervaluation</p>	<p>Revisit and re-establish if the PHP 5,000 penalty for every clerical error determined, and in the absence of a maximum penalty to be imposed for every good declaration, is indeed not excessive, particularly for a clerical error that has no effect on the valuation and assessment of the duties and taxes.</p>

COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
	<p>In the 19th Congress, SBN-1073 aims to establish the Philippine Airports Authority, which shall be an independent agency focused on the development of Philippine airports.</p> <p>Bills have also been refilled in the House and Senate to amend the Civil Aviation Authority Act of 2008 and separate the regulatory and commercial functions of the CAAP.</p> <p>SBN-1121 and HBN-1801 have been refilled In the 19th Congress to push for the Philippine Transportation Safety Board (PTSB) creation. Both measures have been pending at the Committee level since August 2022.</p>	<p>While the 18th Congress approved the bill creating the PTSB, this was vetoed by President Ferdinand R. Marcos, Jr. last year. No other progress has been noted.</p>
		<p>No progress has been noted.</p>
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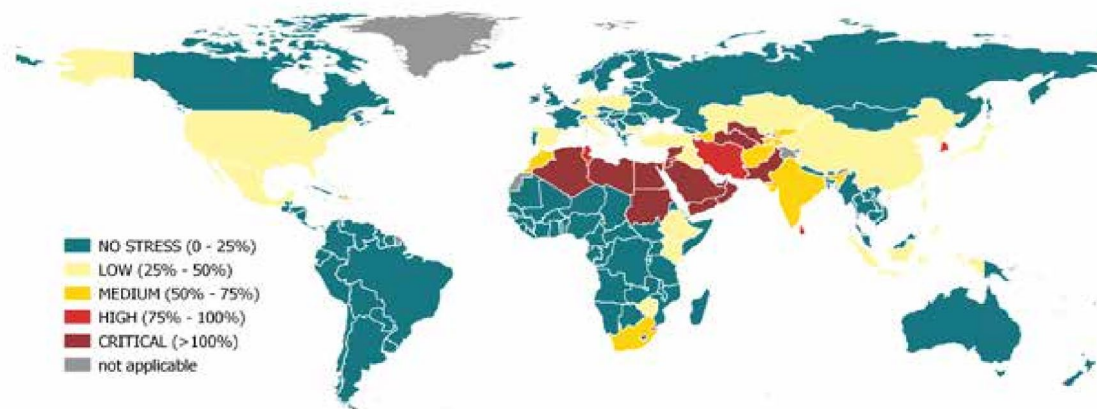
ENVIRONMENT & WATER ADVOCACY PAPER 2023

INTRODUCTION

ON WATER

Water is a basic human right and necessity for life. Over the years, demand for water has escalated owing to climate change, rapid population growth, and unprecedented economic crises. In 2018, 18.4% of the total renewable freshwater resources available were being withdrawn all over the world, with three out of seven Sustainable Development Goal (SDG) regions having water stress values above 25%.¹ This looming high-level water stress and scarcity are posing threats to sustainable development and inclusive growth, and its impacts are disproportionately felt by the most vulnerable.

Global Map of the Level of Water Stress by Country, 2018



Source: FAO IMI-SDG6 adapted from FAO (2021a); UNmap. 2018.

Despite the global commitment to ensure access to water and sanitation for all, it is estimated that 1.6 billion people will lack safely managed drinking water, 2.8 billion people will lack safely managed sanitation, and 1.9 billion people will lack basic hand hygiene facilities in 2030 if the current pace of progress is not increased fourfold.²

In the Philippines, total water resources potential is at 145,990 million cubic metres per year (MCM/year), comprising 125,790 MCM/year of surface water and 20,200 MCM/year of groundwater.³ However, its longstanding challenge in achieving water security has caused over 3 million people relying on unsafe and unsustainable water sources, and 7 million lacking access to improved sanitation.⁴ Latest report indicates the country's level of water stress in 2020 at 26.7%⁵, with a water stress score at 3.01, which projects a loss of 40% to 80% of its total water supply by 2040.^{6,7} It

1 Food and Agriculture Organization of the United Nations. (2021). Progress on level of water stress. Retrieved from https://www.unwater.org/sites/default/files/app/uploads/2021/08/SDG6_Indicator_Report_642_Progress-on-Level-of-Water-Stress_2021_ENGLISH_pages-1.pdf

2 United Nations. (2022). Sustainable Development Goals Report. Retrieved from <https://www.un.org/sustainabledevelopment/progress-report/>

3 National Economic and Development Authority. (2021). Philippine Water Supply and Sanitation Master Plan (PSWSSMP). Retrieved from https://neda.gov.ph/wp-content/uploads/2021/09/102521_PWSSMP_Abridged-Version.pdf

4 Water.org. (n.d.). Philippines' Water and Sanitation Crisis. Retrieved from <https://water.org/our-impact/where-we-work/philippines/>

5 Philippines Statistics Authority. (2020). Country's Overall Water Use Efficiency Decreased while Water Stress remains at Low Level. Retrieved from <https://psa.gov.ph/content/country%E2%80%99s-overall-water-use-efficiency-decreased-while-water-stress-remains-low-level>

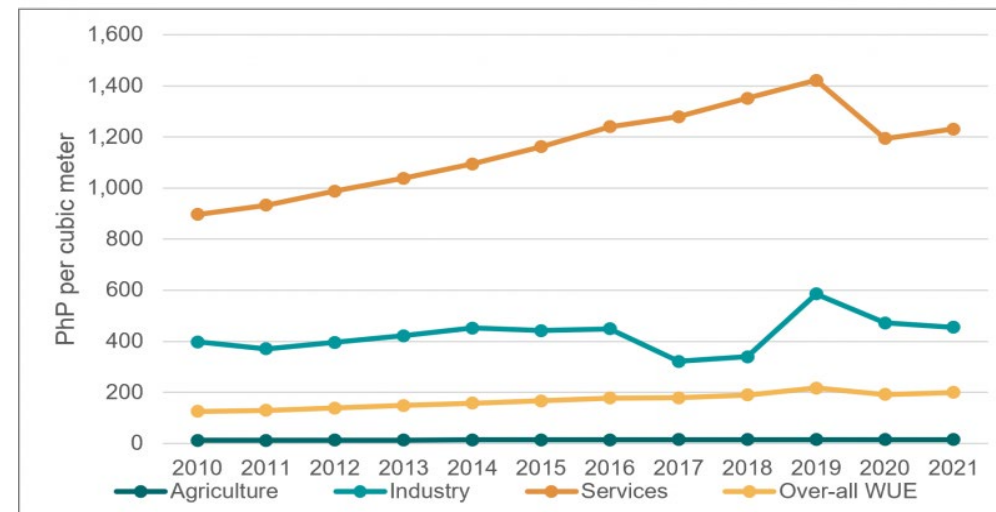
6 Luo, T., Young, R., Reig, P. (2015). Aqueduct Projected Water Stress Country Rankings. Retrieved from <https://files.wri.org/d8/s3fs-public/aqueduct-water-stress-country-rankings-technical-note.pdf>

7 The indicated are not to be seen as predictions, but rather as potential outcomes under specific climate

was also reported that Water Use Efficiency (WUE) increased PHP 192.25 per cubic metre of water used in 2020 to PHP 200.06 per cubic metre in 2021, with the services sector consistently having the highest WUE from 2010 - 2021, contributing more than 63.5% to the total gross value added, but only shared 10.3% to the water used.⁸

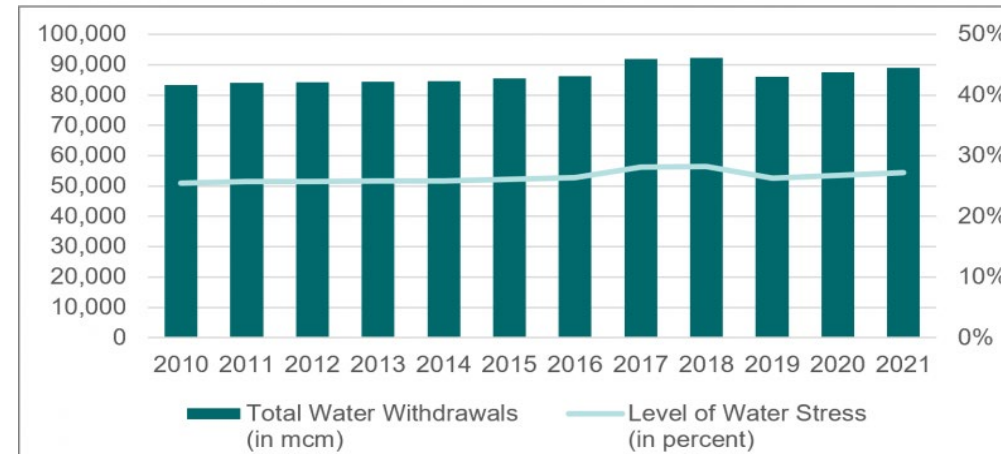
Water Efficiency Use by Major Sector, 2010 - 2021

Figure 1: Water Use Efficiency by Major Sector, 2010 to 2021



Level of Water Stress, 2010 - 2021

Figure 2: Level of Water Stress, 2010 to 2021



Source: Philippine Statistics Authority

In light of the foregoing, integrated efforts and interventions by the government, private sector, and all stakeholders remain vital to the global goal of achieving universal access to safe, sufficient, affordable and sustainable water by 2030.

and socio-economic trajectories, which are subject to uncertainties.

8 PSA. (06 October 2022). Country's Water Use Efficiency Increased from 2020 to 2021. Retrieved from <https://psa.gov.ph/content/country%E2%80%99s-water-use-efficiency-increased-2020-2021>

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **Creation of an apex body for the Philippine Water Sector:** Following pronouncements on the establishment of a governing agency for the water sector in 2021, the current administration approved the creation of the Water Resource Management Office (WRMO) as a “transitory body pending the creation of a Water Resources Department”.⁹ Placed under the Department of Environment and Natural Resources (DENR), the WRMO is mandated to develop and implement the Integrated Water Management Plan (IWMP).
- **Philippine Development Plan (PDP) 2023-2028:** On 27 January, President Marcos signed Executive Order No. 14 thereby approving the PDP for the period of 2023-2028. The said development plan “aims to bring back the country to a high-growth trajectory and, more importantly, enable economic and social transformation for a prosperous, inclusive, and resilient society”.¹⁰ Of particular interest to the Environment and Water sector is Chapter 12 which details the government’s agenda to improve water infrastructure for the promotion of universal access to safe, affordable, and sustainable water supply and sanitation services.¹¹
- **Treaty on the Protection of High Seas:** The United Nations has passed a legally binding treaty seeking to protect marine life in international waters after nearly two decades of discussion.¹² Under the treaty, creation and management of marine protected areas in the high seas will now be allowed and will mandate countries to perform environmental impact assessments on their proposed activities prior to its conduct. The treaty also provides for sharing of possible benefits from ocean resources.¹³
- **Build Better More Program:** As part of the Administration’s flagship infrastructure program, the National Economic and Development Authority (NEDA) recently signed off 194 high-impact priority projects amounting to PHP 9 trillion which includes projects in water supply and flood management.¹⁴ The NEDA Board also approved the first phase of the Integrated Flood Resilience and Adaptation Project, to be financed by the Asian Development Bank through an Official Development Assistance loan. The estimated PHP20 billion project seeks to reduce and mitigate flood risk and damage as well as improve climate resilience in the country’s three main river basins, including the Tagum Libuganon, Abra, and Ranao in Mindanao.¹⁵
- **UN 2023 Water Conference:** Along with the celebration of this year’s World Water Day, the United Nations is hosting the 2023 Water Conference on 22-24 March, the first international conference focusing on freshwater in nearly 50 years.¹⁶ The conference aims to identify innovative solutions and opportunities to fasten the progress on integrated water resources management. The Water Action Agenda, containing the voluntary pledges of countries and relevant stakeholders in pursuit of achieving global water-related objectives, is expected to be adopted by the conference.¹⁷

9 Parrocha, A. (1 February 2023). Marcos OKs Creation of Water Resource Management Office. Retrieved from <https://www.pna.gov.ph/articles/1194102>

10 Galvez, D. (30 January 2023). Macos Jr. Signs Philippine Development Plan for 2023-2028. Retrieved from <https://governance.neda.gov.ph/marcos-jr-signs-philippine-development-plan-for-2023-2028/>

11 Philippine Development Plan 2023-2028. Retrieved from <https://pdp.neda.gov.ph/wp-content/uploads/2023/01/PDP-2023-2028.pdf>

12 Paddison, L. (6 March 2023). Countries Agree on Historic Oceans Treaty to Protect the High Seas. Retrieved from <https://edition.cnn.com/2023/03/04/world/un-oceans-treaty-biodiversity-climate-intl/index.html>

13 Bottolier-Depois, A. (5 March 2023). UN States Agree ‘Historic’ Deal to Protect High Seas. Retrieved from <https://www.philstar.com/headlines/climate-and-environment/2023/03/05/2249501/un-states-agree-historic-deal-protect-high-seas>

14 Presidential Communications Office. (9 March 2023). PBBM-led NEDA Board greenlights 194 high-impact priority projects under the Build Better More (BBM) program. Retrieved from https://pco.gov.ph/news_releases/pbbm-led-neda-board-greenlights-194-high-impact-priority-projects-under-the-build-better-more-bbm-program/

15 Gita-Carlos, R.A. (3 February 2023). NEDA Approves 6 more ‘High-impact’ Projects. Retrieved from <https://www.pna.gov.ph/articles/1194310>

16 Stockholm International Water Institute. (20 February 2023). 6 Things to know about the UN 2023 Water Conference. Retrieved from <https://siwi.org/latest/6-things-to-know-about-the-un-2023-water-conference/>

17 United Nations Environment Programme. (n.d.). UN 2023 Water Conference. Retrieved from <https://www.>

ADVOCACY RECOMMENDATIONS

• Creation of an overseeing agency for the water sector

In line with our long-standing advocacy of attaining water security in the Philippines, the Chamber has long called for the creation of an apex body to lead the crafting and implementation of policies and initiatives for the Philippine water sector, as well as streamline institutions to further facilitate ease of doing business in the said sector. This agency is envisioned to lay down the overarching policies and perform functions relative to the integrated management of water resources with the end goal of achieving water security for the country. The recent creation of the WRMO is a welcomed first step in fully realising the said objective as it aims to strengthen collaboration among various agencies in implementing water management programs in accordance with the Integrated Water Management Plan, to be crafted by the said agency.

On a similar note, it is imperative to approach water resource planning using **Integrated Water Resource Management (IWRM)**. The IWRM is an internationally recognized framework that is used to guide countries on their journey to water security. It is based on the idea that water issues should not be approached in isolation, but rather in a more holistic manner due to the interdependence of the uses of finite water resources.

We remain committed to working with the government and other stakeholders in resolving the current water-related issues in the country. The ECCP, together with its Environment and Water Committee, strongly advocates for regular multi-stakeholder engagements to be institutionalised in order to allow exchange of insights, facilitate coordination and come up with effective solutions on water-related issues. In this light, we highly encourage that a Multistakeholder Advisory Panel be established under the WRMO with representation from the private sector, academe and civil society to serve as an additional soundboard for the said office in the crafting and implementation of policies, programs and projects for the water sector in line with IWRM’s principle of participatory governance. This interim structural reform will hopefully provide more synergy with public-private partnerships as it leads and encourages the establishment of investments, technology, benchmarking, and sharing of best practices resulting to the improvement of the water sector and for the benefit of our people.

To end, the ECCP reiterates its call to finally legislate an overseeing body for the said sector which has long been overdue. We believe that having an executive water department tasked to harmonise and monitor all water-related efforts will provide strategic direction which would not only help in solving water scarcity in the country, but would also aid in the establishment and operation of businesses as well as attract new investors. We look forward to the sustenance of the interest from the government to bring about the much-needed changes in the water sector into fruition.

• Improve the local government units’ operational efficiency and capacity to effectively implement their water and sanitation-related programs

Throughout the years, the role of LGUs has greatly evolved ranging from being the first respondents to natural disasters and other local emergencies to ensuring food and water security as well as aiding in the rebuilding of the post-pandemic economy. With the ongoing implementation of the Mandanas Ruling, LGUs are expected to deliver prompt responses and further improved projects that are responsive to local needs.

In this context, we urge the government to foster stronger partnerships with all relevant stakeholders to promote technology transfer, exchange of best practices, and capacity building. We believe that this can improve the ability of LGUs to address operational obstacles which hinder them from playing an effective role in the development of the water sector. European companies are known leaders in technologies and processes for innovative water sector management and are willing to engage with and support LGUs to develop integrated water resource management systems.

• Increase funding for water and sanitation-related programs and projects

Lack of appropriate and sufficient funding for water and wastewater infrastructure projects remains to be a concern for the country. The ECCP renews its call for a higher budget for the innovation and modernization of the country’s water sector to facilitate universal access to safe, affordable and sustainable water supply and sanitation services.

Likewise, we encourage the government to explore more public-private partnership opportunities and incentive mechanisms to encourage stronger participation from the private sector.

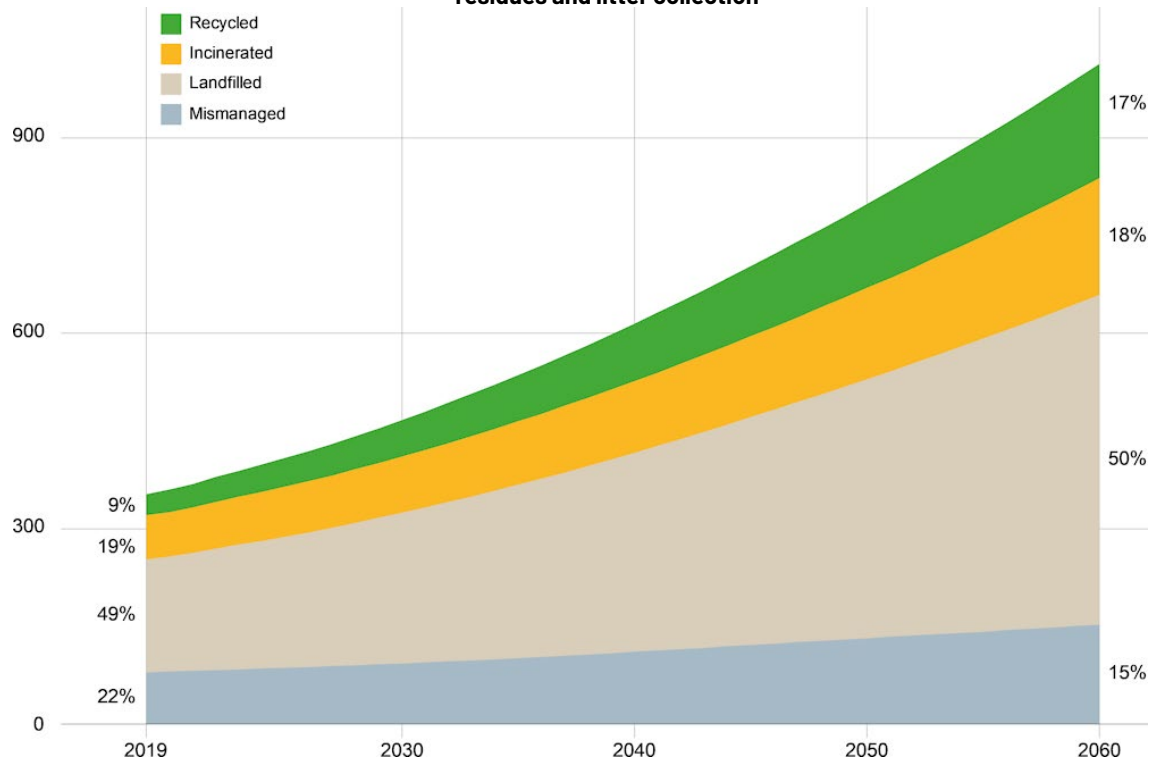
With its financial capabilities, private sector involvement bridges the gap of the financial needs for infrastructure of the water sector. Therefore, alleviating the financial burden on the government. Moreover, private sector involvement could result in the tapping of skills and expertise in the management, expansion, maintenance and operation of water and used water infrastructure projects and programs with a high efficiency rate.

ON PLASTIC WASTE MANAGEMENT

The use of plastics has been an integral part of the global economy, as well as our daily lives. However, as plastic production and consumption grow persistently, so does the mismanagement of plastic waste. A report by the Organization for Economic Cooperation and Development (OECD) stated that plastic production has increased from 2 million tonnes (Mt) in 1950 to 460 Mt in 2019, while plastic waste more than doubled from 156 Mt in 2000 to 353 Mt in 2019.

Despite these growing numbers, it was found that only 9% of plastic worldwide was recycled in 2019, while 19% was incinerated, 50% went to sanitary landfills, and the other 22% was disposed of in uncontrolled dumpsites, burned in open pits, or leaked into the environment.¹⁸

Plastic waste in million tonnes (left-hand axis) by waste management category, after disposal of recycling residues and litter collection



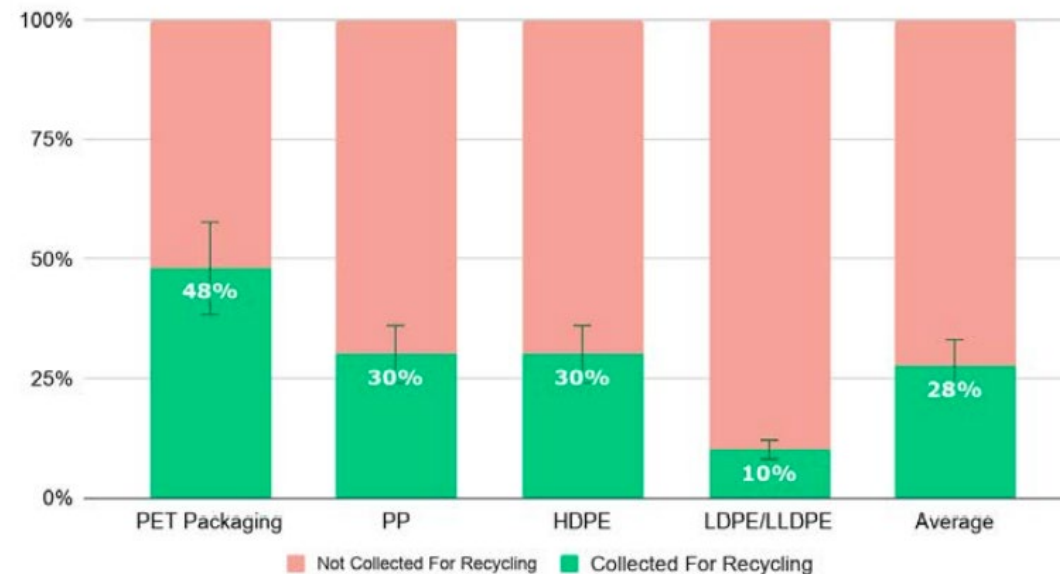
Source: OECD ENV-Linkages Model

18 OECD. (2022). Global Plastics Outlook: Policy Scenarios to 2060. Retrieved from https://www.oecd-ilibrary.org/sites/aa1edf33-en/1/3/1/index.html?itemId=/content/publication/aa1edf33-en&_csp_=ca738cf5d4f327be3b6fec4af9ce5d12&itemIG0=oeed&itemContentType=book#section-d1e585

Further to this, it is estimated that the amount of plastic waste in the waters is at 75 to 199 Mt,¹⁹ threatening wildlife and marine ecosystems, as well as producing a high carbon footprint.

Undeniably, plastic pollution is a long-standing economic and environmental issue all over the world. In the Philippines, plastic waste accounts for a significant share of its overall generated waste, with 35% of plastic items consumed being leaked into the open environment and 33% being disposed of in landfills and dumpsites.²⁰ In relation to recycling rates in the country, it was reported that only 28% of its key plastic resins²¹ were recycled in 2019. With this, 78% of the material value of the key plastic resins, accounting to more than USD 890 million per year, is lost in the Philippines when recyclable plastic products are discarded rather than recycled into valuable materials.²²

Estimated collected-for-recycling (CFR) rates for each resin, 2019



Source: World Bank Group

The Global Circularity Report 2023 presented a figure of 7.2% global circularity, a dismal decrease from 8.6% in 2020 and 9.1% in 2018.²³ This, and the growing unsustainable plastic production and consumption, underscore the urgency to scale up waste management and shift to a circular economy in order to reduce the negative impacts in the years to come.

19 United Nations Environment Programme (2021). From Pollution to Solution: A Global Assessment of Marine Litter and Plastic Pollution. Retrieved from <https://wedocs.unep.org/bitstream/handle/20.500.11822/36963/POLSOL.pdf>

20 World Wide Fund for Nature Philippines. (2020). Extended Producer Responsibility (EPR) Scheme Assessment for Plastic Packaging Waste in the Philippines. Retrieved from https://wwf.org.ph/wp-content/uploads/2020/12/WWF_REPORT_EPR_Philippines_2020.pdf

21 Key resins assessed in the study are Polyethylene Terephthalate (PET), Polypropylene (PP), High Density Polyethylene (HDPE) and Linear Low Density Polyethylene/Low Density Polyethylene (LLDPE/LDPE).

22 World Bank Group. (2021). Market Study for the Philippines: Plastics Circularity Opportunities and Barriers. East Asia and Pacific Region Marine Plastics Series. Retrieved from <https://openknowledge.worldbank.org/handle/10986/35295>

23 Circularity Gap Reporting Initiative (2023). The Circularity Gap Report 2023. Retrieved from <https://www.circularity-gap.world/2023>

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **2020 Waste Analysis and Characterization Study (WACS):** The NSWMC released Resolution No. 1380, Series of 2020 which adopts and promulgates guidelines on the conduct of Waste Analysis and Characterization Study (WACS) on municipal solid wastes (MSW) intended to guide local governments in crafting their solid waste management plans. The new WACS properly classifies various waste materials to ensure recyclability and divert waste away from landfills. As of 9 March 2022, approximately 7,700 copies of the manuals were delivered to the Bangsamoro Autonomous Region in Muslim Mindanao - Ministry of Environment, Natural Resources and Energy (BARMM-MENRE) and the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB) Regional Offices to be distributed to their respective LGUs
- **Extended Producer Responsibility Act:** Following the enactment of the legislation on last 22 July 2022 and a series of public consultations, the Department of Environment and Natural Resources (DENR) released DENR Administrative Order No. 2023-02 last 24 January 2023 on the Implementing Rules and Regulations (IRR) of the said law. For the year 2023, obliged companies are mandated to recover 20% of their plastic footprint. Failure to attain the target recovery rates and comply with the law's provisions will result in a penalty ranging from PHP 5 – 20 million, as prescribed in the IRR.²⁴
- **Solid Waste Management Plans (SWMP):** Republic Act No. 9003 otherwise known as Ecological Solid Waste Management Act of 2000 mandates every local government unit (LGU) to have a 10-year SWMP containing the LGU's waste management plans in accordance with the national solid waste management framework. According to the National Solid Waste Management Council (NSWMC), out of the 1,592 LGUs, only 445 LGUs remain to have no submitted and approved SWMPs while the remaining 1,147 have already secured approvals on their respective plans. The Environmental Management Bureau is expectant that the DENR will be able to approve all remaining SWMPs within the year.²⁵
- **Proposals on the Ban on Single-Use Plastics:** Following the observation of the National Zero Waste Month in January, Senate President Pro Tempore Loren Legarda renewed her call to pass a legislation to regulate a national ban on single-use plastics. Under her proposed bill, the usage of the use of single-use plastics will be prohibited after a one year transition period wherein a PHP5 tax shall be charged to consumers for each single-use plastic already manufactured and in circulation.²⁶ The bill also provides for the creation of the Special Plastic Fund which will come from 80% of the collected amount from the said tax, while 20% will proceed to businesses to cover the cost of recycling²⁷. The Climate Change Commission (CCC) has expressed its support to the proposed bill, stating that the bill "will not only lead to the phase-out and eventual ban of SUPs in the country, but also support the development and use of more eco-friendly packaging".²⁸

24 Department of Environment and Natural Resources. (24 January 2023). DENR Pushes for Circular Economy by Full Implementation of Extended Producer Responsibility Act, Issues Implementing Rules and Regulations. Retrieved from <https://www.denr.gov.ph/index.php/news-events/press-releases/4751-denr-pushes-for-circular-economy-by-full-implementation-of-extended-producer-responsibility-act-issues-implementing-rules-and-regulations>

25 Department of Environment and Natural Resources. (16 February 2023). DENR-EMB eyeing 100 Percent Approval of Solid Waste Management Plans Nationwide in 2023. Retrieved from <https://www.denr.gov.ph/index.php/news-events/press-releases/4816-denr-emb-eyeing-100-percent-approval-of-solid-waste-management-plans-nationwide-in-2023>

26 Philippine News Agency. (23 January 2023). Senate Bill Renews Call to Ban Single-Use Plastics. Retrieved from <https://www.pna.gov.ph/articles/1193343>

27 Ibid.

28 Philippine News Agency. (13 February 2023). CCC Backs Bill Regulating Use of Single-Use Plastics. Retrieved from <https://www.pna.gov.ph/articles/1195085>

ADVOCACY RECOMMENDATIONS

- **Reduce Plastic Pollution through the implementation of an Extended Producers' Responsibility (EPR) Scheme and reconsider any move towards the banning of single-use plastics**

The ECCP fully supports the government's move to enact a mandatory EPR scheme instead of legislating an outright, sweeping ban of sachet and multi-layered packaging, that is predominantly plastic, which could have a detrimental effect on businesses and the Philippine economy as a whole. We also welcome the publication of the IRR of the said law and look forward to collaborating with relevant stakeholders in our shared advocacy of a cleaner and greener Philippines.

Furthermore, in line with the government's effort to promote sustainability, we advocate for the development of incentives to encourage investment in innovative packaging and to make the market more attractive for recycling infrastructure. An example of this would be the proper accounting and system for reduction programs that translate to a company's plastic footprint. We also call on the government to pursue the establishment of recycling infrastructure, particularly for flexible plastics, to further capacitate government agencies, especially the DENR and LGUs, thereby promoting plastic circularity in the country as well as ensuring LGU compliance on the facilitation of proper solid waste management systems and infrastructure.

Relatedly, we maintain our position that an outright banning of single use plastics, when there are no affordable, viable alternatives in the market, will not properly address the growing plastic waste issue in the country. Similarly, imposing tax on plastics will burden both the consumers who have to bear the costs of price increases, and the businesses who are already struggling to cope with the highly inflationary market, ultimately affecting the still recovering Philippine economy.

The ECCP and its Environment and Water Committee look forward to collaborating with the government and other industry stakeholders to help develop sound, data-based and researched-based programs, solutions, regulations and legislation to help curb the persisting issue of plastic pollution. We believe that further collaboration among stakeholders will create better environmental and economic outcomes instead of unintended consequences that will promote the use of less recoverable/recyclable/reusable, unstudied alternatives.

- **Integrate Environmental Education in the formal curriculum**

Education is a powerful tool to instil the practice of proper solid waste management to the youth and turn it into a sustainable practice. In recognition of this, the ECCP strongly calls for the implementation of the Environmental Awareness and Education Act of 2008 which facilitates the inclusion of environmental education in the formal curriculum across the board.

While we laud the government's decision to include waste minimization education in the K-12 Program, we strongly believe that the introduction of the curriculum at an earlier stage will catapult the effectiveness of the said initiative to achieve the intended outcome. Some examples that the government can look at would be the environmental education in Japan which and the introductory waste minimization courses introduced as early as preschool in New Zealand.

- **Facilitate multi-sector collaboration and establish regular dialogue between stakeholders**

A regular dialogue among government agencies, business organisations and other stakeholders of the sector is key to the development and the effective implementation of a comprehensive national waste management policy that is responsive to the diverse facets of the issue. We highly believe that the establishment of such a platform will aid the Philippines achieve its net zero targets and comply with its international commitments.

To end, the ECCP looks forward to fostering stronger collaboration and partnerships with the government and other stakeholders to discover and implement innovative solutions and regulations to achieve our shared advocacy.

ASSESSMENT OF 2022 RECOMMENDATIONS

ADVOCACY	COMPLETED / SUBSTANTIAL PROGRESS
Creation of an overseeing agency for the water sector	
Increase investments in water and sanitation-related programs and projects	
Strengthen capacity-building measures for local government units	
Implementation of the Extended Producer Responsibility Act of 2022	Following the enactment of the legislation on 22 July 2022 and a series of public consultations, the Department of Environment and Natural Resources (DENR) released DENR Administrative Order No. 2023-02 last 24 January 2023 on the Implementing Rules and Regulations of the said law. For the year 2023, obliged companies are mandated to recover 20% of their plastic footprint. Failure to attain the target recovery rates and comply with the law's provisions will result in a penalty ranging from PHP 5 - 20 million, as prescribed in the IRR.
Reconsider any move towards the banning of single-use plastics.	
Integrate Environmental Education in the formal curriculum	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
Following pronouncements from the President on the establishment of a governing agency for the water sector in 2021, President Marcos approved the creation of the Water Resource Management Office (WRMO) as a "transitory body pending the creation of a Water Resources Department". Placed under the Department of Environment and Natural Resources (DENR), the WRMO is mandated to develop and implement the Integrated Water Management Plan (IWMP).	
As part of the Administration's flagship infrastructure program otherwise known as the "Build Better More" Program, the National Economic and Development Authority (NEDA) headed by President Marcos, Jr. recently signed off 194 high-impact priority projects amounting to PHP 9 trillion which includes projects in water supply and flood management.	
In 2008, Republic Act 9512 on National Environmental Awareness and Education Act was implemented to promote environmental awareness through environmental education, encompassing ecological concepts and principles and ecological laws. Following this, DepEd has released several memorandum orders seeking to further strengthen environmental education in both public and private schools.	
As of writing, no bill seeking to ban plastics has been passed in the Congress. However, there are renewed calls in the Congress, particularly in the Senate, to pass a bill banning the use of plastics in the market.	



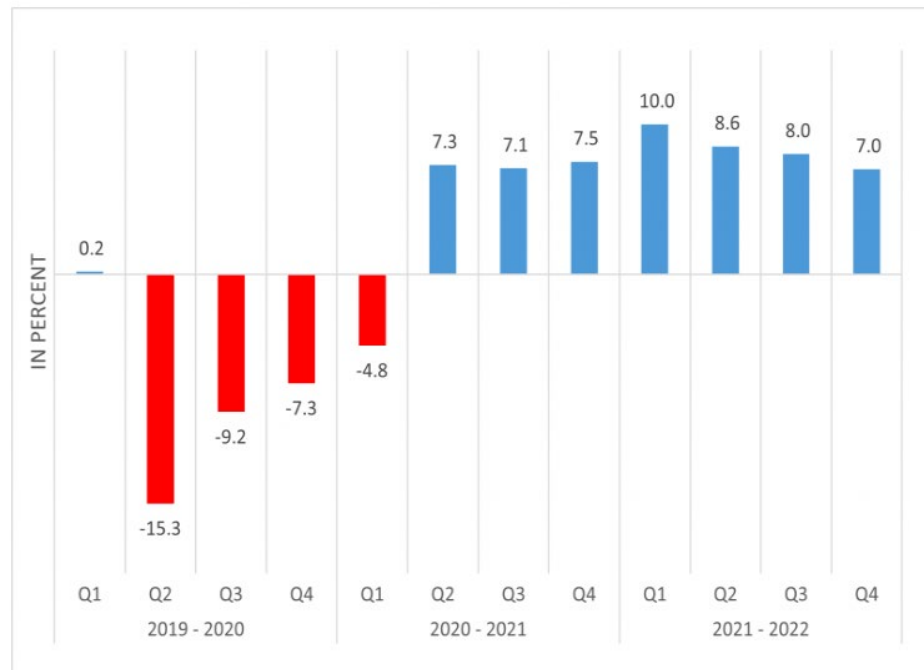
FOOD AND BEVERAGE ADVOCACY PAPER 2023

INTRODUCTION

The food and beverage industry in the Philippines is a crucial component in the country's consumption-driven economy. Fundamentally, it supplies food and drink to about 110 million Filipinos and provides both skilled and unskilled labourers with jobs. Furthermore, it produces roughly half of the nation's annual manufacturing output. The expansion of the middle class, the emergence of social media and e-commerce, the size of the sector's consumer base, and the anticipated Filipino economic recovery are seen to be the factors behind this growth in the near future.¹

Unlike the previous years wherein food and non-alcoholic beverages had the highest share and growth when it comes to household final consumption expenditure (HFCE), it only came in second with a growth of 3.8% in the last quarter of 2022. In Q4 2022, restaurants and hotels held the highest share of HFCE with an increase of 24.7% as the country began easing its COVID-19 restrictions. HFCE increased by 7.0% in the final three months of 2022. While this was the seventh straight quarter of growth, it was less than the 7.5% growth seen in the same period the year prior. In contrast, the HFCE grew by 8.3% annually in 2022, which was an improvement above the increase of 4.2% in 2021.²

Figure 5. Household final consumption expenditure, Q1 2020 to Q4 2022 Growth Rates, At constant 2018 prices



Source: Philippine Statistics Authority

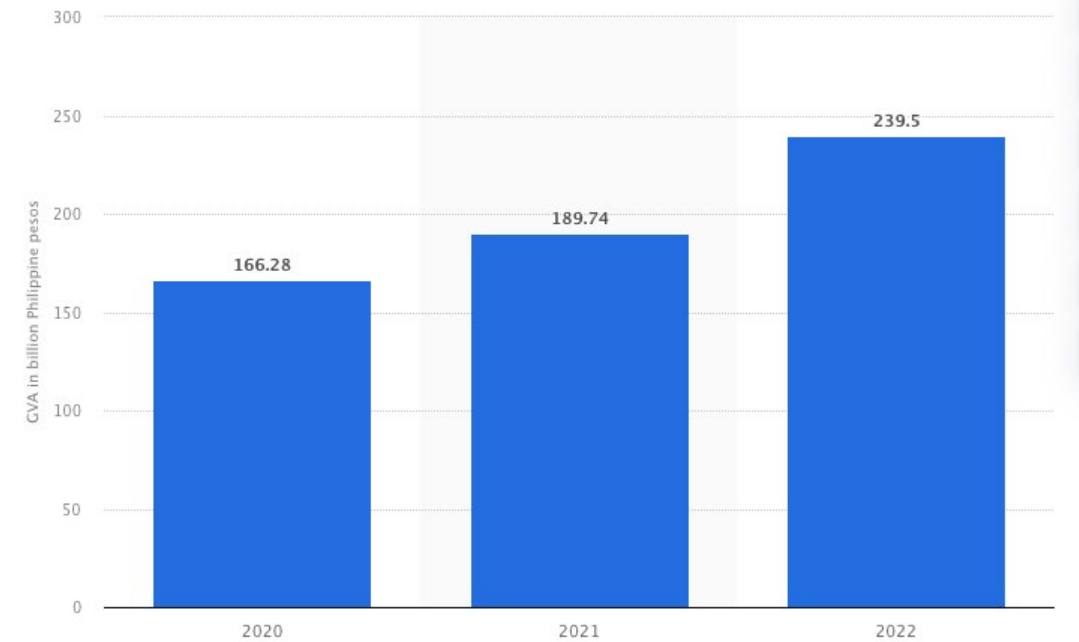
In 2022, the gross value added generated from the Philippine food and beverage service industry totaled approximately PHP 239.5 billion. This shows an increase from the previous years' value added of about PHP 189.74 billion in 2021 and PHP 166.28 billion in 2020.³

1 EMIS Insights. (2022). PHILIPPINES FOOD AND BEVERAGE SECTOR 2022-2023. Retrieved from: https://www.emis.com/php/store/reports/PH/Philippines_Food_and_Beverage_Sector_Report_2022-2023_en_744242482.html

2 Philippine Statistics Authority. (2022). Household Final Consumption Expenditure (HFCE) continues to Grow for the Previous Seven Quarters. Retrieved from: <https://psa.gov.ph/national-accounts/sector/Household%20Final%20Consumption>

3 Statista. (2023). Gross value added generated from the food and beverage service activities industry in the

Gross value added generated from the food and beverage service activities industry in the Philippines from 2020 to 2022 (in billion Philippine pesos)



Source: Statista

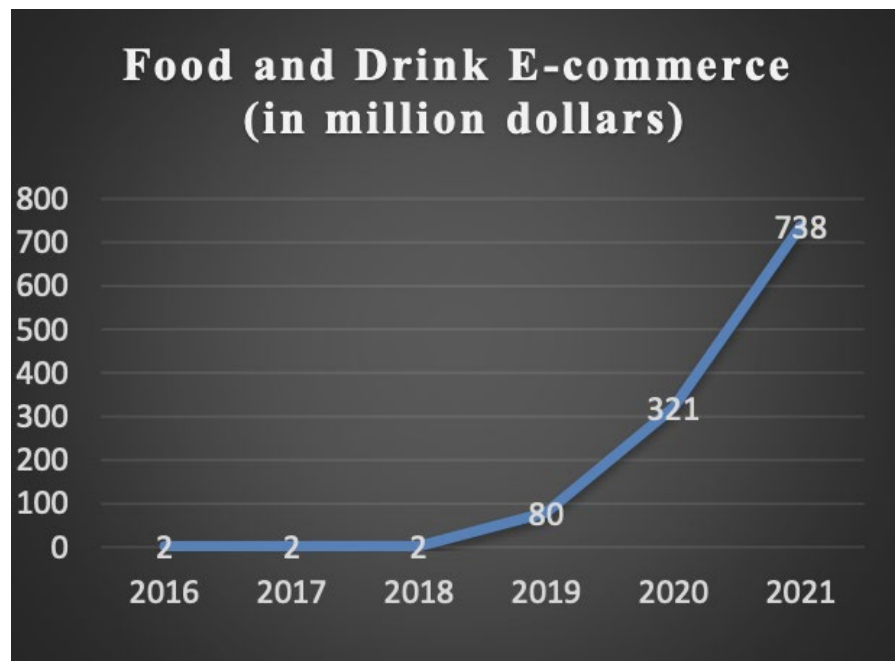
Looking ahead, there are estimates that the food service industry, which had a 2022 valuation of USD 10.37 billion, may expand at a compound annual growth rate of 7.83% from 2023 to 2028. More purchases are being made online in the Philippines as a result of rising internet usage, widespread smartphone use, and streamlined e-banking systems. This has prompted a number of the nation's fast food restaurants to transition and strengthen online ordering by providing customers with better options, convenience, transparency, and security. The nationwide market for online meal delivery services will benefit from the expansion of digital platforms and consumer interaction on social media platforms. In 2021, restaurants accounted for one-third of Filipinos' total meals consumed, while home-cooked meals accounted for the other two-thirds.⁴

Similarly, sales climbed from USD 321 million in 2020 to USD 738 million back in 2021, reflecting that consumers found food and drink e-commerce to be more convenient than visiting traditional brick and mortar establishments. E-commerce sales are increasing significantly as retail businesses continue to enhance their digital services. Consumers are reached by modern retail businesses through enhancing their online marketing presence. Even after the pandemic, e-commerce for the food and beverage sector is predicted to develop more in the years to come. This is largely due to the collaboration between physical grocery and warehouse partners and independent online retailers.⁵

Philippines from 2020 to 2022. Retrieved from: <https://www.statista.com/statistics/1288091/philippines-gross-value-added-from-food-and-beverage-services/#:~:text=The%20gross%20value%20added%20generated,of%20the%20COVID%2D19%20pandemic.>

4 Mordor Intelligence. (2022). Philippines Foodservice Market - Growth, Trends, COVID-19 Impact, and Forecasts (2023 - 2028). Retrieved from: <https://www.mordorintelligence.com/industry-reports/philippines-foodservice-market#:~:text=Market%20overview,forecast%20period%2C%202021%20%2D%202026>

5 US Department of Agriculture (2022). Philippine Retail Food Report. Retrieved from: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Retail+Foods_Manila_Philippines_RP2022-0041.pdf



Source: Euromonitor International and USDA Foreign Agricultural Services

The recovery of the sector has indeed been aided by the reopening of the economy and the relaxation of COVID-19 restrictions. The offline purchase and consumption of food and beverages was also stimulated by the rise in employment rates and pay, as well as the increased frequency of on-site work and classes. These factors have positively impacted the food and beverage sector in the Philippines which continues to be flourishing, competitive, and full of opportunity for foreign investors.

The ECCP remains dedicated to working closely with stakeholders to address issues relating to the ease of doing business, the use of trans-fatty acids, amendments to the Price Act, effective management of plastic waste, and protection of geographical indications (GIs) in order to further promote the growth of the food and beverage industry amidst the high inflationary pressures in the market.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **Philippine Nutrient Profile Model (PNPM):** The Food and Nutrition Research Institute (FNRI) submitted the draft PNPM last June 2022 and pending approval from the National Nutrition Council (NNC) Governing Board. The Department of Health (DOH), of which the Secretary serves as Governing Board Chair, raised the need for public consultation before finalising the document.
- **Consumer Act Amendments:** Filed by Senator Sherwin Gatchalian last 01 August 2022, Senate Bill No. 942 aims to amend Republic Act No. 7394 otherwise known as the “Consumer Act of the Philippines”. The bill was referred to the Committee on Trade, Commerce and Entrepreneurship last 31 August 2022 and is currently pending at the committee level. Some of the key provisions of the bill are:
 - Mandatory requirement for product labels in foreign language to have English or Filipino translation;
 - Increase coverage of regulation on advertising and promotion with the inclusion of those for credit facilities, consumer products, and services;
 - Strengthen regulation aimed to safeguard the average consumer’s freedom of choice on purchase of a products or service from aggressive marketing promotions;
 - Authority to close down any establishment caught in flagrante delicto selling substandard and hazardous products; and
 - Increased penalties on the violations of the provisions of the law.⁶
- **Protection of Geographical Indications (GIs):** The Intellectual Property Office of the Philippines (IPOPHL) approved and published IPOPHL Memorandum Circular no. 2022-022 on the Rules and Regulations for GIs last 5 October 2022.⁷ Following the publication, a sui generis system will be put in place after nearly two decades of multi-stakeholder dialogues and research. According to IPOPHL, a sui generis regime means that “local products which meet the criteria for GI protection will now have a separate registration system due to the unique ways needed to effectively protect them and fulfil the vision of the 1997 IP Code in using IP for development”.⁸
- **Food and Drug Administration (FDA) Issuances:** On 27 October, the FDA released Circular No. 2021-028-A on the updated guidelines for prepackaged processed food products containing Industrially Produced Trans-Fatty Acids (IPTFA). The new circular amends Circular 2021-028 to distinguish ruminant-produced trans fatty acids from industrially produced TFAs.⁹

Following this, in December 2022, the FDA also released Circular No. 2022-0011 (Guidelines for the Application and Issuance of Voluntary Certification of Food Contact Articles used for Prepackaged

⁶ Senate of the Philippines. (1 August 2022). Senate Bill No. 942, The Enhanced Consumer Act” Retrieved from <http://legacy.senate.gov.ph/lisdata/3875135204!.pdf>

⁷ Intellectual Property Office of the Philippines. (5 October 2022). IPOPHL Memorandum Circular No. 2022-022. Retrieved from https://drive.google.com/file/d/1av0QyMuitKeyCVrRTSuDY7TcqCE4W_0L/view

⁸ Intellectual Property Office of the Philippines. (25 November 2022). IPOPHL’s GI Rules Now in Effect, Signaling Strengthened Protection and Promotion of Local Products. Retrieved from <https://www.ipophil.gov.ph/news/ipophls-gi-rules-now-in-effect-signaling-strengthened-protection-and-promotion-of-local-products/>

⁹ Food and Drug Administration. (27 October 2022). FDA Circular No.2021-028-A Updated Guidelines on Prepackaged Processed Food Products Containing Industrially Produced Trans-Fatty Acids (IPTFA) amending FDA Circular 2021-028 entitled “Guidelines for Prepackaged Processed Food Products Containing Trans-Fatty Acids (TFA)”. Retrieved from <https://www.fda.gov.ph/fda-advisory-no-2021-028-a-updated-guidelines-on-prepackaged-processed-food-products-containing-industrially-produced-trans-fatty-acids-iptfa-amending-fda-circular-2021-028-entitled-guid/>

Processed Food Products)¹⁰ and Circular No. 2022-012 (Guidelines for the Microbiological Requirements and Assessment of Certain Prepackaged Processed Food Products Repealing FDA Circular No. 2013-010)¹¹.

- **Sin Tax:** As part of the government’s strategy to promote healthier lifestyle, the DOH has proposed to amend the Sin Tax Law to increase the excise tax on vape, and tobacco products as well as introduce excise tax on junk foods or “non-staple food high in salt, fat, and calories”.¹² Representative Joey Salceda remarked that the House Ways and Means Committee is open to study the proposals from the DOH but noted that it might be challenging to implement excise tax on junk food¹³. Rep. Salceda also noted that he is looking at updating the 10-year Sin Tax Law through a bill that will propose heftier taxes on distilled spirits and other beverages by imposing a “non-essential goods tax” on said products that are priced over PHP 20,000 per bottle.¹⁴

In connection to this, the new BIR Official Register Book (ORB) used in reporting removal of excisable product from manufacturer’s production/warehouse must be discussed in a public hearing as the new template will assume that all purchased sugar is for production of SSB. The new ORB will also seem to enforce beer and liquor manufacturers to even pay for wastage. Additionally, the new format will make manufacturers vulnerable since all confidential data need to be inputted like how many water, ingredients etc.

- **Extended Producer Responsibility Act:** Following the enactment of the legislation on last 22 July 2022 and a series of public consultations, the Department of Environment and Natural Resources (DENR) released DENR Administrative Order No. 2023-02 last 24 January 2023 on the Implementing Rules and Regulations of the said law. For the year 2023, obliged companies are mandated to recover 20% of their plastic footprint. Failure to attain the target recovery rates and comply with the law’s provisions will result in a penalty ranging from PHP 5 – 20 million, as prescribed in the IRR.¹⁵
- **TradeNet:** After three years of numerous dialogues and revisions, the Department of Finance (DOF) and Department of Information and Communications Technology (DICT) signed the long-awaited

10 Food and Drug Administration. (1 December 2022). FDA Circular No.2022-0011 Guidelines on the Application and Issuance of Voluntary Certification of Food Contact Articles (FCA) Used for Prepackaged Processed Food Products. Retrieved from <https://www.fda.gov.ph/fda-circular-no-2022-0011-guidelines-on-the-application-and-issuance-of-voluntary-certification-of-food-contact-articles-fca-used-for-prepackaged-processed-food-products/>

11 Food and Drug Administration. (21 December 2022). FDA Circular No.2022-012 Guidelines on the Microbiological Requirements and Assessment of Certain Prepackaged Processed Food Products Repealing FDA Circular No. 2013-010 entitled “Revised Guidelines for the Assessment of Microbiological Quality of Processed Foods”. Retrieved from <https://www.fda.gov.ph/fda-circular-no-2022-012-guidelines-on-the-microbiological-requirements-and-assessment-of-certain-prepackaged-processed-food-products-repealing-fda-circular-no-2013-010-entitled-revised-g/>

12 Noriega, R. (9 September 2022). DOH: Sin Tax Law helped control Lifestyle Risk Factors in Philippines. Retrieved from <https://www.gmanetwork.com/news/topstories/nation/844337/doh-sin-tax-law-helped-control-lifestyle-risk-factors-in-philippines/story/>

13 Cabanban, S. (11 September 2022). House Tax Panel open to Higher ‘Sin,’ Sugary Drink Taxes; but not Junk Foods. Retrieved from <https://mb.com.ph/2022/09/11/house-tax-panel-open-to-higher-sin-sugary-drink-taxes-but-not-junk-foods/>

14 Arquiza, R., & Crisostomo, S. (22 January 2023). House Bill seeks Higher Taxes on Pricy Distilled Spirits. Retrieved from <https://www.philstar.com/headlines/2023/01/22/2239296/house-bill-seeks-higher-taxes-pricy-distilled-spirits>

15 Department of Environment and Natural Resources. (24 January 2023). DENR Pushes for Circular Economy by Full Implementation of Extended Producer Responsibility Act, Issues Implementing Rules and Regulations. Retrieved from <https://www.denr.gov.ph/index.php/news-events/press-releases/4751-denr-pushes-for-circular-economy-by-full-implementation-of-extended-producer-responsibility-act-issues-implementing-rules-and-regulations>

Memorandum of Agreement (MoA) on 6 February 2023.¹⁶ The MoA ensures the sustainability and development of TradeNet and delineates the role of each agency in the said platform as well as provide for the continuous onboarding of the following 18 priority Trade Regulatory Government Agencies (TRGAs) by the DOF before their live operation in the platform:

o Bangko Sentral ng Pilipinas (BSP);	o National Commission for Culture and the Arts (NCCA);
o Board of Investments (BOI);	o National Meat Inspection Service (NMIS);
o Bureau of Agriculture and Fisheries Standards (BAFS);	o Office of the Protocol (OP);
o Bureau of Plant Industry (BPI);	o Philippine Coconut Authority (PCA);
o Bureau of Internal Revenue (BIR);	o Philippine Fiber Industry Development Authority (PhilFIDA)
o Bureau of Quarantine (BoQ);	o Philippine Gaming Corporation (PAGCOR);
o Department of Trade and Industry – Export Marketing Bureau (EMB);	o Philippine National Police – Civil Security Group – Firearms and Explosive Office (PNP-FEO);
o Fertilizer and Pesticide Authority (FPA);	o Philippine Nuclear Research Institute (PNRI); and
o Forest Management Bureau (FMB);	o Sugar Regulatory Administration (SRA).

The abovementioned agencies are expected to be onboarded by April 2023 while a different batch of 18 TRGAs will follow suit three months after¹⁷. The signing of the MoA comes after the Anti-Red Tape Authority assembled the relevant agencies and secured their commitment on their respective responsibilities in November 2022 and following the Office of the President identifying TradeNet as one of the Marcos Administration’s priority digitalization for the year.¹⁸

- **Suggested Retail Price (SRP) Bulletin:** The Department of Trade and Industry (DTI) released the new SRP Bulletin last 8 February 2023. The new bulletin featured a PHP 0.45 to PHP 3.60 increase in 76 or 35% of the total Stock Keeping Units (SKUs) from their 12 August 2022 prices while 141 or 65% SKUs retained their prices. This includes the prices for “canned sardines in tomato sauce, processed milk, coffee 3-in-1 original, noodles, bread, detergent soap, canned meat, candles, and condiments”.¹⁹ The DTI noted that the price adjustments were kept to a minimum despite increases in the cost of production to ensure that affordable goods are still available in the market.
- **Health Promotion:** On 28 February 2023, the DOH and the University of the Philippines Manila National Institutes of Health (NIH) ratified two Memorandum of Understanding (MOU) on the expansion of the National Practice Guidelines Program and for the establishment of the Institute of Health Program which seeks to boost health promotion by conducting research to further promote health literacy in

16 Anti-Red Tape Authority. (8 February 2023). DICT, DOF Officially Ink Agreement of TradeNet’s Full Implementation under Marcos Administration. Retrieved from <https://arta.gov.ph/press-releases/breaking-news-dict-dof-officially-ink-agreement-on-tradenets-full-implementation-under-marcos-admin/>

17 Pablo, R. (11 February 2023). Onboarding of 18 Priority TRGAs on TradeNet Underway. Retrieved from <https://www.portcalls.com/onboarding-of-18-priority-trgas-on-tradenet-underway/>

18 Ochave, R. M. (7 February 2023). TradeNet Moves Closer to Launch with MoA Signing. Retrieved from <https://www.bworldonline.com/economy/2023/02/07/503533/tradenet-moves-closer-to-launch-with-moa-signing/>

19 Philippine Information Agency. (10 February 2023). DTI Releases SRP Bulletin on Basic Goods. Retrieved from <https://pia.gov.ph/news/2023/02/10/dti-releases-srp-bulletin-on-basic-goods>

the country.²⁰

Prior to this, in 2022, the Department of Education (DepEd) along with the DOH and other relevant national government agencies²¹ issued Joint Administrative Order (JAO) 2022-001 on the Guidelines for Healthy Setting Framework in Learning Institutions, in accordance with the Universal Health Care Act. As of October 2022, 273 last-mile elementary schools in eight provinces and one city have adopted the Healthy Learning Institutions (HLI) framework as part of its pilot-test. The said program is also targeted to be the framework for Oplan Kalusugan sa DepEd (OK sa DepEd) which is the “convergence of the Department’s health and nutrition initiatives for their effective and efficient implementation at the school level, in partnership with various stakeholders”.²²

ADVOCACY RECOMMENDATIONS

• Promote Ease of Doing Business in the Food and Beverage Industry

As one of its core advocacies, the ECCP has long supported and championed for ease of doing business to improve competitiveness of the country’s business and investment climate, with the end goal of attracting more investors particularly in the food and beverage industry.

The Philippines has witnessed significant improvements in terms of its business and investment environment with the passage of Republic Act No. 11032 or the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 and most recently the passage of the amendments to the Foreign Investment Act, Retail Trade Liberalisation Act, and Public Service Act and other sector specific initiatives.

While these are major breakthroughs, we strongly believe that it is imperative that local and foreign businesses alike do not encounter onerous processes when they invest and expand their business operations in the Philippines.

Expedite the operationalisation of the National Single Window (NSW) and pursue integration with the ASEAN Single Window (ASW)

The Philippines’ endeavour to establish its own National Single Window (NSW) started as early as 2005 with the signing of Executive Order No. 482.²³ Now known as TradeNet, the platform “provides for the automated and integrated licensing, permitting, clearance and certification system of the Trade Regulatory Government Agencies (TRGAs) relevant in the import and export trade of regulated goods”.

Inefficiency, red tape, and corruption are trade and investment barriers which discourage the doing of business in and with the Philippines. Taking these into consideration, the ECCP welcomes the recent signing of the long-awaited MoA as a significant development on the full onboarding of the 73 government agencies governing the import and export industry. We likewise look forward to the realisation of the

20 Lingdas, C. (28 February 2023). UP Manila, DOH sign MOU on Health Promotion, Expanded National Practice Guidelines. Retrieved from <https://www.upm.edu.ph/node/4163>

21 Department of Social Welfare and Development (DSWD), Department of Education (DepEd), Commission on Higher Education (CHED), Legal Education Board (LEB), Technical Education and Skills Development Authority (TESDA), and Department of Interior and Local Government (DILG)

22 Department of Education. (n.d.). DOH, DepEd launch Healthy Learning Institutes to Strengthen School Health Programs. Retrieved from <https://www.deped.gov.ph/2022/10/12/doh-deped-launch-healthy-learning-institutions-to-strengthen-school-health-programs/>

23 Executive Order No. 482, S. 2005. Retrieved from <https://www.officialgazette.gov.ph/2005/12/27/executive-order-no-482-s-2005/>

government’s objective to onboard all TRGAs by 1H 2024.²⁴

The operationalisation of the NSW will address the lack of communication between government agencies, combat smuggling and corruption, and facilitate smoother flow of domestic and international trade which can boost food supply in the country. Moreover, the establishment of the NSW will also allow the country to maximise the benefits of being a member of the Association of Southeast Asian Nations (ASEAN) by utilising the ASW. Given all these benefits, the ECCP urgently calls for the integration with the ASW, and the full and expedited operationalization of the NSW in all government agencies.

Further streamlining of FDA processes and consistent issuance of FDA permits within the prescribed EODB lead time for government agencies

The FDA is an agency under the DOH tasked to regulate and ensure the safety and efficacy of health products. Within the FDA structure, the Center for Food Regulation and Research (CFRR) is the designated department to govern food and beverages. Throughout the years, we have seen significant improvements in the transparency, operational efficiency and policy framework of the FDA.

However, there is still room for improvement particularly in terms of efficiency in the issuance of Certificate of Product Registration and responding to inquiries from the private sector. In this context, the committee reiterates its recommendation to:

1. Involve industry experts during the drafting of its regulations and to conduct regular dialogue and discussions with the private sector to provide immediate feedback and resolution of any concerns relevant to the sector.

Institutionalised consultation with stakeholders will ensure more transparent processes and will help reach pragmatic solutions, where the Administration can benefit from the technical expertise of the private sector. We strongly believe that these mechanisms serve as avenues for stakeholders to present industry developments and priorities, exchange insights, and support the implementation of government initiatives aimed to advance the country’s food and beverage sector.

2. Implement a standardised checklist for the approval/denial of applications to avoid having different comments for products of completely same profile/claims except for flavour or grammage.

• Promote investment in food manufacturing

To induce further growth in the sector, we advocate for increased incentives with the intention of increasing the sector’s competitiveness as an investment destination. We recommend incentivizing investments for high tech adoption/tech transfer, sustainability contributions, employment generation and/or improved health and nutrition outcomes (e.g. reformulation for better health outcomes). Further to this, we urge the government to implement policies and programs that would strengthen local supply chains for raw materials and, when necessary, lower trade barriers for essential commodities like corn. We highly believe that such measures will greatly contribute to temper the impact of inflation on food commodities and aid in resolving the ongoing food crisis.

Additionally, we also call on the FDA to provide more free training opportunities for the industry on their regulatory systems and processes to further build compliance. In particular, we highly recommend uploading recorded videos of training sessions and seminars on the FDA website to facilitate easier access to the industry and increase allocation of slots in the FDA Academy to increase participation.

24 Pablo, R. (11 February 2023). Onboarding of 18 Priority TRGAs on TradeNet Underway. Retrieved from <https://www.portcalls.com/onboarding-of-18-priority-trgas-on-tradenet-underway/>

- **Raise the productivity and competitiveness of the sugar industry.**

Over the years, food security remains to be one of the top advocacy priorities of the Chamber much more now, with the pandemic highlighting the need for a stable and accessible supply of food in the country. The Chamber recognizes the socioeconomic importance of the sugar industry in the country as it provides livelihood opportunities for various sectors including agriculture, processing, and trading sectors among others, and in consideration of its relevance to other key industries' production process. We remain steadfast in our commitment to work with the government and other key stakeholders to come up with plans and policies intended to raise the productivity and competitiveness of the sugar industry and uplift the lives of those involved in it, particularly the Filipino sugar farmers.

Relatedly, we express our support to the proposal of allowing direct importation for the affected industries to ensure that there is adequate supply of sugar in the market. However, we would like to emphasise that the said measure should be crafted in such a way that it does not adversely affect local sugar planters and millers and should be done in close collaboration with the concerned industries. This will help ensure that the policy will strike a balance between the needs of the industries and the interest of the local sugar planters and millers.

Sugar is one of the staple consumer goods in the Philippines. It is in numerous manufactured goods that the Filipinos need and enjoy on a day-to-day basis. With the country still dealing with the aftermath of the pandemic and now with the ripple effect of the military aggression in Ukraine resulting in inflated food prices, it is imperative that the government implement policies that will help cushion the economic repercussions of these unprecedented events.

- **Promote good health and nutrition in the Philippines**

Instilling healthy eating habits at an early age plays a key role in preventing obesity and other chronic diseases such as cancer, cardiovascular diseases, and diabetes. Early childhood is the developmental, formative period wherein children discover their food preferences and develop their eating habits that will form part of the foundation for their relationship with food as adults. As such, it is important for children to be guided into making healthy food choices and instil healthy eating habits in this critical time to promote a lifetime of good health.²⁵

Today, obesity continues to pose a serious threat to public health affecting 800 million individuals globally as reported by the United Nations Children Fund (UNICEF).²⁶ In the Philippines, overweight and obesity is a growing health concern affecting nearly 27 million Filipinos with adult overweight and obesity rates nearly doubling to 36.6% in 2019 from 20.2% in 1998 while prevalence rates among teenagers more than doubled to 11.6% in 2018 from 4.9% in 2003.²⁷ Childhood obesity is a rapidly growing issue with a prevalence rate of 9.1% for children (five to ten years old) and 9.8% for older children and adolescents (10.08 to 19 years old).²⁸ It is estimated that overweight and obesity will affect over 30% of Filipino adolescents by 2030.²⁹

25 Ott, K. (n.d.). A Lifetime of Health Starts in Childhood. Retrieved from <https://sdn.unl.edu/article/lifetime-health-starts-childhood>

26 United Nations Children's Fund - Philippines. 4 March 2022. Everybody Needs to Act to Curb Obesity. Retrieved from <https://www.unicef.org/philippines/press-releases/everybody-needs-act-curb-obesity>

27 National Nutrition Council, 6 September 2022. The Obesity Epidemic. Retrieved from <https://nnc.gov.ph/regional-offices/mindanao/region-xi-davao-region/8706-the-obesity-epidemic>

28 National Nutrition Council. (4 March 2021). Presentation on Landscape Analysis for Childhood Overweight and Obesity: Philippines. Retrieved from https://www.nnc.gov.ph/phocadownloadpap/Dissemination_Forum_of_Results_of_Studies_on_Overweight_and_Obesity/Presentation%20of%20NCP_Landscape%20Analysis_Ow_Ob_World%20Obesity%20Day_04March2021.pdf

29 National Nutrition Council, 6 September 2022. The Obesity Epidemic. Retrieved from <https://nnc.gov.ph/regional-offices/mindanao/region-xi-davao-region/8706-the-obesity-epidemic>

Extent of Childhood Overweight in the Philippines

Indicators	Prevalence	Rating Scale	Compound Annual Growth Rate (CAGR)
Infants and children under age 5 years classified overweight	2.9%	Low	-1.7% No growth (2008 to 2019)
Children (5 to 10 y/o) classified with obesity	9.1%	Medium	2.10% Rapid Growth (2005 to 2019)
Older children and adolescents (10.08 to 19 y/o) classified with obesity	9.8%	Medium	3.44% Very Rapid Growth (2005 to 2019)

Source: National Nutrition Council³⁰

Along with overweight and obesity, micronutrient deficiency and underweight are part of the "triple burden" caused by malnutrition in the country. According to a report by the World Bank, the Philippines, with a stunting rate of 29% for children below five, is included in the top 10 countries with the largest number of stunted children globally, and ranked fifth in the list of countries with the highest prevalence of stunting in the East Asia and Pacific region. Meanwhile, the prevalence rate of underweight and wasting recorded in 2019 were 19% and 6% respectively.³¹

Today, the road to achieving food and nutrition security is further threatened by the lingering economic and social effect of the COVID-19 pandemic.

Develop and implement a holistic and implementable Philippine Nutrient Profile Model

The ECCP shares the same concerns of the government and health authority about obesity and non-communicable diseases, and fully supports initiatives to combat the said health issues. As the government works towards the approval and implementation of the Philippine Nutrient Profile Model, the ECCP and its Food and Beverage Committee look forward to working with all relevant stakeholders to ensure that the policy is holistic and comprehensive, and considers the welfare of both the consumers and businesses.

We reiterate our recommendation for the government to host inclusive stakeholder engagements, including regular dialogue and discussions, to foster stronger partnerships and encourage exchange of insights and expertise on this important issue. In particular, we hope to partake in the discussion on the translation of the Nutrient Profile model into a front-of-package label and the guidelines on marketing of food and beverages to children.

Food and nutrition security is and will continue to be high in ECCP's agenda, and together with its Food and Beverage Committee members and partners, we remain steadfast in our commitment to support the Philippine government in advancing the country's nutrition advocacies.

30 National Nutrition Council. (4 March 2021). Presentation on Landscape Analysis for Childhood Overweight and Obesity: Philippines. Retrieved from https://www.nnc.gov.ph/phocadownloadpap/Dissemination_Forum_of_Results_of_Studies_on_Overweight_and_Obesity/Presentation%20of%20NCP_Landscape%20Analysis_Ow_Ob_World%20Obesity%20Day_04March2021.pdf

31 Mbuya, N., Demombynes, G., Piza, S.F., Adona, A.J. (2021). Undernutrition in the Philippines: Scale, Scope, and Opportunities for Nutrition Policy and Programming. Retrieved from <https://openknowledge.worldbank.org/server/api/core/bitstreams/109a9f76-1d3f-587b-8f0a-0f0a54021cdd/content>

Achieve a Trans-Fat Free Philippines

Various researches have established a direct link between trans fatty acids and health conditions such as diabetes, obesity, breast cancer, preeclampsia risks, and cardiovascular diseases.³² Today, non-communicable diseases, particularly cardiovascular diseases, continue to be one of the leading causes of mortality globally.³³

In the Philippines, ischemic heart diseases (coronary heart disease and coronary artery disease) was reported to be the top leading cause of mortality contributing 18.6% of the total mortality in the country or 38,707 cases from January to May 2022 as reported by the Philippine Statistics Authority.³⁴ Meanwhile, diabetes mellitus ranked fourth in the leading causes of mortality accounting for 6.5% or 13,347 cases. Prevalence of diabetes among adults (20 y/o and above) was pegged by the Food and Nutrition Research Institute (FNRI) at 8.2% as of 2019, thereby exceeding the projection of IDF Diabetes Atlas for the country for 2030 at 7.8%.³⁵

Following the release of the REPLACE module in 2018, the World Health Organization (WHO) advocates to stop the use of TFA in the global supply chain by 2023.³⁶ For the Philippines, the country has released regulations to phase-out the use of industrially-produced TFAs in the local food supply chain. Circular No. 2021-028-A details the updated guidelines for prepackaged processed food products containing Industrially Produced Trans-Fatty Acids (IPTFA).

The ECCP supports and applauds the government's initiatives to regulate the usage and consumption of industrially produced TFAs. In particular, we welcome the FDA's decision to revise Circular 2021-028 to distinguish ruminant-produced trans fatty acids from industrially produced TFAs. In this context, we urge our lawmakers to enact a law that will adhere to the same principles and provisions stipulated in the Department of Health Administrative Order and the revised FDA Circular.

Promote healthy lifestyle through a whole-of-society and inclusive approach

As part of the country's policy measures to promote healthy lifestyle, the government enacted fiscal measures to tax foods containing ingredients with a potentially detrimental effect on health. Scientific findings on the impact of such measures in ameliorating consumer health remains to be varying.

Regardless of the effectiveness of fiscal measures on the country's objectives to end obesity, long-term concerns about consumer health cannot be resolved by these measures alone. Therefore, the ECCP maintains its position that the discussion on consumer health should not be limited to imposing fiscal measures but rather should promote the creation of an inclusive, multi-sectoral approach approach with focus on consumer education and awareness on physical exercise and health, increased availability of healthier options in the market, and promote change of consumer attitudes on diet to fully address obesity and other lifestyle-related non-communicable diseases. The government may also consider expanding to more children and extending the duration of the **school feeding program, to include milk as a component**. Collaboration with various stakeholders, from farmers, to schools, government agencies, and the private sector may be pursued to make nutritious food and milk available to school-aged children to contribute to addressing nutrition issues.

32 Dhaka, V., Gulia, N., Ahlawat, K.S., Khatkar, B.S. (October 2011). Trans Fats-Sources, Health Risks and Alternative Approach - A review. DOI: 10.1007/s13197-010-0225-8

33 World Health Organization. (16 September 2022). Noncommunicable Diseases. Retrieved from <https://www.who.int/news-room/fact-sheets/detail/noncommunicable-diseases>

34 Philippine Statistics Authority. (15 September 2022). 2022 Causes of Deaths in the Philippines (Preliminary as of 30 June 2022). Retrieved from <https://psa.gov.ph/vital-statistics/id/168144>

35 Mirasol, P. (2 March 2022). Filipino Adults Still Struggling with Obesity and Inactivity. Retrieved from <https://www.bworldonline.com/health/2022/03/02/433037/filipino-adults-still-struggling-with-obesity-inactivity/>

36 Ablao, C.J., Sagum, R., Maddela, A.K. (26 April 2021). Road to Trans-Fat Free Philippines: An Emerging Milestone amidst COVID-19 Pandemic. DOI: <https://doi.org/10.1016/j.lanwpc.2021.100148>

The Chamber, together with its members, strongly supports the overall objective of the government to promote a healthier lifestyle in the country, and continuously advocates for a whole-of-society approach on this important matter. We strongly urge the government to explore other measures to induce healthier lifestyles including the creation of a Philippine platform for consumer health, physical exercise and diet similar to that of the EU Platform on Diet, Physical Activity and Health as well as other reformulation efforts. Business/Corporate incentives for achieving measurable improvement of employee health profiles will also help in reducing national healthcare cost and bring down the rate of non-communicable disease.

Amendments to the Price Act

In 2017, the DTI made a proposal to deregulate the process of obtaining approvals for adjustments of suggested retail price (SRP) for basic necessities and prime commodities (BNPC)³⁷ and has even drafted a Draft Administrative Order in this regard.³⁸ The SRPs of BNPC were set by manufacturers but subject to evaluation and approval as to their reasonableness by the DTI. Any intent to adjust SRPs required approval from the agency which took two to three months to hurdle.

However, six years after and the previous cumbersome process of providing notification of SRPs on BNPC as well as requesting price adjustments remain in place. Even more concerning – the process now takes longer than two to three months and in some instances, manufacturers are asked to delay their price adjustments (despite submitting substantiation documents) for six months to a year. Given the current procedures in the DTI, any bill that will continue to authorize the need to get express approval from government to implement price adjustments will curtail business prerogative to make decisions according to the exigencies of business and goes against allowing market forces to dictate price movements.

The ECCP maintains its position that the bills amending the Price Act should support instead a “notification” of price adjustments, instead of “approval”, which is what is currently being practised. We believe that the prerogative of manufacturers to determine pricing should be maintained as long as it is not grossly unreasonable, moreso now with businesses struggling to cope with the current global trend of increasing cost of production. In line with this, we submit our recommendations as detailed in our previous position paper which was provided to the Congress in May 2021:

Limit the definition of the Basic Necessities and Prime Commodities (BNPC) only to goods vital to the needs of consumers for daily existence and sustenance, or those which are deemed essential

While we understand the good intentions of the proposed amendments to better respond to emergency situations, we would like to point out that BNPC should only cover goods essential to the daily needs of consumers to sustain health and life. As such, we urge lawmakers to be selective in determining the products covered and not to unnecessarily expand or reduce³⁹ the categories of products in the list, nor to include products with relatively higher price levels or variants of goods catering to high-tier consumer segments such as luxury and/or premium items.

37 Canivel, R.S. (30 March 2017). DTI wants Private Sector to Dictate Prices of Basic Commodities. Philippine Daily Inquirer. Retrieved from <https://business.inquirer.net/227048/dti-wants-private-sector-dictate-prices-basic-commodities>

38 Bondoc, M.R. (20 June 2017). ‘Market forces’ may set suggested retail prices – DTI draft order. GMA News Online. Retrieved from <https://www.gmanetwork.com/news/money/economy/615191/market-forces-may-set-suggested-retail-prices-dti-draft-order/story/>

39 In the DTI's proposed Expanded Price Act of 2020, the definition of basic necessities was expanded to include tea; cereal and oatmeal; coffee mixture (3 in 1 coffee), alcohol, hand sanitizers, disinfectants; infrared body thermometer, personal protective equipment such as but not limited to face masks of all kinds, gloves, cover-all, hair caps, shoe cover, face shields and goggles; while prime commodities were expanded to cover toothbrush; toothpaste; shampoo; dipper; pail; umbrella; raincoat; and rough forest lumber while removing clinker in the definition.

Expanding the list to include non-essential goods will unintentionally impose artificial price caps on a host of other categories of products considering the current cumbersome regulations for seeking approvals to make price adjustment on all products in the BNPC list. While consumers may benefit from this lower cost of goods, this is temporary at best, as this may discourage businesses from further investing and innovating due to low returns on investment to cover increasing production costs, ultimately resulting in the detriment of both consumers and businesses alike in the long-term.

We reiterate our position that the law should focus only on the “base” products within the category in order to limit the imposition of artificial price caps on a market that should be open and free with having the freedom to introduce different brands, variants, sizes and formats, and even new technology or innovations within the category, that cater to the wide range of consumers belonging to different socioeconomic classes with varying preferences and needs.

Furthermore, the ECCP looks forward having a simpler and more practical process for the industry and other stakeholders to have a say on the inclusion or exclusion of types and brands of goods in the BNPC list, with businesses being allowed to offer a list of its base products that should be included in the BNPC list.

Limit coverage of price control to basic necessities

In relation to the previous recommendation, we are also of the opinion that the imposition of price control should only apply to basic necessities and not extend to prime commodities as the latter are deemed not vital for the daily sustenance or existence of consumers during a crisis. While we understand that prime commodities are necessary to many large consumer segments, this class of items should not be automatically included in the prize freeze. We strongly recommend that price ceilings will continue to be imposed only on basic necessities without fixing price ceilings on prime commodities.

Expanding the scope of price control, in our opinion, will only result in more red tape in the country with more manufacturers required to submit SRPs for even more categories of products to the DTI, thus creating a significantly long list of products required to be monitored by the agency’s field officers.

Amend the definition of SRP

In 2015, the Department of Justice-Office for Competition released a study which concluded that there are no adequate rules or guidelines defining reasonable price increase or decrease acceptable to the implementing agency and that the same agencies have gone beyond the scope of the law by impliedly prescribing SRPs as a de facto price ceiling with corresponding penalties.

In this context, the Chamber recommends amending the definition of SRP as the recommended price issued by the producers and manufacturers as reference in price monitoring. This will ensure that the rights of manufacturers to adjust prices based on market forces will be upheld.

Implement a special SRP only during emergencies

In order for the country to cope with the increasing inflation rates, consumer protection laws must provide a balance between the interests of both the consumers and businesses. As such, the committee reiterates its recommendation to re-evaluate implementing special SRP on occasions that are not defined as “emergencies”, such as Christmas, New Year, Valentine’s Day, and back-to-school season. This gives manufacturers, who are already struggling with the increasing cost of production, a chance to earn, particularly on items that are more innovative and necessitate higher investment, during peak seasons; provided that prices are not as excessive and unreasonable which should be clearly defined in the proposed amendments.

Strengthen protection of GI Products in the Philippines

The protection of GIs remains to be a top priority for European food and beverage companies as the lack of a protection framework compromises their competitive advantage due to a proliferation of sub-par

products which use the GIs’ names. Moreover, the development of a strong GI protection policy framework can translate to significant benefits for domestic products.

It is also worthy to note that the protection framework of GIs is a salient feature of EU Free Trade Agreements (FTAs) in the region. Hence, the adoption of a policy framework for the protection of GIs will send a positive message in terms of the commitment of the Philippine Government to conclude negotiations for an EU-Philippines FTA.

As such, the ECCP lauds the initiatives of the government, particularly the IPOPHL, to heighten the protection of GIs in the country and welcomes the signing and publication of the IRR for GIs last October 2022. We look forward to working with the government to promote the strict implementation of the said legislation to foster closer ties between the food and beverage sectors of Europe and the Philippines.

Reduce Plastic Pollution through the implementation of an Extended Producers’ Responsibility (EPR) Scheme

The use of plastics has been an integral part of the global economy, as well as our daily lives. However, as plastic production and consumption grow persistently, so does the mismanagement of plastic waste.

The ECCP fully supports the government’s move to enact a mandatory EPR scheme instead of legislating an outright, sweeping ban of sachet and multi-layered packaging, that is predominantly plastic, which could have a detrimental effect on businesses and the Philippine economy as a whole. We also welcome the publication of the IRR of the said law and we will continue to work with relevant stakeholders in our shared advocacy of a cleaner and greener Philippines.



ASSESSMENT OF 2022 RECOMMENDATIONS

ADVOCACY	COMPLETED / SUBSTANTIAL PROGRESS
Philippine Nutrient Profile Model	
Promote Ease of Doing Business (EODB) in the Food and Beverage Industry	
Achieve a Trans-Fat Free Philippines	
Reduce Plastic Pollution through the implementation of an Extended Producers' Responsibility (EPR) Scheme	Following the enactment of the legislation on 22 July 2022 and a series of public consultations, the Department of Environment and Natural Resources (DENR) released DENR Administrative Order No. 2023-02 last 24 January 2023 on the Implementing Rules and Regulations of the said law. For the year 2023, obliged companies are mandated to recover 20% of their plastic footprint. Failure to attain the target recovery rates and comply with the law's provisions will result in a penalty ranging from PHP 5 - 20 million, as prescribed in the IRR.
Amendments to the Price Act	
Effective Plastic Waste Management through the implementation of an Extended Producers' Responsibility (EPR)	Following the approval of the Conference Committee Report by the Senate and House of Representatives on 23 May and 26 May 2022 respectively, the legislation officially lapsed into law last 22 July 2022.
Protection of Geographical Indications	The Intellectual Property Office of the Philippines (IPOPHL) approved and published IPOPHL Memorandum Circular no. 2022-022 on the Rules and Regulations for GIs last 5 October 2022. Following the publication, a sui generis system be put in place after nearly two decades of multi-stakeholder dialogues and research. According to IPOPHL, a sui generis regime means that "local products which meet the criteria for GI protection will now have a separate registration system due to the unique ways needed to effectively protect them and fulfil the vision of the 1997 IP Code in using IP for development

SOME PROGRESS	NO PROGRESS / RETROGRESSION
FNRI submitted the draft model last June 2022 and is pending the approval and signature of the National Nutrition Council (NNC) governing board, and the Department of Health (DOH). A public consultation is said to be organised before finalising the document.	
Significant improvement has been seen since the implementation of the new e-portal of the Food and Drugs Administration. Additionally, improvements in customs procedure on the renewal of importer accreditation and positive developments on the operationalization of TradeNet were observed.	
On 27 October, the FDA released Circular No. 2021-028-A on the updated guidelines for prepackaged processed food products containing Industrially Produced Trans-Fatty Acids (IPTFA). The new circular amends Circular 2021-028 to distinguish ruminant-produced trans fatty acids from industrially produced TFAs.	
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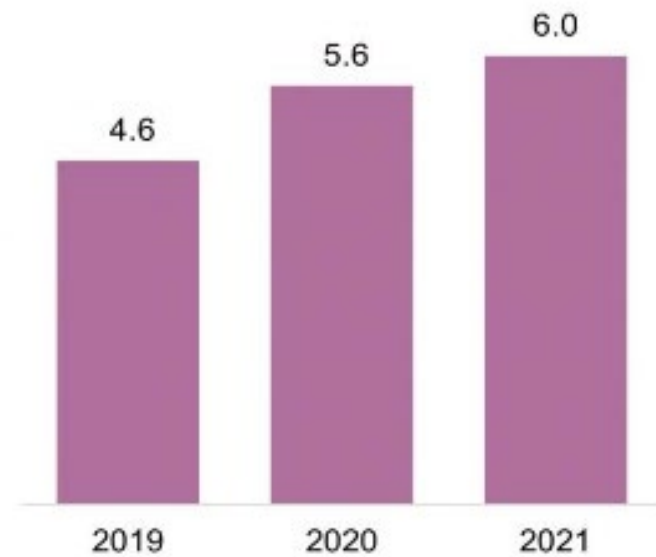
HEALTHCARE ADVOCACY PAPER 2023

INTRODUCTION

Ensuring that every Filipino has access to high-quality and pertinent healthcare products and services is the ultimate goal of public health. This was shown to be particularly crucial in light of the multiple events that have had an impact on the healthcare industry, including the COVID-19 pandemic which has significantly affected economies and health systems. Indeed, with the recovery of the economy from the pandemic, there have likewise been notable developments in the healthcare sector.

Based on the latest data released by the Philippine Statistics Authority (PSA), the total health expenditure (THE) of the country grew by 15.2% from PHP 1.01 trillion in 2020 to PHP 1.16 trillion in 2021, thereby translating to a 6% share in the country's Gross Domestic Product (GDP). Out of the 2021 THE, current health expenditure (CHE) was at 93.9%, while Health Capital Formation Expenditure (HK) was at 6.1%. On the other hand, Gross Health Capital Formation Expenditure decreased by 19.6% from PHP 88.54 billion in 2020 to PHP 71.15 billion in 2021.¹

Figure 1. Share of Total Health Expenditure (THE) to Gross Domestic Product (GDP): 2019-2021 (in percent)



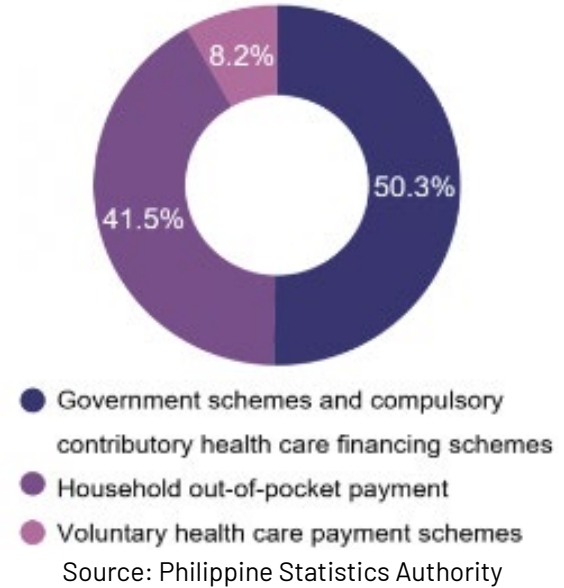
Source: Philippine Statistics Authority

Similar to 2020, government schemes and compulsory contributory health care financing schemes had the largest shares in CHE in 2021. Government schemes had a share of PHP 546.64 billion or 50.3% of CHE, while household-out-of-pocket payment (OOP) came in second with 41.5% or PHP 451.00 billion. Voluntary health care payment schemes continued to have the least portion at PHP 89.35 billion or 8.2% of total CHE in the said year.²

1 Philippine Statistics Authority. (13 October 2022). Philippine National Health Accounts. Retrieved from <https://psa.gov.ph/content/health-spending-registered-185-percent-growth-share-health-economy-went-60-percent-2021>

2 Ibid.

Figure 2. Percent Share to Current Health Expenditure by Health Care Financing Scheme: 2021



Meanwhile, using census-based population projections from 2015, health spending per capita was reported to be PhP 9,839.23 per person in 2021, up 17% from the PhP 8,411.52 reported in 2020.³

Table A. Current Health Expenditure Per Capita, 2019-2021, Levels (in PhP)

ITEM	AMOUNT			GROWTH RATE (%)	
	2019	2020	2021	2019-2020	2020-2021
Per Capita Current Health Expenditure (in Philippine peso, at current prices)	7,586.56	8,411.52	9,839.23	10.9	17.1

Source: Philippine Statistics Authority

Increased health spending is being hailed as a crucial element of the Philippine economy's recovery, with experts claiming that it will help reduce the severity of future medical catastrophes while increasing productivity among the workforce. Health expenditure creates a reliable prediction on health outcomes and is considered a key indicator of the level of health investment in the country, according to a study by the Philippine Institute for Development Studies (PIDS).⁴

Compared to its ASEAN neighbours, the Philippines's health expenditure is considerably low which cited underinvestment as the cause of the industry's sluggish growth. The PIDS also mentioned that government funding in the health sector is necessary to "stimulate economic growth while also boosting population well-being." Additionally, the PIDS puts importance to the Universal Health Care (UHC) Act as it should be implemented as part of the nation's strategy to increase economic productivity, and not just as a goal of the health sector.⁵

3 Ibid.

4 Diokno-Sicat, C. J. et al. (March 2023). Public Health and Labor Policy. Retrieved from <https://pidswebs.pids.gov.ph/CDN/document/pidsdps2307.pdf>.

5 Ibid.

The same report highlighted that continuous investment in human capital, which boosts productivity, supports sustainable economic growth. Although traditional human capital investments such as education and training are linked to knowledge, some economic literature has looked into and provided evidence of the relationship between investment in health and its indicators, and human capital production.⁶ Relatedly, according to reports published in 2022, the Philippines still has a shortage of 92,000 doctors and 44,000 nurses,⁷ even after decreasing the temporary deployment for healthcare workers to 7,500 due to COVID-19.⁸

In terms of budget allocation, the Department of Health (DOH) was allocated PHP 296.3 billion—the smallest increment over recent years—with a 10.4% increase from the DOH-wide budget allocation of the previous year. Same as in 2022, the budget allotted for the Department of Health is the largest at 65% of the entire DOH budget, amounting to PHP 196 billion. The DOH attached agencies and corporations were given the remaining 35%, with the biggest percentage (33%) or PHP 100 billion being apportioned to the Philippine Health Insurance Corporation (PhilHealth).⁹ While an increase has been recorded from the previous year, the PIDS stated that “this did not necessarily lead to improved outcomes and spending capacity”.¹⁰

When it comes to healthcare products, the pharmaceutical market in the Philippines had a last recorded value in sales of PHP 238 billion and is one of the most robust and fastest growing pharmaceutical industries in the world. Trailing only behind Indonesia and Thailand, it is ranked the third largest when put against its ASEAN counterparts. The industry was able to recover in 2021 following a 4% recorded decline the year prior, growing by 8%. The implementation of the UHC program is also expected to help the industry grow by 8–11% in the next few years. Moreover, data from the first quarter of 2022 show that annual total value sales have increased by 17% to PHP 237 billion.¹¹

UHC calls on the government to increase access to healthcare, which creates a new opportunity for the country to receive significant and predictable amounts of medicine sales as well as gives domestic and international producers and traders the chance to participate in the supply of pharmaceutical products.¹² Further, a Social Weather Stations Research commissioned by the Pharmaceutical and Healthcare Association of the Philippines (PHAP) provided solutions for the government to reduce the burden on out-of-pocket costs for medicines through subsidies and free pharmaceutical programs.¹³

As for the medical devices sub-sector, the Philippines is supplied primarily through importation, which accounts for 99.2% of the market, according to recent data. This is especially true for highly advanced devices like those used in the treatment of cancer, dialysis, respiratory conditions, and diagnostic imaging. The production of replacement parts and medical supplies remains the exclusive focus of the country's medical device sector.¹⁴

6 Ibid.

7 Balita, C.E. (27 July 2022). Nurses bleeding, leaving, lacking. Retrieved from <https://businessmirror.com.ph/2022/07/27/nurses-bleeding-leaving-lacking/>.

8 Jaymalin, M. (2 November 2022). Ease deployment cap for nurses – DMW. *The Philippine Star*. Retrieved from <https://www.philstar.com/headlines/2022/11/02/2220932/ease-deployment-cap-nurses-dmw>

9 Department of Health. (2022). 2023 DOH Budget Briefer. Retrieved from <https://doh.gov.ph/sites/default/files/publications/CY-2023-NEP-Budget-Briefer.pdf>.

10 Philippine Institute for Development Studies. (02 May 2023). Higher health fund not necessarily translating to better outcomes, spending. Retrieved from <https://www.pids.gov.ph/details/news/in-the-news/higher-health-fund-not-necessarily-translating-to-better-outcomes-spending>.

11 IQVIA. (8 September 2022).

12 Gonzales, A.L.E. (25 March 2022). PH pharma industry seen growing by 8 to 10%. Retrieved from <https://www.manilatimes.net/2022/03/25/business/corporate-news/ph-pharma-industry-seen-growing-by-8-to-10/1837481>.

13 Social Weather Stations. (2 April 2022). SWS confirms Fourth Quarter 2021 Social Weather Survey Items for Pharmaceutical and Healthcare Association of the Philippines. Retrieved from <https://www.sws.org.ph/swsmain/artclidispag/?artcsyscode=ART-20220402122643>.

14 International Trade Administration – US Department of Commerce. (28 March 2022). Philippine Medical Devices. Retrieved from <https://www.trade.gov/market-intelligence/philippine-medical-devices>.

The current administration identified the health sector as one of its top priorities. The main emphasis will be on guaranteeing a sufficient supply of pharmaceuticals and lowering their costs through competition, as well as the expansion of hospitals and other healthcare facilities, particularly regional specialty hospitals.¹⁵ Additionally, in accordance with the government's directive that there will be no more lockdowns in the country, the DOH also stated that recovery from the COVID-19 pandemic and enhancing access to primary and specialty healthcare are its key priorities.¹⁶

Given the aforesaid focus areas, along with the pronouncements on the establishment of the Philippine Center for Disease Control and the Virology Institute of the Philippines, it is evident that innovation and health system preparedness will continue to be a priority for the country's healthcare sector.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- In June 2022, the Department of Health (DOH) released **Administrative Order (AO) No. 2022-0013**,¹⁷ which lays out the guidelines on the implementation of Cancer and Supportive - Palliative Medicines Access Program.
- The DOH also released **AO 2022-0025**, containing the Strategic Framework and Implementing Guidelines of the Philippine Medicines Policy 2022-2030.¹⁸ This Framework seeks to “implement evidence-based policies, improve sustainability programs and leverage best practices throughout the pharmaceutical supply chain.”
- In October 2022, the Office of the President released Executive Order (EO) No. 07, which allows for the **voluntary wearing of face masks** in most indoor and outdoor settings, except for healthcare facilities, medical transport vehicles, and public transportation. The said EO noted the low alert levels in most provinces in the country, increased number of vaccinated individuals, and the objective to reopen the economy, among others, as the factors that have been considered in implementing the said policy.¹⁹
- The Food and Drug Administration (FDA) issued **Circular No.2022-009**, which implements the Guidelines of Administrative Order No. 2020-0044 on the Adoption of the Collaborative Procedure for the Accelerated Registration of World Health Organization (WHO) – Prequalified Pharmaceutical Products and Vaccines.²⁰
- PhilHealth issued **Circular No. 2022-0023** in November last year, to implement a Primary Care Provider Network (PCPN) Contracting Arrangement Through The Konsulta Package In Sandbox Sites/Networks.²¹

15 President Marcos, Jr., F. (25 July 2022). State of the Nation Address [Speech].

16 Mocon-Ciriaco, C. (25 July 2022). DOH vows to implement PBBM's directive for pandemic recovery. Retrieved from <https://businessmirror.com.ph/2022/07/26/doh-vows-to-implement-pbbms-directive-for-pandemic-recovery/>.

17 Department of Health. (June 2022). Administrative Order No. 2022-0013. Retrieved from <https://dmas.doh.gov.ph:8083/Rest/GetFile?id=719015>.

18 Department of Health. (02 August 2022). Strategic Framework and Implementing Guidelines of the Philippine Medicines Policy 2022-2030. Retrieved from <https://dmas.doh.gov.ph:8083/Rest/GetFile?id=721186>.

19 Official Gazette. (October 2022). Executive Order No. 07. Retrieved from <https://www.officialgazette.gov.ph/downloads/2022/10oct/20221028-EO-7-FRM.pdf>.

20 Food and Drug Administration. (06 October 2022). FDA Circular No.2022-009 || Implementing Guidelines of Administrative Order No. 2020-0044 “Adoption of the Collaborative Procedure for the Accelerated Registration of World Health Organization (WHO) – Prequalified Pharmaceutical Products and Vaccines”. Retrieved from <https://www.fda.gov/wp-content/uploads/2022/10/FDA-Circular-No.-2022-009.pdf>.

21 PhilHealth. (November 2022). Circular No. 2022-0023. Retrieved from <https://www.philhealth.gov.ph/>

- The FDA issued **Advisory No. 2022-1895** in December 2022 to adopt and implement the World Health Organization Annex 5 on Guide to Good Distribution Practices for Pharmaceutical Products, and Annex 9 on Guide to Good Storage Practices for Pharmaceuticals. These rules direct drug establishments and retailers to apply good storage and distribution practices to ensure that safe and effective products are made available in the market.²²
- The FDA reiterated the implementation of ethical business practices through **Advisory No.2022-2045**, on the “Reiteration Against Unethical Business Practices Related to the Promotion of Prescription Pharmaceutical Products and Medical Devices.”²³
- In view of the economic repercussions caused by the COVID-19 pandemic, the Office of the President released a memorandum to PhilHealth in January 2023, ordering the **suspension of increase in PhilHealth premium contributions** this year. The initially scheduled increase was in accordance with the UHC Act, which sets an annual 0.5% hike in premium contributions starting 2021, until it reaches 5% in 2025.²⁴
- On 08 February 2023, the Department of Health published the 2022 Edition of its **Local Investment Plan for Health (LIPH) Handbook**. The said document aims to provide local stakeholders information on the implementation of the LIPH.²⁵ The LIPH is a medium-term public investment plan for health that specifies the concerned LGU’s strategic direction in terms of improving health service delivery, strengthening health system operations, addressing social determinants of health, as well as the actions and commitments of various local stakeholders.
 - In February 2023, the FDA released **Advisory No.2023-0256**, which provided the list of value-added tax (VAT)-exempt health products. This is in line with the implementation of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or Republic Act No. 11534, which granted VAT exemption to health products including drugs for hypertension, cancer, mental illnesses, tuberculosis, kidney diseases, diabetes, high cholesterol, as well as medicines and medical devices for COVID-19.²⁶ The issuance of this document was followed by the publication of the updated list of VAT-exempt health products through **Advisory No. 2023-0476**, which was released in February 2023.²⁷
 - The National Economic and Development Authority (NEDA) released the **2023-2028 Philippine Development Plan** in February. The PDP covers chapters on the protection of health and promotion of overall well being of Filipinos. Among the health strategies outlined in the PDP

circulars/2022/circ2022-0023.pdf.

22 Food and Drug Administration. (01 December 2022). FDA Advisory No.2022-1895 || Compliance to Administrative Order No. 2013-0027 or the Rules on the “Adoption and Implementation of the World Health Organization Annex 5 Guide to Good Distribution Practices (GDP) for Pharmaceutical Products, and Annex 9 Guide to Good Storage Practices for Pharmaceuticals”. Retrieved from <https://www.fda.gov.ph/fda-advisory-no-2022-1895-compliance-to-administrative-order-no-2013-0027-or-the-rules-on-the-adoption-and-implementation-of-the-world-health-organization-annex-5-guide-to-good-distributi/>.

23 Food and Drug Administration. (29 December 2022). FDA Advisory No.2022-2045 || Reiteration Against Unethical Business Practices Related to the Promotion of Prescription Pharmaceutical Products and Medical Devices. Retrieved from <https://www.fda.gov.ph/wp-content/uploads/2023/01/FDA-Advisory-No.2022-2045.pdf>.

24 Parrocha, A. (02 January 2023). Marcos orders PhilHealth to suspend rate hike this year. Retrieved from <https://www.pna.gov.ph/articles/1191861>.

25 Department of Health. (08 February 2023). Department Circular No. 2023-0065. Retrieved from <https://dmas.doh.gov.ph:8083/Rest/GetFile?id=737782>.

26 Food and Drug Administration. (21 February 2023). FDA Advisory No.2023-0476 || Effectivity of Updates on the List of VAT-Exempt Health Products. Retrieved from <https://www.fda.gov.ph/fda-advisory-no-2023-0256-effectivity-of-updates-on-the-list-of-vat-exempt-health-products/>.

27 Food and Drug Administration. (21 February 2023). FDA Advisory No.2023-0476 || Endorsement of Updates on the List of VAT-Exempt Health Products. Retrieved from <https://www.fda.gov.ph/fda-advisory-no-2023-0476-endorsement-of-updates-on-the-list-of-vat-exempt-health-products/>.

relate to improving social determinants of health, enabling healthy choices and behaviour, improving access, quality, and efficiency of healthcare, and strengthening health systems.²⁸

LEGISLATIVE MEASURES

- Members of the Lower House introduced proposed amendments to the Intellectual Property (IP) Code of the Philippines or Republic Act No. 8293. Filed bills include **House Bill (HB) Nos. 799,²⁹ 888,³⁰ 2672,³¹ and 3838.³²** All of which seek to further strengthen the Intellectual Property Office of the Philippines, adapt to the IP- and technology-related developments, and endeavour to boost the country’s IP system and protection of creatives and innovators. Out of these proposals, HB Nos. 299 and 3838 cover provisions on patenting, which healthcare industry players are likewise looking into. In February 2023, HB No. 3838 was approved by the Trade and Industry Committee.³³
- **HB No. 3239**, filed on 05 August, is a bill that proposes to expand the PhilHealth outpatient coverage on dialysis and renal replacement therapy. Additionally, the bill introduces provisions on chronic kidney disease prevention and health promotion, creation of a Philippine renal disease registry, and standardisation of dialysis facilities, among others. The bill is currently pending with the House Committee on Health.³⁴
- Several bills in the Senate have been filed proposing amendments to the Universal Health Care Act:
 - **Senate Bill (SB) Nos. 160,³⁵ 644,³⁶ 723,³⁷ and 1791³⁸** propose for the exemption from payment of or reduced premium contribution for migrant workers, as well as the prohibition to use non-payment as grounds for non-issuance of Overseas Employment Contract.
 - **SB No. 770³⁹** provides for amendments to the UHC Act to enable PhilHealth to “adjust packages subject to review, assessment, and recommendation of the Health Technology Assessment Council. Furthermore, this bill seeks to add another layer of accountability to the release of reimbursement for medical claims.

28 National Economic and Development Authority. (February 2023). Philippine Development Plan 2023-2028. Retrieved from <https://pdp.neda.gov.ph/wp-content/uploads/2023/01/PDP-2023-2028.pdf>.

29 House of Representatives. (01 July 2022). House Bill No. 799. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB00799.pdf.

30 House of Representatives. (01 July 2022). House Bill No. 888. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB00888.pdf.

31 House of Representatives. (28 July 2022). House Bill No. 2672. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB02672.pdf.

32 House of Representatives. (18 August 2022). House Bill No. 3838. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB03838.pdf.

33 Cervantes, F.M. (15 February 2023). House panel OKs bill revising IP Code to fight online piracy. Retrieved from <https://www.pna.gov.ph/articles/1195217>.

34 House of Representatives. (05 August 2022). House Bill No. 3239. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB03239.pdf.

35 Philippine Senate. (07 July 2022). Senate Bill No. 160. Retrieved from <http://legacy.senate.gov.ph/lisdata/3786834309!.pdf>.

36 Philippine Senate. (14 July 2022). Senate Bill No. 644. Retrieved from <http://legacy.senate.gov.ph/lisdata/3850534960!.pdf>.

37 Philippine Senate. (18 July 2022). Senate Bill No. 723. Retrieved from <http://legacy.senate.gov.ph/lisdata/3841034865!.pdf>.

38 Philippine Senate. (30 January 2023). Senate Bill No. 1791. Retrieved from <http://legacy.senate.gov.ph/lisdata/4055036959!.pdf>.

39 Philippine Senate. (19 July 2022). Senate Bill No. 770. Retrieved from <http://legacy.senate.gov.ph/lisdata/3856135015!.pdf>.

- **HB No. 6772**⁴⁰ grants the President of the Philippines the power to suspend and adjust the period of implementation of the scheduled increase of premium rates for direct contributors of the Philippine Health Insurance Corporation.
- In light of the country's immunisation efforts, several bills have been filed at the House of Representatives – **HB Nos. 414**,⁴¹ **1748**,⁴² **2361**,⁴³ **4483**,⁴⁴ and **5924**⁴⁵ propose to strengthen the Philippine immunisation program to cover an extended list of vaccine-preventable diseases.

ADVOCACY RECOMMENDATIONS

• Build an Environment Conducive to Health Innovation

A key lesson from the COVID-19 pandemic is the critical role of healthcare innovations in protecting and saving people's lives: from vaccines and medicines development to innovative approaches to mobilise people and deliver public services quickly, effectively and efficiently as it has never been done before.

Health innovation is an innovation that yields benefits through different streams which include standard of care health solutions that provide extended and/or better quality of life and productivity to individuals. Moreover, health innovations also contribute to effective, efficient and ultimately, equitable processes that alleviate the burden and free up health care resources such as human resource or hospital beds, as well as other facilities, thus allowing more people to receive healthcare innovations that lower the time needed for medicines preparation and administration. Under such a scenario, health care providers spend less time per patient and patients spend less time in facilities, thereby making both more productive and making room for more patients to be helped. Additionally, innovative health solutions help lower country and societal costs as it reduces hospital time, frequency of treatment, and even extend expiration dates of health products such as emergency medicines, as they can be stocked without needing frequent replenishment.

In this context, the ECCP through its Healthcare committee highly recommends providing for a Philippine healthcare landscape that supports and promotes innovation for the pharmaceutical, medical devices, and technologies sectors. This provision can be done through:

- faster, predictable, and flexible-for-purpose processes for product registrations and reimbursement, acknowledging the great speed and different ways that innovation is made;
- financial incentives for both foreign and local investments in innovations in the healthcare sector; and
- investment in digitalisation and policies that will help pave the way for innovation, such as electronic medical records, data privacy initiatives, and intellectual property policies to come in

⁴⁰ House of Representatives. (March 2023). House Bill No. 6772. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT6772.pdf.

⁴¹ House of Representatives. (June 2022). House Bill No. 414. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB00414.pdf.

⁴² House of Representatives. (11 July 2022). House Bill No. 1748. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB01748.pdf.

⁴³ House of Representatives. (26 July 2022). House Bill No. 2361. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB02361.pdf.

⁴⁴ House of Representatives. (06 September 2022). House Bill No. 4483. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB04483.pdf.

⁴⁵ House of Representatives. (08 November 2022). House Bill No. 5924. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB05924.pdf.

This can be further supported by a formation of a team of experts or specialised groups to work and focus on health innovation.

• Strengthen the Health Technology Assessment System

Following the passage of the UHC Act in 2019, the Health Technology Assessment Council (HTAC) was established within the DOH, and has recently been transferred to DOST. The HTAC has been aiding the healthcare system by making recommendations to key health agencies such as the DOH and PhilHealth on health interventions and technologies, but may need an increase in pace, with some assessments going up to at least 2 years, as well as to more transparently communicating its assessments.

In line with this, the ECCP commends the current efforts to revise processes to help hasten the evaluations and encourages more frequent dialogues with industry representatives and associations as well as other means to update on the continuing evolution of new technologies. We also highly recommend the review and allocation of resources and personnel needed to ensure that all HTA functions are supported and effective.

Further, ECCP recommends the following:

- Review and revise the Philippine reference case to allow healthcare and societal perspectives, apart from the current payer's perspective. Accommodation of this perspective would translate to having a more sensitive and responsive approach to the plight of the Filipino patients and families, and consider even more closely how access to healthcare concretely makes a difference in their everyday life.
- Within the principles of equity in healthcare, establish dedicated HTA methods for cancer, rare, and similar diseases that are inherently smaller in prevalence but are more catastrophic.
- Establish a predictable and transparent process by publishing a Citizen's Charter, in line with the requirements of the Ease of Doing Business Act.
- Provide for increased collaboration with service providers and patient groups to enable feedback on the HTA process and approvals.
- Dialogue with industry associations and the FDA to share perspectives on the fast-changing and varied type of advances in health technology and facilitate a shared recognition, as well as faster and rational access to innovation.
- Consider working with industry and other partners in finding and validating best practices from other HTA bodies to address current bottlenecks in the processes and/or establish a reliance-based HTA process similar to FDA, leveraging on the assessments already conducted by other HTA-bodies.
- Allow for formal acceptance of Real World Evidence in HTA decision making.
- Parallel yet independent submissions to FDA and HTA, to facilitate availability in public channels.

Finally, we look forward to continuing to collaborate with relevant agencies and partners to share plans and perspectives on the HTAC's priorities.⁴⁶

⁴⁶ Under the UHC Act, the HTA function will be transferred from the DOH to the DOST five years after the implementation of the law or by 2024.

- **Facilitation of Access to Medicines and Medical Devices**

- **Implementation of the Reliance Pathway**

The ECCP has long supported and advocated for ease of doing business, including streamlining and aligning policies and procedures for business or product application and registration.

The ECCP expressed its support for the release of the draft Circular on the “Implementation of Abridged and Verification Review Pathways for New Drug, Initial Registration, and Post-Approval Changes Applications of Drug Products, including Vaccines and Biologicals”⁴⁷ in its position paper submitted to the DOH and FDA in May 2022, along with presenting its recommendations pertaining to the selection of reference drug regulatory authorities, submission of assessment reports, and submission of assessment reports.

With this, the ECCP welcomed the FDA’s release of Circular No. 2022-004 on the Implementing Guidelines on the Abridged and Verification Review Pathways for New Drug Registration Applications⁴⁸ in June 2022. Similarly, the ECCP acknowledges that the FDA also issued Circular No. 2022-008⁴⁹ in September 2022, which provides for the application of Reliance Pathway for select medical devices. The ECCP and its Healthcare Committee recognises the efforts and success of the FDA to streamline and ease registration processes for both pharmaceutical devices and medical devices, and remain committed to supporting its successful and consistent implementation. We laud the remarkable shortening of registrations for new medicines as a result of the Reliance Pathway for medicines

Further along this line, we look forward to the implementation of a similar policy for in-vitro diagnostic (IVD) and refurbished medical devices. We strongly believe that establishing such policy will help ease regulatory bottlenecks, thereby promoting improved access to IVD products in the Philippine market. Relatedly, the Chamber seeks to engage with relevant stakeholders to gain a deeper understanding of the proposed policy on regulations for IVDs.

- **Implementation of Pooled Procurement and Price Negotiation for Health Products**

Healthcare financing is a critical component of increasing access to medicines and medical devices, resulting in a more inclusive and improved healthcare system. In this regard, the ECCP believes that policies and objectives must work in tandem to achieve national health goals. Following an assessment from the HTA process, systematic and strategic purchase of medicines leveraging on volume can be applied in stages for medicines that answer medical needs of the population.

Better leverage can be achieved by maximising volume procurement through multi-year budgeting. Multi-year contracts not only provide a better negotiation position but also help secure the supply of medicines and other healthcare goods or services.

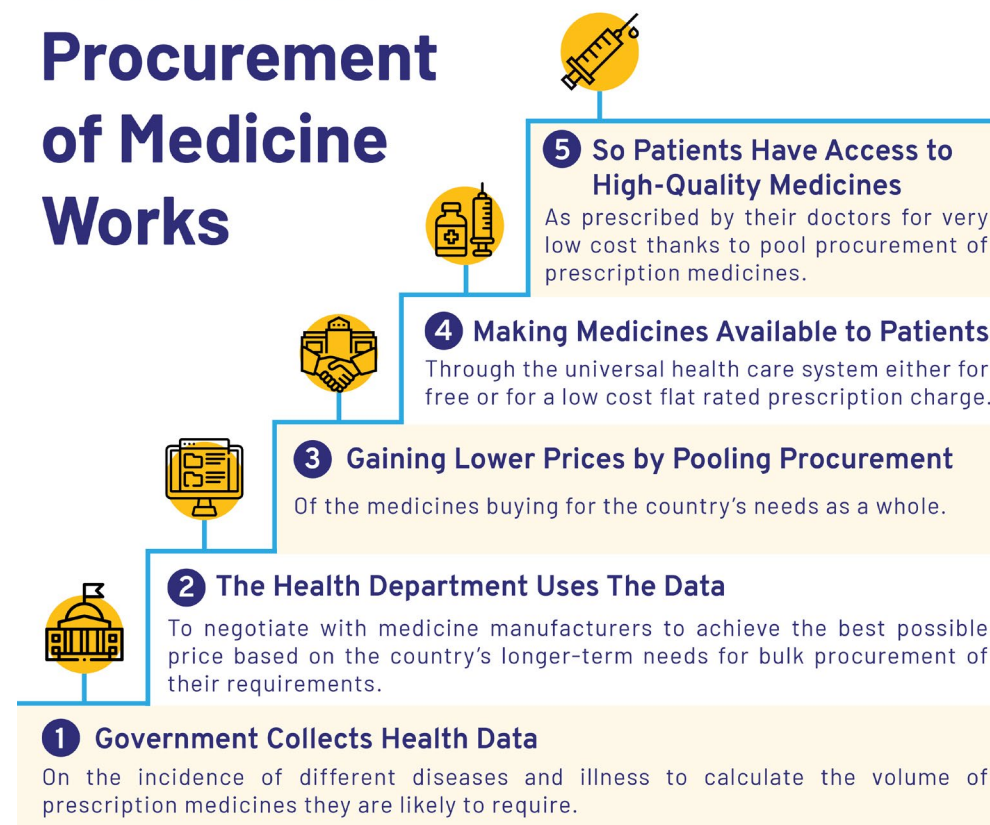
47 Food and Drug Administration. (2021). Draft for Comments || Implementation of Abridged and Verification Review Pathways for New Drug, Initial Registration and Post-Approval Changes Applications of Drug Products, including Vaccines and Biologicals. Retrieved from <https://www.fda.gov.ph/draft-for-comments-implementation-of-abridged-and-verification-review-pathways-for-new-drug-initial-registration-and-post-approval-changes-applications-of-drug-products-including-vaccines-and-bio/>

48 Food and Drug Administration. (June 2022). FDA Circular No.2022-004 || Implementing Guidelines on the Abridged and Verification Review Pathways for New Drug Registration Applications in accordance with Administrative Order No. 2020-0045 “Establishing Facilitated Registration Pathways for Drug Products including Vaccines and Biologicals”. Retrieved from <https://www.fda.gov.ph/wp-content/uploads/2022/06/FDA-Circular-No.2022-004.pdf>.

49 Food and Drug Administration. (September 2022). FDA Circular No.2022-008 || Abridged Processing of Application for Registration of Medical Devices Approved by the National Regulatory Authority of Any ASEAN Member Country. Retrieved from <https://www.fda.gov.ph/wp-content/uploads/2022/09/FDA-Circular-No.2022-008.pdf>.

Pooled procurement and price negotiation are among the mechanisms provided by the UHC Act and the National Integrated Cancer Control Act or NICCA that are regarded as means to achieve greater access to medicines. The NICCA also included provisions for public-private partnerships to be explored in order to improve access to medicines and services. These are in line with the World Health Organization’s access to medicines framework,⁵⁰ which emphasises that equitable pricing and affordability, bulk procurement, and long-term financing are key mechanisms to improve access to medicines.

How Pooled Procurement of Medicine Works



Source: ECCP (The Health of Nations, 2021)⁵¹

We believe that using pooled procurement and price negotiation will ultimately assist the Philippine government in the efficient delivery of life-saving health goods in sufficient quantities and on time.

In relation to this, we welcome the Department of Health’s pronouncements and plans in line with developing an outpatient drug policy as well as centralised medical stores to address fragmentation in procuring healthcare products.

We would also like to recommend forming a specialised group with experts that will adopt a local procurement guideline (such as a Value-Based Procurement in Medical Technologies) in order to provide

50 World Health Organization. (March 2004). Equitable access to essential medicines: a framework for collective action. Retrieved from https://apps.who.int/iris/bitstream/handle/10665/68571/WHO_EDM_2004.4_eng.pdf?sequence=1&isAllowed=y.

51 ECCP. (2021). The Health of Nations: Informing universal health care policy implementation in the Philippines through examining best practice approaches. Retrieved from https://www.eccp.com/storage/app/media/committees/ECCP%20The%20Health%20of%20Nations_2021.pdf.

access to products and services. A Value-Based Procurement would focus on how a product or solution can best deliver the desired outcomes, reduce the total cost of care, and provide long-term benefits to all the stakeholders in the healthcare ecosystem, rather than focusing on the initial cost (usually equated to price).

Finally, the ECCP also specifically advocates for the use of a single-payer system, pooling orders from national and local government units, to allow the government to negotiate prices for bulk purchases, allowing it to better negotiate lower product prices.

Strengthen Market Competition and Use Price Regulation Only as a Last Resort

Pharmaceutical and medical device products are critical in ensuring a continuously operational health system. Innovative healthcare products, in particular, have played a significant role in the COVID-19 health crisis response, as well as in responding to society's evolving yet pressing medical needs in a post-pandemic environment and with disease burdens that encompass infectious, non-communicable, and mental health needs. Innovations in healthcare can help provide sustainable and better solutions to medical challenges faced by individuals, families, workplaces, and society in general.

To this end, and in line with the national government's position to promote an open market to allow Filipinos to access more products at cheaper prices,⁵² the ECCP emphasises its long-standing advocacy that increasing competition should be the primary strategy for lowering the prices of healthcare products, as this encourages both local and foreign players to provide better quality products and services at greater efficiencies. We strongly believe that developing a competitive healthcare market will ultimately strengthen the sector's capability to address ongoing and future health crises while also contributing to economic recovery and growth through continued investments.

We note that the policy of imposing maximum prices on pharmaceuticals and, more recently, medical devices, continues to be a strategy that is implemented quickly and easily even as repercussions are seen and strategies that support the contrary are now available.⁵³ Repercussions for the Philippines and Filipino patients include reduced investment plans from companies, including those for clinical research in the country, as well as companies' reduced investment plans, including those for clinical research in the country, according to an MRP Impact Assessment Study commissioned by the PHAP.

Aligned with this, a study by the Philippine Institute for Development Studies has shown that price-control mechanisms for medicines have not been effective in increasing access to health products.⁵⁴ Meanwhile, a WHO-OECD study found that the Philippines has a high 85% out-of-pocket share for medicines, compared to only 9% in Thailand.⁵⁵ The lack of government subsidy for medicines, thereby also missing the opportunity to leverage the purchasing power of medicines, contributes significantly to the price of medicines and how it is being perceived by patients and supports the idea of looking into recognized financing mechanisms to help provide Filipinos access to health products.

This finding not only explains why medicines are recorded to be more expensive in the Philippines, but it also supports the idea of looking into new financing mechanisms to help Filipinos gain access to health products.

The ECCP foresees that implementing price ceiling measures will continue to significantly impact the viability of healthcare businesses, which may eventually result in counterproductive effects against the backdrop of promoting inclusive and expanded access to healthcare products and services.

52 President Marcos, Jr., F. (25 July 2022). State of the Nation Address [Speech].

53 Food and Drug Administration. (n.d.). Republic Act No. 9502. Retrieved from <https://www.fda.gov/wp-content/uploads/2021/03/RA-9502-Cheaper-Medicines-Act.pdf>.

54 Philippine Institute for Development Studies. (2017). Access to Medicines in the Philippines: Overcoming the Barriers. Retrieved from <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn1723.pdf>.

55 World Health Organization. (31 January 2018). How pharmaceutical systems are organized in Asia and the Pacific. Retrieved from <https://www.who.int/publications/i/item/9789290618485>.

Expand PhilHealth Coverage and Strengthen its Capacity to Support the Provision of Health Services and Products

One of the key factors that allow for an improved and inclusive healthcare system is the application of efficient health financing mechanisms. Insurance is one of the fundamental elements that provide individuals with a safety net, particularly in cases of hospitalisation and other health emergencies. PhilHealth, being the country's national health insurance provider, then plays a critical role in bridging the gap in access to innovative and life-saving health treatments and products. Based on the latest PhilHealth data, there was a recorded increase in claims payment in 2022 from 2021, at Php 129.63 billion and Php 88.29 billion, respectively.^{56,57}

The PhilHealth *Konsultasyong Sulit at Tama* or *Konsulta* Package,⁵⁸ which was launched in 2020, continues to be implemented in cities and provinces. It was reported that as of end-2022, there are 1,678 accredited *Konsulta* Package Providers across the country,⁵⁹ a significant increase from 643 in July 2022.⁶⁰ Relatedly, PhilHealth has continued to encourage healthcare facilities to be accredited under the said program.

Nonetheless and underscoring the role of an effective and inclusive health financing approach, the ECCP continues to recommend the expansion of PhilHealth benefits, to cover all aspects of health care, including preventive medicine approach. Additionally, in terms of overall health financing schemes, we suggest that differential pricing, co-payment, and expanded reimbursement methods are likewise looked into.

To this end, we strongly believe that easing financing-related bottlenecks in the healthcare framework will lead to Filipinos gaining increased capacity and opportunity to access healthcare services and products, thereby ensuring a healthier and more productive society.

Strengthen Delivery of Primary Health Care Services

Aside from financing, another critical component of an inclusive and well-developed healthcare system is strong a primary healthcare system. This, in the long run, reduces overall healthcare costs especially if health-seeking behavior is encouraged, healthy lifestyles are championed and disease prevention mechanisms are in place. Central to a good primary healthcare system are patient navigation and referral pathways, health information that feeds a community's health profile, and electronic medical records that cover all health interventions.

Primary healthcare has been identified by the World Health Organization (WHO) and the United Nations Children's Fund as "a whole-of-society approach to health that aims equitably to maximise the level and distribution of health and well-being by focusing on people's needs and preferences (both as individuals and communities) as early as possible along the continuum from health promotion and disease prevention to treatment, rehabilitation and palliative care, and as close as feasible to people's everyday environment."⁶¹

56 Philippine Health Insurance Corporation. (2022). Stats and Charts 2022. Retrieved from https://www.philhealth.gov.ph/about_us/statsncharts/snc2022.pdf.

57 Philippine Health Insurance Corporation. (2021). Stats and Charts 2021. Retrieved from https://www.philhealth.gov.ph/about_us/statsncharts/snc2021_v1.pdf.

58 Philippine Health Insurance Corporation. (2021). PhilHealth Circular No. 2020-0002. Retrieved from <https://www.philhealth.gov.ph/circulars/2020/circ2020-0002.pdf>.

59 Philippine Health Insurance Corporation. (2022). List of Accredited *Konsulta* Package Providers for CY 2022 Updated as of December 31, 2022. Retrieved from https://www.philhealth.gov.ph/partners/providers/institutional/accredited/KONSULTA_123122.pdf.

60 ECCP. (2022). Healthcare Advocacy Paper. Retrieved from <https://www.eccp.com/storage/app/media/2022%20Advocacy%20Papers/2022%20Advocacy%20Papers%20-%20Healthcare.pdf>.

61 World Health Organization and the United Nations Children's Fund. (2018). A Vision for Primary Health Care in the 21st Century. Retrieved from <https://apps.who.int/iris/bitstream/handle/10665/328065/WHO-HIS-SDS->

Furthermore, WHO outlined that among the reasons why primary health care is crucial to health systems is that it improves equity and access as well as health care performance and outcomes, while also being the “most inclusive, equitable, cost-effective and efficient approach to enhance people’s physical and mental health, as well as social well-being”.⁶²

As an instrument to bridge the gaps in primary healthcare, health insurance should also be further improved. Earlier reports, however, indicate a low turnout in registrations of beneficiaries. In August 2021, there were 30,084 registered beneficiaries, including 7,709 dependents, which translates to a 0.027% coverage rate.⁶³ With this, we highlight that efforts to boost PhilHealth coverage further are put in place, including onboarding more Filipinos through the National ID System.

This said, the ECCP and its Healthcare Committee underscore that primary healthcare services should be further strengthened through the following approaches:

- (1) Mandatory registration of Filipinos to public or private primary healthcare providers of choice;
- (2) Accessibility of patient records to primary health care providers; and
- (3) Capacity-building for health professionals on the provision of primary care services

Likewise, we recognise the increasing role of technological advancements in the provision of services and products across sectors. With this, the ECCP highlights the importance of utilising technology and addressing infrastructure-related connectivity bottlenecks to expand access to primary health services, especially in rural areas.

Finally, in advancing a whole-of-society approach in the healthcare sector, we highly recommend that steps are made to increase the health industry’s adaptability to impacts of emerging issues such as climate change and changing demographics.

• **Comprehensive Coverage and Equity in Service Use**

UHC and the principle of equity calls for the need of all people, especially the poor or those who are at risk of being driven to poverty by health needs, to be supported. We laud the government in its continued drive for primary care but also call its attention to tertiary care and/or provision of diagnostics and treatment services that are likely to be even more inaccessible by indigents or majority of the masses.⁶⁴

In this regard, ECCP strongly recommends and is willing to work with government to ensure that tertiary and specialty care treatments are available to majority of the population most especially the indigents through ensuring standard of care services in government and private hospitals and ensuring a well-estimated portion of PhilHealth goes to medicines, and that these medicines are made available to patients in health facilities. Filipinos need to be able to go to hospitals without delay for screening and treatment, by addressing their fear of possible high payments. Encouraging early healthcare-seeking behaviour and ensuring availability of effective, standard of care treatments will contribute not only to better outcomes for patients but also limit healthcare costs for the government and society.

2018.15-eng.pdf?sequence=1&isAllowed=y.

62 World Health Organization. (1 April 2021). Primary health care. Retrieved from <https://www.who.int/news-room/fact-sheets/detail/primary-health-care>.

63 CNN Philippines. (21 August 2022). Lawmakers urge PhilHealth to review primary care benefit package. Retrieved from <https://www.cnnphilippines.com/news/2021/8/24/PhilHealth-review-primary-care-benefit-package-.html>.

64 Universal health coverage (UHC) means that all people have access to the full range of quality health services they need, when and where they need them, without financial hardship. It covers the full continuum of essential health services, from health promotion to prevention, treatment, rehabilitation, and palliative care across the life course. [https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-\(uhc\)](https://www.who.int/news-room/fact-sheets/detail/universal-health-coverage-(uhc))

• **Implement Measures to Further Strengthen Health Human Resource Management**

Recent health scenarios have put a heightened emphasis on the role of health professionals in ensuring the overall well-being of the public. Health practitioners play a fundamental role in providing treatment and medication, as well as educating people on proper health practices, among others.

With this being the case, health practitioners are likewise at the front line in cases of health emergencies, as what has also been exhibited during the COVID-19 pandemic.

In this regard, the ECCP believes that policies and programs that improve skills, expand benefits, and protect health workers should be further implemented. Similarly, we are convinced that a sufficient and needs-based distribution of health professionals in the country will be beneficial in ensuring that the population has equitable access to healthcare.

It is for the said reasons that the ECCP advocates for and presents its recommended approaches on promoting health workforce management; several of which also outlined in the UHC Act:

- Assessing benefits and safeguard measures for health workers, as well as increasing capacity building opportunities for health workers
- Developing enhanced and expanded health-related training and degree programs, as well as scholarship opportunities
- Enhancing the development of a medical professional registry, which will include information on the number of practitioners and their designated areas.
- Prioritising geographically isolated and disadvantaged areas (GIDAs) in the deployment of health services.

Relative to the last point, in order to encourage health professionals to practise in GIDAs, the ECCP also advocates for an overall improvement in quality of life in the said domains.

Furthermore, the Chamber continues to support the preservation of business ethics in public health policy and practice in healthcare delivery, as provided in the UHC Act.⁶⁵ Additionally, we recommend the stricter enforcement of the FDA’s adoption of the Mexico City and Kuala Lumpur Principles through Department of Health Administrative Order No. 2015-0053,⁶⁶ which includes the establishment of mechanisms to monitor industry players’ compliance and encourage more ethical relationships between health practitioners and patients, especially in the areas of information dissemination, advertisements, promotion, sponsorship, and other marketing activities and instruments about prescription pharmaceutical products and medical devices.

• **Strengthen National Health Information Systems**

Enhanced efficiency and streamlining of data management are critical in ensuring the timely availability of accurate information to support decision-making in healthcare policy interventions. Ultimately, the availability of centralised health data management is advantageous in providing health care services in the country, including improving health outcomes with the availability of data to identify health trends and risks in certain populations and areas.

65 “All manufacturers of drugs, medical devices, biological and medical supplies registered by the FDA shall collect and track all financial relationships with healthcare professionals and healthcare providers and report these to the DOH, which shall then make this list publicly available in accordance with existing laws.”

66 Department of Health. (2015). Administrative Order No. 2015-0053. Retrieved from https://pcom.ph/sites/default/files/downloads/ao_on_marketing_of_drugs.pdf.

With this taken into consideration, the ECCP recommends that in accordance with the Data Privacy Act and other applicable laws, national health information systems be strengthened in order to manage the collection and compilation of relevant health-related data, as well as its use in public health decision-making, forecasting, procurement, and distribution of healthcare goods and services. Similarly, the ECCP believes that technology is a key enabler in advancing this agenda; therefore, we advocate for the improved data collection and integration capabilities by capitalising on sector innovations.

To this end, ECCP likewise acknowledges the inclusion of provisions (Section 36) in the UHC Act that aim to strengthen the national health information system. We also recognise that the National ID initiative also aims to assist the provision of health benefits and services to Filipinos. For this reason, we support the fast-tracked implementation of the Philippine Identification System, including its integration into the databases and systems of national agencies and local governments, among others.

- **Establish Regular Dialogue Between the Government and Private Sector**

While multi-sectoral cooperation is unquestionably crucial to the process of advancing the nation's health goals through initiatives like the Universal Health Care Act, pooled procurement, and easing regulatory bottlenecks, it goes without saying that the government has a major role to play in achieving the healthcare sector's objectives. With this, the private sector expresses its continued commitment to work with national and local policymakers and other government representatives to allow the Philippines to reap the benefits of having an inclusive, accessible, and effective healthcare system.

In this regard, the committee hopes to foster stronger partnerships with health stakeholders through a variety of efforts, including regular dialogue and discussions. Relatedly, we commend the quarterly dialogue of FDA-CDRR and DOH-Pharmaceutical Division, and hope to have something similar with HTA, PhilHealth, FDA-CDRRHR, among others. We are convinced that these mechanisms provide opportunities for health stakeholders to present health sector developments and priorities, exchange best practices, and support the implementation of critical health interventions that will advance the country's healthcare system.

Healthcare will continue to be high on ECCP's agenda, and together with its Healthcare Committee members and partners, the Chamber will continue to seek avenues to engage in productive dialogues with the Philippine government to support its goals and advance the country's health objectives.



ASSESSMENT OF 2022 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Achieve Universal Health Care for All	Expand PhilHealth Coverage and Strengthen its Capacity to Support the Provision of Health Services and Products	
	Strengthen Delivery of Primary Health Care Services	
	Improve Distribution and Implement Measures Towards the Retention of Health Professionals Across the Country	
	Strengthen National Health Information Systems	
	Institutionalisation of an Effective and Efficient Health Technology Assessment System	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
	<p>There has been an increase in PhilHealth premium in the past, as per the agency's issuance in May 2022. Meanwhile, the planned increase in premium contributions this 2023 has been suspended "in light of the prevailing socio-economic challenges brought about by the COVID-19 pandemic, and to provide financial relief" to Filipinos.</p> <p>Nonetheless, the healthcare sector has yet to see further reforms in terms of the scope of coverage and benefits from PhilHealth as well as health financing and/or payment schemes.</p>
<p>The COVID-19 has led to a significant limitation in face-to-face consultations, primary care or otherwise. The development in the increased availability of tele-consultation are welcome developments. Additionally, the implementation of the National ID system, which the government stated will help provide access to health services, has picked up over the past months.</p> <p>However, the implementation of mandatory registration to health care providers as well as further improvement in promoting access to health services remain to be seen.</p>	
	<p>While significant improvement is yet to be seen in terms of the distribution of health professionals across the country, the government has announced several efforts to provide continued and augmented support to health workers, especially through the provision of benefits and allowances.</p>
<p>There have been efforts to further strengthen the country's health technology and information management, including the increased use of technology in the provision of health services. Additionally, the National ID initiative continues to be implemented.</p> <p>However, there remains to be gaps in achieving equitable access to technology and health systems across all provinces and government units.</p>	
<p>HTAC has continued to function as a recommendatory body to the DOH and PhilHealth since the institutionalisation of HTA following the passage of the UHC Act.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Facilitation of Access to Medicines and Medical Devices	Implementation of Pooled Procurement and Price Negotiation for Health Products	
	Strengthen Market Competition and Use Price Regulation Only as a Last Resort	
Implementation of the Reliance Pathway		
Build an Environment Conducive to Biopharmaceutical Innovation		
Establish Regular Dialogue Between the Government and Private Sector		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
	Pooled procurement has been practised in purchasing COVID-19 vaccine doses, although it is yet to be implemented for most non-COVID-19 health products. Nonetheless, the DOH made pronouncements on improving the country's health procurement system/service.
	No policy development has been noted.
The industry has seen development with the signing of the FDA Circulars 2022-004 and 2022-008, as well as the Collaborative Procedure for Accelerated Registration.	The FDA Circulars does not include in its scope the application of Reliance Pathways for in-vitro diagnostic and refurbished medical devices.
There has been an increased recognition of the importance of innovations in the healthcare sector. Among the efforts related to this are the promotion of an open market which will help spur innovations, as well as the government's thrust to develop a Philippine Center for Disease Control and the Virology Institute of the Philippines.	
	The ECCP has had several engagements with Philippine government officials and other health stakeholders, including participation meetings and dialogues, as well as the submission of letters and position papers. A regular dialogue, however, has yet to be established.



HUMAN CAPITAL & EDUCATION ADVOCACY PAPER 2023

INTRODUCTION

Human capital is at the heart of development, reducing poverty and closing the market and skills gap. However, as countries throughout the world continue to recover from the global health crisis, various factors such as rising global inflation, fast-paced technological advancements, and the changing demand in the labour market threaten to widen the gap in human capital. In a study by the International Monetary Fund (IMF), economic scarring may occur if the looming weak labour market is not addressed immediately, especially in emerging economies.¹

Zooming in on the Association of Southeast Asian Nations (ASEAN) region, there are several global benchmarks which compare the quality of work and skill readiness of the workforce (see Table 1).

Country	World Talent Ranking 2022 ²		The Global Talent Competitiveness Index 2022 ³		The Human Capital Index 2020 Update ⁴	
	Global Ranking	ASEAN Ranking	Global Ranking	ASEAN Ranking	HCI Score*	ASEAN Ranking
Brunei Darussalam	-	-	41 st	2 nd	0.63	3 rd
Cambodia	-	-	103 rd	8 th	0.49	8 th
Indonesia	51 st	4 th	82 nd	6 th	0.54	6 th
Lao PDR	-	-	99 th	7 th	0.46	10 th
Malaysia	33 rd	2 nd	45 th	3 rd	0.61	4 th
Myanmar	-	-	-	-	0.48	9 th
Philippines	54th	5th	80th	5th	0.52	7th
Singapore	12 th	1 st	2 nd	1 st	0.88	1 st
Thailand	45 th	3 rd	75 th	4 th	0.61	4 th
Vietnam	-	-	-	-	0.69	2 nd

*HCI ranges between 0 (lowest) to 1 (highest) with multiple countries receiving the same score

Note: Some countries are not ranked and included in the World Talent Ranking 2022 and The Global Competitiveness Index 2022

Source: International Institute for Management Development; INSEAD; World Bank

Despite the relative underperformance of the Philippines in comparison to its ASEAN neighbours, the country has long acknowledged the critical role of human capital in driving economic growth. With its

1 IMF. (17 May 2022). Healing the Pandemic's Economic Scars Demands Prompt Action. Retrieved from <https://www.imf.org/en/Blogs/Articles/2022/05/17/blog-healing-the-pandemics-economic-scars-demands-prompt-action>

2 IMD. (2022). World Talent Ranking 2022. Retrieved from <https://www.imd.org/centers/world-competitiveness-center/rankings/world-talent-competitiveness/>

3 INSEAD. (2022). The Global Talent Competitiveness Index 2022. Retrieved from <https://www.insead.edu/sites/default/files/assets/dept/fr/gtci/GTCI-2022-report.pdf>

4 World Bank. (2020). The Human Capital Index 2020 Update: Human Capital in the Time of COVID-19. Retrieved from <https://openknowledge.worldbank.org/handle/10986/34432>

overarching vision to make the country a prosperous and predominantly upper-middle-class society by 2040⁵, the government has prioritised several reforms and policies geared towards accelerating human capital development. This has served as a foundation for the updated Philippine Development Plan (PDP) 2023-2028⁶ by the National Economic and Development Authority (NEDA), which aims to strategize for a more efficient labour market by improving the quality of education, providing opportunities for life-long learning, skills development and options to obtain micro-credentials, enhancing job facilitation programs, and strengthening linkages among industry, business, and training institutions.

To put it into perspective, economic growth in the country through human capital has been most evident in the expansion of the information technology business process outsourcing (IT-BPO) industry and the continuous remittances of overseas Filipino workers (OFWs). The aforementioned have become the two largest powerhouses of the economy as it flourished despite the economic slowdown. In 2022, the IT-BPO industry posted USD 32.5 billion in revenues, a 10.3% increase from the 2021 revenues of USD 29.5 billion.⁷ Meanwhile, personal remittances from OFWs increased by 3.6% to a record growth of USD 36.14 billion in 2022, surpassing the previous all-time high record of USD 34.88 billion in 2021. Additionally, cash remittances coursed through the banking system in 2022 went up by 3.6% to USD 32.45 billion.⁸

On another note, the latest employment indicators show the growth of the labour market, and has already gotten back to pre-pandemic level since the middle of 2022, despite the month-on-month increase in unemployment and underemployment rates for December 2022 and January 2023 (see Table 2).⁹ For February 2023, the unemployment rate was steady with a rate of 4.8%, indicating 2.47 million Filipino workers who were unemployed. Meanwhile, the underemployment rate improved to 12.9% compared to the 14.1% in the previous month.

Indicator (%)	January 2022 ^f	December 2022 ^p	January 2023 ^p	February 2023 ^p
Labor Force Participation Rate	60.5	66.4	64.5	66.6
Employment Rate	93.6	95.7	95.2	95.2
Underemployment Rate	14.9	12.6	14.1	12.9
Unemployment Rate	6.4	4.3	4.8	4.8

Note: *f* = final results, *p* = preliminary results

Source: Philippine Statistics Authority, 2023

5 *AmBisyon Natin 2040* is a 25-year long-term development blueprint of the Philippines that was adopted through the signing of Executive Order No 5, s. 2016.

6 NEDA. (2023). Philippine Development Plan 2023-2028. Retrieved from <https://pdp.neda.gov.ph/philippine-development-plan-2023-2028/>

7 Ochave, R. (01 March 2023). IT-BPM sector revenues increase by 10% in 2022. Retrieved from <https://www.bworldonline.com/top-stories/2023/03/01/507574/it-bpm-sector-revenues-increase-by-10-in-2022/>

8 Bangko Sentral ng Pilipinas. (January 2023). Overseas Filipinos' Cash Remittances. Retrieved from <https://www.bsp.gov.ph/Statistics/External/ofw.aspx>

9 Philippine News Agency. (09 March 2023). Unemployment rate rises to 4.8% in January. Retrieved from <https://www.pna.gov.ph/articles/1196990>

10 PSA. (11 April 2023). February 2023 Labor Force Survey (LFS). Retrieved from <https://psa.gov.ph/content/employment-rate-february-2023-estimated-952-percent>

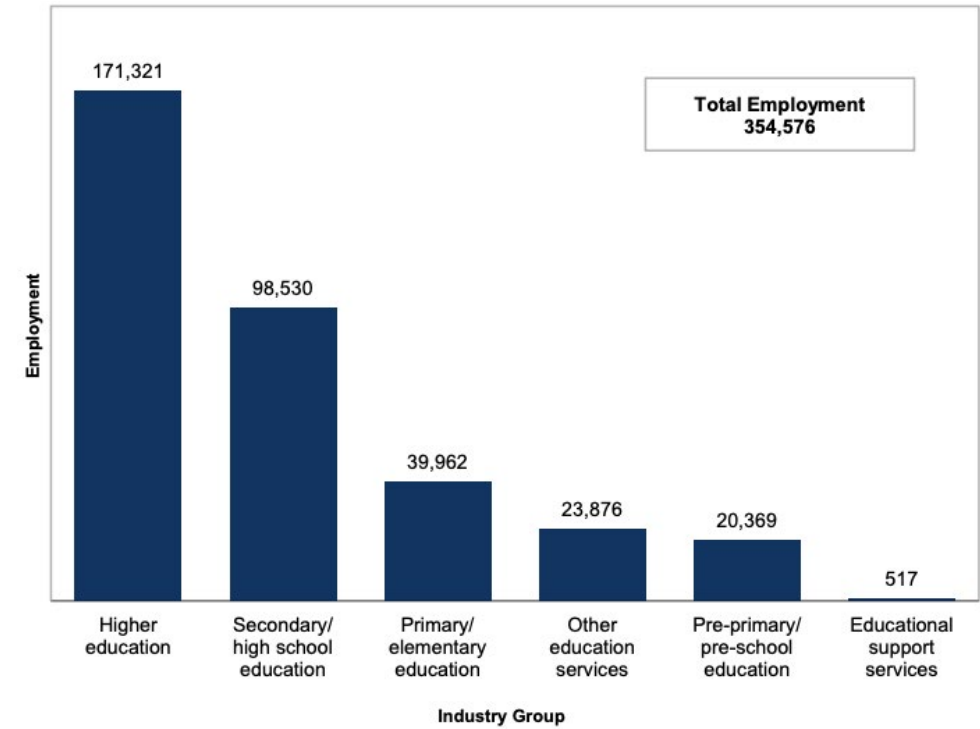
Additionally, by broad industry group, the services sector continued to account for the largest share of employed persons, with a share of 59.6% of the total employed persons in February 2023. Meanwhile, the agriculture sector and industry sectors accounted for 24.1% and 16.3% of the total employed persons, respectively.¹¹

On the distribution of the education sector by industry group, 11,692 institutions in the formal sector of the economy were involved in educational activities in 2020. This accounts for a -16.8% decrease from the 14,054 establishments reported in 2019. Secondary/high school education has the most establishments among the industry groups, with 3,160 establishments, representing 27% of the total figure. This was followed by primary education with 2,617 facilities (22.4%), while educational support services, on the other hand, had the fewest institutions, with 22 in total, translating to a 0.2% share.¹²

Particulars	2020 ^P
Number of Establishments	11,692
Employment	354,576
Average Number of Workers per Establishment	30
Compensation (in thousand pesos)	88,275,092
Average Annual Compensation (in pesos)	252,384
Revenue (in thousand pesos)	183,529,984
Expense (in thousand pesos)	165,921,356

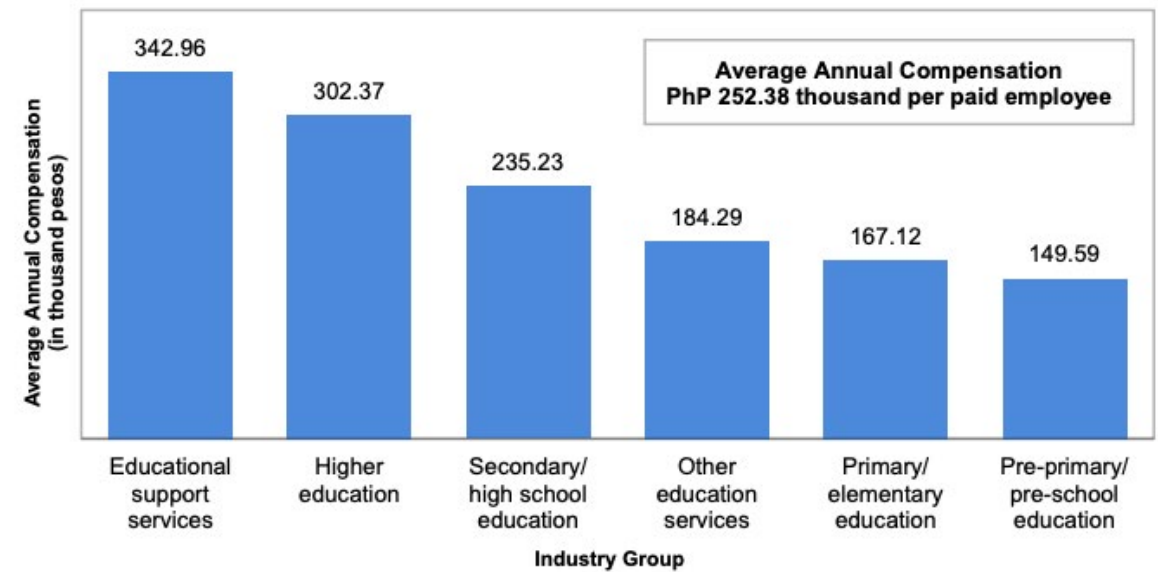
Note: ^P = preliminary results
Source: Philippine Statistics Authority

In terms of employment, the education industry employed 354,576 workers as of 2020, a decrease of -14.8% from the 416,136 workers was recorded in 2019. By industry group, higher education employed the most people in the sector with 171,321 workers, accounting for 48.3%. Secondary/high school education came second with 98,530 or 27.8% of the total employment in the sector. Meanwhile, educational support services employed the fewest workers, with only 517 individuals in the education labour pool (0.1%).¹³



Source: Philippine Statistics Authority

As reported by the PSA, educational support services had the highest average annual compensation of PHP 342,960 per paid employee across industrial groups. Meanwhile, the average yearly salary for pre-primary/pre-school education was the lowest, with PHP 149,590 per paid staff.¹⁴



Source: Philippine Statistics Authority

¹¹ Ibid.

¹² Philippine Statistics Authority. (2023). 2020 Annual Survey of Philippine Business and Industry (ASPBI) - Education Sector: Preliminary Results. Retrieved from https://psa.gov.ph/sites/default/files/attachments/itsd/specialrelease/2_2020%20ASPBI_Special%20Release_Preliminary%20Result_Sector%20P_ONS-signed.pdf

¹³ Philippine Statistics Authority. (2023). 2020 Annual Survey of Philippine Business and Industry (ASPBI) - Education Sector: Preliminary Results. Retrieved from https://psa.gov.ph/sites/default/files/attachments/itsd/specialrelease/2_2020%20ASPBI_Special%20Release_Preliminary%20Result_Sector%20P_ONS-signed.pdf

¹⁴ Ibid.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- On 13 April 2023, the Department of Labor and Employment (DOLE) released **Department Order (DO) No. 238, Series of 2023** which issued new rules on the administration and enforcement of labour standards pursuant to Article 128 of the Labor Code of the Philippines, as renumbered, and Republic Act (RA) No. 11058.
- In December 2022, DOLE announced that it is currently crafting its **Employment Roadmap for 2023-2028** which would indicate the initiatives to create more jobs and equip workers with the necessary skills to adjust in a highly competitive market. In collaboration with the Department of Education (DepEd) and the Technical Education and Skills Development Authority (TESDA), they have identified **10 key employment areas in the next five years**, namely, 1) agriculture; 2) health; 3) manufacturing; 4) tourism; 5) transportation & logistics; 6) information and communications technology; 7) education; 8) creatives; 9) energy, and; 10) construction.¹⁵
- With the current trend on the flexibility of work, DOLE released **DO No. 237, Series of 2022¹⁶** or the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 11165, also known as the Telecommuting Act. The revised IRR intends to address concerns regarding telecommuting while protecting the rights of employees and promoting their welfare.
- The **Department of Migrant Workers (DMW)** was created pursuant to **Republic Act (RA) No. 11641¹⁷** following its enactment on 30 December 2021. Shortly after, DOLE and DMW issued **Joint Circular No. 01, series of 2022¹⁸** to facilitate and ensure the efficient and effective implementation of the law.
- To address concerns on education, the DepEd is implementing the **MATATAG Agenda**, which aims to produce “a child-centered country and a nationalistic child.” This reform agenda will focus on refining the curriculum by concentrating on foundational skills and embedding peace competencies, fortifying inclusive education programs, campaigning for greater benefits for teachers, and offering professional development programs, among others. MATATAG refers to DepEd’s targets which are as follows¹⁹:
 - **MA**ke the curriculum relevant to produce competent, job-ready, active, and responsible citizens;
 - **TA**ke steps to accelerate the delivery of basic education facilities and services;
 - **TA**ke good care of learners by promoting learner well-being, inclusive education, and a positive learning environment; and,
 - **GI**ve support to teachers to teach better.

15 Nodalo, T. (19 December 2022). Strengthened skills training in 10 key sectors part of DOLE’s 2023 employment roadmap. Retrieved from <https://www.cnnphilippines.com/news/2022/12/19/dole-skills-training-key-sectors-tesda-deped.html>

16 DOLE. (19 September 2022). Department Order No. 237-22. Retrieved from https://www.dole.gov.ph/php_assets/uploads/2022/09/DO-237-22-Revised-Implementing-Rules-and-Regulations-of-RA-No.-11165-Otherwise-Known-as-The-Telecommuting-Act.pdf

17 The Official Gazette. (30 December 2021). Republic Act No. 11641. Retrieved from <https://www.officialgazette.gov.ph/downloads/2021/12dec/20211230-RA-11641-RRD.pdf>

18 DOLE. (07 July 2022). Joint Circular No. 01. Retrieved from https://www.dole.gov.ph/php_assets/uploads/2022/07/DOLE-and-DMW-Joint-Circular-No.-1-22-Defining-the-Roles-and-Responsibilities-of-DOLE-and-DMW-to-ensure-the-Effective-and-Efficient-Implementation-of-RA-11641-or-the-Creation-of-DMW-1.pdf

19 CNN. (30 January 2023). Duterte lists basic education ills, lays reform agenda. Retrieved from https://www.cnnphilippines.com/news/2023/1/30/sara-duterte-deped-basic-education-report-2023.html?fbclid=IwAR3Pb_6tLQWCR5pJ-c2wziQa01bG_UiLkF3Q0Kx7yvHH_tNqg1ujQa-quZE

- The MATATAG Agenda of the DepEd includes the establishment of the School Infrastructure and Facilities strand, which will focus on addressing long-standing issues on education facilities and infrastructure. The Agency and the Department of Public Works and Highways (DPWH) renewed their partnership in February 2023 in strengthening the **School Building Program (SBP)** under the Basic Education Facilities Fund.²⁰
- Under the **DO No. 54**, the DepEd laid out the Guidelines on the Selection of Senior Highschool Technical-Vocational-Livelihood Specializations. This policy will institutionalise the steps to be undertaken by Schools Division Offices (SDOs) and Technical-Vocational-Livelihood (TVL) Senior High Schools (SHSs) to identify what TVL specialisations to offer. This will also determine the intersections between the national and local development goals, learners’ preference and input, and SDOs’/schools’ capacity to offer specific TVL specialisations.²¹
- In December 2022, the **DO No. 35** was issued by the DepEd to set out the Guidelines on Enrollment for School Year 2022-2023 in the Context of Re-Introduction of the In-Person Classes to improve the processes and define the responsibilities of key stakeholders in the enrollment process. The guidelines will also strengthen reporting mechanisms, the Enhanced Basic Education Enrollment Form (BEEF), and the Learner Information System encoding procedure (LIS).²²
- In 2022, Vice President and current DepEd Secretary Sara Duterte ordered that all public and private schools in the country must transition to five days of in-person classes starting November 2, contained in the **DO No. 34, s. 2022**.²³
- **Executive Order No. 174**, dated 23 June 2022, adds five new posts for public school teachers and expands the career progression system. Educators can now be promoted to the following posts: Teacher IV, Teacher V, Teacher VI, Teacher VII, and Master Teacher V. The policy also directs the Budget Department to establish these new positions and put them in the salary grade index.²⁴
- On 3 June 2022, the DepEd launched the **Basic Education Development Plan 2030 (BEDP 2030)** to establish a strategic framework for improving the delivery and quality of basic education. BEDP 2030 is the Department’s first long-term plan for basic education, spanning formal education for children aged 5 to 18 and non-formal education for youth and adults. Through preserving and promoting the right to education, the plan intends to continue the Department’s goals of enabling all Filipinos to reach their full potential and contribute meaningfully to a cohesive nation. BEDP 2030 is also designed to address the pandemic’s immediate effects on learning, participation, and education delivery, as well as to close remaining access gaps, improve education quality, and foster resilience.²⁵

20 Department of Education. (2023). DepEd, DPWH renew partnership in building basic education facilities. Retrieved from <https://www.deped.gov.ph/2023/02/10/deped-dpwh-renew-partnership-in-building-basic-education-facilities/>

21 Department of Education. (2022). Department Order No. 54 - Guidelines on the Selection of Senior Highschool Technical-Vocational-Livelihood Specializations. Retrieved from https://www.deped.gov.ph/wp-content/uploads/2022/12/DO_s2022_054.pdf

22 Department of Education. (2023). Department Order No. 35 - Guidelines on Enrollment for School Year 2022-2023 in the Context of Re-Introduction of the In-Person Classes. Retrieved from https://www.deped.gov.ph/wp-content/uploads/2022/07/DO_s2022_035.pdf

23 Galvez, D. (12 July 2022). DepEd orders all schools to shift to face-to-face classes by November 2. Retrieved from <https://newsinfo.inquirer.net/1626494/deped-orders-all-schools-to-shift-to-face-to-face-classes-by-november-2>

24 Yang, A. Y. (24 June 2022). Duterte approves new teacher positions with higher ranks. Retrieved from <https://www.philstar.com/headlines/2022/06/24/2190620/duterte-approves-new-teacher-positions-higher-ranks>

25 Department of Education. (2022). DepEd to launch Basic Education Development Plan 2030 as strategic roadmap for basic education. Retrieved from <https://www.deped.gov.ph/2022/06/02/deped-to-launch-basic-education-development-plan-2030-as-strategic-roadmap-for-basic-education/>

ON LEGISLATION

- The **Revised National Apprenticeship Program Act** or **House Bill (HB) No. 6523**²⁶ aims to establish a reformed apprenticeship program that will ensure the availability of qualified manpower in critical and in-demand skills through the participation of employers, workers, and government and non-government agencies. Approved by the House last 12 December 2022, the bill was transmitted to the Senate on 14 December 2022.
- The proposed **PhilJobs Act of 2020** or **HB No. 490**²⁷ was filed at the lower house last 30 June 2022. The measure proposes the creation of a National Unemployment Insurance Program (NUIP), to be administered by a Philippine Job Insurance Corp. The NUIP seeks to protect the economy and the workers who have been laid off by providing assistance to workers during periods of unemployment. Further, the measure will limit basic unemployment insurance benefits to no more than three monthly payments equal to 80 percent of the worker's basic pay. Other benefits will come in the form of training and training allowances and job counseling for the unemployed. The bill is pending with the Committee on Labor and Employment since 26 July 2022.
- Similarly, both upper and lower houses filed the proposed **Expanded Unemployment Insurance Act of 2022** as **SB No. 133**²⁸ and **HB No. 2293**²⁹, respectively. The measure aims to increase covered monthly cash payments of the Unemployment Insurance or Involuntary Separation Benefits, allow persons to claim unemployment benefits more than once every three years if the case of unemployment is due to business contractions brought about by public health emergencies or policy-related disruptions, as well as incorporate active labour market policies for the benefit of beneficiaries-members.
- The proposed **Enterprise Productivity Act**³⁰ has been identified as one of the priority measures of DOLE. The measure aims to promote the principle of shared responsibility in enhancing productivity in work cultures. The bill seeks to provide incentives to enterprises that implement productivity incentive programs and technical assistance to enterprises and employees to boost productivity. Approved by the House last 06 February 2023, the bill was transmitted to the Senate on 07 February 2023.
- The **Salary Transparency Act of 2022**, filed as **SB No. 758**³¹, was also filed in the Senate in July 2022. The bill seeks to eradicate discrimination in salary offers by imposing an obligation on employers to indicate in good faith the minimum and maximum salary that they are willing to pay for successful applicants of each advertised job, promotion, or transfer opportunity.
- The **Security of Tenure Act**, filed as **SB No. 398**³² and **130**³³, seeks to strengthen the security of tenure of workers in the private sector by absolutely prohibiting labour-only contracting and providing for stiffer penalties for violation thereof. These shall serve as deterrence for unscrupulous entities to take advantage of the vulnerable situation of the workforce.

26 House of Representatives. (12 December 2022). House Bill No. 6523. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT6523.pdf

27 House of Representatives. (30 June 2022). House Bill No. 490. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB00490.pdf

28 Senate of the Philippines. (13 July 2022). Senate Bill No. 133. Retrieved from <http://legacy.senate.gov.ph/lisdata/3784134282!.pdf>

29 House of Representatives. (25 July 2022). House Bill No. 2293. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB02293.pdf

30 Filed in the 19th Congress as House Bill No. 6673 and Senate Bill. 1333.

31 Senate of the Philippines. (02 August 2022). Senate Bill No. 758. Retrieved from <http://legacy.senate.gov.ph/lisdata/3852634980!.pdf>

32 Senate of the Philippines. (12 July 2022). Senate Bill No. 398. Retrieved from <https://legacy.senate.gov.ph/lisdata/3815934599!.pdf>

33 Senate of the Philippines. (07 July 2022). Senate Bill No. 130. Retrieved from <https://legacy.senate.gov.ph/lisdata/3783834279!.pdf>

- Legislators have also filed bills seeking to **amend RA No. 11165 or the Telecommuting Act**. The proposed measures expand the coverage of the current law and provide incentives for telecommuting employees.³⁴
- The proposed **Freelance Workers Protection Act** or **HB No. 6718**³⁵, approved at the lower house last 06 February 2023, seeks to provide protection and relief to over 1.5 million Filipino freelance workers, as well as mandates the institutionalisation of benefits such as night differential and hazard pay for freelance workers whenever they are applicable.
- Several legislative measures have been filed at the lower house seeking for the **rationalisation of the minimum wage rates**, which amends Presidential Decree No. 442 or the Labor Code of the Philippines. Currently, all the bills are pending with the Committee on Labor and Employment.³⁶
- In the House of Representatives, **HB No. 51** has been filed in August 2022 to revisit the K to 12 curriculum by amending Republic Act (R.A.) No. 10533 or the Enhanced Basic Education Act of 2013. The proposed measure seeks to make graduates more employable, better equipped with critical thinking and problem-solving abilities, and infused with the skills and talents essential to be productive and active citizens of the country.³⁷
- In the 19th Congress, several proposals have been introduced in the Lower House, seeking the expansion of **government assistance to students and teachers in private education (GASTPE)** to the elementary level. The bill proposes to expand existing government assistance for high school students and teachers in private education to include students in kindergarten up to the Grade 6 level. It is also proposed that the Teacher Salary Subsidy (TSS) be increased to include teachers employed in private elementary schools.
- In the Lower House, **HB No. 7400** seeks to institutionalise an Enterprise-Based Education and Training Program to strengthen the Technical and Vocational Education and Training (TVET) in the Philippines. In March 2023, Committee Report No. 382 recommended its approval in substitution of HBNs-1665 and 2283, which also aim to incorporate apprenticeship and dual training systems into TVET. Partnerships between local universities and colleges, TESDA, and TVET institutions will be strengthened to ensure that programs meet community needs and priorities, including agri-entrepreneurship.³⁸
- On 27 April 2022, **R.A. No. 11713** was passed into law with the aim of strengthening the Teacher Education Council and establishing a scholarship for students in the teacher education program. It also institutionalised the National Educators' Academy of the Philippines (NEAP) as a provider of quality professional development programs for in-service teachers, school leaders, and other teaching-related personnel in all public and private basic education institutions.³⁹

34 As of 13 March 2023, several Senate and House Bills have been filed proposing for the amendment of the Telecommuting Act – Senate Bill Nos. 175, 414, 1149, and 1557; and House Bill Nos. 5620, 4387, and 2067.

35 House of Representatives. (06 February 2023). House Bill. No. 6718. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT6718.pdf

36 As of 13 March 2023, the House have filed the following bills – House Bill Nos. 4471, 1111, 4898, 1579, 514, 3308, and 525.

37 House of Representatives. (2022). House Bill No. 51 – An Act Reforming The Country's Basic Education System, Amending for The Purpose Republic Act No. 10533, Otherwise Known as "The Enhanced Basic Education Act of 2013". Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB00051.pdf

38 House of Representatives. (2023). House Bill No. 7400 – An Act Institutionalizing an Enterprise-Based Education and Training Program to Strengthen Technical-Vocational Education and Training. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/first_19/CR00382.pdf

39 Official Gazette. (2022). Republic Act No. 11713 – An Act Further Strengthening Teacher Education in The Philippines by Enhancing The Teacher Education Council, Establishing a Scholarship Program For Students in The Teacher Education Program, Institutionalizing The National Educators Academy of The Philippines. Retrieved from <https://www.officialgazette.gov.ph/downloads/2022/04apr/20220427-RA-11713-RRD.pdf>

ADVOCACY RECOMMENDATIONS

- **Improve the quality of education in the country**

- Enhance the curriculum for the basic education system**

In order to address the issues surrounding the education system in the country, the Philippine government launched the K to 12 program in 2012 to serve as a comprehensive reform agenda for the educational system. However, the education sector's vulnerabilities have been highlighted with the onset of the COVID-19 pandemic. Most countries, including the Philippines, were forced to implement distance-learning solutions to maintain continuity, and much of the argument has centred on the quality of education during school closures. School closures have affected more than 28 million students in the country alone.⁴⁰

The Alliance of Concerned Teachers reported that distance learning had increased the education gap for children in poor and rural areas. This is highly attributed to the low internet penetration in rural parts of the country as only 18% of households in the Philippines have access to internet connections at home.⁴¹ Moreover, as reported in the World Bank research from 2021, 80% of Filipino children “do not know what they should know,” and only 10% to 22% of Grades 4, 5, and 9 students scored “at or above minimum proficiency” on three international assessments.⁴² More recently, the organisation's 2022 State of Global Learning Poverty report shows the Philippines languishing at the bottom, with a learning poverty rate of over 90%. In other words, 9 in 10 Filipino children aged 10 struggle to read simple texts. Furthermore, based on World Bank estimates, as many as 91% of children in the Philippines at late primary school age “are not proficient in reading.” When compared to its neighbours in the ASEAN region, the Philippine learning poverty rate was 56.4 points higher and more than double the regional average of 34.5%. It fared significantly behind lower-middle-income countries, with results indicating an obscene 80.5-point gap with peers.⁴³

With this, DepEd launched the Basic Education Development Plan 2030 (BEDP 2030) to establish a strategic framework for improving the delivery and quality of basic education. BEDP 2030 is the Department's first long-term plan for basic education, spanning formal education for children aged 5 to 18 and non-formal education for youth and adults. By preserving and promoting the right to education, the plan intends to address the pandemic's impacts on learning, participation, and education delivery, as well as to close remaining access gaps, improve education quality, and foster resilience.⁴⁴

Considering the foregoing, the ECCP Education Committee urges the government to improve the K to 12 curriculum to generate job-ready citizens. There is also a need to effectively implement online and blended learning modalities to improve the quality of education amidst the adoption of hybrid learning. As we recognise that education forms human capital and enhances economic productivity, the Committee

40 Tria, J. Z. (2020). The COVID-19 Pandemic through the Lens of Education in the Philippines: The New Normal. *International Journal of Pedagogical Development and Lifelong Learning*, 1(1), ep2001. <https://doi.org/10.30935/ijpdll/8311>

41 Deutsche Welle. (21 September 2021). Philippines: COVID school closures threaten education ‘catastrophe’. Retrieved from <https://www.dw.com/en/philippines-covid-school-closures-threaten-education-catastrophe/a-59250348>

42 CNN Philippines. (20 May 2022). PIDS: PH govt must focus on improving quality of education, training. Retrieved from <https://www.cnnphilippines.com/news/2022/5/20/PIDS-PH-improve-quality-of-education.html>

43 World Bank (2022). Philippines: Learning Poverty Brief. Retrieved from https://documents1.worldbank.org/curated/en/099000207152223103/pdf/IDU002b5536c0db4104ec3087d809906ec2eae56.pdf?source=facebook&utm_medium=social&fbclid=IwAR0-0qKq8WK-t-NntG4eAYVqTjiLQd6A7ywzs_Ao3bovBXIqKXiGkxMqu4s&fs=e&s=cl

44 Department of Education. (2022). DepEd to launch Basic Education Development Plan 2030 as strategic roadmap for basic education. Retrieved from <https://www.deped.gov.ph/2022/06/02/dep-ed-to-launch-basic-education-development-plan-2030-as-strategic-roadmap-for-basic-education/>

welcomes the recent move to enhance literacy and numeracy programs as one of the priorities of DepEd under the MATATAG reform agenda.⁴⁵ We also support the enactment of legislative reforms strengthening the institutional capacity of concerned agencies revitalising the K to 12 curriculum, addressing the concerns on skills mismatch in Senior High Schools, and efficiently meeting the market requirements. Nonetheless, effective implementation of this initiative is essential in ensuring the quality of education among Filipino students.

The ECCP, together with its Education Committee, holds educational research and development (R&D) with high regard as it is an important driver of economic growth. In 2022, the Quality Control Checklist (QCC) for Completed Basic and Action Research was institutionalised by the DepEd to strengthen the research culture in the Agency. The QCC offers defined criteria and assesses the quality of completed studies for (a) research committees accepting Basic Education Research Fund (BERF)-funded research beginning in FY 2022, (b) archiving on the research portal, and (c) identifying technical support for researchers/grantees.⁴⁶ The Agency previously issued DO No. 16, s. 2017, entitled Research Management Guidelines (RMG), and DO No. 14, s. 2022 to create E-Saliksik as its official portal of education research. The policies were formulated to ensure uniformity and research integrity across the DepEd.⁴⁷ In view of this, the Committee recommends a stronger policy framework for improved R&D programs in the K to 12 curriculum. The provision of more research-oriented scholarships and grants is critical in optimizing the roles of universities as innovation hubs. Such a move will significantly spur technological advancement and economic progress in the Philippines.

- Facilitate enhanced training programs for teachers**

Teaching personnel are essential assets in society as they shape the future of the next generations. Certainly, equipping quality teachers across educational institutions in the country requires significant support from the government by enhancing training programs for them. On this note, the ECCP Education Committee pushes for the allocation of sufficient funds for the re-skilling and upskilling of teachers for a future-ready education workforce.

As posited by the state-run think tank Philippine Institute for Development Studies (PIDS), the education crisis in the country can be associated with low education spending in the Philippines. Public expenditure per student in primary and secondary education lags behind that of the country's peers in the Asia Pacific even as total education expenditures in the Philippines have increased by 6.4% yearly over the past 15 years.⁴⁸ For Fiscal Year (FY) 2023, the Senate approved the proposed PHP 667.18 billion budget of DepEd and its attached agencies.⁴⁹ Accordingly, the ECCP Education Committee recommends that a significant portion of the budget for 2023 should be utilised for teacher compensation and the training enhancement of teaching personnel. The administration should also consider designing a volunteer program for retired professionals to augment teaching in schools across the country.

Facilitating enhanced training programs will not only provide teachers with new techniques, strategies, and skills but also an opportunity for continuous professional development. More comprehensive training programs would also improve the teaching administration's student management. For this reason, the

45 Department of Education. (2023). DepEd to strengthen numeracy, literacy programs, integrate ‘peace competencies’ in revitalized K to 12. Retrieved from <https://www.deped.gov.ph/2023/02/02/dep-ed-to-strengthen-numeracy-literacy-programs-integrate-peace-competencies-in-revitalized-k-to-12/>

46 Department of Education. (2022). Department Memorandum No. 28, s. 2022. Retrieved from https://www.deped.gov.ph/wp-content/uploads/2022/04/DM_s2022_028.pdf

47 Department of Education. (2022). DepEd strengthens research culture through Quality Control Checklist. Retrieved from <https://www.deped.gov.ph/2022/04/20/dep-ed-strengthens-research-culture-through-quality-control-checklist>

48 Simeon, L. M. (23 January 2022). Philippines lags behind peers in basic education spending. Retrieved from <https://www.philstar.com/business/2022/01/23/2155700/philippines-lags-behind-peers-basic-education-spending>

49 Sevillano, S. (15 November 2022). DepEd vows inclusive learning recovery as Senate OKs budget. Retrieved from <https://www.pna.gov.ph/articles/1188596>

Committee reiterates the call for a strengthened adoption of Republic Act No. 11713 to strengthen teacher education in the Philippines, establish scholarships for students in the teacher education program, and institutionalise the National Educators' Academy of the Philippines (NEAP) as a provider of quality professional development programs for in-service teachers, school leaders, and other teaching-related personnel.⁵⁰

Address the issues on educational facilities

According to the 2022 World Competitiveness Yearbook published by the International Institute for Management Development (IMD), the Philippines continues to trail behind in terms of infrastructure competitiveness, with an overall rank of 57th out of 63 economies. Out of 14 Asia Pacific countries that are included in the report, the Philippines ranked 13th in infrastructure competitiveness. For the country, the infrastructure pillar is the lowest among the competitiveness factors, particularly with respect to education infrastructure.⁵¹

As per the data of the DepEd, there are 327,851 school buildings, of which 189,324 require repairs, with over 89,000 needing major work. 21,727 of these constructions are no longer safe. With around 28.4 million enrollees for School Year (SY) 2022-2023, there was a significant fall in private school enrollment, leading to the closure of over 1,600 private schools.⁵²

Furthermore, the DepEd recorded 28,035,042 enrollees for SY 2022-2023 based on the total of the Learner Information System (LIS) Quick Count and early registration data. Region IV-A (CALABARZON) had the most registrations with 3,423,460, followed by Region III (Central Luzon) and the National Capital Region, which had 2,619,321 and 2,454,151, respectively.⁵³

However, studies suggest that 75 to 80 students are packed into one classroom in the Philippines, designed to only cater to 40 learners. Pre-pandemic, class shifting had been implemented to accommodate enrollees annually to compensate for the lack of classrooms. As a result, persisting classroom shortages are expected to impact the learning setup of students and teachers following the resumption of in-person classes.⁵⁴

On this account, the Chamber and its Education Committee welcome the implementation of initiatives favourable to the upgrading of the whole learning experience of Filipino students. Under the MATATAG Agenda of DepEd, the establishment of the School Infrastructure and Facilities strand will focus on addressing long-standing issues on education facilities and infrastructure. In February 2023, the Agency and the Department of Public Works and Highways (DPWH) renewed their partnership in strengthening the School Building Program (SBP) under the Basic Education Facilities Fund.⁵⁵ Nevertheless, intensified efforts for investment promotion for the education sector are vital for the improvement of infrastructure facilities.

50 Official Gazette. (2022). Republic Act No. 11713 - An Act Further Strengthening Teacher Education in The Philippines by Enhancing The Teacher Education Council, Establishing a Scholarship Program For Students in The Teacher Education Program, Institutionalizing The National Educators Academy of The Philippines. Retrieved from <https://www.officialgazette.gov.ph/downloads/2022/04apr/20220427-RA-11713-RRD.pdf>

51 International Institute for Management Development. (2022). IMD World Competitiveness Yearbook 2022. Retrieved from <https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness/>

52 Hernando-Malipot, M. (30 January 2023). DepEd identifies challenges in basic education through BER 2023. Retrieved from <https://mb.com.ph/2023/01/30/dep-ed-identifies-challenges-in-basic-education-through-ber-2023/>

53 Department of Education. (2022). DepEd welcomes over 28M enrollees for SY 2022-2023. Retrieved from <https://www.deped.gov.ph/2022/08/23/dep-ed-welcomes-over-28m-enrollees-for-sy-2022-2023/>

54 Magsambol, B. (24 June 2022). LIST: 5 education issues that the next DepEd chief needs to address. Retrieved from <https://www.rappler.com/newsbreak/iq/list-education-issues-next-deped-chief-needs-to-address/>

55 Department of Education. (2023). DepEd, DPWH renew partnership in building basic education facilities. Retrieved from <https://www.deped.gov.ph/2023/02/10/dep-ed-dpwh-renew-partnership-in-building-basic-education-facilities/>

Strengthen vocational programs in the Philippines

Over the years, the ECCP Education Committee, spearheaded by the Chamber's Southern Mindanao Business Council, has fostered strong relationships among its partners and higher educational institutions (HEIs) in the region. With this commitment, the Committee calls for intensive promotion efforts in the government to aid the industry in building institutional partnerships with overseas counterparts through an amplified visiting professor and student exchange programs, joint research undertakings, and cultural exchanges.

It is in this context that the Chamber sees the need to increase involvement of industry players as well as enhance the implementation of R.A. 11448 or the Transnational Higher Education Act to further support the internationalisation of Philippine HEIs.⁵⁶ A full and effective enforcement of the measure is crucial in pursuing transnational knowledge co-creation and research linkages between HEIs and their counterparts regionally and globally.

Likewise, strengthening vocational programs in the Philippines is an indispensable tool to provide Filipino students with employment opportunities applicable to their skills and interests. The goal of creating an active and market-ready labour pool can be achieved by designing and efficiently implementing technical and vocational education and training (TVET) programs as well as by developing alternative assessment and certification methods.

With this in mind, the ECCP Education Committee welcomes policy initiatives to expand and promote enhanced vocational programs in the Philippines. In 2019, R.A. 11230 or An Act Instituting a Philippine Labor Force Competencies Competitiveness Program and Free Access to Technical-Vocational Education and Training (TVET) was passed into law to involve enterprise-based training (EBT) as a dominant mode of TVET delivery to improve workforce employability.⁵⁷ In the 19th Congress, several legislative proposals have been filed to incorporate apprenticeship and dual training systems in TVET. Notwithstanding the recent developments in the sector, existing laws and guidelines in the Philippines should be reviewed to expand their scope, allocate sufficient funds for vocational programs, streamline EBT procedures as well as provide more direct subsidies for the stakeholders. To supplement this initiative, the government should devise a human resource roadmap, which will lay down the required number of professionals and vocational technicians as well as areas in the sector where they will be needed to guide educational institutions for targeted outcomes.

Taking everything into consideration, the Chamber remains committed to being an active collaborator of the government to boost participation from the private sector in ensuring that technical and vocational education and training meet community needs and priorities. We will continue to harness the capacities of industry players and optimise opportunities for growth to share best practices and possible collaborations within the education sector.

56 Official Gazette. (2019). Republic Act No. 11448 - An Act Expanding Access to Educational Services Through the Establishment and Administration of Transnational Higher Education. Retrieved from <https://www.officialgazette.gov.ph/2019/08/28/republic-act-no-11448/>

57 Official Gazette. (2019). Republic Act No. 11230 - An Act Instituting a Philippine Labor Force Competencies Competitiveness Program And Free Access to Technical-Vocational Education and Training. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190222-RA-11230-RRD.pdf>

- **Improve health and nutrition programs for students**

The ECCP and Education Committee recognise the need to invest in overall health and well-being measures (OHMs) for public kindergarten and elementary learners. In 2018, DepEd launched the Oplan Kalusugan (OK) sa DepEd that shall focus on major school health and nutrition programs specifically the School-Based Feeding Program (SBFP), National Drug Education Program (NDEP), Adolescent Reproductive Health Education (ARH), Water, Sanitation, and Hygiene (WASH) in Schools (WinS), and Medical, Dental, and Nursing Services.⁵⁸

Nevertheless, government initiatives should cover not only nutrition and dental health care but also prenatal counseling and reproductive health, which are critical elements for assuring that students will have the necessary substance (i.e. intelligence quotient and emotional quotient) to study. In addition, strengthening and re-designing the implementation of feeding programs is also needed to aid in the learning habits of students. We also recommend the inclusion of oral health as well as ear, nose, and throat (ENT) health in the PhilHealth coverage to ensure student retention in schools. An innovative approach of extensive collaboration between the sectors of health and education at the national, regional, and local levels will be beneficial in maximising the substantial benefits of education on the development of Filipino learners.

- **Enhance support programs for private schools**

Private schools have played an essential part in the education of young Filipinos, especially in ensuring quality education services. Private schools provide an avenue for innovation, flexibility, and cultural or ideological specialisation, including religious instruction. For this reason, the ECCP underlines the complementarity between public and private schools, which provides diversity in terms of instructional methodologies and learning perspectives. In 2022, the DepEd has created the Private Education Office (PEO) at the DepEd Central Office (CO) to provide support to private education institutions through appropriate interventions including, but not limited to, the development of strategic directions and frameworks on the complementary roles of public and private institutions in the basic education system.⁵⁹

Over the years, however, there have been growing challenges faced by the private education sector in the Philippines. These concerns include the sustainability of private education institutions, including the exodus of private school teachers to the public school system due to a large discrepancy in teacher salaries.⁶⁰ Two measures have been filed in both Houses of Congress to prohibit the No Permit, No Exam policy at private educational institutions. HBN-7584⁶¹ covers basic private institutions while SBN-1359⁶² covers all public and private institutions, from elementary to tertiary and short-term vocational courses, which have been up for deliberation at the Bicameral Conference Committee in March 2023. In May of the same year, the House of Representatives approved the legislative proposal on third and final reading.⁶³ While these bills cater to all financially-struggling students, these may conversely harm private schools whose day-to-day operations heavily rely on a timely and adequate collection of tuition and other fees imperative for facility maintenance, the salaries of teachers, and the procurement of educational materials.

58 DepEd. (2018). DepEd Order No. 28, s. 2018. Retrieved from https://www.deped.gov.ph/wp-content/uploads/2018/07/DO_s2018_028.pdf

59 DepEd. (2022). DepEd establishes Private Education Office to provide support to private institutions in basic education. Retrieved from <https://www.deped.gov.ph/2022/03/18/deped-establishes-private-education-office-to-provide-support-to-private-institutions-in-basic-education/>

60 Acidre, J. (18 November 2019). Private Education. Retrieved from <https://manilastandard.net/opinion/columns/the-fifth-gospel-by-jude-acidre/310288/private-education.html>

61 House of Representatives. (2023). House Bill No. 7584. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/first_19/CR00441.pdf

62 Senate of the Philippines. (2023). Senate Bill No. 1359. Retrieved from <https://legacy.senate.gov.ph/lisdata/3958736038!.pdf>

63 Reganit, J. C. (8 May 2023). Bill prohibiting 'no permit, no exam' policy hurdles House. Retrieved from <https://www.pna.gov.ph/articles/1201029>

Considering the foregoing, the Chamber's Education Committee calls for a more creative, efficient, and holistic solution to the financial challenges of all education stakeholders, including students and private and public school players alike. It is on these grounds that the government should efficiently subsidise private education institutions to maximise the opportunities and services that they provide while at the same time guaranteeing student retention and their capacity to avail of these educational services. Performance-based loans or grants should also be instituted by the policymakers to significantly address the sector's issues of dwindling resources, decreasing enrollment, and school closures. Such a move will also aid private educational institutions in coping with the demands of the revised curriculum and other learning requirements. It also needs to be underlined that opening the ownership of private schools to foreign investments can address the matter of competitive salaries through equity infusion and better course offerings. We highlight that neglecting our private schools is a squandered opportunity for us to expand access to high-quality education.

- **Augment the implementation of academic equivalency programs**

Educational attainment of individuals in the Philippine workforce varies. While most Filipino workers in the labor pool completed their college or university degrees, some employees were unable to finish their academic studies but managed to attain sufficient work experience.⁶⁴ As employed undergraduates gain knowledge and expertise in their field of employment, the issue of academic qualifications arises. Most organisations require their employees to obtain a specific degree of education in order to be qualified for a job. This necessitates workers to return to school or pursue extra training and courses, which will enable them to obtain the credits required for better job positions and promotions.

In relation to the foregoing, the Commission on Higher Education (CHED)'s Expanded Tertiary Education Equivalency and Accreditation (ETEEAP) is a comprehensive educational assessment program at the tertiary level that recognises, accredits, and provides equivalencies to knowledge, skills, attitudes, and values gained by individuals from relevant work. Beneficiaries of the program should be at least high school graduates and must have worked for at least five years in the field or industry related to the academic program they are obtaining an equivalency.⁶⁵

The ETEEAP is implemented through deputised higher education institutions and qualified colleges and universities that applied to offer the program. However, a growing concern has occurred with respect to the processing time of pending applications of various institutions to the ETEEAP. On this account, the ECCP Education Committee calls for the augmentation of the academic equivalency program and enjoin the DepEd and CHED alike to improve and expedite the process of enforcing this initiative. Effectively implementing ETEEAP will not only support Filipino employees and educational institutions in awarding appropriate degrees but shall also assist employers from the private sector in building better worker relations amidst a competitive environment.

- **Reinforce skills and capability development**

The work immersion program, a prerequisite for graduation under the K to 12 Basic Education Curriculum, aims to provide Senior High School (SHS) students with opportunities to become familiar with work-related environments related to their field of specialisation to gain competence.⁶⁶ This effort is being done in partnership with the national government, local governments units, private sector, and civil society organisations, among others.⁶⁷

64 Philippine Statistics Authority. (2023). Employment Rate in February 2023 is Estimated at 95.2 Percent. Retrieved from <https://psa.gov.ph/content/employment-rate-february-2023-estimated-952-percent>

65 Commission on Higher Education. (n.d.). Expanded Tertiary Education Equivalency and Accreditation (ETEEAP). Retrieved from <https://ched.gov.ph/expanded-tertiary-education-equivalency-accreditationeteeap/>

66 DepEd. (2017). DepEd Order No. 30, s. 2017. Retrieved from https://www.deped.gov.ph/wp-content/uploads/2017/06/DO_s2017_030.pdf

67 DepEd. (2015). DepEd Order No. 40, s. 2015. Retrieved from https://www.deped.gov.ph/wp-content/uploads/2015/08/DO_s2015_40.pdf

Indeed, the rapid shift in globalisation is pushing the adequate period of the learning curve for its workers to be knowledgeable in the technical and soft skills required in the market. As a steadfast partner of the government in helping the growth and development of our youth to better prepare them in the workforce, the ECCP and its Human Capital Committee recommend that DepEd increase the minimum 80-hour requirement for the work immersion program to allow them more time to become more hands-on with the work environment and fully develop and retain the necessary skills and competencies required in the workforce.

- **Enact a revised apprenticeship law**

Countries all over the world are increasingly recognising the potential of work-based learning in reducing skills mismatch, meeting the demands of a fast changing labour market, and smoothing the transition to the world of work, among others. Particularly, the government is starting to put policies on apprenticeships high on their priorities.⁶⁸

With this, the Chamber lauds the approval of the proposed Revised National Apprenticeship Program Act in the lower house last December 2022. As a measure that seeks to complement the government's efforts to develop its future workforce, the ECCP and its Human Capital Committee strongly call for Congress to pass the proposed legislation to promote the employability and entrepreneurship of higher education graduates in the Philippines. This critical piece of legislation seeks to amend the Labor Code to ensure the professional development of pre-workforce individuals by equipping them with marketable and highly desirable technical skills based on the industry's needs and providing a continuous supply of skilled workers, thus addressing youth unemployment. Likewise, the proposed measure will protect apprentices from exploitative and incompetent employers.

- **Ease restrictions on the employment of foreign nationals**

On 05 August 2021, the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) issued Resolution No. 131-A⁶⁹ which served as a guideline for foreign nationals who intend to come to the Philippines to work in long-term employment, or for more than six months, with a Philippine-based employer, as well as employment in connection with foreign-funded government projects such as those in transportation and infrastructure.

The new guidelines specified that local companies may initiate the applications for Alien Employment Permit (AEP) and 9(g) commercial or 47(a)(2) visa of the foreign national, even if the latter is still out of the country. Further, local companies can go straight to the work permit and visa application process without having to separately apply for an Entry Exemption Document with the Department of Foreign Affairs (DFA). It is also worth noting that pursuant to Section 7 of the resolution, agencies may now accept digitised or scanned copies of original documents, including those authenticated or apostilled abroad, subject to the submission of the original documents on a later date.

In compliance with the issued IATF Resolution, the Department of Justice (DOJ) issued its guidelines for the processing of applications for the issuance of Special Non-Immigrant Visas pursuant to Section 47(a)(2) of the Philippine Immigration Act. In addition, the Bureau of Immigration (BI) issued Operations Order No. JHM-2021-004 which provided specific guidelines in relation to the issuance of 9(g) visas. Likewise, the DOLE issued Labor Advisory No. 16-21 to govern the issuance of AEP or Certificate of Exemption/Exclusion for foreign nationals working for more than six months in the country.

Relative to the aforementioned points, the ECCP, together with its Human Capital Committee, support the developments made on easing the restrictions on foreign employment, especially after the total ban on

the entry of foreign nationals into the country in 2020.⁷⁰ Moreover, the Chamber trusts that the Philippine government will continue to revisit the law and regulations that serve as a guide for the employment of foreign nationals, either medium- or long-term.

The move to ease restrictions on the employment of foreign nationals becomes more crucial in light of recently enacted laws which have eased foreign investment rules in the country:

- Republic Act No. 11659, otherwise known as, "An Act Amending Commonwealth Act No. 146, Otherwise Known as the Public Service Act, as amended" and its newly released implementing rules and regulations;
- Republic Act No. 11647, "An Act Promoting Foreign Investments, Amending Thereby Republic Act No. 7042, Otherwise Known as the 'Foreign Investments Act of 1991'" as Amended, and for Other Purposes" and its implementing rules and regulations; and
- Republic Act No. 11595, "An Act Amended Republic No. 8762, Otherwise Known as the 'Retail Trade Liberalization Act of 2000,' by Lowering the Required Paid-Up Capital for Foreign Retail Enterprises, and for Other Purposes" and its implementing rules and regulations ("IRR").

- **Increase labour productivity through improved workplace productivity schemes**

Republic Act No. 6971, otherwise known as the "Productivity Incentives Act of 1990", was signed into law on 22 November 1990, to encourage higher levels of productivity, maintain industrial peace and harmony and promote the principle of shared responsibility in the relations between workers and employers. The law provides corresponding tax incentives to both labour and capital for participating in voluntary productivity programs to ensure greater sharing by the workers in the fruits of their labour.

In 2015, it was reported by the Philippine Statistics Authority (PSA) that a total of 3,339 different productivity programs were adopted by 2,448 establishments all throughout the country. Of the 2,448 establishments, around half or 51.4% availed tax incentives under the Productivity Incentives Act.⁷¹ Across industries, 94.4% of the establishments with productivity programs in arts, entertainment and recreation availed of the tax incentives, while establishments engaged in water supply, sewerage, waste management and remediation activities posted the next highest share at 81.8%. Other industries that also reported high availment rate include real estate activities (74.2%); mining and quarrying (72.7%); and accommodation and food service activities (60.1%).

As businesses are still coping with the challenges brought about by the pandemic such as decrease in profits, more aggressive implementation of telecommuting and flexible work arrangements, the ECCP and its Human Capital Committee believe that the proposed Enterprise Productivity Act⁷² may aid businesses in alleviating some of these challenges. Employers may see increased productivity with the implementation of these schemes, while at the same time, benefit from the several incentives provided under the Act. The employees on the other hand, will be able to earn more under these schemes, which in turn will also help the Philippine economy in the long run.

68 International Labor Organization. (n.d.). Work-based learning, apprenticeships and recognition of prior learning. Retrieved from <https://www.ilo.org/skills/areas/work-based-learning/lang-en/index.htm>

69 IATF. (2021). Resolution No. 131-A. Retrieved from <http://calabarzon.dole.gov.ph/fndr/mis/files/IATF-RESOLUTION-NO-131-A-S-2021.pdf>

70 Bureau of Immigration Memorandum Circular No. JHM-2020-002.

71 PSA. (May 2018). LABSTAT Updates Vol. 22 No. 8. Retrieved from https://psa.gov.ph/sites/default/files/LABSTAT%20Updates%20Vol.%2022%20No.%208_0.pdf

72 The immediate passage of the measure is supported by the Department of Labor and Employment (DOLE).

ASSESSMENT OF 2022 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Improve the quality of education in the country	Enhance the curriculum for the basic education system	
	Facilitate enhanced training programs for teachers	
	Address issues on educational facilities	
Reinforce skills and capability development		
Enact a revised apprenticeship law		
Ease restrictions on the employment of foreign nationals		

⁷³ Manila Times. (22 June 2022). Review K to 12 programs, Marcos orders DepEd. Retrieved from <https://www.manilatimes.net/2022/06/22/news/national/review-k-to-12-program-marcos-orders-deped/1848275>

SOME PROGRESS	NO PROGRESS/ RETROGRESSION
<p>The DepEd launched the Basic Education Development Plan 2030 (BEDP 2030) to establish a strategic framework for improving the delivery and quality of basic education.</p> <p>Under the MATATAG Agenda, the DepEd will focus on strengthening numeracy and literacy programs to revitalise the K to 12 curriculum.</p> <p>In the House of Representatives, HBN-51 has been filed in August 2022 to revisit the K to 12 curriculum by amending R.A. No. 10533 or the Enhanced Basic Education Act of 2013.</p>	
<p>In the 19th Congress, several proposals have been introduced in the Lower House, seeking the expansion of government assistance to students and teachers in private education (GASTPE) to the elementary level.</p> <p>On 27 April 2022, R.A. No. 11713 was passed into law with the aim of strengthening the Teacher Education Council and establishing a scholarship for students in the teacher education program.</p>	
<p>The MATATAG Agenda of the DepEd includes the establishment of the School Infrastructure and Facilities strand, which will focus on addressing long-standing issues on education facilities and infrastructure. The Agency and the Department of Public Works and Highways (DPWH) renewed their partnership in February 2023 in strengthening the School Building Program (SBP) under the Basic Education Facilities Fund.</p>	
<p>In June 2022, President Ferdinand Marcos Jr. ordered the Department of Education (DepEd) to review the K to 12 programs to determine students' level of comprehension and competitiveness.⁷³</p> <p>In July 2022, Vice President and DepEd Secretary Sarah Duterte stated that DepEd has until July 2023 to finalise its review of the K to 12 program.</p>	
<p>The Revised National Apprenticeship Program Act or House Bill No. 6523 which aims to establish a reformed apprenticeship program that will ensure the availability of qualified manpower in critical and in-demand skills through the participation of employers, workers and government and non-government agencies was approved by the House last 12 December 2022. The bill was then transmitted to the Senate on 14 December 2022.</p>	
<p>On 05 August 2021, The IATF issued Resolution 131-A which served as a guideline for visa issuance to foreign nationals who intend to come into the Philippines for purposes of long-term employment. This resolution was followed by the issuance and advisory implementation from DOJ, DOLE, and BI.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
<p>Fostering Industry and Learning Institution Partnership</p>		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The implementation of the K to 12 program provided a window of opportunity to further the partnership between the academe and industry. Some of the efforts being done by key stakeholders are as follows:</p> <p>In CALABARZON, the Regional Development Council through RDC Resolution No. IV-A-43-2015 created the Special Committee on Strengthening Academe-Industry Linkages (SCS A-IL) to orchestrate the creation of partnerships of the academe and industries.⁷⁴</p> <p>Further, TESDA launched the 2021 National Industry Forum which was aimed to encourage the participation of more potential partners to engage in the provision of quality tech-voc in the country.⁷⁵</p> <p>In addition, the ECCP is one of the partners of the PATHWAY Project, an Erasmus+ funded project, and is being implemented in partnership with 9 organisations and institutions, including the Commission on Higher Education. The PATHWAY project started in January 2021 with the goal of strengthening the “University-enterprise cooperation” through promotion of entrepreneurship and employability of graduates. PATHWAY is a structural project that aims to have a nationwide impact by enhancing the entrepreneurial and employability culture of Higher Education institutions in the Philippines in order to meet labour market demands and governmental reforms.</p>	

⁷⁴ NEDA. (2018). Special Committee on Strengthening Academe and Industry Linkages. Retrieved from <https://calabarzon.neda.gov.ph/special-committee-on-strengthening-academe-and-industry-linkages/>

⁷⁵ TESDA. (2021). TESDA HOLDS FORUM TO STRENGTHEN INDUSTRY PARTNERSHIPS. Retrieved from <https://www.tesda.gov.ph/News/Details/20048>

INFRASTRUCTURE AND AVIATION ADVOCACY PAPER 2023

INTRODUCTION

Infrastructure is one of the most essential economic development accelerators and is a crucial element in eliminating poverty, protecting communities, and improving the standards of living. During the previous administration, the Build, Build, Build (BBB) Program, aimed at accelerating public infrastructure development in the country, was focused on key sectors of the Philippine economy, with transport and mobility as the highest priority and allocation of budget.¹

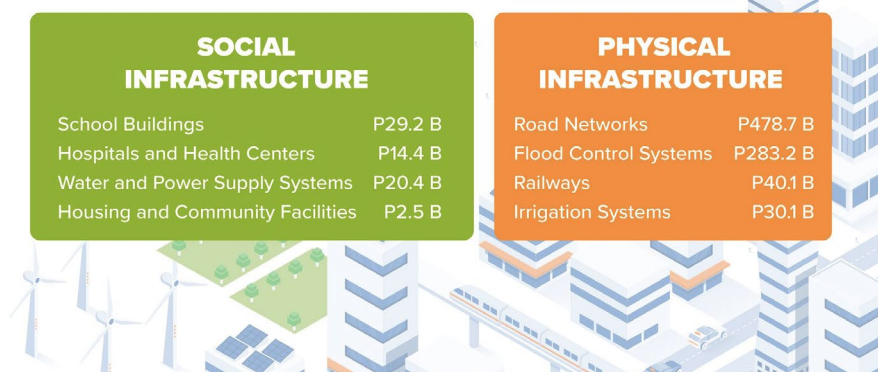
Under the current administration, Build, Better, More (BBM), from its previous iteration of BBB, seeks to further expand the country's flagship infrastructure program. The BBM Program targets infrastructure spending to reach 5% to 6% of the country's gross domestic product (GDP) annually. Under the 2023 national budget, the program has been allocated around PHP 1.3 trillion, which is equivalent to 5.5% of the country's GDP. The Philippine government also takes the direction of prioritising infrastructure that would benefit its food security program amidst the looming crisis of basic necessities caused by soaring inflation.² Moreover, from January to November 2022, infrastructure spending increased by 14.3% year-on-year to PHP 869.2 billion from PHP 760.4 billion.³ In March 2023, the National Economic and Development Authority (NEDA) Board approved a total of 194 priority infrastructure projects worth PHP 9 trillion, 123 projects of which are initiated in the current administration. The majority of the projects are focused on physical connectivity and water resources, including irrigation, water supply, and flood management.⁴



Build, Better, More

The Administration's flagship program on infrastructure development

P1.3 T (5.5% of GDP)



Source: Department of Budget and Management

1 National Economic Development Authority. (2021). Infrastructure Flagship Projects. Retrieved from https://neda.gov.ph/wp-content/uploads/2021/08/Revised-Infrastructure-Flagship-Projects-as-of-12-May-2021_1629771363.pdf

2 Philippine News Agency. (04 February 2023). 'Build Better More' program showcased in Tokyo forum. Retrieved from <https://www.pna.gov.ph/articles/1195132>

3 Jocson, L. M. J. (25 January 2023). Infrastructure spending rises in Nov. Retrieved from <https://www.bworldonline.com/top-stories/2023/01/25/500682/infrastructure-spending-rises-in-nov/>

4 CNN. (09 March 2023). NEDA Board OKs ₱9-T infra projects. Retrieved from <https://www.cnnphilippines.com/business/2023/3/9/neda-board-oks-infra-projects-marcos-admin.html>

Notwithstanding the noteworthy developments in the sector, a lot has still to be done to strengthen infrastructure development. According to the 2022 World Competitiveness Yearbook published by the International Institute for Management Development (IMD), the Philippines continues to trail behind in terms of infrastructure competitiveness, with an overall rank of 57th out of 63 economies. Out of 14 Asia Pacific countries that are included in the report, the Philippines ranked 13th in infrastructure competitiveness. For the country, the infrastructure pillar is the lowest among the competitiveness factors, particularly with respect to health and education infrastructure.⁵

The aviation industry, which has been drastically affected by the pandemic, is one of the priorities of the BBM Program and public-private partnership projects. Modernization of airport infrastructure and upgrading air transport safety systems have been more crucial than ever following the New Year's Day air traffic glitch at the Ninoy Aquino International Airport that shut down the Philippine airspace, leading to numerous flight cancellations affecting over 56,000 passengers and at least 282 flights.⁶

In the Philippines, tourism relies on air transport for 98% of international tourist arrivals. Domestic aviation connectivity is also critical for local communities to prosper from multi-destination trips of domestic and international tourists around the archipelago.⁷ Against this backdrop, the number of domestic and international travelers in the Philippines has increased, with the country logging 2.65 million international arrivals in 2022, beating the 1.7 million government target.⁸ As of 17 February 2023, the country recorded 730,760 visitor arrivals, where 729,250 or 99.79% of these travels were done by air.⁹ The Department of Tourism (DOT) recalibrated its goal for 2023 as it aims to attract at least 4.8 million visitors from abroad by year-end.¹⁰

Air Visitor Arrivals by Nationality - February to December 2022		
By Nationality	Total February to December 2022	% Share
Grand Total	2,653,858	100.00%
Total Overseas Filipinos ¹¹	628,445	23.68%
Total Foreign Tourists	2,025,413	76.32%

Source: Department of Tourism

With regard to digital infrastructure, the list of policy priorities under the current administration includes the commitment to bridge the digital divide by making internet connection affordable and accessible to all, and the intention to continue the country's digital transformation program. As of January 2023, data from the Ookla Speedtest Global Index report showed that the country's mobile speed averaged at 24.9 Mbps, ranking 82 out of 138 countries. In terms of fixed broadband, the country ranked 41st out of 179 countries with an average download speed of 88.13 Mbps.¹²

5 International Institute for Management Development. (2022). IMD World Competitiveness Yearbook 2022. Retrieved from <https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness/>

6 Bacelonia, W. (04 January 2023). Senate body to begin air traffic fiasco probe on Jan. 12. Retrieved from <https://www.pna.gov.ph/articles/1191954>

7 Safe Travel Alliance. Presentation on 'Revenge Tourism' and Philippine Airports at the Joint Foreign Chambers Philippine Airport Webinar Series Webinar.

8 Department of Tourism. (2023). Air Visitor Arrivals By Nationality: February to December 2022. Retrieved from http://www.tourism.gov.ph/files/2023/01/01-04/tourism_demand/Feb-Dec.pdf

9 Department of Tourism. (2023). Presentation of Assistant Secretary for Tourism Regulation Coordination and Resource Generation Rica Bueno during the ECCP Tourism Committee Meeting on 22 February 2023.

10 Department of Tourism. (2023). PHL breaches 2.6M arrivals for 2022; DOT chief bullish of 2023 projections. Retrieved from https://beta.tourism.gov.ph/news_and_updates/phl-breaches-2-6m-arrivals-for-2022-dot-chief-bullish-of-2023-projections/

11 Philippine Passport holders who are permanently residing abroad.

12 Ookla. (2023). Speedtest Global Index: Global Median Speeds January 2023. Retrieved from <https://www.speedtest.net/global-index>

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- The current administration's flagship program on infrastructure development, **Build, Better, More (BBM)**, targets infrastructure spending to reach 5 to 6% of GDP annually and aims to aid the country in gaining high-trajectory growth of 6.5 to 8.0% of GDP in the medium term. Under the 2023 national budget, the program is allocated around PHP 1.3 trillion, which is equivalent to 5.5% of the country's GDP.¹³ The DPWH will provide a clear framework and strategic orientations for sustainable projects based on the 8-Point Socioeconomic Agenda through the Farm-to-Market (FMR) Network Master Plan. Under the Evacuation Center Development Program, at least one evacuation center will be created in each city or municipality to minimize disruption to school buildings utilized as evacuation sites and temporary post-disaster shelters. Moreover, the DPWH devised the Metro Manila Logistics Improvement Program in the National Capital Region, which would create alternative links between major thoroughfares and improve the number of useable highways, decongesting traffic on major roads in Metro Manila. A Flood Management Master Plan for Metro Manila and Surrounding Areas is also in place, which incorporates structural mitigation measures.¹⁴
- In March 2023, the NEDA Board **approved a total of 194 priority infrastructure projects** worth PHP 9 trillion, 123 projects of which are initiated in the current administration. The majority of the projects are focused on physical connectivity and water resources, including irrigation, water supply, and flood management. 95 of the total infrastructure flagship projects (IFPs) are ongoing/approved for implementation, eight are for government approval, 47 with ongoing project preparation, and 44 pre-project preparation.¹⁵
- On aviation infrastructure, the **Philippine airspace was shut down on 1 January 2023** as the Air Traffic Management Center in Pasay City experienced some technical issues including a power outage and loss of communication. According to the Department of Transportation (DOTr), a failure in the uninterruptible power supply (UPS) equipment being used by the Civil Aviation Authority of the Philippines (CAAP) triggered the technical problems, which are linked to the power supply of the Communications, Navigation and Surveillance Systems for Air Traffic Management (CNS/ATM).¹⁶ With no airborne commercial flights in the country, at least 282 flights during New Year's Day have been either delayed, canceled, or diverted to other regional airports and ports abroad. This translates to over 56,000 affected passengers who were supposed to depart from or arrive at the Ninoy Aquino International Airport (NAIA).¹⁷ The Senate Committee on Public Services emphasized the vital need to strengthen the technical capability of the CAAP and upgrade critical equipment to avoid future airport failures.¹⁸ On 22 March, the Upper chamber adopted and approved with no amendments the findings and recommendations of the Committee.¹⁹ Among the Committee's other recommendations are:
 - Setting up of another CNS/ATM in an independent location
 - Fast-tracking of feasibility studies on the proposed NAIA privatization
 - Immediate compliance by CAAP to the recommendations of the International Civil Aviation Organization (ICAO)

- Amendment of CAAP charter to improve efficiency and transparency
- Passage of relevant bills such as Philippine Transportation Safety Board (PTSB), Philippine Airports Authority (PAA) Act and Air Passengers Bill of Rights

- The DOTr has completed the **terms of reference for the privatization of NAIA**, which intends to improve aircraft movement per hour by 25%. The NAIA can only manage 40 to 44 aircraft movements per hour and will be able to handle up to 55 aircraft movements once privatized.²⁰
- According to the DOTr, the public and private sectors would **spend PHP 1 trillion on aviation projects in 2023** to boost the revival of travel and tourism. The DOTr intends to build and upgrade regional gateways in particular.²¹ The Agency highlighted several airport projects to accommodate local and foreign tourists, including Clark International Airport's newly opened passenger terminal building, the construction of New Manila International Airport in Bulacan and Sangley Point International Airport in Cavite, and improvements to NAIA and Bicol International Airport.²² Moreover, the national budget for 2023 under the General Appropriations Act (GAA) includes financing for the rehabilitation and improvement of eight airports around the country. These include Tacloban Airport, Laoag International Airport, Antique Airport, New Zamboanga International Airport, Bukidnon Airport, Vigan Airport, NAIA, and M'lang Airport.²³

ON LEGISLATION

- In August 2022, **Senate Bill No. (SBN) 1181** otherwise known as the **Philippine Building Act of 2022**, has been filed to provide the effective regulation of planning, design, construction, occupancy, and maintenance of all public and private buildings and structures. The bill also primarily seeks to amend Presidential Decree No. 1096, The National Building Code of the Philippines, in line with the new and modern science and technology.²⁴ Similarly, SBN-289 aims to strengthen the Presidential Decree by mandating a comprehensive nationwide inspection of buildings and imposing stiff penalties against building officials violating the provisions of the said code.²⁵
- One of the priority bills of the current administration is the **amendment of Republic Act (RA) No. 6957 or the Build-Operate-Transfer (BOT) Law** in order to create a "more competitive and enabling environment" for public-private partnerships (PPPs). The revised 2022 Implementing Rules and Regulations (IRR) of the BOT Law took effect last October 2022. This includes reforms that address stakeholder concerns on the financial viability and bankability of PPP projects as well as on potential delays due to extra steps, rigid processes, or ambiguous provisions.²⁶ Several proposals have been submitted in the Upper House strengthening public-private partnerships. Senate Bill No. 1613 filed is the 19th Congress' version of the measure while the other bills, Senate Bill No. 1344, 1251, 765, and 1022, are based on the Committee Report that was approved in the previous Congress. All bills have been pending at the Committee on Public Works, Economic Affairs, Ways and Means, and Finance.
- **Senate Bill No. 1537 or An Act Facilitating the Acquisition of Right-of-Way (ROW) Act** was read in the first reading in November 2022 and referred to the Committees on Public Works, Justice and Human Rights, and

13 Philippine News Agency. (14 February 2023). 'Build Better More' program showcased in Tokyo forum. Retrieved from <https://www.pna.gov.ph/articles/1195132>

14 Patinio, F. (08 October 2022). 'Build, Better, More' infra projects on the way to robust economy. Retrieved from <https://www.pna.gov.ph/articles/1185679>

15 CNN. (09 March 2023). NEDA Board OKs ₱9-T infra projects. Retrieved from <https://www.cnnphilippines.com/business/2023/3/9/neda-board-oks-infra-projects-marcos-admin.html>

16 Lalu, G. P. (01 January 2023). UPS failure caused glitch at CAAP's Air Traffic Management Center, says DOTr. Retrieved from <https://newsinfo.inquirer.net/1711344/ups-failure-caused-glitch-at-caaps-air-traffic-management-center-says-dotr>

17 Lalu, G. P. (01 January 2023). Business and gov't execs, netizens lament New Year air traffic system glitch. Retrieved from <https://newsinfo.inquirer.net/1711316/bad-omen-netizens-business-and-govt-execs-lament-ph-airspace-shut-down-on-new-year>

18 Senate of the Philippines. (2023). Committee Report No. 39 - Air Traffic Management System Glitch at The NAIA. Retrieved from <https://legacy.senate.gov.ph/lisdata/4103237392!.pdf>

19 Pinlac, B. (23 March 2023). Senators recommend CAAP to have regulatory-only role. Retrieved from <https://newsinfo.inquirer.net/1746903/senators-recommend-caap-to-have-regulatory-only-role>

20 Iglesias, M. (16 January 2023). NAIA privatization in the works; tourism, MSMEs to benefit. Retrieved from https://malaya.com.ph/news_business/naia-privatization-in-the-works-tourism-msmes-to-benefit/

21 Rosales, E. F. (17 February 2023). CAAP sets P1 billion upgrade of regional airports. Retrieved from <https://www.philstar.com/business/2023/02/17/2245427/caap-sets-p1-billion-upgrade-regional-airports->

22 Malaya Business Insight. Major infra to boost tourism. Retrieved from https://malaya.com.ph/news_business/major-infra-to-boost-tourism/

23 Gita-Carlos, R. A. (19 January 2023). Gov't earmarks P3B for rehab, modernization of 8 airports. Retrieved from <https://www.pna.gov.ph/articles/1193109>

24 Senate of the Philippines. (2022). Senate Bill No. 1181 - Philippine Building Act of 2022,. Retrieved from <http://legacy.senate.gov.ph/lisdata/3921535652!.pdf>

25 Senate of the Philippines. (2022). Senate Bill No. 289 - Strengthening P.D. No. 1096 (The National Building Code of The Philippines) As Amended. Retrieved from <http://legacy.senate.gov.ph/lisdata/3803634477!.pdf>

26 Public-Private Partnership Center. (2022). Revised 2022 IRR of the BOT Law. Retrieved from <https://ppp.gov.ph/publications/revised-2022-irr-of-the-bot-law/>

Ways and Means. This seeks to amend Republic Act No. 10752 to address difficulties in complying with the law's stringent requirements, such as valuation, compensation, and expropriation issues. The proposal likewise seeks to accelerate the implementation of infrastructure projects and to provide clearer and fairer terms for ROW acquisition for both property owners and the government.²⁷

- On 1 June 2022, the previous Congress ratified the bicameral conference committee report on the disagreeing provisions of Senate Bill No. 1077 and House Bill No. (HBN) 9030, creating the **PTSB**. The proposed PTSB bill seeks the creation of a non-regulatory and independent agency attached to the Office of the President to be the primary agency responsible for the conduct of impartial investigation on transportation-related accidents and incidents.²⁸ However, the measure has been vetoed last 30 July 2022 as it "is likely to create functional duplication, confusion as to authority, ineffectiveness, and deficiency in the performance of the responsibilities."^{29,30} In the 19th Congress, SBN-1121 and HBN-1801 have been filed to push for the PTSB creation. Senate Committee Report No. 38 has been filed in March 2023 while HBN-1801 is still with the Committee on Government Reorganization since August 2022.^{31,32}

The ECCP, together with the Joint Foreign Chambers of the Philippines (JFC), Safe Travel Alliance, and IATA, issued a public statement expressing their disappointment over the veto³³ and committing to support its approval in the current Congress, especially after technical glitches in the country's air traffic system led to the shutdown of the Philippine airspace in January 2023.³⁴ The bill pushing for the establishment of the PTSB would have resulted in better transportation safety measures and standards for the country.

- Filed in the 19th Congress, SBN-1073 aims to **establish the Philippine Airports Authority**, which shall be an independent agency focused on the development of Philippine airports and provide a unified approach to the operations and maintenance of domestic and international airports. Under this bill, all operational responsibilities and duties of the Civil Aviation Authority of the Philippines would be transferred to the Philippine Airports Authority under the proposed measure. SBN-1073, filed by Senator Grace Poe, has been pending at the Committee level since September 2022.³⁵ In the Lower House, HBN-2234 or An Act Creating the Philippine Airports Corporation has been pending with the Committee on Government Enterprises and Privatization since August 2022.³⁶
- On 16 January 2023, HBN-6774 was filed to **amend the Civil Aviation Authority Act of 2008** and separate the regulatory and commercial functions of the Civil Aviation Authority of the Philippines. It has been pending with the Committee on Transportation since 24 January 2023.³⁷ Meanwhile, its Senate counterpart, SBN-1033, filed

27 Senate of the Philippines. (2022). Senate Bill No. 1537 - An Act Facilitating the Acquisition of Right-of-Way Act. Retrieved from <http://legacy.senate.gov.ph/lisdata/4000436429!.pdf>

28 Senate of the Philippines. (2022). Senate Bill No. 1077 - National Transportation Safety Board Act. Retrieved from http://legacy.senate.gov.ph/lis/bill_res.aspx?congress=18&q=SBN-1077

29 Antonio, R. (30 July 2022). Marcos vetoes bills on tax exemption for poll workers' allowances, creation of transportation safety board. Retrieved from <https://mb.com.ph/2022/07/30/marcos-vetoes-bills-on-tax-exemption-for-poll-workers-allowances-creation-of-transportation-safety-board/?amp>

30 A copy of the veto Message of the President for House Bill No. 9030/Senate Bill No. 1077 can be viewed at <https://drive.google.com/file/d/18amb0VttcBHZFEEyFIRnai-xbeTiqRhB/view?usp=sharing>

31 Senate of the Philippines. (2022). Senate Bill No. 1121 - Philippine Transportation Safety Board Act. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1121

32 House of the Representatives. (2022). House Bill No. 1801 - An Act Promoting Cost-Effective Measures For The Transport Sector And Commuting Public, Providing For The Creation Of A National Transportation Safety Board. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB01801.pdf

33 Joint Foreign Chambers of the Philippines. (04 August 2022). Stakeholders disappointed by veto of bill creating Philippine Transportation Safety Board. Retrieved from <https://www.investphilippines.info/arangkada/media-release-stakeholders-disappointed-by-veto-of-bill-creating-philippine-transportation-safety-board/>

34 Joint Foreign Chambers of the Philippines. (30 January 2023). Foreign Chambers, other stakeholders call for Passage of PTSB Bill after NAIA Air Traffic System glitch. Retrieved from <https://www.investphilippines.info/arangkada/foreign-chambers-other-stakeholders-call-for-passage-of-ptsb-bill-after-naia-air-traffic-system-glitch/>

35 Senate of the Philippines. (2022). Senate Bill No. 1073 - An Act Creating The Philippine Airports Authority. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1073

36 House of Representatives. (2022). House Bill No. 2234 - An Act Creating the Philippine Airports Corporation. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB02234.pdf

37 House of the Representatives. (2023). House Bill No. 6774 - An Act Amending The Civil Aviation Authority Act

in August 2022, has been read on first reading and referred to the Committee on Public Services in September of the same year. Under the bill, the Agency's fiscal autonomy will be enhanced, as it will be exempted from Republic Act No. 7656 or the Dividend Law to maximize the use of its revenues. Likewise, the measure calls for the exemption of CAAP from the coverage of the Governance Commission for Government-Owned and Controlled Corporations (GOCCs) Law and the Salary Standardization Law in consideration of the highly technical nature of the functions of the agency.³⁸

With the government doubling its efforts to bridge the country's digital infrastructure gap, among the priorities and implementations of the new administration are as follows:

- **The BroadBand ng Masa Project (BBMP)** is a connectivity expansion initiative led by the Department of Information and Communications Technology (DICT). As of February 2023, the project has established a total of 4,385 operational live sites in 73 provinces and Metro Manila, across 601 cities and municipalities all around the country. The DICT aims to connect not only major islands, but geographically isolated and disadvantaged areas (GIDAs) such as the provinces of Basilan, Sulu, Tawi-Tawi (BaSuLTa), and the Pag-asa Island of the Kalayaan Group of Islands in the province of Palawan.³⁹
- In relation to the foregoing, **SpaceX's Low Earth Orbit (LEO) satellite internet service Starlink** entered the Philippines on 22 February 2023. According to the DICT, this new development will complement the country's existing broadband capacities, enabling faster broadband speed and better connectivity, particularly in far-flung areas.⁴⁰
- The DICT's **Luzon Bypass Infrastructure Project (LBIP)** is a 240-kilometer fiber line that will connect government-owned cable landing stations (CLS) in Baler, Aurora, and in Poro Point, La Union – with repeater stations at 50-km intervals. The LBIP will increase total government capacity from 40,000 to 2,000,000 Mbps, and the first phase is expected to be completed within the first half of 2023.⁴¹

ON LEGISLATION

- The **Open Access in Data Transmission Act** or **House Bill No. 6⁴²** seeks to lower barriers and cost to entry for data service providers and promotes sharing of infrastructure and efficient use of resources. The proposed legislation is critical to establishing a forward-looking and future-ready digital policy framework for the Philippines. Approved by the House last 12 December 2022, the bill was transmitted to the Senate on 14 December.
- The proposed **Satellite-Based Technologies Promotion Act⁴³** eases regulatory requirements for the use of satellite-based internet technologies to connect unserved and underserved communities. The bill promotes the expansion of satellite-based networks, particularly in underserved and unserved areas, by allowing internet service and value-added services providers to own and operate their own network using satellite technology without the need for a franchise and a provisional authority of Certificate of Public Convenience and Necessity

of 2008 and Separating The Regulatory and Commercial Functions of The Civil Aviation Authority of The Philippines. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB06774.pdf

38 Senate of the Philippines. (2022). Senate Bill No. 1003 - Strengthening The Civil Aviation Authority of The Philippines. Retrieved from http://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1003

39 Presidential Communications Office. (21 February 2023). PBBM admin's BroadBand ng Masa program to boost Wi-Fi connectivity in PH with 1st subsea cable system project. Retrieved from https://pco.gov.ph/news_releases/pbbm-admins-broadband-ng-masa-program-to-boost-wi-fi-connectivity-in-ph-with-1st-subsea-cable-system-project/

40 Rosales, E. (25 February 2023). Government eyes Starlink for free public WiFi program. Retrieved from <https://www.philstar.com/business/2023/02/25/2247392/government-eyes-starlink-free-public-wifi-program>

41 Philippine News Agency. (29 December 2022). DICT targets to install free Wi-Fi in over 9K locations. Retrieved from <https://www.pna.gov.ph/articles/1191678>

42 House of Representatives. (12 December 2022). House Bill No. 06. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT0006.pdf

43 As of 13 March 2023, there have been bills filed at the Senate and House on the Satellite-Based Technologies Promotion Act – Senate Bill Nos. 814, 1380; and House Bill Nos. 5471, 4176, 640.

(CPCN) from the National Telecommunications Commission (NTC). The bills which have been filed/refiled both in the upper and lower houses are all pending in the Committee.

- The **Better Internet Act**⁴⁴ requires internet service providers (ISP) to increase service coverage and deliver a minimum standard for internet connection speed within three (3) years from the effective date of the Act and according to the schedule and strategy to be set forth by the DIC in the National ICT Household Plan. While several bills have been filed/refiled both in the upper and lower houses, all are currently pending in the Committee.

ADVOCACY RECOMMENDATIONS

ECCP INFRASTRUCTURE COMMITTEE RECOMMENDATIONS

- **Prioritization and allocation of funds for green infrastructure**

The Philippines' continued susceptibility to climate change impedes infrastructure provision and operation, undermining significant infrastructure investments. With its significant exposure to natural hazards, reliance on climate-sensitive natural resources, and vast coastlines, the Philippines ranked first among 193 countries in the 2022 World Risk Report.⁴⁵ In this view, enabling economic development builds on the solid foundation of sustainable, resilient, and modern infrastructure systems. According to the research study conducted by the United States Environment Protection, green infrastructure is more cost-effective than traditional gray infrastructure, as it improves air quality caused by urban heat and promotes water conservation, reducing the need for irrigation.⁴⁶

The PPP Governing Board (PPGGB) approved a resolution in 2018 that intends to integrate environmental and other safeguards throughout the whole PPP project cycle to improve the policy framework under which PPPs operate. Such integration can serve as a solid benchmark for the Philippines' efforts to accelerate green infrastructure development. Similarly, the Philippine Action Plan for Sustainable Consumption and Production (PAP4SCP) was prepared by the NEDA with assistance from the Asian Development Bank (ADB) through adopting policy reforms and initiatives in the short-term (2020-2022), medium-term (2022-2030), and long-term (2022-2030). The PAP4SCP will serve as a guiding framework to influence and drive sustainable practices and behavior across sectors and levels of government. Infrastructure is one of the four action nodes in the PAP4SCP, and the plan aims for green infrastructure development.⁴⁷

It is in this light that the Committee recognizes that climate change should be methodically considered in infrastructure planning, design, operation, and maintenance. A significant increase in green infrastructure investment is required for the Philippines to fulfill its climate commitments, including global emission reduction plans under the Paris Climate Change Agreement. On this account, we recommend including resilience and sustainability considerations into current infrastructure operations and investment to mitigate economic headwinds and reduce financial burdens. The said considerations should take into account Scope 1, Scope 2, and Scope 3 emissions as defined by Greenhouse Gas Protocol⁴⁸. Developing a full greenhouse gas emissions inventory—incorporating Scopes 1, 2, and 3 emissions—enables companies to understand their full value chain emissions and focus their efforts on the greatest reduction opportunities. Moreover, technologies, such as nature-based solutions (NBS), should be used in infrastructure planning and design.

In relation to the foregoing, the Committee strongly supports the use of active transportation as a viable and sustainable supplement to existing modes of transport. Implementing low-carbon transportation to improve connectivity and

44 As of 13 March 2023, there have been bills filed at the Senate on the Better Internet Act – Senate Bill Nos. 282, 329, 386, 701, 1381.

45 Bündnis Entwicklung Hilft, Ruhr University Bochum – Institute for International Law of Peace and Conflict. (2022) World Risk Report 2022. Retrieved from <https://weltrisikobericht.de/weltrisikobericht-2022-e>.

46 United States Environment Protection. (2015). Green Infrastructure Opportunities that arise during Municipal Operations. Retrieved from: https://www.epa.gov/sites/default/files/2015-09/documents/green_infrastructure_roadshow.pdf

47 Davidson, K., Gunawan, K., Almeida, M., & Boulle, B. (2020). Green Infrastructure Investment Opportunities: Philippines 2020 Report. *Asian Development Bank*. DOI: <http://dx.doi.org/10.22617/TCS200335-2>

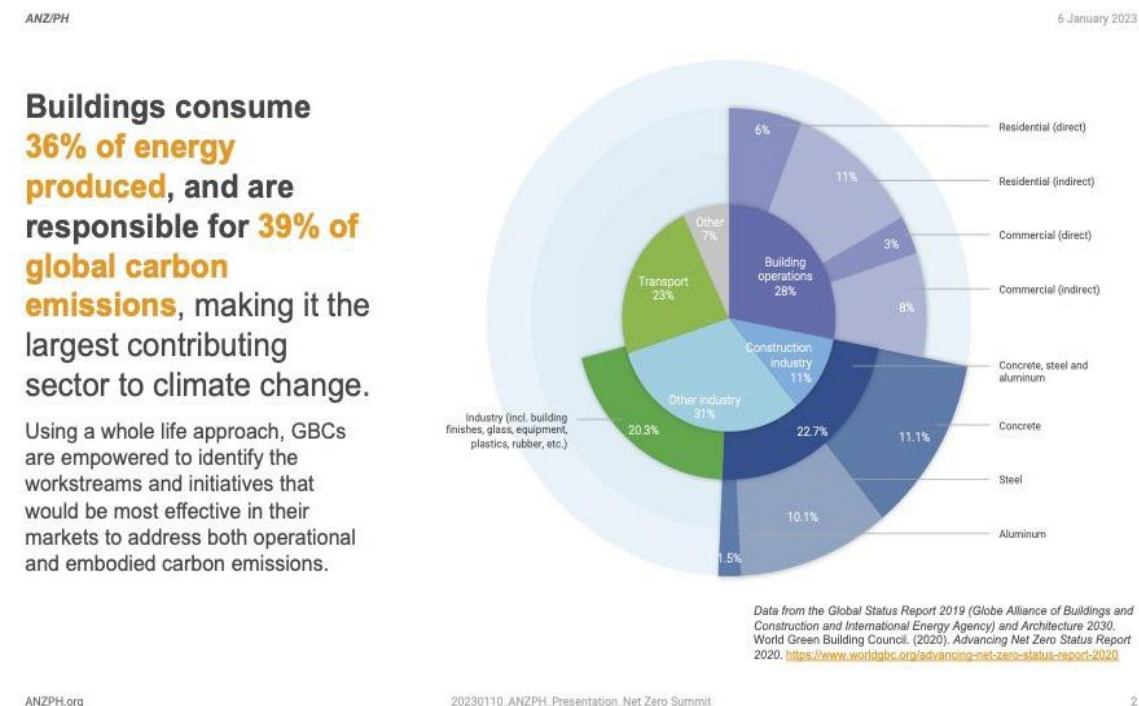
48 Greenhouse Gas Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains, as well as mitigation actions.

mobility will provide a long-term solution to the traffic congestion problem. Currently, two major policies have been issued to ensure the continued integration of active transportation into the transport infrastructure network: DOH-DILG-DPWH-DOTr Joint Administrative Order No. 2020-0001, which covers the promotion and safe use of all types of active transportation during and after the COVID-19 pandemic; and DPWH Department Order No. 88, Series of 2020, which prescribes standards for bicycle operating spaces and the classification of bicycle facilities in our roadways.⁴⁹ As such, transport corridors should be climate-responsive and safe. Such a move will reduce urban congestion and enhance energy security, equitable mobility access, and safety. Without proper infrastructure and support facilities such as segregated active mobility corridors, showers, widened sidewalks, and lockers, active transport would remain unviable for commuters.

Incorporate sustainability in infrastructure project planning and implementation

According to the World Green Building Council, building operations and the construction industry consume 36% of all energy produced and account for 39% of global carbon emissions, making it the most significant contributor to climate change. On the other hand, 28% of direct and indirect emissions come from the energy required to heat, cool, and power the world's residential and non-residential buildings. The materials and building construction processes account for the remaining 11% of emissions linked with the industry. Likewise, concrete, steel, and aluminum are the most carbon-intensive materials. These materials sectors alone are responsible for 22.7% of total emissions.⁵⁰

Breakdown of Direct and Indirect Energy Carbon Emissions of the Building and Construction Sector



Source: World Green Building Council

Should the building and construction industry substantially shift the demand for low-carbon alternatives for materials, the transformation of the supply chain in the industry processes will be achieved. This would have a significant impact on emissions for those material streams, as well as emissions largely ascribed to other sectors. On this view, the Committee calls for the government to adopt decarbonization strategies by emphasizing energy conservation via passive design techniques to lower operational energy consumption. Specifically, we are committed to promoting the increase of the use of blended cement in public infrastructure projects and reducing that of Type 1 cement, which produces more carbon emissions. Considering that concrete is the most widely used construction

49 National Economic and Development Authority. (2023). Philippine Development Plan 2023-2028). Retrieved from <https://pdp.neda.gov.ph/wp-content/uploads/2023/01/PDP-2023-2028.pdf>

50 World Green Building Council. (2020). *Advancing Net Zero Status Report 2020*. Retrieved from https://worldgbc.org/wp-content/uploads/2022/04/ANZ-Status-Report-2020_PUBLICATION.pdf

material, blended cement significantly reduces the consumption of non-renewable raw materials and the emission of greenhouse gases.⁵¹ Such a move will aid the country in achieving its goal of cutting carbon emissions by 75% by 2030.⁵²

In the current Congress, several bills have been filed seeking to amend R.A. 9184 or the Government Procurement Reform Act (GPRA)⁵³ as well as to establish a Green or Sustainable Public Procurement Program⁵⁴ for all departments, bureaus, offices, and agencies of the government. The Committee strongly supports the provisions on Sustainable Public Procurement where the sustainability of materials to be procured shall be given greater weight in the evaluation of bids for infrastructure projects.

In cement manufacturing, carbon dioxide (CO₂) is produced during the production of clinker, a nodular intermediate product that is then finely ground, along with a small proportion of calcium or anhydrite, into hydraulic cement. During the production of clinker, limestone is heated or calcined to produce lime and CO₂ as a by-product. The higher the clinker content of the cement, the more CO₂ is emitted. In the Philippines, there are two types of cement produced: Portland cement and Blended cement. Portland cement has a higher clinker content ranging from 90% to 97% while Blended cement has about 55% to 80% depending on the availability of alternative materials.

The production of Blended cement in the country has been increasing over the years and its current share in the total cement production is presently estimated at 65% where the remaining 35% is Portland cement. Supplementary cementitious materials (SCMs) such as fly ash, natural pozzolan, and granulated blast furnace slag may be used to substitute clinker to produce Blended cement. The substitution of clinker with SCMs results in a significant avoidance of emissions, management of industrial waste, and possibly reduced limestone quarrying. Additionally, domestically produced cement has a lower CO₂ footprint compared to imported cement as long as sea freight costs are reduced.

We also urge the current administration to implement energy-efficient technology and procedures, and utilization of low-carbon materials in various government infrastructure projects. This can be achieved by pushing for policy reforms that will promote sustainable practices and techniques both within government operations and in the private sector in line with its commitment to the Paris Climate Agreement. Amending the National Building Code will ensure that buildings are equipped to provide universal access to high-quality, reliable, and secure ICT services by incorporating minimum electronic requirements, such as telecommunications, educational, and health facilities, as well as commercial, government, and office buildings, among others. We believe that the passage of this proposal will offer a more effective regulation of all public and private buildings and structures' planning, design, construction, occupancy, and maintenance, and encourage building resilience against natural and man-made catastrophes.

Under the Philippine Development Plan 2023–2028, the government identifies strategies to expand and upgrade critical infrastructure. It includes both cross-cutting and specific initiatives for each subsector: connectivity (physical and digital), water resources, energy, and social infrastructure.⁵⁵ Nonetheless, it is incumbent upon the Philippines to take a sectoral approach to identify how different infrastructure sectors contribute to reducing greenhouse gas (GHG) emissions and aligning the expansion of green projects with its national climate goals.

51 García-Segura, T. & Yepes, V. (2014). Life cycle greenhouse gas emissions of blended cement concrete including carbonation and durability. *The International Journal of Life Cycle Assessment* 19(1). DOI:10.1007/s11367-013-0614-0

52 Department of Finance. (2021). President Duterte approves PHL commitment of 75 percent emissions reduction target by 2030. Retrieved from <https://www.dof.gov.ph/president-duterte-approves-phl-commitment-of-75-percent-emissions-reduction-target-by-2030/>

53 Senate Bill Nos. 1803, 1023, 619, And 618.

54 Senate Bill Nos. 1877, 1857, 1488, 623, 556.

55 National Economic and Development Authority. (2023). Philippine Development Plan 2023-2028. Retrieved from <https://pdp.neda.gov.ph/wp-content/uploads/2023/01/PDP-2023-2028.pdf>

- **Undertake strategic partnerships to ensure the inclusive and sustainable development of the infrastructure industry**

Align infrastructure policies of the national government and local government units (LGUs) by improving the implementation of the Mandanas-Garcia Ruling

The implementation of the Mandanas-Garcia Supreme Court ruling should be improved to ensure the timely completion and quality of infrastructure projects. Several issues persist, including a lack of technical capability in some LGUs, concerns about the absorptive capacity of local road contractors, and a lack of manpower in LGUs, particularly in municipalities and low-income LGUs.⁵⁶ On this ground, the ECCP Infrastructure Committee also urges the national government and LGUs to provide appropriate funds for the periodic maintenance of infrastructure facilities. A strict monitoring mechanism is also imperative in verifying the licenses or accreditations of contractors.

To ensure that the increased available financial resources of LGUs as a result of the Mandanas-Garcia ruling contribute to socioeconomic development to the greatest extent possible, the national government must assist the LGUs by providing technical assistance and establishing service delivery standards. The national government needs to assess optimal cost-sharing mechanisms in the execution of devolved infrastructure projects in collaboration with LGUs. Likewise, the support of the private sector on the execution of technical assistance programs as well as on sharing best practices on technological innovation can be utilized to augment the LGU's capacity for implementing infrastructure projects.

In addition, there is a need for the government's continued support in improving the ease of doing business including right-of-way (ROW) issues and ensuring checks and balances, among others. Due to the pandemic, there had been delays in infrastructure project implementation, including issues with the mobility of construction materials and other restrictions that made ROW acquisition even more challenging. In order to address difficulties in complying with the law's stringent requirements, such as valuation, compensation, and expropriation issues, Senate Bill No. 1537 seeks to amend Republic Act No. 10752 otherwise known as the Right-of-Way Act. The proposal likewise seeks to accelerate the implementation of infrastructure projects and to provide clearer and fairer terms for ROW acquisition for both property owners and the government.

Strengthen public-private partnerships

The ECCP and its Infrastructure Committee recognize that building modern, efficient infrastructure is critical to the country's competitiveness and is imperative to attracting more investments in the Philippines. Infrastructure development also serves as an avenue to foster long-term partnerships with other multi-stakeholders. In light of this, the ECCP urges the government to strengthen public-private partnerships (PPPs) to offer significant advantages given the private sector's pool of funds, expertise, and innovation. The use of PPPs provides alternative financing solutions to the Philippines' infrastructure needs and contributes to freeing up public resources that can be used in social services.

The Golden Age of Infrastructure can be facilitated with the passage of legislation favorable to PPPs, encouraging the private sector to be the main engine for growth and development. To further secure infrastructure operations' long-term viability, the ECCP urges the government to prioritize solicited bids over unsolicited ones and negotiated contracts except for infrequent cases. Solicited bids provide a more coordinated approach to infrastructure development and are more aligned with the government's infrastructure program. Accordingly, we support the recent plans of the PPP Center to focus on solicited projects, which will have been reviewed extensively for conformity to government priorities.⁵⁷ Still, the Committee reiterates that facilitating public-private partnerships requires the strengthening of the institutional capacity of existing agencies.

56 Navarro, A. M. & Latigar, J. S. (2022). Road and Rail Transport Infrastructure in the Philippines: Current State, Issues, and Challenges. *Philippine Institute for Development Studies*. Retrieved from <https://pidswebs.pids.gov.ph/CDN/document/pidsdps2234.pdf>

57 Jocson, L. M. A. (08 February 2023). PPP Center focused on solicited projects to better align with gov't priorities. Retrieved from <https://www.bworldonline.com/economy/2023/02/08/503820/ppp-center-focused-on-solicited-projects-to-better-align-with-govt-priorities/?amp>

- **Reconsider mineral reservations and imposition of mineral reserve status**

Former President Duterte signed Executive Order (EO) No. 130 of 2021 in April 201, amending Section 4 of Executive Order No. 79 of 2012, or the Grant of Mineral Agreements.⁵⁸ With this policy, the government can enter into new mineral mining agreements subject to compliance with the Philippine Mining Act of 1995 and other applicable laws, rules, and regulations. This is a welcome development as it will allow the mining industry to continue to support various government initiatives as well as infrastructure programs by providing raw materials for the construction and growth of other sectors. This will also generate additional job opportunities in remote, rural areas where mining operations are taking place, thereby boosting countryside development.

In August 2022, the House of Representatives approved the new fiscal regime for the mining sector, as well as the fourth package of the Comprehensive Tax Reform Program (CTRP) that includes the removal of the excise tax exemption on pickup trucks. Under the approved version, the tax rate on the mining sector will be raised to 51% from 38%. A royalty tax of 5% will also be slapped on the market value of the gross output of all large-scale mining operations.⁵⁹ The tax increase on mining in the Philippines could pose risks to foreign direct investments (FDIs) in the mining industry. Additionally, should the classifications as Mineral Reservation Areas be pursued, these may directly equate to additional costs, which may adversely affect government infrastructure projects. The imposition of mineral reserve status on existing mining tenements may be inflationary, imposing a heavy burden on consumers and rendering affected industries uncompetitive.

- **Level the playing field in the construction industry for fully foreign-owned and local contractors alike**

- **Amend Rule 3.1 of the IRR of R.A. 4566 to allow foreign contractors to be issued regular licenses under the same conditions as those posed to domestic players**

Licensing of foreign and local contractors in the Philippines is governed by Republic Act No. 4566, as amended by Presidential Decree No. 1846, otherwise known as the “Contractors’ License Law.” The Contractors’ License Law states that the Philippine Construction Accreditation Board (“PCAB”) has the authority to issue, suspend and revoke the licenses of contractors.⁶⁰ However, Rule 3.1 of the Implementing Rules and Regulations (IRR) of R.A. 4566 distinguishes between two types of licenses: regular and special. A regular license is issued to a domestic construction firm or a corporation with at least 60% Filipino equity. On the other hand, a special license may be issued to a joint venture, a consortium, a foreign contractor, or a project owner, provided the licensee will engage only in the construction of a single, specific project/undertaking. This distinction is not found in the law.

To demonstrate openness to foreign players, the PCAB issued Board Resolution No. 333, s. 2013 “Creating A Quadruple A Or “AAAA” Category Under the PCAB Regular License for Contractors with a Net Worth of At Least 1 Billion Pesos, and Allowing Foreign Contractors to be Licensed Under the said Category.”⁶¹ This permits foreign contractors to engage in several construction projects as long as they have a minimum net worth of PHP 1 billion to qualify for a AAAA license. This required investment amount is rather high, especially when compared to the AAA regular license category’s minimum stockholders’ equity of only PHP 180 million.

This discrimination between foreign and domestic contractors in the licensing process lacks a legal basis. R.A. 4566 does not provide for any nationality criteria but only for minimum requirements related to the technical capacity of the contractor. Additionally, Article 48 of the Omnibus Investments Code, as cited in the PCAB IRR, has since been amended and can no longer be used as the basis for Rule 3.1. The Department of Justice opined in 2011⁶² that no law prescribes the restrictions made to the regular licensing of foreign contractors as stipulated in the IRR of R.A. 4566.

58 Official Gazette. (2021). Executive Order No. 130 - Amending Section 4 of Executive Order No. 79, s. 2012, Institutionalizing And Implementing Reforms in the Philippine Mining Sector, Providing Policies and Guidelines to Ensure Environmental Protection And Responsible Mining in the Utilization of Mineral Resources. Retrieved from <https://www.officialgazette.gov.ph/downloads/2021/04apr/20210414-EO-130-RRD.pdf>

59 Tan, A. N. O. (25 August 2022). New mining fiscal regime approved. Retrieved from <https://www.bworldonline.com/top-stories/2022/08/25/470452/new-mining-fiscal-regime-approved/>

60 Section 5, Article I, R.A. No. 4566, “An Act Creating The Philippine Licensing Board For Contractors, Prescribing Its Powers, Duties And Functions, Providing Funds Therefore, And For Other Purposes”

61 Construction Industry Authority of the Philippines. PCAB Classification/ Categorisation table. Retrieved from http://construction.gov.ph/online_forms/pcab-categorization-classification-table/

62 DOJ LML M-2111-622 dated 21 September 2011

The licensing restrictions for foreign contractors are not conducive to fair market competition. According to the Philippine Competition Commission (PCC), foreign firms would have to pay twelve times more in application fees compared to local ones.⁶³ Such a nationality distinction limits the ability of foreign contractors to enter the market and compete with domestic competitors based on a level playing field. Foreign contractors do not just feel the repercussions; rather, they have detrimental effects on much-needed infrastructure development and the wider Philippine economy.

The lifting of the restrictions on foreign contractors and promoting fair competition will only bring positive economic benefits. Furthermore, the PCC estimates an additional PHP 210 billion worth of private construction activities, particularly in the residential, condominiums, commercial, industrial, and institutional segments, should the construction sector be liberalized.⁶⁴

On this basis, we propose that the PCAB evaluate and amend Rule 3.1 of the IRR of R.A. 4566 to allow foreign contractors to be issued regular licenses under the same conditions as domestic players, thus aligning the contractor licensing procedure with the principles of fair competition and transparent market practices, in accordance with R.A. 4566, the Foreign Investment Negative List, and the State’s investment rationalization policy. More competition in the infrastructure sector will have a beneficial spillover impact on the wider economy and will be a significant step forward in attracting more investment in the infrastructure sector and conveying the message that the Philippines is open for business.

The benefits for infrastructure development, employment generation, and innovation, knowledge, and technology transfers that increased competition in the infrastructure sector will have a positive spillover effect to the wider economy and will be a significant step forward towards attracting more FDI in the infrastructure sector and conveying the message that the Philippines is open for business.

ECCP AVIATION COMMITTEE RECOMMENDATIONS

- **Formulate a long-term National Aerospace Plan**

Over the years, the ECCP Aviation Committee seeks to provide a platform for its members to share general updates and best practices on aviation, discuss industry-wide concerns, and more importantly, identify actionable solutions for the promotion of the aviation industry. As such, the Committee urges the Philippine government to design a long-term **National Aerospace Plan** that will aid the stability and sustainable development of the aviation sector. This Plan should be able to consider the industry players’ and experts’ policy recommendations highlighting convenience, accessibility, affordability, safety and security, and sustainability. Likewise, this initiative must address issues affecting the industry including but not limited to the following:

- **Upgrade airport infrastructure**

Airports, and the air transport industry in general, have played a vital role in the economic growth of cities and regions by providing access to local markets. As a country’s gateway to the world, the sector facilitates the mobility of goods, investments, people, and innovation, which are the primary drivers of economic progress. Apart from the benefits of employment generation, airports also serve to stimulate growth in other industries such as tourism.

Many countries, including Singapore and Hong Kong, have worked and invested over the years to make their country the premier international gateway in the Asian region, realizing the economic gains this would bring. The Philippines has made significant progress, with the Mactan-Cebu International Airport Corp. (GMCAC) winning another award for the Philippines in February 2023 as Asia’s Best Airport in the under 5 million passenger category.⁶⁵ Nonetheless, the country has yet to further improve its competitiveness vis-à-vis its ASEAN neighbors as the Ninoy Aquino International Airport (NAIA) has been frequently ranked relatively dismal. More recently, in May 2022, NAIA was tagged as the “worst business class airport in the world” in an international study.⁶⁶

63 Philippine Competition Commission (2017). Anti-Competitive Effects of Regulatory Restrictions: The Case of the Construction Sector (01-2017). Retrieved from https://www.phcc.gov.ph/wp-content/uploads/2017/03/PolicyNote_20170316-1.pdf

64 Ibid.

65 Manila Times. PH bags back-to-back wins in Routes Asia 2023. Retrieved from <https://www.manilatimes.net/2023/02/24/public-square/ph-bags-back-to-back-wins-in-routes-asia-2023/1879989>

66 Luna, F. (27 May 2022). NAIA tagged as worst business class airport in the world in int’l study. Retrieved from <https://www.philstar.com/business/2022/05/27/2184085/naia-tagged-worst-business-class-airport-world->

The relatively restricted number of destinations served and the limited volume of passengers that it can accommodate are some of NAIA's recognized key challenges. Overcapacity, which causes delayed flights and unpleasant passenger experiences, is essentially undermining the country's global reputation as a tourist and investment destination. According to Asia Sentinel, prior to the onset of the COVID-19 pandemic, the airport was catering to 46 million people when it was originally only designed to cater to 25 to 35 million people per year.⁶⁷ Furthermore, the Philippines received 4.4 out of 10 in passenger facilitation, which is below the Asia-Pacific region's overall average of 4.7, as reported by the International Air Transport Association (IATA) in the 2018 Air Transport Regulatory Competitiveness Index.⁶⁸

According to Oxford Economics, the Philippines could expect a 56% increase in airline passengers over the next eight years. This means that the country's airport infrastructure should be able to handle 88.3 million passengers per year. There is also a major disparity in the efficiency and capacity of airports between the Philippines and its Asian neighbors. The Philippines obtained the lowest score for aviation infrastructure, which includes indicators such as flight availability and the quality of hard infrastructure used by domestic and international flights.⁶⁹ Upgrading airport infrastructure has been more crucial than ever following the New Year's Day glitch at NAIA that closed the entire Philippine air space. To ensure a non-repeat, we support the call to revive the 2018 proposal to form a private-sector consortium to rehabilitate the airport. The rehabilitation project aims to decongest and increase the capacity of NAIA.⁷⁰

Indicators on airport infrastructure for select countries

	Airlines	Airports	Passengers, in millions (2019)	Flights (2019)	Aviation infrastructure score	Connectivity ranking	Airport accessibility
China	57	238	654.6	4,959,100	4.3	5=[207]	73%
Hong Kong SAR	6	1	36.6	178,100	5.6	11=[197]	100%
Chinese Taipei	6	12	36.6	248,000	3.9	28=[69]	N/A
Indonesia	26	129	111.6	1,017,000	3.9	34=[158]	79%
Japan	23	79	152.2	1,140,700	4.8	12=[195]	99%
Malaysia	10	34	55.7	448,400	4.6	28=[169]	98%
Philippines	12	46	49.1	335,800	3.2	27=[170]	94%
Singapore	5	2	33.8	185,100	5.5	12=[195]	100%
South Korea	10	16	76.8	396,824	4.6	9=[200]	100%
Thailand	11	32	80.9	523,800	4.6	16=[189]	88%
United States	133	631	960.9	9,514,800	5.9	1=[218]	96%

Source: Oxford Economics⁷¹

Rehabilitation of airports should involve improvement in both physical and digital infrastructure and upgrading air transport networks. Modernized airports are catalysts for economic and tourism activity, especially in remote areas. An urgent need to improve the air transport system must be implemented to accommodate the growing demand for connectivity to revamp the tourism and aviation industries, which had major setbacks from the pandemic lockdowns. In this context, the ECCP Aviation Committee urges the new government leaders to prioritize modernizing NAIA after

intl-study

67 Asia Sentinel. (2021). Manila's Airport Fiasco. Retrieved from <https://www.asiasentinel.com/p/manilas-airport-fiasco>

68 International Air Transport Association. (n.d.). The importance of air transport to the Philippines. Retrieved from <https://www.iata.org/en/iata-repository/publications/economic-reports/philippines-value-of-aviation/>

69 Francisco, K. & Lim, V. (2022). Philippine Air Transport Infrastructure: State, Issues, Government Strategies. *Philippine Institute for Development Studies*. Retrieved from <https://pidswebs.pids.gov.ph/CDN/document/pidsdps2262.pdf>

70 CNN. (03 January 2023). Revive 2018 consortium proposal for NAIA privatization upgrade - Concepcion. Retrieved from <https://www.cnnphilippines.com/news/2023/1/3/joey-concepcion-naia-privatization-upgrade.html>???

71 Oxford Economics. (2020). Aviation: Benefits Beyond Borders. Retrieved from https://aviationbenefits.org/media/167517/aw-oct-final-atag_abbb-2020-publication-digital.pdf

the cancelation of the NAIA rehabilitation public-private partnership (PPP) of the previous administration.⁷² In light of this, we support the recent move of the Department of Transportation to be in discussions with private corporations to take over airport operations under PPP.⁷³ The Committee also continues to advocate for strengthened PPPs in the rollout of key infrastructure projects such as airports, especially big-ticket ones, since this initiative will provide access to the pool of funds, expertise, and innovation of the private sector. This will also aid in increasing the number of flights and destinations in the aviation industry, promoting inbound and outbound travel to and from the Philippines.

Insofar as airport operations are concerned, the Manila International Airport Authority (MIAA) has recently pledged to address immigration congestion at NAIA by working with the Bureau of Immigration (BI) to increase manpower at immigration counters in order to manage passenger queues. The MIAA also proposed the installation of additional electronic gates for departing passengers in order to shorten traveler processing time.⁷⁴ The Aviation Committee continues to advocate for strengthened digitalization efforts with the aim of improving the whole passenger experience. This introduces an opportunity for travelers to further streamline their journey with advanced sharing of information and a contactless process at airports, including biometric recognition and the use of e-boarding pass thru mobile applications for immigration processing time.

- **Enact laws to restructure the Civil Aviation Authority of the Philippines (CAAP) into a regulatory body, including the amendments of the Civil Aviation Authority Act of 2008, the establishment of the Philippine Airports Authority, and the creation of the Philippine Transportation Safety Board**

Strengthening the CAAP as the agency in charge of safety and regulatory oversight necessitates legislative action. Particularly in light of the technical failure on 1 January 2023 that brought the country's air traffic control system down, we recommend the privatization of air traffic control to provide direct air traffic control services. Such an initiative will further strengthen the CAAP as a regulator.

The Chamber also backs the enactment of the CAAP amendments to streamline its existing functions as operator and investigator, allowing the agency to focus on its role as a safety regulator. Turning CAAP into a purely regulatory body is necessary because currently, CAAP serves as the inspector and the implementer of the safety and security of airports and aerospace, affecting the credibility of its functions. We believe that such a move will further strengthen CAAP and result in a more efficient airport industry. This also targets human resource development, strengthening the board, and increasing the Philippines' conformity with international safety and security standards.

Furthermore, the Chamber supports the move of the policymakers in the 19th Congress to establish an independent agency focused on the development of Philippine airports through the Philippine Airports Authority (or Corporation) with the aim of providing a unified approach to the operations and maintenance of domestic and international airports. The airport authority or corporation will be an independent body that will manage the existing functions of the CAAP of planning, developing, and maintaining all airports, as well as regulating privatized airports. The privatization of CAAP and having the Philippine Airport Corporation/Authority (PAA) will also promote modernization in the aviation and tourism industries. Nevertheless, setting a clear framework for the regulation of current privatized airports is imperative to ensure the quality and reliability of infrastructure assets and services.

More recently, the DOTr stated that it intends to privatize the communication, navigation, and surveillance/air traffic management (CNS-ATM) system in order to secure sufficient funds for its upgrading and avoid a repeat of the airspace shutdown. The CNS-ATM system will be added to the list of infrastructure that the agency seeks to turn over to the private sector.⁷⁵ Likewise, the DOTr has completed the terms of reference for the privatization of NAIA, which intends to improve aircraft movement per hour by 25%. The NAIA can only manage 40 to 44 aircraft movements per

72 Cigagal, I. N. (28 March 2022). Philippine airport projects face lingering pandemic risks. Retrieved from <https://www.philstar.com/business/2022/03/28/2170729/philippine-airport-projects-face-lingering-pandemic-risks>

73 Abadilla, E.V. (27 February 2023). DOTr: putting up 9 airports for PPP. Retrieved from <https://mb.com.ph/2023/02/27/dotr-putting-up-9-airports-for-ppp/#close>

74 CNN. (04 March 2023). More immigration personnel, e-gates at NAIA pushed to minimize long queues - MIAA. Retrieved from <https://www.cnnphilippines.com/news/2023/3/4/MIAA-immigration-personnel-e-gates-NAIA-long-queues-.html>

75 Rosales, E. F. (16 January 2023). DOTr may privatize air traffic control. Retrieved from <https://www.philstar.com/business/2023/01/16/2237832/dotr-may-privatize-air-traffic-control>

hour and will be able to handle up to 55 aircraft movements once privatized.⁷⁶ The Agency has also taken the first step toward privatizing air transportation assets by seeking the assistance of the ADB to select a private operator for NAIA as well as to craft technical, financial, commercial, and legal studies, including the traffic report and market sounding. The DOTr and ADB inked transaction advisory service agreements for NAIA's rehabilitation and expansion in February 2023.⁷⁷

As the Philippine economy and transportation sector expand at a rapid pace, a national transportation safety board independent of the Department of Transportation becomes more crucial than ever. With this, the ECCP and its JFC partners have been supporting the creation of a Philippine Transportation Safety Board, which will be able to prevent and minimize catastrophic transportation accidents that have claimed the lives of far too many Filipinos and will improve the overall transportation safety for the Philippines. Following the recent veto of the PTSB bill by the Office of the President, the Chamber remains committed to working with the government, its partners, and other stakeholders to continue pushing for the creation of a non-regulatory and independent agency primarily responsible for the conduct of impartial investigation on transportation-related accidents and incidents.

The ECCP strongly believes that the passage of the PTSB bill would strengthen good governance and ensure orderliness. Presently, various agencies handle different sectors of transportation with regard to accident investigations. The country has no single, autonomous authority in charge of investigating transportation-related incidents. As regulators, operators, and investigators, transportation authorities conduct overlapping and contradictory duties. Different agencies handle different sectors of transportation with regard to accident investigations, however, there are limitations on the ability of the investigating agencies to delve deeper and find forensic evidence on the real cause of the accidents or by witnesses of the accidents.⁷⁸

The Civil Aviation Authority of the Philippines (CAAP) has authority over aviation disasters. Sea mishaps are under the Maritime Industry Authority, which forms inquiry boards to investigate major maritime disasters. With respect to road accidents involving public utility vehicles, the Land Transportation Franchising and Regulatory Board (LTFRB) has jurisdiction. Road accidents may also be investigated by the Philippine National Police (PNP), the Land Transportation Office (LTO), and the Metro Manila Development Authority (MMDA). Since most of these agencies are also tasked to regulate and/or operate the sector, there is an inherent conflict of interest in the performance of their duties as an investigating body.⁷⁹ As such, we believe that the PTSB will further strengthen industry players and result in a more efficient transportation sector in the country. It is undeniable that the competence of such a safety board is critical to the country's continuing, sustainable economic growth.

• **Ratify the Montreal Protocol 2014 to tackle the growing issue of unruly passengers**

At the onset of the pandemic, a number of governments and associations have reported an increase in the issue of disruptive and unruly passengers. Data from IATA show that there is a rate of 1 incident for every 1,340 flights in the first 7 months of 2021 versus one incident for every 1,561 for the 17-month period from 1 January 2020 to 31 July 2021. This is driven by the deliberate non-compliance of some travelers with the safety measures set by airlines to contain the spread of the coronavirus.⁸⁰

However, unruly passengers seldom face prosecution or other legal or economic consequences for their misbehavior. To this end, the ECCP strongly believes that the enactment of laws and regulations aimed at strengthening good governance is of high importance. One of these measures is the ratification of the Montreal Protocol 2014 (MP14), which aims to enhance the states' abilities to control the degree and frequency of disorderly behavior on board airplanes by implementing the protocol on how unruly passengers should be dealt with.

Moreover, MP14 bridges the jurisdictional gaps of the Tokyo Convention of 1963, the international aviation legal

76 Iglesias, M. (16 January 2023). NAIA privatization in the works; tourism, MSMEs to benefit. Retrieved from https://malaya.com.ph/news_business/naia-privatization-in-the-works-tourism-msmes-to-benefit/

77 Rosales, E. F. (03 February 2023). Wanted: Private Operators For NAIA, Subway. Retrieved from <https://www.onenews.ph/articles/wanted-private-operators-for-naia-subway>

78 Joint Foreign Chambers of the Philippines. (04 August 2022). Stakeholders disappointed by veto of bill creating Philippine Transportation Safety Board. Retrieved from <https://www.investphilippines.info/arangkada/media-release-stakeholders-disappointed-by-veto-of-bill-creating-philippine-transportation-safety-board/>

79 Ibid.

80 International Air Transport Association. (2022). Unruly Passengers Fact Sheet. Retrieved from <https://www.iata.org/en/iata-repository/pressroom/fact-sheets/fact-sheet--unruly-passengers/>

instrument that covers crimes committed on board aircraft affecting its deterrence impact.⁸¹ It defines behaviors to be considered as an offense that can fall under legal proceedings as well as recognizes that airlines have a right to seek compensation for the significant costs caused by unruly passenger incidents. The Protocol also extends the jurisdiction to prosecute unruly passengers at foreign destinations while preserving prosecutorial discretion.

With this in mind, the Chamber and its Aviation Committee posit that MP14 can address not only incidents concerning unruly passengers, but also instances relating to the tampering with safety equipment in the aircraft, which can endanger the safety of the passengers as well as the reputation of the aviation industry as a whole. We believe that a special penal code should be crafted by the Philippine government for the harmonization of laws among contracting states vital for efficient compliance with the Protocol following its ratification.

• **Facilitate the Philippine aircraft finance by ratifying the Cape Town Agreement (CTA)**

The 2001 Cape Town Convention on International Interests in Mobile Equipment and the associated Protocol on Matters Specific to Aircraft Equipment aims to resolve the problem of obtaining rights to high-value aviation assets; to protect the international interests of the sellers, purchasers, and creditors through the creation of an International Registry; and to reduce the risks of lending for aircraft financiers and for other parties involved in aircraft purchasing and leasing. The Convention entered into force on 1 March 2006 and currently, 80 Contracting States have become parties to the Agreement including Indonesia, Malaysia, Myanmar, and Singapore.⁸² As of writing, the Philippines is not a Contracting State under the Convention or the Protocol concluded in Cape Town.

The CTA is a legal safety net for the lessors and lessees, and would be mutually beneficial to both parties. It will also make financing straightforward, therefore managing risk levels. Accordingly, the ECCP advocates for the Philippines' accession to the Cape Town Agreement. Aimed at making a major contribution to the aviation industry's long-term sustainability, being a Contracting State to the Agreement will make the Philippines a more attractive market for aircraft leasing companies. The country's non-accession to the CTA also affects the credit standing of the PH operators, especially after the pandemic.

Ratifying the Agreement is a move forward to modernize aviation. In this regard, the Chamber and its partners call for the new government administration to push for the CTA ratification to provide the Philippines with easier access to aircraft worldwide. Being a Contracting State to the CTA will also give the country access to more sustainable planes and other aircraft equipment as this will bring down the cost of financing aircraft with the predictability, uniformity, and efficiency it brings to the aviation industry, particularly with aircraft financing and leasing. As the future of aircraft finance, the Agreement will enable both European and Philippine businesses alike to access affordable and secure transactions when purchasing aviation equipment. The Convention's ratification will also enable the country to secure its aircraft assets in the highly competitive and volatile global aviation market.

• **Strengthen the role of the aviation industry in humanitarian assistance and upgrade the Philippine aviation safety systems including cybersecurity**

Airports do not only serve as a gateway for tourism but also play a highly critical role in humanitarian assistance. For this reason, **the National Aerospace Plan should address civil defense issues including natural disasters, threats of terrorism, and territorial disputes that all affect the aviation industry.** Modernization of airports is also needed, including those situated on the seaboard of the Philippines. Developing airports as a facility should not only pertain to balancing economic spread but also thinking along the lines of humanitarian aid function.

Flight tracking and search and rescue capabilities need to be upgraded. Natural disasters could happen anytime and the golden hour for the first responders to access areas devastated by natural calamities is the most critical window to save the most number of lives. Hence, another aspect that needs to be looked at is the helicopter instrument flight rules (IFR) operations. Helicopter medical evacuation is needed to address health and disaster emergency operations. A vertical rescue and fire suppression system has to be in place including the CAAP, Philippine National Police (PNP), the Philippine Coast Guard, and other concerned agencies where aerospace units can be activated for emergency response operations.

In relation to this, the Aerodrome Development and Management Service of the CAAP should make use of updated data from the Manila International Airport Authority (MIAA) on building height to address issues related to uncertified helipads of skyscrapers with a height higher than required. Furthermore, the long-term National Aerospace Plan

81 Ibid.

82 International Institute for the Unification of Private Law. (n.d.). Protocol to the Convention on International Interests in Mobile Equipment on Matters Specific to Aircraft Equipment - States Parties. Retrieved from <https://www.unidroit.org/instruments/security-interests/aircraft-protocol/states-parties/>

should include necessary measures and allocate a sufficient budget to upgrade the Philippine aviation safety systems. Recently, the government has directed that the modernization of the country's aviation safety system be expedited in order to avoid problems similar to the New Year's Eve disaster at NAIA. The management agreement with the CAAP's CNS/ATM system's maintenance provider will also be fast-tracked. Apart from this, the DOTr plans to improve hardware and software maintenance, hardware replacement, and fallback system for software redundancy, as well as consider establishing independent CNS/ATM in a separate location. The administration has been collaborating with Sumitomo-Thales to assist the CAAP with system maintenance. However, due to the government's financial issues, no maintenance agreement was reached.⁸³

An improved contingency measure is important to counter cyberattack incidents and global positioning system (GPS) denial attacks that affect aircraft operations, especially for aircraft caught up in areas involved in territorial disputes. In relation to the foregoing, the Committee calls to regulate 5G telecommunications technology transmissions so as to not compromise the safety of aircraft. The International Civil Aviation Organization (ICAO)'s State Letter SP 74/1-21/22 dated 25 March 2021 emphasized that if adverse interference to the operation of aircraft radio altimeters from the rollout of 5G telecommunications technology is not effectively mitigated, it can constitute a major aviation safety risk to passengers, crew, and those on the ground.^{84,85} With this in mind, we recognize that the government should initiate active collaboration with aviation and telecommunication stakeholders for the industry to safely coexist within a 5G environment. This can be achieved through sharing of inter-agency and inter-industry technical information and implementation plans. Furthermore, an appropriate and well-devised policy framework is also imperative in providing necessary mitigations for 5G deployment in flight operations and services.

- **Provide sufficient regulatory attention to address issues affecting aviation safety operations including illegal charters and grey or illegal maintenance**

Safety and security should be prioritised as vital aspects of aviation. One of the main concerns in general aviation is illegal air charter operations, which pose a serious safety and economic hazard to legitimate operators and the traveling public. Private aircraft should not be utilised for commercial purposes or flights on public transportation unless an exemption applies. As a result, if a passenger provides vital consideration for flying on an aircraft, that constitutes public transport, and the operator would need to obtain an air operator's certificate (AOC) under the US Federal Aviation Regulations. Failure to do so leads to an illegal charter.⁸⁶

In light of the foregoing, the Aviation Committee of ECCP urges the government, particularly the CAAP and the Civil Aeronautics Board (CAB) to streamline and make financial requirements reasonable for operators to obtain an AOC. Both agencies should also devise a more effective policy to ensure compliance as well as conduct stricter ramp inspections at the many airports across the country to prevent and accordingly penalized illegal charter operations. Ensuring that Qualified and Trained Personnel (QTP) inspectors and technicians have proper training and skills is also imperative to combat illegal charter. Likewise, there is a need to come up with policies to identify potential illegal operators and educate industry stakeholders and end-users about the regulations that apply to charter operations.

In addition, the Committee calls for the efficient implementation of programs upholding the aviation industry's highest safety standards and codes of best practices. Such a move will also tackle the issues of grey or illegal maintenance of aircraft and aeronautical components. With a growing presence of certified Maintenance and Repair Organisations (MROs), developing standardised measures for quality control is needed as well as guaranteeing that mechanics who perform maintenance work on aircraft are licensed and effectively trained. Undoubtedly, producing a highly competent and equipped aviation workforce starts in educational institutions. In this context, the standards and curriculum of flying schools in the Philippines should be upgraded to ascertain that aviation students will be able to meet the qualifications of the workforce in the industry.

83 Dela Cruz, R. C. (24 January 2023). Marcos wants to fast-track upgrade of aviation safety system. Retrieved from <https://www.pna.gov.ph/articles/1193461>

84 A copy of the letter can be accessed on pages 3-5 of this document from the International Air Transport Association: https://www.iata.org/contentassets/047eae4355824577a2060ac745110215/aspac_20220406_letter_to_dgca_india.pdf

85 International Air Transport Association. (2022). IATA Position on 5G C-band Frequency Allocations and Assignments. Retrieved from <https://www.iata.org/contentassets/047eae4355824577a2060ac745110215/iata-position-paper-on-5g.pdf>

86 The Air Charter Association. Retrieved from <https://www.theaircharterassociation.aero/compliance/illegal-charter/#:~:text=What%20is%20an%20illegal%20charter,must%20legally%20be%20no%20payment.>

- **Incorporate sustainability in a long-term strategy for the development of the Philippine aviation industry**

The global airline industry contributes to about 2% of carbon emissions. In 2018, passenger transport accounted for 81% of worldwide commercial aviation emissions, with air freight contributing to the remaining 19%. Both categories have a history of consistent growth, which is expected to continue. With the anticipated rise in passenger and freight air travel, commercial aircraft emissions may triple by 2050.⁸⁷ In April 2016, the Philippines signed the Paris Climate Agreement, which outlines a sustainable framework to significantly reduce global greenhouse gas emissions globally.⁸⁸ The global aviation industry believes that sustainable development of aviation cannot be accomplished until the sector is decarbonized. Otherwise, more and more taxes and restrictions would be imposed on international air transport, jeopardizing its future growth. For this reason, in 2021, the global aviation sector, regrouped as ATAG (airlines, aircraft manufacturers, airports, and air navigation services), have taken a unified commitment to reach net-zero carbon emissions for air transport by 2050, owing to new aircraft technology, sustainable aviation fuels, improved operations, and carbon offsets or elimination.⁸⁹

On 22 July 2022, at the ICAO High-Level Meeting on Long-Term Aspirational Goals (LTAG), ICAO Member States made a step forward in the adoption of LTAG for international aviation emissions. A formal agreement at the 41st ICAO Assembly would underpin a common approach by states to decarbonize aviation. Similarly, the IATA member airlines committed to achieving net zero carbon by 2050. A resolution was passed by member airlines during the 77th IATA Annual General Meeting last October 2021. This pledge aligns the air transport industry's commitment with the objectives of the Paris agreement to limit global warming to 1.5°C.⁹⁰

As such, the ECCP Aviation Committee advocates for enhanced enforcement and implementation framework of the Paris Climate Agreement in order for the industry players to achieve net-zero carbon emissions by 2050. The Philippines has always taken a public stance in support of finding long-term solutions to the global climate crisis, and it can play a significant role in ICAO on the topic. In order to achieve this commitment, the government should develop a comprehensive support program for the adoption of sustainable aviation fuel (SAF).

The national climate action plan of the Philippines should also include devising policy support for aircraft manufacturers to accelerate research, facilitation of investments in the aviation sector, and push for a cost-competitive production of SAF. Fundamentally, the aviation industry needs incentives from the government more than mandates to achieve this sustainable goal. Such incentives may cover the promotion of local SAF production in the Philippines to bring down its cost to augment the development of SAF. Additionally, Air Navigation Service Providers (ANSPs) should implement Aviation System Block upgrade programs while the business community should boost SAF purchase agreements.

The Committee also urges the Philippine government to position the country in ICAO, providing a global platform to promote sustainability; demonstrate that the country supports the decarbonization of a highly visible and strategic sector in the global economy; draw investments in the technology, industrial, and infrastructure areas, as well as boost tourism through the conscious application of sustainable development; and ensure that the aviation industry is contributing to the sustainability strategy. The Aviation Committee underlines that collaboration among players and the shared commitment of stakeholders, both public and private, are crucial to pushing forward sustainability. In this respect, the Committee urges the government to set up a policy framework and tangible support for both the consumers and the private sector to be actively involved in the holistic approach to realizing sustainable travel.

87 Overton, J. (2022). The Growth in Greenhouse Gas Emissions from Commercial Aviation. Environmental and Energy Study Institute. Retrieved from https://www.eesi.org/files/IssueBrief_Climate_Impacts_Aviation_2019rev2022.pdf

88 Department of Foreign Affairs. (2016). *Philippines, 174 Countries Sign Paris Climate Agreement*. Retrieved from <https://dfa.gov.ph/dfa-news/news-from-our-foreign-service-postsupdate/9115-philippines-174-countries-sign-paris-climate-agreement>

89 Airbus Helicopters Philippines. (n.d.). Position Paper of Airbus Shared with ECCP on the Importance of the Adoption of an LTAG at ICAO 41st Assembly.

90 International Air Transport Association. (n.d.). Our Commitment to Fly Net Zero by 2050. Retrieved from <https://www.iata.org/en/programs/environment/flynetzero/>

ASSESSMENT OF 2022 INFRASTRUCTURE ADVOCACY RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
<p>Presentation of the priority projects under the Build, Build, Build (BBB) Program</p>		<p>The current administration's flagship program on infrastructure development, Build, Better, More (BBM), aims to aid the country in gaining high-trajectory growth of 6.5 to 8.0% of GDP in the medium term. In March 2023, NEDA Board approved a total of 194 priority infrastructure projects worth PHP 9 trillion, 123 projects of which are initiated in the current administration. 95 of the total infrastructure flagship projects (IFPs) are ongoing/approved for implementation, eight are for government approval, 47 with ongoing project preparation, and 44 pre-project preparation.</p>
<p>Prioritize solicited bids over unsolicited bids</p>		
<p>Reconsider mineral reservations and imposition of mineral reserve status</p>		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>In a recent statement, the PPP Center expresses plans to focus on solicited projects for more conformity to government priorities.</p>	
	<p>In August 2022, the House of Representatives approved the new fiscal regime for the mining sector, as well as the fourth package of the Comprehensive Tax Reform Program (CTRP) that includes the removal of the excise tax exemption on pickup trucks. Under the approved version, the tax rate on the mining sector will be raised to 51% from 38%. A royalty tax of 5% will also be slapped on the market value of the gross output of all large-scale mining operations.</p>

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
<p>Level the playing field in the construction industry for fully foreign-owned and local contractors alike</p>	<p>Amend Rule 3.1 of the IRR of R.A. 4566 to allow foreign contractors to be issued regular licenses under the same conditions as those posed to domestic players</p>	
<p>Prioritization and allocation of funds for green infrastructure</p>		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
	<p>There has been no move to amend the said IRR on both the executive and legislative fronts.</p>
<p>The PPP Governing Board (PPPGB) approved a resolution in 2018 that intends to integrate environmental and other safeguards throughout the whole PPP project cycle to improve the policy framework under which PPPs operate.</p> <p>The Philippine Action Plan for Sustainable Consumption and Production (PAP4SCP) was prepared by NEDA with assistance from the ADB.</p> <p>The Philippine Development Plan 2022-2022 gives priority to the institutionalization of green finance policies to help both the public and private sectors improve their access to available green finance facilities.</p>	

ASSESSMENT OF 2022 AVIATION ADVOCACY RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Upgrade airport infrastructure		
Enact laws to restructure the Civil Aviation Authority of the Philippines (CAAP) into a regulatory body, including the amendments of the Civil Aviation Authority Act of 2008, the establishment of the Philippine Airports Authority, and the creation of the Philippine Transportation Safety Board		
Ratify the Montreal Protocol 2014 to tackle the growing issue of unruly passengers		
Facilitate the Philippine aircraft finance by ratifying the Cape Town Agreement (CTA)		
Strengthen the role of the aviation industry in humanitarian assistance and upgrade the Philippine aviation safety systems including cybersecurity		
Incorporate sustainability in a long-term strategy for the development of the Philippine aviation industry		

91 Rivera. D. (24 January 2023). Philippines makes headway in decarbonizing aviation. Retrieved from <https://www.philstar.com/business/2023/01/24/2239668/philippines-makes-headway-decarbonizing-aviation>

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>Recently, the Department of Transportation was in discussions with private corporations to take over airport operations under PPP.</p> <p>The Manila International Airport Authority (MIAA) has recently pledged to address immigration congestion at NAIA by working with the Bureau of Immigration (BI) to increase manpower at immigration counters in order to manage passenger queues.</p>	
<p>In the 19th Congress, SBN-1121 has been pending in the second reading since March 2023 while HBN-1801 is still with the Committee on Government Reorganization since August 2022.</p> <p>In the current Congress, legislative proposals amending the Civil Aviation Authority Act of 2008 and the establishment Philippine Airports Authority/ Corporating have been pending in their respective committee levels in the Senate and the House of Representatives.</p>	
	<p>No significant progress has been noted during the 19th Congress.</p>
	<p>As of writing, the Philippines is not a Contracting State under the Convention or the Protocol concluded in Cape Town.</p>
<p>Recently, the government has directed that the modernization of the country's aviation safety system be expedited in order to avoid problems similar to the New Year's Eve disaster at NAIA.</p>	
	<p>While the CAAP, DENR, and the Climate Change Commission support the ICAO Resolution A37-19,⁹¹ which aims to reduce the aviation emissions' contribution to climate change, no solid policy framework is in place in the Philippines to accelerate the development of alternative fuels production facilities.</p>

RENEWABLE ENERGY & ENERGY EFFICIENCY ADVOCACY PAPER 2023



INTRODUCTION

Energy is a fundamental element in countries' growth and development, with electricity being an indispensable input to economic activities. On the other hand, the energy sector is also a major source of CO₂ emissions that contribute to climate change. The International Energy Agency reported that in 2021, energy related greenhouse gas emissions increased to 36.3 gigatonnes (Gt), a 6% increase from the previous year. With this rise came about the jump in greenhouse gas emissions to a new peak—40.8 Gt of CO₂ equivalent.¹

At the same time, according to the UN World Meteorological Organization (WMO), the energy environment, including power stability and reliability, is highly vulnerable to increasing average temperatures, decreasing levels of water supply, as well as more frequent and extreme weather. With this, in its 2022 report, WMO highlighted that economies should work to at least double the supply of electricity from clean energy sources by 2030 to attain the net zero target by 2050.²

With all these taken into account, it goes without saying that energy sector targets and policies should be aimed at long-term and sustainable outcomes, including ensuring the availability of accessible, affordable, stable, and environmentally viable energy supply.

In the Philippine context, in terms of fundamental energy market data, the peak demand of 16,036 megawatts (MW) in 2021 reflected a slight rebound, with a 4.9% increase from the previous year's 15,282 MW.³ While full-year data for 2022 is yet to be released, the same upward trajectory has been seen in the May 2022 peak demand level of 14,380 MW, a 4.57% increase from the 13,752 MW from the same period in 2021.⁴ In its Power Development Plan 2020-2040, the DOE likewise states that the country's peak demand is projected to augment by almost four folds by 2040.⁵

Relatedly, in several accounts, the Department of Energy (DOE) has pointed out the continuing concern with regard to the country's energy supply meeting the demand that is recovering from the pandemic. Additionally, the Agency's Electric Power Industry Management Bureau had also previously projected that there would be 17 yellow alerts and three red alerts for 2023.⁶

Meanwhile, on access to energy, the Philippines has seen a relatively slow growth in its national household electrification level, with a 1.58% average annual increase from 2019 to 2021.⁷ Meanwhile, more recent data from the Department of Energy indicates that as of June 2022, national household electrification level was at 95.8%, with 971,022 households nationwide still unserved.⁸

1 International Energy Agency. (March 2022). Global Energy Review: CO₂ Emissions in 2021. Retrieved from <https://www.iea.org/reports/global-energy-review-co2-emissions-in-2021-2>.

2 United Nations World Meteorological Organization. (2022). *2022 State of Climate Services: Energy*. Retrieved from https://library.wmo.int/doc_num.php?explnum_id=11340.

3 Department of Energy. (2022). Energy Sector Accomplishment Report 2016-2022. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/transparency/ESAR-2016-2022.pdf?withshield=1>.

4 Flores, A.M. (29 August 2022). Energy sector braces for surging demand. Retrieved from <https://manilastandard.net/spotlight/314255447/energy-sector-braces-for-surging-demand.html>.

5 Department of Energy. (2022). Power Development Plan 2020-2040. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/electric_power/pdp-2020-2040.pdf.

6 Mercurio, R. (25 December 2022). Philippine power outlook dims for 2023. Retrieved from <https://www.philstar.com/business/2022/12/25/2233146/philippine-power-outlook-dims-2023>.

7 Department of Energy. (2022). Energy Sector Accomplishment Report 2016-2022. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/transparency/ESAR-2016-2022.pdf?withshield=1>.

8 Mercurio, R. (9 January 2023). *DOE plans to accelerate total electrification within H1*. Retrieved from <https://www.philstar.com/business/2023/01/09/2236202/doe-plans-accelerate-total-electrification-within-h1>.

National Electrification Levels, 2016-2021

	2016	2017	2018	2019	2020	2021
Electrification Level	90.65%	91.09%	96.12%	92.96%	94.49%	95.41%
HH Provided with Electricity	602,890	339,179	1,157,283	1,136,084	893,091	893,884
Total Potential HHs	22,721,430	22,984,971	22,984,971	22,984,971	22,984,971	22,984,971
Total Served HHs	20,597,320	20,936,499	22,093,782	23,229,866	24,122,957	25,016,841
Unserved HHs	2,124,110	2,048,472	891,189	1,618,264	1,266,876	1,055,722

NOTES:
 (1) Unserved HHs from 2019 - 2021 are the actual unserved HHs of DUs in the country.
 (2) For 2019 - onwards, a new formula was adopted for computing HH electrification level. The formula recommended to the Task Force E-Power Mo which is the oversight for the electrification program is: % HH Electrification = (potential HH - unserved HH)/potential HH.
 (3) Total potential HH reflected from 2017 - onwards is based on the 2015 Census of Population. This is based on the directive of TFEM for the Total Electrification Program. The previous years reflect the potential HHs based on the 2010 Census.

Source: Department of Energy

To sustainably meet the heightening energy demand, through its National Renewable Energy Program (NREP) 2020-2040 and under a Clean Energy Scenario (CES), the DOE has targeted an increase in the share of renewable energy (RE) in the country's generation mix to 35% by 2030, and 50% by 2040.⁹ Latest data show that in terms of gross power generation mix, there has been an upward trajectory of the country's RE share from 2019 to 2021, at 20.8% and 23.4%, respectively. While this may be the case, a portion of the constantly increasing energy demand has also been met with a growth in the use and share of coal, from 54.6% in 2019 to 57.5% in 2021.¹⁰

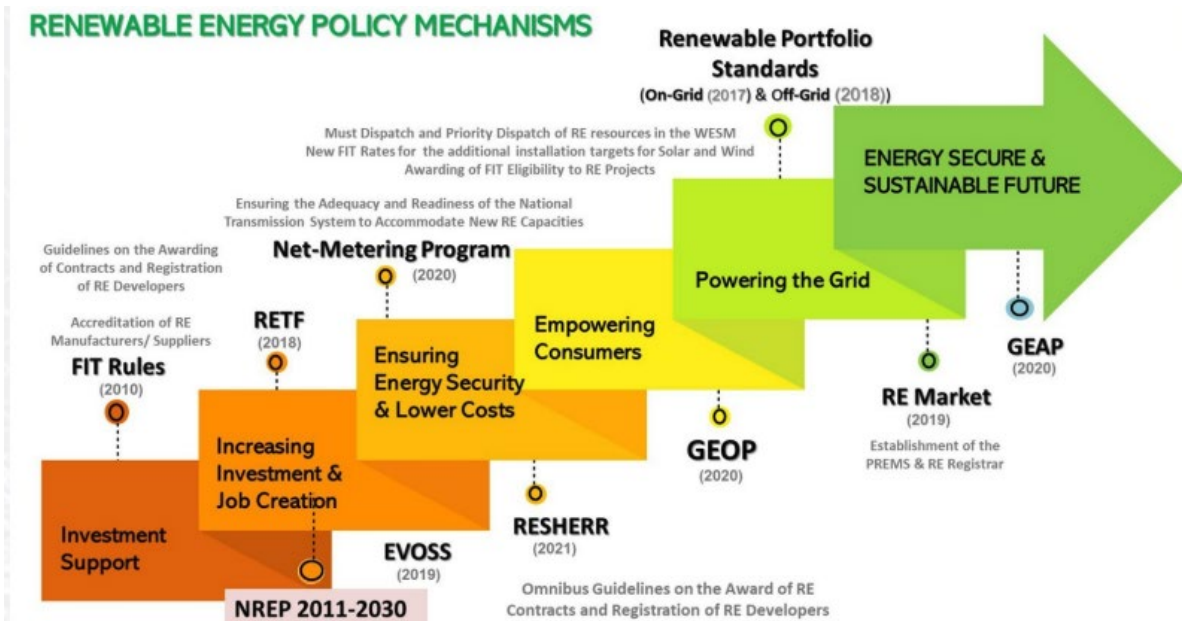
Given the current and foreseen challenges in the energy sector, the DOE has expressed its commitment to continue undertaking various policies and programs to further implement the Renewable Energy Act of 2008. Among which include the National Renewable Energy Program (NREP), Renewable Portfolio Standards (RPS), Green Energy Auction Program (GEAP), Green Energy Option Program (GEOP), and Net-Metering Program. In December 2022, the DOE reported that the GEAP's first Auction Round, which involved 2,000 MW of RE capacities, recorded a success rate of 98.35%.¹¹ Considering this success, the government sought for a 2nd phase of the GEAP in 2023. On this note, the DOE released the notice on the second round of auction on 04 April 2023.¹²

9 Department of Energy. (2022). National Renewable Energy Program 2020-2040. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/announcements/nrep_2020-2040.pdf?withshield=1.

10 Department of Energy. (2022). Energy Sector Accomplishment Report 2016-2022. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/transparency/ESAR-2016-2022.pdf?withshield=1>.

11 Atty. Lotilla, R. (12 December 2022). Keynote Speech for the Luncheon Meeting with the European Chamber of Commerce of the Philippines (ECCP).

12 Department of Energy. (20 March 2023). Notice of Auction - Green Energy Auction-2 (GEA-2) for Renewable Energy (RE). Retrieved from <https://www.doe.gov.ph/geap/notice-auction-gea-2>.



Source: Department of Energy

Furthermore and particularly on alternative energy sources, the DOE has also expressed its openness to study and develop other clean energy sources, such as hydrogen and ammonia fuels. In 2020, the agency has established the Hydrogen and Fusion Energy Committee (HFEC), which is tasked to explore hydrogen as a “viable alternative and cleaner source of energy and its other beneficial applications for the country”.¹³

At the global and local scale, parallel to the heightened focus on developing the renewable energy sector, the role of energy efficiency and conservation has likewise continued to be underscored by policymakers and energy stakeholders. In the ongoing efforts to mitigate climate change and advance clean energy, the World Bank highlighted that energy transition efforts and energy efficiency measures should go hand-in-hand in decarbonising the power system.¹⁴

To this, the DOE affirmed that energy efficiency and conservation (EE&C) contributes to decrease the country’s overall demand, and is among the main pillars of its energy transition strategy.¹⁵ In a bid to increasingly promote EE&C mainstreaming, the government aims to accelerate the implementation of programs such as the Demand Side Management (DSM), the Philippine Energy Labeling Program (PELP), energy efficiency and conservation in Local Government Units (LGUs), and performance audits in public buildings and facilities.¹⁶

Additionally, the DOE reported that it will broaden the recognition of Third-Party Institutions for Certified Energy Managers (CEM) and Certified Energy Auditors (CEA), Minimum Energy Performance for Sectors (MEPS), Minimum Energy Performance for Products (MEPP), as well as promotion of the Energy Service Companies (ESCO) program.¹⁷

13 Atty. Lotilla, R. (12 December 2022). Keynote Speech for the Luncheon Meeting with the European Chamber of Commerce of the Philippines (ECCP).

14 Gronhold-Pedersen, J. (2 December 2022). Energy efficiency rate accelerates amid high prices - IEA. Retrieved from <https://www.nasdaq.com/articles/energy-efficiency-rate-accelerates-amid-high-prices-iea>.

15 Atty. Lotilla, R. (12 December 2022). Keynote Speech for the Luncheon Meeting with the European Chamber of Commerce of the Philippines (ECCP).

16 Ibid.

17 Ibid.

The Agency also reported that as of 13 December 2022, PhP284.93 million of savings was generated from the various policies related to the Energy Efficiency and Conservation Act of 2019, including those implemented by the DOE, as well as those issued through the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC). Furthermore, the DOE stated that with the objective to reduce energy consumption, 4,241 designated establishments from the commercial, industrial, and transportation sectors are implementing projects worth PhP4.5 billion or an equivalent of 491.75 GWh of energy savings.¹⁸

Finally, the Philippine government has expressed that it aims to pursue the energy transition targets through efforts such as expanding renewable energy programs and projects, strengthening EE&C measures, promoting the exploration and development of alternative and emerging energy sources and technologies, integrating information and communications technology (ICT) in the energy chain, and enhancing energy resiliency. To the DOE, these initiatives will ultimately help achieve the government’s AmBisyon Natin 2040 aspirations, the country’s Nationally Determined Contribution (NDC) targets in accordance with the Paris Agreement, as well as its UN Sustainable Development Goal (SDG) commitment to promote clean energy.¹⁹

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- On 15 November 2022, DOE issued **Department Circular (DC) No. 2022-11-0034**²⁰ which **amends Section 19 of the Implementing Rules and Regulations (IRR) of the Renewable Energy Act of 2008**. The amendments allow foreign nationals and foreign-owned entities to take part in the exploration, development and utilization (EDU) of renewable energy, which includes solar, wind, hydro and ocean or tidal energy resources. The DC was released after the Department of Justice (DOJ) issued Opinion No. 21, Series of 2022 stating that under Section 2, Article XII of the 1987 Philippine Constitution, foreign ownership restriction on the EDU of natural resources only covers things that are susceptible to appropriation, thus excluding the sun, the wind, and the ocean.²¹
- In the same month, it was announced that President Ferdinand R. Marcos Jr. aims to issue an **Executive Order (EO) to facilitate more offshore wind (OSW) investments in the country**, given the tremendous interest from foreign and local investors. Recognizing the need to streamline processes and requirements, the DOE proposed to create an Offshore Wind Development and Investment Council that will serve as a one-stop shop for OSW developers.²² As of February 2023, the DOE has awarded 55 offshore wind service contracts with an aggregate capacity of 40.68 gigawatts (GW).²³

18 Marasigan, L. (28 December 2022). DOE says govt to gain P7B from energy savings plan. Retrieved from <https://businessmirror.com.ph/2022/12/28/doe-says-govt-to-gain-p7b-from-energy-savings-plan/>.

19 Atty. Lotilla. (12 December 2022). Keynote Speech for the Luncheon Meeting with the European Chamber of Commerce of the Philippines (ECCP).

20 DOE. (15 November 2022). Department Circular No. 2022-11-0034. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-11-0034.pdf>

21 CNN. (2 October 2022). DOJ: Renewable energy sector excluded from foreign investment cap. Retrieved from <https://www.cnnphilippines.com/business/2022/10/2/DOJ-renewable-energy-sector-excluded-from-foreign-investment-cap.html>

22 Philippine News Agency. (17 November 2022). Marcos eyes EO to lure offshore wind investments: DOE chief. Retrieved from <https://www.pna.gov.ph/articles/1188820>

23 Jose, A. (23 February 2023). DoE, UK exploring offshore wind collaboration. Retrieved from <https://www.bworldonline.com/economy/2023/02/23/506636/doe-uk-exploring-offshore-wind-collaboration/>

- The **Philippine Energy Plan (PEP) 2020-2040**²⁴ of the DOE is the second comprehensive energy blueprint supporting the government's long-term vision known as *Ambisyon Natin 2040*. Reiterating the energy sector's goal to chart a transformative direction towards attaining a clean energy future, the DOE has set a target to increase the RE share in the power generation mix to 35% and 50% by 2030 and 2040, respectively.
- With the aim to minimise the country's exposure to price fluctuations in the global market, the DOE issued **DC No. 2022-10-0031**²⁵ which grants preferential dispatch of all RE resources in the Wholesale Electricity Spot Market (WESM). The policy retains the "must dispatch" status of variable RE, which includes wind, solar, run-off-river hydro, and ocean energy, while giving the option or preference to those which are not must dispatch, such as biomass, geothermal, and impounding hydro plants, to enjoy Preferential Dispatch in the WESM.
- In relation to the foregoing, the WESM in Mindanao started commercial operations in January 2023, as previously announced in **DC No. 2022-12-0039**²⁶ issued by the DOE. The presence of WESM in Mindanao will significantly cut power rates and support economic activity in the region. Additionally, it is expected to have a crucial role in the **Mindanao-Visayas Interconnection Project (MVIP)** as WESM allows efficient transmission and settlement of electricity exchanges.²⁷
- Additionally, among the Department Orders and Department Circulars that the DOE have issued under the current administration are as follows:
 - **Department Order (DO) No. 2022-02-0003**²⁸ creates the Philippines Steering Committee (PSC) and Technical Working Groups (TWG) for renewable energy and energy efficiency and conservation for the implementation of Clean Energy Finance and Investment Mobilisation (CEFIM) of the OECD
 - **DO No. 2022-03-0005**²⁹ which covers the process for evaluation and issuance of Energy Efficiency Cost Reductions (EECR) Certificates
 - **DO No. 2022-04-0006**³⁰ provides guidelines on evaluation and approval of Government Energy Efficiency Projects (GEEPs), pursuant to Section 2.3 of the GEMP Guidelines, submitted to the DOE for its endorsement to the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC).
 - **DO No. 2023-01-0001**³¹ which institutionalizes the Energy Management Team (EMT) to Develop an Energy Management System (EnMS).
 - **Department Circular (DC) No. 2022-03-0004**³² which establishes the procedures and

24 DOE. (2021). Philippine Energy Plan (PEP) 2020-2040. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/pep/PEP%202022-2040%20Final%20eCopy_20220819.pdf

25 DOE. (05 October 2022). Department Circular No. DC2022-10-0031. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-10-0031.pdf>

26 DOE. (23 December 2022). Department Circular No. 2022-12-0039. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-12-0039.pdf>

27 Atienza, K. (06 February 2023). Mindanao-Visayas grid linked by March. Retrieved from <https://www.bworldonline.com/the-nation/2023/02/06/503302/mindanao-visayas-grid-linked-by-march/>

28 DOE. (2022). Department Order No. 2022-02-0003. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/do2022-02-0003.PDF>

29 DOE. (2022). Department Order No. 2022-03-0005. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/do2022-03-0005.PDF>

30 DOE. (2022). Department Order No. 2022-04-0006. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/do2022-04-0006.PDF>

31 DOE. (10 January 2023). Department Order No. 2023-01-0001. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/do2023-01-0001.PDF>

32 DOE. (2022). Department Circular No. 2022-03-0004. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-03-0004.PDF>

criteria for evaluation, approval, and endorsement of Energy Efficiency (EE) Strategic Investments covering New and Expansion of EE Projects to the BOI for the availment of Fiscal Incentives

- **DC No. 2022-03-0005**³³ provides guidelines for recognition of testing laboratories for the examination, testing and verification of energy performance of Energy-Consuming Products (ECPs) and transport vehicles, including the issuance of certificate of endorsement to the Board of Investments for fiscal incentives.
- **DC No. 2022-03-0006**³⁴ which adopts the training regulations certification process for energy auditors (EAs).
- **DC No. 2022-03-0007**³⁵ which adopts the training regulations certification process for energy conservation officers (ECOs).
- **DC No. 2022-03-0008**³⁶ which adopts the training regulations and prescribes certification process for training institutions and energy managers (EMs).
- **DC No. 2022-04-0013**³⁷ which covers the assessment, registration, and certification of qualified Firm, Partnership, Corporation, and Sole Proprietorship (FPSC) which will conduct energy audit. An energy audit refers to the evaluation of energy consumption and review of current energy cost to determine appropriate intervention measures and efficiency projects in which energy can be judiciously and efficiently used to achieve savings.
- **DC No. 2022-11-0035**³⁸ which expands the coverage of the Philippine Energy Labeling Program (PELP) for the compliance importers, manufacturers, distributors, dealers, and retailers of energy consuming products (ECPs).
- The DOE released an advisory last November 2022 on the **Energy Audit Guidelines for Designated Establishments**.³⁹
- In relation to the aforementioned, the DOE in December 2022 submitted a proposed administrative order to the Office of the President. The measure aims to further accelerate the implementation of energy efficiency and conservation programs that will result in government savings of almost PHP 7 billion annually, particularly the Government Energy Management Program and Inter-Agency Energy Efficiency and Conservation Committee resolutions on switching to energy-efficient lighting and cooling for government buildings and facilities apart from energy conservation practices. Further, Energy Secretary Raphael Lotilla mentioned that the government's energy efficiency policies resulted in savings of PHP 284.93 million as of 13 December 2022.⁴⁰

33 DOE. (2022). Department Circular No. 2022-03-0005. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-03-0005.PDF?withshield=1>

34 DOE. (2022). Department Circular No. 2022-03-0006. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-03-0006.pdf>

35 DOE. (2022). Department Circular No. 2022-03-0007. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-03-0007.pdf>

36 DOE. (2022). Department Circular No. 2022-03-0008. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-03-0008.pdf>

37 DOE. (2022). Department Circular No. 2022-04-0013. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-04-0013.pdf>

38 DOE. (21 November 2022). Department Circular No. 2022-11-0035. Retrieved from <https://www.doe.gov.ph/laws-and-issuances/department-circular-no-dc2022-11-0035>

39 DOE. (24 November 2022). DOE Advisory: Energy Audit Guidelines for Designated Establishments. Retrieved from <https://www.doe.gov.ph/announcements/advisory-energy-audit-guidelines-designated-establishments>

40 Flores, A. (27 December 2022). DOE submits draft AO on energy conservation. Retrieved from <https://manilastandard.net/business/power-technology/314291205/doe-submits-draft-ao-on-energy-conservation.html>

- The Inter-Agency Energy Efficiency and Conservation Committee (IAEECC) issued **Resolution No. 5, s. 2022**⁴¹ which directs all government entities, including local government units, and foreign service posts to observe the approved Government Energy Management Program (GEMP) guidelines.
- Further, the IAEECC issued **Resolution No. 6, s. 2022**⁴² which recommends to the Governance Commission for GOCCs to consider, include, and adopt energy efficiency and conservation as one criteria in the performance evaluation system for Government-Owned or -Controlled Corporations (GOCCs) in the grant of performance-based incentives.
- The Green Energy Auction 1, conducted in June 2022 under the **Green Energy Auction Program (GEAP)**, awarded 19 contracts to various renewable energy developers. Led by the DOE, the first round of auction generated almost 2,000 megawatts (MW) of capacities that were committed to deliver energy from 2023 to 2025 at a competitive price lower than or equal to the Green Energy Auction Reserve (GEAR) prices set by the Energy Regulatory Commission (ERC). The notice on the second round of auction was released on 04 April 2023,⁴³ while the Terms of Reference was published on 18 April 2023.⁴⁴ The European Union (EU), through its partnership with the DOE, has powered an additional 30,500 solar home systems (SHS) in Mindanao as of the 3rd quarter of 2022. This is in addition to 10,000 homes already installed since the program began in 2019. This project is made possible through a grant worth PHP 1.06 billion, which is part of the larger PHP 3.83 billion **Access to Sustainable Energy Programme (ASEP) of the EU**.⁴⁵
- Following the approval of the 2022 Strategic Investment Priority Plan (SIPP) in May 2022, the Board of Investments (BOI) published **Memorandum Circular No. 2022-008**⁴⁶, entitled the, "Amendments to the Specific Guidelines on Registration of Energy Efficiency Projects covered by Republic Act No. 11285, or the Energy Efficiency and Conservation Act based on the Strategic Investment Priority Plan, for purposes of Entitlement to Incentives under Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprise (CREATE) Act."
- The National Economic and Development Authority released the **Philippine Action Plan for Sustainable Consumption and Production (PAP4SCP)** in January 2023, which contains approaches and initiatives towards achieving sustainability across sectors. Among the climate-smart strategies identified by NEDA are promoting energy efficiency, advancing renewable energy, and adopting resource-efficient green technologies.⁴⁷

41 IAEECC. (January 2022). Resolution No. 5, s. 2022. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_efficiency/iaeecc-resolution-no-5-s-2022.pdf

42 IAEECC. (April 2022). Resolution No. 6, s. 2022. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_efficiency/IAEECC-Resolution-No-6-s-2022.pdf

43 Department of Energy. (04 April 2023). Notice of Auction - Green Energy Auction-2 (GEA-2) for Renewable Energy (RE). Retrieved from <https://www.doe.gov.ph/geap/notice-auction-gea-2>.

44 Department of Energy. (18 April 2023). DOE released Terms of Reference for the GEA2. Retrieved from <https://www.doe.gov.ph/press-releases/doe-released-terms-reference-gea2>.

45 Philippine News Agency. (5 September 2022). EU provides solar power to over 30K homes in Mindanao. Retrieved from <https://www.pna.gov.ph/articles/1182932>

46 BOI. (08 August 2022). Memorandum Circular No. 2022-008. Retrieved from https://drive.google.com/file/d/1QuqubQDcSu_Rac4aYaADzvuHGElzHLih/view

47 National Economic and Development Authority. (January 2023). Philippine Action Plan for Sustainable Consumption and Production (PAP4SCP). Retrieved from <https://neda.gov.ph/wp-content/uploads/2023/01/Philippine-Action-Plan-for-Sustainable-Consumption-and-Production.pdf>.

ON LEGISLATION

- The **Waste Treatment Technology Act** or **House Bill (HB) No. 6444**⁴⁸ seeks to regulate the disposal, treatment and processing into useful products of municipal and hazardous wastes. The proposed legislation will prioritise waste-to-energy (WTE) conversion proposals over other treatment methods; likewise, it allows the DOE to grant WTE projects incentives. Approved by the House last 12 December 2022, the bill was transmitted to the Senate on 14 December.⁴⁹
- Similarly in the Senate, several bills have been filed on the proposed **Waste-to-Energy Act**⁵⁰ which seeks to establish a national energy policy and regulatory framework for facilities using WTE technologies that would address solid waste management problems, and provide an alternative source of energy. As of March 2023, all the bills are pending in the Committee.
- The proposed **Philippine National Nuclear Energy Act**, filed as **HB No. 7049**⁵¹ in the lower house, seeks to provide, among others, comprehensive technical and legal safeguards, for the use and application of nuclear energy. Under the measure, the Philippine Atomic Energy Regulatory Authority (PhilATOM), shall be created to issue regulations and promote the peaceful, safe, and secure use of nuclear energy.
- Legislators are urging the government to invest in solar energy through the proposed legislation filed in the lower house. With the goal to cut our dependence on fossil-fuel based energy, the measures are encouraging the utilisation of solar energy systems to power national and local government-owned buildings.⁵² In addition, **HB No. 3177**⁵³ seeks to accelerate the country's total electrification of households, as well as provide for a reliable and efficient solar energy system to public schools.
- In relation to the foregoing, **House Resolution No. 235**⁵⁴ was issued last August 2022 urging the House an investigation in aid of legislation on the rising generation costs resulting in higher electricity rates, with the goal of protecting the consumers from unprecedented increase of charges in their electricity bills.
- The proposed **Industrial Energy Efficiency Research and Development Act of 2023** or **Senate Bill No. 1694**⁵⁵ aims to support research and development of new industrial processes and technologies that optimise energy efficiency and environmental performance, utilise diverse sources of energy, and increase economic competitiveness.

48 House of Representatives. (12 December 2022). House Bill No. 6444. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT6444.pdf

49 House of Representatives. (03 February 2023). House Bill No. 7049. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB07049.pdf

50 As of 13 March 2023, several Senate Bills have been filed on the proposed Waste-to-Energy Act – Senate Bill Nos. 151, 177, 989, and 1746.

51 The proposed measure substituted House Bill Nos. 371, 481, 526, 542, 11255, 2103, 3301, 3898, 6030, 7003, and 4822.

52 As of 13 March 2023, several House Bills have been filed on the proposed use of solar energy in government-owned buildings – House Bill Nos. 1888, 2565, and 6972.

53 House of Representatives. (03 August 2022). House Bill No. 3177. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB03177.pdf

54 House of Representatives. (15 August 2022). House Resolution No. 235. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HR00235.pdf

55 Senate of the Philippines. (18 January 2023). Senate Bill No. 1694. Retrieved from <http://legacy.senate.gov.ph/lisdata/4038236792!.pdf>

ADVOCACY RECOMMENDATIONS

• **Creation of a Decisive Transition Strategy to Renewable Energy and Further Promotion of Energy Efficient Technologies and Systems**

Implementation of a sustainable energy mix policy and energy transition efforts

Rising oil prices as a result of various scenarios, such as Russia's invasion of Ukraine, have accelerated demand for energy sources that are less vulnerable to oil supply disruptions. This has increased the urgency of shifting to more sustainable energy sources, particularly renewable energy.

In addition to price factors, it is eminent that expanding the renewable energy share in economies' power mix enhances sustainability and self-sufficiency aspirations. Particularly for the Philippine, increased RE use can also support the country's goal of providing more consistent and cost-effective energy, as well as electrifying households in rural and off-grid locations.

Through the Department of Energy, the Philippine government has targeted a share of renewables in the country's energy mix of 35% by 2030, and 50% by 2040. This ambitious target is seen to be achieved through boosting investments in the clean energy sector while decreasing reliance on coal.

The country is estimated to have 246,000 MW of untapped renewable energy. It has the world's third-largest geothermal capacity at 1,900 MW, trailing only Indonesia and the United States. According to the DOE, the country will require USD120 billion by 2040, presenting numerous opportunities for foreign investors.⁵⁶ Relatedly, the DOE issued a Department Circular No. 2022-11-0034 in November 2022, which amends the foreign participation limitation in renewable energy projects.

Additionally, the DOE stated that it considers liquefied natural gas (LNG) as an important source of energy, which also supports the current efforts of the government to enhance energy diversification, stability, and sustainability. Additionally, efforts to grow the natural gas industry compliments the national objective to promote indigenous energy sources. In November 2022, the Agency reported that several natural gas projects in Luzon will reach commercialisation stage by March to June 2023.⁵⁷

With all these being taken into consideration, the ECCP continues to acknowledge the various actions and policies that the Philippine government has adopted to significantly expand the use of renewable energy sources, natural gas, and other developing clean energy technologies. Likewise, the Chamber appreciates the Philippine government's thrust to further promote cheap and reliable energy, including utilising technological innovations in the area of renewable energy, as well as advancing ease of doing business in the said sector to attract more players in the country.⁵⁸

Notwithstanding these crucial developments, we particularly highlight that efforts to augment the country's renewable energy supply needs to keep pace with the increasingly expanding energy demand due to economic activities and growing population. Additionally, and in line with the government's direction to further promote sustainability in the transportation sector through the use of electric vehicles, we also underscore that demand from such emerging markets should be taken into greater consideration in projecting and planning for the country's energy supply and demand.

56 ASEAN Briefing. (11 January 2023). Philippine Opens Renewable Energy to Full Foreign Ownership. Retrieved from <https://www.aseanbriefing.com/news/philippines-opens-renewable-energy-to-full-foreign-ownership/>.

57 Department of Energy. (24 November 2023). Media release.

58 President Marcos Jr., F. (25 July 2022). State of the Nation Address [Speech].

Increase the integration of energy flexibility and battery storage initiatives into the energy system

To further build on the above-mentioned efforts and programs, the Chamber highly recommends that initiatives are put in place to increase the integration of flexibility and battery storage into the energy system.

Focusing on energy storage, the current administration recognised the role of energy storage systems or ESS in the country's energy infrastructure, to promote security and sustainability.⁵⁹ Additionally, on the legislative side, the Senate Energy Committee declared that it is in the process of exploring emerging energy technologies, including ESS.⁶⁰

On the other hand, energy flexibility will help improve the adaptability of the country's energy sector, including enhancing demand response and supply management, thereby creating a more efficient and responsive energy system.

It goes without saying that these mechanisms not only complement energy transition efforts, but are enablers of a sound energy system. Considering the substantial benefits that these instruments will bring to the sector, the Chamber likewise expresses its support to the provision of incentives to energy players in the scoped industries.

Facilitating increased foreign investments in the renewable energy sector

In light of the Chamber's advocacy for the liberalisation of the Philippine renewable energy sector to foreign players,⁶¹ the ECCP applauds the enactment of amendments to the Renewable Energy Act of 2008 in November 2022 via DOE Department Circular No. 2022-11-0034.

We strongly believe that in terms of foreign equity participation in the RE sector, this development places the Philippines in a competitive position in the region. To build on the momentum brought about by this policy change, initiatives to further attract foreign renewable energy investors should be established. Moreover, considering the country's archipelagic structure, it is critical that there is a geographical identification of renewable energy opportunities, to help promote well-informed decision making for energy players. In this regard, we laud the release of the CREZ report in 2020,⁶² which will be a valuable tool for RE development and energy diversification.

In addition to the stated initiatives, the ECCP strongly believes that among the key enablers of increased RE investments is providing funding mechanisms for clean energy activities, as well as strengthening local government units to increase their capacity to undertake local provincial and local projects. Implementing such measures will arm both governments and investors with confidence to take on clean energy projects that will benefit the greater public in terms of sustainability and economic opportunities.

Finally, we accredit that the private sector plays a fundamental role in advancing energy transition, and fiscal incentives such as tax breaks help further encourage investments in the sector. In this context, we look forward to the continued and improved implementation of incentive policies for RE players in the Renewable Energy Act. This is in line with the World Bank's report which states that incentives must be put in place to encourage businesses to invest in clean energy and energy transition projects and

59 Cervantes, F. M. (31 March 2023). Battery energy storage system vital for power security: PBBM. Retrieved from <https://www.pna.gov.ph/articles/1198666>.

60 Romero, P. (10 April 2023). 'Philippines must adapt new tech for energy security'. Retrieved from <https://www.philstar.com/headlines/2023/04/10/2257786/philippines-must-adapt-new-tech-energy-security>.

61 ECCP. (2022). 2022 Renewable Energy and Energy Efficiency Advocacy Paper. Retrieved from <https://www.eccp.com/storage/app/media/2022%20Advocacy%20Papers/2022%20Advocacy%20Papers%20-%20Renewable%20Energy%20and%20Energy%20Efficiency.pdf>.

62 Department of Energy. (2020). Ready for Renewables - Grid Planning and Competitive Renewable Energy Zones (CREZ) in the Philippines. Retrieved from <https://www.doe.gov.ph/renewable-energy/ready-renewables-grid-planning-and-competitive-renewable-energy-zones-crez>.

technologies.⁶³

Effective Implementation of the Energy Efficiency and Conservation Act

The Energy Efficiency and Conservation (EE&C) Act or Republic Act No. 11285, as a policy effort that institutionalises energy efficiency and conservation in the Philippines, is regarded as a significant milestone in the country's energy arena by the ECCP and its Renewable Energy and Energy Efficiency Committee.

In this regard, we applaud the numerous initiatives and programs put in place, which engage various stakeholders ranging from the national government to local governments, as well as businesses of various sizes, to advance the Philippines' EE&C goals. We especially note that in 2022, seven Department Circulars, three Department Orders, and two IAEECC Resolutions on EE&C implementation were released.

Moreover, the DOE stated that it will take a more aggressive push to implement the EE&C Act and its various components. Relatedly, the Agency seeks to have electric vehicles be introduced and penetrate in the Philippine market more deeply. The green building code, which examines the building envelope, is likewise being further developed. Additionally, the DOE acknowledges that there must be continuous training of personnel – energy officers, energy managers, and energy auditors, as well as incorporating energy efficiency engineering in school curricula.⁶⁴

Nonetheless, while notable developments have been seen since the enactment of the said law, the ECCP recognises that there are still opportunities to improve the country's energy efficiency sector. In this regard, the ECCP looks forward to maximising the potential of energy efficiency to significantly contribute to the country's energy security and decarbonization goals. We are confident that this can be accomplished with the full implementation of the EE&C Act, including the issuance of the remaining pending circulars and guidelines specified in the measure.

To this end, the ECCP underscores that the DOE and IAEECC should aim to draft, consult the public on, and issue the remaining policy issuances needed to fully implement RA 11285 by 2023. The industry looks forward to the implementation of effective DOE and multi-agency guidelines relating to Demand Side Management and the expansion of the Government Energy Management Program by providing clarity to government procurement of energy service company performance contracts, public-private partnership transactions, and joint-venture agreements via enabling policy issuances of the Department of Budget and Management, the Government Procurement Policy Board, the Public-Private Partnership Center, and the National Economic and Development Authority.

Enactment of Policies that Provide a Clear Framework on the Development of Waste-to-Energy Technologies

The rise in global and domestic consumer demand in recent years has resulted in an increase in waste generation. For the Philippines, latest data state that 92 million tonnes of waste is projected to be generated between 2002 and 2025.⁶⁵

This scenario necessitates technological efforts to ensure that waste management processes are efficient and environmentally sustainable. In this context, the ECCP RE&EE believes that waste-to-energy technology provides the best opportunity to maximize solutions that can help mitigate the country's waste problem while also supplementing its energy supply.

63 Gronhold-Pedersen, J. (2 December 2022). *Energy efficiency rate accelerates amid high prices - IEA*. Retrieved from <https://www.nasdaq.com/articles/energy-efficiency-rate-accelerates-amid-high-prices-iaa>.

64 Atty. Fuentebella, F.W. (2022). *Emerging Energy: Energy-Intensive Sectors below*. Retrieved from <https://www.cnnphilippines.com/lifestyle/2022/12/18/doe-vows-aggressive-push-on-energy-efficiency-law.html>.

65 Abasola, L. (03 February 2023). *Framework for waste-to-energy technologies pushed*. Retrieved from <https://www.pna.gov.ph/articles/1194293>.

As a result, the ECCP supports the Department of Environment and Natural Resources' priority of enforcing the Solid Waste Management Act of 2000.^{66,67} We also welcome the release of DOE Department Circular No. 2022-02-0002, which provides guidelines, policies, and programs to further promote the development of biomass WTE facilities in the Philippines.

Moreover, the Chamber acknowledges the legislative efforts aimed at strengthening country's the WTE framework, including several bills in the Senate. The ECCP and its RE&EE Committee seeks to monitor and engage with policymakers and industry players in further understanding the objectives and provisions of these proposals.

Integration of the Visayas and Mindanao Grid and strengthening the national grid

The Mindanao-Visayas Interconnectivity Project (MVIP), which was launched in November 2018, envisions a single Philippine energy grid⁶⁸ with the goals of providing a more stable power supply, increasing the use of local energy sources, promoting sustainable energy, and promoting equitable access to energy throughout the country.⁶⁹ Through this Project, the Mindanao Grid will be connected to the Visayas Grid, which has been connected to the Luzon Grid since 1998.

The ECCP has long advocated for the integration of the Visayas and Mindanao grids in line with the goals of a unified national grid. With an expected energy surplus in Mindanao and a deficit in Luzon and Visayas,⁷⁰ establishing an energy sharing system in the Philippines can help mitigate opportunity costs caused by ongoing issues with access to electricity while also promoting greater efficiency in managing energy sources.

With this in mind, the ECCP recognises the recent developments in relation to the MVIP:

- In March 2023, the Department of Energy reported that the interconnection project has reached 80% completion, wherein the Mindanao grid is linked to the Visayas grid using a current system with a 450 MW capacity. The National Grid Corporation of the Philippines likewise reported that the MVIP is scheduled for full completion in June 2023.⁷¹
- The NGCP also signed a Memorandum of Understanding with the National Intelligence Coordinating Agency with the objective to jointly work to boost defence and security of the country's energy infrastructure.⁷²

To this end, as we look forward to the completion and operationalisation of a national grid, we likewise underscore the importance of further strengthening the grid to allow for more efficient energy management towards power stability and security, thereby maximising the benefits brought about by a unified grid.

66 Official Gazette. (n.d.). *Republic Act No. 9003*. Retrieved from <https://www.officialgazette.gov.ph/2001/01/26/republic-act-no-9003-s-2001/>.

67 Philippine News Agency. (6 March 2022). *Solid waste management tops DENR agenda*. Retrieved from <https://www.pna.gov.ph/articles/1169121>.

68 National Grid Corporation of the Philippines. (April 2019). *NGCP gets nod for 29 Energy Projects of National Significance*. Retrieved from <https://www.ngcp.ph/article?cid=15801>.

69 NGCP. (n.d.). *One Grid 2020: Unifying the Philippines' Power Transmission Network*. Retrieved from <https://www.ngcp.ph/mvip/>.

70 Atty. Fuentebella, F. (2018). *Energy Investment Opportunities*.

71 Macapagal, J. (14 March 2023). *Grid link 80% done, MOU vs security threat inked*. Retrieved from https://malaya.com.ph/news_business/grid-link-80-done-mou-vs-security-threat-inked/?amp.

72 Ibid.

- **Further promotion of ease of doing business in the energy sector**

Renewable energy companies claim that currently, 100 to 200 signatures are required to process applications for RE projects.⁷³ This has a significant impact on the overall implementation of renewable energy projects, including the cost and timeline. Meanwhile, it has an impact on the attractiveness of the country's energy industry, which may discourage investors from investing in the Philippines. It goes without saying that the ease of doing business is crucial in the energy transition agenda.

The ECCP has advocated for the passage of the Ease of Doing Business Act of 2018 as a government-wide policy aimed at streamlining processes and advancing efficient service delivery. As a result, we underscore the significant role of streamlining mechanisms in processes for clean and sustainable energy projects.

It is in this light that the ECCP highly recommends the revisiting of project application proceedings in the sector through reviewing the priority requirements and procedures, as well as reviewing the timelines for application. The ECCP underscores the need to adopt clear, integrated, robust, transparent, and timely leasing and permitting processes, and highly encourages the rationalisation of regulatory permitting processes via the Energy Virtual One-Stop Shop to obtain service contracts, environmental, and commercial certifications and licences.

We are optimistic that implementing a streamlined mechanism will further encourage the entry of market players, resulting in increased investments in the energy sector. Furthermore, establishing enabling permitting standards, grid connectivity and construction, as well as promoting market participation would aid the government and other stakeholders in encouraging renewable energy development, as well as energy efficiency and conservation in the Philippines. To this end, the ECCP reiterates its ongoing commitment to working with our government policymakers to improve the business environment.



⁷³ Lucenio, M. (24 February 2022). *RE companies ask DoE to streamline permit process*. Retrieved from <https://www.bworldonline.com/economy/2022/02/24/432247/re-companies-ask-doe-to-streamline-permit-process>.

ASSESSMENT OF 2022 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Creation of a Decisive Transition Strategy to Renewable Energy and Further Promotion of Energy Efficient Technologies and Systems	Formulation of a sustainable energy mix policy	
	Relaxation of foreign participation limitation in the renewable energy sector to encourage increased investments	<p>The Department of Energy's issuance of Department Circular No. 2022-11-0034 paved the way for the relaxation of foreign equity limitations in a number of renewable energy sub-sector.</p> <p>With this development, the Philippine energy market is now more open to emerging energy technologies and expertise.</p> <p>Additionally, this heightens the country's attractiveness and competitiveness among other energy markets.</p>
	Effective Implementation of the Energy Efficiency and Conservation Act	The Department of Energy has issued a number of Department Circulars and Department Orders, while the Inter-Agency Energy Efficiency and Conservation Committee has likewise issued Resolutions, in support of the objectives and implementation of the EE&C Act.
	Enactment of Policies that Provide a Clear Framework on the Development of Waste-to-Energy Technologies	
Integration of Visayas and Mindanao Grid		
Further promotion of ease of doing business in the energy sector		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The Department of Energy has continued to carry out programs and policies that are aimed at boosting the country's ability to transition to clean and sustainable energy sources.</p> <p>Additionally, efforts to enhance the business climate for the energy sector have been evident, especially with the enactment of Amendments to the Renewable Energy Act of 2008.</p>	
	The Department of Energy issued Circular No. 2022-02-0002, known as the "Policy Program for Enhancement of Biomass Waste-to-Energy (WTE) Development", which seeks to promote biomass WTE, standardise WTE facilities, as well as prescribe policies and programs to develop the said sector.
The Department of Energy and the National Grid Corporation of the Philippines reported that the Mindanao-Visayas Interconnection Project was already 80% complete as of March 2023. The said project is seen to be fully completed by June 2023.	
	While there has been an overall thrust for the Philippine government to enhance ease of doing business across all sectors, there remains to be challenges for energy industry players in undertaking various business registration and/ or documentary processes.



TAX AND FINANCIAL SERVICES ADVOCACY PAPER 2023

INTRODUCTION

In the face of changing trends, uncertainties, and other domestic and international developments, tax systems and financial markets have continued to adapt in order to meet the demands of consumers and customers, while also managing risks and mitigating shocks that have a significant impact on economies.

The COVID health crisis as well as the increased adaptation to technological advancements has further fast tracked the transition to digital transformation, resulting in continuous innovations on digital platforms, services, and processes. The banking and financial sectors have also remained committed to assisting consumers and beneficiaries of government programs by providing access to financial resources and assistance.

In the Philippines, in terms of financial sector performance, the Bangko Sentral ng Pilipinas (BSP) reported that the total assets of the Philippine banking system (PBS) grew to Php 22.2 trillion in November 2022, generating an 8.9% year-on-year increase from the same month in the previous year.¹ Universal and commercial banks continue to have the most significant share in total assets at Php 20.9 trillion (94.2%), followed by thrift banks at Php 936.4 billion (4.2%), and rural and cooperative banks at Php 359.4 billion (1.6%).²

Furthermore, even in the midst of the pandemic, the BSP recorded sustained growth in deposits in the PBS. As of end-November 2022, total deposits increased to a total of Php 17 trillion, recording a 7.4% year-on-year growth. On the other hand, while a number of COVID-19 relief measures have already been lifted, the BSP has extended the implementation of those that encourage lending to micro, small, and medium enterprises (MSMEs) to June 2023.³

Meanwhile, the government has kept its target to onboard at least 70% of Filipino adults to the Philippine financial system and shift 50% of total retail transactions to electronic channels by 2023.⁴ With its various efforts to advance access to financial services, including measures to improve digital infrastructure, the Philippines ranked eighth globally (out of 55 economies) and second in Asia in The Economist Intelligence Unit's financial inclusion promotion ranking.⁵

More recently, the BSP expressed confidence in reaching the aforementioned targets, after identifying several developments such as the growth in share of digital payments to total retail transactions to 30.3% in 2021, from 20.1% in 2020, as well as the expansion of banked Filipino adults to 56% in 2021, from 29% in 2019.⁶

In relation to enhancing access to financial services, the BSP has approved the operation of six digital banks in 2022.⁷ Relatedly, the BSP stated that regulatory capacity needs to be further enhanced for

1 Bangko Sentral ng Pilipinas. (November 2022). Recent Trends in the Philippine Financial System as of November 2022 - Issue No. 2022-11. Retrieved from https://www.bsp.gov.ph/Media_And_Research/Publications/ReportonRecentTrends2022-11.pdf.

2 Ibid.

3 Ibid.

4 Bangko Sentral ng Pilipinas. (2020). The BSP Digital Payments Transformation Roadmap 2020-2023. Retrieved from https://www.bsp.gov.ph/Pages/ABOUT%20THE%20BANK/Events/By%20Year/2021/BSPUP%20Professorial%20Chair%20Lecture%20Series/BSP_2c_irao_discussion.pdf?ID=2314.

5 The Economist Intelligence Unit. (2020). Global Microscope 2020. Retrieved from https://content.centerforfinancialinclusion.org/wpcontent/uploads/sites/2/2020/11/EIU_Microscope_2020_161120.pdf.

6 Agcaoili, L. (04 March 2023). BSP confident of meeting digitalization, inclusion goals. Retrieved from <https://www.philstar.com/business/2023/03/04/2249074/bsp-confident-meeting-digitalization-inclusion-goals>.

7 Ta-asan, K. (22 June 2022). BSP unlikely to OK more digital banks in near term. Retrieved from <https://www.bworldonline.com/top-stories/2022/06/22/456579/bsp-unlikely-to-ok-more-digital-banks-in-near-term/>.

the Philippines to be able to accommodate more players in the market.⁸ Nonetheless, the central bank acknowledged the growing share and use of digital banks in the country, with data showing that as of the first half of 2022, digital banks processed 1.4 million e-payments and financial services totaling Php 8.45 billion.⁹

On the other hand, performance of the insurance sector showed positive growth in 2022, with a 2.14% (Php 2.14 trillion) year-on-year increase in combined assets of licensed life and non-life insurers. In parallel, their total net worth and premiums also expanded to 12.35% (Php 445.35 billion) and 1.22% (Php 379.23 billion), respectively.¹⁰

While encouraging developments have been noted in the said regard, the Insurance Commission (IC) also reported that insurance density¹¹ dropped to Php 3.39 billion or by 0.32% in 2022. Furthermore, insurance penetration decreased to 1.72% in 2022, from 1.93% in 2021.¹²

In relation to this, the Department of Finance (DOF) reiterated that digital transformation is a fundamental element in increasing insurance penetration in the country, expressing that technology helps bridge access gaps, as well as improves efficiency and innovativeness in the sector.¹³

This was echoed by the IC, and encouraged insurance firms to maximise the use of technology to widen the access to insurance products. Additionally, the IC recognised the role of insurance in strengthening the country's economy, particularly in improving resilience amidst climate risks.¹⁴ In relation to this, the DOF recently reported that it is preparing an insurance plan that will protect the country from infrastructure losses due to natural disasters.¹⁵

In terms of fiscal performance, revenue collection for 2022 was recorded at Php 3.55 trillion, which shows a 17.79% increase from Php 3.01 trillion in 2021. Tax revenues accounted for 91% of total revenue collection, or Php 3.2 trillion, which then exceeded the target by 2.6% with a 17.4% year-on-year growth.¹⁶

Non-tax collections, on the other hand, accounted for 9% of total revenue collection, going above the 2022 program by nearly 9%, or Php 160.7 billion, with a 23.7% year-on-year growth.¹⁷

Specifically on the collections by the Bureau of Internal Revenue (BIR), the DOF reported that 2022

8 Ibid.

9 Villanueva, J. (24 August 2022). BSP: PH now has 6 digital banks. Retrieved from <https://www.pna.gov.ph/articles/1182068>.

10 Insurance Commission. (31 December 2022). Consolidated Insurance Industry Performance - 4th Quarter of 2022. Retrieved from <https://www.insurance.gov.ph/consolidated-insurance-industry-performance-4th-quarter-of-2022/>.

11 amount of premiums paid per capita or the average amount spent on insurance by each individual

12 Business World Online. (28 March 2023). Insurance sector posts growth in premiums, assets, and net worth in 2022. Retrieved from <https://www.bworldonline.com/banking-finance/2023/03/28/513202/insurance-sector-posts-growth-in-premiums-assets-and-net-worth-in-2022/>.

13 Villanueva, J. (17 February 2023). Diokno urges digital transformation to boost insurance sector. Retrieved from <https://www.pna.gov.ph/articles/1195523>.

14 Simeon, L.M. (30 April 2023). New technology needed to widen insurance coverage. Retrieved from <https://www.philstar.com/business/2023/04/30/2262582/new-technology-needed-widen-insurance-coverage>.

15 Srapio Jr., M. and Lopez, D. (30 March 2023). Typhoon-Prone Philippines Plans Cover on Infrastructure Losses. Retrieved from <https://www.bloomberg.com/news/articles/2023-03-30/typhoon-prone-philippines-plans-cover-on-infrastructure-losses?leadSource=uverify%20wall>.

16 Department of Finance (01 March 2023). Revenue growth drives full-year 2022 budget deficit down to 7.3 percent of GDP. Retrieved from <https://www.dof.gov.ph/revenue-growth-drives-full-year-2022-budget-deficit-down-to-7-3-percent-of-gdp/#:~:text=This%20comes%20as%202022%20revenue,higher%20than%20that%20of%202021>.

17 Ibid.

collections of Php 2.3 trillion equated to a 12.4% increase from the 2021, although still lower than that Php 2.4 trillion full-year target. Furthermore, collections by the Bureau of Customs increased to Php 862.5 billion, a 34% increase from the Php 643.6 billion recorded in 2021. Finally, total collections from other offices was at Php 170.4 billion in 2022, surpassing its target of Php 101.1 billion.¹⁸

A jump to 16.1% in 2022 from 15.5% in 2021 has been noted for the country's revenue effort, which includes the share of tax revenues, non-tax revenues, and other government agency revenues in relation to GDP. Similarly, growth has been shown in terms of tax effort, defined as the share of tax collections in relation to GDP, with an increase to 14.6% in 2022 from 14.1% in 2021, exceeding the 14.4% target.¹⁹

The overall improvement in performance was attributed to increased sales and economic activity, tariffs on rice imports and other products, and further supported by measures to improve tax compliance, among other efforts.

Indeed, tax, fiscal, and financial policies continue to play a critical and strategic role in the country's business and overall economic environment. As such, it is crucial that policies are adaptive to emerging trends and developments, both at the local and international context.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

MONETARY AND FINANCIAL

- As part of the commitment to champion the sustainability agenda in the financial industry, the Bangko Sentral ng Pilipinas (BSP) issued its new 11-point **Sustainable Central Banking (SCB) Strategy**²⁰ that embodies the BSP's roles as enabler, mobilizer, and doer in advocating sustainability in the financial system.
- The BSP issued **Circular No. 1166**²¹ on the amendments to the Guidelines on Electronic Money (E-money) and the Operations of Electronic Money Issuers (EMI) in the Philippines to promote resilience of EMIs amid the increasing IT-related risks, as well as to better protect the interests of E-money account holders.
- In addition, the BSP issued **Circular No. 1160**²² to implement Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act (FCPA) in line with its broader efforts to promote the welfare of financial consumers. The circular covers all financial products and services created, developed or marketed by BSP-supervised institutions (BSIs). These include, but are not limited to deposits, investments, fund transfers, trust products, loans, payments, remittances, and the broad range of financial products or services accessed and delivered through digital channels.

18 Ibid.

19 Ibid.

20 BSP. (January 2023). Sustainable Central Banking Strategy. Retrieved from <https://www.bsp.gov.ph/StrategicPrograms/SCBRoadmap.pdf>

21 BSP. (February 2023). Circular No. 1166. Retrieved from <https://www.bsp.gov.ph/Regulations/Issuances/2023/1166.pdf>

22 BSP. (November 2022). Circular No. 1160. Retrieved from <https://www.bsp.gov.ph/Regulations/Issuances/2022/1160.pdf>

- **Circular No. 1154**²³ was issued following the approval of the guidelines applicable to digital banks. The approved guidelines set out the BSP's supervisory expectations with regard to corporate and risk governance of digital banks as well as the applicable prudential regulations on capital, leverage, and liquidity. The guidelines also prescribe the prudential limits on equity investments in allied undertakings, required reserves against deposit and deposit substitute liabilities, and reporting requirements of digital banks.
- In light of the accelerated digitalisation, the BSP has approved the guidelines that will facilitate the full transition of all quick response (QR) code-enabled payments services to the **National QR Code Standard or "QR Ph"**. The guidelines mandate BSP-supervised financial institutions (BSFIs) acting as payment service providers (PSPs) and offering QR code-enabled payment services to use and display QR Ph on their internet and mobile channels starting 1 July 2023.²⁴

ON LEGISLATION

- The proposed **Promotion of Digital Payments** mandates the use of "safe and efficient" digital or electronic modes of payments by all national government agencies, government-owned and controlled corporations, and local government units. While several bills have been filed at both the Senate and House, all are currently pending in the Committees.²⁵
- At the upper and lower houses, several bills were filed **amending the Republic Act No. 1405, otherwise known as the Secrecy of Bank Deposits Law**. The proposed legislation provides an exception in the law which allows the BSP, in the exercise of its supervisory powers, to examine, inquire, or look into deposits under certain conditions related to unlawful activities.²⁶ As of 20 March 2023, House Bill No. 7446²⁷ passed second reading in the House of Representatives.
- **Senate Bill (SB) No. 336** or the **Bank Account, E-wallet, and Other Financial Accounts Regulation Act**²⁸ seeks to ensure that the public is safe from cybercriminals and criminal syndicates who target bank accounts and e-wallets or lure account holders into perpetrating fraudulent activities as the country continues to innovate and traverse through cyberspace.
- The **Internet Transaction Act** aims to offer a legal framework for the creation of secure and reliable platforms where products and services can be transacted online with adequate transparency and maximum efficiency. The measure also proposes the adoption of an e-commerce code of conduct and establishes an e-commerce bureau inside the Department of Trade and Industry. House Bill (HB) No. 4²⁹ on the said measure was passed on third reading in 2022. Its counterpart, SB No. 1846³⁰ is pending second reading.

23 BSP. (September 2022). Circular No. 1154. Retrieved from <https://www.bsp.gov.ph/Regulations/Issuances/2022/1154.pdf>

24 BSP. (10 March 2023). BSP Mandates Full Adoption of QR Ph Codes by 1 July 2023. Retrieved from <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=6646>

25 As of 13 March 2023, there have been bills filed at the Senate and House on the promotion of digital payments – Senate Bill Nos. 37, 704, 762, 803, 811, 1128, and 1541; and House Bill Nos. 275, 358, 2946, 3737, 4344, and 5073.

26 As of 13 March 2023, there have been bills files at the Senate and House on the amendments to the Secrecy of Bank Deposits Law – Senate Bill Nos. 1839, 1068, 596, and 56; and House Bill Nos. 2406, 4060, and 7446.

27 House of Representatives. (06 March 2023). Committee Report No. 396. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/first_19/CR00396.pdf.

28 Senate of the Philippines. (25 July 2022). Senate Bill No. 336. Retrieved from <https://legacy.senate.gov.ph/lisdata/3809334535!.pdf>

29 House of Representatives. (December 2022). House Bill No. 0004 – Third Reading Copy. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT0004.pdf.

30 Senate of the Philippines. (February 2023). Senate Bill No. 1846. Retrieved from <http://legacy.senate.gov.ph/lisdata/4067737070!.pdf>.

- **HB No. 686**³¹ was filed in Congress, seeking to drive developments in the country's financial sector. Specifically, this proposal aims to institutionalise a Capital Market Development Council (CMDC) that will assist in the development of policies and framework for the expansion of the country's capital market.

INSURANCE

- **Insurance Memorandum Circular No. 2023-01**³² issues the implementing rules and regulations for the effective implementation of the provisions of Republic Act No. 11765 or the Financial Products and Services Consumer Protection Act.
- **Circular Letter (CL) No. 2023-02**³³ prescribes discount rates for life and non-life insurance policy reserves and reserves for long-term contracts of Health Maintenance Organization (HMO) as of 31 December 2022.
- **CL No. 2023-02**³⁴ issues the amended guidelines on the licensing requirements of brokers engaged in HMO business.
- In **CL No. 2022-54**³⁵ issued in December 2022, the Insurance Commission (IC) halted its planned hike in risk catastrophe premiums that was initially set to take effect on 01 November 2022. As of writing, the IC is conducting public consultations on the matter.

FISCAL AND TAXATION

- Pursuant to Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) law, individuals earning PHP 8 million and below received reduction in personal income tax (PIT) starting 01 January 2023. Meanwhile, to maintain the progressivity of the tax system, the tax rate for individuals earning PHP 8 million and above annually will be maintained at 35%. Under the adjusted tax rates, individuals with an annual taxable income below PHP 250,000 are still exempted from paying PITs.³⁶
- **Revenue Regulations (RR) No. 15-2022**³⁷ further amends certain provisions of RR No. 2-98 as amended by RR No. 11-2018, which implemented the provisions of TRAIN Law, relative to some changes in the rate of Creditable Withholding Tax on certain income payments.

31 House of Representatives. (01 July 2022). House Bill No. 686. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB00686.pdf.

32 Insurance Commission. (08 March 2023). Insurance Memorandum Circular No. 2023-01. Retrieved from <https://www.insurance.gov.ph/imc2023-01/>

33 IC. (16 January 2023). Circular Letter No. 2023-03. Retrieved from <https://www.insurance.gov.ph/circular-letter-2023-03-discount-rates-for-life-and-non-life-insurance-policy-reserves-and-reserves-for-long-term-contracts-of-health-maintenance-organizations-hmo-as-of-31-december-2022/>

34 IC. (10 January 2023). Circular Letter No. 2023-02. Retrieved from <https://www.insurance.gov.ph/circular-letter-2023-02-amended-guidelines-on-the-licensing-requirements-of-brokers-engaged-in-health-maintenance-organization-hmo-business/>

35 IC. (23 December 2022). Circular Letter No. 2022-54. Retrieved from <https://www.insurance.gov.ph/circular-letter-2022-54-setting-aside-the-adoption-of-the-revised-schedule-of-minimum-catastrophe-rates-under-ic-cl-2022-34/>

36 Department of Finance. (28 December 2022). TRAIN law to further reduce personal income taxes in 2023 onwards. Retrieved from <https://www.dof.gov.ph/train-law-to-further-reduce-personal-income-taxes-in-2023-onwards/>

37 Bureau of Internal Revenue. (9 December 2022). Revenue Regulations No. 15-2022. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202022/RR%20No.%2015-2022.pdf

- **RR No. 13-2022**³⁸ prescribes more definitive guidelines, procedures and requirements for the proper income tax treatment of equity based compensation of any kind.
- **RR No. 8-2022**³⁹ provides policies and guidelines for the implementation of Section 237 and 237-A of the National Internal Revenue Code (NIRC) of 1997, as amended by TRAIN Law. The issued Regulations prescribes requirements on the issuance of electronic receipts/invoices (e-Receipts/e-Invoices) in lieu of the manual receipts or sales/commercial invoices and on the electronic reporting of these sales data to the Bureau.
- In addition, **RR No. 9-2022**⁴⁰ prescribes the policies and guidelines for the admissibility of sales documents in electronic format in relation to the implementation of Sections 237 and 237-A of the NIRC of 1997, as amended by TRAIN Law.
- Most recently, **RR No. 3-2023**⁴¹ was issued to provide amended provisions on zero-rated sale of goods or properties and services. The RR clarifies the list of local purchases of registered business enterprises that is subject to 12% value-added tax (VAT). According to the issuance, the zero-VAT rating does not apply to local purchases of services related to janitorial, security, financial, consulting, and marketing and promotion. Additionally, the administrative services provided, such as those in the areas of human resources, legal, and accounting, are not regarded as being directly and exclusively used in the registered project or activity of a registered export enterprise and are not therefore eligible for the zero-VAT rating.

ON LEGISLATION

- **House Resolution No. 490**⁴² was filed last October 2022 directing the House Committee on Ways and Means to conduct an inquiry on the imposition of VAT on importation and local purchases of goods and services by registered business enterprises (RBEs) in the special economic zones thereby rendering the "Cross Border Doctrine" ineffectual and inoperative which is inconsistent with the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law and existing laws which recognizes freeport zones as separate customs territories.
- Package 4 or the proposed **Passive Income and Financial Intermediary Taxation Act (PIFITA)** of the Comprehensive Tax Reform Program (CTRP) aims to make passive income and financial intermediary taxes simpler, fairer, more efficient, and more competitive regionally. At the Congress, **House Bill (HB) No. 4339**⁴³ was approved by the House last 14 November 2022, and transmitted to the Senate on 15 November 2022.

38 Bureau of Internal Revenue. (7 October 2022). Revenue Regulations No. 13-2022. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202022/RR%20No.%2013-2022.pdf

39 Bureau of Internal Revenue. (30 June 2022). Revenue Regulations No. 8-2022. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202022/RR%20No.%208-2022.pdf

40 Bureau of Internal Revenue. (30 June 2022). Revenue Regulations No. 9-2022. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202022/RR%20No.%209-2022.pdf

41 Bureau of Internal Revenue. (20 April 2023). Revenue Regulations 3-2023. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202023/RR%20No.%203-2023.pdf

42 House of Representatives. (October 2022). House Resolution No. 490. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HR00490.pdf

43 House of Representatives. (14 November 2022). House Bill No. 4339. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HB04339.pdf

- **HB No. 3261**⁴⁴ or the What-You-See-Is-What-You-Get (WYSIWYG) Portal Act proposes to establish an online tracking system to monitor the performance of the two main revenue-generating agencies, the Bureau of Internal Revenue (BIR) and Bureau of Customs (BoC), by creating the National Tax Transparency Portal.
- The proposed **HB No. 7292** seeks to create a VAT refund for non-resident tourists, adding for the purpose a new Section 112-A to the National Internal Revenue Code of 1997, as amended. Approved by the House last 06 March 2023, the bill was transmitted to the Senate on 07 March 2023.⁴⁵
- **HB No. 6558** or the **Real Property Valuation and Assessment Reform Act**⁴⁶ seeks to reorganise the Bureau of Local Government Finance (BLGF) to effectively provide the institutional support to operationalize and implement the reform agenda. The Department of Finance (DOF), on the other hand, shall promulgate the rules and regulations on real property valuation, with the Local Government Units (LGUs) responsible for the preparation and updating of the Schedule of Market Values (SMVs), to be reviewed by the BLGF Regional Offices, the BLGF Executive Director, and Bureau of Internal Revenue (BIR) Commissioner, and approved by the Secretary of Finance.⁴⁷
- The proposed **Ease of Paying Taxes Act** or **HB No. 4125**⁴⁸ simplifies and modernises tax administration in order to increase tax compliance. The bill has already been approved by the House last 26 September 2022, and transmitted to the Senate on 27 September 2022. Further, the Senate Committee on Ways and Means held its second meeting on the bill last 14 December and has conducted three technical working groups since the start of the year on 18 January, 2 and 9 February 2023.

ADVOCACY RECOMMENDATIONS

• Fast-track Senate Concurrence of the Foreign Account Tax Compliance Act (FATCA)

Foreign Account Tax Compliance Act (FATCA) was implemented in March 2010 with the goal of improving compliance with US tax regulations. This requires all non-US financial institutions, also known as Foreign Financial Institutions (FFIs), to report any relevant information on financial accounts held by US citizens to the US Internal Revenue Service.⁴⁹ Following this development, on July 13, 2015, the Philippines and the United States signed an Inter-Governmental Agreement (IGA) Model 1A, which requires Philippine financial institutions (PFIs) to submit relevant information on US citizens' accounts to the BIR.⁵⁰

Recognising its role to promote compliance and combating financial crimes, the ECCP has long advocated for its Senate concurrence. Relative to this, we acknowledge that FATCA was in December 2016, and

44 House of Representatives. (10 August 2022). House Bill No. 3261. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB03261.pdf

45 House of Representatives. (06 March 2023). House Bill No. 7292. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT7292.pdf

46 House of Representatives. (12 December 2022). House Bill No. 6558. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT6558.pdf

47 At the Senate, several bills were also filed instituting reforms in real property valuation and assessment in the Philippines as on 13 March 2023 – Senate Bill Nos. 314, 693, 897, 1018, and 1473.

48 House of Representatives. (26 September 2022). House Bill No. 4125. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT4125.pdf

49 Bureau of Internal Revenue. (2016). BIR Advisory on FATCA. Retrieved from https://www.bir.gov.ph/images/bir_files/international_tax_affairs/faq%20_0628.pdf

50 US Department of the Treasury. (2015). Agreement between the Government of the United States of America and the Government of the Republic of the Philippines to Improve International Tax Compliance and to Implement FATCA. Retrieved from <https://www.treasury.gov/resourcecenter/tax-policy/treaties/Documents/FATCA-Agreement-Philippines-7-13-2015.pdf>

then sent to the Philippine Senate for approval.⁵¹ However, it has remained pending in the Committee of Foreign Relations at the Philippine Senate since then, according to a June 2019 report.⁵² In this scenario, FATCA will not be fully implemented as the BIR has stated that "FATCA reporting will not occur until the PH-US FATCA IGA has been concurred in by the Philippine Senate and has entered into force."⁵³

To this end, the ECCP reiterates its support in the full implementation of FATCA through a Senate concurrence. We strongly believe that this will help the country strengthen its compliance with international tax policies, as well as leverage its position in combating financial crime and promoting a transparent and effective reporting system.

• Lift or Amend the Bank Secrecy Law

According to a 2020 survey, one out of every two businesses experienced fraud and economic crimes in 2019, resulting in losses of up to USD 50 million. The same report stated that businesses have begun and will continue to implement measures such as improved security controls, policy and procedure review and enhancement, and the use of a whistleblowing network.⁵⁴

Furthermore, the survey found that the existence of laws and regulations such as the Bank Secrecy Act is one of the reasons why financial crimes persist.⁵⁵ The Philippine banking system remains one of the most restrictive in the world due to its strict policy on bank secrecy. According to the BSP, the International Monetary Fund has identified the Philippines' and Lebanon's strict bank secrecy rules as a barrier to anti-money laundering efforts.⁵⁶

International bodies have also urged the Philippines to step up its efforts to combat financial crime, particularly with the Financial Action Task Force including the Philippines on its grey list in 2021.^{57,58} Moreover, the FATF decided that the Philippines, along with 22 other jurisdictions, are to be kept on the list in 2022.⁵⁹

More recently, it was reported that the Philippines was granted a 1-year extension – from January 2023 to January 2024 – to further its anti-money laundering efforts and be removed from the grey list. According to the BSP, the FATF stated that improvements must still be done in the areas of Bank Secrecy, as well as reporting of cases filed against anti-money laundering and terrorist financing.⁶⁰

51 Bureau of Internal Revenue. (2017). FATCA Advisory 4. Retrieved from <https://www.bir.gov.ph/index.php/international-tax-matters/fatca.html>

52 Philippine Senate. (June 2019). Treaties/Agreement Submitted for Concurrence by the Senate. Retrieved from http://legacy.senate.gov.ph/17th_congress/treaties_17thcongress.asp

53 Ibid.

54 PricewaterhouseCoopers Consulting Services Philippines Co. Ltd.. (2020). Fraud and Economic Crime – Are we prepared enough for a new decade? PwC's Global Economic Crime and Fraud Survey – The Philippine Report. Retrieved from https://www.pwc.com/ph/en/consulting-pwc-ph/assets/2020/pwc-ph_2020-gecs-report.pdf

55 PricewaterhouseCoopers Consulting Services Philippines Co. Ltd.. (2020). Fraud and Economic Crime – Are we prepared enough for a new decade? PwC's Global Economic Crime and Fraud Survey – The Philippine Report. Retrieved from https://www.pwc.com/ph/en/consulting-pwc-ph/assets/2020/pwc-ph_2020-gecs-report.pdf

56 BSP. (11 February 2021). House Committee on Banks and Financial Intermediaries Hearing.

57 Refers to "Jurisdictions under Increased Monitoring" or externally, "grey list". Implies that the country has committed to resolving identified strategic deficiencies along with agreed-upon timeline and is subject to enhanced surveillance.

58 Financial Action Task Force. (June 2021). Jurisdictions under Increased Monitoring - June 2021. Retrieved from <https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2021.html>

59 Agcaoili, L. (23 October 2022). Philippines fails to exit FATF gray list. Retrieved from <https://www.philstar.com/business/2022/10/23/2218604/philippines-fails-exit-fatf-gray-list>

60 Villanueva, J. (10 January 2023). PH gets 1-year extension to get out of FATF's gray list. Retrieved from <https://www.pna.gov.ph/articles/1192439>

Relatedly, House Bill No. 7446, which proposes amendments to the Bank Secrecy Law or Republic Act No. 1405, hurdled second reading at the Lower Chamber in March 2023. The said bill seeks to combat tax evasion and other financial crimes, promotes compliance with international standards, and effectively lifts barriers in investigations and prosecutions of illegal financial actions of entities supervised by the BSP.⁶¹

In light of the foregoing, and to complement the steps taken to promote security and transparency in the country's banking sector, the ECCP supports the passage of amendments to the Bank Secrecy Law. We strongly believe that this policy shift will enable the BSP to a stronger prudential supervisory role, as well as create a policy environment in which the agency can effectively fulfil its mandate of maintaining a stable banking system. The ECCP anticipates and will continue to monitor the progress of the 19th Congress in accordance with this proposal.

- **Further Promotion of Digital Transformation in Tax- and Finance-Related Transactions and Processes**

The imposition of COVID-19 pandemic response measures, combined with continued innovation across sectors, has highlighted the critical role that digitalisation plays in ensuring the continuity of economic activities. Furthermore, it has long been established that digital transformation will have a significant impact on the future of economies, businesses, and communities.⁶²

The policy priorities of both the government and businesses, as well as the increasing adaptivity of the public to digitalisation, showcase that digital transformation in tax- and finance-related transactions and processes will continue to be the trend. With this, the ECCP recognizes the growing need for mechanisms to support the growing use of digital transactions. Implementing such measures will boost efficiency and security in the tax and financial systems, as well as support the country's goals of digital transformation, financial inclusion, and ease of doing business.

It is for this reason that we put forth the following recommendations:

- **Boost digital transformation in the financial sector**

Earlier this year, the BSP expressed optimism that the target to digitise 50% of all payments and onboard 70% of Filipinos into the financial system by 2023 is seen to be attained. Recent figures from the BSP exhibit the fast-tracked transition to the digital economy, with the heightened share of digital payments to total retail payments volume to 30.3% in 2021 from 20.1% in 2020.⁶³ Furthermore, according to the 2021 BSP Financial Inclusion Survey, financial account ownership increased to 56% in 2021 from 29% in 2019. This equates to 42.9 million Filipino adults onboarded in the financial system.⁶⁴

In this regard, we recognise the BSP's initiatives and objectives in line with its Digital Payments Transformation Roadmap, such as the fund transfer facilities, the development of a national QR standard, and the approval of digital banking licences.

61 House of Representatives. (06 March 2023). Committee Report No. 396. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/first_19/CR00396.pdf.

62 In the Digital Economy Report 2019 of the United Nations Conference on Trade and Development or UNCTAD, it was mentioned that 'Digitalization of the broader economy may lead to new efficiencies, and, in the future, to transformative changes in established sectors in developing countries.' Retrieved from https://unctad.org/system/files/official-document/der2019_en.pdf.

63 Business World Online. (23 January 2023). BSP stays on track to digitize 50% of all payments this year. Retrieved from <https://www.bworldonline.com/top-stories/2023/01/23/500092/bsp-stays-on-track-to-digitize-50-of-all-payments-this-year/>.

64 Bangko Sentral ng Pilipinas. (2021). 2021 Financial Inclusion Survey. Retrieved from <https://www.bsp.gov.ph/Inclusive%20Finance/Financial%20Inclusion%20Reports%20and%20Publications/2021/2021FISToplineReport.pdf>.

To augment the reach of such digitalisation efforts, the ECCP strongly recommends that steps are taken to fill the gaps in digital infrastructure development, strengthen security in the financial services sector, as well as build strong public trust and confidence among consumers. On this note, the ECCP and its Tax and Financial Services Committee seeks to continue working and supporting the Philippine government in developing programs and policies that create an enabling and strong regulatory environment for the financial sector.

- **Further clarify the implementation of the Transfer Pricing rules**

With the objective of ensuring quality audit through providing a set of standardised procedures and techniques, the Transfer Pricing Audit Guidelines was released in 2019 through BIR Revenue Audit Memorandum Order No. 1-2019.⁶⁵ Moreover, Revenue Regulations No. 34-2020⁶⁶ lays out the guidelines and procedures on the submission of Transfer Pricing documents, particularly in line with the government's increased efforts to streamline and ease processes during the COVID-19 pandemic.

With the overall objective of enhancing ease of doing business and advancing tax compliance, the ECCP and its Tax and Financial Services Committee support the issuance of the amended transfer pricing measures and guidelines. Likewise, to further facilitate compliance, we recognise that its implementation shall be continuously adaptive to the current trends and practices, including the increasing use of technology.

In this context and in regard to the enactment of transfer pricing issuances, we highly recommend that clearer and more detailed guidelines on the implementation of e-invoicing, e-receipting, and transfer pricing documentation are provided. This will help taxpayers better understand how they can comply with the transfer pricing rules, which, in turn, will contribute to a more stable tax system.

- **Tax digitalisation and ease of paying taxes**

Further to the BSP's efforts on digitalisation, the BIR has similarly continued to implement measures aimed at streamlining and optimising the use of technology in its processes and requirements. According to the DOF, 93% of income tax returns were filed electronically,⁶⁷ which reflects the benefits brought about by the availability of digital options for taxpayers.

Furthermore, according to 2020 data, 85% or PhP 1.66 trillion of the total collection of PhP 1.95 trillion was collected via e-payment channels. The DOF also reported in early 2022 that e-payment mechanisms such as the electronic Filing and Payment System and the electronic Fund Transfer Instructions System, as well as the Internal Revenue Integrated System (IRIS) for processing taxpayer information, are being undertaken.⁶⁸ More recently, the BIR stated that it will focus on the implementation of digitalisation programs to push for long-term benefits to tax administration.⁶⁹

In relation to this, the ECCP and its Tax and Financial Services Committee support the passage of the Ease of Paying Taxes bill. We recognise that this policy proposal will significantly support the objective to simplify and modernise tax administration to increase tax compliance. To further support this agenda, we also strongly recommend the acceptance of digital documents and electronic signatures in the

65 Bureau of Internal Revenue. (2019). Revenue Audit Memorandum Order No. 1-2019. Retrieved from <https://www.pwc.com/ph/en/tax-alerts/assets/2019/RAMO%201-2019%20TP%20Audit.pdf>.

66 Bureau of Internal Revenue. (2020). Revenue Regulations No. 34-2020. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202020/RR%20No.%2034-2020%20v2_copy.pdf

67 Leyco, C. (26 August 2022). BIR, Customs ramp up digitalization effort. Retrieved from <https://mb.com.ph/2022/08/26/bir-customs-ramp-up-digitalization-effort/>.

68 Philippine News Agency. (18 January 2022). BIR's digital transformation projects to benefit taxpayers. Retrieved from <https://www.pna.gov.ph/articles/1165741>.

69 Business Mirror. (17 February 2023). BIR to focus on digitalization. Retrieved from <https://businessmirror.com.ph/2023/02/17/bir-to-focus-on-digitalization/>.

processing and filing of tax and payment documents, which could lead to improved ease in processes and compliance of taxpayers.

- **Extend the implementation of the Tax Amnesty Package**

As one of its long-standing advocacies, the ECCP lauded the recent enactment of the Tax Amnesty Act or RA No. 11213, as well as the extension of its implementation for two more years through Republic Act No. 11569 in June 2021. We believe that such legislation helps broaden the tax base, simplify tax administration, and promote better economic use of taxpayers' properties. While the aforesaid extension until June 2023 has been granted, it is our view that tax amnesty availment is yet to be maximised by the general public.

To reap the full benefits of this policy by both the government and taxpayers, we highly suggest that the implementation of the Tax Amnesty Package should be further extended. Moreover, this must be coupled with efforts to boost information dissemination especially in rural areas, as well as enhance application processes, especially completion of documentary requirements, for the availment of amnesty. Finally, we seek for the reconsideration of the content of the general tax amnesty policy which was vetoed in the previous administration, to cover a wider scope of tax amnesty.

We underscore that such efforts will likewise support increased revenue collection through voluntary settlements, which will ultimately spur economic activities. To this end, the Chamber and its members remain cooperative in efforts to increase the level of public tax consciousness and encourage citizens to pay the right taxes.

- **Increase efforts to provide incentives and improve ease of doing business across all government levels**

The ECCP acknowledges that various efforts have been put in place to further improve the country's tax and fiscal policies, which is a significant consideration for both local and foreign businesses that operate and/or conduct transactions in the Philippines. To build on these developments, we submit our recommendations on facilitating the provision of incentives as well as compliance with LGU ordinances.

First, we highly suggest that the implementation of incentives are clarified among and across government agencies and LGUs. This is especially for the Information Technology-Business Process Management (IT-BPM) and other similar industries that operate in various cities and municipalities in the country. We strongly believe that ensuring up-to-date and standardised application of such incentives will give confidence to businesses in continuing their economic activities, and even encourage investors to expand their operations in the Philippines.

Moreover, it goes without saying that LGUs play a critical role in helping facilitate conduct of businesses. Along with the country's intensifying efforts to strengthen local governance and particularly in line with the engagement of investors with various government offices, we at the Chamber express our continued support in easing the facilitation of business engagement with LGUs. Specifically, we advocate for the adjustment of the deadline for the renewal of Mayor's Permit, currently set to 20 January, to a later date. Moving such deadline to a later month such as April or May, in which the audited financial statement has already been released, will grant companies sufficient time to prepare the declaration of gross receipts/sales, which is among the requirements in renewing the Mayor's Permit. This then allows for a streamlined approach and timeline that ensures more accurate reporting of financial statements.

- **Strengthen tax awareness and promote taxpayers' rights**

Among the key enablers of achieving a stable and sustainable tax system is a platform for taxpayers to understand both their rights and responsibilities in relation to pertinent tax laws. Similarly, government employees are guided by a Code of Conduct⁷⁰ that sets out prescribed approaches in engaging with taxpayers.

⁷⁰ Office of the Ombudsman. (n.d.). Republic Act No, 6713. Retrieved from https://www.ombudsman.gov.ph/docs/republicacts/Republic_Act_No_6713.pdf.

While such is the case, reports such as those pertaining to undue discretion of tax authorities continue to be filed, thereby threatening taxpayer confidence and rights. To help address this, measures on Taxpayer's Bill of Rights and Obligations such as Senate Bill No. 1199,⁷¹ are being advanced.

We agree with the main principles of this proposed measure, including providing mechanisms for improved tax policy awareness, ensuring the protection of taxpayers' rights, as well as helping create a fairer tax system for taxpayers. Moreover, we recognise that the said policy takes into consideration the guidelines outlined by the Organisation for Economic Co-operation and Development (OECD), as well as other international standards and practices.

To this end, we acknowledge the bill's contribution to improving tax awareness and education, as well as alleviating confidence in the country's tax system. With this, we will continue to monitor its developments, as well as engage with relevant policymakers in ensuring that its provisions take into account stakeholders' comments and suggestions.

ASSESSMENT OF 2022 RECOMMENDATIONS

RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
Fast-track Senate Concurrence of the Foreign Account Tax Compliance Act (FATCA)			The FATCA was ratified in December 2016. It remains pending in the Senate Foreign Relations Committee for concurrence, as of June 2019.
Lift or Amend the Bank Secrecy Law			Enactment of the amendments to the Bank Secrecy Law have yet to be implemented. However, several government agencies, especially the Bangko Sentral ng Pilipinas has expressed its support to review the said policy to promote a more transparent and strengthened banking system.
Faster reduction of the Corporate Income Tax and retention of incentives	-		

⁷¹ Philippine Senate. (16 August 2022). Senate Bill No. 1199. Retrieved from <http://legacy.senate.gov.ph/lisdata/3926135696!.pdf>.



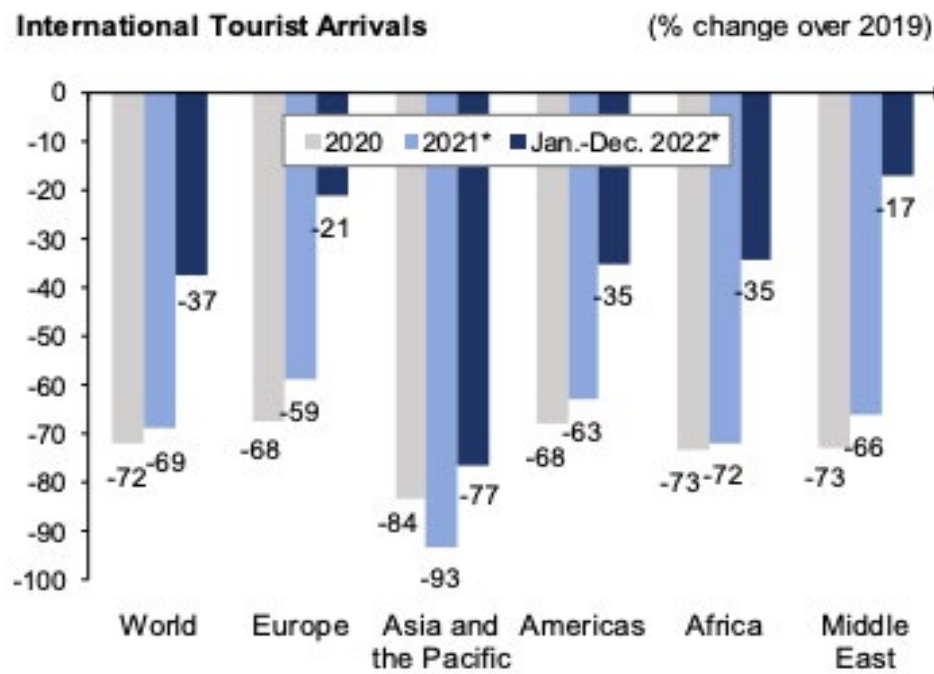
TOURISM ADVOCACY PAPER 2023

INTRODUCTION

The launch of COVID immunisation campaigns in late 2020 resulted in a significant decrease in COVID-19-related cases and hospitalizations. Following this, travel restrictions began easing up, allowing for a more promising recovery path for the country's tourism sector. Additionally, due to a large number of countries easing their travel restrictions, international tourism recovered faster than expected.

According to data from the World Tourism Organization (UNWTO) and International Air Transport Association (IATA) Destination Tracker – Easy Travel, there were no travel restrictions in 116 destinations globally as of December 2022. As a result, there were over 900 million tourists travelling internationally—translating to a 102% increase in international tourism. Although this is 37% below its pre-pandemic levels in 2019, pent-up demand, especially from Asia and the Pacific, as well as new locations and markets, are expected to support global tourism's revamp in 2023. International visitor arrivals could reach 80% to 95% of pre-pandemic levels this year, with Europe and the Middle East anticipated to achieve such levels, according to UNWTO forecasts. Nonetheless, significant threats, particularly economic and geopolitical, still lie ahead.¹

International Tourist Arrivals (% change over 2019)



Source: UNWTO

* Provisional data

Source: World Tourism Organization

Based on data gathered by the Department of Tourism (DOT), there was a recorded 2,653,858 inbound tourist arrivals in the Philippines from February to December 2022—with 2,025,413 of those being foreign tourists and the remaining 628,445 of those being overseas Filipinos arriving. Similar to previous figures, a significant number of foreign arrivals during this period came from the United States, with 505,089 travelers or 19.03% total share of arrivals. This was then followed by South Korea and Australia with 428,014 or 16.13%, and 137,974 or 5.2% respectively.²

1 World Tourism Organization. (2023). UNWTO World Tourism Barometer: January 2023. Retrieved from: https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2023-01/UNWTO_Barom23_01_January_EXCERPT.pdf?VersionId=_2bbK5Glwk5KrBGJZt5iNPAgnrWoh8NB

2 Department of Tourism. (2023). February to December 2022 Air Visitor Arrivals By Nationality. Retrieved from: http://www.tourism.gov.ph/files/2023/01/01-04/tourism_demand/Feb-Dec.pdf

Air Visitor Arrivals by Nationality - February to December 2022		
By Nationality	Total February to December 2022	% Share
Grand Total	2,653,858	100.00%
Total Overseas Filipinos ³	628,445	23.68%
Total Foreign Tourists	2,025,413	76.32%

Source: Department of Tourism

As the numbers in 2022 are only 37% short of 2019's pre-pandemic levels, the industry is expected to meet, and even exceed those numbers in 2023. With PHP 208.96 billion or USD 3.68 billion in tourism revenue garnered in 2022, there was a 2465.75% increase when compared to the same period in 2021—surpassing the DOT's year-end target by almost a million additional visitors. With this, the DOT is aiming for 4.8 million foreign visitors in 2023 as a baseline. However, the Agency remains optimistic that the government will surpass its goals once more, just as it did in 2022.⁴ As of 17 February 2023, there have already been 730,760 visitor arrivals in 2023, exceeding the 47,715 arrivals in February last year.⁵

When it comes to international ranking, the Philippines' was 75th among 117 economies in the 2021 World Economic Forum's (WEF) Travel & Tourism Development Index (TTDI). With an overall TTDI score of 3.73 out of 7, the country falls below its neighbouring countries in East and Southeast Asia, narrowly trailing Cambodia (79th overall), Mongolia (84th), and Laos (93rd).⁶

Meanwhile, according to the World Travel and Tourism Council, the Philippine economy was significantly strengthened by the tourism sector's increased gross domestic product (GDP) contribution, which allowed it to have the fourth-fastest growth rate in the world in 2021.⁷ According to the Philippines Statistics Authority (PSA), the GDP that was forecasted for the said year indicated that tourism's direct gross value added (TDGVA) contribution to the Philippine economy is at 5.2%.⁸ The country's TDGVA was PHP 917.2 billion in 2020 and increased to PHP 1 trillion the following year. As a result, the TDGVA increased by 9.2% in 2021 compared to the data acquired from 2020.⁹

3 Philippine Passport holders who are permanently residing abroad.

4 Department of Tourism. (2022). PHL breaches 2.6M arrivals for 2022; DOT chief bullish of 2023 projections. Retrieved from: https://beta.tourism.gov.ph/news_and_updates/phl-breaches-2-6m-arrivals-for-2022-dot-chief-bullish-of-2023-projections/

5 Department of Tourism. (2023). Presentation of Assistant Secretary Rica Bueno during the ECCP Tourism Committee Meeting last 22 February 2023.

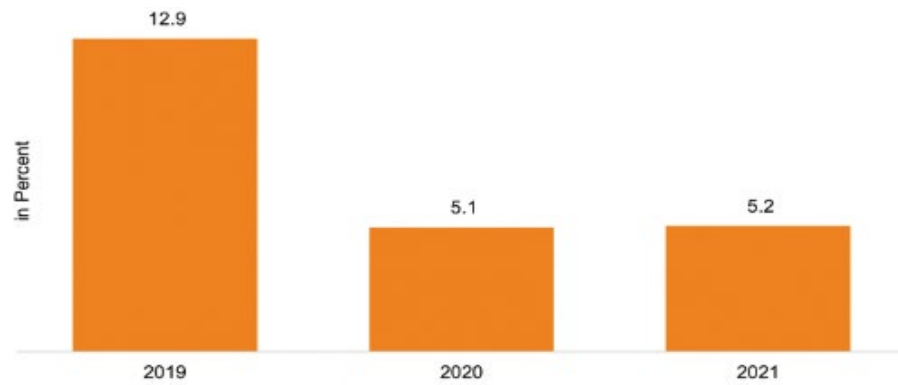
6 World Economic Forum. (2022). Travel & Tourism Development Index 2021: Rebuilding for a Sustainable and Resilient Future. Retrieved from: <https://www.weforum.org/reports/travel-and-tourism-development-index-2021/>

7 Adel, R. (21 April 2022). Tourism sector contributed to Philippines' 4th fastest growing economy rank in 2021-report. Retrieved from

8 Philippine Statistics Authority. (2022). Share of Tourism to GDP is 5.2 Percent in 2021. Retrieved from <https://psa.gov.ph/content/share-tourism-gdp-52-percent-2021#:~:text=Share%20of%20Tourism%20to%20GDP,in%202021%20%7C%20Philippine%20Statistics%20Authority>

9 Philippine Statistics Authority. (2022). Philippine Tourism Satellite Accounts (PTSA) 2021. Retrieved from https://psa.gov.ph/system/files/3_PTSA-Publication_aol3June2022_ONS-signed.pdf

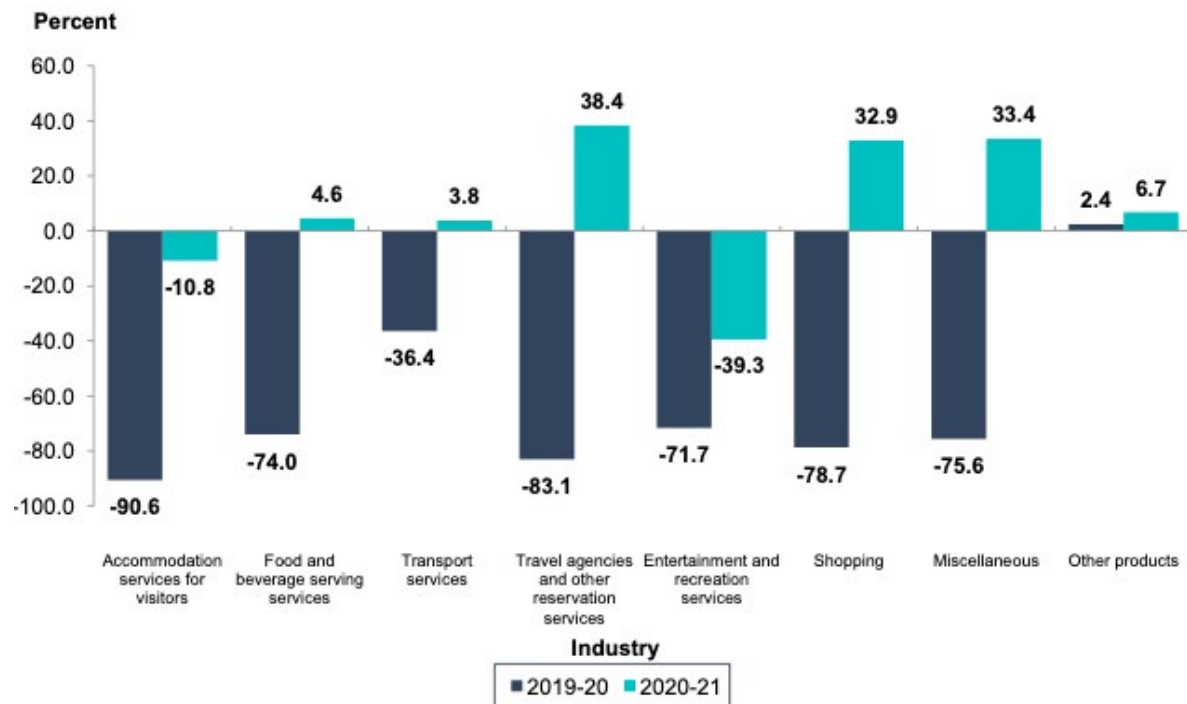
Percent Share of Tourism to GDP 2019-2021 (at current prices)



Source: Philippine Statistics Authority

Travel agencies and other reservation services, which made up 38.4% of the total TDGVA, were the industries with the fastest growth rates, as per PSA data. The 33.4% and 32.9% of shopping- and miscellaneous-related industries respectively were also seen to have performed better, compared with other tourism-related industries. Accommodation services and entertainment and recreation services both experienced a dip, with respective figures falling into the negatives by -39.3% and -10.8%.¹⁰

Tourism Direct Gross Value Added (TDGVA) by Industry, Growth Rates (in percent): 2020-2021



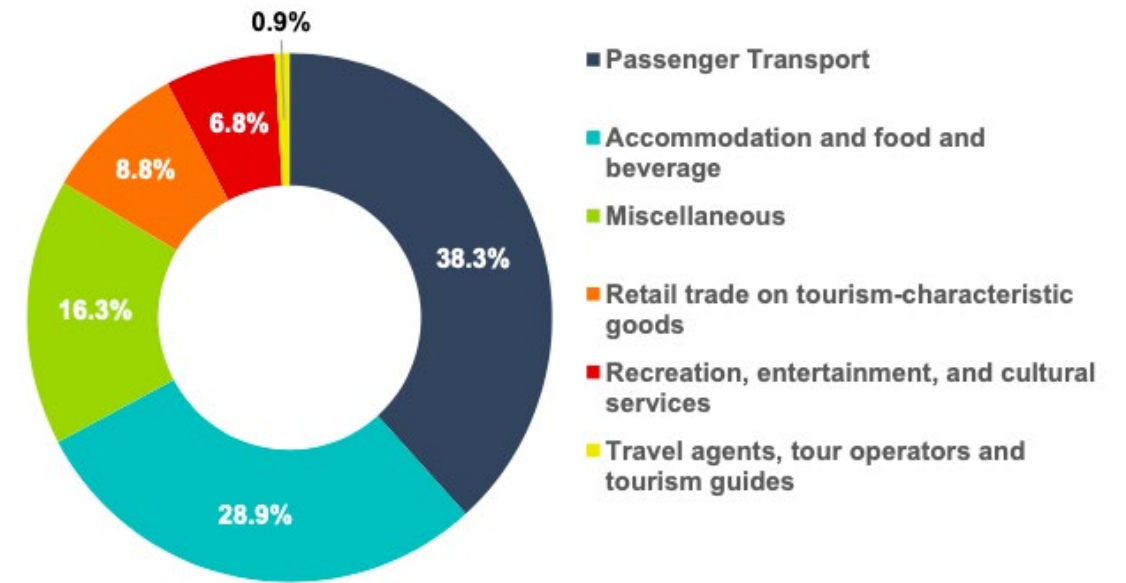
Source: Philippine Statistics Authority

In terms of tourism-related employment, the industry labour pool in 2021 was able to contribute 11.1% of all employment in the Philippines. From 4.69 million in 2020 to 4.90 million in 2021, an increase of 4.6% was seen in terms of sector employment. Passenger transport accounted for the largest part of the tourism-related industry, with 38.3% of the total. Following this was accommodation and food and beverage at 28.9%. Meanwhile, the miscellaneous category

¹⁰ Ibid.

recorded 16.3%. All areas saw improvements from 2020, with the exception of accommodation and food and beverage. With a rise of 45.3%, recreation, entertainment, and cultural services had the largest increase, followed by an augmentation of 20.3% in retail trade on tourism-characteristic goods.¹¹

Employment in Tourism Industries, Percent Distribution: 2021



Source: Philippine Statistics Authority

According to recent estimates by the DOT, total of 5.23 million tourism-related jobs were created in 2022. Additionally, in a bit to further achieve the overall improvement and digitalization of the tourism sector, the DOT has been investing in the training of the industry workforce by offering gateway, digital, advocacy, and certification learning sessions.¹² As of 29 December 2022, there were 11,989 DOT-accredited tourism enterprises as well as 25,770 different tourism stakeholders who have already received training.¹³

The DOT has likewise expressed its plans to multiply the already growing number of inbound tourists as well as “[make] the Philippines known not only through the award-winning destinations but by introducing the Philippines as the Hospitality Center of Asia and eventually the world.” In addition to this, the Agency’s constant push for the training of the frontliners of the tourism industry is seen to further develop the Philippine experience program as well as make the country’s tourism scene even more successful.¹⁴

¹¹ Ibid.

¹² Ibid.

¹³ Department of Tourism. (2022). PHL breaches 2.6M arrivals for 2022; DOT chief bullish of 2023 projections. Retrieved from: https://beta.tourism.gov.ph/news_and_updates/phl-breaches-2-6m-arrivals-for-2022-dot-chief-bullish-of-2023-projections/

¹⁴ Frasco, CG. (2023). Oath-taking of Department of Tourism Directors last 11 January 2023.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- President Ferdinand Marcos Jr. has approved the implementation of the Value-Added Tax (VAT) Refund Program for foreign tourists by 2024 in an effort to boost tourist arrivals in the country. As of writing, an Executive Order on the tax refund system is yet to be issued.¹⁵ House Bill No. (HBN) 7292, seeking to grant value-added tax (VAT) refunds for foreign tourists to encourage more visitor spending, has been approved on the third and final reading last 6 March 2023.¹⁶
- The eTravel platform, an online registration system for travelers to the Philippines and returning residents, was launched in December 2022 as part of the government's efforts to streamline its entry procedures and data-gathering processes. The eTravel platform will host an electronic version of the paper Arrival Card, which passengers must present upon arrival in the Philippines to get immigration clearance. With the eTravel platform, the traveling public will be required to provide their arrival information and a health declaration. This is a joint initiative of the Department of Information and Communications Technology (DICT) in partnership with the Bureau of Immigration (BI), Bureau of Quarantine (BOQ), Bureau of Customs (BOC), Department of Tourism (DOT), Department of Health (DOH), Department of Justice (DOJ), and Department of Transportation (DOTr).¹⁷
- Presidential Proclamation No. 90, signed in November 2022, adjusts the roster of regular holiday and special (non-working) days in 2023 to introduce more long weekends. Such a move is seen by the tourism industry players as a significant stimulus to enhance the country's domestic travel figures since it allows passengers to stay longer in destinations, bringing immediate economic benefits to local communities.¹⁸
- On 5 March 2023, the DOT Memorandum Circular (MC) 2023-0002 was issued, allowing tourism companies to waive the requirement for guests and clients to present proof of full vaccination and wear face masks. Furthermore, under MC 2003-0002, the Agency will no longer mandate tourism enterprises to install plastic, acrylic barriers, and dividers in designated areas. The memo also ordered the removal of signages, visual cues, and other installations on necessary protocols, which the national government has since liberalized.¹⁹
- On 28 October 2022, President Ferdinand Marcos Jr. signed and issued Executive Order No. 7, allowing the voluntary wearing of face masks in indoor and outdoor settings, as the Philippines tries to attract more foreigners into its tourism industry. Unvaccinated individuals, those with comorbidities, and senior citizens are still highly encouraged to wear face masks.²⁰ During his first State of the Nation Address (SONA), the President also pledged that there will no longer be restrictive lockdowns in relation to COVID-19 cases.²¹

15 Aning, J. (30 January 2023). President Marcos okays VAT refund for foreign tourists. Retrieved from <https://newsinfo.inquirer.net/1722734/marcos-okays-vat-refund-for-foreign-tourists>

16 House of Representatives. (2023). House Bill No. 7292 - An Act Creating A Vat Refund Mechanism For Non-Resident Tourists, Adding For The Purpose A New Section 112-A To The National Internal Revenue Code Of 1997, As Amended. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT7292.pdf

17 Inter-Agency Task Force for the Management of Emerging Infectious Diseases. (2022). Notice to Public: Government Integrates Quarantine and Immigration Arrival Requirements for International Passengers. Retrieved from <https://iatf.doh.gov.ph/2022/12/02/notice-to-public-government-integrates-quarantine-and-immigration-arrival-requirements-for-international-passengers/>

18 Department of Tourism. (2022). DOT welcomes long holidays for 2023; PBBM signing of Proclamation No. 90 important stimulus to PHL domestic tourism in 2023: DOT chief. Retrieved from https://beta.tourism.gov.ph/news_and_updates/dot-welcomes-long-holidays-for-2023-pbbm-signing-of-proclamation-no-90-important-stimulus-to-phl-domestic-tourism-in-2023-dot-chief/

19 Arnaldo, M. S. F. (6 March 2023). DOT drops masks, vaxx proof for tourism entities. Retrieved from <https://businessmirror.com.ph/2023/03/06/dot-drops-masks-vaxx-proof-for-tourism-entities/>

20 Official Gazette. (2022). Executive Order No. 7. Retrieved from <https://www.officialgazette.gov.ph/downloads/2022/10oct/20221028-EO-7-FRM.pdf>

21 Fernandez, D. (25 July 2022). No more lockdowns despite rising COVID cases, Marcos vows. Retrieved from <https://newsinfo.inquirer.net/1634191/no-more-lockdowns-despite-rising-covid-cases-marcos-vows>

- Under Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF-MEID) Resolution No. 168 dated 26 May 2022, boosted Filipinos and foreigners who will enter the Philippines beginning May 30 are no longer required to present a negative reverse transcription-polymerase chain reaction (RT-PCR) test upon arrival in the Philippines. This is under the condition that the fully-vaccinated individuals are 18 years old and above, and have at least one booster shot against COVID-19. Also exempted from the pre-departure RT-PCR requirement are those aged 12 to 17 who have received two COVID-19 vaccine shots, as well as those aged below 12 who are accompanied by fully vaccinated or boosted parents or guardians.²²
- Starting 1 April 2022, foreign travelers may visit the Philippines without an entry exemption document (EED) as permitted by the IATF-MEID Resolution No. 165, on the conditions that they comply with the applicable visa requirements and immigration entry and departure formalities.²³
- The DOT is currently engaged in the Formulation of the National Tourism Development Plan (NTDP) 2022 - 2028, which seeks to build from the foundations of the Reformulated National Tourism Development Plan (RNTDP) 2021 - 2022 and strengthen the sector's strategic direction towards its post-pandemic recovery.²⁴ The NTDP 2022 - 2028 was turned over by the previous administration to the current Tourism Secretary Christina Frasco. The Agency is targeting the roll-out of the plan this year.²⁵ With this development, the ECCP Tourism Committee calls for the administration to communicate and directly engage with the tourism stakeholders in releasing the updated NTDP to align with the priorities and direction of the industry players.

ON AVIATION INFRASTRUCTURE DEVELOPMENT

- On 1 January 2023, there were no airborne commercial flights in the Philippines as the Air Traffic Management Center in Pasay City experienced technical issues including a power outage and loss of communication. At least 282 flights during New Year's Day have been either delayed, canceled, or diverted to other regional airports and ports abroad. This translates to over 56,000 affected passengers who were supposed to depart from or arrive at the Ninoy Aquino International Airport (NAIA).²⁶
- The DOTr has completed the terms of reference for the privatization of NAIA, which intends to improve aircraft movement per hour by 25%. The NAIA can only manage 40 to 44 aircraft movements per hour and will be able to handle up to 55 aircraft movements once privatized.²⁷
- According to the DOTr, the public and private sectors would spend PHP 1 trillion on aviation projects in 2023 to boost the revival of travel and tourism. The DOTr intends to build and upgrade regional gateways in particular.²⁸ The Agency highlighted several airport projects to accommodate local and foreign tourists, including Clark International Airport's newly opened passenger terminal building, the construction of New Manila International Airport in Bulacan and Sangley Point International Airport in Cavite, and improvements to NAIA and Bicol International Airport.²⁹ Moreover, the national budget for 2023 under the General Appropriations Act (GAA)

22 Inter-Agency Task Force for the Management of Emerging Infectious Diseases. (2022). Resolution No. 168 Series of 2022. Retrieved from <https://www.officialgazette.gov.ph/downloads/2022/05may/20220526-IATF-Resolution-168-RRD.pdf>

23 Inter-Agency Task Force for the Management of Emerging Infectious Diseases. (2022). Resolution No. 165 Series of 2022. Retrieved from <https://www.officialgazette.gov.ph/downloads/2022/03mar/20220324-AMENDED-IATF-RESO-165-RRD.pdf>

24 Department of Tourism. Presentation of Director Warner Andrada at the ECCP Tourism Committee Meeting on 4 April 2022.

25 Isip, I. (21 February 2023). Full recovery of domestic tourism seen this year. Retrieved from https://malaya.com.ph/news_business/full-recovery-of-domestic-tourism-seen-this-year/

26 Lalu, G. P. (01 January 2023). Business and gov't execs, netizens lament New Year air traffic system glitch. Retrieved from <https://newsinfo.inquirer.net/1711316/bad-omen-netizens-business-and-govt-execs-lament-ph-airspace-shut-down-on-new-year>

27 Iglesias, M. (16 January 2023). NAIA privatization in the works; tourism, MSMEs to benefit. Retrieved from https://malaya.com.ph/news_business/naia-privatization-in-the-works-tourism-msmes-to-benefit/

28 Rosales, E. F. (17 February 2023). CAAP sets P1 billion upgrade of regional airports. Retrieved from <https://www.philstar.com/business/2023/02/17/2245427/caap-sets-p1-billion-upgrade-regional-airports->

29 Malaya Business Insight. Major infra to boost tourism. Retrieved from https://malaya.com.ph/news_business/major-infra-to-boost-tourism/

includes financing for the rehabilitation and improvement of eight airports around the country. These include Tacloban Airport, Laoag International Airport, Antique Airport, New Zamboanga International Airport, Bukidnon Airport, Vigan Airport, NAIA, and M'lang Airport.³⁰

ON LEGISLATION

- On 1 June 2022, the previous Congress ratified the bicameral conference committee report on the disagreeing provisions of Senate Bill No. (SBN) 1077 and House Bill No. (HBN) 9030, creating the Philippine Transportation Safety Board (PTSB). The proposed PTSB bill seeks the creation of a non-regulatory and independent agency attached to the Office of the President to be the primary agency responsible for the conduct of impartial investigation on transportation-related accidents and incidents.³¹ However, the measure has been vetoed last 30 July 2022 by President Ferdinand 'Bong Bong' Marcos, Jr. as it "is likely to create functional duplication, confusion as to authority, ineffectiveness, and deficiency in the performance of the responsibilities."^{32,33} In the 19th Congress, SBN-1121 and HBN-1801 have been filed to push for the PTSB creation. Senate Committee Report No. 38 has been filed in March 2023, while HBN-1801 is still with the Committee on Government Reorganization since August 2022.^{34,35}

The ECCP, together with the Joint Foreign Chambers of the Philippines (JFC), Safe Travel Alliance, and IATA, issued a public statement expressing their disappointment over the veto³⁶ and committing to support its approval in the current Congress, especially after technical glitches in the country's air traffic system led to the shutdown of the Philippine airspace in January 2023.³⁷ The bill pushing for the establishment of the PTSB would have resulted in better transportation safety measures and standards for the country.

- In the current Congress, SBN-1073 aims to establish the Philippine Airports Authority, which shall be an independent agency focused on the development of Philippine airports and provide a unified approach to the operations and maintenance of domestic and international airports. All operational responsibilities and duties of the Civil Aviation Authority of the Philippines would be transferred to the Philippine Airports Authority under the proposed measure. SBN-1073, filed by Senator Grace Poe, has been pending at the Committee level since September 2022.³⁸ In the Lower House, HBN-2234 seeking the creation of the Philippine Airports Corporation has been pending with the Committee on Government Enterprises and Privatization since August 2022.³⁹

30 Gita-Carlos, R. A. (19 January 2023). Gov't earmarks P3B for rehab, modernization of 8 airports. Retrieved from <https://www.pna.gov.ph/articles/1193109>

31 Senate of the Philippines. (2022). Senate Bill No. 1077 - National Transportation Safety Board Act. Retrieved from http://legacy.senate.gov.ph/lis/bill_res.aspx?congress=18&q=SBN-1077

32 Antonio, R. (30 July 2022). Marcos vetoes bills on tax exemption for poll workers' allowances, creation of transportation safety board. Retrieved from <https://mb.com.ph/2022/07/30/marcos-vetoes-bills-on-tax-exemption-for-poll-workers-allowances-creation-of-transportation-safety-board/?amp>

33 A copy of the veto Message of the President for House Bill No. 9030/Senate Bill No. 1077 can be viewed at <https://drive.google.com/file/d/18ambOVttcBHZFEyFIRnai-xbeTiqRhB/view?usp=sharing>

34 Senate of the Philippines. (2022). Senate Bill No. 1121 - Philippine Transportation Safety Board Act. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1121

35 House of the Representatives. (2022). House Bill No. 1801 - An Act Promoting Cost-Effective Measures For The Transport Sector And Commuting Public, Providing For The Creation Of A National Transportation Safety Board. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB01801.pdf

36 Joint Foreign Chambers of the Philippines. (04 August 2022). Stakeholders disappointed by veto of bill creating Philippine Transportation Safety Board. Retrieved from <https://www.investphilippines.info/arangkada/media-release-stakeholders-disappointed-by-veto-of-bill-creating-philippine-transportation-safety-board/>

37 Joint Foreign Chambers of the Philippines. (30 January 2023). Foreign Chambers, other stakeholders call for Passage of PTSB Bill after NAIA Air Traffic System glitch. Retrieved from <https://www.investphilippines.info/arangkada/foreign-chambers-other-stakeholders-call-for-passage-of-ptsb-bill-after-naia-air-traffic-system-glitch/>

38 Senate of the Philippines. (2022). Senate Bill No. 1073 - An Act Creating The Philippine Airports Authority. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1073

39 House of Representatives. (2022). House Bill No. 2234 - An Act Creating the Philippine Airports Corporation. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB02234.pdf

- On 16 January 2023, HBN-6774 was filed to amend the Civil Aviation Authority Act of 2008 and separate the regulatory and commercial functions of the Civil Aviation Authority of the Philippines. It has been pending with the Committee on Transportation since 24 January 2023.⁴⁰ Meanwhile, its Senate counterpart SBN-1033 filed in August 2022, has been read on first reading and referred to the Committee on Public Services in September of the same year. Under the bill, the Agency's fiscal autonomy will also be enhanced, as it will be exempted from Republic Act No. 7656 or the Dividend Law to maximize the use of its revenues. Likewise, the measure calls for the exemption of CAAP from the coverage of the Governance Commission for Government-Owned and Controlled Corporations (GOCCs) Law and the Salary Standardization Law in consideration of the highly technical nature of the functions of the agency.⁴¹

ADVOCACY RECOMMENDATIONS

- Improvement of international and domestic connectivity**
Upgrade airports and other tourism-related infrastructure

Airports, and the air transport industry in general, have played a vital role in the economic growth of cities and regions by providing access to local markets. As a country's gateway to the world, the air transport sector facilitates the mobility of goods, investments, people, and innovation, which are the primary drivers of economic progress. Apart from the benefits of employment generation, airports also serve to stimulate growth in other industries such as tourism.

Many countries, including Singapore and Hong Kong, have worked and invested over the years to make their country the premier international gateway in the Asian region, realizing the economic gains this would bring. The Philippines has made significant progress, with the Mactan-Cebu International Airport Corp. (GMCAC) winning another award for the Philippines in February 2023 as Asia's Best Airport in the under 5 million passenger category.⁴² Nonetheless, the country has yet to further improve its competitiveness vis-à-vis its ASEAN neighbors as NAIA has been frequently ranked relatively dismal. More recently, in May 2022, NAIA was tagged as the "worst business class airport in the world" in an international study.⁴³

The relatively restricted number of destinations served and the limited volume of passengers that it can accommodate are some of NAIA's recognized key challenges. Overcapacity, which causes delayed flights and unpleasant passenger experiences, is essentially undermining the country's global reputation as a tourist and investment destination. According to Asia Sentinel, prior to the onset of the COVID-19 pandemic, the airport was catering to 46 million people when it was originally only designed to cater to 25 to 35 million people per year.⁴⁴ Furthermore, the Philippines received 4.4 out of 10 in passenger facilitation, which is below the Asia-Pacific region's overall average of 4.7, as reported by the International Air Transport Association (IATA) in the 2018 Air Transport Regulatory Competitiveness Index.⁴⁵

40 House of the Representatives. (2023). House Bill No. 6774 - An Act Amending The Civil Aviation Authority Act of 2008 and Separating The Regulatory and Commercial Functions of The Civil Aviation Authority of The Philippines. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB06774.pdf

41 Senate of the Philippines. (2022). Senate Bill No. 1003 - Strengthening The Civil Aviation Authority of The Philippines. Retrieved from http://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1003

42 Manila Times. PH bags back-to-back wins in Routes Asia 2023. Retrieved from <https://www.manilatimes.net/2023/02/24/public-square/ph-bags-back-to-back-wins-in-routes-asia-2023/1879989>

43 Luna, F. (27 May 2022). NAIA tagged as worst business class airport in the world in int'l study. Retrieved from <https://www.philstar.com/business/2022/05/27/2184085/naia-tagged-worst-business-class-airport-world-intl-study>

44 Asia Sentinel. (2021). Manila's Airport Fiasco. Retrieved from <https://www.asiasentinel.com/p/manilas-airport-fiasco>

45 International Air Transport Association. (n.d.). The importance of air transport to the Philippines. Retrieved from <https://www.iata.org/en/iata-repository/publications/economic-reports/philippines-value-of-aviation/>

Modernized airports are catalysts for economic and tourism activities, especially in remote areas. An urgent need to improve the air transport system must be implemented to accommodate the growing demand for connectivity to revamp the tourism and aviation industries, which had major setbacks from the pandemic lockdowns. In this context, the ECCP Tourism Committee urges the new government leaders to prioritize modernizing NAIA after the cancelation of the NAIA rehabilitation public-private partnership (PPP) of the previous administration.⁴⁶ In light of this, we support the recent move of the Department of Transportation to be in discussions with private corporations to take over airport operations under PPP.⁴⁷ The Committee also continues to advocate for strengthened PPPs in the rollout of key infrastructure projects such as airports, especially big-ticket ones, since this initiative will provide access to the pool of funds, expertise, and innovation of the private sector. This will also aid in increasing the number of flights and destinations in the aviation industry, promoting inbound and outbound travel to and from the Philippines.

According to Oxford Economics, the Philippines could expect a 56% increase in airline passengers over the next eight years. This means that the country's airport infrastructure should be able to handle 88.3 million passengers per year. There is also a major disparity in the efficiency and capacity of airports between the Philippines and its Asian neighbors. The Philippines obtained the lowest score for aviation infrastructure, which includes indicators such as flight availability and the quality of hard infrastructure used by domestic and international flights.⁴⁸ Upgrading airport infrastructure has been more crucial than ever following the New Year's Day glitch at NAIA that closed the entire Philippine air space. To ensure a non-repeat, we support the call to revive the 2018 proposal to form a private-sector consortium to rehabilitate the airport. The rehabilitation project aims to decongest and increase the capacity of NAIA.⁴⁹

Moreover, the Committee reiterates that apart from airports, other infrastructure facilitating tourism services should be upgraded. As an archipelago, the Philippines requires air, land, and marine transport systems to facilitate mobility. Road networks are also relied on to convey passengers as well as freight. Ports, together with airports, trains, and roadways, are equally critical for connecting the major islands of Luzon, Visayas, and Mindanao, promoting domestic tourism and making it easier for travelers to explore many of the countries' tourist destinations. According to the Department of Public Works and Highways (DPWH), the Strategic Infrastructure Programs aligned with the Philippine Development Plan 2023-2028 emphasizes seamless and inclusive connectivity via national and local linkages. These initiatives involve convergence programs, a part of which is the Tourism Road Infrastructure Program (TRIP) implemented hand-in-hand with the DOT. Through TRIP, the DPWH allocated PHP 17.69 billion for the construction and improvement of roads and infrastructure facilities in tourist zones.^{50 51}

With this in mind, there should be improved mechanisms in place to support the transportation of travelers from the airport to their respective destinations in the country, especially within Metro Manila. The Department of Tourism should also closely coordinate with the Department of Health and other concerned agencies in establishing and improving health facilities in various tourist spots in the country, particularly in far-flung areas. This will facilitate ease of travel in the Philippines and further promote tourist arrivals. Essentially, building a modern, efficient infrastructure is critical to attracting more tourists to the Philippines.

Bridge the digital infrastructure gap and improve internet connectivity in Philippine airports for ease of communication for travelers

As gateways to the Philippines, airports play an important role in offering tourists a favorable impression of the Philippines. In order to fully utilize the enormous potential for domestic and international tourism in the country,

46 Cigaral, I. N. (28 March 2022). Philippine airport projects face lingering pandemic risks. Retrieved from <https://www.philstar.com/business/2022/03/28/2170729/philippine-airport-projects-face-lingering-pandemic-risks>

47 Abadilla, E.V. (27 February 2023). DOTr: putting up 9 airports for PPP. Retrieved from <https://mb.com.ph/2023/02/27/dotr-putting-up-9-airports-for-ppp/#close>

48 Francisco, K. & Lim, V. (2022). Philippine Air Transport Infrastructure: State, Issues, Government Strategies. *Philippine Institute for Development Studies*. Retrieved from <https://pidswebs.pids.gov.ph/CDN/document/pidsdps2262.pdf>

49 CNN. (03 January 2023). Revive 2018 consortium proposal for NAIA privatization upgrade – Concepcion. Retrieved from <https://www.cnnphilippines.com/news/2023/1/3/joey-concepcion-naia-privatization-upgrade.html???>

50 Department of Public Works and Highways. Presentation of Undersecretary Maria Catalina Cabral at the ECCP Infrastructure Committee on 28 February 2022.

51 Gita-Carlos, R. A. (16 February 2023). P6.4 billion allotted to boost PH tourism image in 2023. Retrieved from pna.gov.ph/articles/1195414

modernizing the digital infrastructure of airports is required. This includes the improvement of internet connectivity in Philippine airports, especially the provincial ones, for ease of communication for travelers. In 2022, the DOTr and other Philippine airport authorities signed a memorandum agreement with an internet service provider to provide free public Wi-Fi at select airports nationwide.⁵² While the Tourism Committee welcomes this government initiative, we emphasize the need to roll out not only free public Wi-Fi but also fast and improved internet connectivity both in international and domestic airports, most especially those located in the province. Such a move will enhance airport operations and processes as well as elevate the overall passenger experience.

Moreover, the Committee highly urges the government to enhance internet connection across the country, notably in far-flung areas, as this will stimulate travel and longer stay of tourists in the Philippines. Together with its partners from the Joint Foreign Chambers (JFC) of the Philippines, the ECCP has actively supported the proposed Open Access in Data Transmission Act, which aims to create the space that will allow and empower as many different service providers as possible to build and operate data networks and give more choices to broadband users anywhere in the country, especially in the countryside.⁵³ The Better Internet Act⁵⁴ requires internet service providers (ISP) to expand their coverage and set a minimum Internet connection speed.

Promote Domestic and International Tourism

Streamline travel requirements to further attract tourists to the Philippines

With the increasing COVID-19 vaccination rates across the world, more and more countries including the Philippines have re-opened their borders while ensuring the safety of both their citizens and travelers. After three years of strict mobility restrictions, revenge tourism among Filipinos has been fueling the revamp of the tourism and aviation industries as there is a rush to travel from one destination to another. While international tourism is starting to gain traction, the revenge travel phenomenon results in the reliance of the Philippine tourism industry on the domestic level.⁵⁵ As such, the promotion of domestic tourism, as a driver for the industry rebound, should be aided by policies that are stable and clear enough for Filipinos to be encouraged to travel domestically.

In addition, to further encourage tourists to come to the Philippines, we continue to advocate streamlining travel regulations, provided that the guidelines are still sufficient to verify the individual's health status. With this in mind, the ECCP supports the recent move of the government to launch the eTravel platform in order to streamline requirements for travelers. This initiative integrates quarantine and immigration arrival requirements for international passengers.

On 28 October 2022, Executive Order No. 7 which provides for the voluntary wearing of face masks in indoor and outdoor settings, was enacted by the Philippine government, in its bid to attract more foreigners into the tourism industry. Unvaccinated individuals, those with comorbidities, and senior citizens are still highly encouraged to wear face masks.⁵⁶ The government also underscored that there will no longer be restrictive lockdowns in relation to COVID-19 cases.⁵⁷ The Committee welcomes these policies lifting stringent pandemic protocols, thereby fully conveying that the Philippines is open and ready to receive tourists.

Nonetheless, more streamlining efforts should be done with a focus on streamlining requirements for tourists coming from Asian countries including Japan and China due to outbound and inbound health and safety protocols and restrictions. Aside from this, non-pandemic-related documents other than the minimum requirements for travelers to enter the country should be streamlined. These include but are not limited to the following:

- Documentary proof of relationship to the principal Philippine national for arriving Former Filipinos and foreigners (spouse and/or children of a Filipino or a former Filipino national traveling with them) with Balikbayan privilege

52 Castillo, J. (21 November 2022). DOTr, airport authorities partner to roll out free public WIFI at nine airports nationwide. Retrieved from <https://mb.com.ph/2022/11/21/converge-dotr-airport-authorities-partner-to-roll-out-free-public-wifi-at-nine-airports-nationwide/>

53 Ochave, R. M. D. (19 January 2023). Foreign chambers press for Senate action on Open Access in Data Transmission measure. Retrieved from <https://www.bworldonline.com/economy/2023/01/19/499743/foreign-chambers-press-for-senate-action-on-open-access-in-data-transmission-measure/>

54 As of 13 March 2023, there have been bills filed at the Senate on the Better Internet Act – Senate Bill Nos. 282, 329, 386, 701, 1381.

55 Cueto, F. E. (01 July 2022). Revenge tourism to benefit admin. Retrieved from <https://www.manilatimes.net/2022/07/01/business/top-business/revenge-tourism-to-benefit-admin/1849333>

56 Official Gazette. (2022). Executive Order No. 7. Retrieved from <https://www.officialgazette.gov.ph/downloads/2022/10oct/20221028-EO-7-FRM.pdf>

57 Fernandez, D. (25 July 2022). No more lockdowns despite rising COVID cases, Marcos vows. Retrieved from <https://newsinfo.inquirer.net/1634191/no-more-lockdowns-despite-rising-covid-cases-marcos-vows>

eligible to enter PH without a visa under Republic Act No. 9174⁵⁸;

- Sworn statement for overstaying/updating Visa Extension Lane of stay for non-visa required tourists admitted initially for thirty (30) days and is requesting for an initial extension⁵⁹; and
- Other applicable visa requirements and immigration entry and departure formalities

This will facilitate the ease of travel to the Philippines, thus further promoting international tourism. Considering that competition for tourists is likely to be fierce once the borders completely reopen, a considerably shorter simpler list of travel requirements will help the country compete as a tourist destination.

Extend COVID-19-related support to micro-, small, and medium-sized enterprises (MSMEs) in the tourism industry and expand assistance programs to vulnerable groups in the sector through uninterrupted processing of loan applications

According to the Department of Tourism, the Reformulated National Tourism Development Plan focuses on job and income recovery and preparing the industry for the aftermath of the pandemic. The Plan's strategic direction includes MSME upgrading anchored in the Agency's Transforming Communities towards Resilient, Inclusive and Sustainable Tourism (TouRIST) Program.⁶⁰ Moreover, the Department of Labor and Employment has authorized over 400,000 tourist industry workers' applications for one-time PHP 5,000 compensation under the COVID-19 Adjustment Measures Program (CAMP).⁶¹

In 2020, the DOT and Small Business Corporation (SB Corp.) signed a memorandum of agreement to finalize the Coronavirus Aid, Relief, and Economic Security (CARES) for Tourism Rehabilitation and Vitalization of Enterprises and Livelihood (TRAVEL) program. This seeks to provide loan assistance to MSMEs from the tourism industry.⁶² The Bayanihan 2 Act provided SB Corp., an attached agency of the Department of Trade and Industry (DTI), PHP 7.93 billion in lending capital for MSMEs, PHP 4 billion of which was set aside for travel and tourism-related loans. As reported by SB Corp., the MSME pandemic loan funds have been fully utilized as of the end of 2021.⁶³

However, the travel and tourism sector has lagged behind multi-sectoral MSMEs in obtaining government loan assistance due to the impact of the previously extended lockdown to the tourism sector. SB Corp. has granted only PHP 278 million in tourism loans, although PHP 524 million has already been in the pipeline for processing as of February 2022.⁶⁴ More recently, the DOT stated that the DTI and SB Corp. intend to transfer the focus of loan programs to other industries instead of the tourism sector.⁶⁵

Against this backdrop, the Chamber urges the expansion of support provisions to the MSMEs in the tourism industry and uninterrupted loan programs for tourism stakeholders. Job recovery-focused assistance should also be extended to the industry's highly vulnerable sectors such as boat operators, souvenir shops, and other *pasalubong* workers. The government should accordingly develop mechanisms to effectively identify sectors or workers that are taking part in the promotions of the hospitality industry to expand recovery-focused assistance programs.

By the same token, the ECCP and its Tourism Committee back the crafting of the Updated Tourism Response and Recovery Plan to mitigate the impacts of COVID-19 on the tourism industry. Nevertheless, a long-term and sustainable risk mitigation and crisis readiness plan for the sector should be formulated to minimize possible industry-related

58 Philippine Airlines. (n.d.). Arriving in the Philippines. Retrieved from <https://www.philippineairlines.com/en/ph/home/covid-19/arrivingintheph>

59 Bureau of Immigration. (n.d.) Retrieved from <https://immigration.gov.ph/visa-requirements/non-immigrant-visa/temporary-visitor-visa/visa-waiver>

60 Department of Tourism. Presentation of Director Warner Andrada at the ECCP Tourism Committee Meeting on 4 April 2022.

61 Department of Labor and Employment. (2021). Nearly 400k tourism workers get DOLE aid. Retrieved from <https://www.dole.gov.ph/news/nearly-400k-tourism-workers-get-dole-aid/>

62 Philippine News Agency. (13 October 2020). DOT, SB Corp. ink loan program to aid pandemic-hit MSMEs. Retrieved from <https://www.pna.gov.ph/articles/1118326>

63 Philippine Star. (11 March 2022). 'MSME pandemic loan funds fully utilized as of end-2021'. Retrieved from <https://www.philstar.com/headlines/2022/03/11/2166464/msme-pandemic-loan-funds-fully-utilized-end-2021>

64 Ibid.

65 Department of Tourism Director Virgilio Maguigad during the Q&A Session of the ECCP Tourism Committee Meeting on 22 February 2023,

economic shocks caused by other imminent local and international calamities aside from public health emergencies. This response plan should be able to put emphasis on sustained business operations, capacitated workforce, and protected vulnerable groups. In order to efficiently craft this framework, close coordination with local government units (LGUs) is imperative to identify and address regional-specific issues related to tourism and not only focus on the tourism climate in Metro Manila.

Enhance training programs to level up the tourism workforce

A robust tourism industry can be achieved through improved upskilling programs of the government for laborers in the industry. In 2023, the DOT aims to train 100,000 tourism workers to improve the overall tourist experience in the Philippines.⁶⁶ For the said year, the Agency's training thrusts highlight Gateway Training, Digital Training, Advocacy Training, and Certificate Training Language Courses Halal Trainings. These involve seminars on how to assist persons with disabilities (PWDs); autism sensitivity and response seminar; Tourism Integrates, Supports, and Minds Women's Rights and Child Safety (TouRISM WoRCS Seminar); food safety and hygiene; digital skills training; and standard first aid training, among others.⁶⁷ Nevertheless, initiatives for the tourism workforce can still be enhanced by allocating sufficient resources and funds in training programs.

Underscoring the importance of advancing and meeting the continuously evolving needs of the tourism sector, the Committee urges the DOT to design a roadmap for training, up-skilling, and re-skilling programs, with the aim of accommodating potential demand for tourism employment as the Philippines opens up to travelers. In developing the blueprint, the DOT should collaborate with the DOLE, the academe, as well as the Technical Education and Skills Development Authority (TESDA). Such a move will also highlight the top-class Filipino brand of hospitality. The government should also work closely with colleges and universities that offer hotel and tourism courses for more on-the-job-trainings in the tourism industry, which will help manage and boost the workforce.

Strengthen the implementation and enforcement framework of policies ensuring the safety and security in tourism facilities including resorts

The Philippines, with over 7,000 islands, provides exceptional recreational water activities for tourists including snorkelers, marine wildlife enthusiasts, and divers. In 2022, it was hailed the World's Leading Dive Destination and the World's Leading Beach Destination during the 29th World Travel Award (WTA) held in Muscat, Oman.⁶⁸ In order to maintain the Philippines' standing as a key travel destination, safety and security should be prioritised as vital aspects of tourism.

From January to November 2022, the PSA recorded about 3,000 deaths due to accidental drowning in the country, including incidents occurring during holidays at beach resorts and destinations with pool facilities.⁶⁹ In an effort to spur international and domestic tourism in the Philippines, the Committee urges the national government agencies and LGUs alike to efficiently implement policies to guarantee the safety and security of tourists. Apart from addressing criminal activities, the government should efficiently enforce and ensure compliance of industry players with respect to guidelines for making tourism activities in the Philippines safe.

More specifically, the Committee strongly urges the strict implementation of the Philippine Coast Guard Memorandum Circular 03-14 dated 16 April 2014 otherwise known as Guidelines for Safety and Security Requirements of Coastal Beaches and Beach Resorts and Vessels with Pool Facilities Including Qualification and Requirements of Lifeguards for the Promotion of Safety of Life at Sea.⁷⁰ This policy shall promote security, water safety, water rescue, lifesaving, and lifeguarding of the beach-going public. Developing an improved enforcement framework for this memorandum

66 Ochave, R. M. (05 December 2022). Target for training tourism workers set at 100,000. Retrieved from <https://www.bworldonline.com/economy/2022/12/05/491160/target-for-training-tourism-workers-set-at-100000/>

67 Department of Tourism. (2023). Presentation of Assistant Secretary Rica Bueno during the ECCP Tourism Committee Meeting on 22 February 2023.

68 Department of Tourism. (2022). Philippines hailed as World's Leading Dive and Beach Destinations. Retrieved from https://beta.tourism.gov.ph/news_and_updates/philippines-hailed-as-worlds-leading-dive-and-beach-destinations/

69 Philippine Statistics Authority. (2023). 2022 Causes of Deaths in the Philippines. Retrieved from <https://psa.gov.ph/press-releases/id/176676>

70 Philippine Coast Guard. (2014). Memorandum Circular 03-14. Retrieved from <https://coastguard.gov.ph/images/philcoastguard/mcannexes/May02/MC0314.pdf>

circular will bring about a high influx of tourists as recreational activities available in the destinations becomes safer. We also recommend that the scope of this policy shall be expanded to cover water parks operated for public or collective use.

- **Enact laws to strengthen the Civil Aviation Authority of the Philippines (CAAP), including through the ratification of the Montreal Protocol 2014 to tackle the growing issue of unruly passengers**

At the onset of the pandemic, a number of governments and associations have reported an increase in the issue of disruptive and unruly passengers. Data from IATA show that there is a rate of 1 incident for every 1,340 flights in the first 7 months of 2021 versus 1 incident for every 1,561 for the 17-month period from 1 January 2020 to 31 July 2021. This is driven by the deliberate non-compliance of some travelers with the safety measures set by airlines to contain the spread of the coronavirus.⁷¹

To this end, the ECCP strongly believes that the enactment of laws and regulations aimed at strengthening good governance and ensuring orderliness is of high importance. One of these measures is the ratification of the Montreal Protocol 2014, which aims to enhance the state's ability to control the degree and frequency of disorderly behavior on board airplanes by implementing the protocol on how unruly passengers should be dealt with. A special penal code should be crafted by the Philippine government for the harmonization of laws among contracting states vital for efficient compliance with the Protocol following its ratification.

In relation to the foregoing, strengthening the CAAP as the agency in charge of safety and regulatory oversight necessitates legislative action, particularly in light of the technical failure on 1 January 2023 that brought the country's air traffic control system down, resulting in flight cancellations and delays at all airports. We recommend the privatization of air traffic control to provide direct air traffic control services. Such an initiative will further strengthen the CAAP as a regulator.

The Chamber also backs the enactment of the CAAP amendments to streamline its existing functions as operator and investigator, allowing the agency to focus on its role as a safety regulator. Turning CAAP into a purely regulatory body is necessary because currently, CAAP serves as the inspector and the implementer of the safety and security of airports and aerospace, affecting the credibility of its functions. We believe that such a move will further strengthen CAAP and result in a more efficient airport industry. This also targets human resource development and increases the Philippines' conformity with international safety and security standards.

Furthermore, the Chamber supports the move of the policymakers in the 19th Congress to establish an independent agency focused on the development of Philippine airports through the Philippine Airports Authority (or Corporation) with the aim of providing a unified approach to the operations and maintenance of domestic and international airports. The airport authority or corporation will be an independent body that will manage the existing functions of the CAAP of planning, developing, and maintaining all airports, as well as regulating privatized airports. The privatization of CAAP and having the Philippine Airport Corporation/Authority (PAA) will also promote modernization in the aviation and tourism industries. Nevertheless, setting a clear framework for the regulation of current privatized airports is imperative to ensure the quality and reliability of infrastructure assets and services.

More recently, the DOTr stated that it intends to privatize the communication, navigation, and surveillance/air traffic management (CNS-ATM) system in order to secure sufficient funds for its upgrade and avoid a repeat of the airspace shutdown. The CNS-ATM system may be privatized in the future, adding to the list of infrastructure that the agency seeks to turn over to the private sector.⁷² Likewise, the DOTr has completed the terms of reference for the privatization of NAIA, which intends to improve aircraft movement per hour by 25%. The NAIA can only manage 40 to 44 aircraft movements per hour and will be able to handle up to 55 aircraft movements once privatized.⁷³ The Agency has also taken the first step toward privatizing air transportation assets by seeking the assistance of the Asian Development Bank (ADB) to select a private operator for NAIA as well as to craft technical, financial, commercial, and legal studies, including the traffic report and market sounding. The DOTr and ADB inked transaction advisory service agreements for NAIA's rehabilitation and expansion in February 2023.⁷⁴

71 International Air Transport Association. (2022). Unruly Passengers Fact Sheet. Retrieved from <https://www.iata.org/en/iata-repository/pressroom/fact-sheets/fact-sheet--unruly-passengers/>

72 Rosales, E. F. (16 January 2023). DOTr may privatize air traffic control. Retrieved from <https://www.philstar.com/business/2023/01/16/2237832/dotr-may-privatize-air-traffic-control>

73 Iglesias, M. (16 January 2023). NAIA privatization in the works; tourism, MSMEs to benefit. Retrieved from https://malaya.com.ph/news_business/naia-privatization-in-the-works-tourism-msmes-to-benefit/

74 Rosales, E. F. (03 February 2023). Wanted: Private Operators For NAIA, Subway. Retrieved from

As the Philippine economy and transportation sector expand at a rapid pace, a national transportation safety board independent of the Department of Transportation becomes more crucial than ever. With this, the ECCP and its partners at the JFC have been supporting the creation of a Philippine Transportation Safety Board, which will be able to prevent and minimize catastrophic transportation accidents that have claimed the lives of far too many Filipinos and will improve the overall transportation safety for the Philippines. Following the recent veto of the PTSB bill by the Office of the President, the Chamber remains committed to working with the government, its partners, and other stakeholders to continue pushing for the creation of a non-regulatory and independent agency primarily responsible for the conduct of impartial investigation on transportation-related accidents and incidents.

Presently, various agencies handle different sectors of transportation with regard to accident investigations. The country has no single, autonomous authority in charge of investigating transportation-related incidents. As regulators, operators, and investigators, transportation authorities conduct overlapping and contradictory duties. Different agencies handle different sectors of transportation with regard to accident investigations, however, there are limitations on the ability of the investigating agencies to delve deeper and find forensic evidence on the real cause of the accidents or by witnesses of the accidents.⁷⁵

The Civil Aviation Authority of the Philippines (CAAP) has authority over aviation disasters. Sea mishaps are under the Maritime Industry Authority, which forms inquiry boards to investigate major maritime disasters. With respect to road accidents involving public utility vehicles, the Land Transportation Franchising and Regulatory Board (LTFRB) has jurisdiction. Road accidents may also be investigated by the Philippine National Police (PNP), the Land Transportation Office (LTO), and the Metro Manila Development Authority (MMDA). Since most of these agencies are also tasked to regulate and/or operate the sector, there is an inherent conflict of interest in the performance of their duties as an investigating body.⁷⁶ As such, we believe that the PTSB will further strengthen industry players and result in a more efficient transportation sector in the country. It is undeniable that the competence of such a safety board is critical to the country's continuing, sustainable economic growth.

- **Incorporate sustainability in a long-term strategy for the development of the Philippine tourism industry**

Tourism, while it is a driving force for growth, creates unintended negative impacts on the environment. These impacts include the depletion of local natural resources, air emissions, noise pollution, solid waste, and littering problems, among others. In 2021, the DOT Travel Report Survey has been published, showing a high willingness for multi-destination travel, extended trips, and openness to integrate remote work and leisure or "workation." The survey highlighted the need to diversify and customize products and experiences that will highly focus on environmental and social sustainability.⁷⁷

With respect to this, the DOT under the current administration designed sustainability plans and programs, including equalized tourism promotion and development, and the national accreditation standards revisions to include sustainable and green practices incentives, among others.⁷⁸ The government is also looking at the possibility of incentivizing sustainable tourism practices. This introduces incentives for the private sector that would implement green policies, put a value on the preservation of the environment, as well as the introduction of measures that encourage environmental protection and energy-efficient consumption.⁷⁹

In this respect, the ECCP and its Tourism Committee urge the government to set up a policy framework and tangible support for both the consumers and the private sector to be actively involved in the holistic approach to realizing sustainable tourism. More sustainable locations in the Philippines should also be identified for an improved tourist experience that will benefit communities economically and socially. The Committee also urges the national government agencies to provide financial support to MSMEs to invest in green technology, while practicing a circular

75 Joint Foreign Chambers of the Philippines. (04 August 2022). Stakeholders disappointed by veto of bill creating Philippine Transportation Safety Board. Retrieved from <https://www.investphilippines.info/arangkada/media-release-stakeholders-disappointed-by-veto-of-bill-creating-philippine-transportation-safety-board/>

76 Ibid.

77 Department of Tourism. (2022). Presentation of Regional Director Cristine C. Mansinares during the ECCP Hybrid Focused Group Discussion on Sustainable Travel and Tourism on 5 December 2022.

78 PNA. (05 December 2022). PH hospitality, sustainable tourism highlighted at WTTC Summit. Retrieved from <https://www.pna.gov.ph/articles/1190070>

79 Rocamora, J. A. (26 July 2022). Gov't eyes incentivizing sustainable tourism practices. Retrieved from <https://www.pna.gov.ph/articles/1179802>

economy and adopting zero-waste initiatives. Raising awareness on sustainable tourism and its benefits as well as conducting sustainability training for tourism workers are also needed to provide the Philippine tourism sector a leading edge in Southeast Asia. Furthermore, we recognise that transparency and independency are crucial in the Philippine sustainable tourism strategy. It is in this view that the Chamber calls for the inclusion of green practices in the updated accreditation standards to support the role of industry players in sustainable tourism as the cornerstone of Philippine tourism development.

Sustainable tourism certifications are designed to voluntarily assess and monitor the environmental and social impacts of tourism organizations or destinations that facilitate tourism activities. These badges indicate to consumers that a baseline of generally recognised standards for sustainable tourism is fulfilled and that the company is committed to a sustainable approach to the environment and the local community. It is also imperative for the government to have a strong push towards having tourism businesses' sustainability performance independently validated, verified, and inspected by a Global Sustainable Tourism Council (GSTC)⁸⁰ accredited certification body to avoid greenwashing and ensure the credibility of the process and the certification itself.

Successful integration of sustainable practices and management can support a sustainable socio-economic development strategy, increased economic security, and improved environmental conditions. The Committee underlines that the route to achieving inclusive tourism industry development is one paved with strong partnerships developed with local government units to implement sustainable tourism practices. Collaboration among players and the shared commitment of stakeholders, both public and private, are crucial to pushing forward sustainability.

80 In 2007, the Partnership for Global Sustainable Tourism Criteria was formed as a coalition of 32 partners, initiated by the Rainforest Alliance, the United Nations Environment Programme (UNEP), the United Nations Foundation (UN Foundation), and the United Nations World Tourism Organization (UNWTO). The purpose was to foster an increased understanding of sustainable tourism practices and the adoption of universal sustainable tourism principles.



ASSESSMENT OF 2022 RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Improvement of International and Domestic Connectivity	Upgrade airports and other tourism-related infrastructure	
	Streamline travel requirements to further attract tourists to the Philippines	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>According to the DOTr, the public and private sectors would spend PHP 1 trillion on aviation projects in 2023 to boost the revival of travel and tourism. Moreover, the national budget for 2023 under the General Appropriations Act (GAA) includes financing for the rehabilitation and improvement of eight airports around the country.</p> <p>As reported by the DPWH, the Strategic Infrastructure Programs aligned with the PDP 2023-2028 emphasizes seamless and inclusive connectivity via national and local linkages. These initiatives involve convergence programs, a part of which is the Tourism Road Infrastructure Program (TRIP) implemented hand-in-hand with the DOT. Through TRIP, the DPWH allocated PHP 17.69 billion for the construction and improvement of roads and infrastructure facilities in tourist zones.</p>	
<p>The eTravel platform, an online registration system for travelers to the Philippines and returning residents, was launched in December 2022 as part of the government's efforts to streamline its entry procedures and data-gathering processes.</p>	

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
Promote Domestic Tourism	Align national and local pandemic safety guidelines	On 28 October 2022, President Ferdinand Marcos Jr. signed and issued Executive Order No. 7, allowing the voluntary wearing of face masks in indoor and outdoor settings, as the Philippines tries to attract more foreigners into its tourism industry. Unvaccinated individuals, those with comorbidities, and senior citizens are still highly encouraged to wear face masks. During his first State of the Nation Address (SONA), the President also pledged that there will no longer be restrictive lockdowns in relation to COVID-19 cases.
	Extend COVID-19-related support to micro-, small, and medium-sized enterprises (MSMEs) in the tourism industry and expand assistance programs to vulnerable groups in the sector through uninterrupted processing of loan applications under the Bayanihan 2 Act	
	Enhance training programs to level up the tourism workforce	
	Fast-track the inoculation of booster shots for tourism front liners	As early as the first quarter of 2022, the DOT announced that fully vaccinated tourism workers are already receiving booster shots against COVID-19, with most regions already attaining above 90% vaccination rates among active and eligible tourism workers. ⁸¹

81 Department of Tourism. (2022). Booster shots rolled out for fully vaxxed tourism workers; 50% of NCR hotel staff already “boosted”. Retrieved from https://beta.tourism.gov.ph/news_and_updates/booster-shots-rolled-out-for-fully-vaxxed-tourism-workers-50-of-ncr-hotel-staff-already-boosted/

SOME PROGRESS	NO PROGRESS / RETROGRESSION
The Reformulated National Tourism Development Plan focuses on job and income recovery and preparing the industry for the aftermath of the pandemic. The Plan’s strategic direction includes MSME upgrading anchored in the department’s Transforming Communities towards Resilient, Inclusive and Sustainable Tourism (TouRIST) Program.	The travel and tourism sector has lagged behind multi-sectoral MSMEs in obtaining government loan assistance due to the impact of the previously extended lockdown on the tourism sector. SB Corp. has granted only PHP 278 million in tourism loans, although PHP 524 million has already been in the pipeline for processing as of February 2022. More recently, the DOT stated that the DTI and SB Corp., unfortunately, intend to transfer the focus of loan programs to other industries instead of the tourism sector.
The DOT’s training thrusts for 2023 highlight Gateway Training, Digital Training, Advocacy Training, and Certificate Training Language Courses Halal Trainings. These involve seminars on how to assist persons with disabilities (PWDs); autism sensitivity and response seminar; Tourism Integrates, Supports, and Minds Women’s Rights and Child Safety (TouRISM WoRCS Seminar); food safety and hygiene; digital skills training; and standard first aid training, among others.	

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS
<p>Enact laws to strengthen the Civil Aviation Authority of the Philippines (CAAP), including through the ratification of the Montreal Protocol 2014 to tackle the growing issue of unruly passengers</p>		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>In the 19th Congress, bills have been refiled in the House and Senate to amend the Civil Aviation Authority Act of 2008 and separate the regulatory and commercial functions of the CAAP.</p> <p>SBN-1073 also aims to establish the Philippine Airports Authority, which shall be an independent agency focused on the development of Philippine airports.</p> <p>To push for the Philippine Transportation Safety Board (PTSB) creation, SBN-1121 and HBN-1801 have been refiled in the 19th Congress. SBN-1121 has been pending in the second reading since March 2023 while HBN-1801 is still with the Committee on Government Reorganization since August 2022.</p>	<p>No significant progress has been noted during the 19th Congress on the ratification of the Montreal Protocol 2014.</p>





EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES

19th Floor, Philippine AXA Life Center Bldg.,
Sen. Gil Puyat Ave. cor. Tindalo Street,
Makati City, Metro Manila, Philippines, 1200

www.eccp.com