

ECCP ADVOCACY PAPERS 2024



ABOUT ECCP

The European Chamber of Commerce of the Philippines (ECCP) is a service-oriented and multilateral organisation that represents the interests of European businesses and individuals operating in the Philippines. It aims to promote trade and investment between Europe and the Philippines, facilitate networking and collaboration among its close to 800 members, and advocate for policies that support a conducive business environment.

At its core, the ECCP serves as a platform for dialogues and collaboration, bringing together businesses, government officials, policymakers, and other stakeholders. Through various activities such as networking events, business forums, seminars, and conferences, the Chamber creates opportunities for knowledge sharing, relationship building, and the exploration of potential partnerships. The ECCP provides a wide range of services to its members, including assistance in navigating regulatory frameworks, market research and intelligence, business matchmaking, and advisory services. By offering these resources, the Chamber helps its members navigate the complexities of doing business in both the Philippine and European markets more effectively.

As the Chamber of Choice, the ECCP is committed to be the voice of the European business community in the Philippines.



EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES
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Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.

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

METHODOLOGY

Through extensive discussions among the ECCP sector committees, consultations with representatives from the Philippine government, and engagements with stakeholders, the 2024 edition of the ECCP Advocacy Papers presents issues and recommendations formulated from these productive exchanges. The papers incorporated knowledge from ECCP-led events covering pertinent topics, information from hearings and committee meetings in both chambers of the Philippine Congress, insights from private sector consultations, and advocacy recommendations from regular sector committee meetings.

In close collaboration with the leaders and members of the sector committees, the ECCP Advocacy Team conducted a thorough examination of each issue and recommendation, ensuring that they were in accordance with the goals and interests of European businesses. Following the completion of the first draft of each sector paper, the documents were disseminated to the Committee members and other relevant stakeholders for consultation. This facilitated the gathering of feedback and comments, which subsequently shaped the final version of the papers. The assessment of the status of each recommendation included in the 2024 Advocacy Papers was examined under the following criteria:

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

Some Progress: Movement towards realising 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

It is truly an exciting time for the Philippines as well as the European Union (EU), marked by the resumption of negotiations for the EU-Philippines Free Trade Agreement and the commemoration of the 60th anniversary of EU-Philippines diplomatic ties. In recent years, the Philippines has emerged as a vital growth hub in Asia, driven by favorable projections and reports from multilateral organizations. With a young population, a growing middle class, and a strong proficiency in English, the country presents significant advantages for business. Moreover, robust macroeconomic fundamentals position the Philippines for sustained growth, projecting it to rank among the highest in the Asia Pacific region in terms of GDP.

Furthermore, the prospect of the EU-Philippines Free Trade Agreement signals further optimism, as negotiations are set to resume later this year. Concurrently, government initiatives in infrastructure development and digital transformation play pivotal roles in driving economic progress and attracting investors. In the Department of Trade and Industry's Board of Investment report in 2023, we are encouraged to see about PHP 1.16 trillion worth of approved investments – surpassing the Php1 trillion mark in investment approvals. The Chamber welcomes these notable achievements, particularly highlighting the substantial share from European countries.

Moreover, the Philippine government has reaffirmed its commitment to enhancing the nation's competitiveness and attractiveness to both local and foreign investors, alongside augmenting efforts to streamline the ease of doing business. Noteworthy economic reforms and the liberalization of key sectors such as renewable energy underscore the country's commitment to fostering a conducive business environment and achieving sustainable development goals. Furthermore, initiatives such as the Judicial Reform Plan 2021-2027 and efforts by the Anti-Red Tape Authority to streamline bureaucratic processes further enhance the country's appeal to businesses. The ECCP endeavors to build upon these recent successes in fostering a conducive business environment in the Philippines for European enterprises, ensuring they can fully leverage the potential of economic relations between Europe and the Philippines.

In this context, I am pleased to unveil the latest edition of the ECCP Advocacy Papers, which reflects our commitment to advancing economic cooperation and improving the overall standing and competitiveness of the Philippines as a business destination. This year's publication also underscores the ECCP's continued advocacy for the timely conclusion of the EU-Philippines Free Trade Agreement negotiations. I extend our deepest gratitude to our Committee leaders, members, and the dedicated team behind the Chamber's flagship publication. It is through our strengthened partnership and collaborative endeavors that we can achieve equitable and inclusive growth. Together, let us embark on this journey towards greater economic cooperation, mutual prosperity, and sustainable development with the Philippines rightfully taking its place at the center of the global arena.

Mr. Paulo Duarte
ECCP President



MESSAGE FROM THE EUROPEAN UNION AMBASSADOR

It is my great pleasure to congratulate the European Chamber of Commerce of the Philippines (ECCP) on the launch of the 2024 edition of the ECCP Advocacy Papers

The realization of these advocacies comes at a crucial moment as the Philippines accelerates its programmes and initiatives to attract more investments and businesses into the Philippines. Right now, the country is among the fastest growing economies in the region. It is on track to achieve upper-middle income economy status in the next years. The Philippine Development Plan (2023-2028) has among its priorities good governance, cutting red tape, speeding up the authorization processes for strategic investments. These intended reforms will make the Philippines a more attractive trade and investment destination.

This year, the EU and the Philippines have entered a new era in their bilateral economic relations. On 18 March, EU Commission Executive Vice President Dombrovskis and Philippine Trade Secretary Pascual announced the re-launch of the bilateral free trade agreement negotiations. This decision is a follow-up to the visit of EU Commission President Ursula von der Leyen to the Philippines in July 2023, when she and President Marcos agreed to a stocktaking exercise in order to assess whether a successful negotiation of a bilateral trade negotiation would be feasible.

An FTA between the EU and the Philippines would put our economic relations under a new, larger framework and create new opportunities for trade and investment between us. Indeed, the stocktaking exercise has shown that the EU and the Philippines have a common understanding of the ambition and scope of such an FTA, which will also contain strong disciplines on Trade and Sustainable Development. The ultimate objective of an FTA is to create a framework that creates new jobs and future sustainable growth for both parties. Until an FTA is in place and as long as it has not graduated to an upper-middle economy status, the Philippines will continue to benefit from the EU GSP+ preferential trade regime, at least until 2027.

In terms of cooperation to the benefit of business and the economy, the EU has rolled out its Global Gateway programme. Global Gateway is the European strategy to boost smart, clean, and secure connections in digital, energy and transport sectors, and to strengthen health, education and research systems across the world. Under the umbrella of Global Gateway, the EU and the Philippines signed the EUR 60 million Green Economy Programme. The Green Economy Programme aims to support the Philippines in areas such as circular economy, renewable energy, and climate change mitigation.

It is my hope that this publication reaches many government and non-government stakeholders, leads to fruitful discussions between them, and paves the way to a robust business environment conducive for business.

H.E. Luc Véron
Ambassador Extraordinary and Plenipotentiary
Delegation of the European Union to the Philippines



MESSAGE FROM THE SENATE OF THE PHILIPPINES

Greetings to the European Chamber of Commerce of the Philippines and the EU-ASEAN Business Council, and congratulations on holding this year's European-Philippine Business Dialogue!

Over the past year, the Senate's parliamentary visits to various European countries have made clear that there has been growing interest in the Philippines as an investment hub in Southeast Asia—given our strategic location, our highly skilled professionals and workers, and our competence in the English language.

This interest has only grown in the wake of legislative moves to create more special economic zones across the country and to open up select industries to foreign investors.

With this year's European-Philippine Business Dialogue, with the theme "Taking the Philippines Centrestage," I am hopeful that the European business sector will get a clearer picture of the growing investment landscape that we have here in the country.

Trust that I remain committed to strengthening the economic cooperation between the Philippines and Europe, and I will continue to make it my mission to push for our long-awaited EU-PH Free Trade Agreement.

Maraming salamat!

Hon. Juan Miguel F. Zubiri
Senate President
Senate of the Philippines



MESSAGE FROM THE HOUSE OF REPRESENTATIVES

Warmest greetings to all esteemed participants of the 2024 European-Philippine Business Dialogue, organized by the European Chamber of Commerce of the Philippines (ECCP) and the EU-ASEAN Business Council (EU-ABC).

Allow me to extend my heartfelt appreciation for your continued dedication to fostering a robust partnership between the European Union and the Philippines. Under the theme "Taking the Philippines Centrestage," this dialogue holds immense significance in charting a path towards a more competitive and attractive environment for European-Philippine trade and investments.

I commend the ECCP and EU-ABC for their unwavering commitment to advancing economic cooperation and facilitating meaningful exchanges that drive mutual prosperity. As we engage in high-level discussions on maximizing the Philippines' competitive advantage as an investment destination, I am confident that this dialogue will yield invaluable insights and actionable recommendations to propel our economies to new heights.

The launch of the 2024 edition of the ECCP Advocacy Papers underscores the collaborative efforts of stakeholders in identifying key issues and formulating strategic recommendations. These papers serve as a vital resource in shaping policies and initiatives that promote a conducive business environment, foster innovation, and spur sustainable economic growth.

As we navigate the complexities of a rapidly evolving global landscape, I reaffirm my shared advocacy for creating an environment that nurtures entrepreneurship, fosters innovation, and enhances the ease of doing business for European and Philippine enterprises alike. Together, let us seize the opportunities presented by this dialogue to strengthen our partnership, unlock new avenues of cooperation, and build a prosperous future for both our regions.

Thank you, and mabuhay!

Hon. Ferdinand Martin G. Romualdez
House Speaker
House Of Representatives



MESSAGE FROM THE DEPARTMENT OF TRADE AND INDUSTRY

On behalf of the Department of Trade and Industry (DTI), I extend my warmest congratulations to the European Chamber of Commerce of the Philippines (ECCP) and the EU-ASEAN Business Council (EU-ABC) on the 11th European-Philippine Business Dialogue. This momentous gathering fosters EU-Philippine economic ties and promotes increased trade and investment. The launch of the 2024 Advocacy Papers further demonstrates ECCP's dedication to economic growth, sustainable development, and the creation of a favorable business environment.

We at the DTI are committed to expanding our country's trade relations and facilitating the identification of priority investments. We recognize the vital role of partnerships with government bodies and organizations like the ECCP in achieving these goals. Together, we will continue to transform the country's economic landscape, achieve our growth targets, and create more jobs.

Looking back, Europe remains to be one of the Philippines' significant trade and investment partners. Riding on the positive momentum, alongside our objective to bolster and achieve sustainable growth, we celebrate the resumption of negotiations for a Philippines-EU Free Trade Agreement.

The recent enactment of the Public-Private Partnership (PPP) Code and the Internet Transactions Act (ITA) underlines our administration's commitment to positioning the country as a premier investment destination leveraging our strengths—a young and skilled workforce, abundant natural resources, a strategic geographic location, and a robust domestic market.

With the promising and upward trajectory of the Philippine economy, we look forward to further exploring opportunities with our esteemed partners at ECCP and EU-ABC, and the private sector for stronger multi-sectoral collaboration. As we embark on this collective journey, I am confident that we can elevate the country's position and competitiveness in the global arena while creating a better quality of life for all.

Together, let us turn our shared vision of prosperity and inclusion into reality.

Maraming salamat, at mabuhay po kayo!

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



WHERE ARE WE NOW? THE PHILIPPINES

In recent years, the Philippines has emerged as a dynamic player in the Asia-Pacific region, exhibiting sustained growth despite challenges posed by major global headwinds such as ongoing geopolitical tensions, high global commodity prices, and tight global financial conditions. As the country looks ahead to 2024, it anticipates navigating a similarly challenging macroeconomic climate. However, despite persistent global risks, the Philippines is poised for a promising outlook, buoyed by the implementation of sound macroeconomic policies and structural reforms.

In this regard, the Development Budget Coordination Committee (DBCC) has released the government's medium-term macroeconomic assumptions, fiscal program, and growth targets for fiscal years 2024 to 2028. These projections reflect both global and domestic developments, though they are derived from emerging and preliminary data. Notably, proactive monetary policy actions conducted by the Bangko Sentral ng Pilipinas, combined with strategies outlined in the Reduce Emerging Inflation Now (REIN) Plan of the Inter-Agency Committee on Inflation and Market Outlook, are expected to bring inflation rates down by 2 to 4%.

Table 1: Macroeconomic Forecast for 2024 to 2028¹

Indicator	2024	2025	2026-2028
GDP Growth (%)	6.0 - 7.0	6.5 - 7.5	6.5 - 8.0
Inflation (%)	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0
Foreign exchange rate (Php/USD)	55.00 - 57.00	55.00 - 58.00	55.00 - 58.00
Export of goods, (%)	3.0	6.0	6.0
Import of goods, (%)	4.0	7.0	8.0

Source: DBCC

GDP, Growth Rates, and Growth Projections

In 2023, the Philippines concluded the year on a high note, achieving a robust full-year gross domestic product (GDP) growth rate of 5.6%. This performance surpassed that of several key Asian economies, including China (5.2%), Vietnam (5.0%), and Malaysia (3.8%), according to the most recent data available. Such acceleration was driven by the resumption of commercial activities, increased public infrastructure spending, and expansion in digital financial services.² This figure, however, did not meet the Philippine government's target of 6 to 7% and is well short of the 7.6% pace in 2022.³

Moreover, many multilateral organizations are also optimistic about a better outlook for 2024, envisioning the Philippines as one of Asia's fastest-growing economies considering the revisions in

¹ Development Budget Coordination Committee. (4 April 2024). Review of the Medium-Term Macroeconomic Assumptions and Fiscal Program for Fiscal Year (FY) 2024 to 2028. Retrieved from https://www.dof.gov.ph/wp-content/uploads/2024/04/187th-DBCC-Joint-Statement_2024.04.04.pdf.

² McKinsey (7 March 2024). The Philippines economy in 2024: Stronger for longer?. Retrieved from <https://www.mckinsey.com/ph/our-insights/the-philippines-economy-in-2024-stronger-for-longer>

³ National Economic and Development Authority. (31 January 2024). Statement of NEDA Secretary Arsenio M. Balisacan on the 2023 Fourth Quarter Performance of the Philippine Economy. Retrieved from <https://neda.gov.ph/statement-of-neda-secretary-arsenio-m-balisacan-on-the-2023-fourth-quarter-performance-of-the-philippine-economy/>.

economic projects.⁴ The International Monetary Fund (IMF) predicts that the Philippine economy will experience more robust growth compared to other ASEAN countries such as Vietnam, with a projected GDP growth of 6%.⁵ This forecast is backed by an uptick in public investment and increased external demand from foreign markets for Philippine exports.⁶ Similarly, the World Bank agrees that the country's economy will progress in 2024 by 5.8%, mainly driven by private consumption. Additionally, it anticipates the Philippines to outperform most of its peers in the East Asia and Pacific region, as the country is projected to grow faster than China, Thailand, and Indonesia in 2025. The Asian Development Bank (ADB) has a similar positive growth projection for 2024, sitting at 6.2%, according to its report on the Asian Development Outlook (ADO) for December 2023.⁷ Furthermore, the ASEAN+3 Macroeconomic Research Office (AMRO) expects the Philippines' economic recovery to remain stable amid high inflation, projecting growth to pick up to 6.3%.⁸

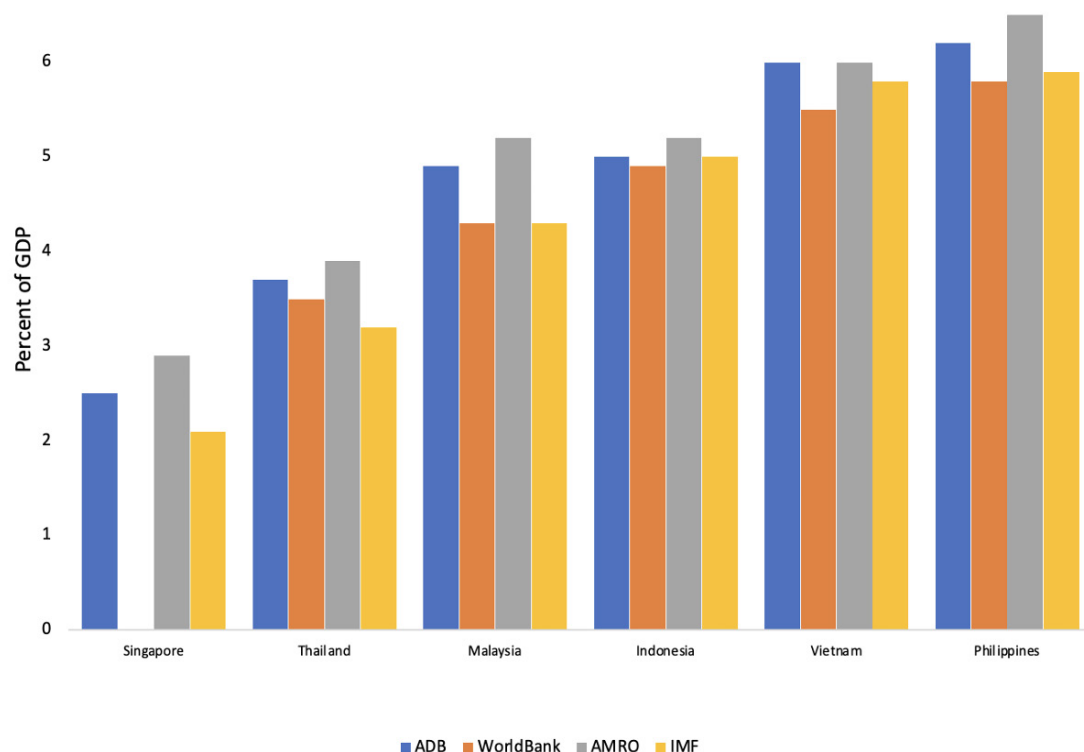


Figure 1. Multilateral Organizations' GDP Growth Outlook for Selected ASEAN Countries in 2024

Data sources: ADB, World Bank, AMRO, IMF

Note: World Bank has no available economic outlook estimate for Singapore

4 Department of Finance (7 January 2024). Philippines: Paving the Way to a Robust Economic Future. Retrieved from <https://www.dof.gov.ph/wp-content/uploads/2024/01/20231221-Article-on-Year-End-Assessment-OCE-PS-SBED2.pdf>

5 International Monetary Fund. (15 December 2023). IMF Executive Board Concludes 2023 Article IV Consultation with the Philippines. Retrieved from <https://www.imf.org/en/News/Articles/2023/12/14/pr23449-philippines-imf-exec-board-concludes-2023-art-iv-consult#:~:text=Growth%20is%20expected%20to%20bottom,demand%20for%20the%20Philippines%20exports.>

6 Ibid.

7 Asian Development Bank. (2023). Asian Development Outlook (ADO) December 2023: Key Messages. Retrieved from [https://www.adb.org/outlook/editions/december-2023#:~:text=Asian%20Development%20Outlook%20\(ADO\)%20December,forecast%20is%20maintained%20at%204.8%25.](https://www.adb.org/outlook/editions/december-2023#:~:text=Asian%20Development%20Outlook%20(ADO)%20December,forecast%20is%20maintained%20at%204.8%25.)

8 ASEAN+3 Macroeconomic Research Office (27 November 2023). AMRO's 2023 Annual Consultation Report on the Philippines. Retrieved from <https://amro-asia.org/amros-2023-annual-consultation-report-on-the-philippines/#:~:text=The%20Philippines%20economic%20recovery%20is,2024%20as%20external%20demand%20recovers.>

Inflation

In December 2023, the Philippines saw an inflation rate of 3.9%, the lowest for the year, bringing the full-year average inflation rate to 6.0%, aligned with the inflation projection of the DBCC.⁹ Subsequently, in January 2024, inflation further dipped to 2.8%, the lowest since October 2020, aligning with the 2 to 4% projection of the Bangko Sentral ng Pilipinas.¹⁰

Employment

The Philippine labor market in 2024 reflects a robust economy, boasting the lowest unemployment rate in almost two decades. The National Economic and Development Authority (NEDA) reaffirmed the current administration's commitment to creating high-quality jobs.¹¹ The Philippine Statistics Authority (PSA) reported a 3.1% unemployment rate in December 2023, down from 4.3% in December 2022, equating to 617,000 fewer unemployed and 1.5 million new jobs created.^{12,13} Underemployment decreased to 11.9%, representing 186,000 fewer individuals desiring more work.¹⁴ These figures bring preliminary full-year estimates for underemployment and unemployment rates of 12.3% and 4.3%, respectively. These developments highlight the government's effective initiatives to improve job opportunities and labor market conditions, leading to strong participation in the workforce.¹⁵ Notwithstanding, challenges remain, including losses in certain sectors and an increase in youth underemployment, prompting a call for digitalization, education reforms, and support for workforce adaptability.²⁰

Table 2. Philippine Labor Force Survey²¹

Indicator	2022	2023 ^p	2024 ^p (January)
Labor Force Participation Rate	64.7	64.9	61.1
Employment Rate	94.6	95.7	95.5
Underemployment Rate	14.2	12.3	13.9
Unemployment Rate	5.4	4.3	4.5

Source: PSA

Note: ^p Preliminary estimates

Foreign Direct Investment

Despite a robust 29.9% increase in foreign direct investment (FDI) in December 2023 compared to the previous year, the total FDI net inflows for 2023 fell short by 6.6% compared to the 2022 record, amounting

9 Department of Finance (7 January 2024). Philippines: Paving the Way to a Robust Economic Future. Retrieved from <https://www.dof.gov.ph/wp-content/uploads/2024/01/20231221-Article-on-Year-End-Assessment-OCE-PS-SBED2.pdf>

10 Ibid.

11 National Economic Development Authority. (7 February 2024). Unemployment lowest in almost two decades, generating high-quality jobs crucial. Retrieved from <https://neda.gov.ph/unemployment-lowest-in-almost-two-decades-generating-high-quality-jobs-crucial/>

12 Department of Finance (7 January 2024). Philippines: Paving the Way to a Robust Economic Future. Retrieved from <https://www.dof.gov.ph/wp-content/uploads/2024/01/20231221-Article-on-Year-End-Assessment-OCE-PS-SBED2.pdf>

13 Asian Development Bank. (11 April 2024). Asian Development Outlook 2024: Philippines. Retrieved from <https://www.adb.org/sites/default/files/publication/957856/phi-ado-april-2024.pdf>.

14 PSA. (8 March 2024). Labor Force Survey. Retrieved from <https://psa.gov.ph/statistics/labor-force-survey.>

15 Ibid.

to USD 8.9 billion.¹⁶ This figure marks the lowest recorded FDI inflow in three years, albeit still slightly exceeding the USD 8-billion target set by the Bangko Sentral ng Pilipinas (BSP) for the year.

Table 3. Net Foreign Direct Investment Flows

	2022	2023
Globally	USD 9.49 billion	USD 8.86 billion
Europe (both EU & non-EU)	USD 104.27 million	USD 66.87 million

Source: BSP

Table 4. Net Foreign Direct Investment Flows by country of origin in 2023 (in million USD)

Rank	Globally		Europe (both EU & non-EU)	
	Country	FDI	Country	FDI
1	Japan	849.36	Germany	149.89
2	Singapore	182.65	Sweden	11.81
3	Germany	149.89	Switzerland	7.38
4	USA	113.14	Luxembourg	7.28
5	Taiwan	36.96	Italy	4.31

Source: BSP

The majority of investments originated from Japan, accounting for 51%, with significant contributions from the United States (13%), Singapore (12%), and Germany (8%). These investments notably benefited sectors such as manufacturing, real estate, and insurance.¹⁷

In 2023, the Department of Trade and Industry's Board of Investment achieved a significant milestone by surpassing the Php1 trillion mark in investment approvals. Domestic investment approvals reached PHP 398.76 billion, constituting 34% of all authorized investments. Foreign investment approvals surged by 452%, totaling PHP 763.22 billion, up from PHP 138.18 billion in 2022. The PHP 1.16 trillion investment approval encompasses 303 projects expected to create over 47,000 local jobs, particularly benefiting sectors such as renewable energy and power, information and communication, real estate, manufacturing, and infrastructure. Germany emerged as the primary source of foreign investment, contributing a substantial PHP 393.28 billion, closely followed by the Netherlands (PHP 333.61 billion), Singapore (PHP 17.38 billion), and the United States (PHP 3.38 billion).¹⁸

¹⁶ Philippine Daily Inquirer (12 March 2024). FDIs sank for 2nd year in 2023 to \$8.9B. Retrieved from <https://business.inquirer.net/449617/fdis-sank-for-2nd-year-in-%CA%BC23-to-8-9b>.

¹⁷ Business World (12 March 2024). FDI inflows slump by 7% in 2023. Retrieved from <https://www.bworldonline.com/top-stories/2024/03/12/581046/fdi-inflows-slump-by-7-in-2023/#:~:text=Inflation%20averaged%206%25%20in%202023,the%20%241.056%20billion%20in%20November>.

¹⁸ Presidential Communications Office (27 December 2023). 2023 PH investment approval scores all-time high Php1.16-T, says DTI. Retrieved on 17 April 2024 from https://pco.gov.ph/news_releases/2023-ph-investment-approval-scores-all-time-high-php1-16-t-says-dti/.

Philippine and EU Trade Performance

The Philippine external trade reverses to a decline, as the year-on-year total trade shrank by 8% from USD 216.8 billion in 2022 to USD 199.5 billion in 2023, brought by a decline in both imports and exports.¹⁹ In 2023, the country's total imports amounted to USD 126.2 billion, an 8.1% reduction from the previous year.²⁰ The bulk of imports came from electronic products, with a share of 21.1% at 26.6 billion USD. Similarly, the total exports contracted to USD 73.5 billion, 7.6% lower than the 2022 record of USD 79.6 billion.²¹ This is also heavily driven by electronic products at USD 41.9 billion, which account for 57% of the total export receipts.²⁹ The balance of trade in goods amounted to a negative value of USD 4.22 billion, indicating a trade deficit of 24%.

In 2023, the **Philippines' top five major export trading partners**, along with their export values and percentage shares to the total exports, are as follows: The People's Republic of China, with exports totaling USD 10.93 billion, accounting for 14.8%; Japan, with exports amounting to USD 10.46 billion, representing 14.2%; Hong Kong, contributing USD 8.84 billion in exports, comprising 12.0%; and the Republic of Korea, with exports valued at USD 3.53 billion, making up 4.8% of the total exports.

Notably, the Philippine trade relations with the EU continue to flourish. Among European Union (EU) member countries, the Netherlands emerged as the top destination for total exports. In 2023, **exports to the EU amounted to USD 8.38 billion**, constituting 11.4% of the total export revenue. Exports to the Netherlands accounted for the largest share, reaching USD 3.09 billion, which comprised 36.9% of the total exports to EU member countries. This is followed by Germany at USD 2.49 billion, France at USD 679.94 million, Italy at USD 264.13 million, and Spain at USD 239.03 million.

The **top five commodities exported to European Union (EU) member states**, along with their export revenue and percentage shares of the total EU exports, were as follows: Electronic products generated USD 5.92 billion, constituting 70.7% of the total; coconut oil contributed USD 597.36 million, representing 7.1%; other manufactured goods amounted to USD 288.56 million, making up 3.4%; machinery and transport equipment reached USD 209.55 million, comprising 2.5%; and tuna exports totaled USD 203.22 million, accounting for 2.4%.

As for imports, in 2023, the **total imports from European Union (EU) member states totaled USD 7.79 billion**, representing 6.2% of the overall import expenditure. Notably, Germany accounted for the highest import payments among EU member states, reaching USD 2.17 billion, constituting 27.8% of the country's total import value from EU member countries. This is followed by France at USD 1.23 billion, Italy at USD 918.25 million, Spain at USD 645.38 million, and Netherlands at USD 560.37 million.

The **primary imported commodities from European Union (EU) member nations**, along with their corresponding import payments and percentage shares of the total EU imports during the year, were as follows: Electronic products amounted to USD 1.36 billion, constituting 17.4%; transport equipment accounted for USD 1.18 billion, representing 15.1%; medicinal and pharmaceutical products totaled USD 853.15 million, making up 10.9%; industrial machinery and equipment reached USD 654.44 million, comprising 8.4%; and other food and live animals contributed USD 548.52 million, accounting for 7.0%.

¹⁹ Congressional Policy and Budget Research Department. (2024). 2023 Philippine Trade in Goods. Retrieved from [https://cpbrd.congress.gov.ph/2012-06-30-13-06-51/2012-06-30-13-36-50/1711-ff2024-07-2023-philippine-trade-in-goods#:~:text=Year%2Don%2Dyear%20\(YoY,\(%2D8.2%25\)%20and%20exports](https://cpbrd.congress.gov.ph/2012-06-30-13-06-51/2012-06-30-13-36-50/1711-ff2024-07-2023-philippine-trade-in-goods#:~:text=Year%2Don%2Dyear%20(YoY,(%2D8.2%25)%20and%20exports).

²⁰ PSA. (12 March 2024). Highlights of the Philippine Export and Import. Retrieved from <https://psa.gov.ph/statistics/export-import/monthly>

²¹ Ibid

On The EU Generalized Scheme of Preferences Plus (GSP+) and the Timely Conclusion of the EU-Philippines Free Trade Agreement Negotiations

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.

In terms of trade, the Philippines and the EU have maintained a longstanding partnership. The value of goods traded between the two reached 18.4 billion euros in 2022, while bilateral trade in services amounted to 4.7 billion euros in 2021. The EU stood as the Philippines' fourth-largest trading partner in 2021, contributing 7.9% to the country's total trade, following China, Japan, and the United States.¹

Furthermore, since December 2014, 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. According to the latest report from the International Trade Centre,² around 13 billion euros' worth of Philippine exports have enjoyed preferential access to the European Union (EU) market since the GSP+ regime took full effect. Additionally, more than 2,000 export products from the Philippines gained duty-free access under this scheme. In 2022, the Philippines exported products worth 2.93 billion euros to the EU, achieving its highest utilization rate record of 77 percent.

With this, 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 underscores the urgency of concluding the EU-PH FTA negotiations in a timely manner.

The ECCP has recently welcomed the official resumption of negotiations for the EU-Philippines Free Trade Agreement (FTA). After a thorough stock-taking exercise, both the European Union (EU) and the Philippines have demonstrated strong political will to recommence talks, marking a significant milestone in bilateral economic relations.

The EU recognizes the Philippines as a like-minded partner sharing values of democracy, sustainable development, rule of law, peace, and stability. This renewed interest underscores the attractiveness of the Philippines as a prime business destination for European firms, emphasizing the mutual benefits of fostering deeper economic ties.

President Ferdinand R. Marcos Jr. has also expressed confidence in the timing and conditions for the resumption of negotiations, highlighting notable improvements in ease of doing business and economic openness through recent reforms. The urgency to conclude the FTA before the end of the current administration in 2028 is further emphasized, especially considering the impending expiration of the EU Generalised Scheme of Preferences Plus (GSP+) in 2027.

Furthermore, this strong sense of urgency is shared by the European-Philippine business community as evident in the results of the survey conducted by the ECCP in 2023. With close to 200 respondents, the figures below reveal the sentiments of the European-Philippine business community towards the timely and successful conclusion of the EU-PH FTA.

1 Delegation of the European Union to the Philippines. EU Trade Relations with the Philippines. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines_en#:~:text=The%20EU%20and%20Philippines&text=The%20special%20incentive%20arrangement%20for,sustainable%20development%20and%20good%20governance..

2 International Trade Center (2024). Policy Study: Trends in the Philippines' Utilization Of The EU GSP+ Scheme.

Level of familiarity with the EU-PH FTA.

Almost half (49%) of the respondents are fairly to very familiar with the scope of on the European Union-Philippine Free Trade Agreement.

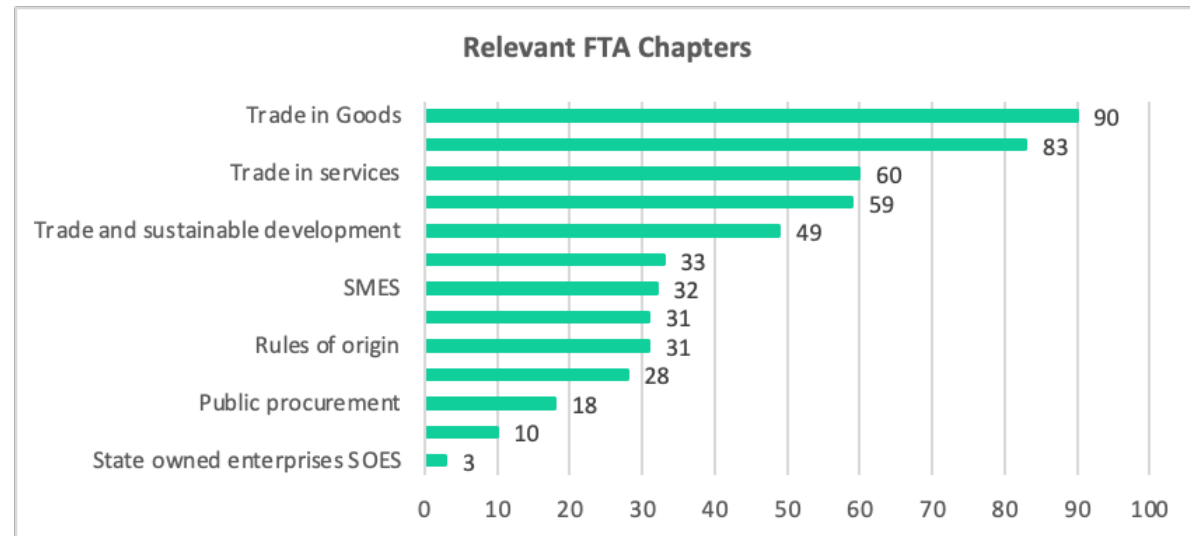
Strong appetite for the resumption and conclusion of the EU-PH FTA

- Almost **80%** of the respondents sees the importance of the resumption of the EU-PH FTA talks.
- **81%** of the respondents holds the conclusion of the EU-PH FTA talks of significant importance for their respective company and business strategies.
- This shows a strong appetite for the recommencement and conclusion of EU-PH FTA talks. The ECCP continues to advocate for the timely conclusion of the said FTA deal.

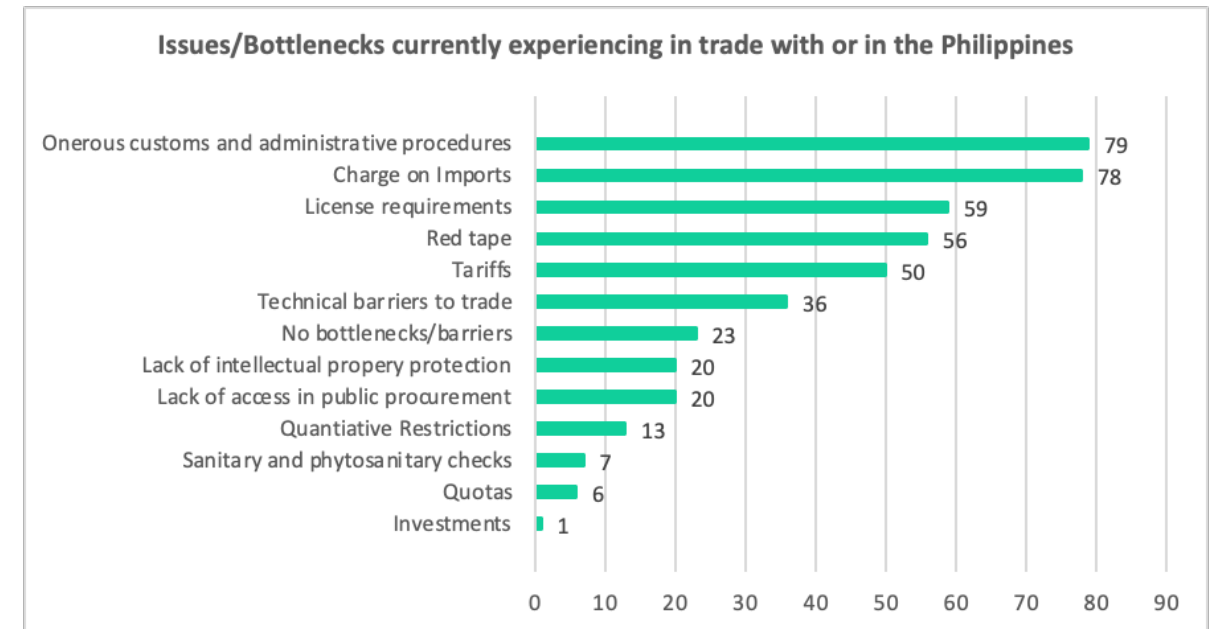
Respondents expect heavy utilization of this agreement. Trade in goods has been identified as the main use of the FTA deal.

- If concluded, about 83% of the respondents anticipates heavy utilization of the EU-PH trade deal.
- About 42% of the respondents expect to use the deal for trade in goods while 23% will use it for trade in goods and services, 26% will use it for trade in services. About 9% are unsure of how they shall use the deal when in effect.
- **Sourcing location as well as priority-end markets** were identified as the key factors for the development of an FTA optimization strategy of the respondents' respective firms.

Respondents identified the following FTA chapters as of utmost relevance to them: trade in goods, customs and trade facilitation, trade in services, investments, as well as trade and sustainable development (TSD).



Among the major bottlenecks in trade are onerous customs and administrative procedures, charges on imports, license requirements, red tape, among others.



Given the European-Philippine business community's evident interest in the progress of these discussions and their shared anticipation of the agreement's potential benefits in trade in goods, services, and investments, the ECCP has been actively advocating for the EU-Philippines FTA through various initiatives. These efforts encompass the publication of position papers, the establishment of an FTA committee, and engagement in high-level dialogues with policymakers and business representatives from both regions. Notably, the ECCP organised a high-level business event during the visit of Her Excellency Ursula von der Leyen, President of the European Commission. Additionally, on 18 March 2024, the ECCP joined engagements in Brussels related to the resumption of EU-Philippines Free Trade Agreement negotiations.

The resumption of talks presents a crucial opportunity to enhance economic growth, deepen partnerships, promote sustainability, prosperity, and progress. During the announcement of the resumption of the EU-PH FTA negotiations, the European Commission projected that the trade deal is expected to increase the bilateral trade by up to 6 billion euros. Likewise, the conclusion of an EU-PH FTA will not only benefit areas of trade and investment, bolstering competitiveness and enhancing economic opportunities, but also encourage the improvement of economic policies, including those specific to e-commerce, digital transformation, intellectual property, and procurement, among others. Such a deal holds immense potential to spur trade and investment opportunities, improve diversification, increase competitiveness and economic openness, generate better employment prospects, as well as accelerate breakthroughs in innovation and technology.

For the Philippines, the FTA offers a wide range of benefits including increased market access for highly protected sectors such as agriculture and garments. Minerals, digital trade, and energy sectors are also among those expected to benefit from the FTA.

As negotiations progress, the ECCP remains committed to facilitating constructive dialogue and advocating for the interests of its members and the broader business community. The Chamber will continue to champion increased, sustainable trade and highlight the Philippines in the investment map.

AGRICULTURE ADVOCACY PAPER 2024

INTRODUCTION

Known for its wide range of crops, livestock, and marine resources, the Philippine agriculture sector stands as the backbone of the economy that generates employment opportunities and builds the foundation on which the industry and services sector are built. However, the extent of its potential has yet to be fully realised. With the ongoing global food crisis tied with several external pressures, it remains imperative to urgently address the underlying challenges in the sector in order to increase productivity; create high-quality employment; boost trade and investments; and promote inclusive growth and development, benefiting smallholder farmers, consumers, businesses, and the public at large.

The country's gross domestic product (GDP) has been seen to expand by 5.6% in the fourth quarter 2023, bringing the 2023 GDP Growth Rate to 5.6%. The Agriculture, forestry, and fishing (AFF) industry continues to be a major economic sector, posting a year-on-year growth in the fourth quarter of the year at 1.4%, and growth in 2023 at 1.2%.¹

In terms of employment, the agriculture and forestry sector accounted for 21.4% of the employed for January 2024. However, the sector continues to suffer with the second highest annual decreases for the period of October 2023 to January 2024, losing about 908,000 employees in the sector.²

Globally, data from the Food and Agriculture Organization's Food Price Index (FPI) reports that Food Price Index (FFPI) stood at 117.3 points in February 2024, down 0.9 points or 0.7% from its revised January level, as decreases in the price indices for cereals and vegetable oils slightly more than offset increases in those for sugar, meat and dairy products. The index was down 13.8 points or 10.5% from its corresponding value one year ago.³

In the Philippines, food inflation rose to 4.8% in February 2024 from 3.3% in the previous month. During the same period last year, food inflation was higher at 11.1%. The latest data reports that the acceleration of food inflation in February 2024 was mainly brought about by the slower year-on-year decrease in vegetables, tubers, plantains, cooking bananas and pulses index at 11.0% in February 2024 from 20.8% annual decline in the previous month. In addition, meat and other parts of slaughtered land animals index recorded a 0.7% annual increment during the month from an annual decline of 0.7% in the previous month. Meanwhile, cereals and cereal products, including rice, corn, flour, bread and other bakery products, pasta products, and other cereals, also contributed to the upward trend of food inflation as it registered a faster annual increment of 17.0% during the month from 16.3 percent in the previous month (see Table 1).⁴

1 PSA. (31 January 2024). GDP Expands by 5.6 Percent in the Fourth Quarter of 2023: Brings the Full-Year 2023 GDP Growth Rate to 5.6 Percent. Retrieved from <https://psa.gov.ph/content/gdp-expands-56-percent-fourth-quarter-2023-brings-full-year-2023-gdp-growth-rate-56-percent>

2 PSA. (08 March 2024). Employment Rate in January 2024 was Estimated at 95.5 Percent. Retrieved from <https://psa.gov.ph/statistics/labor-force-survey>

3 Food and Agriculture Organisation. (February 2024). FAO Food Price Index eases again in February, mostly driven by lower world cereal prices. Retrieved from <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

4 PSA. (05 March 2024). Summary Inflation Report Consumer Price Index (2018=100): February 2024. Retrieved from <https://www.psa.gov.ph/price-indices/cpi-ir> 2024

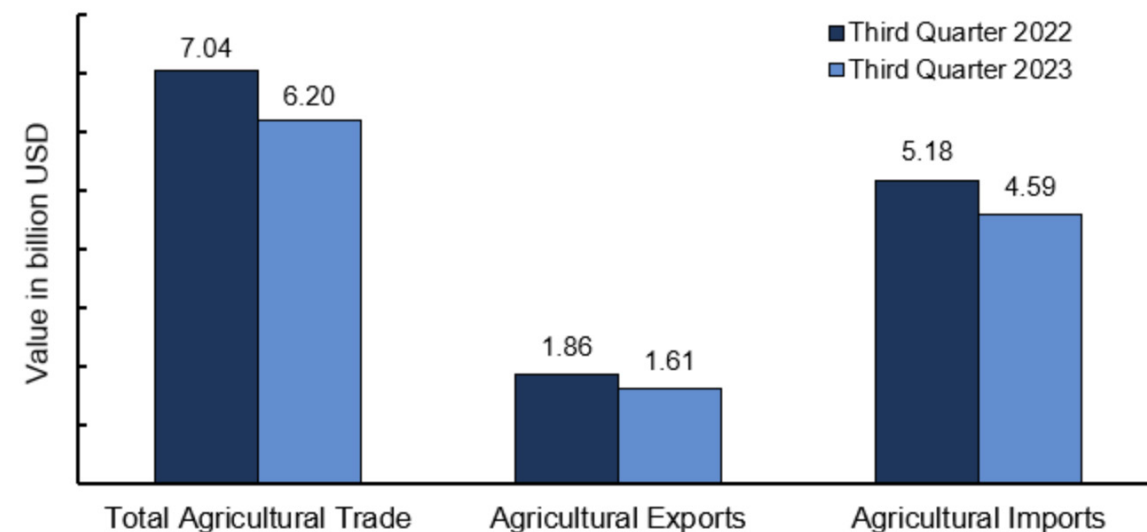
Table 1. Consumer Price Index by Subgroup, Month-on-Month and Year-on-Year Percent Changes in the Philippines

Commodity Group	CPI			Inflation Rates	
	Feb 2023	Jan 2024	Feb 2024	Month-on-Month	Year-on-Year
I. FOOD AND NON-ALCOHOLIC BEVERAGES	123.6	128.9	129.3	0.3	4.6
* Food	124.2	129.7	130.1	0.3	4.8
Cereals and Cereal Products	103.4	120.0	121.0	0.8	17.0
Cereals	97.0	116.9	118.0	1.0	21.7
Rice	94.6	115.9	117.0	1.0	23.7
Corn	141.1	135.8	136.4	0.4	-3.3
Flour, Bread and Other Bakery Products, Pasta Products, and Other Cereals	123.7	129.6	130.1	1.0	5.1
Meat and Other Parts of Slaughtered Land Animals	132.8	132.4	133.7	0.3	0.7
Fish and Other Seafood	135.4	135.9	136.3	-0.3	0.7
Milk, Other Dairy Products and Eggs	122.8	127.5	127.1	-0.3	3.5
Oils and Fats	136.3	130.1	129.7	-0.3	-4.8
Fruits and Nuts	131.0	143.1	142.4	-0.5	8.7
Vegetables, Tubers, Cooking Bananas and Pulses	159.8	143.6	142.3	-0.9	-11.0
Sugar, Confectionery and Desserts	147.7	145.3	144.2	-0.8	-2.4
Ready-Made Food and Other Food Products N.E.C.	123.2	128.4	128.9	0.4	4.6
* Non-alcoholic Beverages	116.2	119.3	119.6	0.3	2.9
II. ALCOHOLIC BEVERAGES AND TOBACCO	162.0	174.7	175.9	0.7	8.6
Alcoholic Beverages	132.1	138.3	139.3	0.7	5.5
Tobacco	182.6	199.9	201.0	0.6	10.1
Other Vegetable-Based Tobacco Products	149.2	160.4	160.1	-0.2	7.3

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 2023 stood at USD 6.20 billion which posted an annual decline of 12.0% (see Figure 1). During the said period, agricultural exports and imports amounted to USD 1.61 billion and USD 4.59 billion, respectively leading to a deficit in the total balance of trade in agricultural goods at USD 2.97 billion with an annual decline of 10.5%.⁵

Figure 1: Total Agricultural Trade and Agricultural Export and Import: Philippines, Third Quarter 2022^r and Third Quarter 2023^p



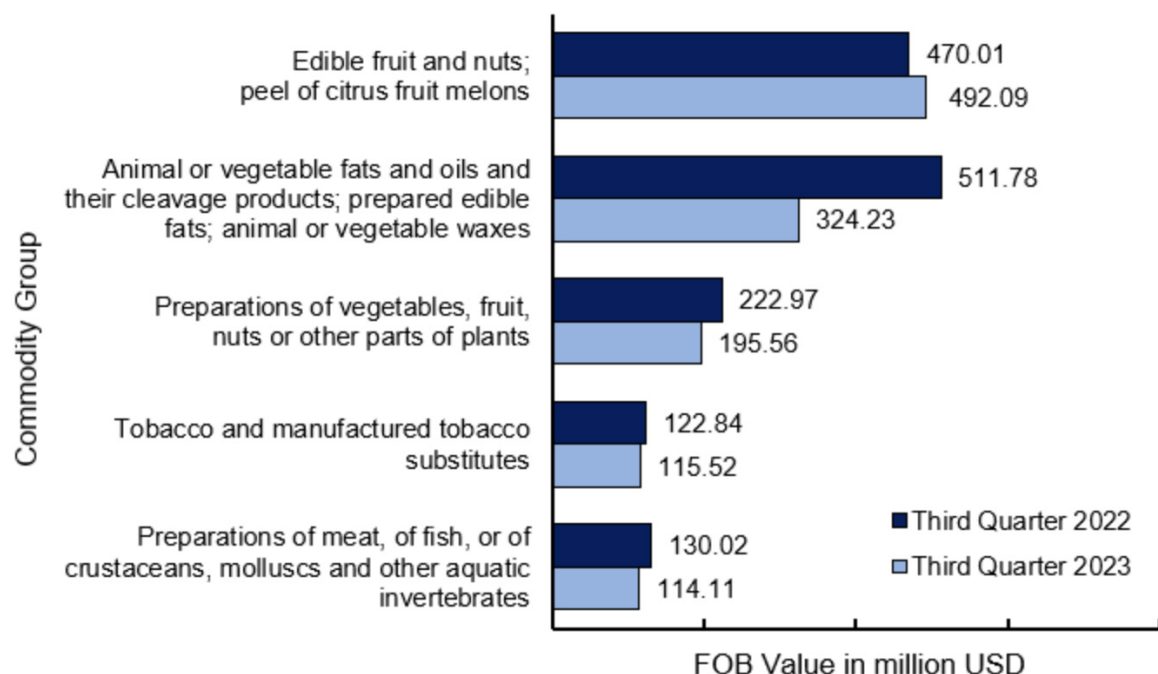
^p = preliminary, ^r = revised
Source: Philippine Statistics Authority

Agricultural exports declined to USD 1.61 billion in the third quarter of 2023, marking a 13.3% annual decrease from the USD 1.86 billion in agricultural export revenue recorded in the third quarter of 2022. Among these exports, edible fruits, nuts, and citrus fruit peels had the largest share at 30.5%, totaling USD 492.02 million. This was followed by animal or vegetable fats and oils, along with their derivatives, valued at USD 324.23 million, and preparations of vegetables, fruits, nuts, or other plant parts at USD 195.56 million (refer to Figure 2).⁶

⁵ Philippine Statistics Authority. (5 December 2023). Highlights of the Foreign Trade Statistics for Agricultural Commodities in the Philippines Third Quarter 2023, Preliminary. Retrieved from <https://www.psa.gov.ph/content/highlights-foreign-trade-statistics-agricultural-commodities-philippines-third-quarter-2023>

⁶ Ibid.

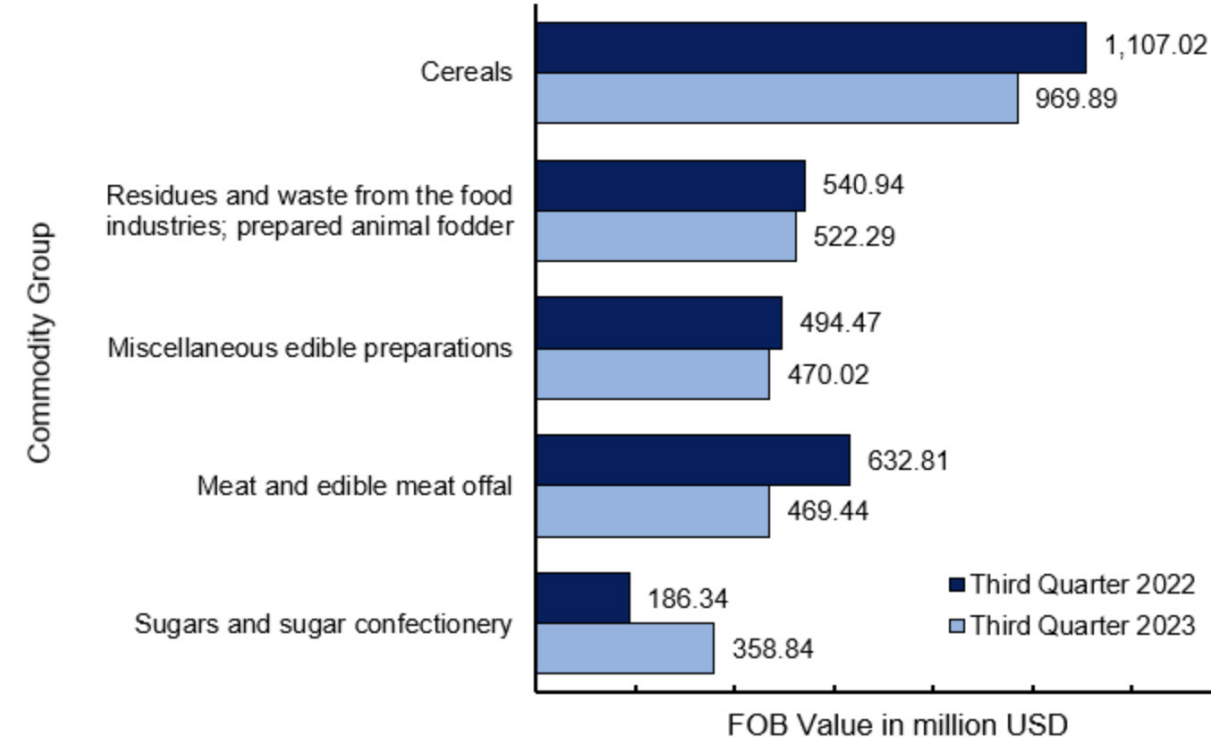
Figure 2: Value of Philippine Agricultural Exports of Top Five Commodity Groups: Philippines, Third Quarter 2022^r and Third Quarter 2023^p



^p = preliminary, ^r = revised
Source: Philippine Statistics Authority

Agricultural imports, on the other hand, amounted to USD 3.92 billion, representing 85.4% of the total agricultural import revenue in the third quarter of 2023. The combined value of the top 10 agricultural import commodity groups experienced an annual decrease of 12.6% during the same period, compared to their value in the third quarter of 2022. Among these major commodity groups, cereals accounted for the largest share, totaling USD 969.89 million or 21.1% of the total value of agricultural imports in the third quarter of 2023 (see Figure 3).

Figure 3: Value of Philippine Agricultural Imports of Top Five Commodity Groups: Philippines, Third Quarter 2022^r and Third Quarter 2023^p



^p = preliminary, ^r = revised
Source: Philippine Statistics Authority

Agricultural exports to the European Union (EU) amounted to USD 285.19 million or 12.5% of the country's total exports to EU member states, with the Netherlands, Spain, and Italy as the top three buyers (see Table 2). 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 148.89 million, (ii) preparations of meat, of fish or of crustaceans, mollusks, and other aquatic invertebrates at USD 50.30 million; and (iii) preparation of vegetables, fruit, nuts or other parts of plants amounting to USD 23.52 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 (Third Quarter 2023^p)

Country	Total Value of Agricultural Exports	Top commodity group
1 The Netherlands	USD 150.44 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
2 Spain	USD 39.94 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
3 Italy	USD 29.14 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes

4	Germany	USD 26.55 million	Preparations of meat, of fish, or of crustaceans, molluscs and other aquatic invertebrates
5	France	USD 10.66 million	Preparations of meat, of fish, or of crustaceans, molluscs and other aquatic invertebrates
6	Belgium	USD 9.10 million	Preparations of meat, of fish, or of crustaceans, molluscs and other aquatic invertebrates
7	Greece	USD 4.01 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
8	Sweden	USD 2.09 million	Preparations of meat, of fish, or of crustaceans, molluscs and other aquatic invertebrates
9	Ireland	USD 1.95 million	Edible fruit and nuts; peel of citrus fruit melons
10	Portugal	USD 1.78 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes

Source: Philippine Statistics Authority

Meanwhile, the country's agricultural imports from EU member countries amounted to USD 382.34 million or a share of 20.5% to the total value of imports. Among EU member countries, Spain was the country's top supplier of agricultural commodities with an import value of USD 91.69 million or a share of 24.0% to the country's total value of agricultural imports from EU member countries. This is followed by France and Germany, with import values of USD 52.31 million and USD 44.01 million, respectively (see Table 3). The top three major agricultural commodities imported from the EU were (i) meat and edible meat offal at USD 100.79 million; (ii) dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified at USD 84.74 million; and (iii) residues and waste from the food industries; prepared animal fodder at USD 39.96 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 (Third Quarter 2023^a)

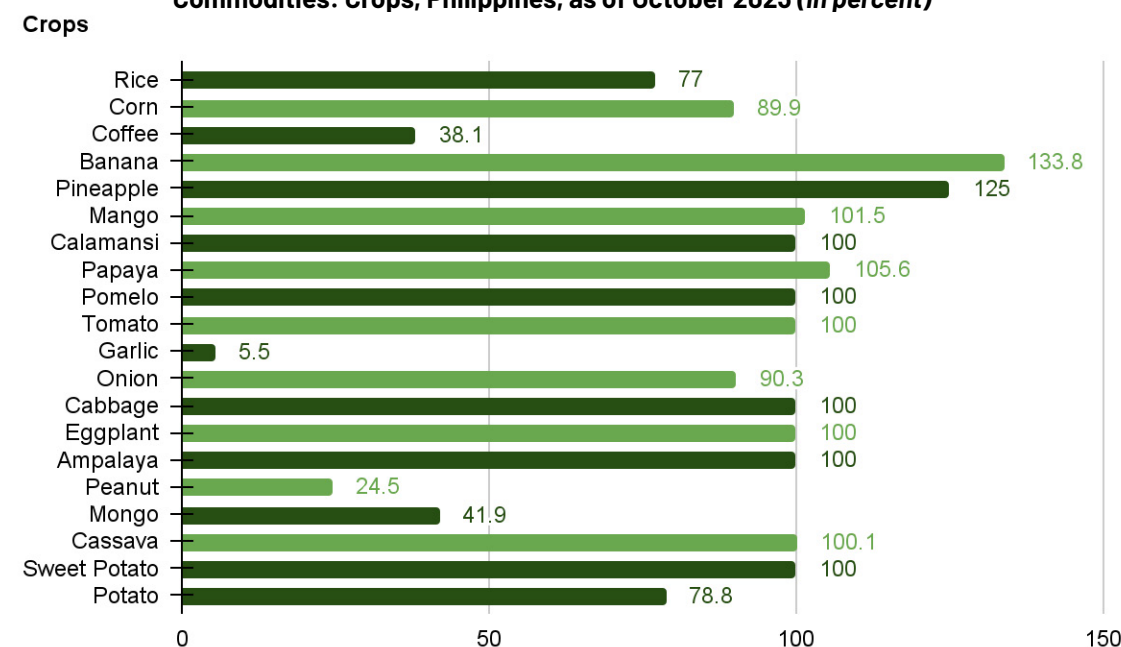
Country	Total Value of Agricultural Imports	Top commodity group
1 Spain	USD 91.96 million	Meat and edible meat offal
2 France	USD 52.31 million	Meat and edible meat offal
3 Germany	USD 44.01 million	Tobacco and manufactured tobacco substitutes
4 The Netherlands	USD 39.05 million	Meat and edible meat offal
5 Ireland	USD 35.01 million	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified

6	Belgium	USD 39.49 million	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified
7	Italy	USD 32.18 million	Residues and waste from the food industries; prepared animal fodder
8	Denmark	USD 26.31 million	Meat and edible meat offal
9	Austria	USD 3.02 million	Residues and waste from the food industries; prepared animal fodder
10	Sweden	USD 2.96 million	Meat and edible meat offal

Source: Philippine Statistics Authority

In terms of self-sufficiency ratio (SSR), banana remained to have the highest ratio among the reference commodities in 2022 with an SSR of 133.8% followed by pineapple at 125%. 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 (see Figure 4). Meanwhile, SSR for rice fell to 77%, the lowest in more than two decades, as the country remained as one of the world's largest importers of the staple.⁷

Figure 4. 2022 Self-Sufficiency Ratio of Selected Agricultural Commodities: Crops, Philippines, as of October 2023 (in percent)^{8,9}



7 PIDS. (10 October 2023). Rice sufficiency level falls to 24-year low. Retrieved from <https://www.pids.gov.ph/details/news/in-the-news/rice-sufficiency-level-falls-to-24-year-low>

8 PSA. (October 2023). Agriculture and Fisheries Indicator System (AFIS) Self-Sufficiency Ratio (SSR) of Selected Agricultural Commodities, 2022. Retrieved from https://www.psa.gov.ph/sites/default/files/infographics/Infographics_Self-Sufficiency-Ratio-2022_signed.pdf

9 PSA. (October 2023). 2022 Self-Sufficiency Ratio (SSR) of Selected Agricultural Commodities. Retrieved from https://openstat.psa.gov.ph/PXWeb/pxweb/en/DB/DB__2B__AA__SU/0012E5FSSR0.px/table/tableViewLayout1/?rxid=294cd729-2bcd-45f1-962f-e775890bdd77

For livestock and poultry products, self-sufficiency was achieved for chevon, chicken eggs, duck eggs, and dressed duck, while declines in self-sufficiency ratios (SSRs) were noted for beef, carabeef, chicken, and pork (see Figure 5). Continuous sufficiency in domestic production was observed for several fishery products, including crabs, milkfish, *tilapia*, tuna, and roundscad, while inadequacies in production for shrimps & prawns and oysters were noted due to declines in SSRs from 103.5% to 99.9% and from 100% to 99.9%, respectively (see Figure 6). Based on the presented data, the industry has called for support to promote export activities for those products with SSRs over 100%, as well as government assistance to increase production for commodities with SSRs under 50%.

Figure 5. 2022 Self-Sufficiency Ratio of Selected Agricultural Commodities: Livestock and Poultry, Philippines, as of October 2023 (in percent)¹⁰

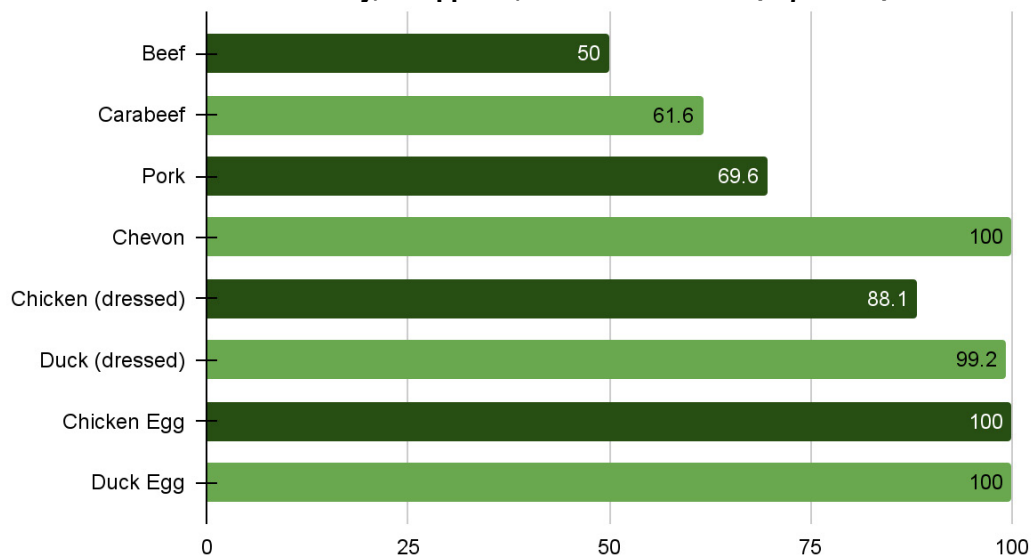
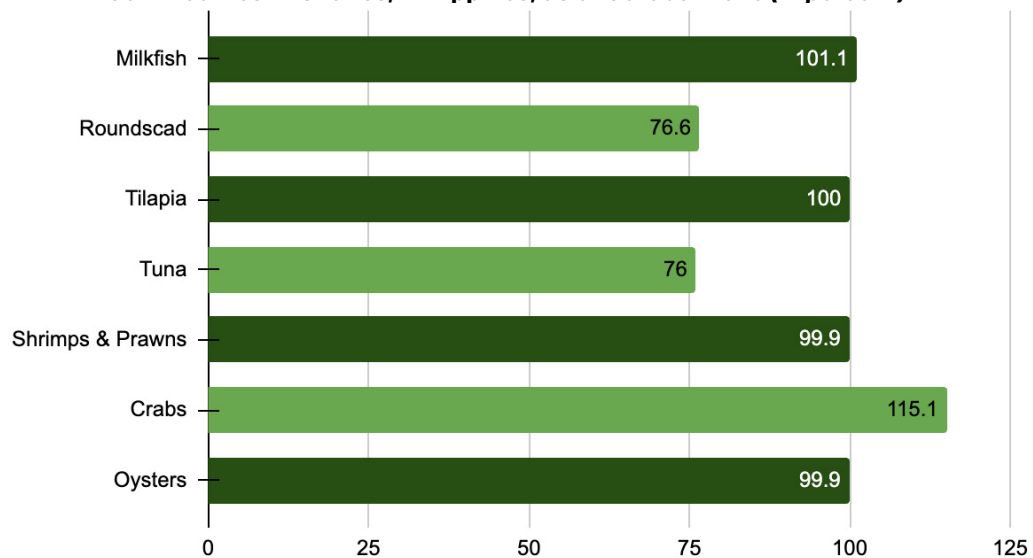


Figure 6. 2022 Self-Sufficiency Ratio of Selected Agricultural Commodities: Fisheries, Philippines, as of October 2023 (in percent)¹¹



Crops

In the Philippines, crop production accounted for 54% of PHP 222.69 billion of the total value of agriculture and fisheries production at constant 2018 prices for the third quarter of 2023, decreasing by 0.4%. Palay and corn production recorded year-on-year growths of 0.2% percent and 5.0% respectively (see Table 4). Meanwhile, at current prices the value of crop production amounted to PHP 265.39 billion or 10.1% increase from its record in the third quarter of 2022.¹²

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

Subsector/ Commodity	2021-2022				2022-2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Crops	-1.7	-2.7	1.8	-1.0	1.7	1.2	-0.4
Palay	-1.9	0.7	1.0	-2.5	5.2	1.1	0.2
Corn	-0.2	4.3	2.5	-6.9	3.2	-0.8	5.0
Banana	-3.3	0.4	0.1	-0.8	0.4	0.1	0.0
Coconut	2.0	2.0	1.0	1.0	1.6	1.5	-1.9
Mango	-4.0	-3.8	-3.8	-5.8	2.0	11.4	15.2
Sugarcane	-10.1	-53.8	78.8	18.7	-17.0	-11.3	-26.4
Pineapple	1.0	-1.4	1.5	6.6	-3.8	3.8	3.5
Cassava	-2.6	0.9	0.3	0.6	5.2	1.6	-3.0
Rubber	-0.3	-0.6	-0.3	-9.0	-5.3	-8.5	-12.7
Sweet Potato	-0.9	4.0	2.2	3.4	-7.5	-7.5	-5.5
Onion	4.2	20.2	1.7	37.4	6.4	3.4	165.1
Eggplant	4.0	0.2	2.3	0.05	-1.3	-3.6	-13.9
Coffee	-3.9	-7.1	-4.0	2.3	1.3	1.8	5.52
Tobacco	-24.1	-1.2	1.9	8.5	14.4	1.9	122.1
Abaca	14.0	-1.3	21.5	2.9	3.2	-1.8	-7.7
Tomato	-6.1	-6.4	6.1	0.9	3.0	-1.8	1.8
Potato	11.7	-3.3	-1.0	5.4	-4.4	2.1	-26.0
Ampalaya	0.8	1.8	2.7	-4.7	0.8	3.2	-7.5
Cabbage	-7.3	-3.3	1.2	-0.7	5.2	-4.5	-17.5
Calamansi	-1.5	2.3	-6.2	-2.5	-0.9	4.0	-9.0

10 Ibid.
11 Ibid.
28

12 PSA. (November 2023). Value of Production in the Philippine Agriculture and Fisheries. Retrieved from <https://psa.gov.ph/system/files/main-publication/Full%20Report%2C%20Third%20Quarter%202023%20Value%20of%20Production%20in%20Philippine%20Agriculture%20and%20Fisheries.pdf>
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Mongo	0.04	6.4	0.7	-1.5	-1.6	-1.9	-21.1
Cacao	6.0	1.4	8.2	2.6	-1.4	4.1	5.5
Other Crops	1.0	-12.9	1.2	-0.8	0.5	3.1	-9.2

Source: Philippine Statistics Authority

Livestock and Poultry

The value of livestock production contributed to 16% to the total value of agriculture and fisheries production. At constant 2018 prices, it was estimated to be at PHP 66.11 billion which is a 2.5% increase from the level in the third quarter of 2022. The value of livestock production contributed to 16% to the total value of agriculture and fisheries production. As for poultry, the value of production at constant 2018 prices increased by 2.9% in the third quarter of 2023, with a share of PHP 64.89 billion or 15.7% to the total value of production in agriculture and fisheries.

Table 5. Year-on-Year Growth Rates of Value of Livestock and Poultry Production at Constant 2018 Prices (in percent)							
Subsector/ Commodity	2021-2022				2022-2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Livestock	-1.0	2.1	4.0	2.5	4.1	0.7	2.5
Hog	-1.2	3.0	4.5	3.4	5.1	1.0	3.3
Cattle	-0.7	0.9	1.2	-0.4	1.9	-1.0	-1.5
Carabao	4.9	-3.9	3.5	-0.3	-1.2	0.5	-0.3
Goat	-5.7	-6.7	-0.1	-2.5	-3.6	-0.2	0.1
Dairy	22.2	22.2	16.0	1.0	-11.2	-10.0	-12.4
Poultry	12.3	7.8	6.4	1.8	3.2	1.5	2.9
Chicken	13.0	6.9	6.7	2.3	3.3	3.2	2.3
Duck	-21.5	-7.5	-12.1	4.3	-0.3	7.1	3.6
Chicken Eggs	12.4	10.5	6.2	0.2	2.8	-2.1	4.7
Duck Eggs	11.7	11.5	13.9	4.3	3.8	-8.6	-2.2

Source: Philippine Statistics Authority

Fisheries

The value of fisheries at constant 2018 prices amounted to PHP 58.7 billion contracted by 6.1% during the period. It accounted for 14.2% of the total value of production in agriculture and fisheries. At current prices, the value of fisheries production amounted to PHP 76.98 billion, dropping by 0.4% from its level in the same quarter of 2022.¹⁵

Table 6. Year-on-Year Growth Rates of Value of Fisheries Production at Constant 2018 Prices (in percent)							
Subsector/ Commodity	2021-2022				2022-2023		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Fisheries	-5.8	-2.4	-5.2	-6.7	0.5	-13.8	-6.1
Milkfish (Bangus)	-12.7	-16.0	-13.4	-9.1	7.0	-19.1	-12.0
Tilapia	-6.4	-11.9	-9.5	-14.6	10.8	-4.6	6.9
Tiger Prawn (Sugpo)	-11.3	-30.3	-20.5	-14.4	-24.2	0.9	-49.0
Skipjack (Gulyasan)	-20.3	17.2	6.1	23.8	1.6	-49.2	-12.6
Roundscad (Galunggong)	-2.0	-4.2	-5.4	-10.0	-13.3	30.7	17.2
Seaweed	9.1	23.7	10.8	16.2	-1.0	-5.1	14.0
Yellowfin Tuna (Tambakol/Bariles)	7.5	10.3	27.5	12.6	5.5	-22.7	28.5
Mudcrab (Alimango)	-24.8	-18.7	-32.5	-37.0	-37.6	-15.5	-28.1
Frigate Tuna (Tulingan)	-5.2	-27.2	-1.5	-3.3	-28.6	-13.7	-6.7
Big-eyed Scad (Matangbaka)	-5.8	18.3	-12.1	16.8	60	-1.6	32.8
Bali Sardinella (Tamban)	-0.6	-10.0	-17.5	22.4	0.1	-3.8	-4.3
Squid (Pusit)	11.5	34.3	42.0	4.2	18.1	-17.1	-26.3
Blue Crab (Alimasag)	-8.3	-30.7	-29.4	-9.4	10.7	-14.6	-18.1
Bigeye Tuna (Tambakol/Bariles)	8.5	47.3	30.8	-46.9	-35.0	-49.8	-41.1
Grouper (Lapu-lapu)	6.4	23.0	-14.3	-28.1	4.6	-40.0	-15.5
Indian mackerel (Alumahan)	-6.6	-16.8	-21.2	-32.4	-21.1	-7.7	60.6
Threadfin Bream (Bisugo)	32.8	-9.0	-0.6	-31.1	-23.4	-11.1	-19.4
Slipmouth (Sapsap)	-11.3	-7.8	-5.1	-31.6	-25.5	-19.8	2.1
Cavalla (Talakitok)	-6.5	-13.1	6.3	-31.4	-15.3	-2.9	-26.3
Frimbriated Sardines (Tunsoy)	-13.5	32.5	18.2	10.2	-11.7	-42.0	-37.8
Other Fisheries	0.7	14.9	1.9	1.2	19.9	-16.7	-4.8

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **DA 10-point agenda:** In a meeting with regional agricultural and fisheries council last January, DA Secretary Laurel, Jr. announced that the DA is currently finalising the Department's 10-point agenda aimed to address issues adversely affecting the sector by incorporating inputs from all relevant stakeholders. Some of the recommendations made during the meeting were to put up more farm-to-market roads or other alternatives to facilitate faster movement of products, establish cold storage facilities for vegetables and laboratories to attend to biosecurity concerns, convert rice competitive enhancement funds to rice price subsidy, and the intensification of soil testing to optimise land use and productivity, among others. Relatedly, Secretary Laurel, Jr. also shared that the DA will be building more agriculture infrastructure (i.e. food terminals, seaports, roads, warehouses, etc.) to help cut the cost of food for consumers.¹⁴
- **Government strategies to address food supply issues in the midst of El Niño:** In line with the Reduce Emerging Inflation Now (REIN) plan, the government is prioritising the swift roll out of the 2024 national budget to ensure the prompt execution of initiatives seeking to boost agricultural production, including the release of the 455.69 million allocated for the Rice Competitiveness Enhancement Fund (RCEF). Aside from this, the guidelines for the implementation of toll rate hike exemption for trucks carrying agricultural goods is expected to be issued soon along with the continuous disbursement of Fertilizer Discount Vouchers (FDVs).¹⁵
- **Food inflation:** Data from the Philippine Statistics Authority released on 5 March showed a slight increase on the country's inflation rate from 2.8% in January to 3.4% in February which was largely attributed to the increase in food prices. In particular, rice inflation continues to increase at 23.7% in February from 22.6% recorded in January which is the highest it has been in 15 years and is expected to remain at an upward trend until August.¹⁶ According to the PSA, the increase in rice prices shares a weighted index of 8.87% in the Consumer Price Index for all households and has gravely affected poor households resulting in the increase of their inflation rate from 3.6% in January to 4.2% the following month.¹⁷ The National Economic and Development Authority (NEDA), in response to the reported figures, noted that the Marcos administration is working on boosting its initiatives to minimise the impact of El Niño on food prices; further noting that rice prices in the international market have started to ease while harvest season in the country is expected to begin in March.¹⁸
- **Temporary suspension of minimum access volume (MAV) for pork and corn:** Undersecretary Roger Navarro announced that the DA is considering the temporary suspension of MAV for pork and corn until the end of 2024 to help curb the country's agricultural imports and help address

14 Department of Agriculture-Agriculture and Fisheries Information Division. (8 January 2024). DA meets agricultural, fisheries councils to hasten sector development and modernization. Retrieved from <https://www.da.gov.ph/da-meets-agricultural-fisheries-councils-to-hasten-sector-development-and-modernization/>

15 Department of Finance. (5 March 2024). Recto: Feb inflation rate of 3.4% within gov't target band, PH prepared to face threat of El Niño. Retrieved from <https://www.dof.gov.ph/recto-feb-inflation-rate-of-3-4-within-govt-target-band-ph-prepared-to-face-threat-of-el-nino/>

16 Rivas, R. (5 March 2024). Rice prices push up inflation to 3.4% in February 2024. Retrieved from <https://www.rappler.com/business/philippines-inflation-rate-february-2024/>

17 Laqui, I. (6 March 2024). Rising rice prices expose gov't's inflation management flaws - think tank. Retrieved from <https://www.philstar.com/business/2024/03/06/2338519/rising-rice-prices-expose-govts-inflation-management-flaws-think-tank>

18 Rivas, R. (5 March 2024). Rice prices push up inflation to 3.4% in February 2024. Retrieved from <https://www.rappler.com/business/philippines-inflation-rate-february-2024/>

agricultural smuggling. If implemented, this would mean that importers will no longer be allowed to bring in commodities within the MAV at a lower tariff rate. Currently, the country's MAV stands at 54,210 metric tons for pork, and at 216,940 MT for corn. In response, the MAV Advisory Council (MAC) has endorsed a resolution recommending a status quo on the MAV for the year as the proposed suspension would adversely affect the supply of meat products and would risk certain trade agreements.¹⁹

- **Financial assistance for rice farmers:** Under Memorandum Order No. 8, an allocation of PhP22.9 billion will be disbursed as financial assistance intended for hybrid rice seeds, organic fertilisers, and biological fertilisers. The distribution of the said assistance will be implemented through either a (1) printed voucher, (2) interventions monitoring cards (IMCs), or (3) regular procurement modalities.²⁰
- **Integrated Rice Supply Chain Development Program:** The DA, Department of Trade and Industry (DTI), and National Irrigation Administration (NIA) have signed a memorandum of understanding (MOU) last 2 February for the implementation of the Integrated Rice Supply Chain Development Program which aims to streamline, boost, and stabilise the local rice supply chain. The program will run in complement to the DTI's Food Logistics Agenda and is expected to decrease logistics costs, increase the competitiveness of the local rice market, and boost income generation for farmers.²¹
- As part of the program, the DTI will be operating the RicetoRisePH business-to-business platform to facilitate easier transactions among cooperatives, irrigators' associations, LGUs, and institutional buyers with the end goal of improving trade efficiency, cut down logistics costs, and decrease the price of rice for consumers while caring for the farmers.²²
- **Implementation of Special Safeguard Duties and other Trade Remedies:** In a news briefing in Malacañang, Secretary Laurel, Jr. reported that the DA is reviewing the imposition of special safeguard duties (SSG) on imported coffee, and its impact on the coffee industry. It can be recalled that the Philippines first imposed a price-based SSG on imported coffee products in 2018 following a surge in coffee imports that were priced below the trigger price. In March 2023, the DA stated that given the increasing number of imported coffee, the country will maintain the imposition of the said trade measure with the intention of extending necessary protection to the local coffee farmers.²³
- **Draft procurement guidelines for agricultural goods:** On 5 January 2024, the DA issued Special Order No. 18 series of 2024 with the intention of establishing a technical working group for the preparation of the Implementing Rules and Regulations of Section 9 of Republic Act No. 7581 otherwise known as the Price Act²⁴ in preparation for a potential food crisis due to the looming

19 Arcalas, J. (7 February 2024). DA wants to suspend pork, corn MAV. Retrieved from <https://www.philstar.com/business/2024/02/07/2331421/da-wants-suspend-pork-corn-mav>

20 Department of Agriculture. (5 February 2024). Memorandum Order No. 08 Series of 2024 on implementing guidelines on the provision of agricultural input support pursuant to Section 9.d of the FY 2024 General Appropriations Act. Retrieved from https://www.da.gov.ph/wp-content/uploads/2024/02/mo08_s2024.pdf

21 Yalao, K. (5 February 2024). DTI to develop farm-to-market supply chain. Retrieved from <https://mb.com.ph/2024/2/5/dti-tackles-logistics-nightmare-by-developing-farm-to-market-supply-chain>

22 Department of Trade and Industry. (3 February 2024). DTI, DA, and NIA ink partnership to ensure streamlined rice supply chain, enhance domestic rice market competitiveness. Retrieved from <https://www.dti.gov.ph/archives/news-archives/dti-da-nia-ink-partnership-ensure-streamlined-rice-supply-chain-enhance-domestic-rice-market-competitiveness/>

23 Arcales, J. (16 January 2024). Imposition of SSG duties on imported Indonesian coffee undergoes review. Retrieved from <https://businessmirror.com.ph/2024/01/16/imposition-of-ssg-duties-on-imported-indonesian-coffee-undergoes-review/#:~:text=In%20March%202023%2C%20the%20Philippines,necessary%20protection%20to%20local%20farmers.>

24 Department of Agriculture. (5 January 2024). Special Order No. 18 Series of 2024 on the creation of a Technical Working Group for the preparation of Implementing Rules and Regulations of Section 9 of Republic Act No.

threat of El Niño. The IRR is expected to provide clear rules on the procurement, purchase, importation, and stockpiling of agricultural goods such as crops, fish, and other marine products, fresh meat and poultry, dairy products, fertilisers, and other farm inputs to stabilise supply and protect consumers during emergencies.²⁵

- **Philippine Agricultural Export Development Plan (PAEDP):** In pursuit of increasing the country's agricultural and fisheries exports, the DA issued Special Order 1514 which seeks to establish a national steering committee and technical working group tasked with the drafting of the Philippine Agricultural Export Development Plan in alignment with the Philippine Export Development Plan (2023-2028).²⁶ According to the order, the steering committee will be led by the DA Secretary with all DA undersecretaries as members while the technical working group which is tasked to determine the priority commodities with the strongest export potential will be headed by Assistant Secretary for Policy Research and Development Noel A. Padre.²⁷
- **Temporary extension of the reduced Most Favoured Nation (MFN) rates:** The Office of the President released Executive Order No. 50 on 22 December 2023 which effectively provided for the extension of the reduced tariff on rice and meat of swine (fresh, chilled, or frozen) until the end of 2024 following the endorsement of the NEDA Board. The extension came in response to the continued prevalence of African Swine Fever and trade restrictions in some exporting countries.²⁸
- **Food Logistics Action Agenda:** Approved in August 2023, the three-year agenda acts as a workable framework to improve the local food distribution system, improve income generation of farmers by lowering transport and logistics costs, and attaining efficiency in the food supply chain while also aiming to attain investments in the sector's logistics infrastructure. In line with this, the DTI has laid out its plan to integrate revamped food terminals into the logistics framework and increase the number of food hubs in the National Capital Region and other parts of the country with the aim of shortening the supply chain. Currently, the trade department is implementing a pilot project with the Nueva Vizcaya Agricultural Terminal (NVAT) in collaboration with the US Agency for International Development-Strengthening Private Enterprises for the Digital Economy (USAID-SPEED) to assist SMEs transition into mature e-commerce enterprises.²⁹

The work plan also provides for stricter implementation of measures against overstaying of smuggling, hoarding, food imports, and monitoring of warehouses or cold storage facilities. Relatedly, the DTI has endorsed the International Maritime Competitiveness Act to authorise the Maritime Industry Authority to "regulate shipping lines and guard against excessive shipping charges".³⁰

7581, as amended. Retrieved from https://www.da.gov.ph/wp-content/uploads/2024/01/so18_s2024.pdf

25 Laqui, I. (10 January 2024). DA to draft procurement guidelines for agricultural crisis. Retrieved from <https://www.philstar.com/business/2024/01/10/2324816/da-draft-procurement-guidelines-agricultural-crises>

26 Halili, A. (3 January 2024). Exportable agri commodities focus of new DA dev't plan. Retrieved from <https://www.bworldonline.com/economy/2024/01/03/566769/exportable-agri-commodities-focus-of-new-da-devt-plan/>

27 Department of Agriculture. (22 December 2023). Special Order 1514 Series of 2023 on the Creation of the Enabling Committee on the Philippine Agricultural Export Development. Retrieved from https://www.da.gov.ph/wp-content/uploads/2024/01/so1514_s2023-Revised.pdf

28 Office of the President. Executive Order No. 50 on maintaining the temporary modification of rates of import duty on various products under Section 1611 of Republic Act No. 10863, otherwise known as the "Customs Modernization and Tariff Act". Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/12dec/20231222-EO-50-FRM.pdf>

29 Presidential Communications Office. (29 August 2023). PBBM approves DTI's Three-Year Food Logistics Action Agenda. Retrieved from https://pco.gov.ph/news_releases/pbbm-approves-dtis-three-year-food-logistics-action-agenda/

30 Yalao, K. (5 February 2024). DTI to develop farm-to-market supply chain. Retrieved from <https://mb.com.ph/2024/2/5/dti-tackles-logistics-nightmare-by-developing-farm-to-market-supply-chain>

On legislation

- **Liberalisation of foreign investments on rice and corn industry:** On 21 February 2024, the House of Representatives organised a roundtable discussion on the pending bills intending to boost investments in the rice and corn industry wherein officials from the Board of Investments (BOI) and the DA expressed support for the liberalisation of foreign investments in the said industry. BOI noted that increasing the divestment period from 30 years to 50 years for the said sectors will help boost the country's competitiveness to attract foreign investments, particularly in the feed and milling industry, and catch up with the other ASEAN countries. Aside from looking into changing existing laws to liberalise foreign investments, the lower house has also engaged the Senate to revisit the 1987 Constitution particularly its economic provisions to allow more foreign direct investments into the country.³¹
- **Implementation of the Fertilizer and Pesticide Authority (FPA) Trade System for the licensing of fertiliser handlers:** On 1 February 2024, the FPA announced that the physical applications for LTO as Fertilizer Handler (National-Level) will no longer be accepted starting 1 March following the development of the FPA Trade System which seeks to automate and streamline the process of application for the issuance of regulatory documents and generation of management reports. The first stage of implementation will focus on the digitalisation of the application and granting of licences managed by the Fertilizer Regulations Division (FRD). This will be followed by the 'accreditation, registration certificates, import/export clearances, and RFU licences'.³²
- **Suspension of pass-through fees:** On 25 September, the Office of the President released Executive Order No. 41 which mandates all LGUs to prohibit the collection of toll fees and charges from all motor vehicles transporting goods or merchandise while passing through any national roads in their area.³³ Following this, the Joint Administrative Order (JAO) No. 24-01 which provides the implementing rules and regulations (IRR) of the said EO was released last 20 January 2024.³⁴ However, given that there are still LGUs that don't comply, strict monitoring and implementation should be conducted.
- **Enact the Coffee Industry Development Act:** Last 6 February 2024, the House Committee on Ways and Means approved measures aimed at institutionalising the Philippine Coffee Industry Development Act and establishing a comprehensive national initiative for the advancement of the coffee industry. According to Cong. Mark Enverga, Chairperson of the House Committee on Food and Agriculture, the bill adopts the Philippine Coffee Industry Roadmap which will serve as a guide for the optimal realisation of the targets towards a sustainable and globally competitive Philippine coffee industry. To oversee the industry's development, the bill creates the Philippine Coffee Council, administratively attached to the DA, with regional coffee councils established in coffee-producing regions. There is a need for a similar bill to be filed and to likewise move in the Senate.

31 Pacpao, R. (21 February 2024). Changes sought to liberalize foreign investments on rice, corn sector. Retrieved from <https://www.congress.gov.ph/press/details.php?pressid=12928>

32 Fertilizer and Pesticide Authority. (1 February 2024). Memorandum Circular No. 04 Series of 2024 - Implementation of the FPA Trade System for the licensing of fertiliser handlers. Retrieved from https://fpa.da.gov.ph/NW/images/FPAfiles/DATA/Issuances/2024/MC/MC_04_2024.pdf

33 Office of the President. (25 September). Executive Order No. 41 on prohibiting the collection of pass-through fees on national roads and urging local government units to suspend the collection of any form of fees upon all types of vehicles transporting goods under Section 153 or 155 of Republic Act No. 7160 or the "Local Government Code of 1991". Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/09sep/20230925-EO-41-FRM.pdf>

34 Pablo, R. (23 January 2024). Implementing rules for ban on pass-through fees released, take effect immediately. Retrieved from <https://www.portcalls.com/implementing-rules-for-ban-on-pass-through-fees-released-take-effect-immediately/#:~:text=Signed%20by%20key%20government%20departments,vehicles%20transporting%20goods%20or%20merchandise.>

- Filed on 3 May 2023, **Animal Health and Veterinary Services Act or House Bill No. 7920** seeks to strengthen animal production, food safety and prevention, management of animal diseases, and foster compliance with sanitary and phytosanitary measures along with other veterinary protocols with international standards. If enacted, the proposed bill will also provide for the creation of a disease compensation and eradication trust fund and would also enhance and permanently define the authority of BAI over veterinary medications and animal health. The bill has been pending with the Committee on Agriculture and Food since 9 May 2023.³⁵
- The proposed **Livestock, Poultry, and Dairy (LPD) Industry Development and Competitiveness Act** aims to propel the development of the said sector through the formulation and implementation of a clearer and streamlined roadmap which will be funded through the Livestock, Poultry, and Dairy Competitiveness Enhancement Fund that shall be created under the proposed law. The roadmap shall provide the strategic direction and key initiatives of relevant agencies including the following:
 - Breeder Availability and Genetic Improvement Program
 - Corn Development Program
 - Pasture Crops and Animal Feeds Program
 - Native Animal Program
 - Animal Health Wealthfare and Protection Program
 - Enterprise Development Program
 - Training and Extension Program
 - Market Promotion Program
 - Research and Development Program
 - Food Safety and Quality Assurance Program
 - Livestocky, Poultry, and Dairy Production Network program
 - Livestocky, Poultry, and Dairy Processing Program
 - Dairy Development Program

As of 20 February 2024, the Senate substitute bill (Senate Bill No. 2558) is pending second reading.³⁶

- The proposed **Anti-Agricultural Economic Sabotage Act** aims to curb agricultural smuggling in the country by imposing stricter sanctions (i.e., life imprisonment) against smugglers, hoarders, cartels, and profiteers of agricultural and fishery products thereby repealing Republic Act No. 10845 otherwise known as the Anti-Agricultural Smuggling Act of 2016.³⁷ The proposed legislation was passed in third and final reading in the House of Representatives last 27 September 2023³⁸

³⁵ House of Representatives. (3 May 2023). House Bill No. 7920, An act strengthening the animal health and veterinary services in the Philippines otherwise known as the animal health and veterinary services act. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB07920.pdf

³⁶ Senate of the Philippines. (19 February 2024). Senate Bill No. 2558 or the Livestock, Poultry, and Dairy (LPD) Industry Development and Competitiveness Act. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-2558

³⁷ Senate of the Philippines. (12 December 2023). Senate approves tougher measure against agricultural economic saboteurs. Retrieved from https://legacy.senate.gov.ph/press_release/2023/1212_villar1.asp#:~:text=The%20Senate%20on%20Monday%2C%20December,Anti%2DAgricultural%20Economic%20Sabotage%20Act.

³⁸ PressandPublicAffairsBureau.(27September2023).Billthatpunishesagri-smugglingwithlifeimprisonment

and in the Senate last 11 December 2023. A bicameral committee conference will be convened to thresh out disagreeing provisions of the Senate and House versions.³⁹

ADVOCACY RECOMMENDATIONS

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

Today, there is an urgent need to enhance food production and ensure a stable food supply across the nation to sustain the rapidly growing population and increasing demand for food. The pursuit of agricultural value chain development is paramount for the Philippines to address the challenges of food insecurity, poverty, and rural underdevelopment. By investing in technologies, infrastructure, and institutions that strengthen the entire agricultural value chain, the Philippines can unlock the sector's full potential, increase food production, and achieve food security.

Agricultural value chain development encompasses the entire process from farm to fork, involving various stages such as production, processing, distribution, and marketing. By focusing on optimising each stage of the value chain, from improving agricultural practices and technologies at the production level to enhancing infrastructure and logistics for distribution and marketing, the Philippines can significantly boost its agricultural productivity and competitiveness.

In addition to increasing food production and improving supply chain efficiency, agricultural value chain development can also contribute to economic growth, job creation, and poverty reduction in the country. By adding value to agricultural products through processing and value-added activities, the sector can generate higher incomes for farmers and other stakeholders along the value chain. Furthermore, by diversifying into high-value crops and niche markets, the Philippines can enhance its export competitiveness and reduce its reliance on food imports, thereby contributing to greater food security and self-sufficiency.

Promote and strengthen the use of sustainable and climate-smart agriculture practices, innovation, and digitalisation in the Agriculture sector

Over the years, there has been a growing call to promote innovation and digitalization in the agriculture sector, recognizing its essential role in addressing the numerous challenges facing the industry. In the Philippines, harnessing technological advancements and sustainable agricultural practices is crucial for enhancing productivity, sustainability, and resilience to meet the increasing demand for food and ensure economic viability in agriculture.

Innovation and digitalization offer the potential to revolutionize traditional farming practices by providing farmers with access to cutting-edge technologies and data-driven insights. Specifically, digitalization facilitates the integration of supply chains and market networks, granting farmers access to real-time information on market trends, prices, and demand. This connectivity creates new opportunities for smallholder farmers to expand their market reach, negotiate fair prices, and diversify their income streams. Platforms facilitating direct farmer-to-consumer transactions, such as e-commerce platforms and mobile applications, empower farmers to bypass intermediaries and capture a larger share of the value chain.

OK'd on 3rd reading. Retrieved from <https://congress.gov.ph/press/details.php?pressid=12723&key=9284>

³⁹ Senate of the Philippines. (n.d.). Senate Bill No. 2432 Anti-Agricultural Economic Sabotage Act. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-2432

Additionally, promoting innovation and digitalisation in the sector fosters entrepreneurship and an innovative culture within the sector which are critical to increase its competitiveness to attract investments. Today, we witness an increasing interest from the private sector to develop innovative solutions from farm management apps to blockchain-enabled traceability systems.

To capitalise on this, concerted efforts are needed to create an enabling environment that fosters innovation, facilitates digital adoption, and empowers farmers to thrive in the digital age. As such, the ECCP calls on the government to actively support these ventures and other innovative initiatives through funding, training and capacity-building programs on digital tools and technologies for farmers, and policy incentives to further drive the adoption of transformative technologies across the agricultural value chain. We also look forward to the development and adoption of a roadmap on farming technologies and systems that are intended to promote renewable energy in the sector, such as the use of renewable energy-powered irrigation systems and agri- and aqua-energy farms.

Relatedly, we advocate for the widespread and strong adoption of sustainable agriculture practices, such as regenerative agriculture, to enhance productivity while minimising environmental degradation and promoting biodiversity conservation. Major crops such as rice and corn can especially play a role in the transition towards regenerative farming. We especially support the transition of rice production from resource-intensive transplanted rice cultivation to direct seeded rice (DSR) practice, which is proven to significantly reduce water and labour use and lower carbon emissions compared with transplanted rice. The transition to DSR must however be complemented by increased adoption of mechanisation (e.g. drones), access to high-quality rice planting materials, and capacity building programs to equip farmers on better DSR practices.

Amid uncontrolled expansion of corn farming in critical upland and protected areas, strong joint collaboration between DA and DENR, together with their regional offices, in the adoption of SCoPSA (Sustainable Corn Production in Sloping Areas) must be consistently pursued in major corn producing regions of the country. SCoPSA is a sustainable way of corn farming in hilly areas that uses contour farming and high value crops as hedgerows, and is a suitable land use management approach that reduces the risk of soil erosion in upland areas.

Invest in Sustainable Agricultural Infrastructure

As a country that is highly susceptible to the impacts of climate change characterised by extreme weather events such as typhoons, floods, and droughts, building climate resilient infrastructure that can withstand and adapt such conditions is perennial to the country's growth. For the agricultural sector, in particular, post-harvest losses remain to be a detrimental issue with post-harvest losses ranging from 10-50% in major farm commodities as reported by the Philippine Center for Postharvest Development and Mechanization.

Investment in post-harvest facilities, storage infrastructure, processing plants, and transportation networks is essential to minimise food losses and ensure that agricultural products reach markets efficiently and in good condition. This is particularly critical in a country like the Philippines, where logistical challenges and inadequate infrastructure often hinder the timely delivery of agricultural goods to consumers, especially in remote and rural areas. Investing in such infrastructure can help Filipino farmers and agribusinesses meet quality standards, access higher value markets, and enhance their competitiveness in the global marketplace.

Moreover, in augmentation to the ongoing construction of farm-to-market roads and post-harvest facilities, we firmly believe that the development of agriculture infrastructure should include other sustainable agriculture infrastructure, such as water management systems, solar-powered irrigation systems, soil conservation measures, and resilient crop varieties, which are essential to help farmers adapt to changing climatic conditions and mitigate the negative impacts on agricultural productivity.

Facilitate easier access to finance for agriculture stakeholders

One key aspect of agricultural value chain development in the Philippines is the promotion of inclusive growth and equitable distribution of resources. This involves empowering smallholder farmers, who constitute a significant portion of the agricultural workforce, by providing them with access to knowledge, inputs, credit, and markets. One of the government's major initiatives to provide financial access to agricultural stakeholders is the implementation of the amended Agri-Agra law which aims 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'.⁴⁰

While we laud this initiative, we firmly believe that further measures are needed to make farmers more bankable and truly achieve financial inclusivity within the sector, especially for the smallholder farmers. One of the primary concerns for farmers seeking financial support is the extensive documentation required for application, which can be particularly challenging for small-scale farmers to fulfill. To encourage greater participation in loan programs and other financial services, we urge the government to review and streamline the current lending process and list of requirements, while also expediting the review and approval process for qualified applicants. In particular for small loans intended to be used for working capital of smallholder farmers, we suggest the use of the microfinance model which focuses on Know-your-customer, credit investigation/background investigation, and use of Microfinance Data Sharing System (MIDAS) to check the creditworthiness of the proponent for collateral free loans instead of courting through banks which will require business plans, ITR, and collateral in line with the BSP rules.

In addition, the Chamber also supports additional initiatives including the establishment of a robust crop insurance system, restructuring land title regulations, enhancing financial education for farmers, facilitating the cultivation of high-value crops with longer gestation periods to maintain cash flow, and investigating innovative approaches to inclusive microfinance, and Islamic finance. Strengthening farmer organisations and cooperatives can also help smallholders aggregate their produce, achieve economies of scale, and access better market opportunities.

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

Many experts have highlighted the adverse effects of an ageing population of farmers on the country's food security. In recent years, reports have indicated that the Philippines faces a critical shortage of farmers within the next 10-12 years, with the average age of Filipino farmers ranging from 55 to 59 years old.⁴¹ Moreover, attracting youth to participate in the sector remains a challenge, as many farmers prefer their children to pursue higher-paying occupations rather than farming. This trend is reflected in the declining enrollment rates in agriculture programs and related courses, which saw an annual average decline rate of 1.5% before the pandemic.⁴² This situation poses a challenge in keeping an adequate workforce in the backbone of the economy.

In order for the country to achieve its goals for the agriculture sector, we must first address the problem of ageing farmers. Fortunately, through the joint efforts of the government and other stakeholders, improvements in the number of youths engaged in agriculture were observed with the average age of Filipino farmers declining to about 49 to 50 years old based on the DA's registry system. According to the

⁴⁰ 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-agra-law-compliance/>

⁴¹ The Manila Times. (20 February 2023). Aging farmers could add to food insecurity. Retrieved from <https://www.searca.org/press/aging-farmers-could-add-food-insecurity#:~:text=With%20the%20average%20age%20of,in%2010%20to%2012%20years.>

⁴² Ibid.

statement of a Department of Agriculture official in October 2023, there are 12 million people engaged in agriculture.⁴³

The ECCP believes that achieving the twin goals of increasing agricultural productivity and achieving food security requires the involvement of different segments of the society including the youth sector. As such, we reiterate our support to the government's increased attention towards attracting and encouraging the younger population to pursue agribusiness opportunities including the Youth Farmers Challenge, Youth Scholarship Grant on Organic Farming, Agri-Negosyo Loan Programs (ANLP), Kapital Access for Young Agripreneurs (KAYA) and Mentoring and Attracting Youth in Agribusiness (MAYA) programs.

Furthermore, we push for intensifying youth engagement efforts by furthering education to spur interest in the sector at a young age and encourage students to look at agriculture as a viable future career as well as training and extension programs to equip young farmer leaders and agripreneurs with the necessary skills that will support achieving the abovementioned objectives. As such, we look forward to working with the government on finding possible solutions to address gender inequality and to encourage the young generation to get involved in the sector.

Increase productivity and competitiveness of the Livestock and Poultry Sector

In past years, the livestock and poultry sector continued to face the threat of highly communicable diseases that impeded the country's food supply and significantly contributed to the increase of prices of food commodities. This includes the outbreaks of the African Swine Fever (ASF) that gravely affected efforts to revive swine production and the Avian Influenza otherwise known as bird flu.

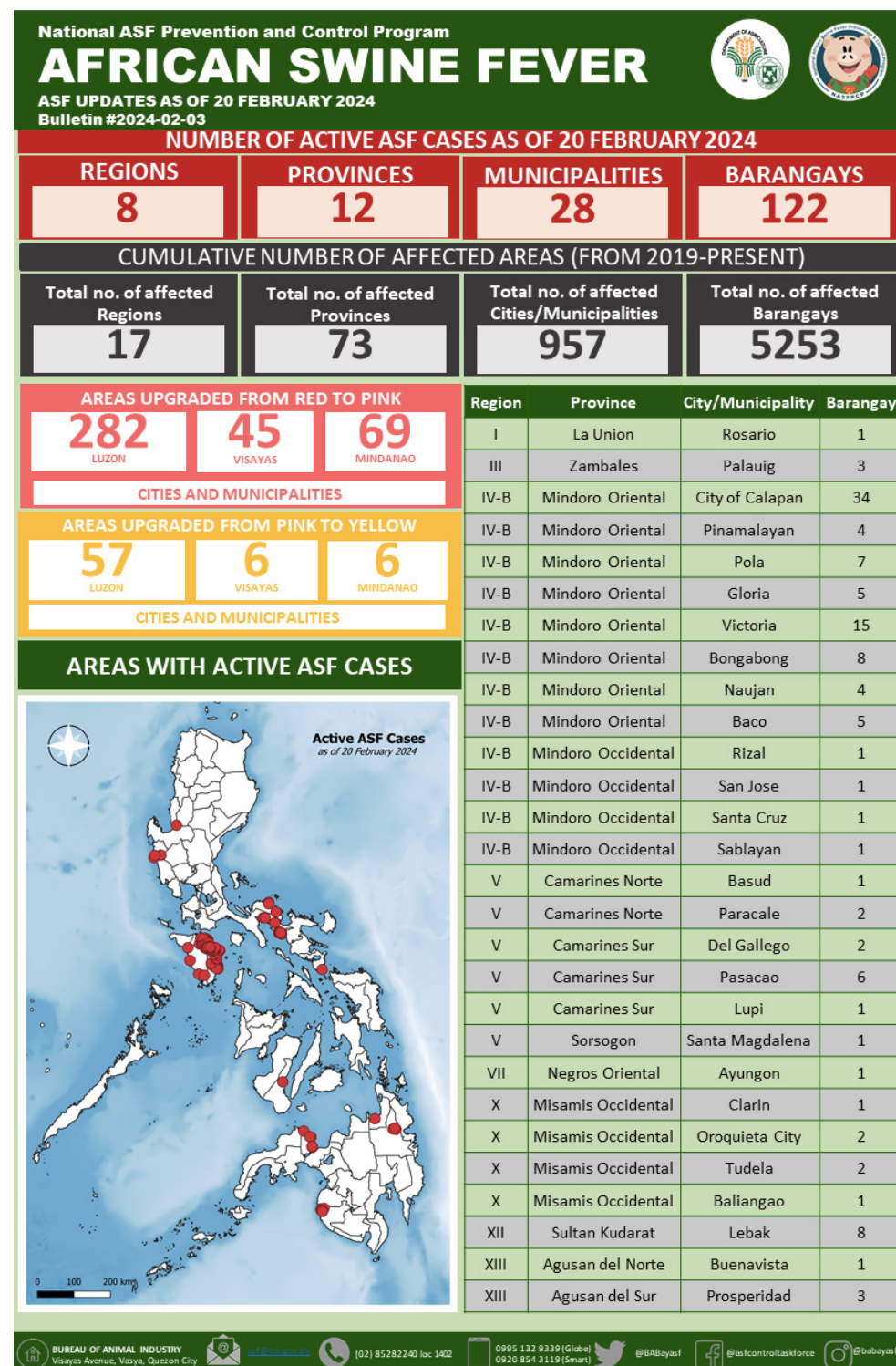
Today, the prevalence of ASF continues to be felt in 12 provinces in eight regions of the Philippines as reported by the Bureau of Animal Industry (BAI) in their latest ASF update released last 20 February 2024. Among the areas, the municipality of Victoria and Calapan City located in Mindoro Oriental were reported to have the highest number of barangays affected by ASF at 15 and 34 respectively.⁴⁴ The continuous prevalence of the disease is seen to be one of the main causes, if not the main, of the increasing prices of pork despite the significant imports made in the country.⁴⁵ It can be noted that hog production in the country had an annual average of 2.25 million metric tons (MT) prior to the outbreak of ASF from 2016 to 2019. In 2021, hog production hit an all-time low at 1.69 million MT, crept to 1.74 million MT in 2022, and increased to 1.79 million MT in 2023 – the highest it has been in three years.⁴⁶

43 Presidential Communications Office. (14 October 2023). PH farmers getting younger – DA. Retrieved from https://pco.gov.ph/news_releases/ph-farmers-getting-younger-da/

44 Linden, J. (5 March 2024). Philippines pins hopes of sector recovery on ASF vaccine. Retrieved from <https://www.feedstrategy.com/animal-health-veterinary/african-swine-fever/article/15665668/philippines-pins-hopes-of-sector-recovery-on-asf-vaccine-feed-strategy>

45 Ibid.

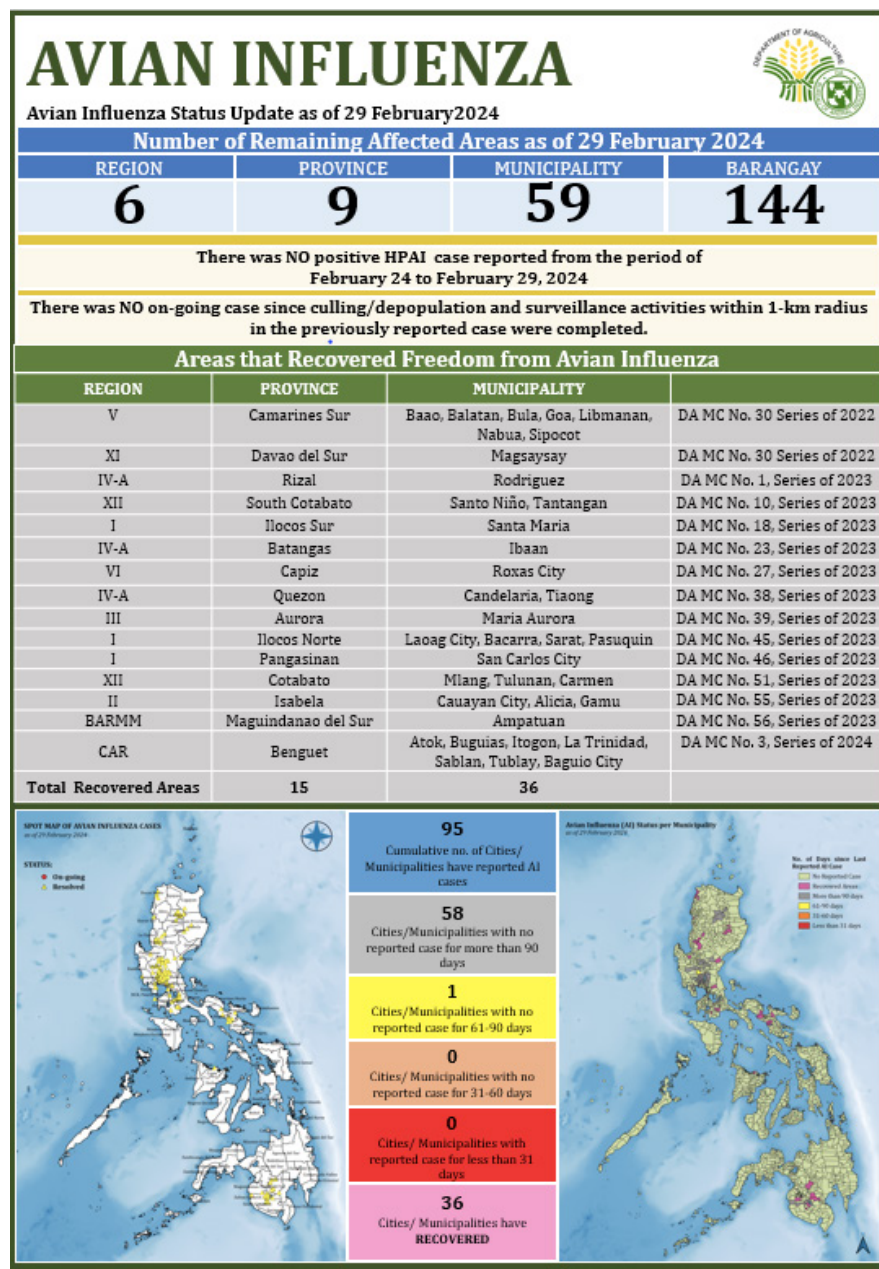
46 Arcalas, J. (3 March 2024). ASF vaccine available by yearend. Retrieved from <https://www.philstar.com/headlines/2024/03/03/2337667/asf-vaccine-available-yearend>



Source: Bureau of Animal Industry⁴⁷

47 Bureau of Animal Industry. (20 February 2024). ASF Updates as of 20 February 2024. Retrieved from <https://www.bai.gov.ph/stakeholders?Rep=African%20Swine%20Fever>

Meanwhile, the DA has reported a decline in the number of areas with confirmed HPAI cases. As of 29 February 2024, only 9 provinces are reported to be affected with no additional cases reported since 19 January.⁴⁸ The affected provinces are comprised of Bulacan, Pampanga, Nueva Ecija, Tarlac, Laguna, Sultan Kudarat, Kalinga, Cagayan, and Bataan.⁴⁹



Source: Bureau of Animal Industry⁵⁰

48 Department of Agriculture-Agriculture and Fisheries Information Division. (20 February 2024). DA declares Benguet Province free from avian flu. Retrieved from <https://www.da.gov.ph/da-declares-benguet-province-free-from-avian-flu/>

49 Miguel, J. (22 February 2024). Provinces with bird flu down to 9. Retrieved from <https://www.manilatimes.net/2024/02/22/regions/provinces-with-bird-flu-down-to-9/1933619>

50 Bureau of Animal Industry. (29 February 2024). Avian Influenza Status Update as of 29 February 2024.

Livestock and poultry farming provide livelihood opportunities for millions of Filipinos, particularly in rural areas where agricultural activities are prevalent. Smallholder farmers, backyard raisers, and livestock producers rely on the sector for income generation, employment, and poverty alleviation, contributing to rural development and economic growth. Furthermore, the sector also contributes significantly to the country's food security by providing a reliable and accessible source of animal-derived protein for consumers considering that the Filipino diet relied heavily on meat.

Despite its socioeconomic importance, the sector has received relatively little interest and developmental support from the government throughout the years. As such, the Chamber welcomes the initiative of the current Administration to address the challenges in the sector, increase its productivity, and revitalise the sector.⁵¹ In support of this, the ECCP reaffirms its support to the passage of the Livestock, Poultry and Dairy Industry Development and Competitiveness Act pending at the Congress 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'.⁵²

The Chamber looks forward to the upcoming roll out of the ASF vaccines which is estimated to take place within the year⁵³ and we welcome the release of the guidelines on the avian flu vaccination last November 2023.⁵⁴ We urge relevant government agencies to fast-track the approvals of the supply of these vaccines in the country.

Relatedly, we call on the government to ensure sustainable government support and funding for ASF and avian flu vaccines, and uphold biosecurity measures and assist hog producers in repopulating the hog population. While the country remains free of Foot and Mouth Disease (FMD), there is a threat of this disease entering the Philippines from neighbouring countries. To this end, the ECCP strongly calls on government to take a proactive stance in ensuring the Philippines remains FMD-free through sustainable government support and funding for FMD vaccines.

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

A conducive regulatory environment that facilitates business operations, reduces bureaucratic hurdles, and promotes transparency and fairness is critical to attract domestic and foreign investors, stimulating entrepreneurship, and driving economic development. One key aspect of promoting ease of doing business is ensuring that regulations are based on sound scientific principles and evidence-based policymaking. By doing so, policymakers can develop regulations that are not only effective in realising their objectives but also minimise unintended consequences and unnecessary burdens on businesses. This approach fosters confidence among investors and businesses, as they can trust that regulations are grounded in rigorous scientific research and analysis.

Transparency and efficiency are also paramount in promoting ease of doing business. Clear, predictable, and streamlined regulatory processes enable businesses to navigate regulatory requirements more

Retrieved from <https://www.bai.gov.ph/stakeholders?Rep=Avian%20Influenza>

51 Gita-Carlos, R. (5 July 2023). PBBM wants expansion, modernization of livestock, poultry sectors. Retrieved from <https://www.pna.gov.ph/articles/1204941>

52 Senate of the Philippines. (19 February 2024). Senate Bill No. 2558 in substitution of Senate Bill Nos. 119, 792, 972 and 999 on an Act strengthening livestock, poultry, and dairy industry development and competitiveness, rationalizing the organization and functions of relevant government agencies, and creating a competitiveness enhancement fund thereof. Retrieved from <https://legacy.senate.gov.ph/lisdata/4348439550!.pdf>

53 Arcalas, J. (3 March 2024). ASF vaccine available by yearend. Retrieved from <https://www.philstar.com/headlines/2024/03/03/2337667/asf-vaccine-available-yearend>

54 Ang, P. (11 November 2023). The Philippines Issues Guidelines for Avian Influenza Vaccination. Retrieved from https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=The%20Philippines%20Issues%20Guidelines%20for%20Avian%20Influenza%20Vaccination_Manila_Philippines_RP2023-0068.pdf

easily, reduce compliance costs, and make informed decisions about investments and operations. Transparency in regulatory decision-making, including public consultation and access to information, enhances accountability, reduces regulatory uncertainty, and promotes trust between government and stakeholders.

By fostering an environment where businesses can thrive, innovate, and grow, policymakers can attract investments, create jobs, and drive sustainable economic development for the benefit of all Filipinos. In line with this, we submit the following proposals:

Modernise, streamline, and maintain science- and risk-based regulations for fertilisers and pesticides

Implementing structural changes is vital for the enhancement of the regulatory landscape to benefit farmers, consumers, businesses, and the general public. These reforms aim to establish a consistent environment and streamline business processes within the agriculture sector. One prominent initiative of the Chamber in relation to this is advocating for the modernization and digitization of the Fertilizer and Pesticide Authority (FPA), which would simplify administrative processes for both private enterprises and individuals interacting with the regulatory body.

To complement this, the ECCP advocates for 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.

We also urge FPA and policy makers to benchmark on the Food and Agriculture Organization/World Health Organization International Code of Conduct on Pesticide Management's (FAO/WHO ICCPM) when regulating or assessing pesticides or any crop protection products in the market. The FAO/WHO ICCPM is used globally to review crop protection products based on their actual risks in use, and not on their hazardous properties. A science- and risk-based regulation based on real, on-the-ground risk that a pesticide or any crop protection products may pose, not their theoretical hazard, is indeed crucial in balancing productivity and farmers' access to innovation with the welfare of the community. This approach prevents the restriction or banning of effective, useful products that benefit society by controlling pests that spread diseases or threaten food supplies.

In this regard, we urge that FPA's mandate as the only agency directed to regulate, restrict, or ban the use of any pesticide or the formulation of pesticide in specific areas of the country or during certain periods, be reinforced both at national and local levels. This will ensure farmers certainty of access to critical crop protection products and innovation.

Resolve the regulatory processing issue on animal industry disinfectants

In recognition of the BAI's expertise in terms of animal health, the ECCP reaffirms its support for the transfer of the regulatory jurisdiction over animal disinfectants from the FPA back to BAI.

It can be recalled that the BAI had transferred the said jurisdiction to FPA in accordance with the FPA Memorandum Circular No. 11 series of 2021⁵⁵. The said transfer, however, has caused a number of bottlenecks in the registration process 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

55 Fertilizer and Pesticide Authority. (22 April 2021). Transfer of product registration from Bureau of Animal Industry (BAI) to Fertilizer and Pesticide Authority (FPA). Retrieved from <https://fpa.da.gov.ph/NW/images/FPAfiles/ISSUANCES/2021/MC-11-2021.pdf>

are prerequisites to secure a full-fledged FPA registration.

To address legal challenges and in recognition of the interconnected nature of this matter (given that both agencies fall under the DA), we suggest that the FPA and BAI explore the possibility of establishing a Joint Administrative Order. This order would empower the BAI to regulate these products on behalf of the FPA. By implementing such an arrangement, the Chamber is optimistic about its ability to efficiently serve the livestock and poultry sectors, particularly amidst challenges like animal diseases such as ASF and AI.

Delineate the regulatory jurisdiction of veterinary drugs and biologics

As was followed during the implementation of JAO No. 2013-0026, we recommend for animal health products to be under the jurisdiction of BAI while health products should be within the remit of FDA. We believe that this arrangement will be an optimal resolution to the regulatory tussle between the two agencies as it will release additional responsibilities from the FDA and allow it to prioritise other responsibilities concerning human health.

We welcome the proclamation that the DA and Department of Health (DOH) are both aligned to have the jurisdiction of veterinary drugs back to BAI and are looking into extending or drafting another Joint Administrative Order (JAO) to this end. Furthermore, the Chamber urges our lawmakers to pass Animal Health and Veterinary Services Act or House Bill No. 7920 which will permanently define the authority of BAI over veterinary medications and animal health.⁵⁶

While we await the passage of House Bill 7920, we recommend to the FDA the following short-term solutions to help ease regulations for veterinary drugs and biologics:

- Expedite the release of the amended Administrative Order on foreign Good Manufacturing Practices (GMP) compliance.
- Align labeling guidelines of veterinary products to human pharma products.
- Issue pharmacovigilance and risk management guidelines for veterinary products.

We also call on the FDA to release the appropriate guidelines for Emergency Use Authorization for avian flu vaccines and to simplify the guidelines for regular registration of avian flu vaccines.

In order to pursue a sound regulatory framework, regulations should be harmonised across different sectors and levels of government to avoid duplication, inconsistencies, and unnecessary regulatory burdens. By promoting regulatory coherence and coordination, policymakers can create a more business-friendly environment that encourages investment, innovation, and entrepreneurship.

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

To fully harness the sector's potential, it is crucial for the government to diversify budget allocations for crops. Embracing a more inclusive and diversified approach to crop production enables the agricultural sector to broaden its production base, lessen dependence on a limited number of crops, and bolster resilience to climate change, pests, and diseases. Different crops exhibit varying degrees of resilience to climate change, thus diversification helps mitigate risks. Consequently, farmers can safeguard themselves against climate change threats, leading to a more stable and resilient agricultural system and supply chain.

Additionally, in consideration of some limitations in public finance, it is our position that granting of financial aid should prioritise specific crops that are endemic to a certain region to ensure that the

56 House of Representatives. (3 May 2023). House Bill No. 7920, An act strengthening the animal health and veterinary services in the Philippines otherwise known as the animal health and veterinary services act. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB07920.pdf

support will grant substantial results for each crop.

Implementation of the commodity roadmaps

After a long period of deliberation and multiple dialogues between experts, the DA launched its 20 Philippine Commodity Roadmaps last 19 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.⁵⁷

However, without administrative and financial support, the Roadmaps remain a piece of paper and continue to be a dream that cannot be achieved. As such, it is imperative for the government to ensure that proper funding is allocated for the implementation of the said roadmaps. The ECCP Agriculture Committee will continue to monitor the developments on the implementation of the roadmaps and we look forward to learning more information on how we can work together to achieve our shared advocacy.

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

As one of the Chamber's long-term advocacies, we renew our call to amend RA No. 7308 or the Seed Industry Development Act (SIDA). Enacted in 1992, SIDA aims to tackle the rapid proliferation of counterfeit seed production in the country which are relatively cheaper than branded seeds but are riskier in terms of plant health and productivity. However, the challenge lies in the law's enforcement as it lacks provisions outlining illegal seed practices, including those on unregulated or unlicensed genetically modified seeds.

In particular, the Chamber endorses the incorporation of the following

- Expand coverage to encompass all seed types, including open-pollinated, hybrids, and those developed through biotechnology;
- Transition from compulsory to voluntary registration of crop varieties; and
- Align regulations with the Plant Variety Protection Act of 2002, which safeguards seed variety use for both smallholder farmers and the respective companies.

In calling for these provisions, we emphasise that seed regulation standards characterised by a uniform approval process and clear implementation of and compliance to science-based regulation such as on biosafety, are necessary to consistently harvest the benefits of new crop technologies and protect its longevity from illegal seeds. Non-compliance to or exemption from existing seed regulations and registration dispenses proponents and technology users of accountabilities, also compromising product quality and durability which will eventually disadvantage farmers and the good of the public.

Additionally, to ensure conformity with global benchmarks, we strongly suggest that the Philippines joins the International Union for the Protection of New Varieties of Plants (UPOV) and enforce its key provisions to provide an effective system of plant variety protection and encourage the development of new varieties of plants.

Facilitate easier flow for agricultural products

The ECCP welcomes and calls for the full implementation of the recently released IRR on the suspension of LGU imposition and collection of illegal fees and taxes relative to the transport of goods and products". Likewise, we look forward to the issuance of the guidelines implementing toll rate hike exemption for trucks carrying agricultural goods.

⁵⁷ 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

We recognise the importance of an efficient transport system in the country's pursuit in attaining food security. In support to these efforts, we strongly call for the review and monitoring of 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, to increase competitiveness of end products and, ultimately, of the agriculture sector.

Furthermore, on the topic of international trade, we endorse the enhanced implementation of ePhyto to modernise and expedite the certification process, reduce operational costs, and mitigate the risk of fraudulent certificates, thereby facilitating smoother market access for agricultural products. Additionally, we advocate for streamlining regulatory procedures such as Certificates of Necessity to Import and Quotas, which have resulted in bureaucratic hurdles and inefficiencies. The Chamber also strongly supports expediting the approval process for Sanitary and Phytosanitary Import Clearances (SPICs) from accredited countries deemed "equivalent," while establishing protocols for immediate permit cancellation in the event of animal, plant, or food safety outbreaks. This approach aims to promote ease of doing business and attract foreign businesses to expand operations in the Philippines.

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

In line with the government's thrust to improve local production and reduce reliance on importation and to ensure a level playing field between importers and local manufacturers, the ECCP welcomes the continued implementation of the special agricultural safeguards (SSG) on imported coffee and coffee products.

In the spirit of partnership, European companies have long been partnering with local manufacturers to help boost income of local farmers, use local raw materials and produce, promote knowledge transfer, and generate employment in the sector. Unfortunately, the widespread presence of inexpensive and unlawfully imported agricultural goods, particularly coffee products, poses a substantial threat to the sector's sustainable advancement and creates an uneven playing field that is harmful to the local industry. As such, the Chamber maintains its position that the said trade measure should be kept in place to encourage manufacturers to source locally and help support the livelihoods of smallholder Filipino farmers by ensuring a ready market for them.

Promote foreign investments in the rice and corn industries

In line with the Chamber's mandate to promote the Philippines as an attractive trade and investment destination, the ECCP has actively advocated for policies that will help increase domestic and foreign direct investment (FDI) in the Philippines' food and agriculture sector. These policies aim to foster environmentally sustainable food production, leading to improved soil and crop health, increased yields, and enhanced livelihoods for both smallholder and commercial farmers.

It is to this end that we reiterate our call to further liberalise the rice and corn industry to promote foreign investments in agriculture as key to rural and national development. At present, the sector's growth is heavily limited to domestic participation, as a result of the enactment of Republic Act No. 3018 of 1960, which prohibits foreigners from engaging in the culture, milling, warehousing, transporting, exportation, importation, distribution, or acquisition activities for the purpose of trade of such crops.

The purpose of the law was to transfer the rice and corn industry to Filipinos and Filipino-owned entities, as well as eliminate the possibility and practice of foreigners creating artificial shortages of rice and corn by hoarding these commodities, or cornering the market. While such a scenario was achieved 13 years later, the legislative environment restrained competition and foreign investment. In 1973, PD No. 194 was issued to lift such prohibitions and encourage non-Filipinos to engage in rice and corn trade.

While such a move was laudable, Section 5 of the executive issuance mandates foreign companies – even those that merely use rice and/or corn in their production processes – to eventually divest at least 60% of its interest to Filipino citizens or Filipino-owned entities after a period of 30 years. This rule created an unnecessary restraint on FDI, particularly in manufacturing activities that merely use the crops as raw materials such as feed millers and food companies.

Continuation of clauses under PD No. 194 like Section 5 could deter global digital agritech solutions and investments that could help to revolutionise the Philippines' food production. Ultimately, we believe that measures seeking to remove these restrictions, like that of House Bill 7709, could help to transform the Philippines longer-term into a net food exporter. Not only will the country meet its own domestic food security, but it will also help to feed the world.

As such, we welcome the support from the DA and BOI officials during the roundtable discussion organised by the House of Representatives on bills seeking to increase investments in the said industries and urge the Congress to pass the proposed legislation that will fulfil the original intention of PD No. 194, which is to fully liberalise the rice and corn industry. We believe that this can be best done by repealing divestment requirements and other FDI restrictions, while also reiterating the promotion of productive foreign investments in agriculture as key to the nation's rural and urban development. Additionally, to complement this effort, the Chamber also calls for the rescission of RA 3018.

The ECCP and its Agriculture Committee look forward to contributing to this important discussion. We are committed to fostering a close collaboration with the government as we work towards our shared goal of helping the Philippines achieve food security, enhanced farmer incomes and livelihoods, and environmental sustainability, including in the corn and rice industry.



ASSESSMENT OF 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS		SOME PROGRESS	NO PROGRESS/ RETROGRESSION
<p>Promote ease of doing business by pursuing a sound, transparent, efficient, and science-based regulatory framework</p>	<p>Rationalise the grant of budgetary support for various crops, especially High Value Crops, across the entire country</p>			<p>On 20 December 2023, President signed the 2024 National Budget into law. The DA was allocated a budget of PhP 181.4 billion. Among the spending priorities of the Department are the irrigation services (PhP 31.2 billion), National Rice Program (30.9) billion), Rice Competitiveness Enhancement Fund (PhP 10 billion), and Buffer Stocking Program (PhP 9 billion).</p>	
	<p>Fast-track the operationalization of TradeNet and pursue integration with the ASEAN Single Window (ASW)</p>	<p>Last 6 February 2023, the Department of Finance (DOF) and the Department of Information and Communication Technology (DICT), signed the Memorandum of Agreement to support the implementation and operation of the TradeNet System. The signing of the MOA strengthens the commitment and clearly defines the delineation of responsibilities of the two parties for the continued operation and maintenance of the TradeNet system as the Philippine National Single Window (NSW). Following the signing, the regulatory agencies have held trainings/workshops for the implementation of the single window with the latest held last September 2023 on the ASEAN Harmonized Tariff Nomenclature.</p>			
	<p>Further liberalisation of the rice and corn industries</p>			<p>Officials of the DA and BOI expressed support for the liberalisation of foreign investments in the rice and corn industry to boost food production, increase farmers income, and foster greater competition to benefit consumers. This topic was discussed during a recent roundtable discussion at the House of Representatives in early 2024, focusing on bills aimed at boosting investments in the rice and corn sectors.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS/ RETROGRESSION
	Raise the productivity and competitiveness of the sugar industry.		The Sugar Regulatory Administration is pushing for the restoration of the full P2-billion mandated budget for the Sugar Industry Development Act (SIDA) programs next year to promote the competitiveness of the sugarcane industry. The SRA chief said the agency is also eyeing to increase the number of block farms.	
	Facilitate easier flow for agricultural products	On 25 September 2023, the Office of the President released Executive Order No. 41 which mandates all LGUs to prohibit the collection of toll fees and charges to all motor vehicles transporting goods or merchandise while passing through any national roads passing through their areas. Following this, the Joint Administrative Order (JAO) No. 24-01 which effectively puts EO No. 41 was released last 20 January 20.		
	Continued implementation of the Special Safeguard Measure (SSG) to ensure the growth of the domestic coffee industry		In a news briefing in Malacañang, Secretary Laurel, Jr. reported that the DA is taking steps to review the imposition of special safeguard duties (SSG) on imported coffee. It can be recalled that the Philippines first imposed a price-based SSG on imported coffee products in 2018 following a surge in coffee imports that were priced below the trigger price. In March 2023, the DA initially stated that the country will maintain the imposition of the said trade measure with the intention of extending necessary protection to the local coffee farmers.	
	Enact the Coffee Industry Development Act		Last 6 February 2024, the House Committee on Ways and Means approved measures aimed at institutionalising the Philippine Cacao Development Program and establishing a comprehensive national initiative for the advancement of the coffee industry. The bill adopts the Philippine Coffee Industry Roadmap which will serve as a guide for the industry stakeholders for the optimal realisation of the targets towards a sustainable and globally competitive Philippine coffee industry.	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS/ RETROGRESSION
	Modernise and streamline regulations for fertilisers and pesticides		On 1 February 2024, the FPA announced that the physical applications for LTO as Fertiliser Handler (National-Level) will no longer be accepted starting 1 March following the development of the FPA Trade System which seeks to automate and streamline the process of application for the issuance of regulatory documents and generation of management reports. The first stage of implementation will focus on the digitalisation of the application and granting of licences managed by the Fertilizer Regulations Division (FRD).	
	Delineate the regulatory jurisdiction of veterinary drugs and biologics		In a meeting with the private sector, the DA and DOH shared that they are both aligned to have the jurisdiction of veterinary drugs back to BAI and are looking into extending or drafting another Joint Administrative Order (JAO) to this end. In terms of legislation, Animal Health and Veterinary Services Act or House Bill No. 7920 which would permanently define the authority of BAI over veterinary medications has been pending with the Committee on Agriculture and Food since 9 May 2023.	
	Resolve the regulatory processing issue on animal industry disinfectants			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.

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS/ RETROGRESSION
Pursue agricultural value chain development to increase food production and achieve stable food supply	Amend Republic Act No. 7308 or the Seed Industry Development Act (SIDA)			X
	Improve financial access for agriculture stakeholders		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. However, issues still persist in terms of the uptake of availments of financial services due to the bulk of requirements needed from applicants which are burdensome for smallholder farmers.	
	Invest in Sustainable Agricultural Infrastructure		Earlier this year, the DA launched its three-year sustainability plan with focus on improved irrigation and post-harvest facilities to increase rice production while reducing wastage, with additional initiatives addressing vegetable losses. For 2024, the government allocated P1 billion to build four cold storage facilities, primarily at the Food Terminal Inc. Complex in Taguig City. The DA has also started to build post-harvest facilities that will increase rice and corn inventory by 23 days to help lessen grain imports without increasing production areas and just reducing post-harvest losses.	
	Promote innovation and the use of digital technology in the Agriculture sector		X	
	Increase productivity and competitiveness of the Livestock and Poultry Sector		The Livestock, Poultry, and Dairy (LPD) Industry Development and Competitiveness Act 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. The substitute bill, SB2558, is currently pending second reading as of 20 February 2024.	
	Boost efforts to encourage youth participation and promote gender equality in the agricultural sector.		Currently, the DA operates the following programs aimed to encourage youth participation in the agriculture sector: (I) Youth Farmers Challenge which provides start-up capital for agri-fishery enterprises; (II) Youth Scholarship Grant on Organic Farming which is a highly specialised internship program designed to instil and develop in the trainees an appreciation and eagerness for organic agriculture and eventually adopt it as their source of income; (III) Kapital Access for Young Agripreneurs (KAYA); and (IV) Agri-Negosyo Loan Programs (ANLP).	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS/ RETROGRESSION
<p>Maximize the agricultural potential of the Bangsamoro region</p>	<p>Create a favorable and enabling environment for the sustainable and inclusive growth of the region's agriculture sector</p>		<p>Last 23 November 2023, the Ministry of Agriculture, Fisheries, and Agrarian Reform launched the Bangsamoro Food Security and Nutrition Plan (BFSNP) 2023-2028 in line with the Bangsamoro government's advocacy to attain food security as well as address hunger and malnutrition in the region. In addition to this DAR, through its Office of Mindanao Affairs, and MAFAR signed a Memorandum of Understanding to "collaborate and share resources on the implementation of the Comprehensive Agrarian Reform Program in the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM)"</p>	
<p>Establish an inclusive and regular dialogue between stakeholders</p>	<p>Actively support participatory governance</p>		<p>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.</p>	

AUTOMOTIVE ADVOCACY PAPER 2024

INTRODUCTION

At a global level, the automotive sector is projected to maintain its upward momentum, with a forecasted year-on-year growth of 3.1% in 2023. From 2022 to 2023, the market saw a growth of 12.3%, where the passenger vehicle segment accounted for 60% of the share. Likewise, it is important to note that the Asian and Middle Eastern regions covered over half of the said market share, where internal combustion engines (ICE) has maintained its significant share, and the electric vehicles (EV) segment showcased an expansion of 30-35% in 2022.¹

The Philippines emerged as the fastest-growing country in Southeast Asia in terms of motor vehicle production in 2023, with 10,350 vehicles assembled in 2023, translating to a 19.7% increase compared to 92,223 units produced in 2022. The country also posted the highest growth rate in motor vehicle sales at 21.9%, selling a total of 429,807 units in 2023 from 352,596 units in 2022, followed by Malaysia. Meanwhile, Indonesia, Thailand, Singapore, Vietnam, and Myanmar recorded declines in motor vehicle sales.² Experts also foresee that the demand for vehicles will remain positive due to a robust economy. Industry data also projects that the sales of vehicles will continue to rise to 468,300 in 2024, from 429,807 in 2023.³

Table 1: Four-Wheeler Motor Vehicle Sales in Select ASEAN Countries

Country	2023 ^{4 5}	Year-on-Year Variance
Indonesia	1,006,000	-4.0%
Malaysia	800,000	11%
Myanmar	3,000	-53%
Philippines	430,000	22%
Singapore	39,000	-9.1%
Thailand	776,000	-8.7%
Vietnam	302,000	-25%

Source: ASEAN Automotive Federation

¹ Markets and Markets. (December 2023). Global Automotive Industry Outlook, 2024. Retrieved from <https://www.marketsandmarkets.com/Market-Reports/global-automotive-industry-outlook-77960341.html#:~:text=%5B74%20Pages%20Report%5D%20The%20Global,3.1%25%20during%20the%20forecast%20period..>

² Monzon, A. (2 February 2024). PH vehicle production grew 19.7% in 2023. Retrieved from <https://business.inquirer.net/443848/ph-vehicle-production-grew-19-7-in-2023>

³ Tabile, J. (22 February 2024). Vehicle sales jump 15% in January. Retrieved from <https://www.bworldonline.com/top-stories/2024/02/22/577073/vehicle-sales-jump-15-in-january/#:~:text=CAMP1%20gave%20a%20conservative%20sales,expected%20to%20drive%20sales%20higher.>

⁴ Ibid.

⁵ Statista. (2024) Number of motor vehicles sold in Southeast Asia in 2023, by country. Retrieved from <https://www.statista.com/statistics/583382/asean-motor-vehicle-sales-by-country/>

Meanwhile, 2023 sales in motorcycles reflected a downward trend in the Philippines, with a 0.5% decline. Malaysia and Thailand posted the biggest decline at 21% followed by Vietnam, which recorded a -18% year-on-year growth⁶. The discrepancy in these trends prompts attention on policy support and incentives, particularly on the aspect of electric vehicles (EVs) sales. While four-wheel EVs enjoy tariff exemptions, the same benefits are not extended to their two-wheel counterparts, which remain subject to excise and duties. This not only hampers the growth potential of the two-wheel EV market but also creates an uneven playing field in the broader automotive sector.

Table 2: Motorcycle Sales in Select ASEAN Countries

Country	2023	Growth Rate
Indonesia	5,000,000	2.4%
Malaysia	540,000	-21%
Philippines	2,200,000 ⁷	-0.5%
Singapore	8,270,000	4.2%
Thailand	1,860,000	-21%
Vietnam	2,780,000	-18%

Source: Robert Bosch Inc. and LMC Automotive Ltd.

On electric vehicles, data from the Board of Investments reported that 10,602 units of electric vehicles were sold in 2023. Hybrid EVs covered the lion's share with 9,293 units, followed by 462 units of battery EVs, and 106 units of plug-in hybrid EVs.⁸ Industry data earlier estimated that the cumulative sales of EVs in the Philippines by 2023 could reach 6.6 million units, over half of which will be two-wheeled EVs.⁹

Meanwhile, data on EV sales in select ASEAN markets reflect that the Philippines is positioned in the middle ground compared to its neighbours. With 10,602 EVs sold in 2023, the Philippines showcases a moderate EV adoption rate.

6 Robert Bosch Inc. and LMC Automotive Ltd.

7 MCD Team. (31 January 2024). Philippines 2023. Motorcycles Market Growth Frozen By Low H2 Demand. Retrieved from <https://www.motorcyclesdata.com/2024/01/31/philippines-motorcycles/>

8 Monzon, A. (14 March 2024). EV sales revving up, hit more than 10,000 units in 2023. Retrieved from <https://business.inquirer.net/450027/ev-sales-revving-up-hit-more-than-10000-units-in-23>.

9 Crismundo, K. (19 October 2023). E-vehicle sales in PH seen to hit 6.6M mark by 2030. Retrieved from <https://www.pna.gov.ph/articles/1212127>.

Table 3: 2023 Electric Vehicle Sales in select ASEAN countries

Country	2023	Year-on-Year Variance
Indonesia	74,000 ¹⁰	155.2%
Malaysia	10,159 ¹¹	286.1%
Philippines	10,602 ¹²	889%
Singapore	3,870 ¹³	1.6%
Thailand	78,314 ¹⁴	705%
Vietnam	18,000*	114.29%

*No data available; projection by BMI Research¹⁵

Nonetheless, the industry sees that there is much opportunity to further boost the EV market in the Philippines. This can be driven by the full implementation of the Electric Vehicle Industry Development Act (EVIDA), followed by the realisation of the Comprehensive Roadmap for the Electric Vehicle Industry (CREVI).

Particularly on the efforts to develop the EV charging station landscape, latest data show that the DOE has accredited 37 EVCS providers. The agency has likewise launched an online EVCS locator,¹⁶ and continues to issue Advisories on unbundling of fees and charges for commercial EV charging facilities.¹⁷

The DOE's comprehensive electric mobility (e-mobility) investment paradigm calls for the deployment of 6.3 million electric vehicles by 2040, accounting for 50% of the country's total road transport system over that timeframe. The following phase of EV adoption extends from 2029 to 2034, which will require 1,851,500 more electric vehicles on Philippine roads, which will be supplemented by an additional 42,000 charging points. The long-term investment plan will run from 2034 to 2040, and will include 2,001,600 additional EVs and an additional 40,000 EV charging stations.¹⁸

10 Antara. (01 March 2024). Indonesia's two-wheeled EV sales surge 262 percent in 2023. Retrieved from <https://en.antaranews.com/news/307389/indonesias-two-wheeled-ev-sales-surge-262-percent-in-2023>.

11 Chan, M. (28 February 2024). Malaysia EV sales: 13,257 units in 2023, 16,763 total, with 2,020 chargers; 20,000 EV sales expected in 2024. Retrieved from <https://paultan.org/2024/02/28/malaysia-ev-sales-13257-units-in-2023-16763-total-with-2020-chargers-20000-ev-sales-expected-in-2024/>.

12 Monzon, A. (14 March 2024). EV sales revving up, hit more than 10,000 units in 2023. Retrieved from <https://business.inquirer.net/450027/ev-sales-revving-up-hit-more-than-10000-units-in-23>.

13 Statista. (March 2024). Electric Vehicles - Singapore. Retrieved from <https://www.statista.com/outlook/mmo/electric-vehicles/singapore#unit-sales>.

14 Royal Thai Embassy. (26 January 2024). Electric vehicle sales surged in Thailand in 2023. Retrieved from <https://washingtondc.thaiembassy.org/en/content/electric-vehicle-sales-surged-in-thailand-in-2023>.

15 Ibid.

16 Department of Energy. (n.d.). EV Industry PH - EVCS Locations. Retrieved from <https://evindustry.ph/evcs-locations>.

17 Velasco, M. (02 September 2023). DOE logs slow investment pace for EV charging stations. Retrieved from <https://mb.com.ph/2023/9/1/doe-logs-slow-investment-pace-for-ev-charging-stations>.

18 Ibid.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- With the aim of accelerating infrastructure development in key areas such as transport, the **Philippine Development Plan (PDP) 2023-2028** was crafted by the National and Economic Development Authority (NEDA) to establish “seamless and inclusive connectivity through modernised and expanded transport.” According to the PDP, a National Transportation Master Plan will be developed and implemented.¹⁹
- The strategy framework to expand and upgrade infrastructure also includes addressing universal mobility needs, modernising fleets, and providing quality ancillary service. Relatedly, the legislative agenda includes enactment of a law institutionalising the use of bicycles and other active and sustainable modes of transportation, including updating standards for accessible and safe pathways, and green open spaces; rationalising the mandates of transport agencies; and creating an independent body for transport safety and security.¹⁹
- **Comprehensive Roadmap for the Electric Vehicle Industry (CREVI):** 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 law requires the establishment of CREVI, which focuses on the development of EV charging stations (EVCS), manufacturing, research and development, and human resource development. In the Roadmap, published in April 2023, EV rollout under the business-as-usual scenario, to 10% from the original 5% mandated under EVIDA. Meanwhile, the clean energy scenario targets 50% EV fleet share by 2040.²⁰
- In 2023, the Department of Energy (DOE) has also published EV-related department circulars (DCs):
 - **DC No. DC2023-05-0010** or the Guidelines on the Unbundling of Electric Vehicle Charging Station Charging Fee²¹;
 - **DC No. DC2023-05-0011** or the Guidelines on the Accreditation of EVCS Providers and Registration of EVCS²²; and
 - **DC No. DC2023-05-0012** or the Guidelines for EV Recognition and Adoption of EV Standard Classification on Road Transport for Incentive Eligibility²³
- **Executive Order No. (EO) 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.²⁴ The executive issuance has been available for mandatory review since 21 February 2024.

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

20 Department of Energy. (14 April 2023). Comprehensive Roadmap for the Electric Vehicle Industry (CREVI). Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_efficiency/CREVI%20as%20of%2005-04-2023.pdf

21 Department of Energy. (25 May 2023). Department Circular No. DC2023-05-0010. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2023-05-0010.pdf>

22 Department of Energy. (25 May 2023). Department Circular No. DC2023-05-0011. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2023-05-0011.pdf>

23 Department of Energy. (25 May 2023). Department Circular No. DC2023-05-0012. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2023-05-0012.pdf>

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

- The Department of Trade and Industry (DTI) launched the **Electric Vehicle Incentives Scheme** that aims to accelerate the development of the EV industry. The Scheme targets to have four million locally manufactured e-vehicles in the country in the next ten years, with the majority being electric 2-wheelers and e-trikes, e-public utility vehicles (PUVs), and e-buses. It also sets local production targets to be achieved within eight years from the promulgation of the EV Incentive Strategy (EVIS). As of writing, the DTI is currently finalising the EVIS, which will be a Comprehensive Automotive Resurgence Strategy (CARS)-like program catering to the manufacturing of commercial vehicles.²⁵
- The DTI, together with the United Nations Industrial Development Organization (UNIDO), launched a partnership on **Accelerating Adoption and Scale-up Electric Mobility for Low-Carbon City Development in the Philippines (E-Mobility ASAP)** in February 2023. Under this project, the DTI will be involved in strategic mechanisms to spur and attract investors towards the development of the domestic EV market, as well as facilitate a green business landscape in the country.²⁶ In a more recent report, the DTI stated that this program is set to be launched in the third quarter of 2024.²⁷
- The Department of Transportation (DOTr) and the World Health Organisation (WHO), together with road safety partners, launched in May 2023 the **Philippine Road Safety Action Plan (PRSAP) 2023-2028**, which serves as the blueprint for the country’s road safety initiatives and seeks to reduce the number of road traffic deaths by 35% in 2028. The Plan is built on five pillars with identified strategies for building a safer road environment: road safety management, safer road, safer vehicles, safer road users, and post-crash response.²⁸
- On 18 March 2024, **the European Union (EU) and the Philippines officially announced the resumption of free-trade agreement (FTA) negotiations.** The EU aims for a comprehensive FTA with the Philippines that includes ambitious market access for goods, services, investment and government procurement and the removal of obstacles to trade in energy and raw materials, among others, thereby supporting green transitions in line with the Commission’s Trade and Sustainable Development (TSD) review Communication of June 2022, supporting high levels of protection for workers’ rights, the environment, and the achievement of ambitious climate goals.²⁹
- **The Philippines and South Korea signed an FTA** on 7 September 2023 after a year and ten months of negotiations and domestic procedures. Cars and auto parts are projected to capitalise the most from the FTA, removing the 5% tariff on vehicles from Korea upon entry into force of the agreement. Tariffs on car parts, which range from 3% to 30%, will also be scrapped within five years, while electric and hybrid vehicle parts will be eliminated within five years in alignment with the economic growth in the Philippines.³⁰

25 Krismundo, C. (20 October 2023). DTI launches incentives program for local e-vehicle manufacturing. Retrieved from <https://www.pna.gov.ph/articles/1212241>

26 Yalao, K. (23 February 2024). DTI to ramp up investments in EV sector. Retrieved from <https://mb.com.ph/2024/2/22/dti-to-ramp-up-investments-in-ev-sector>

27 Monzon, A. (03 November 2023). EV subsidy pilot program set in Q3 next year. Retrieved from <https://business.inquirer.net/429797/ev-subsidy-pilot-program-set-in-q3-next-year#ixzz8U8gWjJPx>

28 World Health Organization. (31 May 2023). Department of Transportation, World Health Organization launch Philippine Road Safety Action Plan 2023-2028. Retrieved from <https://www.who.int/philippines/news/detail/31-05-2023-department-of-transportation--world-health-organization-launch-philippine-road-safety-action-plan-2023-2028>

29 European Commission. (18 March 2024). EU and the Philippines announce resumption of negotiations for a free trade agreement. Retrieved from https://ec.europa.eu/commission/presscorner/detail/en/ip_24_1504

30 Pedrajas, J. (8 September 2024). PH, South Korea sign free trade pact; zero-tariffs on cars, agri, fishery products. Retrieved from <https://mb.com.ph/2023/9/7/ph-to-get-zero-tariffs-on-korean-cars-auto-parts-agri-fishery-products>

- In 2023, the DOTr also released the following department orders (DOs):
 - **DO No. 2023-022** laying out the guidelines on the implementation of the Public Transport Modernisation Program (PTMP)³¹;
 - **DO No. 2023-008** or the New Rules and Regulations on the Authorization and Monitoring of Motor Vehicle Private Emission Testing Centers (PETC), PETC IT Service Providers, Motor Vehicle Emission Control Technician (MVECT), and Private Motor Vehicle Inspection Center (PMVIC)³²; and
 - **DO No. 2023-001** reconstituting the Private Motor Vehicle Inspection Center (PMVIC) and Private Emission Testing Center (PETC) Authorization Committee and Subcommittees³³

On legislative updates

- **House Bill No. (HBN) 9573** has been filed in the Lower House providing for the tax and duty treatment of EVs on 11 November 2023. Prompted by the EV industry stakeholders' concerns on the scope of EO No. 12, the bill intends to include e-motorcycles in the EV list benefiting from tax breaks.³⁴
- There are also proposed bills in the 19th Congress on the installation of dashboard cameras (dash cams) which have been pending in the Committee of Transportation since 2022:
 - **HBN 817** or An Act Requiring the Installation of Dashboard Cameras on Motor Vehicles³⁵;
 - **HBN 1017** or An Act Providing The Mandatory Installation of Dashcams, CCTVs, and GPS inside Public Utility Vehicles (PUVs), Transportation Network Vehicle Service (TNVs), and Other Public Transport Vehicles³⁶; and
 - **HBN 5745** or An Act Providing for the Mandatory Installation of Dashcam Systems in Vehicles Operated for Public Utility³⁷
- On 12 December 2023, the House of Representatives approved **HBN 9647** or An Act Renaming Motor Vehicle User's Charge (MVUC) Into Motor Vehicle Road User's Tax and Increasing The Rates for Public Utility Vehicle Modernisation and Road Safety Programs. The measure, endorsed for Senate approval, seeks to optimise the utilisation of the MVUC, raise additional revenues to help fund government initiatives for the prevention of deaths due to road accidents, and provide assistance to the victims. A portion of the revenues collected would also be allocated to the modernisation of PUVs.³⁸

31 Department of Transportation. (29 December 2023). DO No. 2023-022. Retrieved from https://drive.google.com/file/d/1zf-W9qL238z_9rqfScQjlc7tr2yYY6Gz/view

32 Department of Transportation. (6 March 2023). DO No. 2023-022. Retrieved from https://drive.google.com/file/d/1gzkKuNPRHESc00VKqR9iID_GqxvyXaHv/view

33 Department of Transportation. (12 January 2023). DO No. 2023-022. Retrieved from <https://drive.google.com/file/d/1g-KXpeosvq-Mp6mAl8ZbRUolvBAIZ-DO/view>

34 House of Representatives. (2023). House Bill No. 9573. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB09573.pdf

35 House of Representatives. (2022). House Bill No. 817. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB00817.pdf

36 House of Representatives. (2022). House Bill No. 1017. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB01017.pdf

37 House of Representatives. (2022). House Bill No. 5745. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB05745.pdf

38 House of Representatives. (2023). House Bill No. 5745. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB05745.pdf

- **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.³⁹
- **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.
- The proposed **Passive Income Financial Intermediary Taxation Act (PIFITA)** or **Package 4 of the Comprehensive Tax Reform** seeks to harmonise the taxation of passive income and financial intermediaries by reducing and simplifying the complicated tax rates on financial transactions. The move to impose excise tax on pickup trucks is among the proposals in the bill to aid the national government in generating about PHP 33 billion in revenues.⁴⁰ HBN 4339 has been approved by the House of Representatives in 2022⁴¹, while Senate Bill No. (SBN) 1347 has been taken up at a series of Senate committee hearings and technical working group sessions in the first quarter of 2024.⁴²
- 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.⁴³
- **Road Safety Education Act:** Several pieces of legislation have 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.

39 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

40 Alberto, R. J. S. (12 February 2024). Excise tax on pickup trucks may raise P33B in revenues. Retrieved from <https://businessmirror.com.ph/2024/02/12/excise-tax-on-pickup-trucks-may-raise-p33b-in-revenues/>

41 House of Representatives. (2022). House Bill No. 9647. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT9647.pdf

42 Senate of the Philippines. (2023). Senate Bill No. 1347. Retrieved from <https://legacy.senate.gov.ph/lisdata/3953335918!.pdf>

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

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.⁴⁴ More recently, the Philippines-South Korea FTA was signed on 7 September 2023, which will remove the 5% tariff on cars from Korea upon entry into force of the agreement. Tariffs on vehicle parts, including those of electric and hybrid vehicles, ranging from 3% to 30%, will also be scrapped within five years.⁴⁵

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. Recognising that the timely conclusion of the FTA will result in significant socio-economic development, especially in areas such as trade and investment in the automotive industry, the ECCP welcomes the official resumption of negotiations for the EU-PH FTA. After a thorough stock-taking exercise, both the EU and the Philippines have demonstrated strong political will to recommence talks, marking a significant milestone in bilateral economic relations.

Promote ease of doing business in the automotive sector

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. 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.

One of the pertinent issues related to market access on automotive products is 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. Aside from the limited validity of PS Mark and ICC Sticker, licensed goods including automotive products and parts are required to undergo another round of testing process and additional paperwork since international certifications are not being honoured by the

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

45 Pedrajas, J. (8 September 2024). PH, South Korea sign free trade pact; zero-tariffs on cars, agri, fishery products. Retrieved from <https://mb.com.ph/2023/9/7/ph-to-get-zero-tariffs-on-korean-cars-auto-parts-agri-fishery-products>

respective government agencies in the Philippines. As standard testing facilities and equipment in the country are insufficient, re-performing product testing may provide a heavy burden on both businesses and consumers economically. The ECCP Automotive Committee reiterates the importance of improving the existing policies and processes in relation to market access in the industry. It highlights that ensuring the quality and standards of automotive products should be aligned with trade facilitation.

In an effort to address bureaucratic issues and to guarantee that manufacturers comply with only a single interpretation of the applicable regulations, the Philippines acceded to the United Nations Economic Commission for Europe (UNECE) 1958 Agreement Concerning the Adoption of Harmonized Technical United Nations Regulations for Wheeled Vehicles, Equipment, and Parts last November 2022. However, the Department Administrative Order (DAO) on The New Technical Regulations Concerning The Mandatory Product Certification of Automotive Products⁴⁶ drafted by the Department of Trade and Industry (DTI) through the Bureau of Philippine Standards (BPS) may sharpen the problem from the tedious process of obtaining various certifications for automotive products.

The Committee likewise urges for the removal of stencil of the engine and chassis numbers of motor vehicles in the requirements list for registration transactions at the Land Transportation Office (LTO) in accordance with the Ease of Doing Business and Efficient Government Service Delivery Act. We also call for the elimination of the Motor Vehicle Clearance Certificate (MVCC) from the Philippine National Police Highway Patrol Group (PNP-HPG) specifically for cars imported by authorised distributors. While it is important to certify that a vehicle is not on the list of wanted or stolen cars, authorised dealers that have fulfilled all business requirements should be exempted from securing the MVCC.

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 one of the country's most recent motor vehicle development initiatives.⁴⁷ CARS 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. Considering the program's requirements, 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.⁴⁸

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 EV industry. More recently, in May 2023, President Ferdinand R. Marcos Jr. approved a five-year extension of the CARS program up to 2028, following the recommendation of the Private Sector Advisory Council (PSAC). However, the terms of the announced extension of the incentive program have yet to be determined.⁴⁹

On the legislative front, in the 19th Congress, HB No. 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

46 Department of Trade and Industry. (n.d.). Draft Administrative Order on The New Technical Regulations Concerning The Mandatory Product Certification of Automotive Products. Retrieved from https://members.wto.org/crnattachments/2021/TBT/PHL/21_5728_00_e.pdf

47 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>

48 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>

49 Ochave, R. M. (23 July 2023). No final terms set for extended CARS program. Retrieved from <https://www.bworldonline.com/economy/2023/07/13/534043/no-final-terms-set-for-extended-cars-program/>

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.⁵⁰ 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

To help encourage the adoption of electric vehicles in the Philippine market, the Chamber and its Automotive Committee strongly support the plan to lift the 30% duty on imported electric vehicles. Following the issuance of Executive Order (EO) No. 12, which temporarily modifies import duties on EVs, parts, and components, we advocate for a broader scope in tariff removal. The ECCP Automotive Committee strongly urges the extension of tariff exemptions to cover all types of EVs coming from all countries. This should include two-wheelers and buses, as well as more than four-wheelers such as trucks. Similarly, we underline the need for an extended elimination of EV tariffs spanning at least eight years, affording ample time for the alignment of EV development and maturity of charging station infrastructure.

In the pursuit of fostering sustainable transportation practices, it is imperative to establish targeted tariff policies that incentivise the adoption of EVs. Irrespective of the number of wheels, battery electric vehicles (BEVs) should be subject to zero tariffs. With the significance of two-wheelers in mind as a primary mode of transport for many Filipinos, we emphasise the necessity of its inclusion in the zero duties scheme. We strongly recommend including two-wheelers in the list of zero-tariff EVs for at least five years, similar to four-wheeled EVs, to aid the industry in achieving the targets set in the CREVI, which outlines motorcycles as the unit with the highest targets both in the business-as-usual and clean energy scenarios. A shorter applicability of tariff removal for e-motorcycles would be a challenge for any manufacturer to plan and execute a completely knocked down plant (CKD) plant. This inclusion of e-motorcycles and other two-wheelers not only promotes accessibility to electric mobility solutions but also aligns with efforts to address urban congestion and reduce carbon emissions.

Expanding tariff exemptions to hybrid electric vehicles (HEVs) is essential to facilitate a smoother transition towards greener transportation alternatives. Plug-in hybrid electric vehicles (PHEVs), distinguished by their ability to operate primarily on electric power, should receive enhanced incentives compared to conventional hybrids. This is justified by their higher reliance on electric motors. Considering the DTI's recent rejection of including HEVs in the list of zero-tariff EVs⁵¹, we propose revisiting this decision to include PHEVs in the zero-tariff list or maintaining a reduced tariff duty of 15% for at least four years to encourage their widespread adoption. Acknowledging the increasing demand for PHEVs, incorporating hybrids in the zero tariffs program, or at least lowering the duties to be applied, would greatly enhance their affordability and serve as a driving force for the eventual market penetration of BEVs.

Various efforts such as the EVIDA and the CREVI lay the groundwork for a sustainable EV ecosystem. However, their full realisation hinges on concrete steps, including exempting two-wheel EVs from excise and duties. The data revealing a surge in the registration of EVs and hybrids, particularly in the two-wheeled category, reflects a burgeoning market demand that warrants proactive policy measures. The anticipated cumulative sales projection of over 6.6 million EVs by 2023, with a substantial portion being two-wheelers, underscores the potential impact of incentivising this segment.

50 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

51 Campos, O. V. (10 March 2024). DTI rejects inclusion of hybrids in list of zero-tariff electric cars. Retrieved from <https://manilastandard.net/business/314424678/dti-rejects-inclusion-of-hybrids-in-list-of-zero-tariff-electric-cars.html>

Moreover, the Committee recognises that the EV ecosystem is based on two pillars: vehicles and a charging station (CS) network. 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. It is against this background that the Committee lauds the government for coming up with the Philippine EV Industry Portal where consumers find EVCS and view a list of recognised EVs & accredited CS providers, among others.⁵²

Further to this, the Automotive Committee emphasises the necessary support in the implementation of the CS network as an enabler for EV expansion. The policies should cover various facets of the CS network such as batteries, electric charging equipment, and retrofitting. In some markets, the conversion of running internal combustion engine (ICE) motorcycles to electric, known as "retrofitting," has been enforced and considered to significantly cut greenhouse gas emissions in an inclusive and circular fashion. In the Philippine context, an unregulated retrofitting process may lead to an inefficient performance, which may affect the confidence of Filipino consumers in EVs and the overall perception of and reputation of the Philippine EV industry. On this account, the Chamber underlines that CREVI should lay down such standards and guidelines for retrofitting two-wheelers, particularly for the documentation of retrofitted vehicles and certification of installers, to enable a much wider set of EVs in the market. Addressing these regulatory hurdles will ensure the development of safety standards and emission regulations tailored specifically for EVs.

In addition, 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. 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 and developing a dense swapping network in localities is considered by industry players to be a lever in increasing demand at the stations.

The launch of the EVIS by the DTI signals a concerted effort to stimulate local manufacturing and adoption of EVs, emphasising the importance of fiscal incentives and support measures. Still, clearer policies that offer incentives for EV adoption should likewise be formulated to help promote EV development, commercialisation, and utilisation. Following the trends in Asia, more tariff reductions, tax cuts extensions, reduced registration fees, and preferential parking and toll rates should also be available in the Philippines. Anchored on the objective to promote sustainability and consistent with Philippine energy policies, the ECCP Automotive and Renewable Energy & Energy Efficiency (RE&EE) Committees put forward their recommendation to extend to EVCS operators the incentives provided under the Renewable Energy Act of 2008 or Republic Act No. 9513.⁵³ Particularly, the Committees highly suggest that the following incentives be granted:

- 7-year income tax holiday (ITH);
- Corporate tax rate of 10% on its net taxable income after 7 years of ITH;
- Duty-free importation of machinery, equipment and materials; and
- 0% Value-Added Tax (VAT) rate on purchases of local supply of goods, properties and services needed by EVCS operators in the development, construction, and installation of its charging stations.

52 The portal may be accessed via <https://evindustry.ph/get-started>.

53 Official Gazette. (2008). Republic Act No. 9513. Retrieved from <https://www.officialgazette.gov.ph/2008/12/16/republic-act-no-9513/>.

The ECCP Automotive Committee's recommendations aim to catalyse the growth of the EV market in the Philippines while ensuring alignment with global standards and best practices. By fostering an enabling regulatory environment and incentivising investment in EV infrastructure, the Philippines can position itself as a leader in sustainable mobility and drive inclusive economic growth in the automotive sector.

Further promote and improve emission and roadworthiness testing standards

Develop effective and efficient implementation of the motor vehicle inspection system

Starting 26 July 2021, the LTO began reimplementing the Motor Vehicle Inspection System provided under Memorandum Circular Number MC-SC-2021-02⁵⁴, which makes vehicle testing procedures on light vehicles and motorcycles mandatory, particularly in areas where Private Motor Vehicle Inspection Centers (PMVICs) are already operational. Under the new MVIS, 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.

In 2023, the DOTr released Department Order (DO) No. 2023-008 setting out the New Rules and Regulations on the Authorization and Monitoring of Motor Vehicle Private Emission Testing Centers (PETC), PETC IT Service Providers, Motor Vehicle Emission Control Technician (MVECT), and PMVIC.⁵⁵ DO No. 2023-001 was also issued by the DOTr for the Reconstitution of the PMVIC and Private Emission Testing Center (PETC) Authorisation Committee and Subcommittees.⁵⁶

The ECCP Automotive Committee recognises the DOTr's ongoing efforts to enhance vehicle inspection standards and emission regulations in the Philippines. Introducing the MVIS and the New Rules and Regulations on the Authorization and Monitoring of Motor Vehicle PETC demonstrates a commitment to improving road safety and environmental sustainability. However, the current infrastructure of PMVICs must meet the country's demand for mandatory vehicle inspections.

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 2021.⁵⁷ 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 appointment 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. This would streamline the inspection process, ensuring accessibility and efficiency for vehicle owners.

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. Certification should be mandated to ensure the efficiency of equipment, quality of training, and competency of inspectors. Moreover, costs for inspections and emission testing should be regulated and standardised. 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 inspections done.

⁵⁴ 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/1Q81L0tPzQ8Wta2mxvyQpJGF0IE8ACgpb/view>

⁵⁵ Department of Transportation. (6 March 2023). Department Order No. 2023-008. Retrieved from https://drive.google.com/file/d/1gzkKuNPRHESc00VKqR9iID_GqxvyXaHw/view

⁵⁶ Department of Transportation. (12 January 2023). Department Order No. 2023-001. Retrieved from <https://drive.google.com/file/d/1g-KXpeosvq-Mp6mA18ZbRUolvBAIZ-D0/view>

⁵⁷ According to former DOTr Undersecretary for Road Transport and Infrastructure Mark Steven C. Pastor during the meeting with the ECCP Automotive Committee last 15 February 2023.

The Committee also calls for the strict prohibition of non-appearance schemes for roadworthiness inspections for brand-new vehicles and renewal of car registrations at the LTO. Non-appearance services for motor vehicle registration and renewal take place both on-ground and online. The Chamber remains committed to encouraging public-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 ⁵⁸	Euro 4			Euro 5	Euro 6
Vietnam	Euro 4	Euro 5			

Source: Clean Air Asia⁵⁹

⁵⁸ Fuels and Lubes. (3 January 2024). Thailand implements Euro 5 diesel standard on January 1, 2024. Retrieved from <https://www.fuelsandlubes.com/thailand-implements-euro-5-diesel-standard-on-january-1-2024/#:~:text=The%20Energy%20Ministry%20plans%20to,leader%20in%20sustainable%20automotive%20practices.>

⁵⁹ Clean Air Asia. (2011). Roadmap to Cleaner Fuels and Vehicles in Asia. Retrieved from <https://cleanairasia.com>

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.

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 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, aligning testing facilities with higher emission standards and incentivising equipment upgrades will promote better environmental practices in the automotive industry. 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.⁶⁰ In 2023, transport accidents are among the top causes of mortality in the Philippines.⁶¹ From April to June 2023, a total of 7,408 transport/vehicular accident (T/VA)-related injuries and deaths were reported, making it the top cause of injuries for this quarter. The majority of the T/VA injuries are due to motorcycle accidents, with 5,018.⁶² Meanwhile, there were 8,342 motorcycle crashes in the entire year of 2022.⁶³

Cause of Injury	No. of Injuries*	% to Total	No. of Deaths*	CFR (%)
Transport/Vehicular Accidents	7,328	31.1	80	1.1
Bites	5,180	22.0	2	0.04
Mauling/Assault	3,379	14.3	4	0.1
Contact with Sharp Objects	3,143	13.3	3	0.1
Falls	2,959	12.5	12	0.4
Burns	302	1.3	7	2.3
Sexual Assault	121	0.5	0	0
Gunshot	89	0.4	13	14.6
Chemical/Substance	42	0.2	3	7.1
Hanging/Strangulation	42	0.2	7	16.7
Drowning	16	0.1	8	50.0
Exposure to Forces of Nature	10	0.04	1	10.0
Firecracker	3	0.01	0	0
Others	1,283	5.4	3	0.2

* The total numbers of injuries and deaths are not equal to 23,604 and 142, respectively, due to cases with multiple causes of injury.

org/our-resources/publications/roadmap-cleaner-fuels-and-vehicles-asia

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

61 Philippine Statistics Authority. (2024). 2023 Causes of Death in the Philippines (Provisional as of 30 November 2023). Retrieved from <https://www.psa.gov.ph/content/2023-causes-death-philippines-provisional-30-november-2023>

62 Department of Health. (2023). Online National Electronic Injury Surveillance System (ONEISS): April - June 2023 Surveillance Report. Retrieved from <https://drive.google.com/file/d/1T1iDoJowcCao32zbzmaOyNnoNoDWkRg3/view>

63 Cariaso, B. (8 May 2023). HPG records 4,000 motorcycle crashes since January. Retrieved from <https://www.philstar.com/headlines/2023/05/08/2264565/hpg-records-4000-motorcycle-crashes-january>

Source: Department of Health

With this in mind, the employment of more standard driver-assist technologies is vital in reducing the risk of road crashes. Together with road safety partners, the DOTr and the WHO, launched in May 2023 the Philippine Road Safety Action Plan (PRSAP) 2023-2028, which serves as the blueprint for the country's road safety initiatives and seeks to reduce the number of road traffic deaths by 35% in 2028. The Plan is built on five pillars with identified strategies for building a safer road environment: road safety management, safer road, safer vehicles, safer road users, and post-crash response.⁶⁴

In accordance with PRSAP's third pillar of creating safer vehicles, exploring a move in the Philippines to mandate an anti-lock braking system (ABS) on two-wheeler vehicles may progress vehicle and road safety. 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.⁶⁵ In March 2021, the Thai Department of Land Transport announced that ABS will become a mandatory part of all new two-wheeler vehicle models with an engine displacement of more than 125 cubic centimetres beginning 1 January 2024.⁶⁶ In the Philippines, exploring a similar move of mandating ABS on two-wheeler vehicles will improve 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.⁶⁷ In 2018, Malaysia became the first Southeast Asian country to require ESC on all new automobiles. Consistent 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.

64 World Health Organization. (31 May 2023). Department of Transportation, World Health Organization launch Philippine Road Safety Action Plan 2023-2028. Retrieved from <https://www.who.int/philippines/news/detail/31-05-2023-department-of-transportation--world-health-organization-launch-philippine-road-safety-action-plan-2023-2028>

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

66 Chamnong, N. (2022). Driving policies toward substantially enhance the safety of motorcycles in Thailand: Stories of ABS and AHO. Retrieved from <https://events.development.asia/system/files/materials/2022/10/202210-driving-policies-toward-substantially-enhance-safety-motorcycles-thailand-stories-abs-and-aho.pdf>

67 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 front-end 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 Europe⁶⁸

The European business community recognises and applauds the concerted efforts of several vehicle 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 to promote road safety and facilitate innovation in transportation and mobility solutions. In essence, the Committee urges the government to democratise and sensibilise ABS and ESC in order to make these electronic aids more accessible to other automotive market segments, which will significantly reduce fatalities and injuries.

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.⁶⁹

Ensuring the safety and welfare of our children on the roads is paramount, and the ECCP Automotive Committee stands firm in advocating for measures that protect our young passengers. 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.

68 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

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

Additionally, the Committee expresses support for the bills filed in the 19th Congress, requiring the installation of dashboard cameras or dash cams. We believe that mandating the use of dash cams will prevent criminal incidents from happening including kidnapping, road rage, and carjacking. In resolving such cases, dash cams 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 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.⁷⁰ 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

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.⁷¹ 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. Meanwhile, policymakers introduced measures in Congress on the matter, but there has been no significant movement as they are still pending at the Committee level.

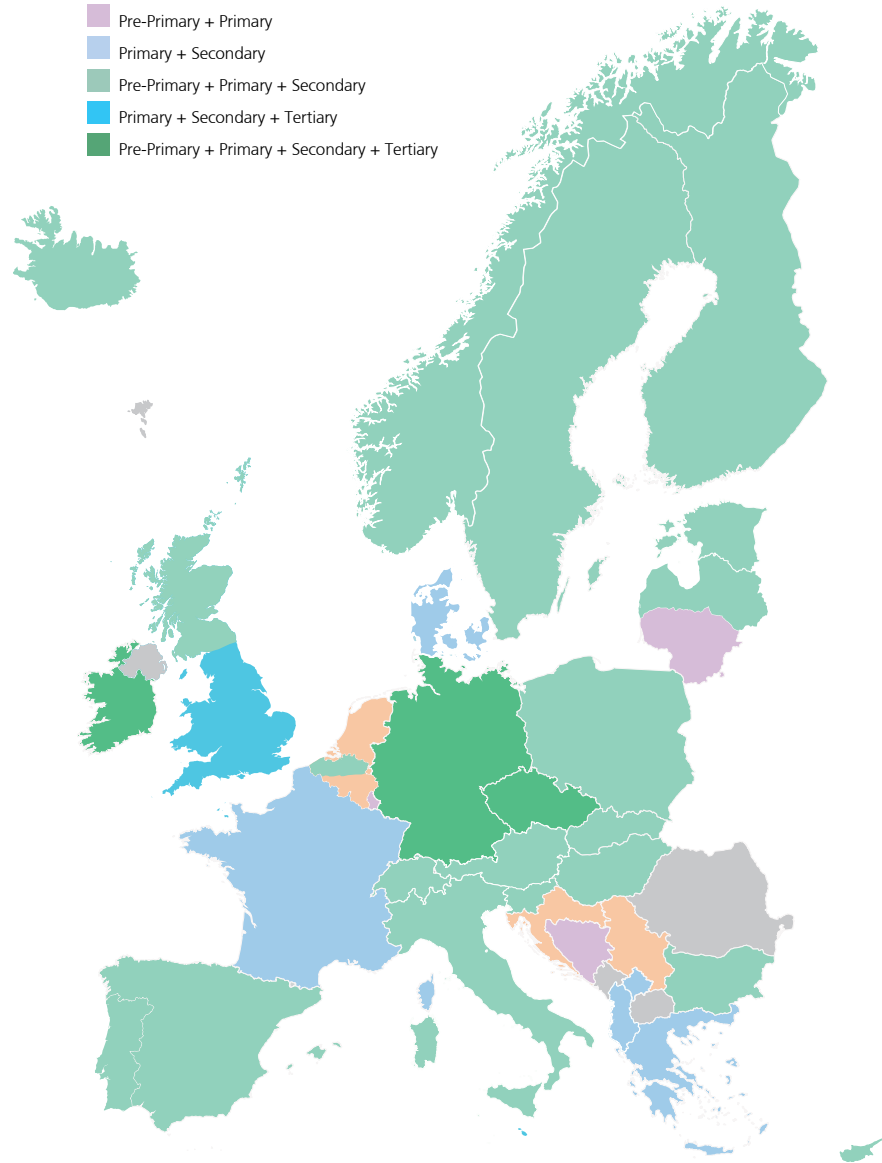
70 Cabato, R. (02 January 2018). Gov't proposal restricts car tint on public, private vehicles. Retrieved from <https://www.cnnphilippines.com/news/2018/01/02/government-proposal-restricts-car-tint.html>

71 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>

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

Overview of the levels of education at which traffic safety and mobility education is given.

- Primary Only
- Pre-Primary + Primary
- Primary + Secondary
- Pre-Primary + Primary + Secondary
- Primary + Secondary + Tertiary
- Pre-Primary + Primary + Secondary + Tertiary



Source: European Transport Safety Council

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 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 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Facilitate ease of trade in the automotive sector	Eliminate import tariff duties for European automotive brands in preferential trade arrangements	On 18 March 2024, the EU and the Philippines officially announced the resumption of FTA negotiations.
	Promote ease of doing business and streamline customs processes for automotive parts and products	
Strengthen the competitiveness of the automotive industry	Review existing motor vehicle development programs and institute incentives for industry players	
	Develop a comprehensive support program for the domestic market adoption of electric vehicles	<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 CREVI in April 2023.</p>

SOME PROGRESS	NO PROGRESS / RETROGRESSION
The EFTA-Philippines FTA entered into force for its remaining party-state, Iceland, last January 2020.	
The Anti-Red Tape Authority (ARTA) organised a clarificatory meeting with the ECCP and the Bureau of Philippine Standards (BPS) in February 2024. While the agency has been receptive to the suggestions of the Chamber to improve market access issues on automotive products, no improvement has been noted as of date regarding the processing time for the obtention of these certifications and licences.	
<p>In May 2023, President Ferdinand R. Marcos Jr. approved a five-year extension of the Comprehensive Automotive Resurgence Strategy (CARS) program up to 2028, following the recommendation by the Private Sector Advisory Council (PSAC). However, the terms of the announced extension of the incentive program have yet to be determined.</p> <p>On the legislative front, in the 19th Congress, HB No. 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 tariffs 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. The executive issuance has been available for mandatory review since 21 February 2024.</p> <p>In October 2023, The Department of Trade and Industry (DTI) launched the Electric Vehicle Incentives Scheme that aims to accelerate the development of the EV industry. As of writing, the DTI is currently finalising the EV Incentive Strategy (EVIS).</p>	

ISSUE	RECOMMENDATION	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 (dash cams), 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
<p>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.</p> <p>In 2023, the DOTr released Department Order (DO) No. 2023-008 setting out the New Rules and Regulations on the Authorization and Monitoring of Motor Vehicle Private Emission Testing Centers (PETC), PETC IT Service Providers, Motor Vehicle Emission Control Technician (MVECT), and Private Motor Vehicle Inspection Center (PMVIC).</p> <p>DO No. 2023-001 was also issued by the DOTr for the Reconstitution of the Private Motor Vehicle Inspection Center (PMVIC) and Private Emission Testing Center (PETC) Authorization Committee and Subcommittees.</p> <p>In 2020, the DOTr released DO 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.</p>	
	<p>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.</p>
<p>Several pieces of legislation have been filed in the 19th Congress requiring dashcam installations on vehicles. They are all pending in their respective Committees.</p>	<p>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.</p> <p>No significant measure has materialised on banning dark window tints for public transportation vehicles and regulating those of private vehicles for anti-crime purposes.</p>
<p>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.</p>	

AVIATION ADVOCACY PAPER 2024

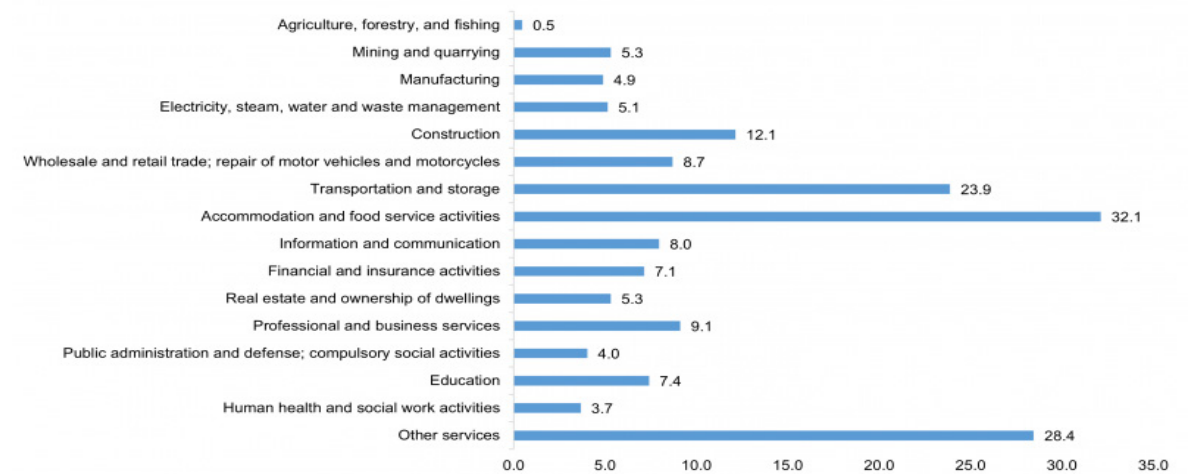
INTRODUCTION

The Philippine aviation industry is a pivotal force in driving economic growth by supporting tourism and facilitating trade and commerce. This dynamic and resilient sector has been identified as one of the priorities of the current administration's Build, Build, More (BBM) Program and public-private partnership (PPP) projects, as aligned with the Philippine Development Plan 2023-2028, and the country's Medium Term Fiscal Framework.

According to the Philippine Statistics Authority, the country's Gross Domestic Product (GDP) grew by 7.6% in 2022, an improvement from the previous year's growth of 5.7%, with all 16 industries recording positive growths. The top industries with the highest growth were: Accommodation and food service activities with 32.1%; Other services (e.g. Arts, culture and recreational activities, personal services, etc.) with 28.4 percent; and **Transportation and storage with 23.9 percent** (see Figure 1).¹

**Figure 1. GDP by Industry, Growth Rates, 2021 - 2022
At Constant 2018 Prices (in Percent)**

**Figure 2. GDP by Industry, Growth Rates, 2021-2022
At Constant 2018 Prices (in Percent)**



Source: Philippine Statistics Authority

Additionally, the Tourism Direct Gross Value Added share of the sector to the Philippine economy as measured by the Gross Domestic Product in 2022 was estimated at 6.2% and valued at PHP 1.38 trillion, 36.9% higher than the PHP1.00 trillion in 2021.²

Furthermore, domestic aviation connectivity is critical for local communities to prosper from multi-destination trips of domestic and international tourists around the archipelago.³ Driven by the significant recovery of domestic travel, recent data showed that air passenger traffic volume surged by 55% to 50.2 million for 2023 against the 32.3 million passengers recorded in the previous year. This is driven by the significant recovery of domestic travel. Domestic air passengers also grew by 29% to 28.97 million last year from 22.5 million in the previous year.⁴

1 PSA. (27 April 2023). Gross Regional Domestic Product (GRDP). Retrieved from <https://psa.gov.ph/statistics/grdp>

2 PNA. (24 July 2023). PH tourism: Gaining int'l recognition, pulling inbound travelers. Retrieved from <https://www.pna.gov.ph/articles/1206229>

3 Safe Travel Alliance. Presentation on 'Revenge Tourism' and Philippine Airports at the Joint Foreign Chambers Philippine Airport Webinar Series Webinar.

4 Iglesias, M. (5 March 2024). Air passenger volume surges 55%. Retrieved from <https://malaya.com.ph/2024>

The number of domestic and international travellers in the Philippines has without a doubt increased, with the country logging 5.45 million international arrivals in 2023 (see Table 1), beating the 4.8 million government target. With 99% of tourist arrivals attributed to air travel, the Department of Tourism recalibrated its goal for 2024 as it aims to attract 7.7 million visitors from abroad by year-end.⁵ For January 2024, the country has already recorded 574,439 air visitor arrivals (see Table 2). Similarly, according to the Civil Aeronautics Board (CAB), domestic passenger traffic returned to pre-pandemic levels, reaching 28.96 million last year, up 28% from 22.50 million in 2022.⁶

Table 1. Air Visitor Arrivals by Nationality, January to December 2023⁷

By Nationality	Total January to December 2023	% Share
Grand Total	5,450,557	100.00%
Total Overseas Filipinos ⁸	447,082	8.20%
Total Foreign Tourists	5,003,475	91.80%

Source: Department of Tourism

Table 2. Air Visitor Arrivals by Nationality, January 2024⁹

By Nationality	Total	% Share
Grand Total	574,439	100.00%
Total Overseas Filipinos ¹⁰	32,373	5.64%
Total Foreign Tourists	542,066	94.36%

Source: Department of Tourism

In a study by Fitch Solutions unit BMI, the country is expected to recover its pre-pandemic level of foreign visitors, predicting the number of arrivals to reach 8.21 million by the end of 2024. It also noted that the sector's full recovery would likely be driven by increasing arrivals from key source markets in Asia, Europe, and North America, primarily the United States. The increase in demand for air travel in the coming years emphasises the need to ramp up investments in the sector and address challenges that may hinder its full potential. In a policy note by the Philippine Institute for Development Studies, four prevailing issues and challenges have been identified: 1) congestion at the Ninoy Aquino International Airport (NAIA); 2) lack of night-rating facilities¹¹ on many of the provincial airports; 3) a massive gap with

news_business/air-passenger-volume-surges-55/?amp

5 Aviation Week Network. (19 December 2023). What's On The Horizon: Department Of Tourism, Philippines. Retrieved from <https://aviationweek.com/air-transport/airports-networks/whats-horizon-department-tourism-philippines#:~:text=As%20a%20country%20that%20relies,50%25%20increase%20over%202023%20numbers>

6 Amojelar, D. G. (11 March 2024). Air passenger traffic returned to pre-pandemic levels, says CAB. Retrieved from <https://manilastandard.net/business/transport-tourism/314425008/air-passenger-traffic-returned-to-pre-pandemic-levels-says-cab.html>

7 DOT. (01 January 2024). Visitor Arrivals Ranking by Country of Residence January to December 2023. Retrieved from http://www.tourism.gov.ph/files/2024/tourism_demand/01/01-05/Arrivals/December.pdf

8 Philippine Passport holders who are permanently residing abroad.

9 DOT. (01 February 2024). Visitor Arrivals Ranking by Country of Residence January 2024. Retrieved from http://www.tourism.gov.ph/files/2024/tourism_demand/02/02-13/Arrivals/January.pdf

10 Philippine Passport holders who are permanently residing abroad.

11 Of the country's total of 90 airports, 45 have commercial operations, nine are international gateways, while 25 are night-rated.

that of neighbouring countries in terms of quality and capacity of airports in the country; and 4) issues with the institutional environment.¹²

Zooming in on PPP projects, the Department of Transportation (DOTr) has prioritised the ongoing Ninoy Aquino International Airport (NAIA) privatisation to showcase the seamless transfer of airport operations and maintenance to private concessionaires. The government expects to generate PHP 900 billion in revenues from the project, including the upfront payment, annual payments, and the committed government revenue share.¹³ For 2024, a substantial portion of the proposed PHP 214.3 billion budget of the DOTr is aimed at supporting the country's Build Better More Program, accentuating the vital role of transportation policy in driving sustainable economic growth. The Aviation Program focuses on modernising and developing airports nationwide with an allocation of PHP 6.1 billion. Investments include projects such as the Ninoy Aquino International Airport (PHP 1.6 billion), Kalibo International Airport (PHP 581 million), Laoag International Airport (PHP 500 million), Tacloban Airport (PHP 500 million); Busuanga Airport (PHP 405 million); New Zamboanga International Airport (PHP 300 million); New Manila International Airport (PHP 200 million); Bukidnon Airport (PHP 120 million); New Dumaguete Airport Development Project (PHP 500 million); and the New Bohol Airport Construction and Sustainable Environment Protection Projects (NBACSEPP) (PHP 97 million). To improve air traffic management, PHP 1.3 billion will be allotted to the new Communications, Navigation, and Surveillance/Air Traffic Management (CNS/ATM) System Development Project, allowing air traffic controllers to communicate more effectively with the latest technology.¹⁴

The industry faces with several challenges including infrastructure constraints, regulatory complexities, and external pressures, among others. Recognising Philippine aviation as a catalyst for trade and investment, overcoming current challenges and riding on the momentum will require strong interventions from all players in the aviation sector. Likewise, industry stakeholders must align aviation policies with international standards as well as forge partnerships with ancillary sectors.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- The San Miguel Corp. (SMC)-SAP & Co. Consortium won the bidding for the PHP 170.6 billion Ninoy Aquino International Airport (NAIA) rehabilitation project, as it proposed a revenue share with the government of 82.16% – more than double that offered by its two competitors: GMR Consortium and the Manila International Airport Consortium, which proposed a share of 33.3% and 25.91%, respectively. The NAIA upgrade project involves the restoration of passenger terminals and airside facilities such as the runway, aircraft parking area, and airfield lighting, as well as the installation of infrastructure to allow for intermodal transfers at the terminal. The Department of Transportation (DOTr) expects the winning bidder to take over operations and maintenance of the airport by September.¹⁵

12 Francisco, K., Lim, V. (December 2022). Philippine Air Transport Infrastructure: State, Issues, Government Strategies. Retrieved from <https://pidswebs.pids.gov.ph/CDN/document/pidsdps2262.pdf>

13 Cordero, T. (9 March 2024). DOTr reiterates MIAA jobs 'safe' in NAIA privatization. Retrieved from <https://www.gmanetwork.com/news/money/companies/900004/dotr-reiterates-miaa-jobs-safe-in-naia-privatization/story/#:~:text=Based%20on%20the%20timeline%20for,group%20on%20September%2011%2C%202024.>

14 Department of Budget and Management. (10 August 2023). Big chunk of DOTr's budget for 2024 allocated to infrastructure development. Retrieved from <https://www.dbm.gov.ph/index.php/management-2/206-big-chunk-of-dotrs-budget-for-2024-allocated-to-infrastructure-development>

15 PPP Center. (16 February 2024). SMC-SAP & Company Consortium wins NAIA PPP Project. Retrieved from https://ppp.gov.ph/press_releases/smc-sap-company-consortium-wins-naia-ppp-project/

- The DOTr is set to embark on an ambitious PHP 14-billion improvement plan for the aviation sector in 2024 to enhance airports nationwide. Several of these projects will be executed under the public-private partnership scheme, with financial backing from the Asian Development Bank and the International Finance Corp. of the World Bank. Mitigation measures have also been noted, including carbon reduction, incorporating green design in airport construction, promoting the use of renewable energy sources, and establishing a clear plan for sustainable aviation fuel (SAF).¹⁶
- The Civil Aviation Authority of the Philippines (CAAP) entered into a management service agreement with the International Civil Aviation Organisation (ICAO). Under the agreement, CAAP will receive assistance to achieve higher strategic and compliance outcomes for aviation safety, capacity and efficiency, security and facilitation, environmental protection, and economic development through ICAO's Capacity Development and Implementation Bureau.¹⁷
- The Department of Energy (DOE) said it has taken the first steps towards getting airlines ready for the global adoption of sustainable aviation fuel (SAF) starting in 2027. The Agency is working to establish the necessary framework and regulations to support the adoption of SAF. Additionally, the DOE conducted consultations in February 2023 along with the CAAP, Philippine National Oil Co., and the European Aviation Safety Agency (EASA) and discussed the potential advantages of SAF in preparation for full compliance by 2027.¹⁸
- The Manila International Airport Authority (MIAA) has started the upgrade of the taxiways at NAIA, which is targeted to be completed in 2025. Its goal is to convert all taxiways to concrete because it is better suited for wide-body aircraft. This will significantly reduce the need for pavement repairs caused by the inevitable deterioration of asphalt.¹⁹
- The CAAP targets to increase the aircraft movement per hour at NAIA by 20% through a collaboration with the Hong Kong Civil Aviation Department (CAD) to achieve 48 airplane movements per hour at NAIA from the current 40 to 42 aircraft movements per hour.²⁰
- On 18 March, the Clark International Airport Corp. (CIAC) entered into a memorandum of understanding with the University of the Philippines Public Administration Research and Extension Services Foundation (UPPAF). This agreement aims to seek technical assistance and expert guidance from UPPAF in establishing a 64-hectare Clark National Mega Food Hub at the civil aviation complex. UPPAF, which has received a grant from the United States Agency for International Development (USAID), operates under the Regulatory Reform Support Program for National Development (RESPOND) Project. This initiative focuses on policy and regulatory reform in the Philippines to bolster regional development.²¹
- On 1 January 2023, the Philippine airspace was shut down 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 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).²² 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).²³ The Senate Committee on Public Services emphasised the vital need to strengthen the technical capability of the CAAP and upgrade critical equipment to avoid future airport failures.²⁴ On 22 March of the same year, the Upper House adopted and approved the findings and recommendations of the Committee with no amendments.²⁵ 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 privatisation;
- Immediate compliance by CAAP to the recommendations of the International Civil Aviation Organisation (ICAO);
- Amendment of CAAP charter to improve efficiency and transparency; and
- Passage of relevant bills such as the Philippine Transportation Safety Board (PTSB), Philippine Airports Authority (PAA) Act, and Air Passengers Bill of Rights

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 **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.²⁶ However, the measure was vetoed on 30 July 2022 as it "is likely to create functional duplication, confusion as to authority, ineffectiveness, and deficiency in the performance of the responsibilities."^{27,28} In the 19th Congress, SBN 1121 and HBN 1801 were filed to push for the PTSB creation. Senate Committee Report No. 38 was filed in March 2023 while HBN 1801 is still with the Committee on Government Reorganisation

16 Marasigan, L. S. (6 February 2024). DOTr allots P14-billion budget for aviation upgrading projects. Retrieved from <https://businessmirror.com.ph/2024/02/06/dotr-allots-p14-billion-budget-for-aviation-upgrading-projects/>

17 Iglesias, M. (18 October 2023). CAAP taps intl body on aviation safety. Retrieved from https://malaya.com.ph/news_business/caap-taps-intl-body-on-aviation-safety/

18 Department of Energy. (18 September 2023). DOE affirms commitment to sustainable aviation fuel for the aviation transport decarbonization. Retrieved from <https://www.doe.gov.ph/press-releases/doe-affirms-commitment-sustainable-aviation-fuel-aviation-transport-decarbonization>

19 Iglesias, M. (4 December 2023). MIAA starts upgrade of NAIA taxiway. Retrieved from https://malaya.com.ph/news_business/miaa-starts-upgrade-of-naia-taxiway/

20 Iglesias, M. (27 February 2024). CAAP eyeing increase in NAIA plane movements. Retrieved from https://malaya.com.ph/news_business/caap-eyeing-increase-in-naia-plane-movements/?amp

21 Isip, I. (18 March 2024). CIAC inks pact with USAID grantee for pioneering Clark mega food hub. Retrieved from https://malaya.com.ph/news_business/ciac-inks-pact-with-usaid-grantee-for-pioneering-clark-mega-food-hub/

22 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>

23 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>

24 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>

25 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>

26 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

27 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>

28 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>

since August 2022.^{29 30}

- Filed in the 19th Congress, SBN 1073 aims to **establish the Philippine Airports Authority**, which shall be an independent agency focused on developing Philippine airports and providing 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 2022.³¹ In the Lower House, HBN 2234, or An Act Creating the Philippine Airports Corporation has been pending with the Committee on Government Enterprises and Privatisation since August 2022.³²
- 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 2023.³³ Meanwhile, its Senate counterparts, SBN 1003 and 1654, filed in August 2022 and January 2023, respectively, have been pending at the committee level. Under the bills, the Agency's fiscal autonomy will be enhanced, as it will be exempted from Republic Act No. 7656 or the Dividend Law to maximise 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 Standardisation Law in consideration of the highly technical nature of the Agency's functions.³⁴
- On 18 March 2024, the House of Representatives approved HBN 9794 otherwise known as the CREATE to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE). This bill cuts the corporate income tax to 20% from 25% previously as well as returns the power to grant tax incentives to investment promotion agencies (IPA) such as the Philippine Economic Zone Authority (PEZA) and the Subic Bay Metropolitan Authority. The Fiscal Incentives Review Board (FIRB) will be turned into an oversight body for IPAs.³⁵

29 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

30 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

31 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

32 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

33 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

34 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

35 House of Representatives. (2024). House Bill No. 9794. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT9794.pdf

ADVOCACY RECOMMENDATIONS

Upgrade airport infrastructure

Airports are vital elements of a strong and thriving economy. They are pivotal in driving commerce and international trade, attracting investments, and boosting tourism. In facilitating trade and business, airports enable the efficient movement of goods and provide high-speed cargo transport, promoting timely delivery and reducing supply chain disruptions. Moreover, airports are often the first point of contact for tourists, providing a lasting impression of a country. These infrastructural components create a wide range of employment opportunities and stimulate the growth of secondary industries, such as transportation services, hotels, restaurants, and other tourism agencies.

Various 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, realising the economic gains this would bring. The Philippines has made significant progress, with the Aboitiz GMR Megawide Cebu Airport Corporation (AGMCAC) winning another award for the Philippines in February 2023 as Asia's Best Airport in the under 5 million passenger category.³⁶ It has likewise achieved Level 1 Mapping, becoming the first airport in the Philippines to join the Airport Carbon Accreditation programme as well as the first and only ACI World Airport Service Quality (ASQ)-accredited airport in the country.³⁷ In November 2023, Clark International Airport was hailed as one of the 24 World's Most Beautiful Airports, according to Prix Versailles, World Architecture Award.³⁸

Nonetheless, the country has yet to further improve its competitiveness vis-à-vis its ASEAN neighbours 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.³⁹ The relatively restricted number of destinations served, and the limited volume of passengers that it can accommodate are some of NAIA's recognised 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.⁴⁰ 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.⁴¹

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 significant disparity in the efficiency and capacity of airports between the Philippines and its Asian neighbours. The Philippines obtained the lowest score for aviation

36 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>

37 Airport Carbon Accreditation. (5 March 2024). Mactan-Cebu International Airport puts the Philippines on the Airport Carbon Accreditation map. Retrieved from <https://www.airportcarbonaccreditation.org/mactan-cebu-international-airport-puts-the-philippines-on-the-airport-carbon-accreditation-map/>

38 Adel, R. (10 November 2023). Clark International Airport among 'World's Most Beautiful Airports'. Retrieved from <https://www.philstar.com/headlines/2023/11/10/2310442/clark-international-airport-among-worlds-most-beautiful-airports>

39 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>

40 Asia Sentinel. (2021). Manila's Airport Fiasco. Retrieved from <https://www.asiasentinel.com/p/manilas-airport-fiasco>

41 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/>

infrastructure, which includes indicators such as flight availability and the quality of hard infrastructure used by domestic and international flights.⁴²

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 Economics⁴³

Under the 2024 budget, the legislative branch allotted Php 7.5 billion to fund the construction, rehabilitation, and improvement of various airports and navigational facilities, including the procurement of equipment, of 22 airports.⁴⁴ 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, rehabilitation of airports should involve improving both physical and digital infrastructure and upgrading air transport networks. Modernised 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 substantial setbacks from the pandemic lockdowns.

In this context, the ECCP Aviation Committee commends the government leaders for considering NAIA modernisation a priority. 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.

In February 2024, the DOTr announced San Miguel Corp. (SMC)-SAP & Co. Consortium as a winning bidder for the NAIA rehabilitation project as it proposed a revenue share with the government of 82.16%. The NAIA upgrade project involves the restoration of passenger terminals and airside facilities such as the runway, aircraft parking area, and airfield lighting, as well as the installation of infrastructure to allow for intermodal transfers at the terminal.⁴⁵ According to the Agency, NAIA privatisation intends to improve

42 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>

43 Oxford Economics. (2020). Aviation: Benefits Beyond Borders. Retrieved from https://aviationbenefits.org/media/167517/aw-oct-final-atag_abb-2020-publication-digital.pdf

44 De la Cruz, J. M. N. (4 January 2024). Government allots ₱7.5 billion to fund 22 airport development projects. Retrieved from <https://businessmirror.com.ph/2024/01/04/government-allots-p7-5-billion-to-fund-22-airport-development-projects/>

45 PPP Center. (16 February 2024). SMC-SAP & Company Consortium wins NAIA PPP Project. Retrieved from https://ppp.gov.ph/press_releases/smc-sap-company-consortium-wins-naia-ppp-project/

aircraft movement per hour by 25%. The NAIA can only manage 40 to 44 aircraft movements per hour and to handle up to 55 aircraft movements once privatised.⁴⁶ The SMC-SAP & Co. Consortium is expected to take over operations and maintenance of the airport by September. The concession agreement was signed on 18 March 2024, where the new private operator shared that there is a plan to build a fifth passenger terminal building (PTB) to augment annual passenger capacity to 62 million in the next three years.⁴⁷

In light of the current challenges posed by the quality and reliability of infrastructure assets and services, there is a recognised need for new investments to address the growing demands of passengers adequately. While the ECCP supports the privatisation of airport rehabilitation projects, the Chamber's Aviation Committee underlines the need to set a clear framework for privatised airport regulation. These mechanisms should safeguard airport users, including airlines and passengers, and ensure competition over airport services being provided to various stakeholders. An independent entity should perform regulatory functions that cover a wide range of financial and service aspects, such as service levels and pricing, to manage higher administrative and regulation costs. A public-private project with effective regulation will help maintain safety, security, and efficiency throughout the value chain.

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 to shorten traveller processing time.⁴⁸ Moreover, among the key priorities of the DOTr for 2023-2024 is technology advancement, particularly airport collaborative decision-making (A-CDM) for NAIA and Mactan-Cebu International Airport (MCIA) as well as the employment of digital ID for seamless airport passenger processing.⁴⁹ The Aviation Committee continues to advocate for strengthened digitalisation efforts with the aim of improving the whole passenger experience. This introduces an opportunity for travellers 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-through mobile applications for immigration processing time.

Relatedly, the DOTr reported that as of September 2023, nine major hubs/regional airports are under the PPP evaluation process. Meanwhile, over 40 airports are in various stages of development.⁵⁰ To this end, the Committee supports the direction of the Marcos administration to establish more regional airports under the infrastructure flagship projects (IFPs), which will aid in NAIA decongestion. Recently, during the Singapore Airshow, the Clark International Airport was highlighted by the DOTr as the next Asian hub for aerospace investments. The DOTr and Clark International Airport Corp. (CIAC) pitched the viability of the Clark International Airport to maintenance, repair, and overhaul (MRO) providers. The agencies also aimed for additional airlines to mount flights from the airport 80 kilometers away from Manila.⁵¹

46 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/

47 Iglesias, M. (19 March 2024). New NAIA operator to build 5th terminal. Retrieved from https://malaya.com.ph/news_business/new-naia-operator-to-build-5th-terminal/

48 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>

49 Presentation of Department of Transportation Undersecretary for Aviation and Airports Roberto Lim at the 2023 Aviation Summit

50 Ibid.

51 Rosales, E. F. (20 February 2024). Government to pitch Clark as new aviation hub. Retrieved from <https://www.philstar.com/business/2024/02/20/2334576/government-pitch-clark-new-aviation-hub>

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. With this, the Chamber backs the enactment of the Civil Aviation Authority Act of 2008 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 imperative. Presently, CAAP serves both as the inspector and the implementer of the safety and security of airports and aerospace, affecting the credibility of its functions. We are confident that this transition will enhance CAAP's effectiveness and foster a more efficient airport industry. Furthermore, it will facilitate human resource development, bolster the board's capabilities, and elevate the Philippines' alignment 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 developing Philippine airports through the Philippine Airports Authority (or Corporation) to provide 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 privatised airports. The privatisation of CAAP and having the Philippine Airport Corporation/ Authority (PAA) will also promote modernisation in the aviation and tourism industries. Nevertheless, setting a clear framework for the regulation of current privatised airports is imperative to ensure the quality and reliability of infrastructure assets and services.

As the Philippine economy and transportation sector expand at a rapid pace, a national transportation safety board independent of the DOTr becomes more crucial than ever. With this in view, the ECCP has been supporting the creation of a Philippine Transportation Safety Board, which will be able to prevent and minimise 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 veto of the PTSB bill by the Office of the President in 2022, the Chamber, together with the JFC, Safe Travel Alliance, and IATA, issued a public statement expressing their disappointment over the veto⁵² 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 2023.⁵³ The bill pushing for the establishment of the PTSB would have resulted in better transportation safety measures and standards for the country. The ECCP Aviation Committee 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 investigations 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 transportation sectors 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 witnesses of the accidents.⁵⁴

52 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/>

53 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/>

54 Joint Foreign Chambers of the Philippines. (04 August 2022). Stakeholders disappointed by veto of bill

The 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 performing their duties as an investigating body.⁵⁵ As such, we believe that the PTSB will further strengthen industry players and result in a more efficient transportation sector in the country. The significance of a competent safety board cannot be overstated in ensuring the country's sustained economic growth.

Strengthen the competitiveness of the aviation industry by instituting incentives for industry players and bridging the pay disparity of aviation professionals in the Philippines vis-à-vis other countries

The Philippine aviation industry plays a crucial role in the country's economic growth. However, one significant challenge it faces is the notable pay disparity between aviation professionals in the Philippines and those in other countries. This pay gap not only affects the morale and retention of skilled professionals but also hampers the industry's competitiveness as a whole.

The Philippines is suffering from a brain drain of aviation experts, including airline pilots, airline mechanics, and air traffic officers, as the salary offered in the country has a competitive disadvantage compared to other economies, mainly in the Middle East. For instance, air traffic controllers undergo a rigorous training program lasting at least one and a half years. Following this, they embark on an apprenticeship at an air traffic management facility to obtain their ratings. However, upon completing their training, many of these skilled professionals opt to pursue opportunities abroad, where starting salaries can be up to six times higher than the local average pay. With this, the Aviation Committee echoes the request of CAAP to the Governance Commission for Government-Owned and Controlled Corporations (GOCCs)(GCG) for it to facilitate the adjustment in the salary grades of air traffic personnel.⁵⁶

To address these issues, the Committee recommends that the government conduct an in-depth analysis of the current pay structures and benefits of aviation professionals in the Philippines compared to those in other countries. Concerned government offices must be able to identify key factors contributing to pay disparity, such as differences in industry regulatory environment and market demand. We also encourage industry-government collaboration to explore potential incentives or subsidies to support fair compensation for Philippine aviation professionals without compromising the industry's financial viability. As of 8 February 2024, there are a total of 45 operating pilot schools and 65 maintenance schools in the Philippines.⁵⁷ Among the DOTr's key priorities for 2023-2024 are strengthening the Civil Aviation Training Center and promoting heightened private sector cooperation for air transport skills training & development.⁵⁸ Taking these developments into account, there is a need to continue investing in training and skill development programs as well as aligning them with international standards and emerging technologies to ensure that Filipino professionals remain competitive in the global aviation market. We likewise recommend that the government allocate proceeds from airport privatisation towards either (1)

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/>

55 Ibid.

56 Rosales, E. F. (10 January 2023). Philippines losing air traffic controllers due to pay disparity. Retrieved from <https://www.philstar.com/headlines/2023/01/10/2236486/philippines-losing-air-traffic-controllers-due-pay-disparity>

57 Civil Aviation Authority of the Philippines. (8 February 2024). ATO Master List. Retrieved from <https://caap.gov.ph/wp-content/uploads/2024/02/List-of-Pilot-Maintenance-Schools-As-of-Feb.-8-2024.pdf?csrt=10671175543353546940>

58 Presentation of Department of Transportation Undersecretary for Aviation and Airports Roberto Lim at the 2023 Aviation Summit

reinvestment in non-privatised airports or (2) enhancement of critical areas such as talent development and infrastructure within government aviation responsibilities, notably air traffic control.

Related to the foregoing, aviation talent retention can be done through foreign investments that may aid in the increasing demand for highly qualified trained personnel. In conjunction with this, the Republic Act No. 11534, or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was enacted in 2021 aimed at adopting a more effective fiscal incentives system, ensuring that incentives are performance-based, time-bound, targeted, and transparent.⁵⁹ Although the passage of the law has resulted in significant strides in employment generation in the Philippines as a whole⁶⁰, aviation stakeholders have expressed their concerns that certain provisions of CREATE cause uncertainties over the future of tax breaks, which may dissuade foreign firms from investing in the Philippines. The initial adjustment of the incentives is a major issue for aviation industry investors. The Philippine Economic Zone Authority (PEZA)'s 5% gross income earned (GIE) will end in 2031, subjecting all prior investors to the 20-25% tax rate. Prior to the passage of the CREATE Law, the duration of the GIE incentives was not time-bound and locator firms could enjoy them without limits.⁶¹

While a sunset provision in CREATE enables current locators to still utilise a 5% tax rate on gross income for the next seven to ten years; this still does not address the confusion of longtime investors about the future of privileges they are presently entitled to. With these concerns, the ECCP Aviation Committee urges the Department of Finance (DOF) to facilitate and improve educational and awareness programs about CREATE. As the House of Representatives passes the CREATE to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill on final reading⁶² and awaits the deliberations of the Upper Chamber, the Committee is hopeful that the proposed amendments will not only enhance investor incentives but also clarify the rules and policies on the grant and administration of incentives to qualified enterprises.

Another concern is related to the effects on travel and tourism of the increased jet fuel excise tax. Under the Tax Reform for Acceleration and Inclusion (TRAIN) law, excise taxes on aviation turbo jet fuel and aviation gas cost PHP 5.00 per liter of volume capacity. In contrast, those of kerosene, when used as aviation fuel, cost PHP 4.00 per liter of volume capacity.⁶³ The ECCP and its JFC partners have long urged the government to scrap the excise taxes on jet fuel as industry players describe Manila as "the most expensive place in Asia to fuel an aircraft."⁶⁴ Increasing aviation fuel costs would result in surcharges that travellers would be shouldering in their airfares.

Ratify the Montreal Protocol 2014 to tackle the growing issue of unruly passengers

At the onset of the pandemic, several 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 seven months of 2021 versus one incident for every 1,561 for 17 months from 1 January 2020 to 31 July 2021. This is driven by the deliberate non-compliance of some travellers with the safety measures set by airlines to contain the spread of the coronavirus.⁶⁵

59 Senate of the Philippines. (2021). Republic Act No. 11534. Retrieved from https://legacy.senate.gov.ph/republic_acts/ra%2011534.pdf

60 Manila Standard. (4 January 2024). CREATE law seen creating 100,000 jobs. Retrieved from <https://www.manilastandard.net/business/banking-report/314404635/create-law-seen-creating-100000-jobs.html>

61 Monzon, A. (2 November 2022). PH aerospace industry urges CREATE Law review. Retrieved from <https://business.inquirer.net/370729/ph-aerospace-industry-urges-create-law-review>

62 House of Representatives. (2024). HB No. 9794. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT9794.pdf

63 Bureau of Internal Revenue. (n.d.) Excise Tax. Retrieved from <https://www.bir.gov.ph/index.php/tax-information/excise-tax.html>

64 Remo, A. R. (14 February 2014). Group urges gov't to scrap tax on jet fuel. Retrieved from <https://business.inquirer.net/164001/group-urges-govt-to-scrap-tax-on-jet-fuel>

65 International Air Transport Association. (2022). Unruly Passengers Fact Sheet. Retrieved from <https://>

However, unruly passengers seldom face prosecution or other legal or economic consequences for their misbehavior. To this end, the ECCP strongly believes that enacting 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 instrument that covers crimes committed on board aircraft affecting its deterrence impact.⁶⁶ It defines behaviors to be considered as an offense that can fall under legal proceedings as well as recognises 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 the Philippine government should craft a special penal code for the harmonisation of laws among contracting states vital for efficient compliance with the Protocol following its ratification.

Recently, the DOTr transmitted its endorsement of the MP14 to the Department of Foreign Affairs (DFA), which is a step forward. Once approved and supported by the DFA, MP14 will then be reviewed by the Office of the President, which will then transmit its endorsement to the legislative branch. IATA expects some semblance of full approval in 2024, with full implementation by 2025.

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.⁶⁷ 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 mutually benefit 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. Aiming to make a significant 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 modernise 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

www.iata.org/en/iata-repository/pressroom/fact-sheets/fact-sheet---unruly-passengers/

66 Ibid.

67 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/>

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 allow the country to secure its aircraft assets in the highly competitive and volatile global aviation market.

Upgrade the Philippine aviation safety systems and operations including cybersecurity

The long-term National Aerospace Plan should include necessary measures and allocate a sufficient budget to upgrade the Philippine aviation safety systems. One plausible development is CAAP's Management Service Agreement (MSA) with the ICAO in October 2023. During the course of the agreement, the CAAP will receive assistance to achieve higher strategic and compliance outcomes for aviation safety, capacity and efficiency, security and facilitation, environmental protection, and economic development through ICAO's Capacity Development and Implementation Bureau.⁶⁸

Last year, the government directed that the management agreement with the CAAP's communication, navigation, and surveillance/air traffic management (CNS-ATM) system's maintenance provider will be fast-tracked. Apart from this, the DOTr plans to improve hardware and software maintenance, hardware replacement, and fallback systems for software redundancy and consider establishing independent CNS/ATM in a separate location. The administration has collaborated with Sumitomo-Thales to assist the CAAP with system maintenance. However, no maintenance agreement was reached due to the government's financial issues.⁶⁹

Particularly in light of the technical failure on 1 January 2023 that brought the country's air traffic control system down, the ECCP Aviation Committee recommends the privatisation of air traffic control to provide direct air traffic control services. Following this incident, the DOTr stated that it intends to privatise the 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.⁷⁰ As such, the ECCP Aviation Committee emphasises the urgency of having an independent CNS-ATM and air transportation assets privatisation, recognising that the timely improvement of air traffic control-related infrastructure will ensure safety in the industry.

On cybersecurity, an improved contingency measure is essential 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 to not compromise aircraft safety. The International Civil Aviation Organization (ICAO)'s State Letter SP 74/1-21/22 dated 25 March 2021 emphasised 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 significant aviation safety risk to passengers, crew, and those on the ground.^{71,72} With this in mind, we recognise that the government should initiate active collaboration with aviation and telecommunication stakeholders for the industry to safely coexist

68 Civil Aviation Authority of the Philippines. (17 October 2023). Philippines signs Management Service Agreement with ICAO. Retrieved from <https://caap.gov.ph/philippines-signs-management-service-agreement-with-icao/>

69 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>

70 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>

71 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

72 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>

within a 5G environment. This can be achieved by sharing of inter-agency and inter-industry technical information and implementation plans. Furthermore, an appropriate and well-devised policy framework is also imperative to mitigate 5G deployment in flight operations and services.

Combat 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.⁷³

As of 16 March 2023, there are a total of 42 active AOC holders in the Philippines.⁷⁴ 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 penalise 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. 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.

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 2050.⁷⁵ In April 2016, the Philippines signed the Paris Climate Agreement, which outlines a sustainable framework to significantly reduce global greenhouse gas emissions globally.⁷⁶ The global aviation industry believes that sustainable development of aviation cannot be accomplished until the sector is decarbonised.

73 The Air Charter Association. Retrieved from <https://www.theaircharterassociation.aero/compliance/illegal-charter/#:~:text=What%20is%20an%20illegal%20charter,must%20legally%20be%20no%20payment.>

74 Civil Aviation Authority of the Philippines. (16 March 2023). List of Active Air Operator Certificate Holders as of March 16, 2023. Retrieved from <https://caap.gov.ph/wp-content/uploads/2023/09/List-of-Active-Air-Operator-Certificate-AOC-Holders-as-of-16-March-2023.pdf?csrt=10671175543353546940>

75 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

76 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-postupdate/9115-philippines-174-countries-sign-paris-climate-agreement>

Otherwise, increasing taxes and restrictions would be imposed on international air transport, jeopardising its future growth. For this reason, in 2021, the global aviation sector, regrouped as ATAG (airlines, aircraft manufacturers, airports, and air navigation services), has 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.⁷⁷

On 22 July 2022, at the ICAO High-Level Meeting on Long-Term Aspirational Goals (LTAG), ICAO Member States took a step forward in adopting LTAG for international aviation emissions. A formal agreement at the 41st ICAO Assembly would underpin a common approach by states to decarbonise 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.⁷⁸

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 adopting sustainable aviation fuel (SAF).

The national climate action plan of the Philippines should also include devising policy support for aircraft manufacturers to accelerate research, facilitate 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. Additionally, Air Navigation Service Providers (ANSPs) should implement Aviation System Block upgrade programs while the business community boosts SAF purchase agreements.

With this in mind, the Chamber supports the DOE's plan to push the adoption of SAF in the Philippines by 2027. The Agency is working to establish the necessary framework and regulations to support the adoption of SAF and conducted consultations in February 2023 along with the CAAP, Philippine National Oil Co., and the European Aviation Safety Agency (EASA) and discussed the potential advantages of SAF. EASA has also prepared a proposal for the SAF readiness evaluation for the Philippines, which was completed in December 2023.⁷⁹ CAAP is now in the process of reviewing the report and will be developing a SAF roadmap with the DOE beginning 2024. The National Biofuels Board (NBB) formalised the formulation of the roadmap and the formation of the technical working group (TWG) on 21 March 2024.⁸⁰ The Philippines has also expressed support in SAF through voluntary participation in the ICAO Assistance, Capacity-building and Training for Sustainable Aviation Fuels (ACT-SAF) programme.⁸¹ Meanwhile, the DOTr will be rolling out e-ground support equipment and renewal energy at Philippine airports by 2024, as well as pushing for the adoption of SAF.⁸²

77 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.

78 International Air Transport Association. (n.d.). Our Commitment to Fly Net Zero by 2050. Retrieved from <https://www.iata.org/en/programs/environment/flynetzero/>

79 Department of Energy. (18 September 2023). DOE affirms commitment to sustainable aviation fuel for the aviation transport decarbonization. Retrieved from <https://www.doe.gov.ph/press-releases/doe-affirms-commitment-sustainable-aviation-fuel-aviation-transport-decarbonization>

80 DOE Undersecretary Alessandro Sales during the Sustainable Aviation Fuel: Powering #OnePHAviation forum on 19 March 2024

81 Presentation of CAAP Strategic Planning Division OIC EnP. Sofia Paula R. Fulmaran during the ECCP Aviation Committee Meeting on 15 March 2024

82 Presentation of Department of Transportation Undersecretary for Aviation and Airports Roberto Lim at the 2023 Aviation Summit

The ECCP and its Aviation Committee acknowledge that the SAF industry in the Philippines is at its infancy stage. Nevertheless, we advocate for the promotion of certification standards that ensure SAF eligibility under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA). By encouraging CORSA eligibility certification for SAF, governments and aviation stakeholders can incentivise investment in sustainable fuel production while facilitating compliance with international emission reduction targets. Additionally, promoting certification to CORSA standards will enhance transparency, credibility, and market confidence in SAF, fostering its widespread adoption across the aviation sector and accelerating progress towards a more sustainable future for air travel.

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 worldwide 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 public and private stakeholders 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 realising sustainable travel.

ASSESSMENT OF 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Formulate a long-term National Aerospace Plan		
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)		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>During the meeting with the ECCP Aviation Committee on 22 March 2023, DOTr shared that the Philippine National Airports Master Plan is currently being conducted.</p>	
<p>In February 2024, the DOTr announced the San Miguel Corp. (SMC)-SAP & Co. Consortium as the winning bidder for the NAIA rehabilitation project. The NAIA upgrade project involves the restoration of passenger terminals and airside facilities such as the runway, aircraft parking area, and airfield lighting, and installing infrastructure to allow for intermodal transfers at the terminal.</p>	
<p>In the 19th Congress, SBN 1121 and HBN 1801 were filed to push for the PTSB creation. Senate Committee Report No. 38 was filed in March 2023, while HBN 1801 has been with the Committee on Government Reorganisation since August 2022.</p>	
<p>In the Lower House, HBN 2234, or An Act Creating the Philippine Airports Corporation has been pending with the Committee on Government Enterprises and Privatisation since August 2022. SBN 1073 has been pending at the Committee level since September 2022.</p>	
<p>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. Meanwhile, its Senate counterparts, SBN 1003 and 1654, filed in August 2022 and January 2023, respectively, have been pending at the committee level.</p>	
<p>Recently, the DOTr transmitted its endorsement of the MP14 to the Department of Foreign Affairs (DFA). Once approved and supported by the DFA, MP14 will then be reviewed by the Office of the President, which will then transmit its endorsement to the legislative branch.</p>	
	<p>As of writing, the Philippines is not a Contracting State under the Convention or the Protocol concluded in Cape Town.</p>

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
<p>Strengthen the role of the aviation industry in humanitarian assistance and upgrade the Philippine aviation safety systems including cybersecurity</p>		
<p>Incorporate sustainability in a long-term strategy for the development of the Philippine aviation industry</p>		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The Civil Aviation Authority of the Philippines (CAAP) entered into a management service agreement with the International Civil Aviation Organisation (ICAO). Under the agreement, CAAP will receive assistance to achieve higher strategic and compliance outcomes for aviation safety, capacity and efficiency, security and facilitation, environmental protection, and economic development through ICAO's Capacity Development and Implementation Bureau.</p>	
<p>The DOE said it has taken the first steps towards getting airlines ready for the global adoption of sustainable aviation fuel (SAF) starting in 2027. The Agency is working to establish the necessary framework and regulations to support the adoption of SAF. Moreover, the DOE conducted consultations in February 2023 along with the CAAP, Philippine National Oil Co., and the European Aviation Safety Agency (EASA) and discussed the potential advantages of SAF in preparation for full compliance by 2027.</p>	

ENVIRONMENT AND WATER ADVOCACY PAPER 2024

ON WATER

INTRODUCTION

Water is a fundamental resource essential for sustaining life and driving economic activities. Its importance cannot be overstated, as it weaves through our economic fabric, sustaining livelihoods across diverse sectors such as agriculture, industry, and domestic use.¹ Access to clean water is not only a basic human right but also a necessity for public health and sanitation.² However, globally, millions of people struggle to access clean water, facing challenges such as pollution, scarcity, and inadequate infrastructure, impeding progress towards achieving Sustainable Development Goal (SDG) 6 by 2030 which aims to “ensure availability and sustainable management of water and sanitation for all.”³

According to the 2023 World Water Development Report by the United Nations (UN) Water and the United Nations Educational, Scientific and Cultural Organization (UNESCO), two billion people lack safe drinking water, while 3.6 billion people lack access to safely managed sanitation. Furthermore, global water demand already outstrips availability. Recent data from World Resources Institute’s (WRI) Aqueduct Water Risk Atlas show that 25% of the global population experiences extremely high water stress each year, and 50% of the world’s population lives in highly water-stressed conditions for at least one month of the year.⁴ By 2050, experts predict that an additional one billion people will experience extremely high water stress.

1 Klobucista, C., Robinson, L. (03 April 2023). Water Stress: A Global Problem That’s Getting Worse. Retrieved from <https://www.cfr.org/backgrounder/water-stress-global-problem-thats-getting-worse>.

2 World Health Organization. (21 June 2022). Progress on drinking-water, sanitation and hygiene in schools: 2000-2021 data update. Retrieved from <https://www.who.int/publications/m/item/progress-on-drinking-water-sanitation-and-hygiene-in-schools-2000-2021-data-update>.

3 RELX Sustainable Development Goals (SDGs) Resource Centre. (2024). World Water Day 2024: Harnessing Sustainable Development Goals (SDG) for Global Water Sustainability. Retrieved from <https://sdgresources.relx.com/events/world-water-day-2024>.

4 UNESCO World Water Assessment Programme. (2023). The United Nations World Water Development Report 2023: partnerships and cooperation for water. Retrieved from <https://unesdoc.unesco.org/ark:/48223/pf0000384655>.

BY 2050, AN ADDITIONAL 1 BILLION PEOPLE ARE EXPECTED TO LIVE WITH EXTREMELY HIGH WATER STRESS

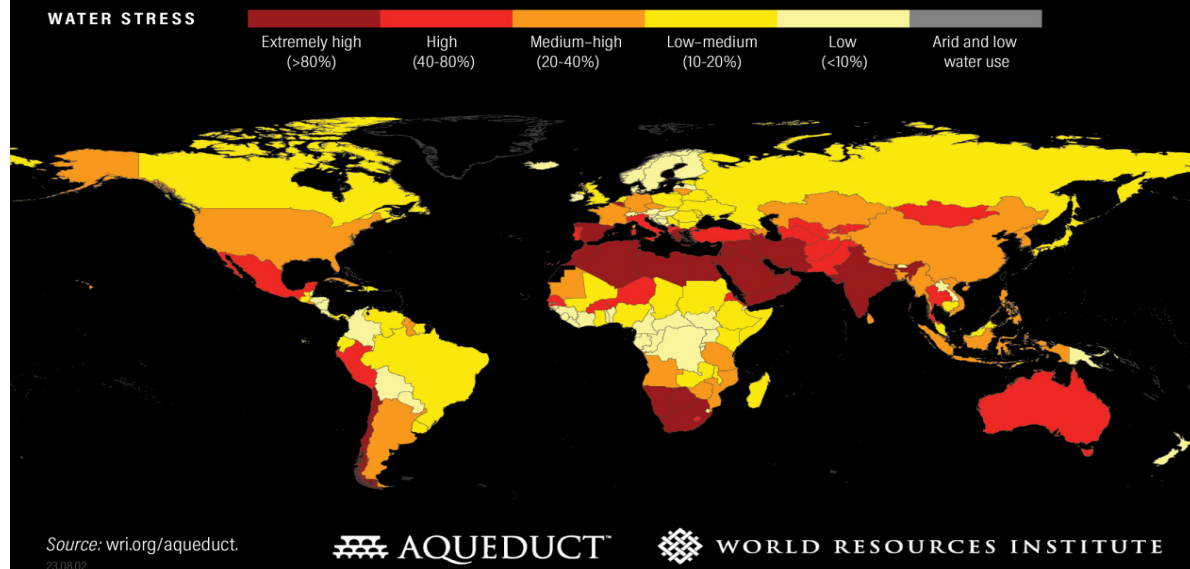


Figure 1. Water Stress Level Map, 2023
Source: Water Resource Institute

The Philippines, as an archipelago, exemplifies the complexities and challenges of water security. Disparities in access to clean water and sanitation persist, particularly in rural and marginalised communities. According to the 2023 Philippines Economic Update report focused on Safe Water and Sanitation by the World Bank, only 48% of the Philippine population receives safely managed water services, and approximately 63% have access to safely managed sanitation services as of 2022.⁵ These figures are notably lower than the average within the East Asia Pacific (EAP), which stands at around 74% for safe water access and 69% for access to sanitation.

Additionally, another study conducted by the WRI projected that the Philippines will experience a high degree of water shortage by 2040, ranking 57th as the likely most water-stressed country out of 167 countries.⁶ In the case of Metro Manila, the Metropolitan Waterworks and Sewerage System (MWSS) has been implementing a Water Security Roadmap in close collaboration with the private sector. The roadmap identifies several water sources that are meant to address the region's dependence on Angat Dam and further takes into consideration the population's forecasted water demand until 2046. In addition to water scarcity and infrastructure development needs, climate change has also become a topmost consideration among national government agencies.⁷

⁵ World Bank. (07 December 2023). Philippines Economic Update: Safe Water And Sanitation For All (December 2023). Retrieved from <https://reliefweb.int/report/philippines/philippines-economic-update-safe-water-and-sanitation-all-december-2023>.

⁶ UNICEF Philippines. (30 November 2023). Climate change is altering the mental and physical health of children - UNICEF report/. Retrieved from <https://www.unicef.org/philippines/press-releases/climate-change-altering-mental-and-physical-health-children-unicef-report>.

⁷ DENR. (1 February 2024). DENR and DILG hold Summit to address waste, water challenges at LGU level. Retrieved from <https://denr.gov.ph/news-events/denr-and-dilg-hold-summit-to-address-waste-water-challenges-at-lgu-level/>.

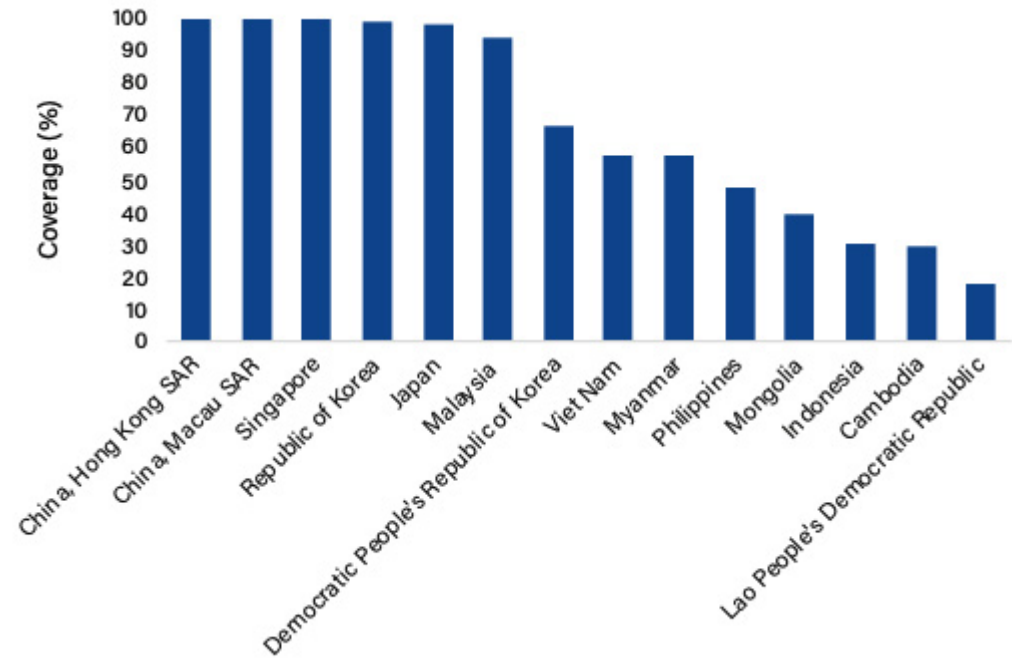


Figure 2. Safely Managed Water Supply in Eastern and Southeastern Asia
Source: World Bank

In response to the ongoing issues and challenges surrounding water, the national government is implementing integrated water resources management approaches in active collaboration with the private sector and all stakeholders. This collaborative effort aims to safeguard current and future access to sustainable, equitable, and safe water resources.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **Water projects:** According to the Department of Finance (DOF), the current Administration is pursuing the implementation of PHP 839 billion worth of water projects in a bid to boost the Philippines' water resources.⁸ The 44 infrastructure flagship programs are implemented under the government's flagship infrastructure program, known as Build Better More, with the biggest project being the Central Luzon-Pampanga River Floodway Control Project with an indicative cost of PHP 115.05 billion, followed by the Parañaque Spillway Tunnel Project with an estimated cost of PHP 102.21 billion.⁹
- The National Irrigation Administration (NIA), National Water Resources Board (NWRB), and Department of Environment and Natural Resources - Water Resources Management Office (DENR-WRMO) signed a **Memorandum of Agreement (MOA)** on 4 October 2023 with the intent to repurpose

⁸ Simeon, L. (14 February 2024). Government pushes P839 billion water infrastructure projects. Retrieved from <https://www.philstar.com/business/2024/02/14/2333121/government-pushes-p839-billion-water-infrastructure-projects>

⁹ Ibid.

NIA's water rights. The MOA intends to maximise the use of irrigation water to be used for power generation, bulk water supply, aquaculture, recreation, tourism, and various other endeavours aside from agriculture use. The memorandum ensures the consistent and unhindered provision of irrigation needs to NIA's current agricultural lands and other areas designated for irrigation development.¹⁰

- In 2023, the DENR published **135 water projects** for potential private sector collaboration under the public-private partnership (PPP) scheme. These projects involving water rights from NIA are situated in areas across the country with existing NIA infrastructure. The initiative aims to leverage and optimise available excess water for enhanced bulk water supply and hydropower production. In January 2024, Undersecretary Carlos Primo David of the WRMO extended the initiative, incorporating an additional 112 water projects into the PPP investment portfolio.¹¹
- **Integrated Water Resource Management Plan (IWRMP):** One of the mandates of the WRMO is the implementation of the Integrated Water Resources Management Plan (IWMP). The IWMP harmonises major water sector plans and strategies for a common water security agenda in the areas of (1) water supply development, (2) water distribution, and (3) overall water use management through governance and regulatory reforms, science-based decision-making, monitoring and enforcement, financing, water demand management, and climate change adaptation.¹²
- **Creation of the Department of Water:** House Bill No. 9663, otherwise known as the National Water Resources Act which seeks to create the Department of Water Resources and the Water Regulatory Resources was passed on third reading last 12 December 2023.¹³ Under the proposed legislation, the DWR *“shall be the primary agency responsible for the comprehensive and integrated identification and mapping of all water resources, planning, policy formulation, and management of the ownership, appropriation, utilisation, exploitation, development, and protection of water resources in the Philippines”*.¹⁴ The bill also provides for the creation of a Water Regulatory Commission (WRC) that will be responsible for economic regulation matters, including tariff frameworks, rules, and guidelines. To note, the proposed legislation is included in the list of the Legislative Executive Development Advisory Council (LEDAC) common legislative agenda.¹⁵

10 National Irrigation Administration. (5 October 2023). NIA, NWRB, and DENR-WRMO sign MOA on repurposing NIA's water rights. Retrieved from <https://www.nia.gov.ph/content/nia-nwrp-and-dnr-wrmo-sign-moa-repurposing-nia%E2%80%99s-water-rights>

11 Public-Private Partnership Center. (13 February 2024). PPP water project list expanded by 112 new sites. Retrieved from https://ppp.gov.ph/in_the_news/ppp-water-project-list-expanded-by-112-new-sites/

12 DENR. (2023). Water Resources Management Office. Retrieved from <https://controlmap.dnr.gov.ph/arcgis/apps/sites/#/wrmo-website>.

13 House of Representatives. (December 2023). House Bill No. 9663 otherwise known as the National Water Resources Act. Retrieved from <https://www.congress.gov.ph/search/#19>

14 House Bill No. 9663. See also: Cervantes, F. (12 December 2023). House passes PBBM priority bills. Retrieved from <https://www.pna.gov.ph/articles/1215312>

15 National Economic and Development Authority. (27 February 2024). LEDAC Common Legislative Agenda (CLA) 19th Congress. Retrieved from <http://ledac.neda.gov.ph/wp-content/uploads/2024/02/List-of-LEDAC-CLAs-of-February-27-2024.pdf>

ADVOCACY RECOMMENDATIONS

Creation of an overseeing agency for the water sector

The Philippine Water Sector is often characterised by its being institutionally fragmented, with over 30 agencies performing water-related mandates including irrigation, watershed management, pollution, flood control, and water supply. In recognition of the need to promote good water sector governance, President Marcos, through Executive Order No. 22, s. 2023 created the WRMO mandated to implement the IWMP and shepherd the passage of a bill creating the DWR and WRC.¹⁶ Relatedly, House Bill 9663, seeking to establish a DWR and WRC was approved on third reading by the House of Representatives on 12 December 2023.¹⁷

As an interim measure, the ECCP welcomes the establishment of the WRMO and we look forward to the crafting of the Water Resources Master Plan. In the longer term, the ECCP urges the Philippine government to create an apex and centralised body which will act as the lead agency to oversee and coordinate overall policy and program implementation on all matters relating to water. As such, we welcome the inclusion of the creation of the Department of Water Resources in the list of LEDAC common legislative agenda. Creating a Department to oversee the Philippine Water Sector, at the very least, will ensure that issues and concerns in the sector are being handled by a line agency led by a member of the Cabinet of the President of the Philippines. This will allow for a better venue for the resolution of the same issues and concerns which are critical to the sector that provides both a social and economic good to Filipinos. Furthermore, this will also help the establishment and operations of businesses, as well as attract new investors given the improved governance of the said sector.

We note that the envisioned DWR is expected to introduce crucial reforms and strategic direction within the sector. It will improve institutional dynamics, foster accountability, and promote cooperation across the board. On the economic regulatory front, the establishment of an autonomous and quasi-judicial WRC is anticipated to nurture a business and regulatory climate that is supportive of private sector engagement. Beyond merely shaping an enabling environment and institutionalising an effective governance framework, the DWR and WRC are instrumental in encouraging industry stakeholders to capitalise on investment opportunities for sustained growth. This initiative will not only ensure the financial viability of Water Service Providers (WSPs) but also facilitate the provision of more cost-effective services.

Increased support for water and sanitation-related programs and projects

As part of our long-standing advocacies, the ECCP supports the government's prioritisation of water and wastewater infrastructure projects. As such, we welcome the plan of the DENR to focus on carrying out the 135 water security projects for potential private sector investment and support.

To further support this initiative, we advocate for the diversification of infrastructure projects to not just focus on water supply, but to also include wastewater treatment facilities and sanitation infrastructure such as sewage treatment plants, latrines, and septic tanks among others. Relatedly, we look forward to having a dynamic business environment supportive of public-private partnership opportunities and incentive mechanisms.

16 Office of the President. (27 April 2023). Executive Order No. 22, Creating the Water Resources Management Office in the Department of Environment and Natural Resources. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/04apr/20230427-EO-22-FRM.pdf>

17 House of Representatives. (December 2023). House Bill No. 9663 otherwise known as the National Water Resources Act. Retrieved from <https://www.congress.gov.ph/search/#19>

We believe that the strong involvement of the private sector bridges the gap of the financial and technical needs for infrastructure of the water sector, thereby contributing to the attainment of the country's Sustainable Development Goals related to water security.

Improve the local government units' (LGU) operational efficiency and capacity to effectively implement their water and sanitation-related programs

LGUs play a critical role in advancing water security and sanitation access in the Philippines, particularly in far-flung areas that are still depending on wells and springs, as they are the primary agency responsible for the delivery of water supply, wastewater management, and sanitation infrastructure. However, challenges remain such as limited technical expertise, inadequate funding, and institutional capacity constraints, hindering their ability to effectively plan, implement, and sustain water and sanitation initiatives.

We believe that by leveraging their local knowledge, authority, and resources, the government will be able to implement context-specific interventions that improve the well-being of communities while safeguarding the country's water resources and environment. As such, we recognize the need for capacity-building of LGUs through targeted training programs, technical assistance, and institutional support. Doing so will empower LGUs to address these challenges, mobilise resources, and implement evidence-based solutions tailored to local needs.

The ECCP notes that empowering LGUs will enable them to play a more proactive and impactful role in advancing water security, promoting public health, and achieving SDG 6 on water and sanitation.

ON WASTE MANAGEMENT

INTRODUCTION

On a global scale, land pollution poses a significant environmental challenge, with plastics being a major contributor due to their slow degradation rates and long lifespan. According to the United Nations Development Programme (UNDP), the world generates 430 million metric tons of plastic pollution annually, the majority of which is neither recycled nor reused.¹⁸ At this rate, the amount will triple by 2060. Despite efforts to address it, the persistent issue of plastic pollution worsens as the consumption of this versatile material continues to rise alongside rapid urbanisation worldwide. According to a report by the Organization for Economic Cooperation and Development (OECD), without intervention, over 33 million short tons of macroplastic trash—plastic waste larger than 5 millimetres—will be introduced into the environment annually by 2040.¹⁹ These anticipated patterns are expected to result in a greater release of plastic into both land and water habitats, amplifying negative environmental impacts. Specifically, the annual release of macroplastics alone is projected to rise by 50% from 2020 to 2040, reaching 30 million metric tons.²⁰ This will have a detrimental effect on ecosystems, human wellbeing, coastal economy, and pose hazards of potentially irreparable damage.

18 Sulan, C. (22 November 2023). A global treaty to end plastic pollution is in sight. Retrieved from <https://www.undp.org/blog/global-treaty-end-plastic-pollution-sight>

19 Organization for Economic Cooperation and Development. (November 2023). Towards Eliminating Plastic Pollution by 2040: A Policy Scenario Analysis. Retrieved from <https://www.oecd.org/environment/plastics/Interim-Findings-Towards-Eliminating-Plastic-Pollution-by-2040-Policy-Scenario-Analysis.pdf>

20 Shardul, A. (15 February 2023). A deep dive into the OECD's Global Plastic Outlook 2060. Retrieved from <https://packagingeurope.com/features/a-deep-dive-into-the-oecd-s-global-plastic-outlook-2060/9396.article>

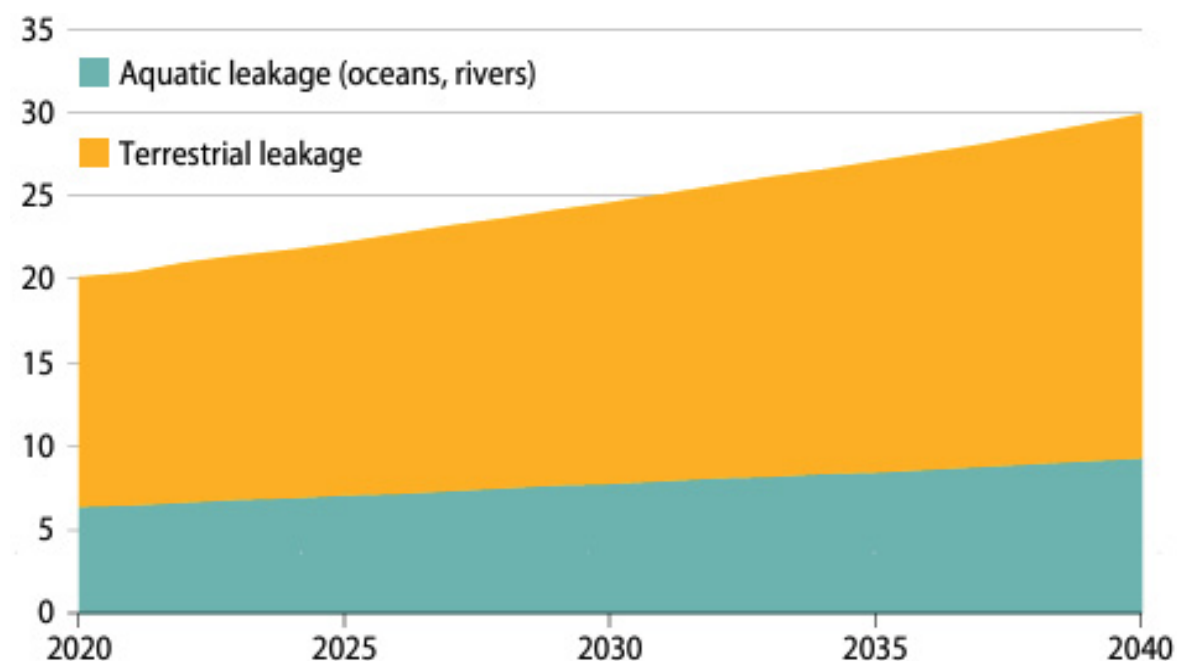


Figure 3. Plastic Leakage to the Environment
Source: Organization for Economic Cooperation and Development

Tackling the plastic pollution crisis is also a persisting problem in the Philippines, as it has reached a critical point, with numerous implications. According to a report by the World Bank, the Philippines produces an estimated 2.7 million tons of plastic waste annually, to which a significant portion ends up in landfills and bodies of water.²¹ Furthermore, a study by Science Advances revealed that the country is leading the top ocean plastic contributors, having a share of 36.38%, followed by India with 12.92%, Malaysia with 7.46%, China with 7.22%, and Indonesia with 5.75%.^{22,23} One of the main causes behind the plastic pollution crisis is the country's high dependence on single-use plastics like multilayer sachets and pouches, thereby leading the Philippines to become a "sachet economy." The Department of Environment and Natural Resources (DENR) noted that the country produces 163 million plastic sachet packets, 48 million shopping bags, and 45 million thin-film bags daily and that 33 percent are disposed of in landfills and dumpsites, while 35 percent are leaked into the open environment and oceans.²⁴

21 World Bank. (2021). Market Study for Philippines: Plastics Circularity Opportunities and Barriers. Retrieved from <https://www.worldbank.org/en/country/philippines/publication/market-study-for-philippines-plastics-circularity-opportunities-and-barriers-report-landing-page>

22 Meijer, L.J.J. et al. (2021). More than 1000 rivers account for 80% of global riverine plastic emissions into the ocean. Retrieved from <https://www.science.org/doi/10.1126/sciadv.aaz5803>.

23 Our World in Data. (2019). Share of global plastic waste emitted to the ocean, 2019. Retrieved from <https://ourworldindata.org/grapher/share-of-global-plastic-waste-emitted-to-the-ocean?tab=table&country=PHL~IND~MYS~CHN~IDN>.

24 Cariaso, B. (06 August 2023). Philippines produces 61,000 million metric tons of waste daily. Retrieved from <https://www.philstar.com/headlines/2023/08/06/2286595/philippines-produces-61000-million-metric-tons-waste-daily>

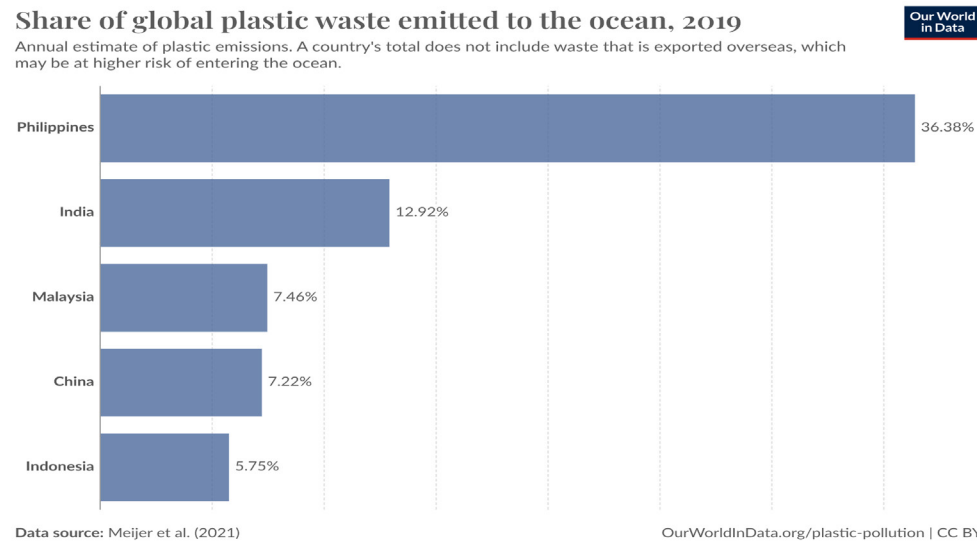


Figure 4. Share of global plastic waste emitted to the ocean
Source: Our World in Data

To address the ongoing crisis on plastic pollution, a major push by the national government is the enactment of the Extended Producer Responsibility (EPR) Act, which widens the environmental accountability of enterprises for the life cycle of goods they produce. This campaign on reducing plastic waste in the terrestrial and marine environment necessitates a strong commitment for cooperation between the public and private sectors.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **Excise Tax on Single-Use Plastics:** The Department of Finance has expressed its support to impose an excise tax on single-use plastic bags (SUPs) to combat the alarming increase of mismanaged plastics in the country and contribute to the country's net zero targets to combat climate change. According to DOF Undersecretary Adriano, the Department's proposal is to have a weight-based rate wherein an excise tax of PhP100 per kilogram will be imposed on non-recyclable SUP bags such as "labo", "ice", or "sando" bag with a proposed 4% annual increase on the third year of implementation. If implemented, the proposal will lead to a slight price increase of labo bags to PhP0.47 cents from PhP0.82 cents, and sando bags to PhP0.91 cents from PhP0.51. The revenue generated from the measure, estimated at PhP31.52 billion, will be used for the DENR's solid waste management program in the localities.²⁵
- **Extended Producer Responsibility Act:** On 13 February 2024, the DENR presented and held a public consultation on the draft Administrative Order (DAO) on Extended Producer Responsibility (EPR) Reporting and Auditing Guidelines. The guidelines aim to establish a transparent and accountable framework for producers and stakeholders, ensuring effective fulfilment of their environmental responsibilities. The final version is expected to be released on 22 March in consideration of the deadline of submissions on 1 July 2024.

²⁵ Department of Finance. (25 March 2024). DOF pushes for excise tax on single-use plastic bags, a win-win solution to address climate change. Retrieved from <https://www.dof.gov.ph/dof-pushes-for-excise-tax-on-single-use-plastic-bags-a-win-win-solution-to-address-climate-change/>

- **Green Economy Program:** The Green Economy Program is a €60-million financing agreement between the EU and the Philippines which seeks to support the Philippines in areas such as circular economy, waste management, renewable energy and energy efficiency, and climate change mitigation.²⁶ The DENR aims for the program to contribute to the implementation of the Extended Producers' Responsibility Act to directly address the challenges of plastic pollution and marine litter while enabling investments and innovations in the waste management and recycling industry. The said program was officially launched on 11 March 2024.²⁷
- **Carbon pricing:** The Department of Finance (DOF) has announced the need to study carbon pricing instruments to help the country attain a low-carbon economy. Furthermore, the DOF mentioned the need to develop emissions trading systems (ETS) and carbon tax to encourage industries and individuals to make a conscious effort to reduce their carbon footprint. The said effort will also allow the government to collect financial resources to gain fiscal space. In addition, the Secretary also emphasised the need to have extensive research on low-carbon technologies and an incentive scheme in place for behavioural change.²⁸
- **Single-Use plastic ban:** On 13 November 2023, the House Committee on Ecology approved the proposed Single-Use Plastic Packaging Regulation Act, which seeks to: (i) Phase out in four years plastic plates and saucers, oxo-degradable plastics and film wraps less than 50 microns thick and (ii) discontinue in one year the use of flexible drinking straws, stirrers, sticks for candy, balloons or cotton buds, buntings, confetti and packaging less than 10 microns thick.²⁹
- **Regulation on packaging and packaging waste in the European Union:** In March 2024, the European Council and Parliament reached a provisional political agreement proposing a regulation on packaging and packaging waste. The proposed measure takes into consideration the full life-cycle of packaging, as well as provides labelling harmonisation requirements in line with enhancing consumer awareness. Among the main features of this proposal are sustainability requirements and recycled content in packaging, reuse targets and refill responsibilities, and deposit return systems.³⁰

²⁶ Department of Finance. (25 October 2023). Joint Release Global Gateway Forum: EU and Philippines sign €60 million Green Economy Programme paving the way to a sustainable future. Retrieved from <https://www.dof.gov.ph/global-gateway-forum-eu-and-philippines-sign-e60-million-green-economy-programme-paving-the-way-to-a-sustainable-future/>

²⁷ Delegation of the European Union to the Philippines. (11 March 2024). Department of Environment and Natural Resources (DENR) and the European Union Unveil New Programme on Circular Economy and Waste Prevention. Retrieved from https://www.eeas.europa.eu/delegations/philippines/department-environment-and-natural-resources-denr-and-european-union-unveil-new-programme-circular_en?s=176

²⁸ Department of Finance. (17 January 2024). Recto calls for study of carbon pricing instruments, underscores need to identify optimal mix for PH. Retrieved from <https://www.dof.gov.ph/recto-calls-for-study-of-carbon-pricing-instruments-underscores-need-to-identify-optimal-mix-for-ph/>

²⁹ Cruz, B. (13 November 2023). House body approves bill regulating single-use plastics. Retrieved from <https://www.bworldonline.com/the-nation/2023/11/13/557217/house-body-approves-bill-regulating-single-use-plastics/#:~:text=The%20House%20ecology%20committee%20approved,and%20bags%20to%20reduce%20waste.>

³⁰ European Council. (04 March 2024). Packaging: Council and Parliament strike a deal to make packaging more sustainable and reduce packaging waste in the EU. Retrieved from <https://www.consilium.europa.eu/en/press/press-releases/2024/03/04/packaging-council-and-parliament-strike-a-deal-to-make-packaging-more-sustainable-and-reduce-packaging-waste-in-the-eu/>.

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

Over the years, plastic pollution has emerged as one of the most pressing environmental issues worldwide. This is due to the continuous rise in the production and usage of disposable plastic products, coupled with inefficient garbage collection and recycling systems, especially in developing countries.

The ECCP reiterates its support to the implementation of a mandatory Extended Producers Responsibility (EPR) scheme in the country. An EPR scheme requires significant public and private sector investment towards the establishment of a sustainable waste management infrastructure involving many players that will divert, reuse, reduce, and recycle waste.

We appreciate the initiative of the government to conduct public consultations with stakeholders to develop an inclusive, target based, phased, achievable, and implementable EPR scheme, and welcome the release of the initial draft guidelines for the EPR reporting and auditing guidelines. We look forward to working with the government and other stakeholders in crafting other pertinent guidelines of the law, particularly on the penalties and incentives, to implement this measure effectively and efficiently.

In addition to this, following some movements in the Congress on the banning of single use plastics, we reiterate the following recommendations as initially submitted to the Congress:

1. Banning necessitates affordable and appropriate alternatives. Otherwise, this can put consumers at a disadvantage and worsen the problem at hand.

Banning single-use plastics necessitates the existence of affordable, viable alternatives. The alternatives must meet (1) the desired quality, (2) minimum specifications; and (3) circumstances for the use; (4) supply of materials; (5) policy side; and (6) competitive cost.

Plastics are widely used given their versatile properties including the following: (1) moisture-resistant, providing a barrier against moisture and oxygen, preventing immediate the contamination of a product; (2) widely available and inexpensive; (3) malleable, easily be shaped in different forms (4) lightweight but highly durable, making it an excellent packaging material; (5) protection of product when transported, and transferred from one transport mode to another; and (6) resistant to corrosion and chemicals.

Any alternative material that fails to meet the aforementioned criteria could do more harm than good. It is feared that hastily banning plastics without an appropriate alternative will lead to proliferation of untested substitutes. This could ultimately compromise consumers' health and safety as food products could potentially get contaminated or spoiled. Also, currently, apart from the health safety reasons mentioned earlier, there are no commercially viable large-scale alternatives to sachets and multi-layer packaging, which may fall under the category of 'film wrap, packaging, or bags of less than 50 microns in thickness'.

We believe that a ban on plastic will not properly address the plastic waste issue, and a tax will ultimately burden the consumers. We should not ban products without clear alternatives that are proven to have better environmental, economic and social impact, especially if research has shown that replacing plastics with available alternatives would have significant negative environmental impact. In partnership with the government, industry can help develop sound, data-based or researched-based programs, solutions, regulations and legislation. This will create better environmental and economic outcomes instead of unintended consequences that will promote the use of less recoverable/recyclable/reusable, unstudied alternatives.

To avoid causing interpretational issues that can cause economic disruptions, and health and safety

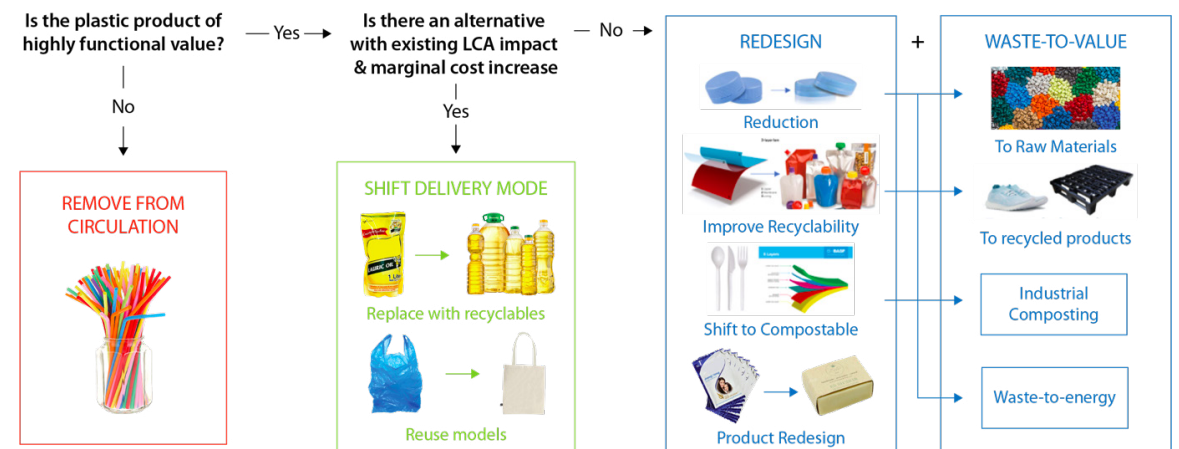
issues, we believe SUP should be defined in consultation with industry stakeholders. Legislation should allow for packaging materials to continue to serve its product safety, hygiene and quality functions to continue compliance with the FDA and DTI's high regulatory standards and protocols, which ultimately protect consumers. Additionally, it is important that any regulations or legislation regarding plastic packaging remain adaptable to accommodate the rapid advancements in technology and innovation.

2. Proper waste management should be prioritised. Merely shifting from single-use plastics to reusables may not guarantee significant marine litter reduction.

While shifting to reusables from single-use plastics may be beneficial, it still does not fully guarantee significant reduction in marine litter. In the Philippines, 74% of plastic leakage originates from waste that has already been collected.³¹ With the dumping of private haulers and the habitual littering of individuals, shifting from single-use plastics to reusable may not be enough to solve the entire marine litter issue. The need to strictly enforce RA 9003, Ecological Solid Waste Management Act of 2000 becomes even more obvious and crucial. Assistance and incentives for local government units must be provided so that proper waste management is implemented in the community. Local government units must be able to collect, segregate, and process waste from their own constituents.

3. Policy decisions must be backed up by thorough, scientific studies. A complex problem requires a tailor-fit approach based on the purpose, minimum specifications, and circumstances of its use.

Policy decisions should be backed up by scientific studies such as the life-cycle sustainability assessment (LCSA) which will help provide an objective evaluation of a product's environmental, social and economic benefits and negative impacts throughout its life-cycle. In addition, a one-size-fits-all solution is not ideal; a tailor-fit approach must be considered depending on the scenario.



[Scenario 1] For single-use plastics of low functional value, these items should be removed from circulation and banned immediately or replaced with recyclable materials.

[Scenario 2] Should there be an existing alternative with a lower life-cycle assessment impact and a lower marginal cost increase, there must be a shift in delivery mode: replace these single-use plastics with recyclables. Such an approach should be promoted and even incentivized.

[Scenario 3] In cases where single-use plastic products are still the most appropriate materials, **packaging and product redesign** should be applied to reduce the plastic in general and to facilitate the

31 World Wild Fund (2018). The scourge of single-use plastic in the Philippines. Retrieved from https://wwf.panda.org/knowledge_hub/where_we_work/coraltriangle/?329831/The-scourge-of-single-use-plastic-in-the-Philippines

shift to circular economy. For this scenario, materials reduction, improvement of recyclability, shifting to compostable, as well as product redesign are potential options. Materials reduction requires innovation in order to decrease the amount of plastic in a particular product without sacrificing its functionality. Shifting to compostable and product redesign are also deemed as viable options.

Even after implementing the aforementioned solutions, there will still be waste that comes after consumer use. It is necessary to put in place a system that would convert these **wastes into materials of value**. Potential approaches include (1) waste to raw materials conversion; (2) upcycling into more valuable products; (3) and financially-viable down cycling; (4) industrial plastic composting; (5) waste-to-energy (WTE); and (6) recycling of plastic packaging back into post-consumer recycled packaging material.

Possible options for **Waste to Energy** include co-processing, pyrolysis, and gasification. For this, it must be ensured that input wastes are pre-processed and sorted. WTE, when implemented properly, may not only help in producing much needed energy but also aid in significantly reducing the volume of trash after recycling. However, it is important that a clear policy and framework for the utilisation of waste-to-energy facilities be laid out by the Philippine government.

Furthermore, **waste diversion** has also been used as an approach to eliminate wastes in disposal facilities. Under RA 9003, LGUs are mandated to have at least 25% waste diversion rate. The City of San Fernando, Pampanga features an excellent case of waste diversion strategies. Before starting its Zero Waste Program in 2012, San Fernando's waste diversion rate was merely 12%. After six months, the city was able to increase the rate to 35% through decentralised door-to-door collection of segregated waste, and the establishment of Materials Recovery Facilities (MRFs) in every barangay, school, and private subdivision. In 2014, two years after the commencement of its Zero Waste Program, the city increased its waste diversion rate to 68%. This highlights the potential of a waste diversion approach in limiting the wastes that go into the landfills. Other approaches such as **waste or recycling credit schemes**³² are also being explored in order to further improve waste management.

4. There is a need to create a market for recycling and provide financial and non-financial incentives for the same.

In order to create waste-to-value, it is imperative that a market-based collection system, waste-to-value facilities, and markets be established in order to maximise the potential value of the said wastes. Moreover, the Philippine government is encouraged to create policies and programmes for the provision of incentives (financial and non-financial) to promote recycling industries and the necessary recycling infrastructure.

Potential areas for financial incentives may include: 1) energy and electricity; 2) collection and transportation of domestic recyclable materials; 3) waste-to-value facilities promoting co-processing of alternative fuels to cement kilns, and other high-value products such as biofuels, biochar, compost, and post-consumer recycled packaging material among others; 4) quantity/quality assurance of recyclable materials; 5) domestic procurement of recyclable and recycled materials; and 6) environmental financing. Non-financial incentives may include the following: government initiative on procurement of recycled products (*Green Purchasing Initiative*); 2) environmental labeling (*Green Choice*); and 3) Guidelines for Selecting Recycled Products (*Green Consumer Initiative*).

32 Waste or recycling credits are intended to incentivize the collection and recycling of household waste for local authorities and also for third parties.

Integrate Environmental Education in the formal curriculum

The ECCP recognise the undoubtedly crucial role that education plays in shaping and motivating positive behaviour change and in order to truly address the ever growing issue of waste pollution, we must use education to instil the practice of proper solid waste management to the youth and turn it into a sustainable practice.

As such, we firmly believe that environmental education must be intensified and introduced at an earlier stage. Currently, Section 3 of the Environmental Awareness and Education Act of 2008 (RA 9512) provides for the introduction of environmental education in school curricula across the board which covers both theoretical and practicum modules.³³ Aside from this, waste minimization education is also included in the K-12 Program.

Facilitate multi-sector collaboration and establish regular dialogue between stakeholders

As with all industries, regular dialogue among stakeholders is essential to identify common goals, facilitate collaboration, and promote accountability. By creating opportunities for open and inclusive communication, regular consultations lay the foundation for sustainable solutions to complex challenges and enhance the overall effectiveness of stakeholder engagement processes. This participatory approach leads to more informed and effective outcomes that consider diverse perspectives and interests.

In line with this, we reiterate our commitment to working with the government and other relevant stakeholders as we continue on the path towards achieving the country's net zero targets. We believe that by collaborating together and working on a shared goal, we can leverage each other's strengths and achieve more significant results than we could individually.

33 Department of Natural Resources (2017). The National Environmental Education Action Plan 2018-2040 (Version 1). Retrieved from https://www.switch-asia.eu/fileadmin/user_upload/Publications/2017/PSC_Philippines/National_Environmental_Education_Action_Plan__NEEAP_.pdf

ASSESSMENT OF 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
	Creation of an overseeing agency for the water sector	
	Improve the local government units' operational efficiency and capacity to effectively implement their water and sanitation-related programs	
	Increase funding for water and sanitation-related programs and projects	
	Reduce Plastic Pollution through the implementation of an Extended Producers' Responsibility (EPR) Scheme and reconsider any move towards the banning of single-use plastics	
	Integrate Environmental Education in the formal curriculum	
	Facilitate multi-sector collaboration and establish regular dialogue between stakeholders	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
House Bill No. 9663 or otherwise known as the National Water Resources Act which seeks to create the Department of Water Resources and the Water Regulatory Resources was passed on third reading last 12 December 2023. While there are pending bills in the Senate, a consolidated version has yet to come out.	
X	
According to the DOF, the current Administration is pursuing the implementation of PhP 839 billion worth of water projects in a bid to boost the Philippines' water resources. The 44 infrastructure flagship programs are implemented under the government's flagship infrastructure program, known as Build Better More. Relatedly, in 2023, the DENR shared that there will be 135 potential water projects open for public-private investments that will be launched in 2024. Then, in January 2024, DENR announced that an additional 112 water projects will be open for PPP investments. In preparation for the El Niño phenomenon, President Marcos has called on government agencies to fast-track the completion of all water projects.	
On 13 February, the DENR presented and held a public consultation on the draft Administrative Order (DAO) on Extended Producer Responsibility (EPR) Reporting and Auditing Guidelines. The guidelines aim to establish a transparent and accountable framework for producers and stakeholders, ensuring effective fulfilment of their environmental responsibilities. The final version is expected to be released on 22 March 2024 in consideration of the deadline of submissions on 1 July 2024.	
	X
The DENR consistently holds public consultations and dialogues with relevant stakeholders to draft rules and regulations. Most recently, there was a public consultation on the draft auditing guidelines for EPRA. One area for improvement, as noted by the industry, is to circulate the draft guidelines before the consultations to allow time for review.	

FOOD AND BEVERAGE ADVOCACY PAPER 2024

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 117 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

In 2023, household final consumption expenditure (HFCE) only increased by 5.3% in the fourth quarter of 2023, marking the fourth consecutive quarter of deceleration compared to the 7.0% growth registered in the same quarter in 2022. This suggests that HFCE grew by 5.6% for the whole year of 2023, a slowdown from the 8.3% growth in 2022 although still an improvement above the increase of 4.2% in 2021. Food and non-alcoholic beverages continued to account for the highest share in HFCE but it only posted a 0.8% growth rate in the fourth quarter of 2023 compared to the past quarter. Instead, restaurants and hotels were the highest-growth sector with an annual growth of 16.2% and a fourth-quarter growth of 15.0% as the country recovers from the lingering effects of COVID-19 restrictions.²

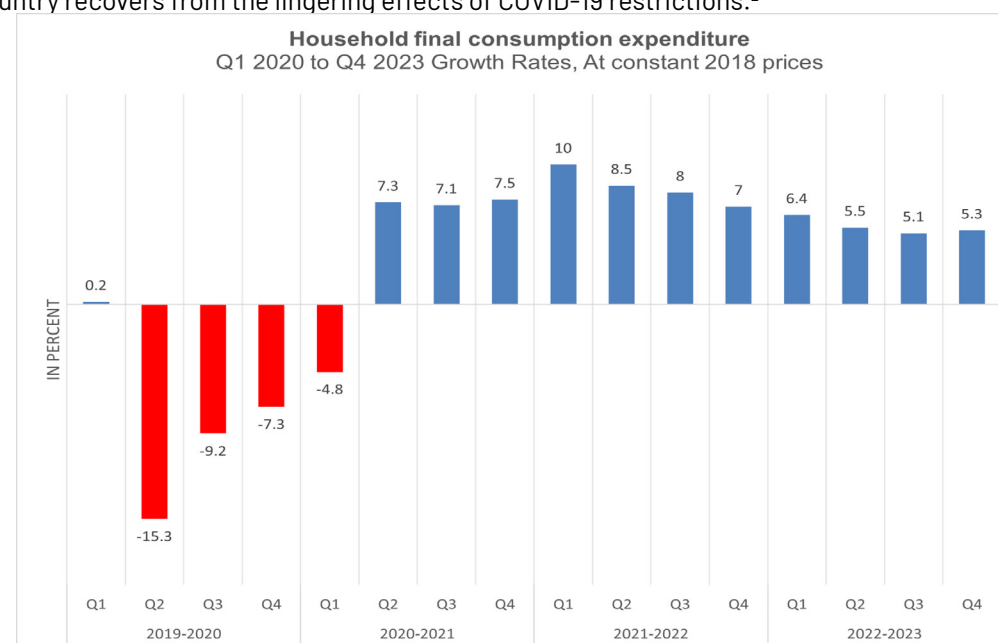


Figure 1. Household Final Consumption Expenditure. Q1 2020 to Q4 2023 Growth Rates, at constant 2018 prices

Source: Philippine Statistics Authority

In 2023, the gross value added generated from the Philippine food and beverage service industry totaled approximately PHP 283.95 billion. This shows an increase from the previous years' value added of about PHP 239.5 billion in 2022 and PHP 189.74 billion in 2021.³

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. (2024). Q1 2021 to Q4 2023 Seasonally Adjusted National Accounts of the Philippines. Retrieved from: <https://psa.gov.ph/system/files/nap/Q4%202023%20SANA%20Publication.pdf>

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

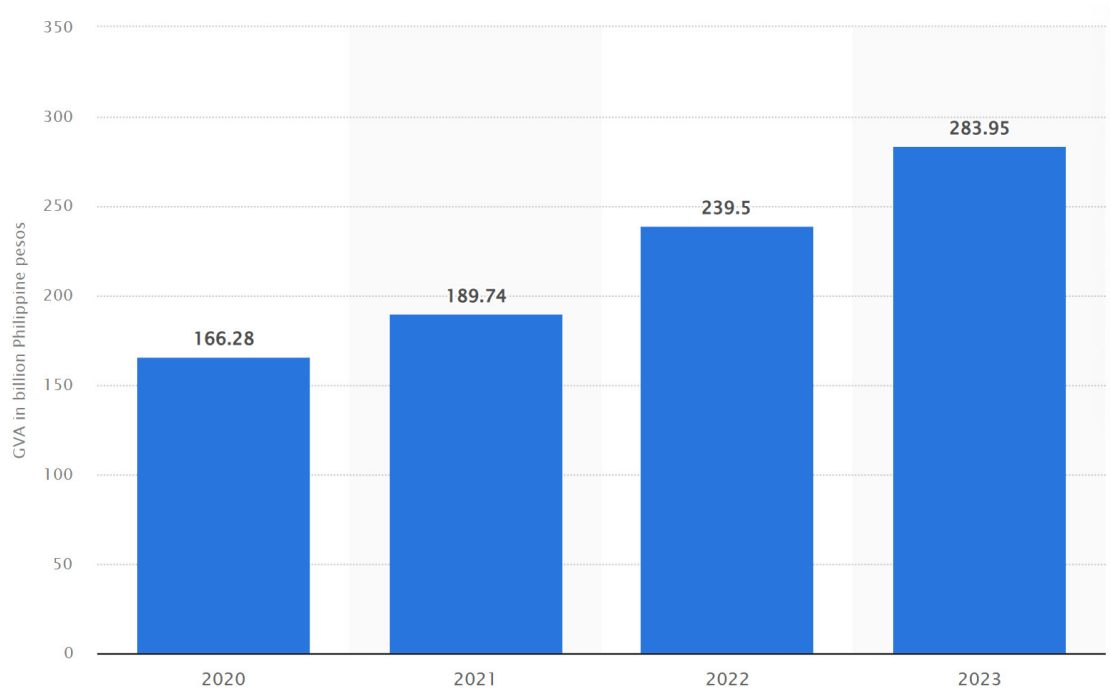


Figure 2. Gross value added generated from the food and beverage service activities industry in the Philippines from 2020 to 2023 (in billion Philippine pesos)

Source: Statista

Looking ahead, there are estimates that the food service industry, which had a 2024 valuation of USD 16.12 billion, may expand at a compound annual growth rate (CAGR) of 14.32% from 2024 to 2029. The food service industry is dominated by quick service restaurants, which hold the largest market share in 2022 and is expected to register a 15.78% CAGR until 2029. The rapid growth of quick service restaurants can be attributed to the increased preference for fast food in the country. Full-service restaurants, meanwhile, observed significant growth in sales with 60.64% sales value growth from 2020 to 2022, driven by the introduction and demand for nutritional food options.

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.

Thus, even after the pandemic, e-commerce for the food and beverage sector is predicted to develop more in the years to come. The cloud kitchen segment is the fastest growing among all other food service segments and is expected to register a 26.06% CAGR until 2029, aided by the growth of online food deliveries through smartphone applications, delivery subscriptions, and integration of digital technology in food delivery services. This reflects that consumers continue to find food and drink e-commerce to be a convenient, viable choice even after opening up traditional brick-and-mortar establishments in post-pandemic recovery.⁴

the Philippines from 2020 to 2023. 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. (2024). Philippines Foodservice Market - Growth Trends and Forecasts (2024-2029).

However, as food service industry growth accelerates, food retail sales for convenience stores, groceries, hypermarkets, and warehouse clubs slow down in 2023 as revenge spending ends and consumers spend more prudently. Bulk purchases from food retail stores by hotels and restaurants are becoming more common than household purchases as tourism, events, and dine-in events thrive. In terms of food sales by retailer type, informal traditional retailers such as wet markets continue to dominate the Philippine food retail market, accounting for 45% of food sales in 2022. This is followed by supermarkets at 23% and tax-paying traditional retailers at 20% shares.⁵

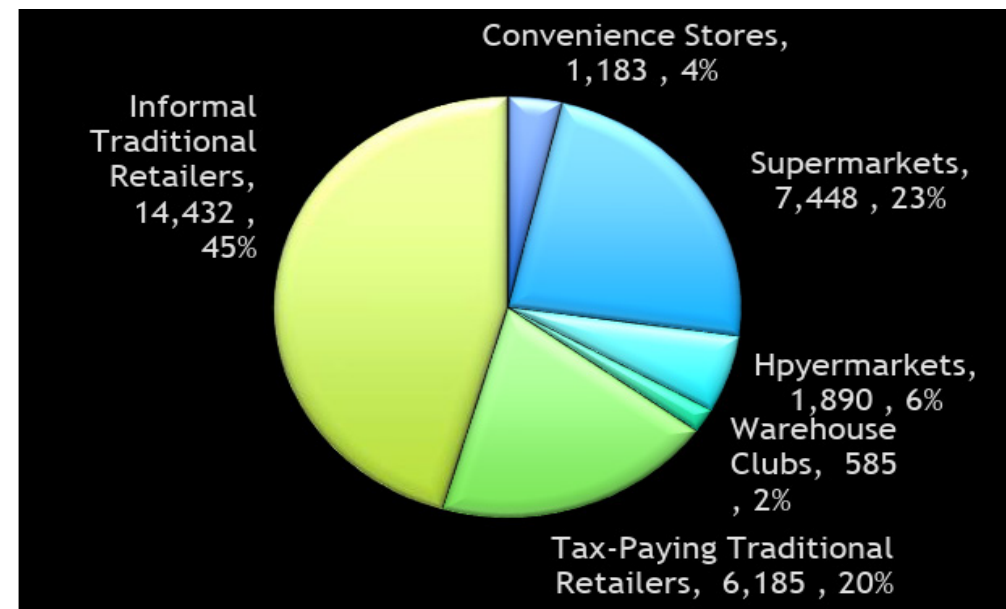


Figure 3. Food Sales by Million and % Share in 2022

Source: Euromonitor International and USDA Foreign Agricultural Services

Overall, strong domestic demand is anchored on consistently high food and beverage spending. Although revenge spending post-pandemic has subsided as reflected in slowing HFCE growth, consumers continue to value both full-service dining experiences and e-commerce food options. With lower unemployment rates, household income growth is also expected to outpace consumer price inflation. 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 is committed to closely collaborating with stakeholders to tackle key issues hindering the ease of doing business, fostering investments in food manufacturing, promoting good health and nutrition, amending the Price Act, and effectively managing plastic waste. These concerted efforts aim to bolster the growth of the food and beverage industry, particularly amidst the prevailing high inflationary pressures in the market.

Retrieved from: <https://www.mordorintelligence.com/industry-reports/philippines-foodservice-market>
⁵ US Department of Agriculture (2023). Philippine Retail Food Report. Retrieved from: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Retail%20Foods_Manila_Philippines_RP2023-0042.pdf

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **Extended Producer Responsibility Act:** On 13 February, the DENR presented and held a public consultation on the draft Administrative Order (DAO) on Extended Producer Responsibility (EPR) Reporting and Auditing Guidelines. The guidelines aim to establish a transparent and accountable framework for producers and stakeholders, ensuring the effective fulfilment of their environmental responsibilities. The final version was expected to be released on 22 March in consideration of the deadline for submissions on 1 July 2024.
- **Food and Drug Administration (FDA) Issuances:** On 7 September 2023, the FDA released Circular No. 2023-009 which provides for the adoption of the new REI/RNI prescribed in the 2015 Philippine Dietary Reference Intakes (PDRIs) as the new dietary standard for food labeling and other relevant regulations of all pre-packaged processed foods in replacement to the 2002 RENI for Filipinos.⁶ Following this, on 8 February 2024, the agency released Advisory No. 2024-0320 which announces the availability of Over-the-Counter (OTC) payment system in the FDA Central Office for selected applications/transactions will be implemented starting 12 February 2024.⁷ For CFRR, it will be applied to other authorizations like import permit, sales promo, IAC, HACCP, GMP and Sangkap Pinoy Seal.
- **Department of Health (DOH) Draft Administrative Order 2023-0513:** On 22 January 2024, the DOH released a draft AO on the National Strategic Framework on Alcohol Use Prevention and Control. If passed, the proposed legislation will effectively ban the sale of alcohol products during particular public holidays and non-working days, enforce bans or restrictions on alcohol advertising, promotion, and sponsorship, and impose a raise and periodical review of the excise tax on alcoholic beverages, among others.
- Following concerns brought up by industries on the restricted movement of pork and other raw materials due to the requirements of local government units (LGUs) in relation to the outbreak of African Swine Fever (ASF), a **technical working group** will be created to ascertain the availability of basic necessities and prime commodities at a fair price. The TWG will be headed by the DOJ to be joined by the Department of Agriculture (DA), Department of the Interior and Local Government (DILG), and the DTI.⁸
- **Suggested retail prices (SRPs):** The DTI has approved price adjustments for nine items out of the 63 listed under basic necessities and prime commodities last 12 January.⁹ Included in the list of

6 Food and Drug Administration. (7 September 2023). FDA Circular No.2023-009 || Adoption of 2015 Philippine Dietary Reference Intakes (PDRIs) Percent Recommended Energy Intakes/Recommended Nutrient Intakes (%REI/RNI) as the New Dietary Standard of All Prepackaged Processed Food Repealing Bureau Circular No. 16 s. 2005 entitled "Adopting the 2002 Recommended Energy and Nutrient Intakes as the New Dietary Standard". Retrieved from <https://www.fda.gov/fda-circular-no-2023-009-adoption-of-2015-philippine-dietary-reference-intakes-pdri-percent-recommended-energy-intakes-recommended-nutrient-intakes-rei-rni-as-the-new-dietary-standard-of-all-pr/>

7 Food and Drug Administration. (8 February 2024). FDA Advisory No. 2024-0320 | Ad Intertim availability of over-the-counter (OTC) payment for selected FDA applications/transactions. Retrieved from <https://www.fda.gov/wp-content/uploads/2024/02/FDA-Advisory-No.2024-0320-20240202164128.pdf>

8 San Juan, A. (26 January 2024). Government creates TWG to address food supply sufficiency amid price hikes. Retrieved from <https://businessmirror.com.ph/2024/01/26/government-creates-twg-to-address-food-supply-sufficiency-amid-price-hikes/>

9 Crismundo, K. (17 January 2024). DTI implements gradual adjustments on SRP bulletin. Retrieved from <https://www.pna.gov.ph/articles/1217125#:~:text=Nogralas%20said%20factors%20such%20as,SRPs%20three%20times%20that%20year.>

nine stock-keeping units (SKUs) are six SKUs of salt and three SKUs of coffee which include weight reductions. DTI Assistant Secretary Amanda Nogralas notes that SKUs for coffee and salt were last adjusted in 2018 and 2022 respectively.¹⁰ In addition to the initial list, the DTI has approved nine more items consisting of one powdered milk product, four canned sardine products, and four toilet soaps which had adjustments of 9%, 14-15%, and 10% respectively. The trade department will be reviewing 45 more SKUs that have pending adjustments which include batteries, bread, bottled water, candles, condiments, powdered milk, and processed canned meat and canned beef. The fully updated SRP bulletin is scheduled to be released in March 2024.¹¹

- **Excise Tax on Junk Foods:** As part of the government's strategy to promote a healthier lifestyle, the Department of Health (DOH) and the DOF have initially proposed to amend the Sin Tax Law with the intent of increasing the excise tax on vape, and tobacco products as well as introduce an excise tax on junk foods or "non-staple food high in salt, fat, and calories" during a hearing of the House Committee on Health in 2022.¹² Initially, Rep. Salceda, who chairs the House Ways and Means Committee, expressed that the committee is open to studying the proposals from the said government agencies but noted that it might be challenging to implement an excise tax on junk food¹³. Following this, in a recent interview with Rep. Salceda last October 2023, he once again noted that the proposed tax on junk foods is difficult to enforce while the proposed tax on sugar drinks will likely aggravate malnutrition in the country, with little impact on obesity. He further noted that he has yet to receive a copy of the proposal.¹⁴ Similarly, DOF Secretary Recto has noted that he is not inclined to introduce further consumption-based taxes, particularly on junk food and sweetened beverages, and that the proposal has already been scrapped. He believes that such measures could potentially contribute to inflation, especially at a time when the country's debt level is manageable and does not necessitate additional financial burdens on the Filipino population.¹⁵
- **Revenue Memorandum Circular No. 112-2023:** On 17 October 2023, the Bureau of Internal Revenue (BIR) released RMC No. 112-2023 which aims to clarify the duty of the Food and Drug Administration (FDA) to determine the classification of beverages pursuant to Section 150-B of the National Internal Revenue Code (NIRC) of 1997, as amended, and as implemented by Revenue Regulations (RR) No. 20-2018. Under the RMC, the proper determination of whether a product or beverage is subject to the imposition and payment of Excise Tax or is covered by the exclusions therefrom rests with the Commissioner of Internal Revenue and not with the FDA.¹⁶

10 Yalao, K. (17 January 2024). DTI adjusts SRP for Coffee, Salt. Retrieved from <https://mb.com.ph/2024/1/16/dti-adjusts-prices-for-coffee-salt-in-new-srp-list>

11 Tabile, J. (24 January 2024). Nine more commodities cleared to adjust prices by Trade dept. Retrieved from <https://www.bworldonline.com/economy/2024/01/24/571107/nine-more-commodities-cleared-to-adjust-prices-by-trade-dept/>

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 Austria, J. (4 October 2023). Planned excise tax on junk foods is 'dead' – Salceda. Retrieved from <https://www.manilastandard.net/news/national/314376977/planned-excise-tax-on-junk-foods-is-dead-salceda.html#:~:text=Under%20the%20proposal%2C%20the%20government,%2C%20salt%2C%20and%20sugar%20content.>

15 Simeon, L. (25 January 2024). Recto: No new tax on junk food, sweetened drinks. Retrieved from <https://www.philstar.com/headlines/2024/01/25/2328409/recto-no-new-tax-junk-food-sweetened-drinks>

16 Bureau of Internal Revenue. (28 September 2023). Revenue Memorandum Circular No. 112-2023 – Clarification on the Duty of the Food and Drug Administration to determine classification of beverages pursuant to Sec. 150-B of the National Internal Revenue Code of 1997, as Amended, and as Implemented by Revenue Regulations No. 20-2018. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2023%20RMCs/RMC%20No.%20112-2023.pdf

ADVOCACY RECOMMENDATIONS

Promote investment in food manufacturing

Global food demand is expected to increase by 60% in 2050 following the growth of the world population which is estimated to grow to nearly 9.8 billion people. The said projection puts a significant strain on the food supply chain which is still recuperating from the pandemic and is still grappling to adapt to the adverse effects of climate change. With this development, numerous countries now place greater emphasis on attaining food security and the Philippines is no exception.

In his first State of the Nation Address, President Marcos placed great emphasis on the need for the country to have a stable food supply by revitalising the food value chain with the end goal of boosting food production. According to a survey conducted by the Social Weather Stations for the first quarter of 2023, 39% of Filipino families consider themselves as “food-poor” while 35% classified themselves as “borderline food-poor”. On the other hand, 26% of the respondents categorized as “not food-poor”.¹⁷

The ECCP strongly supports this initiative and calls for the diversification of supply chains to have a more resilient food supply chain. We believe that the country has immense potential in strengthening its local production by promoting innovative investments in food manufacturing. We advocate for increased incentives to increase the sector’s competitiveness as an investment destination. Some examples would be providing incentives for investments that would provide for high-tech adoption/technology 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 tempering the impact of inflation on food commodities and aid in resolving the ongoing food crisis.

Promote Ease of Doing Business in the Food and Beverage Industry

In line with the Administration’s thrust to enhance the competitiveness of the business environment in the country, it is necessary to streamline business processes and remove any unnecessary bureaucracy that can deter potential investors and businesses from operating in the Philippines.

The ECCP, in line with its mission to foster bilateral relations between Europe and the Philippines, continues to be a staunch partner of the government in the promotion of the ease of doing business to improve the competitiveness of the country’s business and investment climate, with the end goal of attracting more investors, particularly in the food and beverage industry. We commend the government for its efforts to improve the Philippines’ business and investment environment, particularly 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.

Lastly, the Chamber expresses its support for the great work that the Anti-Red Tape Authority (ARTA) has been doing to remove red tape and address issues from the industry on bureaucracy. The ECCP and ARTA signed a memorandum of understanding in February 2024. As an ARTA Champion, the ECCP and its members will serve as a partner institution of the agency, and as a liaison for the European-Philippine business sector. The Chamber is authorized to receive complaints from the business sector, professionals, and civil society organizations, and relay these concerns to the proper ARTA channels in a bid to help streamline processes.

Moreover, the Chamber also reaffirms its commitment to provide valuable policy recommendations and participating in stakeholder dialogues to foster a dynamic and responsive regulatory environment.

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

While the Philippine government has made great strides in improving the ease of doing business, there is still room for improvement in terms of business facilitation. For the Food and Beverage industry, one of the long-standing issues is the long lead time on the issuance of permits such as License to Operate (LTO) and Certificate for Product Registration (CPR).

We urge the government agencies to strictly comply with the provisions of the Ease of Doing Business Law to further address inefficiencies in applications, releasing of goods, among others. Specifically, the Chamber hopes that the prescribed 3-7-20 timeline rule of the EODB will be observed, ensuring that the License to Operate and Certificate for Product Registration will be processed within 20 working days. Additionally, we hope to have a standardised checklist for the approval/denial of applications to avoid having different comments for products of completely the same profile/claims except for flavour or grammage.

The Chamber also recommends to further strengthen the implementation of risk-based approach to provide more attention to (1) ‘high-risk’ products and food business operations (eg those who are not yet equipped with food safety certification programs); (2) non-compliant or un-registered pre-packaged food sellers/distributors

Lastly, in the spirit of true public-private partnership, the Chamber warmly welcomes the revival of the *Kapihan* Session which serves as an avenue for stakeholders to provide immediate feedback and resolution of any concerns relevant to the sector, present industry developments and priorities, exchange insights, and support the implementation of government initiatives aimed to advance the country’s food and beverage sector. We strongly believe that having such institutionalized consultation mechanisms in place will ensure more transparent processes and will help reach pragmatic solutions, where the Administration can benefit from the technical expertise of the private sector.

Promote good health and nutrition in the Philippines

Good nutrition is crucial for establishing a stable foundation for socio-economic development. In recent decades, the agriculture sector and the global food industry have witnessed unprecedented advancements, leading to increased access to a wider variety of food. However, despite several improvements in the agri-food supply chain, the world continues to grapple with the persistent issue of hunger and malnutrition. Today, the journey towards achieving food and nutrition security faces further challenges due to the lingering economic and social impacts of the COVID-19 pandemic, along with relatively high inflationary pressures.

Countries across the globe are falling short of staying on track to attain the target of ending hunger by 2030 with estimates that 58 countries will not even be able to reach low levels of hunger, let alone zero hunger by 2030 as reported in the 2023 Global Hunger Index report.¹⁸ For the year 2023, the index assigned a score of 18.3, slightly below the 2015 score of 19.1, in terms of the progress made to reduce hunger. While progress has notably slowed down in the last decade due to the COVID-19 pandemic, security disruptions such as Russia’s invasion of Ukraine and climate disasters, the number of countries categorised as “extremely alarming” or “alarming” was cut down from 38 in 2000 to nine.¹⁹

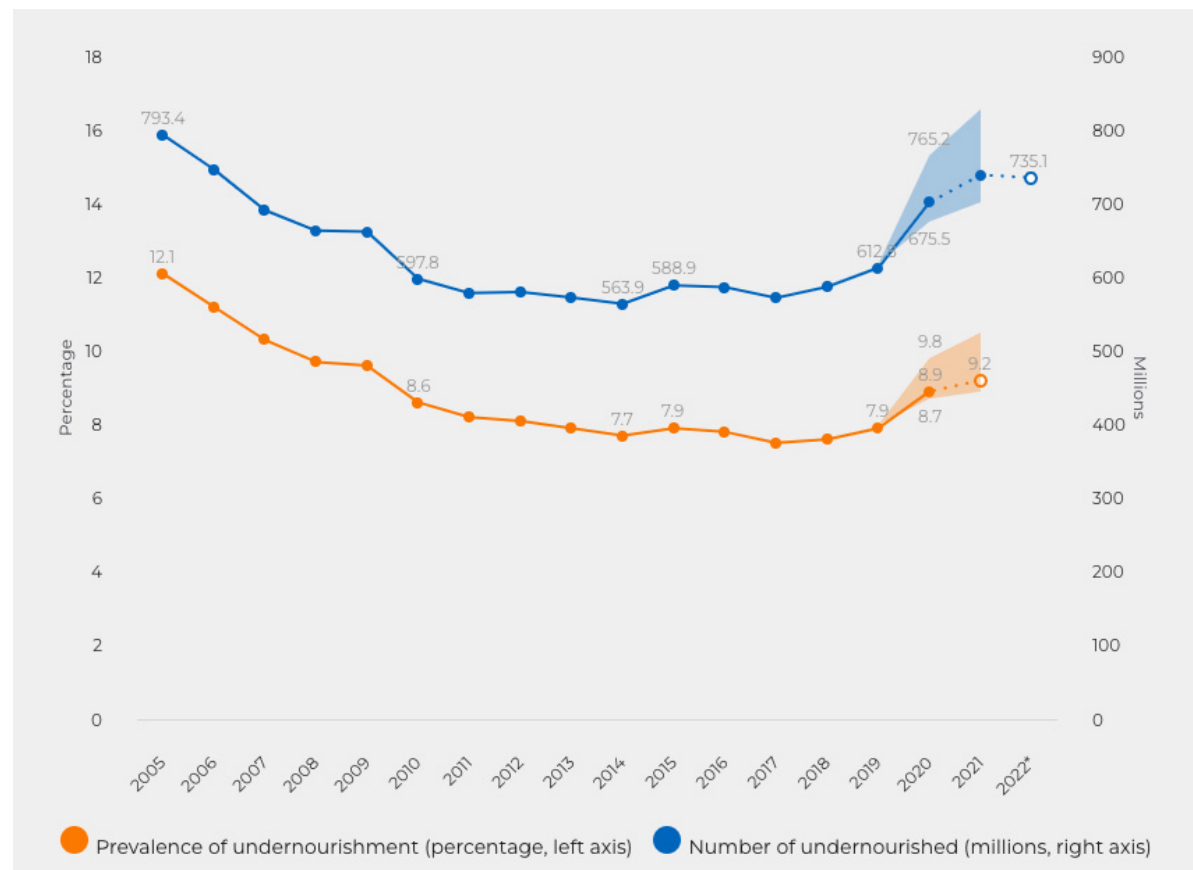
In a report released by the Food and Agriculture Organization (FAO) to understand the current

¹⁷ De Vera-Ruiz, E. (8 May 2023). SWS: More Filipino families rated themselves as ‘food-poor’. Retrieved from <https://mb.com.ph/2023/5/7/sws-more-filipino-families-rated-themselves-as-food-poor>

¹⁸ Gebmer et al. (October 2023). 2023 Global Hunger Index. Retrieved from <https://www.globalhungerindex.org/pdf/en/2023.pdf>

¹⁹ Ibid.

global standing on attaining food and agriculture-related Sustainable Development Goals (SDGs), undernourishment remains much higher than the pre-COVID 19 pandemic levels, affecting 9.2% of the world population or 691 to 783 million people in comparison to 7.9% in 2019. Increases in food and energy prices, the occurrence of weather-related disasters, inequalities, and conflicts were noted to have the biggest contributions to preventing the situation from improving.²⁰



Note: * Projections based on nowcasts for 2022 are illustrated by dotted lines. Bars show lower and upper bounds of the estimated range.

Figure 4. Number and percentage of undernourished people in the world (2005-2022)

Source: Food and Agriculture Organization, 2023

On a similar scale, notable increase in the prevalence of food insecurity was observed – increasing to 29.6% of the world population or 2.4 billion people in 2022 from 25.3% in 2019, which is 745 million more people in 2015 when the 2030 Agenda was launched and 391 million more people than in 2019 before the pandemic.²¹

Furthermore, FAO reported that over one-third, or 38% of the world population is experiencing moderate or severe food insecurity. This is the second year in a row that the global prevalence of moderate or severe food insecurity remained unchanged far above the pre-pandemic levels.²²

20 FAO. 2023. Tracking progress on food and agriculture-related SDG indicators 2023. Retrieve from <https://doi.org/10.4060/cc7088en>

21 FAO. 2023. Tracking progress on food and agriculture-related SDG indicators 2023. Retrieve from <https://doi.org/10.4060/cc7088en>

22 Ibid.

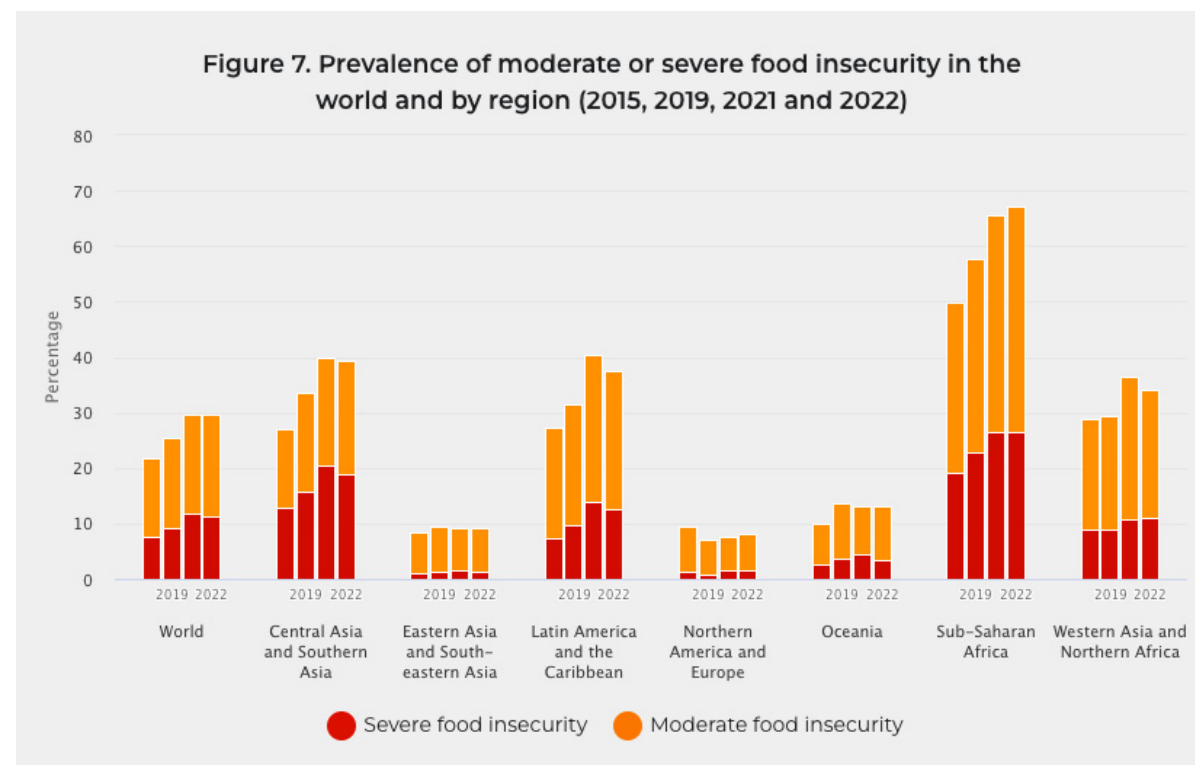


Figure 5. Prevalence of moderate or severe food insecurity in the world and by region (2015, 2019, 2021 and 2022)

Source: Food and Agriculture Organization, 2023

On the other hand, the indicators for Sustainable Development Goals concerning malnutrition depict a complex scenario. In the Philippines, approximately 30% of children under the age of 5 suffer from stunted growth, which is notably high relative to its income level and significantly surpasses rates seen in many neighboring countries. Comparable nations with similar income levels typically exhibit stunting rates averaging around 20% among children under 5 years old. The prevalence of stunting in the Philippines ranks fifth in the East Asia and Pacific region, placing it among the top ten countries worldwide with the highest number of children experiencing stunted growth.²³ Wasting affected 6.8% of children under 5 in 2022, and the prevalence of overweight children, at 5.6%, has remained stagnant over the past decade.²⁴

In the Philippines, overweight and obesity is a growing health concern affecting nearly 27 million Filipinos along with micronutrient deficiency and underweight as part of the “triple burden” caused by malnutrition in the country. With a score of 14.8 categorised as a moderate level of hunger, the country ranked 66 out of 125 countries in the 2023 Global Hunger Index.²⁵

23 World Bank (2021). Investing in Nutrition Can Eradicate the “Silent Pandemic” Affecting Millions of Poor Families in the Philippines – World Bank. Retrieved from <https://www.worldbank.org/en/news/press-release/2021/06/15/investing-in-nutrition-can-eradicate-the-silent-pandemic-affecting-millions-of-poor-families-in-the-philippines-world-ba>

24 FAO. 2023. Tracking progress on food and agriculture-related SDG indicators 2023. Retrieve from <https://doi.org/10.4060/cc7088en>

25 Global Hunger Index. (2023). Global Hunger Index 2023: Philippines. Retrieved from <https://www.globalhungerindex.org/pdf/en/2023/Philippines.pdf>

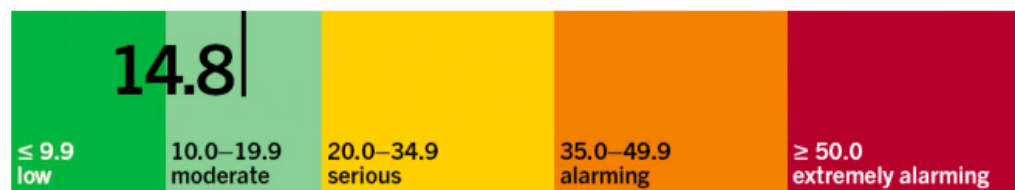


Figure 6. GHI Score Trend for the Philippines
Source: Global Hunger Index

Furthermore, according to the said report, the percentage of Filipinos experiencing undernourishment in 2023 was at 5.2% while child wasting and stunting for children under five years old were reported at 5.7% and 29.6% respectively.²⁶

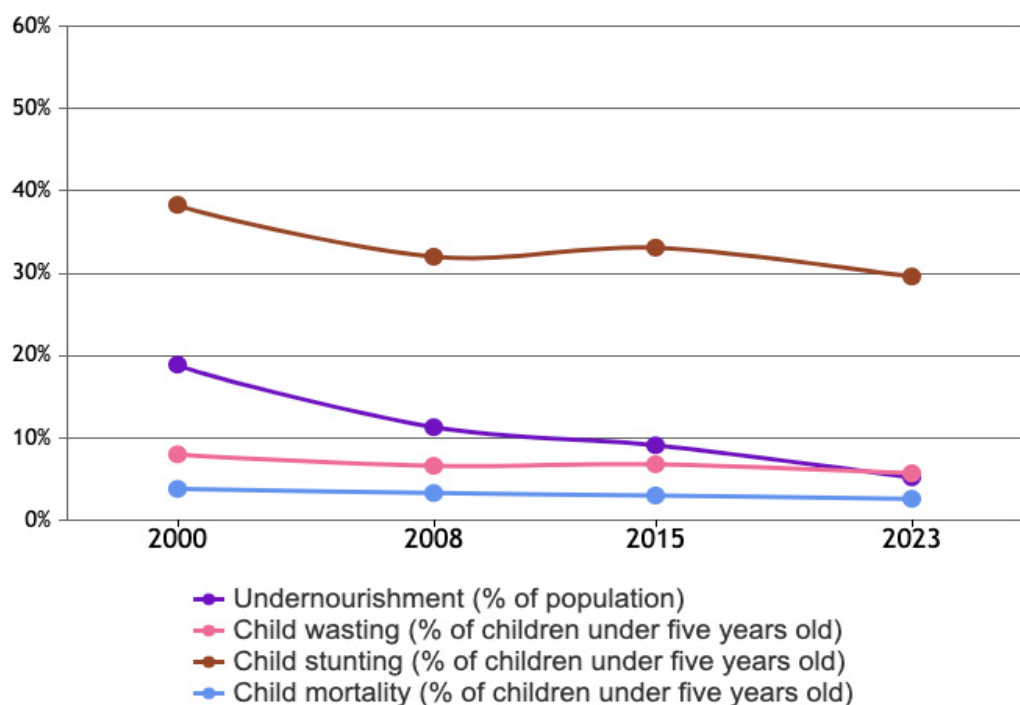


Figure 7. Trend for Indicator Values - Philippines

26 Ibid.

Malnutrition is a complex and multifaceted problem necessitating multi-sectoral and comprehensive strategies to effectively and sustainably prevent and manage. The ECCP shares the same concerns of the government and health authority and fully supports initiatives to combat the said health issue.

Develop and implement a holistic and implementable Philippine Nutrient Profile Model

Considering the current state of malnutrition and health in the country, the ECCP recognizes the importance of developing a Philippine Nutrient Profile Model (NPM). This model would offer guidance to both the public and private sectors on strategies aimed at addressing long-standing issues of malnutrition in the country. The NPM is expected to provide instructions on the front-of-pack labelling of food items, regulate the marketing of food and beverages to children, and encourage manufacturers to reformulate their products to promote healthier options. Additionally, it suggests implementing labelling on restaurant menus, particularly in fast food establishments.

We remain steadfast in our commitment to support the Philippine government in advancing the country's nutrition advocacy. Therefore, we emphasise our suggestion for the government to organise inclusive stakeholder consultations. These consultations should involve ongoing dialogues and discussions to promote more robust partnerships and facilitate the sharing of knowledge and perspectives on this significant matter. Specifically, we look forward to participating in conversations regarding the developments on the Nutrient Profile Model, particularly its translation into a front-of-package label and the guidelines concerning the marketing of food and beverages to children.

As the government works towards the development and implementation of policies to curb malnutrition, the ECCP and its Food and Beverage Committee look forward to working with all relevant stakeholders to ensure that the policies are holistic and comprehensive, and consider the welfare of both the consumers and businesses. In particular, we look forward to seeing the involvement of technical and scientific experts who can contribute factual data and information in establishing scientific and fact-based health policies that will concretely help address specific health concerns in this important discussion.

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

The ECCP shares the government and health authorities' concerns regarding obesity and non-communicable diseases, and fully endorses initiatives aimed at addressing these health issues. While we appreciate the well-meaning intent behind proposed and implemented fiscal measures targeting food and beverage products with ingredients that may have a negative impact on health, we believe that the emphasis of the discourse on consumer health should pivot towards promoting a healthy lifestyle. This should be accomplished through a comprehensive, society-wide approach that includes consumer education and awareness regarding physical exercise and health, increased availability of healthier options in the market, and fostering a shift in consumer attitudes towards diet. Such measures are essential for effectively addressing obesity and other lifestyle-related non-communicable diseases.

At the core of this approach is the recognition that health is influenced by numerous factors. Social determinants such as access to nutritious food, safe housing, quality education, and employment opportunities significantly impact an individual's health outcomes. Therefore, promoting a healthy lifestyle necessitates addressing these broader social and environmental factors through coordinated action across different sectors. An inclusive approach also means ensuring that everyone, regardless of their background or circumstances, has the opportunity to lead a healthy life. This involves actively engaging marginalised and vulnerable populations, including individuals with disabilities, ethnic minorities, LGBTQ+ communities, and those living in poverty.

Other initiatives would also be improving access to affordable healthy food options in underserved communities, designing neighbourhoods that encourage physical activity through accessible parks and bike lanes. 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.

This approach recognizes that achieving optimal health outcomes requires concerted efforts from various sectors, including government, healthcare providers, educational institutions, businesses, communities, and individuals. By collaboratively engaging all stakeholders, we can address the multifaceted aspects of health and create environments that support healthy choices and behaviours.

Amendments to the Price Act

With the country continuing to grapple with the high inflationary market, we believe that our consumer protection laws should effectively balance the well-being and interests of both consumers and businesses alike— the former from unfair trade practices and the latter to ensure continued commercial activities and provide essential goods and services, especially during emergency situations.

The ECCP reaffirms its support to further amend the Price Act which was enacted 29 years ago and was initially amended in 2013. We believe that it is high time for the said law to undergo review and amendments given the significant impact of unprecedented events such as the COVID-19 pandemic and the Russia-Ukraine war on the business environment, both at the local and international level.

In line with this, we re-submit our recommendations as detailed in our previous position paper which was provided to the Congress in May 2021:

Limit coverage of price control to basic necessities

Broadening the reach of price control measures will only lead to increased bureaucratic processes in the nation. This would mean additional manufacturers having to submit suggested retail prices (SRPs) for an even wider array of product categories to the Department of Trade and Industry (DTI), resulting in a substantially lengthened list of products that need to be monitored by the agency's field officers.

We strongly believe 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 and should not be automatically included in the price freeze.

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

We also find it important to limit the definition of BNPC only to goods vital to the needs of consumers for daily existence and sustenance, or those which are deemed essential. It is thus 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.

Manufacturers should be given 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 socio-economic classes with varying preferences and needs. Without good faith consultation with private sector, there could arise a situation where all the different variants, formats and sizes (SKUs) within a category, even if deemed non-essential or luxury, will be included in BNPC which would be an excessive exercise of authority going beyond the objective of the Price Act.

Given current protocols for seeking approvals to make price adjustment on all products in the BNPC list, further expanding the list to include non-essential goods will unintentionally impose artificial price caps on a host of other categories of products in case the request for price adjustment is delayed or not approved. 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

Implement a special SRP only during emergencies

The Chamber reiterates its recommendation to re-evaluate the proposal of 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 to cope with the global trend of increasing prices, 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.

While we support the intention of controlling prices for a certain period during a crisis, there may be unintended consequences when the same is done for certain occasions that are not described as emergencies, disasters, or calamities as this may lead to suppliers resorting to fraudulent trade practices such as artificial scarcity, black market transactions, and hoarding to create an artificial surge in the demand of particular goods over time which will adversely affect the consuming public.

Amend the definition of SRP

In 2015, the Department of Justice-Office for Competition released a study that concluded that there are no adequate rules or guidelines defining reasonable price increases or decreases 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 a reference in price monitoring. This will ensure that the rights of manufacturers to adjust prices based on market forces will be upheld.

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

Over the years, plastic pollution has emerged as one of the most urgent environmental challenges globally. This is due to the ongoing rise in the production and utilisation of disposable plastic products, coupled with inefficient waste collection and recycling systems, particularly evident in developing countries.

The ECCP reiterates its support to the implementation of a mandatory Extended Producers Responsibility (EPR) scheme for plastic waste in the country. An EPR scheme requires significant public and private sector investment towards the establishment of a sustainable waste management infrastructure involving many players that will divert, reuse, reduce, and recycle waste.

We appreciate the initiative of the government to conduct public consultations with stakeholders to develop an inclusive, target-based, phased, achievable, and implementable EPR scheme, and welcome the release of the initial draft guidelines for the EPR reporting and auditing guidelines. In this context, the ECCP recommends the establishment of a technical working group, with the participation of packaging and sustainability experts who can guide the enforcement of the law and deliver concrete results.

We look forward to working with the government and other stakeholders in crafting other pertinent guidelines of the law, particularly on the penalties and incentives, to implement this measure effectively and efficiently.

ASSESSMENT OF 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Promote Ease of Doing Business in the Food and Beverage Industry	Expedite the operationalisation of the National Single Window (NSW) and pursue integration with the ASEAN Single Window (ASW)	
	Further streamlining of FDA processes and consistent issuance of FDA permits within the prescribed EODB lead time for government agencies	
Raise the productivity and competitiveness of the sugar industry		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>Last 6 February 2023, the Department of Finance (DOF) and the Department of Information and Communication Technology (DICT), signed the Memorandum of Agreement to support the implementation and operation of the TradeNet System. The signing of the MOA strengthens the commitment and clearly defines the delineation of responsibilities of the two parties for the continued operation and maintenance of the TradeNet system as the Philippine National Single Window (NSW). Following the signing, the regulatory agencies have held trainings/workshops for the implementation of the single window with the latest held last September 2023 on the ASEAN Harmonized Tariff Nomenclature.</p>	
<p>Significant improvement has been seen since the implementation of the new e-portal of the Food and Drugs Administration. Additionally, the revival of the FDA Kapihan Session has proven to be very helpful in terms of addressing issues from the industry.</p>	
<p>The Sugar Regulatory Administration is pushing for the restoration of the full P2-billion mandated budget for the Sugar Industry Development Act (SIDA) programs next year to promote the competitiveness of the sugarcane industry. The SRA chief said the agency is also eyeing to increase the number of block farms.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Promote good health and nutrition in the Philippines	Develop and implement a holistic and implementable Philippine Nutrient Profile Model	
	Achieve a Trans-Fat Free Philippines	On 27 October 2021, 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.
Amendments to the Price Act		
Strengthen protection of GI Products in the Philippines		
Reduce Plastic Pollution through the implementation of an Extended Producers' Responsibility (EPR) Scheme		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
Following pronouncements that the government is looking into the proposed adoption of the Pan American Health Organization's (PAHO) nutrient profile model in the Philippines, the ECCP has sent a letter addressed to the National Nutrition Council requesting for a meeting on the said proposal and to further discuss possible areas of collaboration between the ECCP and the National Nutrition Council on topics relating to nutrition and food security.	
	As of writing, the filed bills seeking to amend the Price Act have yet to gain momentum in both houses of Congress.
Following the issuance of IPOPHL Memorandum Circular no. 2022-022 on the Rules and Regulations for GIs, Senators Villar, Angara, Legarda, and Villanueva has authored a bill which aims to give legislative fiat to GIs and promote the recognition and protection of the country's valuable geographical indications. The substitute bill is pending second reading as of 7 August 2023.	
On 13 February 2024, the DENR presented and held a public consultation on the draft Administrative Order (DAO) on Extended Producer Responsibility (EPR) Reporting and Auditing Guidelines. The EPR Reporting and Auditing Guidelines aim to establish a transparent and accountable framework for producers and stakeholders, ensuring effective fulfilment of their environmental responsibilities. The said guidelines is expected to be finalised and released on 22 March 2024, in preparation for the deadline of submissions of ECAR on 01 July 2024.	

HEALTHCARE ADVOCACY PAPER 2024

INTRODUCTION

The healthcare industry serves as a vital component of the Philippines' socioeconomic landscape. By fostering a healthy population, creating employment opportunities, stimulating investments, and driving innovation, the healthcare sector stands at the nexus of public health and economic growth. In recent years, the Philippines has experienced notable advancements in the industry facilitated by the enactment of pivotal health legislation. These initiatives have been designed to bolster healthcare accessibility, elevate service standards, and tackle various health issues, in alignment with the landmark Universal Health Care (UHC) Act. Among these measures are the Mental Health Act, National Integrated Cancer Control Act, and Sin Tax Reform Law among others.

More recently, legislation on Regional Specialty Centers Act has been enacted, through which, 131 specialised centres nationwide have been established, as of December 2023.¹ Additionally, the current health government continues to underscore that expanding access to healthcare through employing efficient delivery of services, promoting vaccination for children, increasing capacity and number of public health facilities, addressing hunger and nutrition, among others, are its key health priorities.²

As the Philippines strives to provide equitable access to quality healthcare for all Filipinos, industry concerns persist, ranging from limited infrastructure and workforce shortages to persistent health inequities. With these challenges, the overarching strategy of the Department of Health (DOH) is shaped by the principles outlined in the 8-Point Action Agenda. This strategic framework is in accordance with the Philippine Development Plan 2023-2028 and is built on the COVID-19 crisis response. Importantly, the formulation of this policy framework has entailed thorough consultation and dialogue with various stakeholders across the healthcare sector.³



Source: Department of Health

¹ Piatos, T. (26 January 2024). Marcos: Healthcare access a priority. Retrieved from <https://tribune.net.ph/2024/01/26/marcos-healthcare-access-a-priority>.

² Cabico, G. (24 July 2023). Marcos vows release of pending emergency allowances, benefits for health workers. Retrieved from <https://www.philstar.com/headlines/2023/07/24/2283468/marcos-vows-release-pending-emergency-allowances-benefits-health-workers>.

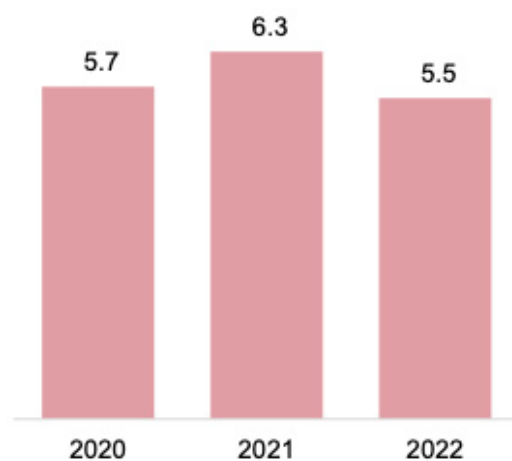
³ Department of Health. (2023). National Objectives for Health Philippines 2023-2028. Manila, Philippines: Department of Health. Retrieved from <https://drive.google.com/drive/u/0/folders/1WHDtju...t3EgJTgVMb72Aa3qJay4AI0RJ>.

With the vision that “Filipinos are among the healthiest people in Asia by 2040,” the 8-Point Action Agenda is categorised into three main groups: 1) *Para sa Bawat Pilipino* (For Every Filipino), which prioritises ensuring optimal health for every Filipino by establishing provider networks that deliver safe, high-quality, and patient-centred services, and leveraging modern technology for efficient service delivery; 2) *Para sa Bawat Komunidad* (For Every Community), which focuses on empowering communities by promoting health, addressing health determinants, nurturing mental well-being, and enhancing crisis preparedness to foster community resilience; and 3) *Para sa Bawat Health Worker at Institusyon* (For Every Health Worker and Institution), which underlines the well-being and rights of healthcare workers while strengthening health institutions against any pandemics.⁴

With this in mind, efficient allocation of resources and strategic planning within the healthcare sector should be underscored to achieve the objectives outlined in the 8-Point Action Agenda, thereby improving health outcomes, increasing access to healthcare services, and protecting the most vulnerable members of the population.

In terms of resource allocation and utilisation, based on the latest data released by the Philippine Statistics Authority (PSA), the total health expenditure (THE) of the country saw a decline of -1.4% in 2022 from the PHP 1.22 trillion expenditure in 2021, translating to a 5.5% share in the country’s Gross Domestic Product (GDP). Out of the 2022 THE, current health expenditure (CHE) was at 93.4%, while Health Capital Formation Expenditure (HK) was at 6.6%. This results in a -1.5% decline in CHE for 2022 and HK growth of 0.2%.⁵

Figure 1. Share of Total Health Expenditure (THE) to Gross Domestic Product (GDP): 2020-2022 (in percent)

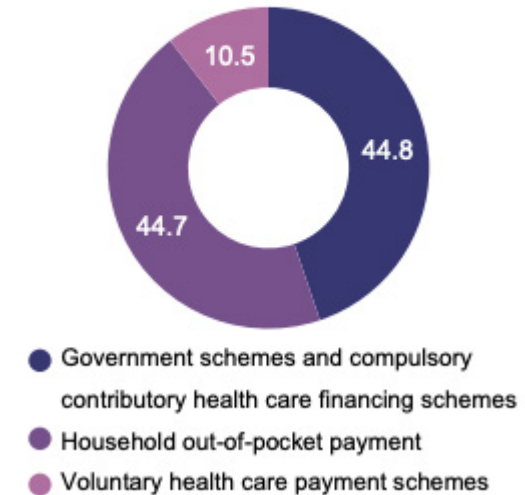


Source: Philippine Statistics Authority

In the same year, government schemes and compulsory healthcare financing schemes contributed the most to total CHE, accounting for 44.8%. This was followed by household out-of-pocket payments at 44.7% and voluntary health care payment schemes at 10.5%. On a per capita basis, health spending in 2022 amounted to PHP 10,059.49, which was lower by -2.7% compared with the amount recorded the previous year at PHP 10,341.73.⁶

4 Ibid.
 5 Philippine Statistics Authority. (30 August 2023). Philippine National Health Accounts. Retrieved from https://psa.gov.ph/system/files/sad/Press%20Release_PNHA_2022.pdf
 6 Ibid.

Figure 2. Share to Current Health Expenditure by Health Care Financing Scheme: 2022 (in percent)



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).⁷

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 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. It further stated, however, that 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.⁸

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.⁹ Relatedly, according to reports published in 2022, the Philippines still has a shortage of 92,000 doctors and 44,000 nurses,¹⁰ even after decreasing the temporary deployment of healthcare workers to 7,500 due to COVID-19.¹¹

7 Diokno-Sicat, C. J. et al. (March 2023). Public Health and Labor Policy. Retrieved from <https://pidswebs.pids.gov.ph/CDN/document/pidsdps2307.pdf>.
 8 Ibid.
 9 Ibid.
 10 Balita, C.E. (27 July 2022). Nurses bleeding, leaving, lacking. Retrieved from <https://businessmirror.com.ph/2022/07/27/nurses-bleeding-leaving-lacking/>.
 11 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>

The national health worker density in the Philippines, despite fulfilling the World Health Organization (WHO) threshold of 61.2 health professionals per 10,000 population, exhibits considerable disparities among specific healthcare professional categories. According to the DOH, the outmigration of nurses remains a pressing concern. The number of licensed medical doctors and dentists is failing to keep pace with population growth, and there is a decline in the number of licensed midwives. Additionally, around a quarter of all barangays, each supposed to have its own health workers, and DOH hospitals are facing notable staff shortages, mainly due to lower pay levels.¹²

In terms of budget allocation, the 2024 General Appropriations Act (GAA) has earmarked approximately PHP 311.3 billion for the DOH, highlighting a 3% increase from its 2023 National Expenditure Program (NEP) allocation of PHP 301.3 billion. However, this is 3% lower than its 2023 General Appropriations Act (GAA) allocation of PHP 322.2 billion.¹³ The 2024 DOH-wide NEP budget will help fund its activities under the 8-point Action Agenda for Universal Health Care. PHP 214.5 billion or 69% of the total budget for the Health Department will be allocated to *Bawat Pilipino, ramdam ang kalusugan* agenda. Following the same trend from the previous year, the budget allotted for the DOH in 2024 saw a 10.4% increase from the agency-wide budget allocation of the previous year. However, 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”.¹⁴

When it comes to healthcare products, the pharmaceutical market in the Philippines had a last recorded value in sales of PHP 238 billion,¹⁵ and an estimated market value of USD 3.3 billion in 2020.¹⁶ 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.¹⁷ During the period 2017–2022, 3.5% of the total global sales of new medicines launched was recorded from pharmerging¹⁸ countries including the Philippines.¹⁹ The said sector is also projected to grow at a compound annual growth rate (CAGR) of over 1% from 2017 to 2026.²⁰

With regard to the medical devices sub-sector, which has a market value of USD 747 million as of 2021,²¹ the Philippines’ demand is supplied primarily through importation, which accounts for 99.2% of the market, according to most recent data. This is especially the case for highly advanced devices like those used in the treatment of cancer, dialysis, respiratory conditions, and diagnostic imaging. The production

12 Department of Health. (2023). National Objectives for Health Philippines 2023–2028. Manila, Philippines: Department of Health.

13 Department of Health. (2024). CY 2024 Budget Briefer. Retrieved from <https://drive.google.com/file/d/15IU14yZ7APShg4BXCImFEb606hL2-PU7/view?usp=sharing/>.

14 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>.

15 IQVIA. (8 September 2022).

16 Global Data. (17 March 2022). Philippines Healthcare (Pharma and Medical Devices) Market Analysis, Regulatory, Reimbursement and Competitive Landscape. Retrieved from <https://www.globaldata.com/store/report/philippines-healthcare-regulatory-and-reimbursement-analysis-2/>.

17 IQVIA. (8 September 2022).

18 Pharmerging refers to a group of countries that hold low positioning in the pharmaceutical market but have a speedy growth.

19 IQVIA. (January 2023). Global Use of Medicines 2023). Retrieved from <https://www.andi.com.co/Uploads/IQVIA.pdf>

20 Global Data. (17 March 2022). Philippines Healthcare (Pharma and Medical Devices) Market Analysis, Regulatory, Reimbursement and Competitive Landscape. Retrieved from <https://www.globaldata.com/store/report/philippines-healthcare-regulatory-and-reimbursement-analysis-2/>.

21 Global Data. (17 March 2022). Philippines Healthcare (Pharma and Medical Devices) Market Analysis, Regulatory, Reimbursement and Competitive Landscape. Retrieved from <https://www.globaldata.com/store/report/philippines-healthcare-regulatory-and-reimbursement-analysis-2/>.

of replacement parts and medical supplies remains the exclusive focus of the country’s medical device sector.²² Similar to the pharmaceutical sector, the medical devices market is likewise poised to expand, with a foreseen growth in CAGR of more than 8%.²³

As the country navigates the complex challenges and opportunities in healthcare, sustained efforts to strengthen healthcare systems and harness the potential of the healthcare industry are essential for building a healthier and more resilient Philippines.

INDUSTRY REFORMS AND INDUSTRY DEVELOPMENTS

Executive updates

- On 25 July 2023, Executive Secretary Bersamin signed **Memorandum Circular No. 26, series of 2023**, which adopts the Philippine Health Facility Development Plan (PHFDP) 2020–2040. The said issuance directs the Department of Health (DOH) and the Department of Interior and Local Government to support the implementation of the PHFDP, as well as to craft policies necessary to fulfil the objectives of the plan.²⁴
- The DOH, in June 2023, published **Administrative Order No. 2023-0010**, which lays out the guidelines in harmonising development assistance for health, in line with implementing universal healthcare. The AO states that the fiscal space for health should be expanded to fully implement the provisions of the UHC Act.²⁵
- **DOH Administrative Order No. 2023-0015** was issued to adopt the 8-Point Action Agenda as the Medium-Term Strategy of the Health Sector for 2023–2028. The 8-Point Action Agenda, aligned with the Philippine Development Plan 2023–2028, outlines the following strategic objectives²⁶:
 - Every Filipino experiences health and well-being
 - Safe, high-quality, and people-centred services
 - Technology for efficient health service delivery
 - Ready for health crises and emergencies
 - Disease prevention and health promotion
 - Mental health and overall well-being
 - Advancement of protection of health workers’ rights and wellbeing
 - Protection against any pandemics

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

23 Global Data. (17 March 2022). Philippines Healthcare (Pharma and Medical Devices) Market Analysis, Regulatory, Reimbursement and Competitive Landscape. Retrieved from <https://www.globaldata.com/store/report/philippines-healthcare-regulatory-and-reimbursement-analysis-2/>.

24 Official Gazette. (27 July 2023). Memorandum Circular No. 26, series of 2023. Retrieved from <https://www.officialgazette.gov.ph/2023/07/25/memorandum-circular-no-26-s-2023/>.

25 DOH. (05 June 2023). Administrative Order No. 2023-0010. Retrieved from https://drive.google.com/file/d/1oZ_ERLddAx5Y9Y1UFSNyvjDVh7eNsGW5/view?usp=drive_link.

26 DOH. (13 September 2023). Administrative Order No. 2023-0015. Retrieved from https://drive.google.com/file/d/1K7x_yQMtUei57AG4i8lq9WXXNbF5v1YR/view?usp=drive_link.

- Pursuant to the implementation of the UHC Act, and following the issuance of DOH Administrative Order No. 2018-0020 on revised implementing guidelines on Electronic Drug Price Monitoring System (EDPMS), the DOH published **Administrative Order No. 2023-0019**, which expands the coverage of EDPMS to all medicines registered to the Food and Drug Administration (FDA).²⁷
- **DOH Administrative Order No. 2024-0003** was released in February 2024, providing the implementing guidelines for the Health Care Financing Strategy (HCFS) of the Philippines²⁸ 2023-2028 towards Universal Health Care. This AO outlines the overarching policy framework and operational strategies aimed at addressing significant health financing challenges within the healthcare sector over the medium term.²⁹
- The DOH released amendments to Administrative Order No. 2019-0035, on the adoption of the International Health Partner Scorecard (IHPS) through **Administrative Order No. 2019-0035-A**. The amendment seeks to align the IHPS with the new national health strategy provided in the DOH Administrative Order No. 2023-0015 on the 8-Point Action Agenda of the Healthcare Sector.³⁰
- In January 2024, the Department of Health and the Department of Science and Technology issued **Joint Administrative Order 2024-0001**, containing the guidelines on the transfer of Health Technology Assessment from the DOH to the DOST.³¹ The UHC Act, signed in 2019, provided for the transfer of the Health Technology Assessment Council from the Department of Health to the Department of Science and Technology within five years 'after its establishment and operation'.³²
- In early 2023, the DOH stated that it intends to create 28 primary care facilities nationwide that will be called the **National Ambulatory and Urgent Care Facility**, which will be an "accessible health service" especially for poor Filipinos. The DOH anticipates the opening of five fully operational primary health facilities within 2024.³³
- On 14 February 2023, the Department of Health and the World Health Organization launched the **2024-2028 National Integrated Cancer Control Program (NICCP) Strategic Framework**. This new strategic framework identifies the vision and mission of the National Integrated Cancer Control Council (NICCC) that was established through the National Integrated Cancer Control Act (NICCA), as well as foresees the anticipated impact to be realised over the next four years. Moreover, the framework underpins the significance of prioritisation and capacity building to achieve the strategic objectives of cancer control.³⁴

27 DOH. (20 November 2023). Administrative Order No. 2023-0019. Retrieved from https://drive.google.com/file/d/1xYIB774u12-NTBU4bEIAj0NMI6j19USd/view?usp=drive_link.

28 DOH. (2023). Health Care Financing Strategy (HCFS) of the Philippines 2023-2028. Retrieved from <https://drive.google.com/file/d/16IW03H3qHV8cZmxUuZl8xhGEZq0feEJa/view>.

29 DOH. (13 February 2024). Administrative Order No. 2024-0004.

30 DOH. (18 January 2024). Administrative Order No. 2019-0035-A. Retrieved from https://drive.google.com/file/d/17UQluzS7lAxplktZ5c9UI5xeQqcOuKX6/view?usp=drive_link.

31 DOH. (31 January 2024). Joint Administrative Order 2024-0001. Retrieved from https://drive.google.com/file/d/107ZQpLGV4G_by-5QxsiRx98iP8eS7Fvx/view?fbclid=IwAR0YFC6v8UNg09-rtIPqcqIvAZLcXLRfI9E2HAGcgLw_AUtlNXlg89uK1RI.

32 Official Gazette. (20 February 2019). Republic Act No. 11223. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190220-RA-11223-RRD.pdf>.

33 Philippine Star. (31 January 2024). DOH to build 28 primary health hubs to decongest hospitals. Retrieved from <https://www.philstar.com/headlines/2024/01/31/2329940/doh-build-28-primary-health-hubs-decongest-hospitals>

34 DOH. (14 February 2024). DOH, WHO launch 2024-2028 National Integrated Cancer Control Program (NICCP) Strategic Framework. Retrieved from <https://doh.gov.ph/press-release/doh-who-launch-2024-2028-national-integrated-cancer-control-program-niccp-strategic-framework/>.

- The Department of Science and Technology (DOST) published the **National Unified Health Research Agenda (NUHRA) 2023-2028**, which serves as the primary tool of Philippine National Health Research System (PNHRS) in overseeing activities and funding for health research. It functions as a platform to acquire local, national, and international support for health research priorities. The NUHRA strives to address the population's health needs in accordance with the country's health sector goals. The NUHRA covers themes and subthemes including Disease Management, Health Technology and Innovation, Health Systems Strengthening Towards UHC, and Nutrition and Food Safety.³⁵
- At the beginning of 2024, the Philippines Health Insurance Corporation (PhilHealth) announced its members' **premium contribution will be increased from 4% to 5%**,³⁶ as mandated in the UHC Act. As of 28 February, PhilHealth premium hike is still being assessed by the Office of the President.³⁷
- Armed with a 5% premium contribution rate, PhilHealth is setting aside **P243 billion to pay member claims for 2024**. PhilHealth intends to rationalise case rates for bronchial asthma and bacterial sepsis in newborns, as well as COVID-19 inpatient coverage. Guidelines for the outpatient therapeutic care benefits package for severe acute malnutrition in children aged 5 and younger, as well as physical medicine and rehabilitation services, will be improved. Enhancement of peritoneal dialysis under the Z Benefits Package will also be done. PhilHealth's Konsultasyong Sulit at Tama (KONSULTA) package will also be further expanded to include treatment for tuberculosis, animal bites, malaria, and HIV/AIDS.³⁸
- **Circular No. 2024-0001** was released by the PhilHealth to details and operationalise the applicable rules in adjusting case rates, following the issuance of 2023 circulars on rationalising select care rates. This policy covers all accredited health facilities, PhilHealth Regional Officer, and other entities involved in implementing the 30% adjustment of case rates.³⁹
- PhilHealth **Circular No. 2024-0002** on the Implementing Guidelines for the PhilHealth *Konsultasyong Sulit at Tama* (PhilHealth *Konsulta*) Package was released in February 2024. This circular provides the specific guidelines of the PhilHealth *Konsulta*, in its transitional phase towards the implementation of *Konsulta+*. Among other provisions, this Circular covers guidelines on registration to PhilHealth *Konsulta* Package Provider, benefit package content, and benefit avilment process.⁴⁰
- The PhilHealth likewise announced that it plans to include **32 drug products in its "Konsulta" program**. PhilHealth's Outpatient Drug Benefit package presently only covers 21 medications. This will bring PhilHealth's coverage to a total of 53 outpatient medications, ranging from regiments covering infections up to maintenance medications for non-communicable diseases.⁴¹
- The PhilHealth issued **Advisory No. 2024-0008** on the adoption of eKYC Solution of DICT, which provides that Filipino citizens may register into the National Health Insurance Program without the need to present any proof of identity, granted that they are registered in the Philippine Identification System (PhilSys).⁴²

35 Department of Science and Technology (DOST). (2023). National Unified Health Research Agenda (NUHRA) 2023-2028. Retrieved from <https://www.pchrd.dost.gov.ph/publications/nuhra-2023-2028/>.

36 Cabato, L. (12 January 2024). PhilHealth members' contribution hikes to 5% this 2024. Retrieved from <https://newsinfo.inquirer.net/1888201/philhealth-members-contribution-to-increase-to-5-this-2024>.

37 Gita-Carlos, R. A. (28 February 2024). PBBM: Decision on PhilHealth premium hike out 'very soon'. Retrieved from <https://www.pna.gov.ph/articles/1219698>.

38 Naval, G. (6 March 2024). PhilHealth sets aside P243B for member benefits this year. Retrieved from https://malaya.com.ph/news_news/philhealth-sets-aside-p243b-for-member-benefits-this-year/.

39 Philippine Health Insurance Corporation (PhilHealth). (30 January 2024). Circular No. 2024-0001. Retrieved from <https://www.philhealth.gov.ph/circulars/2024/PC2024-0001.pdf>.

40 PhilHealth. (12 February 2024). Circular No. 2024-0002. Retrieved from <https://www.philhealth.gov.ph/circulars/2024/PC2024-0002.pdf>.

41 Naval, G. (23 January 2024). PhilHealth to expand 'Konsulta' meds package. Retrieved from https://malaya.com.ph/news_news/philhealth-to-expand-konsulta-meds-package/

42 PhilHealth. (14 February 2024). Advisory No. 2024-0008. Retrieved from <https://www.philhealth.gov.ph/2024>

- **PhilHealth Circular No. 2024-0007** provided for the increase in Z benefit for breast cancer patients from PHP 100,000 to PHP 1.4 million. This increase, according to PhilHealth, is on top of the 30% increase in all PhilHealth benefits.⁴³
- The Food and Drug Administration (FDA) issued **FDA Advisory No. 2023-0256**, which provided the new implementation date of updates on the List of VAT-Exempt Health products. This presents the inclusion of certain medicines for cancer, hypertension, and mental illness on the List.^{44,45}
- The FDA likewise issued **Advisory No. 2024-0498**, effectively delisting COVID-19 medicines and devices from the list of VAT-exempt healthcare products.⁴⁶ Under Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, the application of VAT exemption shall be valid only until 31 December 2023.
- FDA published **Circular No. 2022-004-A** which amends the 2022 Circular on review pathways for new drug registration, to include generic drug registration applications and update the list of Reference Drug Regulatory Agencies.⁴⁷
- In February 2024, the FDA released **Advisory No. 2024-0429** to clarify the requirements of the 20% discount on purchase of medicines for senior citizens, pursuant to the implementation of Administrative Order No. 2012-0007-A.⁴⁸

Legislative updates

- In August 2023, President Marcos signed **Republic Act No. 11959, or the Regional Specialty Centers Act**. This legislation mandates the Department of Health (DOH) to establish specialty centres in its hospitals in every region, as well as government-owned or -controlled corporation specialty hospitals,⁴⁹ to institutionalise specialty health centres in the country. Its implementing rules and regulations (IRR) was published by the DOH in November 2023 through **Administrative Order No. 2023-0020**.⁵⁰

advisories/2024/PA2024-0008.pdf.

43 Philippine Health Insurance Corporation. (22 March 2024). PhilHealth Circular No. 2024-0007. Retrieved from <https://www.philhealth.gov.ph/circulars/2024/PC2024-0007.pdf>.

44 Food and Drug Administration (FDA). (15 February 2024). FA No. No. 2023-0256. Retrieved from <https://www.fda.gov.ph/wp-content/uploads/2024/02/FDA-Advisory-No.2024-0329.pdf>.

45 Bureau of Internal Revenue. (5 March 2024). Revenue Memorandum Circular No. 34-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2024%20RMCs/RMC%20No.%2034-2024.pdf

46 FDA. (06 March 2024). FDA Advisory No. 2024-0498. Retrieved from <https://www.fda.gov.ph/wp-content/uploads/2024/03/FDA-Advisory-No.2024-0498.pdf>.

47 FDA. (15 February 2024). FDA Circular No. 2022-004-A. Retrieved from <https://www.fda.gov.ph/wp-content/uploads/2024/02/FDA-Circular-No.2022-004-A.pdf>.

48 FDA. (28 February 2024). FDA Advisory No. 2024-0429. Retrieved from <https://www.fda.gov.ph/wp-content/uploads/2024/02/FDA-Advisory-No.2024-0429-20240219134615.pdf>.

49 Official Gazette. (24 August 2023). Republic Act No. 11959. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/08aug/20230824-RA-11959-FRM.pdf>.

50 DOH. (23 November 2023). Administrative Order No. 2023-0020. Retrieved from https://drive.google.com/file/d/11X9LRzOvIHef3Sk6qhyi4if1QyqBoQTi/view?usp=drive_link.

- Several pieces of proposals⁵¹ have been filed in the legislative branch seeking to **amend Republic Act No. 11223 or the Universal Health Care (UHC) Act**. In February 2023, the Senate Committee on Health and Demography conducted a public hearing to discuss amendments to the said law.⁵² Among the proposed amendments is the establishment of a health passport system, which aims to streamline access to healthcare services for individuals across different healthcare facilities.⁵³
- **House Bill No. (HBN) 9867** passed third reading at the House of Representatives in February 2024. The bill aims to accelerate the discovery and development of innovative medicines by strengthening clinical trials.⁵⁴

ADVOCACY RECOMMENDATIONS

Strengthen national health information systems

Health Information Systems (HIS) are used to gather, standardise, encode, and oversee data pertaining to indicators of health status, determinants of health, and healthcare systems. This mechanism provides policymakers with sufficient information to identify and respond to problems with evidence-based solutions, as well as to allocate resources effectively. Moreover, HIS allows planners to come up with more efficacious services, managers to monitor and assess these services, and clinicians to deliver high-quality and evidence-based care. Essentially, HIS forms the foundation of decision-making in health policy, management, and clinical care.⁵⁵

Moreover, the World Health Organisation, in its Rehabilitation 2030 initiative, has also identified “collection of information to enhance health information systems” as among the priorities, to ultimately support the health system as a whole, and achieve universal healthcare.⁵⁶

With this, the ECCP recognises the inclusion of provisions (Section 36) in the UHC Act that aim to develop 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.

To further strengthen the HIS, there must be improved data collection and assessment, as well as enhanced integration and streamlining capabilities to bolster sector innovations and health strategies. It is also important to highlight that as not all information is made available within the healthcare system, that national HIS should be able to connect with and collect comparable and needed statistical and socioeconomic data, among others, from other government agencies.⁵⁷

51 Senate Bill Nos. 160, 335, 644, 723, 770, 983, 1791 and House Bill No. 6772

52 Senate of the Philippines. (1 February 2024). Retrieved from https://legacy.senate.gov.ph/photo_release/2023/0201_03.asp.

53 Senate of the Philippines. (15 February 2024). Cayetano pushes for improved healthcare access, equity as Senate amends UHC Act. Retrieved from https://legacy.senate.gov.ph/press_release/2024/0215_cayetano2.asp.

54 House of Representatives. (2024). House Bill No. 9867. Retrieved from https://hrep-website.s3-ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB09867.pdf.

55 World Health Organization (WHO). (2017). Health information systems and rehabilitation. Retrieved from https://cdn.who.int/media/docs/default-source/documents/health-topics/rehabilitation/healthinformationsystemsandrehaboctober17.pdf?sfvrsn=d1ac6f07_5&download=true.

56 WHO. (2017). Rehabilitation 2030 Initiative. Retrieved from <https://www.who.int/initiatives/rehabilitation-2030>

57 WHO. (2017). Health information systems and rehabilitation. Retrieved from <https://cdn.who.int/media/>

Additionally, we urge that efforts should be furthered to bridge the gaps in achieving equitable access to technology and health systems across all provinces and government units concerning infrastructure to enhance connectivity and inclusion, as well as employing capacity-building initiatives for health and other practitioners.

Finally, to help manage the collection and compilation of health-related data, we underscore that policies on HIS should align with the Data Privacy Act, as well as other mechanisms that ensure the protection of sensitive and confidential data of individuals, companies, and other health entities.

Enhance procurement schemes through enacting amendments to the Government Procurement Reform Act (GPRA) or Republic Act No. 9184

Creation of sector-specific guidelines on procurement and promotion of value-based procurement

Under RA 9184, healthcare products, along with furniture and rental services, among others, are classified as 'goods',⁵⁸ to which apply the principle of lowest calculated price.⁵⁹ While we recognise that this concept drives competition and reduction of prices, we also underscore that lowest price bids may limit the access to quality and innovative healthcare products that help enhance patient outcomes.

For the healthcare sector, specific technical requirements are required to guarantee the quality, safety, and effectiveness of medical products. With this, we strongly believe that procedures for the healthcare sector should not be viewed under the same umbrella as other sectors.

In this context and highlighting the specialised and technical criteria that are considered in the procurement of healthcare commodities, the ECCP highly encourages that the proposed legislation incorporates provisions on the creation of sector-specific procurement rules or guidelines, to further support the objective of balancing price and quality of products.

Procurement processes for medicines, vaccines, and diagnostics may employ a mechanism that takes into account additional factors such as the quality of the medication, the reliability of the supplier, the impact of health technology, and the availability of supplementary services or programs, as exemplified in Malaysia.⁶⁰ By integrating such aspects into the decision-making process, thorough and better-informed procurement and tender evaluations can be undertaken.

It is also worthy to note that there is a global movement towards value-based procurement, which emphasises how a product or solution, such as medicine, can successfully contribute to addressing health outcomes and needs, while managing the total cost of care and providing long-term benefits to all stakeholders in the healthcare sector. As an example, the European Union's Directive 2014/24/EU⁶¹ aims to modernise procurement and underscore the importance of balance between cost and quality, supporting a value-based procurement approach.

docs/default-source/documents/health-topics/rehabilitation/healthinformationsystemsandrehaboctober17.pdf?sfvrsn=d1ac6f07_5&download=true.

58 Government Procurement Policy Board (GPPB). (n.d.). Republic Act (RA) No. 9184, Article I, Section 5(h). Retrieved from <https://www.gppb.gov.ph/wp-content/uploads/2023/06/Republic-Act-No.-9184.pdf>.

59 GPPB. (n.d.) RA No. 9184. Article IX, Section 32.

60 United Nations Office on Drugs and Crime. (n.d.). Malaysia's Government Procurement Regime. Retrieved from https://www.unodc.org/documents/treaties/UNCAC/WorkingGroups/workinggroup4/2016-August-22-24/Contributions_NV/Malaysia_EN.pdf.

61 EUR-Lex. (2024). Consolidated text: Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC (Text with EEA relevance). Retrieved from <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02014L0024-20240101>.

Institutionalising the procurement of healthcare products that are not in the Philippine National Formulary (PNF) or are undergoing Health Technology Assessment (HTA) review

Executive Order No. 49, series of 1993⁶² states that only drugs included in the Philippine National Formulary (PNF) are eligible for government procurement. However, it is significant to note that, as of 2018, only 676, or 3.5%, of the 19,381 medications registered with the Food and Drug Administration (FDA) were covered in the PNF.⁶³ The inability of end-users to purchase medications due to this limitation thereby creates a counterproductive impact on the country's healthcare system.

Given this scenario, we suggest amending RA No. 9184 to institutionalise the government procurement of non-PNF drugs as well as those under Health Technology Assessment (HTA) review, provided that end-users such as hospitals, healthcare professionals, and patients, demonstrate the need for such healthcare products. It is also encouraged to implement special access schemes that incorporate non-PNF medications through government partnerships and funding. To illustrate, Malaysia's Patient Access Scheme (PASc) was implemented with the objective to improve access to medicines, involving 'innovative pricing agreements to improve cost effectiveness and facilitate access to specific medicines'⁶⁴.

In relation to this, we recommend the consideration of current policies that already provide for the procurement of non-PNF health commodities. Among the said policies is the Department of Health (DOH) Administrative Order 2016-0034, which allows for the procurement of non-PNF molecules,⁶⁵ as well as RA No. 11215 or the National Integrated Cancer Control Act, which provides that cancer medicines that are not in the PNF, as well as those under review or not approved by the HTA may be accessed through special schemes in the private sector, among other mechanisms.⁶⁶

Finally, to help ensure continuous access to innovative treatments notwithstanding their inclusion in the PNF, we emphasise that the amendments to GPRA should provide for adaptivity to emerging health technologies, towards the promotion of health equity through promoting access to innovative and advanced treatments.

Implementation of pooled procurement and multi-year contracts, as well as introduction of new procurement modalities

The ECCP strongly supports the implementation of pooled procurement and multi-year contracts, as these can reduce costs significantly by consolidating demand for healthcare commodities. Pooled procurement entails consolidating the purchasing power of several entities to meet their aggregate demand. This strategy generates significant market influence, encouraging suppliers to decrease their prices due to high demand. This not only improves cost-effectiveness, but also allows for more strategic negotiation of favourable terms and conditions.

62 Official Gazette. (1993). Executive Order No. 49 s. 1993. Retrieved from <https://www.officialgazette.gov.ph/1993/01/21/executive-order-no-49-s-1993/>.

63 WHO. (2018). How Pharmaceutical Systems are Organized in Asia and the Pacific. Retrieved from <https://iris.who.int/bitstream/handle/10665/260004/9789290618485-eng.pdf?sequence=1>.

64 Ministry of Health, Malaysia. (2018). Guidelines on Proposal Submission for Patient Access Scheme (PASc) Implementation in Ministry of Health. Retrieved from https://pharmacy.moh.gov.my/sites/default/files/document-upload/25.8.2020-guidelines-proposal-submission-patient-access-scheme-2018-dengan-no.-siri-kelulusan_0.pdf.

65 Department of Health (DOH) Administrative Order No. 2016-0034, General Guidelines, item L. Retrieved from <https://www.scribd.com/document/386088255/DOH-AO-2016-0034>.

66 DOH. (2019). RA No. 11215 Implementing Rules and Regulations, Rule VI, Section 23. Retrieved from <https://app.doh.gov.ph:1024/Rest/GetFile?id=641312>.

As we recognise the diversity of pooled procurement mechanisms, we make reference to and put forward the below procurement procedure utilised by jurisdictions with universal healthcare programs⁶⁷:

1. Government collects health data on the incidence of different diseases and illness to calculate the volume of medicines they will require.
2. The Health Department uses the data to negotiate with medicine manufacturers to achieve the best possible price based on the country's longer-term needs for bulk procurement of their requirements.
3. Government can gain optimal prices by pooling procurement of the medicines while ensuring supply availability, buying for the country's needs as a whole.
4. Make medicines available to patients through the UHC system either for free or for a low-cost flat rated prescription charge.
5. Patients access their medicines by getting their prescriptions.

Furthermore, the concept of multi-year contracts, with adequate timeframes, supports the pooled procurement strategy, as it promotes stability and predictability in procuring products. Entities can maintain stable pricing and supply by entering long-term contracts, reducing the influence of market changes. This encourages long-term partnership between suppliers and procurers, resulting in competitive pricing. Pooled procurement and multi-year contracts may also promote quality controls, shortened delivery lead times, streamlined procurement processes, as well as multi-sectoral collaboration.

In addition to the above mechanisms, proposed further improvements to the procurement process include negotiated supplier agreements and managed entry agreements. Enabling negotiated supplier agreements during the procurement process would increase flexibility and efficiency in accessing essential medicines, as negotiations on exclusive agreements between buyers and suppliers are enabled.

Moreover, it is critical for procurement entities to have the flexibility to explore financing methods. Through financing or managed entry agreements, the payment for medical products is tied with the value that it provides to patients. These agreements should be structured to reimburse based on proven patient outcomes, alter payments based on how well a medicine is used, and include other forms of risk-sharing.

Finally, to align on the definition of applicable terminologies, we propose inclusion of the following changes to Senate Bill 2593, subject to proper form and style:

- Addition of a new section under Section 5 (Definition of Terms), Article I (General Provisions):

(v) Pooled Procurement – refers to cooperative combination of the financial and other resources to improve efficiency and greater purchasing power for the Procuring Entity to attain a sustainable, predictable and timely use of government funds.

- Amendment of Section 16, Article II (Strategic Procurement Planning):

Sec. 16. Use of Framework Agreement. – Procuring Entities may use a framework agreement as a procurement strategy, including but not limited to pooled procurement, to expand the pool of prospective bidders, take advantage of economies of scale, minimize the administrative burden of conducting separate procurement activities, and generate time and money savings.

67 Walsh, G. (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.

Strengthening procurement processes through digital technology, capacity building, and advancing multi-sectoral collaboration

In response to the continuously evolving technological trends and procurement needs, the ECCP welcomes the recognition of digitalisation and capacity building in the proposed GPRA amendments. To this point, we acknowledge that the use of digital procedures will improve efficiency of procurement processes, as well as support efforts to address red tape, streamline requirements, as well as provide access to procurement information and activities, thereby enhancing transparency in the procurement system. While we recognise the benefits of a transparent and digitalised procurement system, we likewise underscore that there should be safeguards to ensure the protection of sensitive and confidential data, to further build trust among procuring parties.

Moreover, the ECCP supports the goal to advance capacity building for public procurement professionals, through the development of a competency and certification frameworks, code of conduct, as well as rollout of capacity development programs. In relation to this, and to foster inclusive development, we highly suggest that capacity building initiatives and procurement methods are applied at both national and local government levels, owing to the devolution process that has been identified by the government as one of its priorities.⁶⁸

Expand PhilHealth coverage and strengthen its capacity to support the provision of health services and products

An essential component facilitating the enhancement and inclusivity of healthcare is the implementation of effective health financing methods regardless of disease area involved. Under which, insurance serves as a critical aspect, as it offers individuals a safety net, especially during hospitalisations and unforeseen health crises.

The Philippine Health Insurance Corporation or PhilHealth, serving as the country's primary health insurance provider, holds significant responsibility in bridging the accessibility gap to groundbreaking health treatments and vital products.

In relation to this, the ECCP notes that the PhilHealth recently stated that among its accomplishments include the inclusion of packages on mental health for its outpatient services, increased coverage for pneumonia, breast cancer patients, and upon its operationalisation, the inclusion of the Philippine Cancer Center on its list of contracted partners. Moreover, the agency announced the expansion of Rationalized Benefit Packages for its members this 2024.^{69 70} Recently, the DOH has likewise directed the inclusion of ultrasound and mammography in the benefit package for PhilHealth members.⁷¹

Relatedly, we strongly believe that reducing financing-related bottlenecks in the healthcare framework will provide Filipinos with more capacity and opportunity to access healthcare services and products, therefore resulting in a healthier and more productive society.

Nonetheless, we underscore that there remains to be a lack in outpatient benefits under the PhilHealth scheme. The current outpatient benefit packages under the PhilHealth scheme – outpatient drug benefit package and primary care package, are inadequate, hindering patients' access to necessary medications

68 Philippine Information Agency. (2023). DBM to aid LGUs achieve full, effective devolution. Retrieved from <https://mirror.pia.gov.ph/news/2023/02/14/dbm-to-aid-igus-achieve-full-effective-devolution>.

69 Parungao, A. (08 March 2024). PhilHealth vows 'big accomplishments' for Marcos' SONA. Retrieved from <https://newsinfo.inquirer.net/1916260/philhealth-on-sona>.

70 De Castro, M. (26 February 2024). Enhanced benefits await PhilHealth members. Retrieved from <https://pia.gov.ph/news/2024/02/26/enhanced-benefits-await-philhealth-members>.

71 Naval, G. (13 March 2024). Ultrasound, mammography to be covered by PhilHealth. Retrieved from https://malaya.com.ph/news_news/ultrasound-mammography-to-be-covered-by-philhealth/.

and early treatment for chronic diseases such as diabetes and hypertension. As an example, insulin, a life-saving medicine for diabetic patients and which has long been in the WHO essential medicine list,⁷² is not available for the outpatient. This not only compromises patient health but also leads to increased healthcare costs due to preventable complications that necessitate inpatient care.

As such, we highly recommend a comprehensive enhancement of outpatient benefits under the PhilHealth scheme, aimed at broadening the scope of outpatient coverage, particularly in terms of medication accessibility. This could facilitate the timely management of chronic diseases, improve patient quality of life, and mitigate the financial burden associated with hospitalisation due to complications.

To this end, the ECCP continues to advocate for the expansion of PhilHealth services to cover all elements of health care across disease areas (such as mental health, rare diseases in both paediatric and adult populations, renal disease, and rare cancers, throughout the patient journey, as well as preventive medicine approach. Furthermore, in terms of overall health funding plans, we recommend that differential pricing, co-payment, and expanded reimbursement modalities be considered.

Strengthen the delivery of primary health care services

The World Health Organization and the United Nations Children's Fund (UNICEF) have recognized primary healthcare as a comprehensive health strategy which is aimed at enhancing the health and well-being of individuals and communities. This approach spans the spectrum from promoting health and preventing diseases to providing treatment, rehabilitation, and palliative care, while increasing accessibility to individuals' daily environments.⁷³ At the same time, the WHO has underpinned that primary health care improves equity and health care services and outcomes, and serves as the "most inclusive, equitable, cost-effective and efficient approach to enhance people's physical and mental health, as well as social well-being".⁷⁴

In this context, the ECCP puts forth its recommendations to further enhance the delivery of primary health care services in the country:

- (1) Mandatory registration of Filipinos to public or private primary health care provider of choice;
- (2) Accessibility of patient records to primary health care providers;
- (3) Capacity-building for health professionals and local government units on the provision of primary care services; and
- (4) Providing a strong mechanism of digital healthcare solutions for better access to primary health care services

Similarly, and as we acknowledge the growing significance of technological progress in delivering services and goods across various fields, we underscore the importance of leveraging technology and addressing connectivity challenges related to infrastructure to broaden the reach of primary healthcare services, particularly in rural areas. Similarly, capacity building within LGUs is critical to ensure appropriate healthcare delivery to all patients.

To this end, the ECCP highlights that a strong primary health care and outpatient system that prioritises prevention over cure, will also free up services in more expensive tertiary care settings while also helping

72 World Health Organization. (2023). World Health Organization Model List of Essential Medicines - 23rd list. Retrieved from <https://iris.who.int/bitstream/handle/10665/371090/WHO-MHP-HPS-EML-2023.02-eng.pdf?sequence=1>.

73 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-2018.15-eng.pdf?sequence=1&isAllowed=y>.

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

to prevent disease consequences, which can be more expensive to treat.

Strengthen the Health Technology Assessment

The ECCP acknowledges that the role of the Health Technology Assessment (HTA) is to help provide increased access to quality and life-saving treatment and medications, specifically through policy and product recommendations, as well as assessment of healthcare goods for inclusion in the PNF. However, as demonstrated in earlier figures, the limited number of PNF medicines poses a significant risk in promoting access to treatments. Moreover, according to industry data, it can take 57 to 128 weeks, or 30 months, for a final HTA recommendation is given. This pales in comparison with other jurisdictions such as Canada, UK, Australia, and New Zealand, where HTA reviews take only between 12 and 35 weeks.

This underpins the critical role of strengthening HTA in advancing equity in service, advancement of innovation, and adaptability in providing universal healthcare for all. On this note, the ECCP brings forward the below recommendations on the development of the country's HTA system:

- establishment of dedicated HTA methods for specific technologies and treatments such as those for cancer and rare diseases that are smaller in magnitude (i.e. frequency, incidence, or prevalence) but are more catastrophic, as well as broadening the choice criteria to consider other factors, such as the insurance value, real option value, and indirect costs;
- establishment of a pathway to improve the efficiency of the HTA process and ensure predictability in timeliness of the release of recommendations
- development of parallel process and submission between the FDA and HTA, which integrates regulatory approval and the HTA processes;
- institutionalisation of a special process (i.e. special permit, which has likewise been provided in Section 23 of NICCA) that will allow access to medicines not yet part of the PNF or those still undergoing HTA review, subject to strict monitoring mechanisms; and
- development of a predictable, transparent, and trackable process by publishing a Citizen's Charter, in line with the requirements of Ease of Doing Business.

Additionally, and along with the transfer of implementation of the HTA from the DOH to the DOST, we look forward to increased efforts to boost capacity building and technical assistance efforts within the DOST-HTA Division (HTAD). Particularly on human resources, it was noted in a PIDS study that the Philippines pales in comparison with other ASEAN countries such as Malaysia and Thailand,⁷⁵ in terms of number of and representation in the countries' respective HTA bodies.⁷⁶ As such, we advocate for the allotment of sufficient resources and budget to address the additional need for local capacity and capability for HTA.

As such, we strongly recommend that policymakers look into increasing the number of plantilla posts in the HTAD, as well as the establishment of expert committees composed of policy and health experts, among others, to create a collaborative and participatory HTA system. We highly believe that these initiatives could aid in fast-tracking approvals as well as expanding the number of technologies that can be assessed by the HTAD.

Lastly, we strongly recommend enhanced partnerships between the HTA Philippines and the private sector that will allow improvements and optimization of the local HTA process and methods.

75 Thailand: 51 internal staff across different disciplines; Malaysia: 43 internal staff across different disciplines; Philippines: 11 internal staff under medical and public health disciplines

76 Wong, J., et. al. (December 2022). An Outcome Evaluation of the Philippine Health Technology Assessment Program. Retrieved from <https://pidswebs.pids.gov.ph/CDN/document/pidsdps2259.pdf>.

Establish a regular dialogue with health policymakers and other stakeholders

The ECCP firmly believes that multi-sectoral collaboration is imperative to achieve desired health outcomes. The collaborative efforts among actors, including the government, private sector, patient groups, and other stakeholders such as trade association and Embassies, is crucial in coming up with sustainable and equitable health policies.

These dialogues serve as vital platforms for sharing best practices, staying abreast of health sector developments, and crafting evidence-based recommendations for targeted health interventions. By harnessing the diverse expertise and resources across sectors, these discussions pave the way for innovative solutions to complex health challenges.

The ECCP maintains its commitment to foster stronger partnerships with health stakeholders through various efforts. In this regard, and as healthcare will continue to be high in ECCP's agenda, and together with its Healthcare Committee members and partners, the Chamber will continue to seek avenues to regularly engage in productive dialogues with the Philippine government to support its goals and advance the country's health objectives.



ASSESSMENT OF 2023 RECOMMENDATIONS

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

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>There has been an increased recognition of the importance of innovations in the healthcare sector.</p> <p>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.</p> <p>At the legislative level, there are also proposals to strengthen clinical trials, which could help fast-track access to innovative pharmaceutical products.</p>	
	<p>Price capping for pharmaceutical products remains in place, following the issuance of Executive Order No. 104, s. 2020, and EO No. 155, s. 2021.</p> <p>Similarly, price regulation for medical devices are also being implemented, pursuant to the enactment of DOH Administrative Order No. 2021-0038.</p>
<p>Pooled procurement has been applied in purchasing COVID-19 vaccine doses, among others. However, pooled procurement or bulk purchase is yet to be institutionalised as one of the procurement methods in the healthcare sector.</p> <p>It is important to note, nonetheless, that deliberations on the amendments to the Government Procurement Reform Act have tackled stakeholders' proposals and recommendations on pooled procurement.</p>	
<p>The industry has seen development with the signing of the FDA Circulars 2022-004 and 2022-008.</p> <p>More recently, an amendment to Circular No. 2022-004 was introduced, which effectively expands the scope of Reliance Pathways to generic drugs.</p>	<p>FDA Circular No. 2022-008 does not include in its scope the application of Reliance Pathways for in-vitro diagnostic and refurbished medical devices.</p>

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Expand PhilHealth Coverage and Strengthen its Capacity to Support the Provision of Health Services and Products		
Strengthen Delivery of Primary Health Care Services		
Implement Measures to Further Strengthen Health Human Resource Management		
Strengthen National Health Information Systems		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The PhilHealth recently stated that among its accomplishments include the inclusion of packages on mental health for its outpatient services, increased coverage for pneumonia, breast cancer patients, and upon its operationalisation, the inclusion of the Philippine Cancer Center on its list of contracted partners. Moreover, the agency announced the expansion of Rationalized Benefit Packages for its members this 2024.</p> <p>The agency also reported that as of the end of 2023, 96% of Filipinos have been registered.</p>	
<p>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, strengthened capacity for health professionals and LGUs, as well as further improvement in promoting access to health services remain to be seen.</p>	
	<p>While the FDA has already issued Circulars 2013-024 and 2014-007 on the adoption of the Mexico City and Kuala Lumpur Principles, that covers the establishment of mechanisms to monitor industry players' compliance and encourage more ethical relationships between health practitioners and patients, it remains to be seen that these policies are fully and effectively implemented.</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, and several capacity building initiatives have been employed at the national and local levels.</p> <p>However, there remains to be gaps in achieving equitable access to technology and health systems across all provinces and government units, concerning infrastructure, as well as policy implementation, among others.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Strengthen the Health Technology Assessment System		
Establish Regular Dialogue Between the Government and Private Sector		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The Health Technology Assessment Council has been transferred from the Department of Health to the Department of Science and Technology, at the ceremonial turnover on 06 March 2023.</p> <p>The HTAC has continued to function as a recommendatory body since the institutionalisation of HTA following the passage of the UHC Act. However, further development in HTA processes and human resources are yet to be seen.</p>	
<p>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.</p>	

HUMAN CAPITAL AND EDUCATION ADVOCACY PAPER 2024

INTRODUCTION

Labour and human capital represent the cornerstone of socioeconomic advancement, serving as drivers of economic growth and development. As integral components of a nation's productive capacity, investments in these areas are crucial for fostering innovation, productivity, and competitiveness. Furthermore, addressing disparities in labour market participation, skills acquisition, and access to education, and building on the gains of recent sector initiatives are imperative to achieve inclusive growth. Importantly, it was stated by the International Monetary Fund (IMF) that particularly in emerging economies, unaddressed labour market concerns may lead to economic repercussions.¹

For the Philippines, the current administration has maintained that the generation of high-quality jobs will be among its priorities. Among the steps that the government is taking to bolster employment among Filipinos are the expansion of training and reskilling programs, implementation of programs that adopt wider alternative work arrangements, as well as the promotion of digitalisation and innovation in businesses.² Additionally, the Department of Finance (DOF) targets to reach PHP 4.3 trillion in revenue collections to support the government's initiatives on education, employment, and other human capital development programs. The agency is likewise strengthening its investment-generating strategies, such as the Growth-Enhancing Actions and Resolutions (GEARS Plan), amendments to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, as well as the recently enacted Public-Private Partnership (PPP) Code, to enhance the quality and quantity of jobs in the country.³

Complementing the employment targets and priorities that the government has laid out, industry experts also pointed out that the Philippines is on track to hit its target of providing jobs for 1.7 million Filipinos in the Information Technology and Business Process Management (IT-BPM) roadmap by the end of 2023. Further, in the IT-BPM Industry Roadmap 2028, it is stated that the industry aims to generate 2.5 million jobs in the sector by 2028.⁴ Moreover, Filipino employment's contribution to the country's economy has been illustrated in the attainment of a 3% increase in overseas Filipino workers' remittances, from USD 36.1 billion in 2022 to USD 37.2 billion in 2023. The Bangko Sentral ng Pilipinas reported that the 2023 remittances accounted for around 8.5% and 7.7% of the country's gross domestic product and gross national income, respectively.⁵

On employment data, the Philippine Statistics Authority (PSA) indicates that the country posted a 95.7% employment rate in 2023, translating to an increase from the 2022 rate of 94.6%. Meanwhile, the latest data released in 2024 show that the February employment rate is at 96.5%, a slight year-on-year increase from 95.5% in January, while underemployment and unemployment are at 12.4% and 3.5%, respectively.⁶

1 International Monetary Fund. (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 National Economic and Development Authority. (08 November 2023). PH gov't to prioritize addressing job vulnerability as employment continues to improve in September 2023-NEDA. Retrieved from <https://neda.gov.ph/ph-govt-to-prioritize-addressing-job-vulnerability-as-employment-continues-to-improve-in-september-2023-neda/>.

3 Alberto, R. (11 March 2024). DOF: Revenue goals crucial to human capital investment. Retrieved from <https://businessmirror.com.ph/2024/03/11/dof-revenue-goals-crucial-to-human-capital-investment/>.

4 Tabile, J. (20 September 2023). BPO industry on track to hit 1.7 million target for creating new jobs. Retrieved from <https://www.bworldonline.com/economy/2023/09/20/546856/bpo-industry-on-track-to-hit-1-7-million-target-for-creating-new-jobs/>.

5 Gonzales, A. (15 February 2023). OFW remittances hit all-time high in 2023. Retrieved from <https://www.pna.gov.ph/articles/1218913>.

6 Philippine Statistics Authority. (11 April 2024). Unemployment rate in February 2024 was estimated at 3.5 percent. Retrieved from <https://psa.gov.ph/statistics/labor-force-survey>.

Indicator (%)	January 2023 ^f	December 2023 ^p	January 2024 ^p	February 2024 ⁸
Labor Force Participation Rate	64.5	66.6	61.1	64.8
Employment Rate	95.2	96.9	95.5	96.5
Underemployment Rate	14.1	11.9	13.9	12.4
Unemployment Rate	4.8	3.1	4.5	3.5

Note: ^f = final results, ^p = preliminary results
Source: Philippine Statistics Authority, 2024

By broad industry category, the services sector remained to have the largest share in employment, accounting for 60.2% of the 45.94 million employed. Meanwhile, agriculture and industry employed 21.4% and 18.4% of the workforce, respectively.⁹ Additionally, the top sub-sectors that recorded the highest increase in the number of employed individuals are construction, transportation and storage, administrative and support service activities, fishing and aquaculture, and other service activities.¹⁰

From a regional perspective, the Philippines exhibited sluggish performance in comparison with its ASEAN neighbours (see Table 2). For the Global Competitiveness Index, in terms of regional ranking, the Philippines was even outpaced by Indonesia, ranking 5th in the 2023 report (80th globally) from 6th in 2022 (82nd globally).¹¹

Country	World Talent Ranking 2023 ¹²		The Global Talent Competitiveness Index 2023 ¹³		The Human Capital Index 2020 Update ¹⁴	
	Global Ranking	ASEAN Ranking	Global Ranking	ASEAN Ranking	HCI Score*	ASEAN Ranking
Brunei Darussalam	-	-	41 st	2 nd	0.63	3 rd
Cambodia	-	-	106 th	8 th	0.49	8 th
Indonesia	47 th	4 th	80 th	5 th	0.54	6 th
Lao PDR	-	-	101 st	7 th	0.46	10 th

7 Ibid.

8 Ibid.

9 Ibid.

10 Ibid.

11 INSEAD. (06 November 2023). The Global Talent Competitiveness Index 2023. Retrieved from <https://www.insead.edu/system/files/2023-11/gtci-2023-report.pdf>.

12 International Institute for Management Development. (2024). World Talent Ranking 2023. Retrieved from <https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-talent-ranking/#Browse-the-full-report>.

13 INSEAD. (06 November 2023). The Global Talent Competitiveness Index 2023. Retrieved from <https://www.insead.edu/system/files/2023-11/gtci-2023-report.pdf>.

14 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>

Malaysia	33 rd	2 nd	42 nd	3 rd	0.61	4 th
Myanmar	-	-	-	-	0.48	9 th
Philippines	60th	5th	84th	6th	0.52	7th
Singapore	8 th	1 st	2 nd	1 st	0.88	1 st
Thailand	45 th	3 rd	79 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

On the distribution of the education sector by industry group, 9,506 establishments in the formal sector of the economy were involved in educational activities in 2021. This accounts for a -17.3% decrease from the 11,488 establishments reported in 2020. Secondary/high school education has the most establishments among the industry groups, with 2,795 establishments, representing 29.4% of the total figure. This was followed by primary/elementary education with 2,140 facilities (22.5%), while educational support services, on the other hand, had the fewest institutions, with 19 in total, translating to a 0.2% share.¹⁵

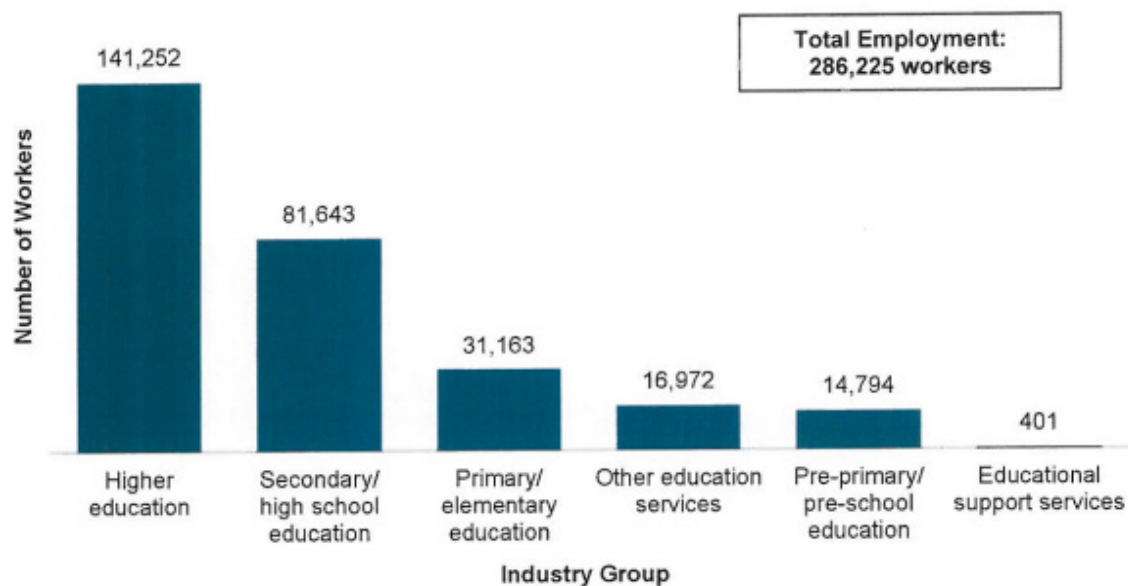
15 Philippine Statistics Authority. (07 October 2023). 2021 Annual Survey of Philippine Business and Industry (ASPBI) - Education Section: Final Results. Retrieved from https://psa.gov.ph/system/files/ssd/2021%20ASPBI%20Special%20Release_Final%20Results.pdf

Table 3. 2020 Annual Survey of Philippine Business and Industry Education Sector	
Particulars	2021
Number of Establishments	9,506
Employment	286,225
Average Number of Workers per Establishment	30
Total Compensation (in thousand pesos)	67,896,931
Average Annual Compensation per paid employee (in pesos)	240,038
Total Revenue (in thousand pesos)	145,246,780
Total Expense (in thousand pesos)	128,630,073

Source: Philippine Statistics Authority

In terms of employment, the education industry employed 286,225 workers in 2021, a decrease of 22.4% from the 368,644 workers recorded in 2020. By industry group, higher education employed the most people in the sector with 141,252 workers, accounting for 49.3%. Secondary/high school education came second with 81,643 or 28.5% of the total employment in the sector. Meanwhile, educational support services employed the fewest workers, with only 401 individuals in the education labour pool (0.1%).¹⁶

Figure 1: Total Employment in the Education Sector in 2021

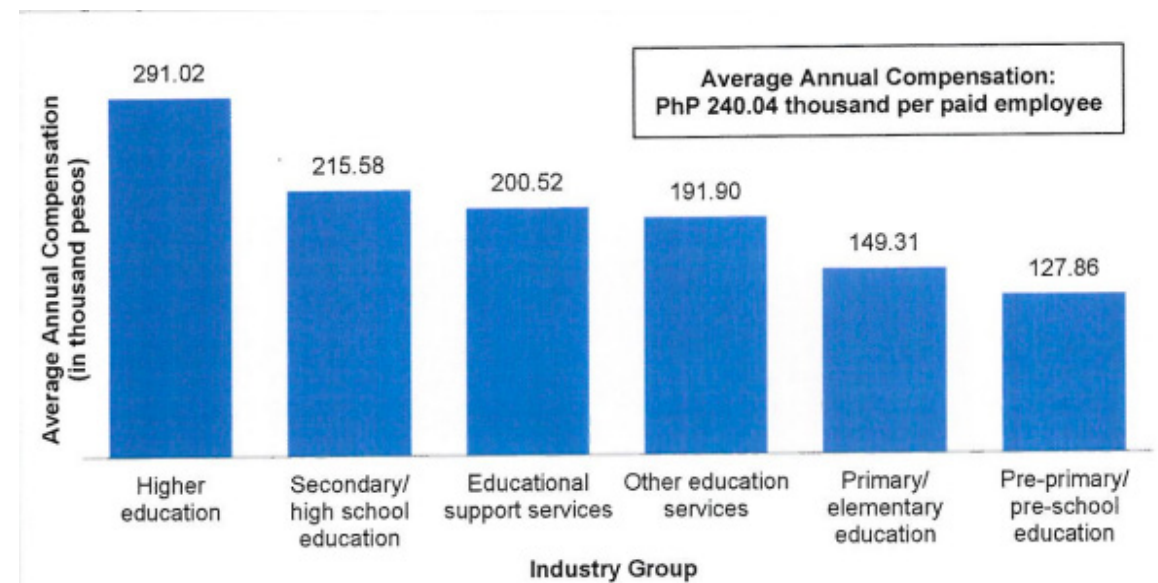


Source: Philippine Statistics Authority

As reported by the PSA, higher education paid the highest average annual compensation of PHP 215,580 per paid employee across industrial groups. Meanwhile, the average yearly salary for pre-primary/pre-school education was the lowest, with PHP 127,860 per paid staff.¹⁷

16 Ibid.
17 Ibid.

Figure 2: Average Annual Compensation per Paid Employee in The Education Sector in 2021



Source: Philippine Statistics Authority

Furthermore, the PSA noted that in 2020, there were 13,128,017 college graduates, with the top 5 degrees being education science (17.6%), management and administration (15.1%), database and network design and administration (6.6%), nursing and midwifery (6.4%), and hotel, restaurants, and catering (5.6%).¹⁸

In recognising the role of social and human capital development in the country's economy, the Philippine government has likewise underscored its prioritisation of investing in education, enhancing capability-building measures, providing basic education and bolstering school workforce, and advancing the responsiveness and adaptability of the country's educational system.¹⁹

As such, it is critical that all stakeholders, including governments, private sector players, and educational institutions work to bridge the gaps and maximise the opportunities illustrated in the above data. Through concerted efforts and strategic investments in human capital development, societies can unlock their full potential and pave the way for sustainable prosperity.

18 Philippine Statistics Authority. (04 July 2023). Literacy Rate and Educational Attainment Among Persons Five Years Old and Over in the Philippines (2020 Census of Population and Housing). Retrieved from <https://psa.gov.ph/content/literacy-rate-and-educational-attainment-among-persons-five-years-old-and-over-philippines>.

19 Official Gazette. (24 July 2023). Ferdinand R. Marcos Jr., Second State of the Nation Address, July 24, 2023. Retrieved from <https://www.officialgazette.gov.ph/2023/07/24/ferdinand-r-marcos-jr-first-state-of-the-nation-address-july-24-2023/>

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- The creation of the **Philippine Labor and Employment Plan (LEP) 2023 - 2028**, led by the Department of Labor and Employment (DOLE), serves as the labour framework aligned with the Administration's socioeconomic agenda and complements the Philippine Development Plan (PDP) 2023 - 2028 in order to achieve a future of enhanced labour and governance, and equitable employment opportunities in the country. The LEP focuses on three priority areas, namely, maximising productive, remunerative, freely chosen, and sustainable work and employment opportunities; ensuring labour governance that respects all fundamental principles and rights at work, international labour standards, and human rights; and building equitable and inclusive social protection for all.^{20,21}
- In relation to the foregoing, **10 key employment growth sectors in the next five years** have been identified under the LEP 2023 - 2028, namely, 1) agriculture; 2) health and wellness; 3) manufacturing; 4) tourism; 5) transportation and logistics; 6) information technology and business process management; 7) education; 8) creative industries; 9) energy, and; 10) construction.²²
- On 26 February 2024, the Department of Labor and Employment and the Bureau of Immigration (BI) signed a Data Sharing Agreement (DSA) to **expand the information exchange pertaining to foreign nationals issued with Alien Employment Permits (AEP)**. The AEP, issued by DOLE, is a prerequisite in the application for a Pre-arranged Employment Visa (9G) issued by the BI. The terms of the agreement aim to streamline operations and eliminate duplication of documentary requirements as both agencies will be sharing relevant data and information in the processing of AEP and 9G visas.²³
- Through **Department Order 242, series of 2024**,²⁴ the Department of Labor and Employment issued the **implementing rules and regulations (IRR) of Republic Act No. 11360 or the Service Charge Law** which seeks to provide for the full and equal distribution of service charges among workers of hotels, restaurants, and other establishments. All collected service charges will be evenly distributed among employees, on a bi-monthly basis. The distribution will be proportional to the hours or days of work or service rendered, ensuring fairness and transparency in the allocation of these funds.
- **Republic Act (RA) No. 11965**²⁵, otherwise known as the **Caregivers' Welfare Act**, was signed into law on 23 November 2023 to set policies aimed at protecting the rights and welfare of domestic caregivers. Covered by the law are the caregivers employed and working within the country in private homes, nursing or care facilities, and other residential settings, and caregivers whether directly hired by the employer or placed through the Public Employment Services Office (PESO) and Private Employment Agency (PEA).

20 RTVM. (08 August 2023). Sectoral Meeting: Labor and Employment Plan (LEP) 2023-2028. Retrieved from <https://rtvm.gov.ph/sectoral-meeting-labor-and-employment-plan-lep-2023-2028/#::-:text=The%20LEP%202023%2D2028%20serves,employment%20opportunities%20in%20the%20country>

21 DOLE. (n.d.) Retrieved from <https://www.bsp.gov.ph/Pages/IRG/irg-files/Panel%203/DOLE-Cebu.pdf>

22 This was mentioned during the Joint Foreign Chambers of the Philippines courtesy meeting with DOLE last 26 February 2024.

23 PNA. (28 February 2024). DOLE, BI ink pact on sharing of foreign workers' data. Retrieved from <https://www.pna.gov.ph/articles/1219734>

24 DOLE. (02 February 2024). Department Order 242, series of 2024. Retrieved from https://www.dole.gov.ph/php_assets/uploads/2024/02/Department-Order-No.-242-24-Revised-IRR-of-Article-96-of-the-Labor-Code-of-the-Philippines-Service-Charges-Collected-by-Hotels-Restaurants-and-other-Similar-Establishments.pdf

25 Official Gazette. (23 November 2023). Republic Act No. 11965. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/11nov/20231123-RA-11965-FRM.pdf>

- Following a series of consultations with key stakeholders, the National Economic and Development Authority (NEDA) released on 23 October 2023 the **IRR of RA No. 11927 or the Philippine Digital Workforce Competitiveness Act of 2022**. The IRR was approved by the nine members of the Inter-Agency Council (IAC)²⁶ for the Development and Competitiveness of the Philippine Digital Workforce. Under the new law, the IAC is tasked to formulate the National Roadmap on Digital Technology and Digital Skills, which shall serve as a basis for implementing programs that will upskill, re-skill, and train the digital workforce in the country. The implementation of the law seeks to equip the Filipino workforce with the necessary digital technologies and skills and to foster a dynamic innovation ecosystem in the country.²⁷
- Signed into law on 27 September 2023, **RA No. 1962** or the **Trabaho Para sa Bayan Act**²⁸ aims to address unemployment, underemployment, the informality of working arrangements, the reintegration of Overseas Filipino Workers, and other challenges in the labour market. In line with the Philippine Development Plan 2023-2028, the formulation of the Trabaho Para sa Bayan Plan (TPB) will focus on improving the employability and competitiveness of Filipino workers through upskilling and reskilling initiatives and will provide support for micro, small, and medium enterprises, and industry stakeholders. The IRR of the law was recently signed on 12 March 2024.²⁹
- With the continued rise of artificial intelligence (AI), the DOLE has emphasised the need to **regulate AI in the workplace** despite its advantages. While AI can lead to the displacement of workers, particularly those employed in companies that are heavily reliant on new technology such as manufacturing and automation, DOLE has reiterated that AI cannot totally replace human resources. The Agency is also closely monitoring developments in AI and will be piloting several solutions.³⁰
- The Technical Education and Skills Development Authority (TESDA) is proposing to **embed Technical and Vocational Education and Training (TVET) qualifications in all senior high schools (SHS) tracks** to promote lifelong learning and improve employability, equipping high school graduates with industry-relevant skills and knowledge. From October to November 2023, TESDA identified 84 Training Regulations (TR) that can be embedded in the existing SHS curriculum, which was followed by consultative meetings with concerned government agencies³¹ and private stakeholders.³²
- In 2023, TESDA unveiled the **National Technical Education and Skills Development Plan (NTESDP) 2023-2028**, a comprehensive roadmap designed to empower the Filipino workforce with the skills and knowledge necessary to thrive in the rapidly evolving global economy. The NTESDP 2023-2028 is anchored on the vision of A Globally Recognised Philippine TVET as a Catalyst for Education and

26 Chaired by the NEDA and composed of eight (8) other agencies, namely the Departments of Labor and Employment, Trade and Industry, Information and Communications Technology, Science and Technology, Interior and Local Government, and Education, as well as the Commission on Higher Education and the Technical Education and Skills Development Authority.

27 National Economic and Development Authority. (23 October 2023). Implementing Rules and Regulations of Republic Act No. 11927 or the "Philippine Digital Workforce Competitiveness Act" Retrieved from <https://neda.gov.ph/irr-ra-11927-ph-digital-workforce-competitiveness-act/>

28 Official Gazette. (27 September 2023). Republic Act No. 11962. Retrieved from <https://www.officialgazette.gov.ph/2023/09/27/republic-act-no-11962/>

29 Crismundo, K. (12 March 2024). 'Trabaho Para sa Bayan' IRR signed; focus on high-quality jobs. Retrieved from <https://www.pna.gov.ph/articles/1220603>

30 Jaymalin, M. (14 June 2023). DOLE backs regulating AI in workplace. Retrieved from <https://www.philstar.com/headlines/2023/06/14/2273753/dole-backs-regulating-ai-workplace>

31 Department of Education (DepEd), the Commission on Higher Education (CHED) and the Department of Labor and Employment (DOLE)

32 PCO. (27 February 2024). PBBM orders a whole-of-government approach with private sector to integrate TESDA courses in senior high school for better employability. Retrieved from https://pco.gov.ph/news_releases/pbbm-orders-a-whole-of-government-approach-with-private-sector-to-integrate-tesda-courses-in-senior-high-school-for-better-employability/

Lifelong Learning, Workforce, and Socio-Economic Transformation, with Area-based Demand-driven TVET as its central strategy. This overarching vision aligns with the objectives of the Philippine Development Plan (PDP), the Philippine Labor and Employment Plan 2023-2028, other sectoral plans, national directives, legislations, and international policies.³³ On 19 February 2024, the DepEd issued **DO No. 003, series of 2024** amending DO No. 022, s. 2023 or the Implementing Guidelines on the School Calendar and Activities for the School Year 2023-2024. This sets the end of School Year (SY) 2023-2024 for public schools on 31 May 2024 as it gradually shifts to the old academic calendar with the months of April and May as summer vacation.³⁴ However, the Agency clarified that private schools have the option to follow the current SY calendar.³⁵

- The Department of Budget and Management (DBM) has approved the **issuance of a special allotment release order amounting to PHP 3.41 billion for the implementation of the Universal Access to Quality Tertiary Education (UAQTE) Act**, which formalises zero-cost education and waivers of additional charges in universities and colleges. Approximately 74,262 learners for the UAQTE program for the school year 2024 will benefit from the allocated P3.41 billion fund, which covers expenses such as tuition and miscellaneous fees, accident insurance, and internet allowance.³⁶
- With the issuance of a Memorandum from the Office of the Chairperson dated 18 December 2023, the Commission on Higher Education (CHED) has officially announced the **discontinuation of the Senior High School (SHS) Program in State Universities and Colleges (SUCs) and Local Universities and Colleges (LUCs)**.³⁷ It has been clarified that this decision aligns with CHED's previous directives through CHED Memorandum Order Nos. 32 and 33, series of 2015 and 2016. These directives specified that the "engagement of SUCs and LUCs in basic education through senior high school shall be limited to the K-12 transition period, which is from SY 2016-2017 to SY 2020-2021 only." CHED has also reiterated that the Department of Education (DepEd) has issued a notice through the Private Education Assistance Committee (PEAC). Beginning SY 2023-2024, there will be no more Government Assistance to Students and Teachers in Private Education beneficiaries from SUCs and LUCs.³⁸
- The DepEd in December 2023 launched the **Public-Private Education Complementarity Framework** that aims to decongest public schools and allow public school learners to get the same quality of education as those found in private schools. This also aims to promote coherence in the development of the mixed education system in the Philippines.³⁹
- To address concerns on education, the DepEd is implementing the **MATATAG Agenda**, which aims to produce "a child-centered country and a nationalistic child." Under the MATATAG Agenda, the

MATATAG Curriculum was launched in August 2023 to decongest the current K to 12 Curriculum by 70%. 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 follows⁴⁰:

- **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.
- In December 2023, the **DepEd presented reforms for MATATAG basic education**. The reforms include the creation of a Procurement Strand in the DepEd for faster delivery of services and learning resources. The School and Infrastructure Facilities Strand was also created to focus on addressing classroom backlogs and other facilities.⁴¹

On legislation:

- On 19 February 2024, the Senate of the Philippines passed in third reading the proposal for a PHP 100 wage hike. **Senate Bill (SB) No. 2534 under Committee Report No. 190**⁴² received 20 affirmative votes. Under the bill, all employees in the private sector, whether agricultural or non-agricultural, are entitled to a PHP 100-daily minimum wage increase. Senator Jinggoy Estrada said the measure guarantees an increase in the daily pay of around 4.2 million minimum wage earners.
- At the Lower House, there are bills proposing PHP 150 to PHP 350 wage hike increases, as well as the measure seeking to institutionalise a PHP 750 across-the-board increase in the salary rates of employees and workers in the private sector.⁴³
- **Republic Act (RA) No. 11984 or the "No Permit, No Exam" Prohibition Act** was signed into law on 11 March 2024 to allow disadvantaged students to take scheduled periodic and final examinations despite unsettled financial obligations. This covers all public and private basic education (K to 12) institutions, higher education institutions, and technical-vocational institutions (TVIs).⁴⁴
- **House Bill No. (HB) No. 8210 or the Academic Recovery and Accessible Learning (ARAL) Program bill** was approved by the House of Representatives on 18 March 2024. The proposal seeks to establish a national learning intervention program in response to the deteriorating quality of Philippine education. If enacted, HBN 8210 would allow learners to take refresher courses through the Aral Program every summer break. However, the following students will be considered as priorities:⁴⁵

33 TESDA. (2023). National Technical Education and Skills Development Plan (NTESDP) 2023-2028. Retrieved from [https://www.tesda.gov.ph/About/TESDA/47#:~:text=and%20international%20policies-,The%20National%20Technical%20Education%20and%20Skills%20Development%20Plan%20\(NTESDP\)%202023,with%20smart%20and%20innovative%20skills](https://www.tesda.gov.ph/About/TESDA/47#:~:text=and%20international%20policies-,The%20National%20Technical%20Education%20and%20Skills%20Development%20Plan%20(NTESDP)%202023,with%20smart%20and%20innovative%20skills).

34 Department of Education. (19 February 2024). DepEd Order No. 003. Retrieved from https://www.deped.gov.ph/wp-content/uploads/DO_s2024_003.pdf

35 Vigilia, W. (23 February 2024). DepEd: Private schools have option to stick to current SY calendar. Retrieved from https://malaya.com.ph/news_news/deped-private-schools-have-option-to-stick-to-current-sy-calendar/

36 Department of Budget and Management. (5 February 2024). Free tertiary education: DBM releases P3.41 billion to DOLE-TESDA. Retrieved from <https://www.dbm.gov.ph/index.php/management-2/2572-free-tertiary-education-dbm-releases-3-41-billion-to-dole-tesda>

37 Commission on Higher Education (CHED). (18 December 2023). Memorandum from the Office of the Chairperson. Retrieved from <https://chedro3.ched.gov.ph/wp-content/uploads/2023/12/CHEDRO-III-MEMORANDUM-No.-241-series-of-2023.pdf>

38 Hernando-Malipot, M. (2 January 2024). CHED confirms discontinuation of SHS Program in SUCs, LUCs. Retrieved from <https://mb.com.ph/2024/1/1/ched-confirms-discontinuation-of-shs-program-in-su-cs-lu-cs>

39 Ombay, G. (12 December 2023). DepEd launches framework to improve quality of public school education. Retrieved from <https://www.gmanetwork.com/news/topstories/nation/891097/deped-launches-framework-to-improve-quality-of-public-school-education/story/>

40 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_UiLkF3QOKx7yvHH_tNqg1ujQa-quZE

41 Bacelonia, W. (27 December 2023). DepEd presents reforms for MATATAG basic education. Retrieved from <https://www.pna.gov.ph/articles/1215721>.

42 Senate of the Philippines. (07 February 2024). Committee Report No. 190. Retrieved from <https://legacy.senate.gov.ph/lisdata/43418394991.pdf>

43 As of 5 March 2024, the House have filed the following bills - House Bill Nos. 1579, 4471,

44 Official Gazette. (16 March 2024). Republic Act No. 11984. Retrieved from <https://www.officialgazette.gov.ph/downloads/2024/03mar/20240311-RA-11984-FRM.pdf>

45 House of Representatives. (18 March 2024). House Bill No. 8210. Retrieved from <https://hrep-website>.

- those who are failing in the examinations and tests as assessed and evaluated by the teachers;
 - those whose grades are at or marginally above the minimum level of mastery required in the attainment of Most Essential Learning Competencies (MELCs); and
 - those who have returned or are returning to school after a furlough
- In September 2023, the House of Representatives approved **HB No. 5728 or An Act Institutionalising the Expanded Tertiary Education Equivalency and Accreditation Program (ETEEAP)**. This bill seeks to strengthen the academic equivalency system and validation of knowledge and expertise derived by individuals from relevant work experiences.⁴⁶ Meanwhile, its Upper House counterpart SB No. 2568 has been pending on second reading since February 2024.⁴⁷
 - The **Revised National Apprenticeship Program Act**, filed as **HB No. 6523**⁴⁸, 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 legislation is among the 20 legislative measures approved during the 2nd Legislative-Executive Development Advisory Council (LEDAC) full meeting for legislative approval before the year 2023 ended.⁴⁹
 - The proposed **Enterprise Productivity Act**⁵⁰ 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 2023.⁵¹
 - On 2 May 2023, **HB No. 7913** or An Act Establishing a Regulatory Framework for a Robust, Reliable, and Trustworthy Development, Application, and Use of Artificial Intelligence (AI) Systems, Creating the Philippine Council on Artificial Intelligence, Delineating the Roles of Various Government Agencies, Defining and Penalizing Certain Prohibited Acts, was filed. With the rise of utilisation of AI in the workplace, the bill seeks to provide guidelines on the use and impact of artificial intelligence in the Philippines, including proposals of solutions on the impact of potential job displacement of workers.⁵²
 - The **Salary Transparency Act of 2022**, filed as **SB No. 758**⁵³, 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. On 21 November 2023, a similar bill was filed at the lower Congress as **HB No. 9600**⁵⁴. The House bill has been pending in the Committee on Labor and Employment since 28 November.

- The **Security of Tenure Act**, filed as **SB No. 398**⁵⁵ and **130**⁵⁶, 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.
- With the fast-growing market for freelancers, the proposed **Freelance Workers Protection Act** or **HB No. 6718**⁵⁷, 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. Similar bills have also been filed in the Senate.⁵⁸

s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT8210.pdf

46 House of Representatives. (2023). House Bill No. 6728. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB05728.pdf

47 Senate of the Philippines. (2024). Senate Bill No. 2568. Retrieved from <https://legacy.senate.gov.ph/lisdata/4354639595!.pdf>

48 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

49 PCO. (5 July 2023). 20 legislative measures approved for December 2023 passage in 2nd LEDAC meeting Retrieved from https://pco.gov.ph/news_releases/20-legislative-measures-approved-for-december-2023-passage-in-2nd-ledac-meeting/

50 House of Representatives. (06 February 2023). House Bill No. 6683. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT6683.pdf

51 As of 5 March 2024, the Senate has also filed the following bills – Senate Bill Nos. 1333 and 2132.

52 House of Representatives. (02 May 2023). House Bill No. 7913. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB07913.pdf

53 Senate of the Philippines. (02 August 2022). Senate Bill No. 758. Retrieved from <http://legacy.senate.gov.ph/lisdata/3852634980!.pdf>

54 House of Representatives. (21 November 2023). House Bill No. 9600. Retrieved from <https://www.congress.gov.ph/legisdocs/?v=billsresults#19>

55 Senate of the Philippines. (12 July 2022). Senate Bill No. 398. Retrieved from <https://legacy.senate.gov.ph/lisdata/3815934599!.pdf>

56 Senate of the Philippines. (07 July 2022). Senate Bill No. 130. Retrieved from <https://legacy.senate.gov.ph/lisdata/3783834279!.pdf>

57 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

58 As of 5 March 2024, the Senate has filed the following bills – Senate Bill Nos. 1998, 2006, and 2107.

ECCP EDUCATION 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.⁵⁹

The World Bank'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.⁶⁰

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 Agency's first long-term plan for basic education, spanning formal education for children aged five 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.⁶¹

The Philippines' advantage in English has strengthened the country's position as an attractive destination for international trade and investment. However, the Philippines slipped four notches to 22nd place out of 111 countries in the 2022 edition of the English Proficiency Index (EPI) by global education company Education First (EF).⁶² In addition, the Organisation for Economic Co-operation and Development (OECD)'s Programme for International Student Assessment (PISA) shows that students in the Philippines scored less than the OECD average in mathematics, reading, and science. A smaller proportion of students in the Philippines, compared to the average across OECD countries, were top performers (Level 5 or 6) in at least one subject. At the same time, a smaller proportion of students than on average across OECD countries achieved a minimum level of proficiency (Level 2 or higher) in all three subjects.⁶³

59 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>

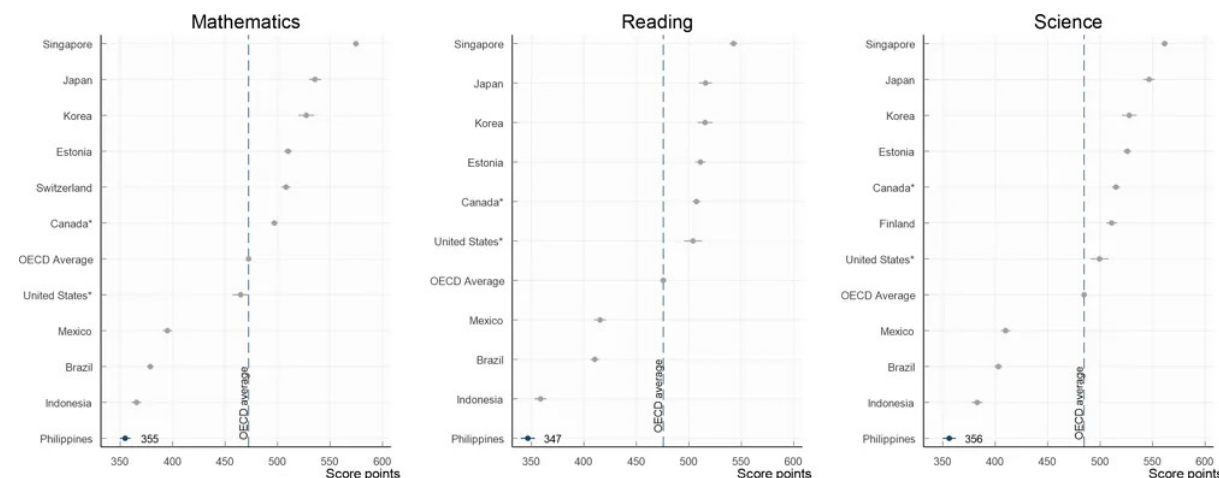
60 World Bank (2022). Philippines: Learning Poverty Brief. Retrieved from https://documents1.worldbank.org/curated/en/099000207152223103/pdf/IDU002b5536c0db4104ec3087d809906ec2eae56.pdf?source=facebook&utm_medium=social&fbclid=IwAR0-0qKq8WK-t-NntG4eAYVqTjiLQd6A7ywzs_Ao3bovBXIqKXiGkxMqu4s&fs=e&s=c1

61 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/>

62 Antivola, M. H. (17 October 2023). Filipinos' declining English proficiency alarms foreign business groups. Retrieved from <https://www.bworldonline.com/top-stories/2023/10/17/551860/filipinos-declining-english-proficiency-alarms-foreign-business-groups/>

63 Organisation for Economic Co-operation and Development. (5 December 2023). Programme for International Student Assessment. Retrieved from <https://www.oecd.org/publication/pisa-2022-results/country->

Figure 3: Mean performance in mathematics, reading, and science in PISA 2022



Source: Organisation for Economic Co-operation and Development

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 welcomes the recent move to enhance literacy and numeracy programs as one of the priorities of DepEd under the MATATAG reform agenda.⁶⁴ The COVID-19 pandemic underscored the importance of addressing not only academic learning but also socio-emotional well-being among learners. On this account, there is a critical need to integrate socio-emotional learning (SEL) competencies alongside foundational academic skills such as literacy and numeracy within the Philippine education system.

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.

Recognising the importance of remedial and catch-up activities, the DepEd has initiated policies such as the National Learning Camp (NLC) to support education recovery efforts. However, according to the Second Congressional Commission on Education (EDCOM II), the participation of NLC is voluntary for both teachers and learners. This nature may cause learners requiring remediation not to participate. Furthermore, families with limited resources frequently refuse to allow their children to participate in learning camps due to associated costs, such as transportation and food.⁶⁵ To effectively address learning loss and accelerate education recovery, the Philippine government should re-strategise how to improve the implementation of the NLC and other remedial and catch-up activities. We echo the recommendation of EDCOM II to embed learning camps into regular school days to increase participation in the program.

notes/philippines-a0882a2d/

64 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/deped-to-strengthen-numeracy-literacy-programs-integrate-peace-competencies-in-revitalized-k-to-12/>

65 Second Congressional Commission on Education (2024). Miseducation: The failed system of Philippine education, EDCOM II year one report. Retrieved from <https://edcom2.gov.ph/media/2024/02/EDCOM-II-Year-One-Report-PDF-022924.pdf>

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.⁶⁶ 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.⁶⁷ 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 optimising 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.⁶⁸ In 2023, the Lower House approved HB 9682, which proposes that the annual teaching allowance will increase from the current PHP 5,000 to PHP 7,500 per teacher for SY 2024-2025, and PHP 10,000 per teacher in the succeeding school years.⁶⁹ Its Senate counterpart SB No. 1964, or the *Kabalikat sa Pagtuturo Act*, has also been approved by the Upper Chamber in the same year. Both bills are pending at the bicameral conference committee since February 2024.⁷⁰ Accordingly, the ECCP Education Committee recommends that a significant portion of the budget for 2024 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 Committee reiterates the call for improved 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

66 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

67 Department of Education. (2022). DepEd strengthens research culture through Quality Control Checklist. Retrieved from <https://www.deped.gov.ph/2022/04/20/deped-strengthens-research-culture-through-quality-control-checklist>

68 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>

69 House of Representatives. (2024). House Bill No. 9682. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT9682.pdf

70 Senate of the Philippines. (2024). Senate Bill No. 1964. Retrieved from <https://legacy.senate.gov.ph/lisdata/4103337393!.pdf>

professional development programs for in-service teachers, school leaders, and other teaching-related personnel.⁷¹

Relatedly, the ECCP and its Education Committee urge policymakers to implement comprehensive industry immersion programs designed to bolster teachers' proficiency in both soft and hard skills, thereby directly tackling the challenge of maintaining instructional relevance in an ever-evolving educational landscape. Such programs could entail partnerships with businesses or organisations, enabling educators to gain firsthand experience and insights into current industry practices.

Address the issues on educational facilities and teaching-learning materials

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.⁷²

Furthermore, 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.⁷³ As per the 2023 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.⁷⁴ DepEd reported that a total of 3,637 new classrooms had been built in 2023. This represents just 58% of the Agency's target number of new classrooms in 2023 (6,379).^{75 76}

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.⁷⁷ The Education Department was also able to complete 45 Last Mile School classrooms in 2023, with others currently under

71 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>

72 International Institute for Management Development. (2022). IMD World Competitiveness Yearbook 2022. Retrieved from <https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness/>

73 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/>

74 Hernando-Malipot, M. (30 January 2023). DepEd identifies challenges in basic education through BER 2023. Retrieved from <https://mb.com.ph/2023/01/30/deped-identifies-challenges-in-basic-education-through-ber-2023/>

75 Sarao, Z. (25 January 2024). DepEd: 3,637 new classrooms since 2023, more needed. Retrieved from <https://newsinfo.inquirer.net/1894469/duterte-on-new-classrooms-not-enough>

76 Chi, C. (25 January 2024). Just around half of DepEd's target number of classrooms built in 2023. Retrieved from <https://www.philstar.com/headlines/2024/01/25/2328499/just-around-half-depeds-target-number-classrooms-built-2023>

77 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/>

construction. The Last Mile Schools Program was designed to address resource and facility deficiencies in schools located in geographically remote and disadvantaged areas. In its efforts to provide internet access to public schools, 25 schools were chosen to receive their own Starlink connection, while 2,000 already have satellite connectivity.⁷⁸ Nevertheless, intensified efforts for investment promotion for the education sector are vital for the improvement of infrastructure facilities.

In addition to addressing infrastructure needs, it is crucial to focus on the development and procurement of teaching-learning materials within the Philippine education sector. The current state of affairs, as highlighted by the EDCOM II report, underscores a significant gap in the availability of essential educational resources. Despite notable budget allocations, the procurement of textbooks for K to Grade 10 has remained alarmingly low, with only 27 textbooks acquired since 2012.⁷⁹ To address this pressing issue and ensure a robust educational environment conducive to effective teaching and learning, the government should prioritise the development and procurement of teaching-learning materials through targeted policy interventions and strategic resource allocation.

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 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 the 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.⁸⁰ 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.

As emphasised by the World Bank, reforming TVET in developing countries such as the Philippines will help address barriers hindering employment and productivity.⁸¹

Recognising the significance of accessibility and affordability of TVET initiatives, the government is urged to prioritise the provision of subsidies, scholarships, and tailored financing options to ensure that vulnerable educators have access to and benefit from these programs. 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

78 Bacelonia, W. (27 December 2023). DepEd presents reforms for MATATAG basic education. Retrieved from <https://www.pna.gov.ph/articles/1215721>

79 Second Congressional Commission on Education (2024). Miseducation: The failed system of Philippine education, EDCOM II year one report. Retrieved from <https://edcom2.gov.ph/media/2024/02/EDCOM-II-Year-One-Report-PDF-022924.pdf>

80 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/>

81 Jocson, L. M. (13 July 2023). World Bank says time is ripe for TVET reform in developing countries. Retrieved from <https://www.bworldonline.com/economy/2023/07/13/534099/world-bank-says-time-is-ripe-for-tvet-reform-in-developing-countries/>

Competitiveness Program and Free Access to TVET was passed into law to involve enterprise-based training (EBT) as a dominant mode of TVET delivery to improve workforce employability.⁸²

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 TVETs 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.

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 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.⁸³

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.⁸⁴ RA 11984 otherwise known as the "No Permit, No Exam" Prohibition Act was signed into law on 11 March 2024 to allow disadvantaged students to take scheduled periodic and final examinations despite unsettled financial obligations. This covers all public and private basic education (K to 12) institutions, higher education institutions, and technical-vocational institutions (TVIs). While this measure caters 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.

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 enrolment, and school closures. Such a move will

82 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>

83 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/>

84 Acidre, J. (18 November 2019). Private Education. Retrieved from <https://manilastandard.net/opinion/columns/the-fifth-gospel-by-jude-acidre/310288/private-education.html>

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.

The House Basic Education panel approved the proposed Expanded Government Assistance to Students and Teachers in Private Education (E-GASTPE) Act. This intends to expand the scope of financial assistance offered by DepEd to private school students and teachers. Under this proposed law, private school students at all stages of basic education, not only high school, will be eligible for tuition fee subsidies. The still-unnumbered alternative House measure was passed “in principle” with revisions based on DepEd’s proposed adjustments of its criteria for recognising private schools.⁸⁵ As such, the Committee calls for the timely passage of this proposal. 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 labour pool completed their college or university degrees, some employees were unable to finish their academic studies but managed to attain sufficient work experience.⁸⁶ 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 House of Representatives in September 2023 approved on the third and final reading a bill seeking to institutionalise the Expanded Tertiary Education Equivalency and Accreditation Program (ETEEAP) that would allow undergraduate professionals to earn a bachelor’s degree.⁸⁷ Its Upper Chamber counterpart, SB No. 2568 has been pending on second reading since February 2024.⁸⁸ 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.

In addition to bolstering academic equivalency programs domestically, it is imperative to address the international recognition of Bachelor’s degrees and undergraduate courses to facilitate opportunities for graduates on a global scale. The lack of recognition of Bachelor’s degrees in the Philippines by foreign institutions hampers our graduates’ access to scholarship programs and employment opportunities in other countries, including those in Europe. As such, institutionalising the alignment of educational standards with global benchmarks, applicable across both public and private schools, will be crucial. This can be further reinforced by systematising public and private institutions to actively engage with relevant foreign authorities and educational bodies in negotiating a mutual recognition agreement for Bachelor’s degrees. On this account, the CHED should take a proactive stance in consolidating the necessary preparations and requirements to ensure parity in educational systems. This strategy will enhance graduates’ access to opportunities abroad without the need for additional studies to meet equivalency

85 Chi, C. (20 November 2023). House panel OKs bill expanding DepEd’s largest private school scholarship program. Retrieved from <https://www.philstar.com/headlines/2023/11/20/2312921/house-panel-oks-bill-expanding-depeds-largest-private-school-scholarship-program>

86 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>

87 House of Representatives. (2024). House Bill No. 9015. Retrieved from https://hrep-website.s3.amazonaws.com/legisdocs/third_19/HBT9015.pdf

88 Senate of the Philippines. (2024). Senate Bill No. 2568. Retrieved from <https://legacy.senate.gov.ph/lisdata/4354639595!.pdf>

requirements. To complement such an undertaking, the Committee recommends crafting a mechanism to monitor the implementation of the recognition framework and periodically assess its effectiveness.

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 focuses 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.⁸⁹ 2024 budget also allots PHP 300 million for nutritionally at-risk mothers and children to help address children’s nutritional challenges, complementing the Philippine Multisectoral Nutrition Project (PMNP).⁹⁰

The EDCOM II reported that the Philippines has one of the world’s highest prevalence of stunting among children under the age of five, at 26.7%. The global average is 22.3%. Nutrition-specific treatments in the Philippines for children under the age of five typically adhere to global standards, but implementation has been fragmented, coverage remains poor, and intervention targeting has been limited. While R.A. No. 11037 or the Masustansyang Pagkain Para sa Batang Pilipino Act mandates the Department of Social Welfare and Development (DSWD) to feed only malnourished children, the Agency’s feeding program caters to all children in day care centres. Likewise, DepEd data also show that 30% of children who take part in the school-based feeding program fall back to becoming “wasted” and “severely wasted.”⁹¹

Moreover, despite R. A. No. 6972 requiring each province, city, or municipality in the Philippines to establish a day care center in every barangay, data from the DSWD and Early Childhood Care and Development (ECCD) Council present that only 36% have at least 1 child development center (CDC) per day care, or 15,207 out of 42,027 barangays in the country.^{92,93} As such, the government should prioritise a comprehensive investment strategy in ECCD to address the root causes of the nutrition woes of Filipino children. This strategy should involve updating and standardising the early childhood education (ECE) curriculum to ensure alignment with best practices in child development and learning theories; improving the quality and increasing the number of ECCD centres through investments in infrastructure, learning materials, and sanitation facilities; and facilitating multi-sectoral collaboration and community engagement.

In relation to this, government initiatives should cover not only nutrition and dental health care but also prenatal counselling 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

89 Department of Education. (2018). DepEd Order No. 28, s. 2018. Retrieved from https://www.deped.gov.ph/wp-content/uploads/2018/07/DO_s2018_028.pdf

90 Senate of the Philippines. (24 February 2024). Gatchalian: 2024 budget allots P300 million for nutritionally at-risk mothers, children. Retrieved from https://legacy.senate.gov.ph/press_release/2024/0204_gatchalian1.asp

91 Second Congressional Commission on Education (2024). Miseducation: The failed system of Philippine education, EDCOM II year one report. Retrieved from <https://edcom2.gov.ph/media/2024/02/EDCOM-II-Year-One-Report-PDF-022924.pdf>

92 Official Gazette. (1990). Republic Act No. 6972. Retrieved from <https://www.officialgazette.gov.ph/1990/11/23/republic-act-no-6972/>

93 Second Congressional Commission on Education (2024). Miseducation: The failed system of Philippine education, EDCOM II year one report. Retrieved from <https://edcom2.gov.ph/media/2024/02/EDCOM-II-Year-One-Report-PDF-022924.pdf>

Filipino learners.

Establish a national disaster preparedness framework and security measures for educational institutions

The Philippines' continued susceptibility to climate change impedes the development of various sectors such as agriculture, health, and infrastructure. However, one critical aspect often overlooked is its disruptive effect on the education sector. With its exposure to natural hazards and reliance on climate-sensitive natural resources, the Philippines ranked first among 193 countries in the 2022 and 2023 World Risk Report.^{94 95} Climate change exacerbates the frequency and intensity of natural disasters such as typhoons, floods, and landslides in the Philippines. In effect, climate change-induced disasters pose significant challenges to the education industry in the Philippines, interrupting the learning process, disrupting educational infrastructure, displacing students and teachers, and exacerbating inequalities in access to education.⁹⁶

As the country's highest policy-making body on disaster risk reduction and management, the National Disaster Risk Reduction Management Council (NDRRMC) was established. The structure of the NDRRMC is replicated in local governments through the Local Disaster Risk Reduction and Management Councils (LDRRMCs) chaired by respective local chief executives. Moreover, DepEd has implemented policies and initiatives to prioritise disaster risk reduction in educational management and curriculum. In addition to ensuring the safety of learners and DepEd personnel, the Education Cluster aims to continue providing quality education to all students affected by disasters. In its role as the lead agency, DepEd coordinates and provides secretariat support to the cluster through its Disaster Risk Reduction Management Office (DRRMO), oversees Disaster Risk Reduction and Management (DRRM), Education in Emergencies (EiE), and Climate Change Adaptation (CCA), and mandates the formation of School Disaster Management Committees in all schools, as well as the appointment of a DRRM focal person in each covered institution.⁹⁷

While local government units (LGUs) play a crucial role in disaster preparedness, a national policy providing standardised guidelines and resources for educational institutions should be improved and efficiently assessed. The Committee underlines the need for the government to collaborate with relevant educational experts and disaster management specialists in developing comprehensive disaster preparedness guidelines tailored to the unique needs of educational institutions. School personnel in both public and private schools should likewise have sufficient training and resources to enhance their capacity in disaster preparedness, including risk assessment and emergency response planning.

The intertwined nature of security and disaster preparedness is evident as safeguarding the physical safety of students, faculty, and staff is essential for fostering an environment conducive to academic collaboration. The security situation in the Philippines, characterised by various threats ranging from terrorism to natural disasters, presents significant challenges for educational institutions. Incidents of violence, theft, and other criminal activities not only endanger the lives of students and teachers but also impede academic progress. The ECCP Education Committee posits that the security situation in red alert areas, such as the Mindanao region, poses challenges in facilitating faculty and student mobility, and for HEIs in accessing funding opportunities. For Erasmus+ for instance, the protection, health, and safety of participants are "important principles of the Programme."⁹⁸ One of the award criteria to have access to

94 Bündnis Entwicklung Hilft / IFHV (2023): World Risk Report 2023. Retrieved from https://weltrisikobericht.de/wp-content/uploads/2024/01/WorldRiskReport_2023_english_online.pdf

95 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>.

96 Presentation of Climate Change Commission Policy Research and Development Division Chief Hon. Jerome Ilagan during the ECCP Infrastructure Committee Meeting on 7 February 2024.

97 Global Alliance for Disaster Risk Reduction and Resilience in the Education Sector. (2015). Education Sector Snapshot for Comprehensive School Safety (CSS) and Education in Emergencies (EiE). Retrieved from <https://en.unesco.org/sites/default/files/gadrrres.pdf>

98 European Commission. (2023). Erasmus+ Programme Guide 2024. Retrieved from [funding for successful project applicants is the quality of management and coordination that cover the efforts to ensure that safety and protection of participants are adequate, and all necessary measures to prevent/reduce risks should be foreseen.⁹⁹ By enhancing security measures, HEIs can create safer environments conducive to academic exchange and collaboration.](https://erasmus-plus.</p></div><div data-bbox=)

For effective security enhancement within HEIs, the Committee recommends conducting comprehensive security assessments in partnership with relevant authorities to identify vulnerabilities and devise tailored security plans. Moreover, investing in infrastructure upgrades such as the installation of surveillance systems and access control measures will bolster the security posture of HEIs. Capacity building must also be prioritised by providing training and resources to HEI staff and security personnel, aiming to enhance their capabilities in threat detection and crisis management. Addressing security concerns alongside disaster preparedness initiatives, HEIs can not only mitigate risks but also ensure the resilience and continuity of education even in the face of unforeseen adversities.

ECCP HUMAN CAPITAL ADVOCACY RECOMMENDATIONS

Reinforce skills and capability development

As part of the K to 12 Curriculum, the work immersion program is a key feature of the Senior High School (SHS) Curriculum which aims to provide SHS students with opportunities to become immersed with work-related environments related to their field of specialisation to gain competence.¹⁰⁰ Compliant to the DepEd Department Order No. 30, s. 2017, students are required to fulfil a minimum of 80-hour work immersion. This effort is being done in partnership with the national government, local government units, private sector, and civil society organisations, among others.

However, the Basic Education Report 2023 stated that most SHS graduates find the need to pursue higher education in order to find employment. Making reference to the National Senior High School tracer study conducted by the Bureau of Curriculum Development, the results showed that 83% of the respondents pursued higher education while only a little over 10% of graduates were employed.¹⁰¹

As a steadfast partner of the government in helping the growth and development of our youth to better prepare them for 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. Rapid advances in technology, as well as emerging industry trends, are pushing the adequate period of the learning curve for its workers to be knowledgeable in the technical and soft skills required in the market.

ec.europa.eu/sites/default/files/2023-11/2024-Erasmus%2BProgramme-Guide_EN.pdf

99 Ibid.

100 DepEd. (2017). DepEd Order No. 30, s. 2017. Retrieved from https://www.deped.gov.ph/wp-content/uploads/2017/06/DO_s2017_030.pdf

101 Antonio, R. (31 January 2023). K-12 program's aim on enabling employment 'remains a promise' –VP Duterte. Retrieved from <https://mb.com.ph/2023/01/30/k-12-programs-aim-on-enabling-employment-remains-a-promise-vp-duterte/>

The ECCP also welcomes further collaboration and dialogues with the DepEd in their efforts to craft a new immersion program for SHS students, as disclosed during the Basic Education Report 2024.¹⁰²

Enact a revised apprenticeship law

Another policy measure that would complement the government’s efforts to develop its future workforce is the enactment of a revised apprenticeship law. In line 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 **fast-track the passage of 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.

The Chamber believes that apprenticeships present an exclusive and invaluable opportunity for the youth to bridge the gap between their education and desired professions. It remains vital to put in place policies or reforms that are attractive to both enterprises and apprentices. A study made by the International Labour Organisation (ILO) identified key benefits of apprenticeships, namely, 1) facilitate school-to-work transition, 2) promote coordination between education and industry and reduce skills mismatch, 3) increase productivity and innovation, and 4) cost-effective delivery of vocational training.

Countries in Europe as well as in the region have developed their national apprenticeship programs which serve as global benchmarks for upskilling talent (see Table 4). Stakeholders in the Philippines can look and carefully study such existing models and adopt best practices in the local context.



Table 4: Overview of select country programs on national apprenticeship and skills development		
Country	Program	Key Information
Germany	 <p>Dual vocational training system</p>	<p>GOVET, the German Office for International Cooperation in Vocational Education and Training, serves as the official gateway to the German dual VET system and its actors.</p> <p>The German dual vocational training system is widely credited with fueling the country’s export engine and solution to rising youth unemployment in the countryside by integrating school-based learning with work-based practice.</p> <p>In addition to this, continuing education and training remains an important factor in the German education system to improve employability. The National Continuing Training Strategy, a joint paper produced by the Federal Government and the federal states in conjunction with the trade unions and business, aims to respond to the structural shift by creating a new continuing training culture and highlights the necessity of lifelong learning.¹⁰³</p>
Malaysia	 <p>National Dual Training System</p>	<p>The National Dual Training System (NDTS) is a method that is based on an industry-driven training concept which is operated through collaboration between companies and training institutions.¹⁰⁴</p> <p>Involves two learning procedures (20 to 30% of theoretical lessons at training institutions and 70 to 80% on-site training) at a chosen work environment either through day-release or block-release. NDTS provides opportunities for class dropouts, school leavers, and industrial workers to progress in their vocation.</p> <p>Studies show that the program is supported by employers and that they have a positive perception towards the productivity, work quality, and recognition of NDTS and its graduates.¹⁰⁵</p>

102 Antonio, R. (25 January 2024). Return to old school calendar still under consultation—VP Duterte. Retrieved from <https://mb.com.ph/2024/1/25/return-to-old-school-calendar-still-under-consultation-vp-duterte>

103 GOVET. (15 July 2022). Initial and continuing vocational education and training in Germany. Retrieved from https://www.govet.international/dokumente/pdf/20220914_Broschuere_Aus_und%20Weiterbildung_Web_EN.pdf

104 Department Skills Development. (n.d.). National Dual Training System. Retrieved from <https://www.dsd.gov.my/index.php/en/service/national-dual-training-system>

105 Yahaya, N., Rasul, M., Yasin, R. (2017). The Attractiveness of National Dual Training System (NDTS) 2024

<p>Singapore</p>	 <p>Institute of Technical Education</p>	<p>The Institute of Technical Education (ITE) in Singapore was established as a post-secondary institution in 1992, under the Ministry of Education. ITE is a principal provider of career and technical education and a key developer of national skills certification and standards, skilling Singapore for the future economy. It offers three key programmes: a) Pre-Employment Training for youths after secondary education; b) Continuing Education and Training for adult learners; and c) Industry-Based and Work-Study Programmes with employers.¹⁰⁶</p> <p>Globally recognized having won numerous local and international awards citing its high standards and quality of service, the ITE offers apprenticeships for the skilled trades and diplomas in vocational education for skilled technicians and workers.</p>
<p>South Korea</p>	 <p>Meister schools</p>	<p>Patterned after the German dual system, Meister schools in South Korea are specialised high schools that offer market-relevant skills and competencies as well as technical vocational programs. Apart from the active school-industry collaboration, the program credits its success to strong political support.¹⁰⁷</p>

Ease restrictions on the employment of foreign nationals

The ECCP commends the Department of Labor and Employment (DOLE) and Bureau of Immigration (BI) in its Ceremonial Signing for a Data Sharing Agreement (DSA) last 26 February 2024. With the aim to expand the information exchange pertaining to foreign nationals issued with Alien Employment Permit (AEP), the DSA will streamline operations and eliminate duplication of documentary requirements as both agencies will be sharing relevant data and information in the processing of AEP and 9(g) visas. Particularly, the agreement will enable BI real-time online verification and authentication of AEPs being shown by foreigners seeking employment in the Philippines, and at the same time, provide DOLE updates on who have been issued 9(g) working visas, provisional work permits, and special work permits. In relation to this, it was announced that the processing of 9(g) visas will be online starting June 1 of this year.¹⁰⁸

Prior to this, DOLE issued Labor Advisory No. 16-21 in compliance with the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) issued Resolution No. 131-A¹⁰⁹ to govern the

Graduates. Retrieved from [https://hrmars.com/papers_submitted/3028/The_Attractiveness_of_National_Dual_Training_System_\(NDTS\)_Graduates.pdf](https://hrmars.com/papers_submitted/3028/The_Attractiveness_of_National_Dual_Training_System_(NDTS)_Graduates.pdf)

106 Institute of Technical Education. (n.d.). Retrieved from <https://www.ite.edu.sg/>

107 Ministry of Education. (n.d.) Vocational Education. Retrieved from <https://english.moe.go.kr/sub/infoRenewal.do?m=0306&page=0306&s=english>

108 PNA. (28 February 2024). DOLE, BI ink pact on sharing of foreign workers' data. Retrieved from <https://www.pna.gov.ph/articles/1219734>

109 IATF. (2021). Resolution No. 131-A. Retrieved from <http://calabarzon.dole.gov.ph/fndr/mis/files/IATF-RESOLUTION-NO-131-A-S-2021.pdf>

issuance of AEP or Certificate of Exemption/Exclusion for foreign nationals working for more than six months in the country. In addition, the BI issued Operations Order No. JHM-2021-004 which provided specific guidelines in relation to the issuance of 9(g) visas, while 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 line with our support of the current administration's commitment to digitalise services, particularly in the areas of government payments, company and business registrations, issuance of permits and licences, loan applications, and revenue collection, we believe that this crucial undertaking will provide better and quality services to the public. The ECCP, together with its Human Capital Committee, supports these developments made on easing the restrictions on foreign employment.

In addition to this, the Chamber recommends synchronising the validity of AEPs to the employment contract duration of foreign nationals in their companies in order to reduce the need to renew the permit annually. Currently, under Department Order No. 221, s. of 2021, the AEP is valid for the position and the company for which it was issued for a period of one (1) year, unless granted a longer period vis-a-vis the employment duration, as stated in the employment contract or other modes of engagement, but in no case shall exceed three (3) years. 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.

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.

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 Act¹¹⁰ 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.

In this regard, the ECCP advocates for and presents its comments and recommendations on Senate Bill No. 1333¹¹¹:

- We recommend that the Proposed Legislation include guidance on the composition and qualifications of the Productivity Incentive Committee (PIC), including instructions in cases where there are already existing labour mechanisms or committees in the workplace which may or may not meet these qualifications. Further to this, we recommend guidelines on the participation in the PIC of union representatives, if present in the workplace.
- In addition, the Proposed Legislation or perhaps its implementing rules and regulations may provide further detail on the consultation, employee consent and notification requirements in implementing the Productivity Incentive Program. Additionally, we believe that it is imperative to clarify whether the rule on non-diminution of benefits will apply to the incentives being received by the employees under the Productivity Incentive Program, and if so, what are the recognised

110 The immediate passage of the measure is supported by the Department of Labor and Employment (DOLE).

111 Senate of the Philippines. (20 September 2022). Senate Bill No. 1333. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1333

ASSESSMENT OF 2023 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	
	Strengthen vocational programs in the Philippines	
Improve health and nutrition programs for students		
Augment the implementation of academic equivalency programs		
Enhance support programs for private schools		

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 curricula.</p> <p>HB No. 8210 or the Academic Recovery and Accessible Learning (ARAL) Program bill was approved by the House of Representatives on 18 March 2024. The proposal seeks to establish a national learning intervention program in response to the deteriorating quality of Philippine education.</p>	
<p>In 2023, the Lower House approved HB No. 9682, which proposes that the annual teaching allowance will increase from the current PHP 5,000 to PHP 7,500 per teacher for SY 2024-2025, and PHP 10,000 per teacher in the succeeding school years. Its Senate counterpart SB No. 1964, or the Kabalikat sa Pagtuturo Act, has also been approved by the Upper Chamber in the same year. Both bills are pending at the bicameral conference committee since February 2024.</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 2019, R.A. 11230 was passed into law to involve enterprise-based training (EBT) as a dominant mode of TVET delivery to improve workforce employability. In the 19th Congress, several legislative proposals have been filed to incorporate apprenticeship and dual training systems in TVET.</p>	
<p>In 2018, DepEd launched the Oplan Kalusugan (OK) sa DepEd that shall focus on major school health and nutrition programs. No other significant developments are seen as of writing.</p>	
<p>The House of Representatives in September approved on the third and final reading a bill seeking to institutionalise the Expanded Tertiary Education Equivalency and Accreditation Program (ETEEAP) that would allow undergraduate professionals to earn a bachelor's degree. Its Upper House counterpart SB No. 2568 has been pending on second reading since February 2024.</p>	
<p>The House Basic Education panel approved the proposed Expanded Government Assistance to Students and Teachers in Private Education (E-GASTPE) Act. This intends to expand the scope of financial assistance offered by DepEd to private school students and teachers.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Reinforce skills and capability development		
Enact a revised apprenticeship law		
Ease restrictions on the employment of foreign nationals		
Increase labour productivity through improved workplace productivity schemes		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
	As disclosed during the annual Basic Education Report last 25 January 2024, the Department of Education is currently crafting a new immersion program for senior high school students. However, there is no mention on whether there is a plan to increase the minimum 80-hour requirement for the work immersion program.
<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>The bill has also been identified as one of the policy priorities of the current administration.</p>	
<p>On 26 February 2024, the Department of Labor and Employment and Bureau of Immigration (BI) signed a Data Sharing Agreement (DSA) to expand the information exchange pertaining to foreign nationals issued with Alien Employment Permit (AEP). The AEP, issued by DOLE, is a prerequisite in the application of a Pre-arranged Employment Visa (9G) issued by the BI. The terms of the agreement aim to streamline operations and eliminate duplication of documentary requirements as both agencies will be sharing relevant data and information in the processing of AEP and 9G visa.</p>	
<p>The proposed Enterprise Productivity Act 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.</p>	

INFRASTRUCTURE AND ICT-BPM-KPM ADVOCACY PAPER 2024

INTRODUCTION

The infrastructure industry plays an important role in the development of the country. In the Philippines, insufficient infrastructure has been a major constraint on economic growth, poverty reduction, and improved quality of life. To tackle this issue, the national government increased its infrastructure investment and improved spending efficiency through the Build, Better, More (BBM) program under the current administration, superseding the previous administration's Build, Build, Build, (BBB) program. Under this program, 185 Infrastructure Flagship Projects (IFPs) and other high-impact projects were introduced among various sectors and across different regions of the country. Now in its second year, the BBM Program continues to accelerate its way to achieving a "golden age of infrastructure" in the Philippines, with the goal of enhancing connectivity and bridging the country's infrastructure gaps towards economic growth and development.¹

As the government ramps up infrastructure spending, so does the growth of the industry. From January to November 2023, the expenditures of the national government on infrastructure grew to PHP 1.02 trillion, an 18.5% increase year-on-year.² Moreover, overall infrastructure spending for under the BBM program is projected to reach PHP 1.42 trillion, exceeding the PHP 1.29 trillion projections for fiscal year (FY) 2023.^{3,4} For 2024, total infrastructure outlays of PHP 1.510 trillion have been allocated, PHP 180 million more than the previous year.² This accounts for 5.5% of the country's gross domestic product (GDP) for this year, fulfilling the Philippine government's commitment to sustain annual spending on infrastructure at 5 to 6% of GDP.

Table 1: Medium-Term Infrastructure Program

Infrastructure Program	2022	2023	2024	2025	2026	2027	2028
	Actual	Projections					
In PHP trillion	1.279	1.293	1.365	1.470	1.618	1.916	2.303
As % of GDP	5.8	5.3	5.1	5.1	5.1	5.5	6.0

Source: National Economic and Development Authority (NEDA) and Development Budget Coordination Committee (DBCC)⁴

Furthermore, to supplement the infrastructure expenditures, the Public-Private Partnership (PPP) Code of the Philippines, or Republic Act No. 11966, was enacted in December 2023 to further reinforce the country's investment ecosystem and create a more stable and predictable policy environment for collaboration for priority projects. Crucially, the PPP Code seeks to establish a conducive environment for private sector participation in PPP projects, providing clarity, transparency, and predictability in procurement processes, regulatory frameworks, and risk allocation mechanisms. As of 2 February

¹ Patinio, F. (2022). 'Build, Build, Build' continues: Building more for better lives. Retrieved from <https://www.pna.gov.ph/articles/1179572>.

² Department of Budget and Management. (2023). Pangandaman: 11-month Infrastructure Spending Grew to Over P1-trillion in 2023. Retrieved from <https://www.dbm.gov.ph/index.php/management-2/2581-pangandaman-11-month-infrastructure-spending-grew-to-over-p1-trillion-in-2023#:~:text=Expenditures%20of%20the%20national%20government,to%20an%20increase%20of%20P159>.

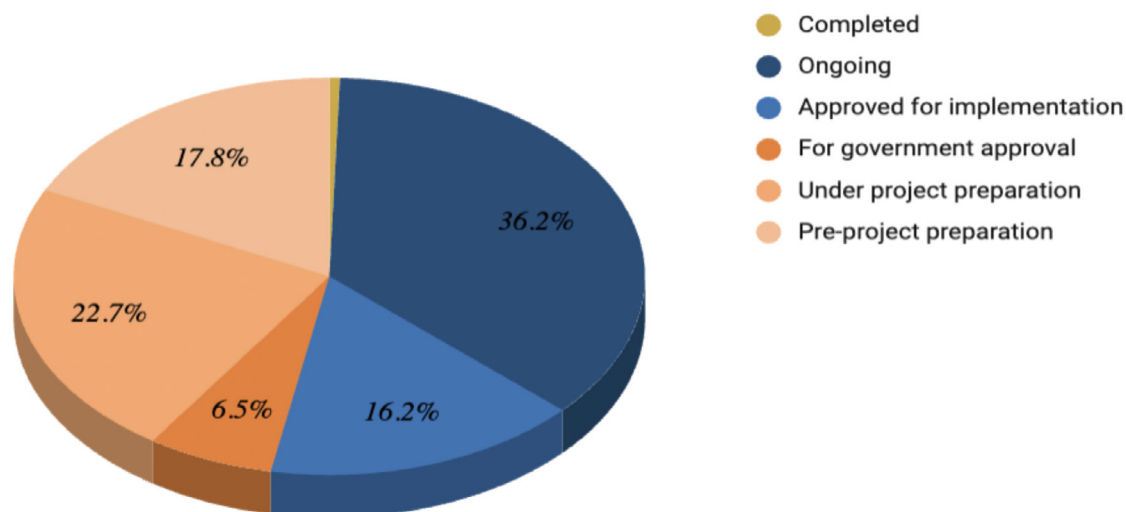
³ Leyco, C. S. (2024). DBM expects last year's infra spending to hit P1.4 T. Retrieved from <https://mb.com.ph/2024/1/6/dbm-expects-last-year-s-infra-spending-to-hit-p1-4-t>.

⁴ National Economic and Development Authority. (2023). Philippine Economic Development: Charting the Course to the Future/ Retrieved from https://www.bsp.gov.ph/Pages/IRG/irg-files/San%20Francisco_Nov2023/Reference%20Material_NEDA.pdf.

2024, the PPP Center has 117 projects worth PHP 2.5 trillion in the pipeline for undertaking between the government and private sector. Priority sectors include transportation, solid waste management, health, and water. By fostering a level playing field for all stakeholders, effective implementation of the law will attract greater investment and innovation, driving economic growth and job creation in the archipelago.

On the progress of the IFPs, the National Economic Development Authority (NEDA) closely monitors the projects to ensure they are completed and delivered on time. As of writing, there are 185 projects, 1 of which is completed, 67 are ongoing, 30 projects approved for implementation, 12 projects awaiting government approval, 42 are under project preparation, and 33 projects under pre-project preparation.⁵

Figure 1. Distribution of Projects by Status/Milestone



Source: National Economic and Development Authority (NEDA)⁶

With regard to digital infrastructure, the World Bank reported that compared to its ASEAN peers, the Philippines' internet connectivity and mobile network finance lag in affordability, speed, and accessibility, resulting in a disparate landscape for digital participation. Limited internet connection hampers businesses' digital potential. The country's weak broadband infrastructure stems from outdated regulatory frameworks that restrict investment in rural areas and cultivate a market with weak competition, both of which impede broadband development.⁶ ⁷ Relatedly, unaddressed cybersecurity risks in the business process outsourcing (BPO) industry may negatively impact employment and export revenue targets.⁸

The importance of embracing digitalisation has been emphasised by the government, earmarking PHP 38.75 billion allocation in the proposed 2024 budget for the initiative. This represents a 60.6% increase from PHP 24.93 billion funding in 2023 for enhanced public service.⁹ In 2023, the information technology

5 National Economic and Development Authority. (2024). Infrastructure Flagship Projects. Retrieved from <https://neda.gov.ph/infrastructure-flagship-projects/>

6 World Bank. (January 2024). Better Internet for All Filipinos: Reforms Promoting Competition and Increasing Investment for Broadband Infrastructure. Retrieved from <https://openknowledge.worldbank.org/server/api/core/bitstreams/a1f6fe68-5bd5-4e0a-8af4-60a1dcd89c41/content>

7 Speedtest. (2024). Speedtest Global Index: Global Speeds January 2024. Retrieved from <https://www.speedtest.net/global-index>

8 San Juan, A. E. (6 March 2024). Cybersecurity risks cloud BPO sector outlook in 2024. Retrieved from <https://businessmirror.com.ph/2024/03/06/cybersecurity-risks-cloud-bpo-sector-outlook-in-2024/>

9 Department of Budget and Management. (2023). Pangandaman: Proposed digitalization budget for 2024,

and business process management (IT BPM) industry surpassed overseas Filipinos' remittances, as its industry revenues reached USD 35.5 billion, creating over 130,000 jobs, with a headcount reaching 1.7 million.¹⁰ With intensified efforts, IT-BPM industry is projected to attain a growth output of 8.7% in headcount for 2024, totalling 1.70 million full-time employees (FTEs).¹¹ The Philippines' digital economy is also predicted to reach USD 24 billion this year and USD 35 billion by 2025, solidifying its position as one of Southeast Asia's fastest-growing economies.¹²

By addressing regulatory constraints, the Philippines is poised to overcome obstacles and unlock the full potential of its infrastructure sector. Through strategic planning and collaboration, the Philippines can build a robust infrastructure foundation supporting economic growth and enhance physical and digital connectivity in the country.

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.¹³ The Department of Public Works and Highways (DPWH) will provide a clear framework and strategic orientations for sustainable projects based on the 8-Point Socioeconomic Agenda through the following key priority programs: a) Traffic Decongestion Program; b) Integrated and Seamless Transport System Program; c) Rural Roads Convergence Program; and d) Livable, Sustainable, and Resilient Communities.¹⁴
- On 3 November 2023, the Office of the President issued **Executive Order (EO) No. 46 reducing import tariffs to zero on natural gypsum and anhydrite** used in the manufacture of building materials such as cement and plasterboard. These raw materials were formerly charged a 3% tariff. There are currently no domestic sources for the two minerals in the absence of operating mines dedicated to their extraction.¹⁵
- Foreign borrowings by the Marcos administration that were approved by the Bangko Sentral ng Pilipinas (BSP) increased 40.36% in 2023 compared to the previous year, with **infrastructure projects obtaining most of the additional funds from new external debts**. The Monetary Board approved USD 14.49 billion in public sector foreign borrowings last year, up from USD 10.32 billion in 2022.¹⁶

up by almost 61% to boost public service. Retrieved from <https://www.dbm.gov.ph/index.php/management-2/2325-pangandaman-proposed-digitalization-budget-for-2024-up-by-almost-61-to-boost-public-service>

10 Crismundo, K. (6 March 2024). PH to hit first \$40-B ITBPM revenue in 2024. Retrieved from <https://www.pna.gov.ph/articles/1220220>

11 Cahiles-Magkilat, B. (27 November 2023). ITBPM industry sees 7% revenue growth in 2024. Retrieved from <https://mb.com.ph/2023/11/27/itbpm-industry-sees-7-revenue-growth-in-2024>

12 Mateo, J. (26 November 2023). Retrieved from <https://www.philstar.com/headlines/2023/11/26/2314301/philippines-digital-economy-hit-24-billion-year-report>

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 Bangko Sentral ng Pilipinas. (2023). Build Better More: A Glimpse into the Philippines' Infrastructure Program. Retrieved from https://www.bsp.gov.ph/Pages/iro-macro-pres/Build%20Better%20More_Jan%202023.pdf

15 Official Gazette. (3 November 2023). Executive Order No. 46. Retrieved from <https://www.bworldonline.com/economy/2023/11/13/557311/eo-cuts-tariffs-on-cement-plasterboard-raw-materials/>

16 Cigalal, I. N. P. (23 January 2024). Infra needs bloated PH foreign borrowings in 2023. Retrieved from <https://business.inquirer.net/442036/infra-needs-bloated-ph-foreign-borrowings-in-%CA%BC23>

- The Asian Development Bank (ADB) approved a USD 200 million additional financing for the **Infrastructure Preparation and Innovation Facility (IPIF)**. The loan will support the preparation of complex and critical climate-resilient infrastructure. ADB will assist in the capacity building of implementing agencies such as the DPWH to implement large and complex infrastructure projects.¹⁷
- On 12 December 2023, Department Order (DO) No. 148 was issued by the DPWH. This sets out the guidelines for the utilisation of the prices of construction materials and equipment rental rates for various infrastructure projects.¹⁸
- In April 2023, the DPWH issued DO No. 38 or the Performance Governance System (PGS) Strategic Plan (StratPlan) for FY 2023-2028 branded as **INFRAgenda 2028** in line with *AmbisyonNatin 2040* goals. The StratPlan's core objectives are to reduce travel time, improve road network quality & safety, and protect lives and properties from natural disasters.¹⁹
- The DPWH released Department Order No. 27 in March 2023 for the Agency's Disaster and Incident Management Operations Manual to maintain a standardised disaster and incident management mechanism that will further enhance disaster risk reduction and management systems' protocol.²⁰

On legislation:

- Republic Act No. 11966, or the **Public-Private Partnership (PPP) Code** of the Philippines, was signed into law on 5 December 2023. The law will provide a unified legal framework for all PPPs to create a stable and predictable environment for collaboration between private and public sectors in infrastructure development. This will free up much-needed resources to enable the government to pursue other equally important projects.²¹ Its Implementing Rules and Regulations (IRR) was signed on 21 March 2024 and will take effect on 6 April 2024.²²
- On 25 September 2023, the House of Representatives approved on third and final reading House Bill No. (HBN) 8937 enhancing the fiscal regime for the local mining industry. The proposed law specifies the following royalty payments on mining operations, depending on size and location:
 - Large-scale metallic mining operations within mineral reservations: from 5% to 4% of the gross output of mineral products extract or produced
 - Large-scale metallic mining operations outside mineral reservations: Margin-based royalty on income from metallic operations
 - Small-scale mining operations: one-tenth of 1% of gross output

17 Asian Development Bank. (8 December 2023). \$200 Million ADB Loan to Help Prepare High-Quality, Climate-Resilient Philippine Infrastructure Projects. Retrieved from <https://www.adb.org/news/200-million-adb-loan-help-prepare-high-quality-climate-resilient-philippine-infrastructure>

18 Department of Public Works and Highways. (12 December 2023). Department Order No. 148. Retrieved from https://www.dpwh.gov.ph/dpwh/sites/default/files/issuances/do_148_s2023.pdf

19 Department of Public Works and Highways. (12 April 2023). Department Order No. 38. Retrieved from https://www.dpwh.gov.ph/dpwh/sites/default/files/issuances/DO_038_s2023.pdf

20 Department of Public Works and Highways. (10 March 2023). Department Order No. 27. Retrieved from https://www.dpwh.gov.ph/dpwh/sites/default/files/issuances/do_027_s2023.pdf

21 Official Gazette. (5 December 2023). Republic Act No. 11966. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/12dec/20231205-RA-11966-FRM.pdf>

22 PPP Center. (22 March 2024). Implementing Rules and Regulations (IRR) of the Public-Private Partnership (PPP) Code. Retrieved from <https://ppp.gov.ph/implementing-rules-and-regulations-irr-of-republic-act-no-11966-or-the-public-private-partnership-code-of-the-philippines/>

The bill also seeks to subject metallic mining operations to a margin-based windfall profits tax for each taxable year. The rationalisation of the tax system for mining is geared towards positioning the Philippines as an attractive investment site for resource extraction.²³

- **Senate Bill No. 1537 or An Act Facilitating the Acquisition of Right-of-Way (ROW) Act** was read in first reading in November 2022 and referred to the Committees on Public Works, Justice and Human Rights, and 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.²⁴
- In the current Congress, several bills have been filed seeking to **amend R.A. 9184 or the Government Procurement Reform Act (GPRA)**²⁵ as well as to establish a **Green or Sustainable Public Procurement Program**²⁶ for all departments, bureaus, offices, and agencies of the government.

With the government doubling its efforts to bridge the country's digital divide, among the priorities and implementations of the new administration are as follows:

- The **Philippine Development Plan (PDP) 2023 - 2028**²⁷ laid down six cross-cutting strategies that will serve as catalysts for economic, social, institutional, and environmental transformation in the country, one of which is digitalisation. The digital transformation of the government will result in more efficient and faster service delivery, more transparency, and fewer opportunities for corruption at various levels.²⁸
- The Department of Information and Communications Technology (DICT) and National Grid Corporation of the Philippines (NGCP), which operates the Luzon Grid, **signed the lease agreement for the power grid operator's infrastructure, including its private telecom network infrastructure and substations, for the national fiber backbone (NFB)**. The agreement will facilitate the laying out of fiber optic cables in 23 strategic sites across Luzon, and will help enable the deployment of a national broadband infrastructure which will enable the government to leverage a two-terabyte connection from the eastern seaboard.²⁹
- The **Philippine Domestic Submarine Cable Network (PDSCN)**, the longest and highest capacity domestic submarine fibre cable network in the Philippines³⁰, was launched on 15 February 2024 in line with the government's commitment to providing the Filipino people with reliable and affordable internet services, improving the country's world standing in terms of broadband and mobile internet speed coverage. A shared vision of both the Philippines and Japan, PDSCN aims

23 House of Representatives. (2023). House Bill No. 8937. Retrieved from https://hrep-website.s3.amazonaws.com/legisdocs/third_19/HBT8937.pdf

24 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>

25 Senate Bill Nos. 1803, 1023, 619, And 618.

26 Senate Bill Nos. 1877, 1857, 1488, 623, 556.

27 The PDP 2023-2028 is a plan for deep economic and social transformation to reinvigorate job creation and accelerate poverty reduction by steering the economy back on a high-growth path. This growth must be inclusive, building an environment that provides equal opportunities to all Filipinos, and equipping them with skills to participate fully in an innovative and globally competitive economy.

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

29 Cabuenas, J. (28 February 2024). NGCP, DICT ink lease agreement for national fiber backbone. Retrieved from <https://www.gmanetwork.com/news/topstories/nation/898942/ngcp-dict-ink-lease-agreement-for-national-fiber-backbone/story/>

30 Spans approximately 2,500 kilometres.

to put the Philippines to a better world ranking in terms of internet connectivity and speed, as well as to a better position for technology-centric businesses such as hyperscale data centres and AI computing.³¹

- The Department of Budget and Management (DBM) has granted the release of almost PHP 2.5 billion to the Department of Information and Communications Technology (DICT) for the implementation of the **Free Public Internet Access Program (FPIAP)**. Over PHP 2.4 billion will be earmarked for free internet WiFi connectivity in public places, while the remaining P50 million goes to connectivity concerns for State Universities and Colleges (SUC). The program also covers public areas particularly convergence points such as national and government offices, public basic education institutions, SUCs, Technical Education and Skills Development Authority (TESDA) institutions, public hospitals, medical care facilities, plazas and transport terminals.³²
- On 8 February 2024, President Ferdinand R. Marcos Jr. approved the National **Cybersecurity Plan 2024-2029** which provides the country with policy direction, operational guidelines in building its cybersecurity posture, as well as the fortification of the country's cyberspace against online threats. The plan seeks to address the need to develop good policy to ensure a safe cyber landscape for the country, identify cyber assets, infrastructure that needs protection, and provide government agencies and sectors with a guideline on how to respond to any cyberattacks or attempts. Further, the plan includes capacity building and upskilling of cybersecurity personnel.³³
- In relation to the aforementioned comprehensive plan, the DICT aims to conduct a **nationwide upskilling to protect cyberspace nationwide** and to help Filipinos become more aware of risks and threats in cyberspace.³⁴
- On the **development of the data centres** in the country, the DICT has expressed its plan to award three contracts worth a total of P766 million under its national data centre project by the third quarter of the year. From the allocation, P192 million is set aside for the data centre colocation; P546 million is earmarked for the procurement of subscription, maintenance, and support services for the existing public multi-cloud infrastructure, which is targeted to be awarded by March 2024; while P28 million is allocated for the lease of space and racks for the government data centre. The target is to launch the operations of at least two data centres for the year.³⁵
- In support of the Broadband ng Masa Program (BBMP), DICT reported that there were around **25,000 free Wi-Fi sites** before the end of 2023. The Agency also said that the plan for 2024 is to double the number of free Wi-Fi sites.³⁶
- The **Internet Transactions Act (ITA)**³⁷ or Republic Act (RA) No. 11967 was signed by President

31 PCO. (15 February 2024). PBBM ushers Filipinos to a better, brighter, more connected "Bagong Pilipinas" with the "Philippine Domestic Submarine Cable Network" launch. Retrieved from https://pco.gov.ph/news_releases/pbbm-ushers-filipinos-to-a-better-brighter-more-connected-bagong-pilipinas-with-the-philippine-domestic-submarine-cable-network-launch/

32 PNA. (15 February 2024). DBM releases P2.5B for Free Public Internet Access Program. Retrieved from <https://www.pna.gov.ph/articles/1218933>

33 PCO. (8 February 2024). PBBM approves National Cybersecurity Plan to fortify PH against various threats. Retrieved from https://pco.gov.ph/news_releases/pbbm-approves-national-cybersecurity-plan-to-fortify-ph-against-various-threats/

34 Clapano, J.R. (10 February 2024). DICT training workers to protect cyberspace. Retrieved from <https://www.philstar.com/headlines/2024/02/10/2332281/dict-training-workers-protect-cyberspace>

35 Jose, A.E.O. (7 February 2024). DICT plans to award three contracts for data center plan by Q3. Retrieved from <https://www.bworldonline.com/corporate/2024/02/07/574103/dict-plans-to-award-three-contracts-for-data-center-plan-by-q3/>

36 Bajo, A. (24 January 2024). DICT aims to double free Wi-Fi sites in 2024. Retrieved from <https://www.gmanetwork.com/news/topstories/nation/895223/dict-aims-to-double-free-wi-fi-sites-in-2024/story/>

37 Official Gazette. (05 December 2023). Republic Act No. 11967. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/12dec/20231205-RA-11967-FRM.pdf>

Ferdinand "Bongbong" Marcos Jr.'s on 5 December 2023. The law is intended to regulate e-commerce, protect consumer rights and data privacy, encourage innovation, promote competition, secure internet transactions, uphold intellectual property rights, ensure product standards and safety compliance, and observe environmental sustainability. Under the law, digital platforms or e-marketplaces shall be subsidiarily liable with the online merchant or retailer if it failed to perform its responsibilities as laid down in the bill that caused damage to the consumer.

- Following a series of consultations with key stakeholders, the National Economic and Development Authority (NEDA) released the **IRR of RA No. 11927 or the Philippine Digital Workforce Competitiveness Act of 2022**.³⁸ The IRR was approved by the nine members of the Inter-Agency Council (IAC)³⁹ for the Development and Competitiveness of the Philippine Digital Workforce. Under the new law, the IAC is tasked to formulate the National Roadmap on Digital Technology and Digital Skills, which shall serve as a basis for implementing programs that will upskill, re-skill, and train the digital workforce in the country.
- Spearheaded by the DICT the **eGov PH Super App**⁴⁰ was launched on 02 June 2023 with the aim to simplify transactions between the government and citizens. With a vision to build a connected nation, the platform integrates the multi-sectoral government through a one-stop online system that will minimise economic cost for the citizens.
- Two new features of the aforementioned super app, the **Electronic Local Government Unit (eLGU) System and the People's Feedback Mechanism (eReport)**, were launched last 17 July 2023 to support the government's goal to provide a one-stop-shop for its services. The eLGU covers local government services such as business permit licensing, notice of violations, notification system, community tax, health certificates, local civil registry, business tax and real property tax. Meanwhile, the eReport is interoperable and linked with the Philippine National Police's (PNP) iReport, which is a Crime Response Management System, and the Bureau of Fire Protection's (BFP) Fire Response Management System.⁴¹

On legislation:

- **House Bill (HB) No. 9794**⁴², otherwise known as the **Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill**, aims to amend the CREATE Act to enhance the country's tax incentives system. The bill allows registered business enterprises in the information technology-business process outsourcing (IT-BPO) industry to be eligible for incentives even if they conduct business under alternative work arrangements, as long as they are compliant with the on-site requirements set by the investment promotion agencies (IPAs), such as the Philippine Economic Zone Authority (PEZA).⁴³ Approved by

38 NEDA. (15 November 2023). Implementing Rules and Regulations of Republic Act No. 11927 or the Philippine Digital Workforce Competitiveness Act. Retrieved from <https://neda.gov.ph/irr-ra-11927-ph-digital-workforce-competitiveness-act/>

39 Chaired by the NEDA and composed of eight (8) other agencies, namely the Departments of Labor and Employment, Trade and Industry, Information and Communications Technology, Science and Technology, Interior and Local Government, and Education, as well as the Commission on Higher Education and the Technical Education and Skills Development Authority.

40 <https://e.gov.ph/#about>

41 Philippine News Agency. (18 July 2023). LGUs moving towards automation via eLGU, eReport mobile app. Retrieved from <https://www.pna.gov.ph/articles/1205835>

42 House of Representatives. (18 March 2024). House Bill No. 9794. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT9794.pdf

43 House of Representatives. (21 November 2023). PANEL OKS INCENTIVES, FUNDING PROVISIONS OF PROPOSED "BLUE ECONOMY ACT," "CREATE MORE ACT" AND "NAT'L WATER ACT". Retrieved from <https://congress.gov>

the House last 18 March 2024, the bill was transmitted to the Senate on 19 March.

- With the intent to improve internet services in the country, **HB No. 9916**⁴⁴ was filed seeking the enforcement of standards on internet speeds to ensure consistent and high-quality internet services for all internet users in the Philippines. Under the measure, all internet service providers (ISPs) will be required to deliver a download speed of 30 megabits per second (Mbps) for mobile broadband or internet access, and 65 Mbps for fixed and fixed wireless broadband or internet access. The bill is currently pending in the Committee on Information and Communications Technology.
- The **E-Governance Act or HB No. 7327**⁴⁵ seeks to adopt a policy to create, foster and sustain a digitally empowered and integrated government that provides secure, responsible and transparent citizen-centred services and harnesses the potential of open data for promoting economic growth and a globally competitive Filipino nation. Approved by the House last 06 March 2023, the bill was transmitted to the Senate on 07 March.
- 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.⁴⁶
- With the rapid advancement of Artificial Intelligence (AI), several bills have been filed at the lower house on the **Development and Regulation of AI**⁴⁷ in the country. The proposed legislation aims to ensure that the deployment of AI technologies are aligned with the principles of responsible AI development.
- The **Open Access in Data Transmission Act or House Bill No. 6**⁴⁸ 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 Act**⁴⁹ 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 (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**⁵⁰ 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 DICT in the National ICT Household Plan. While several bills have been filed/refiled both in the upper house, all are currently pending in the Committee.

- The **Critical Information Infrastructure Protection Act**⁵¹ aims to establish a framework for ensuring the security and reliability of the country’s digital ecosystem, which is critical to achieving the new administration’s goal of safe, seamless, and reliable digitalisation and connectivity. While several bills have been filed/refiled both in the upper house, all are currently pending in the Committee.

ECCP INFRASTRUCTURE ADVOCACY RECOMMENDATIONS

Incorporate sustainability in infrastructure project planning and implementation through funds allocation for green infrastructure and faster blended cement adoption in Philippines

The Philippines’ continued susceptibility to climate change impedes infrastructure provision and operation, undermining significant infrastructure investments. With its exposure to natural hazards, reliance on climate-sensitive natural resources, and vast coastlines, the Philippines ranked first among 193 countries in the 2022 and 2023 World Risk Report.^{52, 53} Impact of climate change in the infrastructure sector include the softening and surface tearing of pavements exposed to high temperatures; weakening pavements and road surfaces due to intense rain; and increasing corrosive rate of steel. It may also bring about floods and landslides, which can lead to road closure or rehabilitation.⁵⁴ As such, enabling economic development builds on the solid foundation of sustainable, green, 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.⁵⁵ 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. 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), developed by the NEDA with assistance from the Asian Development Bank (ADB), outlines 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. Among the four action nodes outlined in the PAP4SCP, infrastructure stands out with a focus on promoting green infrastructure development.⁵⁶

gov.ph/photojournal/zoom.php?photoid=5424

44 House of Representatives. (12 February 2024). House Bill No. 9916. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB09916.pdf

45 House of Representatives. (06 March 2023). House Bill No. 7327. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT7327.pdf

46 As of 30 July 2023, there have been bills filed at the Senate and House on the internet transactions act – Senate Bill No. 1846; and House Bill Nos. 275, 358, 2946, 3737, 4344, 5073, 7582, and 8262.

47 As of 30 July 2023, there have been bills filed at the House on the development and regulation of artificial intelligence – House Bill Nos. 7396, 7913, and 7983. All bills are currently pending in the Committee.

48 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

49 As of 30 July 2023, there have been bills filed at the Senate and House on the Satellite-Based Technologies Promotion Act – Senate Bill Nos. 814 and 1380; and House Bill Nos. 8322, 5471, 4176, and 640.

50 As of 30 July 2023, there have been bills filed at the Senate on the Better Internet Act – Senate Bill Nos. 282,

329, 386, 701, 1381

51 As of 30 July 2023, there have been bills filed at the Senate on the Critical Information Infrastructure Protection Act – Senate Bill Nos. 863, 1382, 1701, 1923, and 2066.

52 Bündnis Entwicklung Hilft / IFHV (2023): World Risk Report 2023. Retrieved from https://weltrisikobericht.de/wp-content/uploads/2024/01/WorldRiskReport_2023_english_online.pdf

53 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>.

54 Presentation of Climate Change Commission Policy Research and Development Division Chief Hon. Jerome Ilagan during the ECCP Infrastructure Committee Meeting on 7 February 2024.

55 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

56 Davidson, K., Gunawan, K., Almeida, M., & Boulle, B. (2020). Green Infrastructure Investment Opportunities:

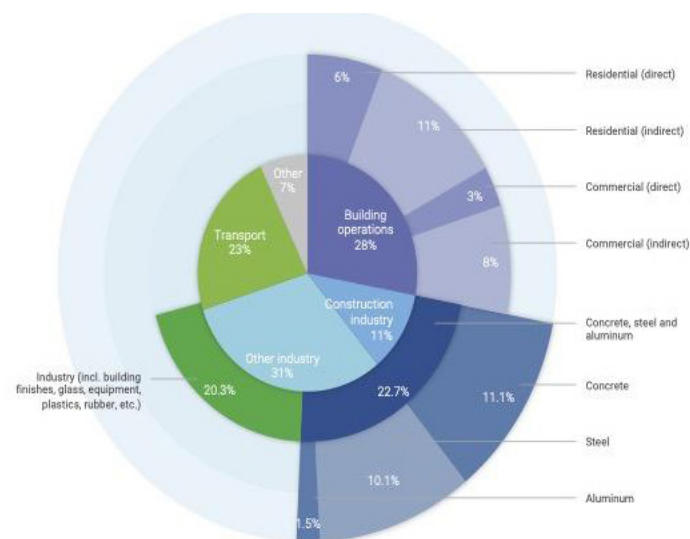
It is in this light that the Committee recognises that climate change should be methodically considered in infrastructure planning, design, operation, and maintenance. A significant increase in green infrastructure investment is required for the Philippines to fulfill its climate commitments, including 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 Protocol⁵⁷. 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 this, it becomes imperative to acknowledge the significant role that the infrastructure industry play in exacerbating climate change impacts. 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. Concrete, steel, and aluminum are likewise the most carbon-intensive materials. These materials sectors alone are responsible for 22.7% of total emissions.⁵⁸

Figure 2: Breakdown of Direct and Indirect Energy Carbon Emissions of the Building and Construction Sector

Buildings consume 36% of energy produced, and are responsible for 39% of global carbon emissions, making it the largest contributing sector to climate change.

Using a whole life approach, GBCs are empowered to identify the workstreams and initiatives that would be most effective in their markets to address both operational and embodied carbon emissions.



Data from the Global Status Report 2019 (Globe Alliance of Buildings and Construction and International Energy Agency) and Architecture 2030. World Green Building Council. (2020). Advancing Net Zero Status Report 2020. <https://www.worldgbc.org/advancing-net-zero-status-report-2020>

Source: World Green Building Council

Should the building and construction industry substantially shift the demand for low-carbon alternatives

Philippines 2020 Report. Asian Development Bank. DOI: <http://dx.doi.org/10.22617/TCS200335-2>

57 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.

58 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

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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 decarbonisation strategies by emphasising 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 material, blended cement significantly reduces the consumption of non-renewable raw materials and the emission of greenhouse gases.⁵⁹ Such a move will aid the country in achieving its goal of cutting carbon emissions by 75% by 2030.⁶⁰

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. The Committee firmly supports the alignment of standards and regulations across government agencies in the Philippines to facilitate the expanded utilisation of blended cements in public infrastructure projects. This alignment is imperative due to existing disparities in legislation and interpretations among regulatory bodies, which are resulting in delays and obstacles in the integration of alternative materials into blended cement production.

We also urge the current administration to implement energy-efficient technology and procedures, and utilisation 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. In the current Congress, several bills have been filed seeking to amend R.A. 9184 or the Government Procurement Reform Act (GPRA)⁶¹ as well as to establish a Green or Sustainable Public Procurement Program⁶² 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.

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.⁶³ It is incumbent

59 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

60 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/>

61 Senate Bill Nos. 1803, 1023, 619, And 618.

62 Senate Bill Nos. 1877, 1857, 1488, 623, 556.

63 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>

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. The private sector's engagement is critical in raising additional resources and facilitating the implementation of innovative technology to accelerate sustainable infrastructure development.

Align infrastructure policies of the national government and local government units (LGUs) by improving the implementation of the Mandanas-Garcia Ruling and improving the ease of doing business in the infrastructure sector

The Mandanas-Garcia Ruling, also known as the Mandanas v. Ochoa ruling, refers to a landmark decision by the Supreme Court of the Philippines in 2018 and has significant implications for fiscal decentralisation and local governance in the country. It empowers LGUs by providing them with a more substantial and predictable source of revenue, allowing them greater autonomy in planning and implementing development projects tailored to local needs. Additionally, it promotes fiscal transparency and accountability by ensuring that LGUs receive their rightful share of national taxes.

However, the full implementation of the Mandanas-Garcia Ruling presents challenges, particularly in terms of fiscal sustainability and intergovernmental coordination. It requires careful recalibration of fiscal policies and revenue-sharing mechanisms to ensure a balanced distribution of resources between the national government and LGUs. Moreover, there is a need for capacity-building initiatives to enhance the financial management capabilities of LGUs and maximise the impact of the increased funding allocation.

Against this backdrop, the implementation of the Mandanas-Garcia Supreme Court ruling should be further 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.⁶⁴ On this ground, the ECCP Infrastructure Committee 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 utilised to augment the LGUs' 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.

64 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>

Strengthen public-private partnerships by ensuring sanctity of PPP contracts, prioritising solicited bids, and institutionalising capacity building programs to LGUs to participate in PPP initiatives

The ECCP and its Infrastructure Committee recognise 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.

Passed into law in 1990, R.A. 6957, also known as the Build-Operate-Transfer (BOT) law, was hailed as a pioneering legislation in the Southeast Asian region. Initially, the Philippines stood out among its developing counterparts in Asia for its early adoption of BOT or PPP frameworks for infrastructure advancement. However, its position in attracting PPP investments has gradually declined in comparison to its ASEAN counterparts. From 2018 to 2022, total PPP investment in the Philippines recorded at USD 7.09 billion. In comparison, Indonesia received USD 14.10 billion in total PPP investments, while Vietnam saw USD 21.25 billion. A further cause for concern for the country is the percentage of cancelled projects—reaching almost 12% of total investments as compared to 1.58% and 0.59% in Thailand and Vietnam, respectively.⁶⁵

The Golden Age of Infrastructure can be facilitated with the passage of legislation favourable to PPPs, encouraging the private sector to be the main engine for growth and development. On this account, the ECCP, together with its Infrastructure Committee, supports the passage of Republic Act No. 11966, also known as the PPP Code of the Philippines. The signing of this legislation provides a unified legal framework for all PPPs, offering a stable and predictable environment for collaboration between the private and public sectors. This framework is essential for fostering confidence among investors and facilitating the efficient implementation of infrastructure projects across various sectors.

By establishing clear guidelines and procedures for PPP initiatives, the law streamlines the process of project development and implementation. This, in turn, promotes transparency, accountability, and fairness in the procurement and execution of PPP projects. Such a conducive environment not only encourages greater private sector participation but also ensures the optimal allocation of resources towards critical infrastructure needs. Furthermore, the enactment of the PPP Code will free up much-needed resources, allowing the government to allocate its funds more efficiently and pursue other equally important projects that contribute to the overall economic development.

A successful PPP program, however, requires consistent adherence to contracts to facilitate the sustained engagement of the private sector. In the Philippines, there have been instances where adjustments in tariffs and tolls specified in contracts were disregarded by implementing agencies (IAs) and regulators.⁶⁶ Ensuring sanctity of PPP contracts is vital to maintaining trust and encouraging private sector participation. To further secure infrastructure operations' long-term viability, the ECCP urges the government to prioritise 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. Dealing with unsolicited proposals involves a number of challenges, ranging from an overwhelming number of proposals to coordination issues and a lack of public capacity for assessment. Concerns have been expressed concerning the possible use of unsolicited bids to avoid competitive bidding and promote non-transparency. 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.⁶⁷

65 Senate Economic Planning Office. (September 2023). Policy Brief - Advancing Public-Private Partnerships in the Philippines. Retrieved from [https://legacy.senate.gov.ph/publications/SEPO/SEPO%20Policy%20Brief_PPP_27Sept2023\(1\).pdf](https://legacy.senate.gov.ph/publications/SEPO/SEPO%20Policy%20Brief_PPP_27Sept2023(1).pdf)

66 Ibid.

67 Jocson, L. M. A. (08 February 2023). PPP Center focused on solicited projects to better align with gov't 2024

The PPP Code now provides a more flexible time period for challenges to unsolicited proposals, which must undergo a comparative challenge following a right-to-match mechanism within 90 days to one year.⁶⁸ While this establishes a structured process to assess unsolicited proposals, potential delays in project selection may arise. As such, the concerned agencies must ensure timely and efficient execution of projects. The ECCP Infrastructure Committee also highly encourages competition fairness in PPP processes.

In relation to the foregoing, the Committee reiterates that facilitating PPPs requires the strengthening of the institutional capacity of existing government bodies. We underline the need to provide direction and support to LGUs engaging in PPP projects, including capacity building and technical assistance programs, in order to facilitate successful collaboration between the national government and LGUs in infrastructure development. Having a specialised facility for project planning, monitoring, and execution that is tailored to lower-tier LGUs can also be considered. Additionally, IAs of PPP projects should also incorporate sustainability criteria in approving project proposals. In alignment with the policy thrust of the government to mitigate climate change, eligible types of PPP projects must also be expanded to waste water, among others.

Reconsider mineral reservations and imposition of mineral reserve status

Former President Duterte signed Executive Order (EO) No. 130 of 2021 in April 2021, amending Section 4 of Executive Order No. 79 of 2012, or the Grant of Mineral Agreements.⁶⁹ 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.

Under the current regime, mining obligations vary depending on the mining agreement, which can be undertaken via the Mineral Production Sharing Agreement (MPSA) and Financial or Technical Assistance Agreement (FTAA). These mining agreements can be undertaken in several ways, resulting in a complex tax system and investor uncertainty. With this in mind, the House of Representatives in September 2023 approved on third and final reading HBN 8937 enhancing the fiscal regime for the local mining industry. Moreover, the Department of Finance (DOF) intends to improve the bill by proposing to impose a four-tier margin-based royalty, compared to the eight-tier structure from HBN 8937, ranging from 1.5% to 5% on income from mining operations outside of mineral reservations to address constitutional issues.⁷⁰

Taking this into account, the Committee urges for a fair mining tax revenue system while maintaining the competitiveness and attractiveness of the country's mining industry. The tax increase on mining in the Philippines could pose risks to foreign direct investments (FDIs) in the sector. The imposition of mineral reserve status on existing mining tenements may be inflationary, imposing a heavy burden on consumers and rendering affected industries uncompetitive.

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>

68 Padre-Isip, R. & Aniag, J. M. (4 January 2024). The Public-Private Partnership Act Key Provisions (Philippines). Nishimura & Asahi (Gaikokuho Kyodo Jigyo). Retrieved from https://www.nishimura.com/sites/default/files/newsletters/file/asia_240104_en.pdf

69 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>

70 Department of Finance. (6 March 2024). DOF kickstarts a series of stakeholder briefings for refined priority tax reform measures to push for their immediate passage. Retrieved from <https://www.dof.gov.ph/dof-kickstarts-a-series-of-stakeholder-briefings-for-refined-priority-tax-reform-measures-to-push-for-their-immediate-passage/>

Level the playing field in the construction industry for fully foreign-owned and local contractors alike by amending 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.⁷¹ 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."⁷² 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 disproportionately 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 2011⁷³ that no law prescribes the restrictions made to the regular licensing of foreign contractors as stipulated in the IRR of R.A. 4566.

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.⁷⁴ 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. Not only do foreign contractors feel the repercussions; importantly, this also creates 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.⁷⁵

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

71 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"

72 Construction Industry Authority of the Philippines. PCAB Classification/ Categorisation table. Retrieved from http://construction.gov.ph/online_forms/pcab-categorization-classification-table/

73 DOJ LML M-21111-622 dated 21 September 2011

74 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

75 Ibid.

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.

In any event, foreign contractors must also abide by the Building Code regulations of the Philippines as promulgated by the Department of Public Works and Highways (DPWH). Foreign contractors engaged in government projects are enjoined to R.A. 11981 of the *Tatak Pinoy* Act which is coherent with R.A. 912, whereby in the case of Philippine government-funded projects, contractors are currently required to use Philippine-made products in public works construction whether done directly by the government or awarded thru contracts. In relation to this, we underline that sustainability should be integrated into these efforts. The ECCP Infrastructure Committee recommends that products used in construction, whether for government-funded projects or private ventures, should prioritise sustainability criteria, including factors such as the environmental impact of materials as well as the social responsibility of suppliers.

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 ICT-BPM-KPM ADVOCACY RECOMMENDATIONS

Maintain competitive incentives for ICT-BPO investments

The ECCP acknowledges the enactment of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which provides incentives that are performance-based, strategically targeted, time-bound, and fully transparent. It encourages businesses to invest in industries and sectors aligned with the Philippine development agenda; create higher-value jobs; incentivize upskilling and employee training, and promote investments in less-developed areas, and areas recovering from calamities or armed conflict.⁷⁶

It is worth noting that under the law, Tier 3 investments include those adopting advanced digital production technologies of the Fourth Industrial revolution; producing equipment, parts, and services that embed new technologies; and engaging in research and development (R&D) activities and commercialization of R&D leading to accelerate innovation and increase the added value on products and services.⁷⁷

Over three years since it lapsed into law, several clarifications and issues between the CREATE Law and its implementing rules and regulations have been raised by various stakeholders, especially on VAT-related transactions. In this light, the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill was filed at the Lower House to enhance the country's tax incentives system. The proposed legislation states that the income tax rates will be 20% for domestic and resident foreign corporations elected to be under the enhanced deductions regime. Further to this, the bill would provide additional policy clarity on remote work arrangements, which many business process outsourcing (BPO) companies have adopted during the COVID-19 pandemic.

⁷⁶ Department of Finance. (n.d.). Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act. Retrieved from <https://taxreform.dof.gov.ph/tax-reform-packages/p2-corporate-recovery-and-tax-incentives-for-enterprises-act/>

⁷⁷ Philippine News Agency. (04 March 2022). PH gives highest perks for new tech investments. Retrieved from <https://www.pna.gov.ph/articles/1169044>

Under the bill, registered business enterprises in the IT-BPM sector are entitled to incentives even if they conduct business under alternative work arrangements, as long as they are compliant with the on site requirements set by investment promotion agencies (IPAs).⁷⁸

The ECCP and its ICT-BPM-KPM Committee reiterate its support for the government's efforts to revisit and amend policies governing the incentives system for the IT-BPM sector. Doing so will not only help attract investors and streamline the process of doing business, but it will also sustain the competitiveness of the country's IT-BPM sector.

Continued improvement of internet infrastructure and broadband services

Adopting the open access in data transmission approach

The country's telecommunications landscape has been undergoing significant developments driven by the heightened demand for better connectivity, as well as the government's initiatives to improve digital infrastructure and foster competition in the sector. While we recognise the commendable efforts made by the current and previous administrations to boost digital and economic transformation, limitations in our existing internet infrastructure still remain. Without a doubt, the industry remains faced with disparities such as high costs, slow broadband speed, inadequate coverage, and lack of effective competition. The National Economic and Development Authority (NEDA) highlighted that the growing demand is not adequately met due to the existing market structure where the industry is dominated by a few major players.⁷⁹

According to the World Bank, the Philippines has the least favourable policy environment for affordable broadband and is among the slowest in the world in implementing reforms to make it more affordable within the Association of Southeast Asian Nations (ASEAN) region. The policy note further cites data showing household penetration for fixed broadband in the Philippines at 33% in 2022. The cost of fixed broadband is more than four times higher than in Malaysia and Vietnam and more than double the ASEAN average.⁸⁰

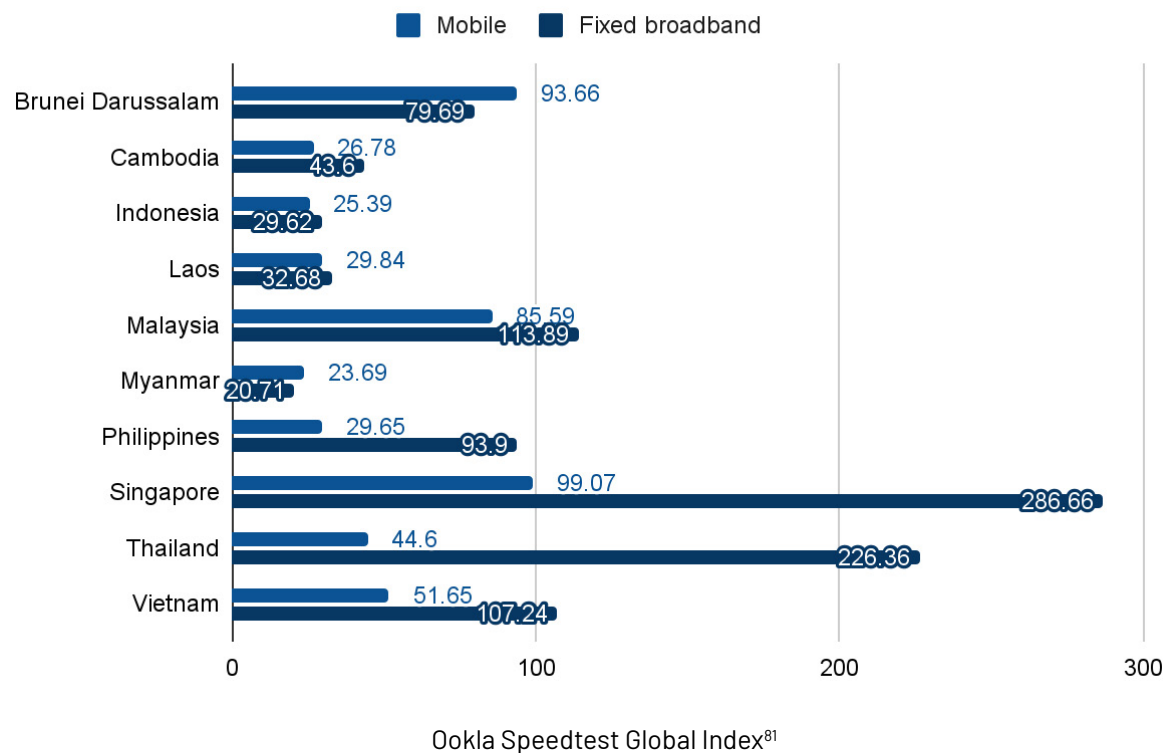
Zooming in on the data from the Ookla Speedtest Global Index for February 2024, report showed that the country's fixed broadband median speed slightly increased to 93.9 megabits per second (Mbps) from the 92.84 Mbps registered in January. Similarly, mobile speed averaged at 29.65 Mbps from the recorded 26 Mbps in the previous month (see Figure 3). The country's fixed broadband speed ranked 52nd out of 183 countries and 87th for mobile speed out of 155 countries.

⁷⁸ PNA. (21 November 2023). House panel OKs proposed amendments to CREATE law. Retrieved from <https://www.pna.gov.ph/articles/1214098>

⁷⁹ NEDA. (February 2024). Policy Note on Open Access in Data Transmission. Retrieved from <https://neda.gov.ph/wp-content/uploads/2024/02/Open-Access-in-Data-Transmission.pdf>

⁸⁰ The World Bank. (January 2024). Better Internet for All Filipinos: Reforms Promoting Competition and Increasing Investment for Broadband Infrastructure. Retrieved from <https://documents1.worldbank.org/curated/en/099011824231036851/pdf/P502027179f71d08418678193f2fabcdbec.pdf>

Figure 3. Mobile and Fixed Broadband Internet Speed (Mbps) in ASEAN, February 2024



Relative to the aforementioned points, the ECCP and its ICT-BPM-KPM Committee call on the Congress to urgently pass the proposed legislation in Open Access in Data Transmission Act as this will lower barriers to market entry, fast-track and lower the cost of deploying broadband facilities, and make more spectrum available for internet service. The Chamber believes that adopting the open access in data transmission is vital in increasing fixed and mobile broadband penetration for better and inclusive internet access and service. The bill will allow all broadband industry participants, including internet service providers (ISP) and value-added service (VAS) providers to connect to the government’s National Broadband Plan infrastructure.

Implement a forward-looking spectrum management policy in the country

The ECCP expresses its support for the call for the Philippine government to undertake policy and regulatory reforms on spectrum management to further improve digital connectivity in the country. Currently, the policy landscape regulating spectrum is outdated and hinders the equitable allocation of frequencies in the telecommunications industry.

Radio spectrum management in the Philippines is governed by a law enacted in the 1930s, the 1931 Radio Control Act or Republic Act (RA) No. 3864. Under the law, access of licensed radio frequencies are limited to entities with a legislative franchise from Congress and the construction of a radio station to those with a permit from an executive authority. In 1995, RA No. 7925 or the Public Telecommunications Policy Act provided the National Telecommunications Commission (NTC) general guidelines for spectrum management that are restrictive and limit the country’s adoption of emerging wireless technologies.⁸²

81 Speedtest. (2024). Speedtest Global Index: Global Speeds January 2024. Retrieved from <https://www.speedtest.net/global-index>

82 The World Bank. (January 2024). Better Internet for All Filipinos: Reforms Promoting Competition and Increasing Investment for Broadband Infrastructure. Retrieved from <https://documents1.worldbank.org/curated/>

In this regard, the ECCP, together with its ICT-BPM-KPM Committee, specifically calls on the Department of Information and Communications Technology, together with the National Telecommunications Commission, to issue and implement a forward-looking spectrum management policy, as well as the Congress to amend the 1931 Radio Control Act and the 1995 Public Telecommunications Policy Act to adhere to competitive global best practices.

To this end, the Chamber underscores the importance of a modern spectrum management legal and policy framework that fosters a conducive environment for innovation, investment, and competition for the Philippines.

Enactment of a common tower policy

Through Department Circular (DC) No. 008, series 2020⁸³, the Department of Information and Communications Technology (DICT) released the guidelines governing the shared telecommunications towers or common towers. Under the policy on Shared Passive Telecommunications Tower Infrastructure (PTTIs), the DICT encourages the growth and development of Independent Tower Companies (ITCs) as a pioneering sector for the birth and development of a robust ICT environment of Shared PTTIs in line with the overall objective of enhancing wireless network coverage and quality of ICT services across the entire country.

In July 2021, the Anti-Red Tape Authority (ARTA), together with various key agencies, signed the revised and expanded Joint Memorandum Circular (JMC) No.1, series 2021, on the streamlining of the permitting process of shared Passive Telecommunications Tower Infrastructure (PTTIs). The JMC aims to reduce delays and streamline the processes to secure permits, licenses, and authorizations of PTTIs, whether shared or exclusive, to accelerate the roll out of telecommunication infrastructure and service projects. Some of the salient points of the JMC include the following: it provided an exclusive list of documentary requirements for building permits, eliminating those that are not applicable to PTTIs; and clarified that the Fire Safety Evaluation Clearance (FSEC) shall be required if the application is for the construction of towers only. The issuance also mandates the submission of a Unified Application form for Building Permit, Locational Clearance and Barangay Clearance to the One-Stop Shop for Construction Permits (OSSCP) set up by local government units.⁸⁴

The ECCP commends and welcomes the aforementioned developments pertaining to the enactment of a common tower policy to level the playing field and improve ICT services especially to unserved and underserved areas. The Chamber also trusts that the government will continue to revisit these policies to keep up with the fast-paced technological advancements and globalisation.

Upskill the Philippine workforce with special focus on developing science, technology, engineering and mathematics (STEM) capabilities for increased employment opportunities and entrepreneurial capabilities

One of the most valuable assets of any economy or company is its human capital – the skills, capabilities and innovation of the individuals. The ECCP recognizes the domestic workforce as the comparative advantage of the ICT-BPM sector over its competitors. Likewise, we are well aware that this vital component of the industry is faced with both challenges and opportunities for creating new high-skilled employment. According to the Future of Jobs Report, skills gaps in the local labour market and inability to

[en/099011824231036851/pdf/P502027179f71d08418678193f2fabcdbec.pdf](https://www.dict.gov.ph/wp-content/uploads/2020/06/Department_Circular_No_008_Policy_Guidelines_on_the_Co_Location.pdf)

83 DICT. (29 May 2020). Department Circular (DC) No. 008, series 2020. Retrieved from https://dict.gov.ph/wp-content/uploads/2020/06/Department_Circular_No_008_Policy_Guidelines_on_the_Co_Location.pdf

84 ARTA. (01 July 2021). Joint Memorandum Circular (JMC) No.1, series 2021. Retrieved from <https://arta.gov.ph/wp-content/uploads/2021/07/Revised-Telco-JMC-.pdf>

attract the right talent remain among the leading barriers to the adoption of new technologies.⁸⁵

The ECCP has long called for the implementation of a national skills development strategy and action plan for the IT-BPM sector, as well as the knowledge processing management (KPM) sectors, with special emphasis on STEM skills. It is in this regard that the ECCP expresses its support for the National Technical Education and Skills Development Plan (NTESDP) 2023-2028 which was drafted and released by the Technical Education and Skills Development Authority (TESDA) with the goal to address the urgency for constant skilling, reskilling, and upskilling while cultivating the critical thinking, communications, collaboration, adaptability, futures thinking, and higher-order cognitive skills of the country's workforce and entrepreneurs.⁸⁶

Regarding entrepreneurship, the ECCP advocates for further development of the startup ecosystem. Supporting startups can significantly contribute to fostering innovation, job creation, and economic expansion in the Philippines. Therefore, facilitating access to capital, enhancing mentorship and support networks, and streamlining regulatory processes for startups are recommended.

The ECCP also lauds the enactment of Republic Act No. 1962 or the Trabaho Para sa Bayan Act which aims to address unemployment, underemployment, the informality of working arrangements, the reintegration of Overseas Filipino Workers and other challenges in the labour market. In line with the Philippine Development Plan 2023-2028, the formulation of the Trabaho Para sa Bayan Plan (TPB) will focus on improving the employability and competitiveness of Filipino workers through upskilling and reskilling initiatives and will provide support for micro, small and medium enterprises, and industry stakeholders. Notably, the National Cybersecurity Plan 2024-2028 launched by the Department of Information and Communications Technology (DICT), includes an important component on capacity building and upskilling of cybersecurity personnel.

Maintain an enabling environment for cross-border data flow

International free flow of data or the transfer of data across borders expedites digital transformation and empowers organisations worldwide to expand and compete effectively. This seamless data exchange in real-time facilitates the efficient delivery of goods and services, ushering in new economic and trade prospects.

The current policy landscape that fosters the free movement of data within the country, across regions, and globally has proven immensely beneficial. It has been a driving force behind the explosive growth of the IT-BPM industry, which generated an impressive USD 32.5 billion in revenue and provided gainful employment to 1.57 million full-time employees in 2022.⁸⁷ However, emerging global trends indicate a rising tendency toward more stringent data localization measures. It is imperative to recognize that any hindrances or impediments to information flow, such as data localization measures, can greatly diminish the benefits we gain from our active involvement in the globalised environment.

In a survey conducted by the Organisation for Economic Co-operation and Development (OECD), the impact of data localization measures on sectors like aviation, cloud computing, and cross-border e-payments found that restrictions in the flow and storage of data have led to a significant increase in data management costs; regulatory fragmentation, and cybersecurity risks due to the inability to share data on threats or system vulnerability. Moreover, imposing restrictions on cross-border data flows could

85 World Economic Forum. (20 October 2020). The Future of Jobs 2020.

86 TESDA. (2023). National Technical Education and Skills Development Plan (NTESDP) 2023-2028. Retrieved from [https://www.tesda.gov.ph/About/TESDA/47#:~:text=and%20international%20policies.,The%20National%20Technical%20Education%20and%20Skills%20Development%20Plan%20\(NTESDP\)%202023,with%20smart%20and%20innovative%20skills.](https://www.tesda.gov.ph/About/TESDA/47#:~:text=and%20international%20policies.,The%20National%20Technical%20Education%20and%20Skills%20Development%20Plan%20(NTESDP)%202023,with%20smart%20and%20innovative%20skills.)

87 The Philippine Star. (27 August 2023). Business, IT groups nix plans for data localization. Retrieved from <https://www.philstar.com/business/2023/08/27/2291580/business-it-groups-nix-plans-data-localization>

increase the cost of services and pose risks for cybersecurity, disaster recovery, and redundancy in the information technology and business process management industry.⁸⁸

Last June 2023, the Department of Information and Communications Technology (DICT) amended its Cloud First Policy to provide clearer instructions on policy coverage, data classification, and data security, as well as its policy on sovereignty, residency, and ownership. The policy promotes cloud computing as the preferred technology for government administration and the delivery of government services. Shifting to cloud computing is expected to foster flexibility, security, and cost-efficiency among users. Cloud computing also offers key advantages such as access to global systems of solutions, innovations, and services, as well as up-to-date cybersecurity.⁸⁹

As the Philippines advances its digital economy and aspires to become a regional digital hub, the ECCP underscores the importance of an enabling environment for cross-border data flow to spur economic development, enhance public services, increase digital trade, boost the competitiveness of data-driven industries in the Philippines.

88 OECD. (November 2023). The Nature, Evolution and Potential Implications of Data Localisation Measures. Retrieved from <https://www.oecd-ilibrary.org/docserver/179f718a-en.pdf?expires=1709881761&id=id&accname=guest&checksum=779C704F3CF20F80222B8F491782E599>

89 DICT. (12 June 2020). DICT Releases Amended Cloud First Policy for Gov't Transition to "New Normal". Retrieved from <https://dict.gov.ph/dict-releases-amended-cloud-first-policy-for-govt-transition-to-new-normal/>

ASSESSMENT OF 2023 INFRASTRUCTURE ADVOCACY RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Prioritisation and allocation of funds for green infrastructure		
Incorporate sustainability in infrastructure project planning and implementation		
Align infrastructure policies of the national government and local government units (LGUs) by improving the implementation of the Mandanas-Garcia Ruling		
Strengthen public-private partnerships		Republic Act No. 11966, or the Public-Private Partnership (PPP) Code of the Philippines, was signed into law on 5 December 2023. The law will provide a unified legal framework for all PPPs to create a stable and predictable environment for collaboration between private and public sectors in infrastructure development.
Reconsider mineral reservations and imposition of mineral reserve status		
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	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
The 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. Similarly, 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.	
In the current Congress, several bills have been filed seeking to amend R.A. 9184 or the Government Procurement Reform Act (GPRA) as well as to establish a Green or Sustainable Public Procurement Program for all departments, bureaus, offices, and agencies of the government.	
Senate Bill No. 1537 or An Act Facilitating the Acquisition of Right-of-Way (ROW) Act was read in first reading in November 2022 and referred to the Committees on Public Works, Justice and Human Rights, and Ways and Means.	
On 25 September 2023, the House of Representatives approved on third and final reading House Bill No. (HBN) 8937 enhancing the fiscal regime for the local mining industry.	
	There has been no significant moves to amend the said IRR on both the executive and legislative fronts.

ASSESSMENT OF 2021 ICT-BPM-KPM ADVOCACY RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Maintain competitive incentives for ICT-BPO investments		
Continued improvement of broadband services	Improve internet infrastructure through the enactment of a common tower policy	Through Department Circular (DC) No. 008, series 2020, the DICT released the guidelines governing the shared telecommunications towers or common towers. Under the policy on Shared Passive Telecommunications Tower Infrastructure (PTTIs), the DICT encourages the growth and development of Independent Tower Companies (ITCs) as a pioneering sector for the birth and development of a robust ICT environment of Shared PTTIs in line with the overall objective of enhancing wireless network coverage and quality of ICT services across the entire country.
	Adopt the open access in data transmission approach	
	Update laws and regulatory framework to promote and incentivize investment and innovations in communications and connectivity	Republic Act No. 11659 or the amendments to the Public Service Act (PSA) was passed into law in 2022. The amendments to the PSA limit the coverage of public utilities and effectively liberalise key public services by allowing full foreign ownership in key sectors. This will encourage more foreign investments and innovation to lower prices, improve the quality of goods and services, and create more and better jobs.

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The proposed Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill was approved at the Lower House in November 2023. The bill aims to amend the CREATE Act to enhance the country's tax incentives system. The bill allows registered business enterprises in the information technology-business process outsourcing (IT-BPO) industry to be eligible for incentives even if they conduct business under alternative work arrangements, as long as they are compliant with the on-site requirements set by the investment promotion agencies (IPAs), such as the Philippine Economic Zone Authority (PEZA).</p>	
	<p>The Open Access in Data Transmission Act or House Bill No. 6 was approved by the House last 12 December 2022, and transmitted to the Senate on 14 December. As of 08 March 2024, no progress has been made since.</p>

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Upskill the Philippine workforce with special focus on developing science, technology, engineering and mathematics (STEM) capabilities		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>Technical Education and Skills Development Authority (TESDA) released the National Technical Education and Skills Development Plan (NTESDP) 2023-2028 which aims to address the urgency for constant skilling, reskilling, and upskilling while cultivating the critical thinking, communications, collaboration, adaptability, futures thinking, and higher-order cognitive skills of the country's workforce and entrepreneurs.</p> <p>Republic Act No. 1962 or the Trabaho Para sa Bayan Act was also enacted to help in improving the employability and competitiveness of Filipino workers through upskilling and reskilling initiatives. The Department of Information and Communications Technology (DICT) will also be conducting a nationwide upskilling as part of the National Cybersecurity Plan 2024-2028.</p>	

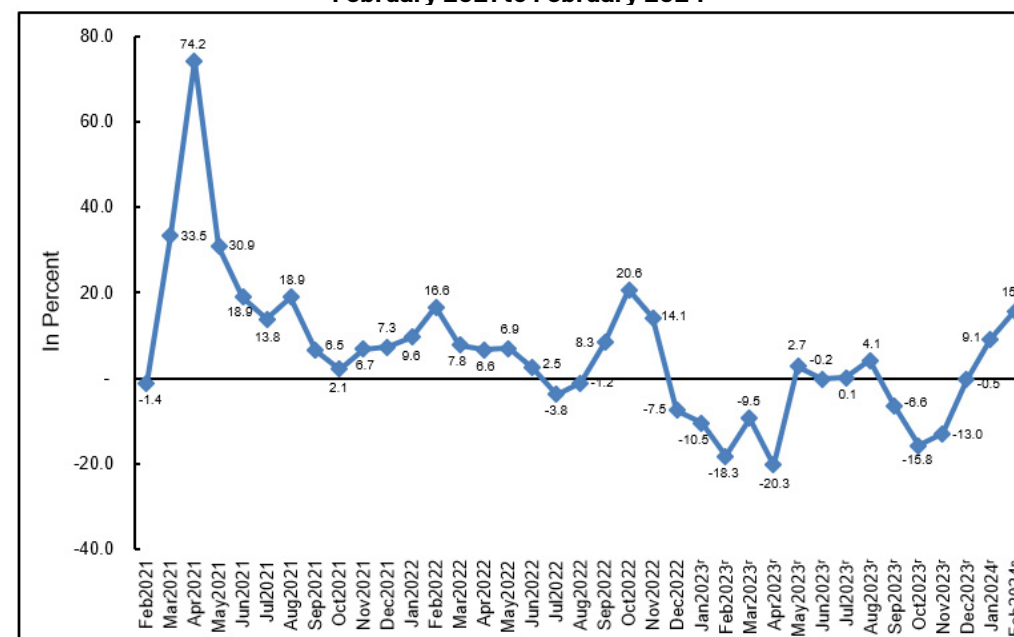
CUSTOMS AND LOGISTICS ADVOCACY PAPER 2024

INTRODUCTION

Tasked to execute control and ensure order across borders, customs have long played an important role in trade facilitation. Although there are several exemptions, customs administrations are most commonly tasked to foster security at border ports, fight illicit trade, and collect government revenues from import and export taxes. Customs administrations are therefore dubbed as the “gatekeepers” of the states as they are the agency tasked to implement and observe laws pertaining to border control.

For the Philippines, year-on-year growth of the country’s total exports recorded an annual increase of 15.7 percent from the USD 5.10 billion total exports in February 2023. In January 2024, the total exports recorded an annual increase of 9.1 percent, while it posted an annual decline of 18.3 percent in February 2023. According to the report released by the Philippine Statistics Authority (PSA), electronic products, other mineral products, and coconut oil had the highest annual increase in the value of exports with USD 723.86 million, USD 79.54 million, and USD 44.44 million respectively.¹

Figure 1. Year-on-Year Growth Rate (%) of Value of Philippine Exports February 2021 to February 2024^{P2}



p - preliminary
r - revised

Source: Philippine Statistics Authority

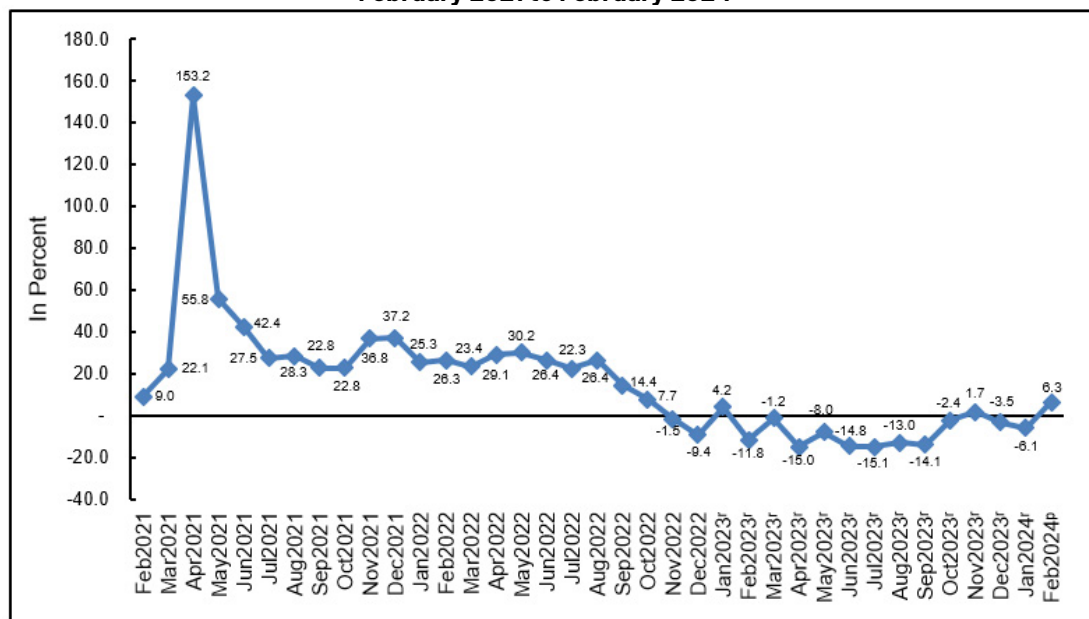
Meanwhile, Philippine imports in February 2024 posted at USD 9.55 billion resulting in an annual increase of 6.3 percent from the USD 8.98 billion import value in the same month of 2023. Metalliferous ores and metal scrap had the highest annual increment in the value of imported goods posting at USD 219.59 million. This was followed by cereals and cereal preparations, which grew by USD 137.23 million, and mineral fuels, lubricants and related materials with an annual increase of USD 131.71 million.³

¹ Philippine Statistics Authority. (16 April 2024). Highlights of the Philippine Export and Import Statistics February 2024 (Preliminary). Retrieved from <https://psa.gov.ph/statistics/export-import/monthly>

² Ibid.

³ Ibid.

Figure 2. Year-on-Year Growth Rate (%) of Value of Philippine Imports February 2021 to February 2024^{P4}



p - preliminary
r - revised

Source: Philippine Statistics Authority

Despite the trade deficits that the country has been facing, the Philippines’ customs revenue and collections have shown an upward trend in recent months. The Bureau of Customs (BOC) reported that its **collection reached PHP 70.601 billion in February 2024** which is a 6.64% increase from its Php 66.207 billion target for the month. This was also up by 12.3% from its PHP 63.895 billion collection the previous year. The improvement in the Agency’s collection is attributed to higher assessment rate due to an improved system of determining the customs value of imported goods, and enhanced trade facilitation efforts and anti-smuggling initiatives.⁵

Following the slowdown in customs post-clearance audits (PCAs) in 2021 and 2022, the BOC Post-Clearance Audit Group (PCAG) ramped up its activities resulting in a total of **932 Audit Notification Letters (ANLs) in 2022 and 2023**. Further, the BoC collected PHP 1.793 billion from Prior Disclosure Program (PDP) applications, which is 12.6% higher than the PDP collection in 2022 of PHP 1.592 billion. The collection from PDP applications accounts for more than 91% of PCAG’s total collections of PGH 1.959 billion in the previous year.⁶

In terms of trade facilitation, the Philippines, alongside Malaysia and Indonesia, ranked second among the Southeast Asian Nations in the 2023 United Nations Global Survey. This marks an improvement from third place in the previous 2021 survey. According to the survey, the Philippines exhibited steady improvement, resulting in an impressive score of 87.10% on trade facilitation and paperless trade which is a slight improvement from the 2021 score of 86.02%.⁷

4 Ibid.
5 Jocson, L. (6 March 2024). Customs collects P71B in Feb., surpasses its monthly target. Retrieved from <https://www.bworldonline.com/top-stories/2024/03/06/579740/customs-collects-p71b-in-feb-surpasses-its-monthly-target/>
6 Vicerra, L. (3 March 2024). Compliance made more convenient: BoC updates and enhanced post-clearance audit. Retrieved from <https://www.bworldonline.com/economy/2024/03/03/579087/compliance-made-more-convenient-boc-updates-and-enhanced-post-clearance-audit/>
7 Bureau of Customs. (8 August 2023). PH Ranks 2nd Among Southeast Asian Nations in the 2023 UN Global

While taking note of the key factors that contributed to the improvement of trade facilitation in the country such as the BOC’s active participation in regional and sub-regional initiatives like the Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (CPTA), the survey suggested that the country pursue more initiatives on “cutting-edge paperless and cross-border trade facilitation measures, as well as initiatives aimed at supporting more inclusive and sustainable trade”.⁸

Table 1. UN Global Survey on Digital and Sustainable Trade Facilitation 2023 Ranking

Rank	Country	Score
1st	Singapore	96.77%
2nd	Philippines	87.10%
	Indonesia	87.10%
	Malaysia	87.10%
3rd	Thailand	84.95%
4th	Cambodia	80.65%
5th	Brunei	78.49%
6th	Vietnam	74.19%
7th	Lao PDR	67.74%
8th	Myanmar	61.29%
9th	Timor Leste	30.11%

Source: 2023 UN Global Survey on Digital and Sustainable Trade Facilitation

Meanwhile, significant improvements in the Philippines’ logistics performance were noted for 2023 as the country ranked the highest it has ever been since 2007 in the World Bank’s 2023 Logistics Performance Index at 43rd place out of 139 countries covered by the survey.⁹ Within ASEAN countries, the country ranked 4th which is two spots up from 6th place in 2018, and ahead of Cambodia, Indonesia and Lao PDR.¹⁰

The LPI measures the country’s logistics performance by examining and evaluating six key areas such as: (i) customs efficiency, (ii) quality of trade and transport infrastructure, (iii) international shipments, (iv) logistics competence, (v) tracking & tracing of consignments, and (vi) timeliness. Out of the six, the country had the highest score in timeliness at 3.9 followed by logistics competence and tracking & tracing with a tied score of 3.3.

Survey. Retrieved from <https://customs.gov.ph/ph-ranks-2nd-among-southeast-asian-nations-in-the-2023-un-global-survey/>
8 Ibid.
9 Crismundo, K. (24 April 2023). Despite the trade deficits that the country has been facing, the Philippines’ customs revenue and collections have seen an upward trend in recent months. Retrieved from <https://www.pna.gov.ph/articles/1199992>
10 Department of Trade and Industry. (25 April 2023). PH now top third in World Bank’s 2023 Logistics Performance Index (LPI) report. Retrieved from <https://www.dti.gov.ph/archives/ph-now-top-third-in-world-banks-2023-logistics-performance-index-lpi-report/#:~:text=From%20an%20LPI%20score%20of,%2C%20Cambodia%2C%20and%20Lao%20PDR.>

Table 2. Breakdown of Philippines' LPI Score

Customs Score	Infrastructure Score	International Shipments Score	Logistics Competence Score	Tracking & Tracing Score	Timeliness Score
2.8	3.2	3.1	3.3	3.3	3.9

Source: World Bank 2023 Logistics Performance Index¹¹

While significant improvements have been observed in the Philippines' transportation and logistics industry, there remain hurdles that need to be addressed in order to ensure the continued growth of the sector. The National Economic Development Authority (NEDA) had pointed out that improvements in infrastructure which are still lacking in comparison to other neighbouring countries and technology adoption, particularly in rural areas, continues to be a challenge for the country.¹²

Technology adoption remains to be a vital component of the transport and logistics industry as it undergoes a significant transformation fueled by the adoption of new technologies at a global scale. In the Philippines, however, the country still struggles to fully realise the potential of technology with the local industry still heavily dependent on fossil fuels resulting in businesses being vulnerable to the highly volatile international oil market and thereby contributing to environmental degradation. In response to this, the government has turned to consider other low-carbon transport options that will reduce emissions including the Department of Transportation's joint initiative with the United Nations Development Programme (UNDP) which aims to incentivize low-carbon transportation by developing policies, building capacity, and facilitating private-sector participation.¹³ Furthermore, the logistics industry stands to benefit significantly from increased digitalization.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- Under **Executive Order No. 55, s. 2024**, the **10-year Maritime Industry Development Plan 2028 (MIDP)** has been approved as the country's whole-of-nation roadmap for the integrated development and strategic direction of the maritime industry. The new EO mandates the Maritime Industry Authority (MARINA) to adopt a system for the effective implementation, monitoring and review of the MIDP and its component programs, which include modernization, expansion, and promotion of domestic and overseas shipping industries, and shipbuilding and ship repair industry.¹⁴

11 World Bank. (2023). Logistics Performance Index. Retrieved from <https://lpi.worldbank.org/international/global>

12 Moral, M. (22 September 2023). Overcoming challenges in the Philippine logistics and transport sector. Retrieved from <https://www.bworldonline.com/special-features/2023/09/22/547245/overcoming-challenges-in-the-philippine-logistics-and-transport-sector/>

13 Ibid.

14 PNA. (13 February 2024). Marcos OKs 10-year Maritime Industry Development Plan 2028. Retrieved from <https://www.pna.gov.ph/articles/1218735>

- **Customs Memorandum Order (CMO) No. 06-2024**¹⁵ references to the imposition of preliminary suspension of customs brokers' accreditation for a maximum period of 90 days pursuant to the Section 3.2 of **CMO No. 12-2021**, upon the issuance of a Warrant of Seizure and Detention based on the ground specific in Section 4 of the same CMO. The recent CMO states that no preliminary suspension may be imposed against accredited Licensed Customs Brokers transacting with the Bureau until an appropriate administrative charge for suspension or revocation of their customs accreditation has been filed against them.

- **CMO No. 12-2023**¹⁶ issued a set of guidelines outlining the conditions for obtaining preferential tariff treatment under the Regional Comprehensive Economic Partnership (RCEP) agreement. Originating goods will be eligible for RCEP preferential tariff treatment at the time of importation, pursuant to Executive Order (EO) No. 25, series of 2023. The applicable RCEP preferential tariff rate will be determined based on the RCEP country of origin of the originating goods.

- The **BOC-Committee on Anti-Red Tape (BOC-CART)**, created under CMO No. 03-2024, is in compliance with the Ease of Doing Business and Efficient Government Service Delivery Act of 2018, and its implementing rules and regulations (IRR). Headed by the deputy commissioner for Internal Administration Group as chairperson and deputy commissioner for Assessment and Operations Coordinating Group as vice chairperson, the committee will conduct reengineering of systems and procedures, compliance cost analysis, time and motion studies, and evaluation and improvement of all the services of BOC using the concepts and tools in the whole-of-government reengineering manual issued by ARTA.¹⁷

- Through CMO No. 02-2024, the BOC officially launched its **Customs Industry Consultative Council (CICAC)**, a consultative body with industry groups to enlist their support and active participation in advancing the reform agenda of the bureau. The CICAC is created to act as a consultative body between BOC and business-industrial sector to address existing and potential issues related to customs and industry matters, promote mutual understanding, and strengthen harmonious relationship between the BOC and industry players.¹⁸

- The BOC aims to strengthen border control by engaging and collaborating with other law enforcement agencies for seamless coordination and information sharing against the entry of illicit goods, contraband, drugs, and high-value commodities that pose significant threat against the agency's revenue collection performance. Under CMO No. 19-2023, the BOC will fully implement the **National Customs Intelligence System (NCIS)** wherein various BOC units are required to submit intelligence information, support case build-up, risk profiling, analysis, and reports to the NCIS to secure/accomplish a data warehouse.¹⁹

- In facilitating trade, the BOC plans to continue **streamlining and digitising customs processes**. Further, the BOC highlights the importance of the online-based Customs Customer Care Portal in reducing face-to-face transactions and promoting transparency.²⁰

- The Enhanced Value Reference Information System (e-VRIS), launched in 2020, serves as BOC's

15 BOC. (12 February 2024). CMO No. 06-2024. Retrieved from <https://customs.gov.ph/wp-content/uploads/2024/02/2024-06-OCOM-MEMO.pdf>

16 BOC. (01 June 2023). Customs Memorandum Order No. 12-2023. Retrieved from <https://customs.gov.ph/wp-content/uploads/2023/06/2023-12-CMO-MEMO.pdf>

17 BOC. (15 February 2024). CMO No. 03-2024. Retrieved from <https://customs.gov.ph/wp-content/uploads/2024/02/2024CMO-03-2024.pdf>

18 BOC. (2 February 2024). CMO No. 02-2024. Retrieved from <https://customs.gov.ph/wp-content/uploads/2024/02/2024CMO-02-2024.pdf>

19 BOC. (26 January 2024). BOC Commissioner Rubio Outlines Plans to Achieve P959 billion Collection Target and Combat Smuggling in 2024. Retrieved from <https://customs.gov.ph/boc-commissioner-rubio-outlines-plans-to-achieve-p959-billion-collection-target-and-combat-smuggling-in-2024/>

20 Ibid.

database of reference values and provides a look-up table of identical and similar entries from where appraisers can select the values of identical or similar entries when the shipment for valuation is rejected under Method 1 of the Customs valuation system. Aside from the e-VRIS, the BOC is also working on implementing an ICT-enabled clearance system for express shipments and has drafted a customs administrative order (CAO) for the processing of cross-border e-commerce shipments.²¹

- **Executive Order (EO) No. 50²²**, issued December 2023, maintains the temporary modification of rates of import duty on rice, corn and meat products to ensure affordable prices of the goods amid the looming effects of El Niño phenomenon and the African Swine Fever.
- **House Bill No. 9662, or the proposed Blue Economy Act**, was passed in the Lower House to promote stewardship and sustainable development of marine wealth within the maritime domains of the Philippines, including its exclusive economic zone. Further, the bill will institutionalise the crafting of a comprehensive framework for the sustainable development of marine and coastal resources and strengthen inter-agency, cross-sectoral and multi-stakeholder coordination. Approved by the House on 12 December 2023, and transmitted to the Senate on 13 December.
- On 21 November 2023, the BOC introduced the **E-Travel Customs System** upon collaboration with the Bureau of Immigration (BI), the Banko Sentral ng Pilipinas (BSP), the Anti-Money Laundering Council (AMLC), and the Department of Information and Communications Technology (DICT) to optimise border control, enhance health surveillance, and facilitate economic data analysis. The integration of the Electronic Customs Baggage Declaration Form (e-CBDF) and Electronic Currencies Declaration Form (e-CDF) into the BI's eTravel System represents a pivotal step in digitising data collection processes for travellers and crew members arriving in and departing from the Philippines.²³
- The Department of Agriculture (DA) is eager for the approval of its budget request to build the country's first **Cold Examination Facility in Agriculture (CEFA)**. The CEFA, which will be in Angat, Bulacan, is envisioned to be a state-of-the-art examination facility of all imported animal, fish, plant, and other agricultural commodities.²⁴

21 PortCalls. (26 January 2024). BOC targets 9.7% higher revenue collection for 2024. Retrieved from <https://www.portcalls.com/boc-targets-9-7-higher-revenue-collection-for-2024/>

22 Official Gazette. (22 December 2023). Executive Order No. 50. Retrieved from <https://www.officialgazette.gov.ph/2023/12/22/executive-order-no-50-s-2023/>

23 BOC. (22 November 2023). BOC and other agencies introduce the eTravel Customs System for streamlined border control. Retrieved from <https://customs.gov.ph/boc-and-other-agencies-introduce-the-ettravel-customs-system-for-streamlined-border-control/>

24 DA. (7 September 2023). DA's CEFA project soon to rise in Angat. Retrieved from <https://www.da.gov.ph/das-cefa-project-soon-to-rise-in-angat/>

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)

Developed and implemented by the Department of Finance and the Department of Information and Communications Technology in 2017, TradeNet is the Philippines' National Single Window (NSW) aimed to reduce processing time and harmonise the permitting procedures involved in import and export in the country. TradeNet replaced the NSW Phase 1, which was operated by the Bureau of Customs (BOC) following its launch in 2010 and deployment in 2011.

In the past, importers and exporters were subjected to tedious and repetitive documentary requirements and processes, which were conventionally secured and conducted in the different physical offices or individual electronic systems of trade regulatory government agencies (TRGAs). With TradeNet, the import and export application process was simplified to six steps, namely, 1) input importer/exporter information; 2) select commodity and indicate details; 3) upload supporting documents; 4) submit agency-specific requirements; 5) wait for the agency to evaluate application; and 6) pay the necessary permit/license fees.²⁵

In February 2023, DOF and DICT signed 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. The signed MOA ensures the development and sustainability of the TradeNet system as the country's NSW platform that provides for the automated and integrated licensing, permitting, clearance and certification system of the TRGAs. The agreement also onboarded the 18 priority TRGAs which are Bureau of Plant Industry, Fertilizer and Pesticide Authority, Philippine Nuclear Research Institute, Bureau of Agriculture and Fisheries Standards, Bureau of Quarantine, DTI-Export Marketing Bureau, National Meat Inspection Service, Philippine Coconut Authority, Philippine National Police-Civil Security Group -Firearms and Explosive Office; Sugar Regulatory Administration, Philippine Fiber Industry Development Authority, Bureau of Internal Revenue, Bangko Sentral ng Pilipinas, National Commission for Culture and the Arts, Philippine Gaming Corporation, Forest Management Bureau, Office of the Protocol, and Board of Investments.²⁶

In this regard, the ECCP fully supports the government in the objective to onboard all TRGAs by early 2024. The operationalization of the NSW will help streamline 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 Philippine Port Authority's Administrative Order No. 04-2021 and its implementation operational guidelines, the ECCP respectfully calls for the revocation of the PPA's

25 House of Representatives-CPBRD. (2022). CPBRD Policy Brief No. 2022-04. Retrieved from https://cpbrd.congress.gov.ph/images/PDF%20Attachments/CPBRD%20Policy%20Brief/PB2022-04_Institutionalizing_the_Philippines_National_Single_Window_TradeNet.pdf

26 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/>

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 (Republic Act No. 11032), its implementing rules and regulations, and international standards of good governance– as we note that 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. Industry experts also cautioned against the negative outcomes of this proposed measure, reiterating several unresolved issues including added direct financial costs from the additional insurance fees, transaction fees, and trucking fees which could bump up the cost of importing goods by as much as 50% or at least P35 billion per year. Another issue raised is the duplication of digital container tracking and booking applications of international shipping lines and terminal/off-dock container yard operators.²⁷

In addition, 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 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.²⁸ In July 2023, the Anti-Red Tape Authority (ARTA) issued a re-evaluation report on the AO No. 04-2021, prescribing the policy on registration and monitoring of containers to avoid port congestion. The report said it found no sound legal and empirical basis to establish the need for PPA's TOP-CRMS, and recommended that the port agency instead explore cost-effective alternatives to address potential congestion without burdening stakeholders.²⁹ 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

The Philippine logistics services sector has long 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

27 Pablo, R. (20 July 2023). 24 groups ask Marcos to junk container monitoring policy. Retrieved from <https://www.portcalls.com/24-groups-ask-marcos-to-junk-container-monitoring-policy/>

28 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/>

29 Pablo, R. (1 August 2023). ARTA puts "final nail in the coffin" of PPA container monitoring policy, say industry groups. Retrieved from <https://www.portcalls.com/arta-puts-final-nail-in-the-coffin-of-ppa-container-monitoring-policy-say-industry-groups/>

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 INCOTERMS are a set of 11 individual rules issued by the International Chamber of Commerce (ICC) which define the responsibilities of sellers and buyers for the sale of goods in international transactions. Each INCOTERMS rule clarifies the tasks, costs, and risks to be borne by buyers and sellers in these transactions.³⁰

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.

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 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. Currently, only one bill has been filed in the 19th Congress in this regard. House Bill No. 1397³¹ or the Standardization of International Shipping Local Charges Act aims to promote the competitiveness of the Philippine economy and protect the domestic export-import sectors from

30 International Trade Administration. (2020). An Overview of Incoterms® 2020. Retrieved from <https://www.trade.gov/know-your-incoterms>

31 House of Representatives. (6 July 2022). House Bill No. 1397. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/basic_19/HB01397.pdf

excessive and unnecessary fees, charges and surcharges imposed as origin or destination charges as well as unconscionable fees imposed on the management of empty containers by international shipping lines. The bill, pending in the Committee on Transportation, aims to protect the interest of consumers, promote general welfare and establish the standards of conduct for business and industry, as well as enforce compliance with INCOTERMS for the protection and fair treatment of Philippine domestic manufacturers, exporters, and importers. An oversight committee composed of representatives from eight government agencies and two Lower House committees will also be created to monitor the implementation of the proposed measure.

In relation to this, the ECCP recommends the expansion of the Maritime Industry Authority (MARINA)'s powers and functions to include authority and jurisdiction over maritime enterprises such as international shipping lines and international freight forwarders. 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

In order to discourage repetition of errors on goods declaration, Section 4.1 of Customs Administrative Order (CAO) No. 01-2020³² 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 Bureau of Customs (BOC) has the power to regulate and impose corresponding penalties for clerical errors, the penalty relating to CAO No. 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, the imposition of the PHP5,000 penalty for every clerical error (without limitation) is burdensome to importers and could result in extra-legal means to settle the penalty at a lesser amount. 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 (CMO) 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>

32 BOC. (21 January 2020). Customs Administrative Order No. 01-2020. Retrieved from https://customs.gov.ph/wp-content/uploads/2023/01/CAO_01-2020-Fines_and_Surcharges_for_Clerical_Error-1.pdf

<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>
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In relation to the aforementioned points, the ECCP has been a strong advocate of the removal of “other analogous circumstances” as a ground for preliminary suspension as it is vague and could be used discriminatorily under Section 4 of the CMO. It is in this regard that the ECCP highly welcomes the CMO No. 06-2024 which states that “in the interest of justice and in response to the pleas of different groups/associations of Licensed Customs Brokers, taking into consideration the effect of the preliminary suspension in their livelihood and the practice of their profession, as interim measure, **no preliminary suspension may be imposed against accredited Licensed Customs Brokers transacting with the Bureau until an appropriate administrative charge for suspension or revocation of their customs accreditation has been filed against them.**”

Promotion of Blue Economy

The Philippines has been known for its vast and diverse coastal and marine environment which holds both challenges and opportunities towards growing the country’s blue economy. Its huge potential as a valuable source of economic growth is heavily affected by ensuring inclusive and sustainable management of these resources. Notably, the country’s maritime industries contributed PHP 857 billion to the economy, translating to 3.9% of the gross domestic product in 2022.³³

In support of the advancement of the nation’s marine industry, the ECCP welcomes the passage of the House Bill No. 9662, or the proposed Blue Economy Act, at the Lower House. Included in the Legislative-Executive Development Advisory Council Common Legislative Agenda, the bill aims to promote stewardship and sustainable development of marine wealth within the maritime domains of

33 PNA. (13 December 2023). Passage of blue economy bill to sustain PH economic growth. Retrieved from <https://www.pna.gov.ph/articles/1215352>

the Philippines, including its exclusive economic zone. Further, the bill will institutionalise the crafting of a comprehensive framework for the sustainable development of marine and coastal resources and strengthen inter-agency, cross-sectoral and multi-stakeholder coordination.

In addition, the ECCP highlights the importance of having a modernised and appealing ship registry for the Philippines to be a globally competitive maritime nation. Countries all over the world set their own laws and regulations on the registration of ships, and many nations have adopted 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. 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. As of 10 March 2023, several bills are pending in the 19th Congress in relation to the Philippine ship registry which are filed as House Bill No. 4336 and Senate Bills No. 902 and 1564.

The ECCP also commends the full implementation of Maritime Industry Development Plan 2028 (MIDP) under the current administration, mandating the Maritime Industry Authority (MARINA) to adopt a system for the effective implementation, monitoring and review of the MIDP and its component programs, which include modernization, expansion, and promotion of domestic and overseas shipping industries, and shipbuilding and ship repair industry. Under the roadmap, one of the core programs include the promotion and expansion of the overseas shipping industry by focusing on strengthening the Philippine ship registry and expanding the country’s merchant fleet, reducing reliance on foreign-flagged ships, and creating employment opportunities for Filipino seafarers and shore-based maritime workers.

The Chamber further recommends the following for the government to consider:

- Incentivize the Philippine-registered shipping vessels to increase local players and domestic shipping fleets.
- Establish a one-stop shop for shipping industry permits, in line with the government’s direction to streamline transactions and document requirements, and enhance electronic capability to allow for online transactions with stakeholders.

Re-evaluate the scope of Electronic Tracking of Containerized Cargo (ETRACC) to relieve reefer imports from trade barriers

Through Customs Memorandum Order (CMO) 04-2020³⁴, the Bureau of Customs (BOC) implemented the Electronic Tracking of Containerized Cargo (E-TRACC) System in 2020 which enables the Agency to track the inland movement of containerized cargoes during transit and transfer to other customs territories and facilities. Under the CMO, all container vans covered in this order shall be affixed with an Electronic Customs Seal (ECS) before they are cleared for discharge. Cargoes covered by this system are: (1) transit containers bound for economic zones, (2) transit containers bound for free zones, (3) containers bound for customs-bonded warehouses, (4) containers bound for export, and (5) reefer containers bound for second border inspection.³⁵

In relation to this, we wish to submit that ETRACC should not be applied for reefer container shipments with full payment of duties and taxes when released from port for the following reasons:

1. The importation of these containers is deemed terminated when the duties, taxes, and other

34 BOC. (04 February 2020). Customs Memorandum Order 04-2020. Retrieved from https://customs.gov.ph/wp-content/uploads/2023/01/CMO_04-2020-E-TRACC_System.pdf

35 Terrazola, V. (01 May 2020). BOC to implement electronic tracking system. Retrieved from <https://mb.com.ph/2020/05/01/boc-to-implement-electronic-tracking-system/>

charges due thereon were paid in full by the importer and the legal permit for the withdrawal of containers through the On-Line Release System has been triggered. BOC's possession and physical control over the importation are terminated upon payment of duties and taxes.

2. The existing electronic Request for Inspection (e-RFI) implementation of the Department of Agriculture (DA) has the same purpose as BOC's for ETRACC. This system was put in place for a long time and has been functioning according to the requirements of DA. A decision must be made by DA if e-RFI should be abolished and replaced with ETRACC. Implementation of two separate systems with the same purpose is driving up the cost.
3. Reefer importation has been negatively impacted by the ETRACC implementation:
 - ETRACC costs PHP 500 (within 10km radius from port of discharge) to PHP 700 (beyond 10km radius from port of discharge) per container;
 - Additional reefer cost incurred at the port to comply with the ETRACC requirements of booking and paying the fees prior to generation by BOC of the Final Assessment Notice;
 - Additional plug-in cost and truck detention at destination cold storage facility to cover the period of securing the confirmation of BOC that ETRACC has been updated as the trigger to break the electronic customs seal and the need to take a photo of the container with seal intact.

Further to the aforementioned points, we would like to highlight the following concerns which are resulting in delays in the unloading at the warehouse and additional plug-in cost is incurred as also mentioned in previous statements:

- Inconsistency in the actual process of "disarming" or breaking of the GPS-enabled customs seal upon the container's arrival at the destination warehouse. There are customs ports that require the sending of their own customs personnel to personally break the seal and there are ports that verbally authorize the representative of the warehouse operator to break the seal.
- For shipments tagged as "Red" by the customs' selectivity system, physical examination of goods will be conducted by BOC.

Monitor penalty imposed by Customs Wharfinger at most of the Customs Bonded Warehouses for LCL for Shipments Without Country of Origin Marking

The Bureau of Customs (BOC) updated its rules on the marking of goods and their containers of foreign origin that enter the Philippines under Republic Act No. 10863 or the Customs Modernization and Tariff Act (CMTA). Through the issuance of Customs Administrative Order (CAO) No. 02-2019³⁶, it took into account the adjustments made by the bureau in line with the modern practices of marking and monitoring. The CAO covers all goods coming from other countries that are imported in the Philippines for consumption unless otherwise exempted by other laws, rules and regulations. It also states that if the imported goods are not marked at the time of importation, a marking duty of 5% of the dutiable value is levied on the shipment. No imported goods will be released without the proper marking.³⁷

In relation to the foregoing, we have observed the strict implementation of the Customs Wharfingers of the inspection of the outer packaging of the Less-than-Container Load (LCL) shipments to determine the compliance to the necessary marking of the country of origin of the goods. Public perception and industry experts have expressed that the strict inspection is resulting in the demand by the Wharfinger to the importers and/or customs brokers to pay an unreceipted cost per shipment to avoid the imposition of the 5% marking duty computed on the dutiable value of the goods.

While it is true that the importer must ensure compliance to the marking of the country of origin on the imported goods and containers to avoid this problem, there are cases of non-compliance due to the lack or poor control at origin of the process on the marking the goods or containers. Importers who opt to pay the legitimate penalty will undergo a lengthier process, involving examination of the goods and issuance of an official report on non-compliance to marking by a customs examiner, before they can officially settle the penalty. Consequently, this leads to additional storage costs and delays in the release of goods from the warehouse. The ECCP recommends closely monitoring the penalties imposed by Customs Wharfingers at most Customs Bonded Warehouses for Less than Container Load (LCL) shipments lacking country of origin markings.

36 BOC. (2019). Customs Administrative Order No. 02-2019. Retrieved from https://customs.gov.ph/wp-content/uploads/2023/01/cao-02-2019_Marking_of_Imported_Goods_and_Containers-1.pdf

37 Cu, R. (11 February 2019). BOC updates rules on imported goods marking to protect public. Retrieved from <https://businessmirror.com.ph/2019/02/11/boc-updates-rules-on-imported-goods-marking-to-protect-public/>

ASSESSMENT OF 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
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)	
	Complete Revocation of the PPA's Trusted Operator Program - Container Registry Monitoring System (TOP-CRMS) and Empty Container Storage Shared Service Facility (ECSSSF)	
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		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
In February 2023, DOF and DICT signed 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. The signed MOA ensures the development and sustainability of the TradeNet system as the country's NSW platform that provides for the automated and integrated licensing, permitting, clearance and certification system of the TRGAs.	
In July 2023, the Anti-Red Tape Authority (ARTA) issued a re-evaluation report on the AO No. 04-2021, prescribing the policy on registration and monitoring of containers to avoid port congestion. The report said it found no sound legal and empirical basis to establish the need for PPA's TOP-CRMS, and recommended that the port agency instead explore cost-effective alternatives to address potential congestion without burdening stakeholders. However, no significant progress has been made from the PPA.	
In 2022, House Bill No. 1397 or the Standardization of International Shipping Local Charges Act has been filed with the aim to promote the competitiveness of the Philippine economy and protect the domestic export-import sectors from excessive and unnecessary fees, charges and surcharges imposed as origin or destination charges as well as unconscionable fees imposed on the management of empty containers by international shipping lines. The bill, pending in the Committee on Transportation, aims to protect the interest of consumers, promote general welfare and establish the standards of conduct for business and industry, as well as enforce compliance with INCOTERMS for the protection and fair treatment of Philippine domestic manufacturers, exporters, and importers. An oversight committee composed of representatives from eight government agencies and two Lower House committees will also be created to monitor the implementation of the proposed measure.	
	No significant progress has been made.

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
<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>	
<p>Promotion of Blue Economy</p>	<p>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</p>	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>Customs Memorandum Order (CMO) No. 06-2024 references to the imposition of preliminary suspension of customs brokers' accreditation for a maximum period of 90 days pursuant to the Section 3.2 of CMO No. 12-2021, upon the issuance of a Warrant of Seizure and Detention based on the ground specific in Section 4 of the same CMO. The recent CMO states that "in the interest of justice and in response to the pleas of different groups/associations of Licensed Customs Brokers, taking into consideration the effect of the preliminary suspension in their livelihood and the practice of their profession, as interim measure, no preliminary suspension may be imposed against accredited Licensed Customs Brokers transacting with the Bureau until an appropriate administrative charge for suspension or revocation of their customs accreditation has been filed against them."</p>	
	<p>Several bills have been filed in the Congress in relation to the Philippine ship registry - House Bill No. 4336 and Senate Bills No. 902 and 1564. However, no further progress has been made since the release of the last ECCP Advocacy Papers.</p>

RENEWABLE ENERGY AND ENERGY EFFICIENCY ADVOCACY PAPER 2024

INTRODUCTION

As the global community intensifies its efforts to combat climate change and transition towards a sustainable future, the role of renewable energy (RE) and energy efficiency (EE) in driving economic development has become increasingly prominent. According to the International Energy Agency (IEA), some of the immediate pressures from the global energy crisis have eased but energy markets, geopolitics, and the global economy remain volatile, with persistent risks of further disruption.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 Against this complex backdrop, the emergence of a new clean energy economy offers promise for the future as global investment in clean energy has risen by 40% since 2020.³

In the Philippine context, the energy sector still faces several challenges and barriers to growth. These include the electrification of unserved and underserved rural areas, delays in transmission projects that hamper the attainment of RE targets, impending depletion of Malampaya resources, and inflationary pressures on energy goods and services, among others.⁴ In terms of fundamental energy market data, the peak demand of 16,596 megawatts (MW) in 2022 reflected a slight rebound, with a 3.4% increase from the previous year's 16,036 MW.^{5 6} In its Power Development Plan 2020-2040, the Department of Energy (DOE) likewise states that the country's peak demand is projected to augment by almost four fold by 2040.⁷ Relatedly, in several accounts, the DOE has pointed out the continuing concern with regard to the country's energy supply meeting the demand that is recovering from the pandemic. As of 2022, the total primary energy supply of the country is recorded at 61.6 millions of tonnes of oil equivalent (Mtoe). 50.6% of the Philippine energy requirements are imported, making it vulnerable to geopolitical conflicts.⁸

1 International Energy Agency. (October 2023). World Energy Outlook 2023. Retrieved from <https://iea.blob.core.windows.net/assets/86ede39e-4436-42d7-ba2a-edf61467e070/WorldEnergyOutlook2023.pdf>

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 International Energy Agency. (October 2023). World Energy Outlook 2023. Retrieved from <https://iea.blob.core.windows.net/assets/86ede39e-4436-42d7-ba2a-edf61467e070/WorldEnergyOutlook2023.pdf>

4 Fuentebella, F. W. (22 February 2024). Presentation for the Business-to-Business Matching to Support Energy Transition.

5 Fuentebella, F. W. (22 February 2024). Presentation for the Business-to-Business Matching to Support Energy Transition.

6 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>.

7 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.

8 Fuentebella, F. W. (22 February 2024). Presentation for the Business-to-Business Matching to Support Energy Transition.

PRIMARY ENERGY MIX 2022



More than half of PH energy requirements are imported, making it vulnerable to geopolitical conflicts

61.6 MTOE
2022 Total Primary Energy Supply

49.4%
(30.4 MTOE)

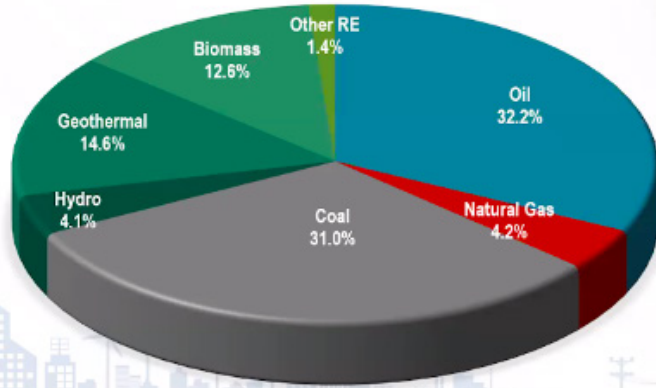
INDIGENOUS

50.6%
(31.1 MTOE)

NET IMPORTED

32.6%
(20.0 MTOE)

RE SHARE



B2B SETI | Business-to-Business Matching to Support Energy Transition
February 22, 2024 | Grand Hyatt Hotel, BGC

Source: Department of Energy

To ensure sufficient energy supply, President Ferdinand Marcos Jr. signed the renewal agreement for Malampaya Service Contract No. 38, which was set to expire on 22 February 2024. The contract will be extended for 15 years or until 22 February 2039.⁹ With this renewal, the utilisation of the remaining gas reserves is estimated at 147 billion cubic feet (BCF). Exploration and development of the in-field and near-field reserves are meanwhile projected at 210 BCF.¹⁰ On 6 July 2023, the DOE and Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) Ministry of Environment, Natural Resources, and Energy (MENRE) also signed a circular through the Intergovernmental Energy Board (IEB) to jointly award Petroleum Service Contracts (PSCs) and Coal Operating Contracts (COCs) in BARMM. The circular aims to facilitate the growth of the energy sector and attract foreign investments in the region.¹¹

On access to energy, the Philippines has seen relatively slow growth in its national household electrification level, with a 1.58% average annual increase from 2019 to 2021.¹² On the other hand, more recent data from the DOE indicates that as of September 2023, the national household electrification level was at 96%, mostly located in the off-grid islands of Visayas and Mindanao.¹³

While the country's energy landscape at present is dominated by traditional fossil fuels, primarily coal, there is a growing recognition of the need to diversify the country's energy mix and reduce reliance on imported fuels. With its abundant renewable resources and growing energy demand, the Philippines stands poised to harness the potential of clean energy to meet its power needs while reducing its carbon

9 Cervantes, F. M. (15 May 2023). Marcos renews Malampaya service contract until 2039. Retrieved from <https://www.pna.gov.ph/articles/1201484>

10 Fuentebella, F. W. (5 December 2023). Presentation for the 2023 Energy Investment Forum.

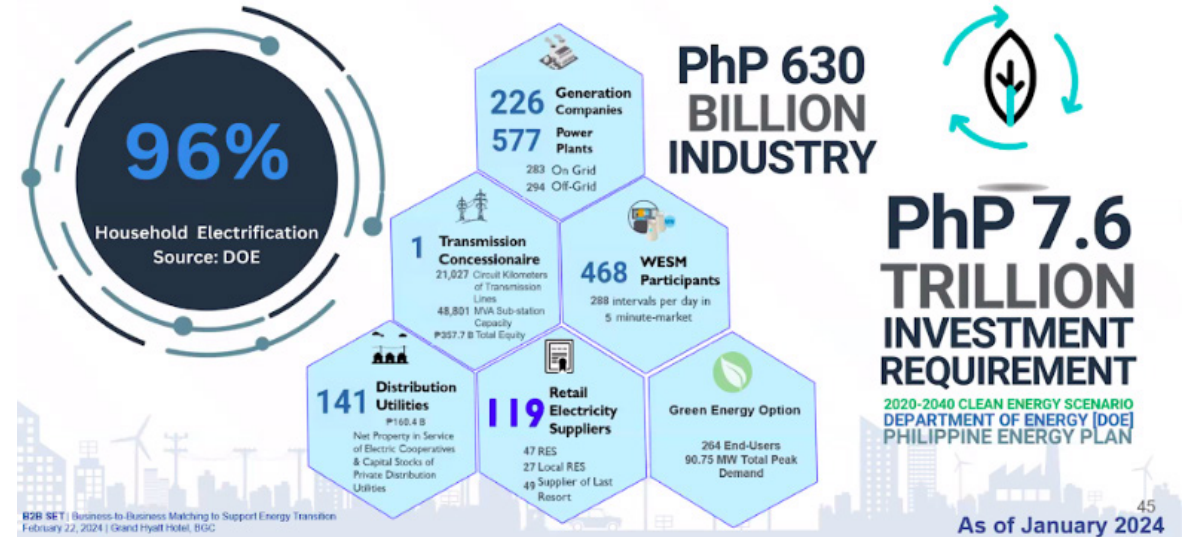
11 Bangsamoro Autonomous Region in Muslim Mindanao. (6 July 2023). National Gov't, BARMM sign circular for joint award of energy contracts in Bangsamoro region. Retrieved from <https://bangsamoro.gov.ph/news/latest-news/national-govt-barmm-sign-circular-for-joint-award-of-energy-contracts-in-bangsamoro-region/>

12 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>.

13 Mercurio, R. (29 July 2023). Congressional support sought to achieve 100 percent household electrification. Retrieved from <https://www.philstar.com/business/2023/07/29/2284525/congressional-support-sought-achieve-100-percent-household-electrification>

footprint. 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 RE in the country's generation mix to 35% by 2030, and 50% by 2040.¹⁴ As of 2022, 32.6% of the energy mix accounts for the RE share.¹⁵ To achieve the goals under the 2020-2040 Clean Energy Scenario of the Philippine Energy Development Plan, there is a total of PHP 7.6 trillion energy investment requirement. Presently, the local energy sector is valued at PHP 630 billion.¹⁶

Investing in the Dynamic Philippine Energy Sector



B2B SETI | Business-to-Business Matching to Support Energy Transition
February 22, 2024 | Grand Hyatt Hotel, BGC

As of January 2024

Source: Energy Regulatory Commission

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 these 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. As of February 2024, the DOE reported that the GEAP's two auction rounds involved 5.6 GW of RE capacities.¹⁷ Further to this, on 20 April 2023, the DOE issued the Energy Storage Systems (ESS) Policy to accelerate complementing technologies for RE development.¹⁸

Particularly on alternative energy sources, the DOE has likewise 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."¹⁹

14 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.

15 Fuentebella, F. W. (22 February 2024). Presentation for the Business-to-Business Matching to Support Energy Transition.

16 Macapagal, J. (9 October 2023). ERC: PH power sector to grow 12x by 2040. Retrieved from https://malaya.com.ph/news_business/erc-ph-power-sector-to-grow-12x-by-2040/

17 Dimalanta, M. C. (22 February 2024). Presentation for the Business-to-Business Matching to Support Energy Transition.

18 Department of Energy. (20 April 2023). Department Circular No. 2023-04-0008. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2023-%2004-0008.pdf>

19 Atty. Lotilla, R. (12 December 2022). Keynote Speech for the Luncheon Meeting with the European Chamber

In this respect, the DOE affirmed that energy efficiency and conservation (EE&C) contributes to decreasing the country's overall demand, and is among the main pillars of its energy transition strategy. In a bid to further promote EE&C mainstreaming, the government aims to accelerate the implementation of programs such as the Demand Side Management (DSM), the Philippine Energy Labelling Program (PELP), EE&C in local government units (LGUs), and performance audits in public buildings and facilities.²⁰

The Agency also reported that as of 12 December 2022, PHP 284.93 million of savings was generated from the various policies related to the Energy Efficiency and Conservation (EEC) Act of 2019, including those implemented by the DOE, as well as those issued through the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC).²¹ Furthermore, with the recent efforts to accelerate Government Energy Management Program (GEMP), which was implemented in line with the enactment of the EE&C Law or Republic Act No. 11285, the government has reached a cumulative electricity savings of PHP 205 million or an equivalent of over 20 million kWh as of the first quarter of 2023.²² On 16 January 2024, the Office of the President likewise released Administrative Order No. 15, which directs the accelerated implementation of GEMP and highlights the implementation of the EE&C Act in all government entities under the executive branch, including government-owned and controlled corporations (GOCCs), government financial institutions (GFIs), their subsidiaries, and state universities and colleges (SUCs).²³

Towards achieving sustainable growth, the Philippine government's policy thrust to facilitate energy transition focuses on four core strategies: accelerating RE development with a special focus on offshore wind (OSW), establishing smart and green transmission systems, building port infrastructure, and voluntary early decommission and/or repurposing of existing coal-fired power plants (CFPPs).²⁴ The government has also 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.²⁵

In light of these challenges and opportunities, there is a pressing need for coherent and forward-looking energy policies and regulations that support the development of the renewable energy sector in the Philippines. 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. Policy certainty, streamlined permitting processes, fiscal and non-fiscal incentives, and investment promotion measures are essential to attract investments and drive the transition toward a sustainable energy future.

of Commerce of the Philippines (ECCP).

20 Ibid.

21 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/>.

22 Department of Energy. (30 May 2023). Government saves PhP 205 million from GEMP. Retrieved from <https://www.doe.gov.ph/press-releases/government-saves-php-205-million-gemp>

23 Official Gazette. (16 January 2024). Administrative Order No. 15. Retrieved from <https://www.officialgazette.gov.ph/downloads/2024/01jan/20240116-AO-15-FRM.pdf>

24 Guevarra, R. C. L. (22 February 2024). Presentation for the Business-to-Business Matching to Support Energy Transition.

25 Fuentebella, F. W. (22 February 2024). Presentation for the Business-to-Business Matching to Support Energy Transition.

INDUSTRY REFORMS AND INDUSTRY DEVELOPMENTS

Executive updates

- The DOE will conduct the **Third Round of the Green Energy Auction (GEA-3)** this year as part of the Department's push for increased utilisation of the country's RE resources and attainment of energy security and reliability. The GEA-3 will specifically cater to Non-Feed-In-Tariff (Non-FIT) Eligible RE Technologies, i.e., Geothermal, Impounding Hydro and Pumped-Storage Hydro under Department Circular No. DC2023-10-0029 which provides specific auction policy and guidelines for these Non-FIT RE technologies in the Green Energy Auction Program. The GEA-3 will also include run-of-river (ROR) Hydro, which is a FIT-Eligible RE technology. The awarding will be in November.²⁶
- In January 2024, the DOE released **Department Circular No. DC2024-01-0001**, which outlines the policy framework for the hydrogen industry, that is centred on energy security, environmental sustainability, research and technological development, as well as access to financing and investments. This Circular also identified energy storage and transportation as key focus areas for the development of the hydrogen sector.²⁷
- The DOE is creating a nuclear committee to help achieve its target of 2,400 megawatts (MW) of nuclear capacity as early as 2032. Under **Department Order No. DO2024-01-01**, the creation of the DOE Nuclear Energy Program Coordinating Committee (NEP-CC) has been approved to ensure active participation in the Nuclear Energy Program Inter-Agency Committee.²⁸
- **Department Circular No. DC2024-01-0007** was issued by the DOE to enact the revised rules and regulations on the downstream natural gas industry. This issuance provides for the requirements for the issuance of permits and accreditations, industry specific standards, as well as reportorial requirements, relative to the development of downstream natural gas industry.²⁹
- In support of the country's green transition effort, other government agencies have likewise issued policies that help drive investments in the clean energy sector and advance green transition:
 - The Bangko Sentral ng Pilipinas, in 2023, issued **Circular No. 1185**, which expands financing for green projects, including transition financing for decarbonization.³⁰
 - The Board of Investments **Memorandum Circular No. 2023-006** has provided additional incentives to registered projects that will build their RE facilities to supply their power requirement, as well as EE&C projects. Among these incentives include income tax holiday and duty exemption on the importation of capital equipment, raw materials, spare parts or accessories.³¹
 - The Securities and Exchange Commission, through **Memorandum Circular No. 5**,

26 Department of Energy. (12 February 2024). DOE to conduct GEA-3 this year. Retrieved from <https://www.doe.gov.ph/press-releases/doe-conduct-gea-3-year>.

27 Department of Energy. (12 January 2024). Department Circular No. DC2024-01-0001. Retrieved from <https://doe.gov.ph/sites/default/files/pdf/issuances/DC2024-01-0001.pdf>.

28 Department of Energy. (29 January 2024). Department Order No. DI2024-01-0001. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/issuances/DO2024-01-0001_0.pdf.

29 Department of Energy. (12 January 2024). Department Circular No. DC2024-01-0007. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/DC2024-01-0007.pdf>.

30 Bangko Sentral ng Pilipinas. (13 December 2023). Circular No. 1185 Series of 2023. Retrieved from <https://www.bsp.gov.ph/Regulations/Issuances/2023/1185.pdf>.

31 Board of Investments. (16 October 2023). Memorandum Circular No. 2023-006. Retrieved from <https://boi.gov.ph/wp-content/uploads/2023/10/BOI-MC-No.-2023-006-New-EE-Guideline-for-Self-Finance-Projects.pdf>.

series of 2024, provided the sustainable finance taxonomy guidelines, which outlines the framework in assessing environmental and social sustainability of economic activities. Among the energy activities included in the list of 'potentially eligible projects or activities for micro, small, and medium enterprises (MSMEs) are renewable energy applications in power generation, pumping, drying, heat, and/or steam generation, as well as waste-to-energy.³²

- The Department of Environment and Natural Resources recently issued **Administrative Order No. 2024-02**, which provides the interim guidelines for Environmental Compliance Certificate under the Philippine Environmental Impact Statement System for offshore wind (OSW) projects. This AO seeks to ensure that OSW development aligns with the Good International Industry Projects.³³
- Early this year, the Energy Regulatory Commission (ERC), through **Resolution No. 01, series of 2024**, provided amendments to the Net Metering Rules and Retail Competition and Open Access (RCOA) Rules. These amendments aim to address various concerns and improve the implementation of net metering and RCOA policies in the Philippines. Salient points include adjustments to net metering billing arrangements, clarifications on eligibility criteria for net metering customers, and updates to the timeline for distribution utilities to comply with RCOA requirements.³⁴
- The Securities and Exchange Commission, through **Memorandum Circular No. 4 Series of 2024**, simplified the registration process for power generation companies and distribution utilities that utilise public funding. These guidelines apply to power generation companies and distribution utilities that are required under the Electric Power Industry Reform Act of 2001 (EPIRA) or Republic Act No. 9136 to offer and sell at least 15% of their shares to the public.³⁵
- The **Mindanao-Visayas Interconnection Project (MVIP)**, which connects the Mindanao and Visayas grids through Dapitan, Zamboanga del Norte, and Cebu, was completed early this year. The National Grid Corporation of the Philippines held a ceremonial switch-on in January 2024, which was attended by President Marcos, who stated that "the realization of our 'One Nation, One Grid' aspiration is definitely a crucial turning point for this country in ensuring reliable power at all times."³⁶
- The Board of Investments (BOI) has granted **Green Lane Certificate of Endorsement** to seven renewable energy (RE) projects with a combined cost of P244 billion. The green lane processing is seen to ensure that local and national agencies facilitate the completion of these projects' permitting requirements.³⁷ Moreover, the BOI reported that out of PHP 2 trillion worth of investment leads for 331 projects as of January, 2024, most are in the renewable energy space, particularly

solar and wind projects.³⁸ The agency likewise noted that the renewable energy sector accounted for around 70% of the total improved investments in 2023, at PHP 1.26 billion.³⁹

- The DOE recently stated that it is looking into analysing the **energy requirements of data centres**, in line with the government's goal to position the Philippines as a hub for hyperscale centres. According to the DOE, each hyperscale data centre facility requires an electricity supply of between 8 and 124 MW.⁴⁰
- In February, the DOE and the Ministry of Environment, Natural Resources and Energy of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) announced the **bidding for coal and petroleum exploration in BARMM, Northwest Palawan, Southern Cebu**, as well as native hydrogen exploration in Central Luzon. The DOE stated that the Notices of Qualifications for development and production of petroleum, and hydrogen exploration will be announced on 24 September 2024.⁴¹
- In May 2023, the DOE issued **Department Circular No. DC2023-05-0009**, which outlines the guidelines for Government Energy Management Program's (GEMP) Energy Efficiency and Conservation Professionals Capability Training And Recognition Of Training Institutions. The GEMP is a government-wide initiative which aims to promote energy efficiency and conservation.⁴²
- The DOE published Department Circulars **Nos. DC2023-05-0016 and DC2023-05-0017** in June 2023, to provide for the guidelines on Road Transport Vehicles, as well as the Philippine Transport Vehicles Fuel Economy Labeling Program (VFELP).^{43,44}
- The **National Energy Efficiency and Conservation Plan (NEECP) and Roadmap 2023-2050** was adopted through the issuance of the DOE Department Circular No. DC2023-05-0018. The NEECP provides for a framework on institutionalising energy efficiency and conservation in the Philippines. Meanwhile, the Roadmap 2023-2050 lays out the strategic plans towards achieving EE&C across all sectors in the Philippines. Additionally, it is provided under the EE&C Act that the NEECP and Roadmap are to be regularly reviewed and revised by the DOE.⁴⁵
- In the previous year, the Inter-Agency Energy Efficiency and Conservation Committee (IAEECC) issued three Resolutions aimed to further advance the country's EE&C agenda:
 - **IAEECC Resolution No. 7, s. 2023** encourages the adoption of flexible work arrangements for all government offices as part of the country's EE&C measures.⁴⁶

32 Securities and Exchange Commission. (23 February 2024). Memorandum Circular No. 5, series of 2024. Retrieved from https://www.sec.gov.ph/wp-content/uploads/2024/02/2024MC_SEC-MC-No.-5,-S.-of-2024-Guidelines-on-the-Philippine-Sustainable-Finance-Taxonomy.pdf.

33 Department of Environment and Natural Resources. (10 January 2024). Administrative Order No. 2024-02. Retrieved from <https://eia.emb.gov.ph/wp-content/uploads/2024/02/DAO-2024-02-OSW-Guidelines.pdf>.

34 Energy Regulatory Commission. (16 January 2024). Resolution No. 01, Series of 2024, A Resolution Adopting the Lifting of Suspension of the Collection of Feed-In Tariff Allowance (FIT-ALL). Retrieved from <https://www.erc.gov.ph/Resolutions-and-Rules/2024#focus>.

35 Securities and Exchange Commission. (15 February 2024). SEC Memorandum Circular 4, Series of 2024. Retrieved from https://www.sec.gov.ph/wp-content/uploads/2024/02/2024MC_SEC-MC-No.-4-S.-of-2024-Securing-Expanding-Capital-for-PowerGen-Operators-Wholesale-Electricity-Retail-Services-SEC-POWERS-1.pdf.

36 Flores, H. (27 January 2024). NGCP holds ceremonial switch-on for P51 billion Mindanao-Visayas Interconnection. Retrieved from <https://www.philstar.com/headlines/2024/01/27/2328887/ngcp-holds-ceremonial-switch-p51-billion-mindanao-visayas-interconnection>.

37 Isip, I. (14 February 2024). P244B RE projects endorsed for green lane. Retrieved from https://malaya.com.ph/news_business/p244b-re-projects-endorsed-for-green-lane/.

38 Tabile, J. (04 March 2024). P2 trillion worth of investment leads as of January – BoI. Retrieved from <https://www.bworldonline.com/top-stories/2024/03/04/579005/boi-sees-p2-1-trillion-worth-of-investment-leads-in-january/>

39 Dichosa, C. (19 March 2024). Speech at the Sustainable Aviation Fuel: Powering #OnePHAviation event of the European Chamber of Commerce of the Philippines (ECCP).

40 Talavera, S. (25 February 2024). Energy dep't seeking to gauge major data centers' RE needs. Retrieved from <https://www.bworldonline.com/economy/2024/02/25/577716/energy-dept-seeking-to-gauge-major-data-centers-re-needs/>.

41 Department of Energy. (26 February 2024). Advisory: DOE Announces Bidding for Coal and Petroleum Exploration in BARMM, Northwest Palawan, Southern Cebu and Native Hydrogen Exploration in Central Luzon. Retrieved from <https://www.doe.gov.ph/pcecp>.

42 Department of Energy. (12 May 2023). Department Circular No. DC2023-05-0009. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2023-05-0009.pdf?withshield=1>.

43 Department of Energy. (05 June 2023). Department Circular No. DC2023-05-0016. Retrieved from <https://www.doe.gov.ph/laws-and-issuances/department-circular-no-dc2023-05-0016>.

44 Department of Energy. (05 June 2023). Department Circular No. DC2023-05-0017. Retrieved from <https://www.doe.gov.ph/laws-and-issuances/department-circular-no-dc2023-05-0017>.

45 Department of Energy. (13 June 2023). Department Circular No. DC2023-05-0018. Retrieved from <https://www.doe.gov.ph/laws-and-issuances/department-circular-no-dc2023-05-0018>.

46 Inter-Agency Energy Efficiency and Conservation Committee. (2023). Resolution No. 7, s. 2023. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_efficiency/iaecc-resolution-no-7-s-2023_1.pdf.

- **IAEECC Resolution No. 8, s. 2023** promotes the installation and utilisation of solar photovoltaic (PV) systems and other renewable energy technologies in government offices and government-owned facilities.⁴⁷
- **IAEECC Resolution No. 9, s. 2023** includes the Climate Change Commission as a regular resource institution in the IAEECC in an advisory capacity, in harmonising the approval and implementation of government energy efficiency projects classified as climate change expenditures.⁴⁸
- In December 2023, the DOE issued **Department Circulars Nos. DC2023-12-0036, DC2023-12-0037, and DC2023-12-0038**, which reclassify designated establishments in the commercial, industrial and transport sectors, adjusting their thresholds to 100,000kWh from 500,000kWh, and providing compliance guidelines for the said sectors.^{49,50,51}
- Executive Secretary Lucas Bersamin, on 16 January, signed **Administrative Order No. 15 series of 2024**, which directs the accelerated implementation of the Government Energy Management Program.⁵² Consequently, the DOE issued the Implementing Guidelines of AO No. 15 in February 2024.⁵³
- A Supreme Court (SC) decision reversed a 2013 Court of Appeals decision, and expressed that the **DOE has the authority to take control of private entities engaged in the oil industry during emergencies**, as directed by the President, as provided under the Downstream Oil Industry Deregulation Act or Republic Act No. 8479.⁵⁴ To this, the DOE responded that it will “study fully with the Department of Justice and the Office of the Solicitor General the clarifications made by the Supreme Court and will take such steps as may be necessary to ensure that this measure of last resort is properly exercised whenever needed”.⁵⁵
- The Anti-Red Tape Authority (ARTA) recommended the creation of a policy that would help **fast-track the permitting process in the energy sector**. ARTA Director General Ernesto Perez underscored that the energy sector is one of the administration’s priorities, therefore efforts should be undertaken to attract more investors and ease processes in the sector.⁵⁶

47 Inter-Agency Energy Efficiency and Conservation Committee. (2023). Resolution No. 8, s. 2023. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_efficiency/iaeccc-resolution-no-8-s-2023.pdf.

48 Inter-Agency Energy Efficiency and Conservation Committee. (2023). Resolution No. 9, s. 2023. Retrieved from https://www.doe.gov.ph/sites/default/files/pdf/energy_efficiency/iaeccc-resolution-no-9-s-2023.pdf.

49 Department of Energy. (18 December 2023). Department Circular No. DC2023-12-0036. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/DC2023-12-0036.pdf>.

50 Department of Energy. (18 December 2023). Department Circular No. DC2023-12-0037. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/DC2023-12-0037.pdf>.

51 Department of Energy. (18 December 2023). Department Circular No. DC2023-12-0038. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/DC2023-12-0038.pdf>.

52 Official Gazette. (16 January 2024). Administrative Order No. 15 series of 2024. Retrieved from <https://www.officialgazette.gov.ph/downloads/2024/01jan/20240116-AO-15-FRM.pdf>.

53 Department of Energy. (15 February 2024). Implementing Guidelines of Administrative Order No. 15. Retrieved from <https://www.officialgazette.gov.ph/downloads/2024/02feb/20240215-IMPLEMENTING-GUIDELINES-AO15-FRM.pdf>.

54 Supreme Court. (05 March 2024). SC: DOE may Exercise President’s Emergency Takeover Power over Oil Firms. Retrieved from <https://sc.judiciary.gov.ph/sc-doe-may-exercise-presidents-emergency-takeover-power-over-oil-firms/>.

55 Department of Energy. (06 March 2024). Media Statement on the Supreme Court Decision Upholding the Downstream Oil Industry Deregulation Act’s Provision Authorizing the Temporary Take Over or Direction of Oil Industry Operations in Times Of National Emergency. Retrieved from <https://www.doe.gov.ph/press-releases/media-statement-supreme-court-decision-upholding-downstream-oil-industry-deregulation>.

56 Anti-Red Tape Authority. (06 March 2024). ARTA, energy stakeholders mull over fast-tracking energy security in the Philippines. Retrieved from <https://arta.gov.ph/press-releases/arta-energy-stakeholders-mull-over-fast-tracking-energy-security-in-ph/>.

Legislative updates

- Several legislative measures are being deliberated, including those on **midstream and downstream natural gas industry development**. Namely, these legislative proposals are Senate Bill Nos. 152, 1991, 1944, 2247, as well as House Bill No. 8456.
- **Senate Bill No. 2267**, which substituted Senate Bill Nos. 151, 177, 989, and 1746 through Committee Report No. 91, passed first reading in May 2023. Under the proposed measure, Waste-to-Energy (WTE) will be classified as another type of renewable energy source, and WTE facilities shall be entitled to benefits under the Biofuels Act or RA No. 9367, and the Renewable Energy Act or RA No. 9513.⁵⁷ The said measure has been pending on second reading since July 2023. The WTE Bill was among the policies that is being promoted by the current administration.⁵⁸

ADVOCACY RECOMMENDATIONS

Implementation of a sustainable energy mix policy and energy transition efforts

The volatility of oil prices as a result of internal and external factors, underscore the importance of securing 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, as well as further advancing energy efficiency and conservation.

Beyond economic considerations, the imperative to increase the share of renewable energy in the national energy mix is evident in its potential to advance sustainability objectives and enhance self-sufficiency aspirations. For the Philippines, a heightened integration of renewable energy together with reduced dependence on imported fossil fuels are seen to bolster the country’s objective of ensuring more reliable and cost-efficient energy, alongside facilitating electricity access in rural and off-grid areas.

The Philippine government, through the Department of Energy (DOE), has set ambitious targets aiming for a renewable energy share of 35% by 2030 and 50% by 2040. Moreover, in the recent United Nations Framework Convention on Climate Change’s 28th Conference of Parties (COP28), over 120 countries, including the Philippines, pledged to triple the world’s RE capacity and double energy efficiency improvement rate. This EU-launched Global Pledge has been developed in close cooperation by the European Commission and the COP28 Presidency, with the support of the International Energy Agency and the International Renewable Energy Agency (IRENA), and aims to support the transition to a decarbonised energy environment.^{59 60} Achieving these objectives requires concerted efforts to boost investments in the clean energy sector, while reducing reliance on coal.

57 Senate of the Philippines. (31 May 2023). Committee Report No. 91. Retrieved from <https://legacy.senate.gov.ph/lisdata/4217938366!.pdf>.

58 Parrocha, A. (01 January 2023). Marcos administration prioritizes cheap, renewable energy. Retrieved from <https://www.pna.gov.ph/articles/1191809>.

59 Cabico, G. (07 December 2023). Philippines supports global renewables pledge at COP28. Retrieved from <https://www.philstar.com/headlines/climate-and-environment/2023/12/07/2317165/philippines-supports-global-renewables-pledge-cop28>.

60 COP28 UAE. (December 2023). Global Renewables and Energy Efficiency Pledge. Retrieved from https://energy.ec.europa.eu/document/download/33f1a6a1-10be-45dc-80fd-4cf1c98fea4d_en?filename=Global_Renewables_and_Energy_Efficiency_Pledge.pdf.

The Philippines boasts substantial untapped renewable energy potential, estimated at 246,000 MW. Notably, with a capacity of 1,932 MW, the Philippines holds the world's third-largest geothermal capacity, trailing only Indonesia and the United States. Moreover, the DOE projects a requirement of USD 120 billion worth of RE investments by 2040,⁶¹ offering significant opportunities for domestic and foreign investors alike.

In line with this, the DOE continues to implement Department Circular No. DC2022-11-0034,⁶² which lifted the limitations on foreign participation in renewable energy projects, which has strongly supported the drive to increase foreign investments in the RE sector. Additionally, the DOE stated that it considers liquefied natural gas (LNG) as an important source of energy and a sustainable transition fuel, aligning with governmental efforts to diversify, stabilise, and sustain the energy sector.⁶³ The DOE then recently approved several LNG terminal projects that started operation in 2022, and will end in 2025; as well as greenlit construction of new LNG terminal projects in the recent months.⁶⁴ Moreover, the Legislative Executive Development Advisory Council or LEDAC has identified the passage of an Enabling Law for the Natural Gas Industry as one of its priorities in the current Congress.⁶⁵ This commitment to LNG development corresponds with the national objective of promoting indigenous energy sources.

Acknowledging these initiatives, the ECCP recognises the Philippine government's strides in expanding renewable energy adoption, alongside fostering the development of natural gas and other emerging clean energy technologies. The Chamber also commends the government's commitment to advancing affordable and reliable energy, including leveraging technological innovations in renewable energy and streamlining business processes to attract more energy players in the market.⁶⁶

Notwithstanding these advancements, we underscore that it is imperative to ensure that efforts to augment renewable energy supply align with the expanding energy demands spurred by economic growth and population expansion.

Finally, in alignment with the government's push for sustainability in the transportation sector via electric vehicle (EV) adoption, it is essential to factor in the heightening demand from such markets when projecting and planning the country's energy supply and demand dynamics, as well as encouraging the growth of the EV sector by granting incentives to the EV charging stations operators.

Increase the integration of energy flexibility and battery storage initiatives into the energy system

Supplementary to the ongoing and pipeline initiatives and programs on energy security and sustainability, the Chamber urges stakeholders to further advocate for the reinforcement of measures aimed at enhancing the integration of flexibility and battery storage into the energy system. We strongly believe that energy flexibility will not only enhance the adaptability of the country's energy sector but also significantly improve demand response and supply management, thereby fostering a more efficient and responsive energy grid. Moreover, we opine that efforts on battery storage are essential to tackling the intermittency challenges associated with solar and wind power generation while alleviating pressure on the nation's energy infrastructure.

61 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/>.

62 Department of Energy. (15 November 2022) DC2022-11-0034. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-11-0034.pdf>.

63 Department of Energy. (24 November 2022). Media release.

64 Corpuz, J. (08 March 2024). The role of natural gas in the Philippines' energy mix. Retrieved from <https://www.bworldonline.com/special-features/2024/03/08/580226/the-role-of-natural-gas-in-the-philippines-energy-mix/>.

65 Legislative Executive Development Advisory Council. (27 February 2024). List of LEDAC Common Legislative Agenda - 19th Congress. Retrieved from <http://ledac.neda.gov.ph/wp-content/uploads/2024/02/List-of-LEDAC-CLA-as-of-February-27-2024.pdf>.

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

Particularly on energy storage, the ECCP acknowledges the current administration's recognition of the pivotal role of energy storage systems (ESS) in promoting security and sustainability within the country's energy infrastructure.⁶⁷ Similarly, the Senate Energy Committee has underscored its commitment to exploring emerging energy technologies, including ESS.⁶⁸

In 2023, the Department of Energy issued Department Circular No. DC2023-04-0008, affirming that enhancing policies and regulations on energy storage systems is integral to complementing the increasing investments in renewable energy. This circular also outlines incentives for integrated renewable energy plants and ESS, such as income tax holidays, duty-free importation, and zero-rated VAT.⁶⁹ Furthermore, the Department of Science and Technology, through its funding of the Advanced Batteries Center,⁷⁰ recognizes batteries as a viable alternative to fossil fuels for energy generation.⁷¹

In light of these advancements, the ECCP welcomes the steps taken to further develop energy storage systems and eagerly anticipates their effective implementation. Moreover and to further promote and support the said initiatives, the ECCP likewise urges policymakers to foster an environment conducive to the flexibility and adaptability of battery storage solutions, taking into account the continuous developments and advancements in storage technologies.

Facilitating increased foreign investments in the energy sector through advancing ease of doing business and green financing efforts

Underpinning the Chamber's support of the liberalisation of the Philippine renewable energy market to foreign players, the ECCP lauds the continued implementation of the amendments to the implementing rules and regulations (IRR) of the Renewable Energy Act of 2008, through the DOE Department Circular No. DC2022-11-0034. We recognise the manifestation of the benefits brought about by the said policy developments, with renewable energy projects accounting for a significant share in recent investment targets, approvals, and green lane endorsements by the government.^{72,73} Relatedly, the ECCP also acknowledges that in the BloombergNEF Climate 2023 report, the Philippines ranked 4th most attractive emerging market for investment in the energy sector. The said report pointed out the Philippines is among the few jurisdictions that have implemented policies and initiatives on feed-in-tariffs, net-metering, auctions, and tax incentives, as well as highlighted the notable development on the country's release of its offshore wind roadmap.⁷⁴

To further build on this momentum, the ECCP strongly believes that investment promotion efforts should be coupled with strong ease of doing business initiatives. 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

67 Cervantes, F. M. (31 March 2023). Battery energy storage system vital for power security: PBBM. Retrieved from <https://www.pna.gov.ph/articles/1198666>.

68 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>.

69 Department of Energy. (April 2023). Department Circular No. DC2023-04-0008. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2023-%2004-0008.pdf>.

70 The Advanced Batteries Center is a niche research and development (R&D) center funded by the Department of Science and Technology for over PHP 140 million.

71 Arayata, M. C. (05 June 2023). TIP seeks to develop energy storage system. <https://www.pna.gov.ph/articles/1202901>.

72 Isip, I. (08 January 2024). BOI eyes P1.5T investments. Retrieved from <https://malaya.com.ph/news-business/boi-eyes-p1-5t-investments/>.

73 Isip, I. (14 February 2024). P244B RE projects endorsed for green lane. Retrieved from <https://malaya.com.ph/news-business/p244b-re-projects-endorsed-for-green-lane/>.

74 Philippine News Agency. (04 December 2023). PH ranks 4 in power sector investments. Retrieved from <https://www.pna.gov.ph/articles/1214783>.

highly encourages the rationalisation of regulatory permitting processes via the Energy Virtual One-Stop Shop (EVOSS) to obtain service contracts, environmental, and commercial certifications and licences.

Particularly, we opine that the EVOSS should cover all necessary permits and operations in the power industry, including facilitating the interphase with National Government Agencies, e.g., Department of Environment and Natural Resources (DENR), and LGUs. Based on industry discussions, generation projects fail to reach financial closure with their investors due to the significant delays and difficulties encountered by the project proponents in obtaining the permits needed to put up the facility. While there are already some permits and compliance processes included in the EVOSS, the lack of integration of the system with those of concerned National Government Agencies and LGUs mean that the proponents still operate outside of the EVOSS for the majority of the needed permits. While the integration is taking place, the DOE should also facilitate the issuance of said permits through endorsements to the proper agencies and their own form of coordination.

The system of coordination among industry regulators and concerned agencies can be patterned after the cooperative agreements and system of endorsements among energy regulators, LGUs, and national government agencies that was put in place to fast-track the Net-Metering Program and expansion of street lighting.

We are optimistic that implementing a streamlined mechanism will further encourage the entry of market players, resulting in increased investments towards renewable energy development, as well as energy efficiency and conservation advancement in the Philippines.

As such, the ECCP also acknowledges and lauds the launch of the Green Lanes for Strategic Investments in July 2023, following the issuance of Executive Order No. 18 in February of the same year.^{75,76} As we look forward to its continued implementation, we likewise highly encourage the members of the private sector to maximise this opportunity to fast track clean energy projects. In addition, the ECCP strongly supports the recent move of the Anti-Red Tape Authority to review energy policies and regulations to improve permitting and licensing processes, thereby attracting more investors in the sector and pursuing energy security.⁷⁷

In addition to the previously mentioned initiatives, one of the main factors facilitating greater investments in the energy sector is the provision of finance for clean energy initiatives and strengthening of local government entities to augment their ability to carry out regional and local projects. By putting such policies into place, governments and investors will feel further encouraged to pursue clean energy projects that will increase economic possibilities and sustainability for the general public. Finally, we firmly believe 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 such context, the ECCP welcomes the recent efforts of the Bangko Sentral ng Pilipinas on the expansion of financing for green and decarbonisation projects, as well as the Board of Investments' provision of as provided expanded incentives for renewable energy and energy efficiency and conservation projects. Relatedly, we look forward to the continued and improved implementation of incentive policies for RE players in the Renewable Energy Act, which aligns fully with the World Bank's report which provides that incentives must be put in place to encourage businesses to invest in clean energy and energy transition

⁷⁵ Department of Trade and Industry. (13 July 2023). E.O. 18 Green Lanes launched to speed up entry of Strategic Investments into the Philippines. Retrieved from <https://www.dti.gov.ph/archives/news-archives/e-o-18-green-lanes-launched-speed-up-entry-strategic-investments-philippines/>.

⁷⁶ Official Gazette. (23 February 2023). Executive Order No. 18, series of 2023. Retrieved from <https://www.officialgazette.gov.ph/2023/02/23/executive-order-no-18-s-2023/>.

⁷⁷ Anti-Red Tape Authority. (06 March 2024). ARTA, energy stakeholders mull over fast-tracking energy security in PH. Retrieved from <https://pia.gov.ph/press-releases/2024/03/06/arta-energy-stakeholders-mull-over-fast-tracking-energy-security-in-ph>

projects and technologies.⁷⁸

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. Particularly, we recognise the Government Energy Management Program or GEMP as among the Philippine government's efforts to advance EE&C in the country, and more recently, the administration's directive to fast-track its implementation through Administrative Order No. 15.

We likewise welcome the DOE's issuance of Department Circulars Nos. DC2023-12-0036, DC2023-12-0037, and DC2023-12-0038 in December 2023, as they allow for a more inclusive approach towards energy efficiency and conservation. This is through covering a wider segment of energy end-users mandated by the EE&C Law to integrate an energy management system policy into their business operations, as well as promote energy efficiency, conservation, and sufficiency, among others.⁷⁹

Nonetheless, the ECCP recognises that there are still opportunities to improve the country's energy efficiency and conservation landscape. Thus, the ECCP looks forward to maximising the potential of EE&C 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 law.

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 as soon as possible. Additionally, the industry looks forward to the implementation of effective DOE and multi-agency guidelines relating to Demand Side Management. Specifically on the expansion of the Government Energy Management Program, we urge that clarification on procedures relating to government procurement of energy service company performance contracts, public-private partnership transactions, and joint-venture agreements are achieved by putting in place policy issuances from 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

Over the past years, we have witnessed an increase in consumer demand, both globally and domestically. This increase has led to a corresponding increase in waste generation, which is a significant challenge for societies worldwide. Latest available data shows that in the Philippines, an average of over 61,000 million tonnes of waste are generated per day.⁸⁰ Indeed, such a scenario necessitates urgent and innovative approaches to waste management that are both efficient and environmentally sound. At the same time,

⁷⁸ 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>.

⁷⁹ Official Gazette of the Philippines. (12 April 2019). Republic Act No. 11285. Retrieved from <https://www.officialgazette.gov.ph/downloads/2019/04apr/20190412-RA-11285-RRD.pdf>.

⁸⁰ Cariaso, B. (06 August 2023). Philippines produces 61,000 million metric tons of waste daily. Retrieved from <https://www.philstar.com/headlines/2023/08/06/2286595/philippines-produces-61000-million-metric-tons-waste-daily>.

as economic activities continue to expand, so does the demand for energy. This increasing demand underscores the critical need for solutions that not only address energy supply concerns but also tackle waste management challenges.

Recognizing the interconnectedness of waste and energy, the ECCP acknowledges the potential of waste-to-energy (WTE) technologies to provide the twin benefits of expanding energy diversification and generation, while addressing waste management concerns. As such, the Chamber recommends that a clear framework on developing and strengthening the WTE industry is put in place.

2020 data show that 53 countries have already utilised WTE technologies, with the plants processing around 400 million metric tonnes of waste, and generating more than 15.5 million megawatt (MW) hours per year.⁸¹ Meanwhile, there currently are six operational WTE plants in the Philippines, with an aggregate capacity of 10.41MW. Seven ongoing WTE projects are likewise projected to have an aggregate capacity of 49.78MW.⁸²

In this regard, the ECCP supports the Department of Environment and Natural Resources' efforts to enforce the Solid Waste Management Act of 2000,⁸³ recognizing the crucial role of policy in driving sustainable practices. We also continue to recognise the provision under the DOE Department Circular No. 2022-02-0002, specifically the guidelines, policies, and programs to further promote the development of biomass WTE facilities in the Philippines.⁸⁵ Moreover, the Chamber acknowledges the legislative efforts aimed at strengthening the country's WTE framework, including the LEDAC's inclusion of the waste-to-energy policy in its priorities.

On this note, we strongly opine that a clear policy framework on the enhancement and development of the sector will unlock the potential of WTE technologies. These policies should cover pertinent aspects including environmental, social, and economic considerations, while ensuring transparency, accountability, and sustainability throughout projects' lifecycle. Furthermore, we strongly recommend that the Philippines' unique features are greatly considered in identifying the said WTE technologies, in addition to benchmarking with other jurisdictions' WTE practices. Particularly, alternative WTE technologies, such as anaerobic digestion, may be considered as it caters to waste generation of most LGUs, and with the country's waste stream being mostly wet.

81 Senate of the Philippines. (25 July 2023). Co-Sponsorship Speech: Senate Bill No. 2267 / Committee Report No. 91. Retrieved from https://legacy.senate.gov.ph/press_release/2023/0725_gatchalian2.asp.

82 Ibid.

83 Official Gazette. (n.d.). Republic Act No. 9003. Retrieved from <https://www.officialgazette.gov.ph/2001/01/26/republic-act-no-9003-s-2001/>.

84 Philippine News Agency. (6 March 2022). Solid waste management tops DENR agenda. Retrieved from <https://www.pna.gov.ph/articles/1169121>.

85 Department of Energy. (17 February 2022). DC2022-02-0002. Retrieved from <https://www.doe.gov.ph/sites/default/files/pdf/issuances/dc2022-02-0002.PDF>.



ASSESSMENT OF 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
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	
	Increase the integration of energy flexibility and battery storage initiatives into the energy system	In April 2023, the DOE issued Department Circular No. DC2023-04-0008, in which the agency stated that the enhancement of policies and regulations on energy storage systems complements the increase in RE investments. The said circular also provided for the granting of incentives for integrated renewable energy plants and ESS, such as income tax holiday, duty-free importation, zero-rated VAT, among others.

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 through DOE Department Circular No. DC2023-11-0034.</p> <p>The Philippines likewise pledged to triple its RE capacity and double its EE implementation rate, at the COP28 in December 2023. The current administration also continues its initiatives to explore other forms of clean energy sources.</p>	
<p>The Anti-Red Tape Authority held a stakeholder dialogue on promoting ease of doing business in the energy sector. The agency recommended the creation of a policy that would help fast-track the permitting process of energy projects.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
	Facilitating increased foreign investments in renewable energy sector	<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. This continued to be implemented, and has been instrumental in bolstering the RE prospects for the Philippines.</p> <p>With this, the country's energy market has become more open to emerging energy technologies and expertise, and increases the country's competitiveness and attractiveness as an RE investment destination.</p> <p>In addition to the said development, mechanisms such as increased incentives for clean energy projects as well as augmenting the financing for clean energy and sustainability initiatives have been put in place by the BOI and BSP, respectively.</p>
	Effective Implementation of the Energy Efficiency and Conservation Act	
	Enactment of Policies that Provide a Clear Framework on the Development of Waste-to-Energy Technologies	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>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.</p> <p>However, there are EE&C policies that remain to be fully implemented and issued.</p>	
<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.</p> <p>Legislative proposals on the advancement of Waste-to-Energy have also seen progress in the past year.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Integration of the Visayas and Mindanao Grid and strengthening the national grid		<p>The National Grid Corporation of the Philippines held the ceremonial switch-on of the Mindanao-Visayas Interconnection Project in January 2024.</p> <p>The government likewise aims to complete other interconnection and transmission projects, to help ensure energy stability.</p>
Further promotion of ease of doing business in the energy sector		

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>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.</p> <p>It is important to note, however, that recent policy dialogues have supported the improvement of requirements and processes in the energy sector, such as those undertaken by the ARTA and other energy stakeholders.</p>	

TAX AND FINANCIAL SERVICES ADVOCACY PAPER 2024

INTRODUCTION

Amidst the ever-evolving landscape of economic trends, both domestically and internationally, the resilience and adaptability of tax systems and financial markets remain paramount. The urgency posed by the COVID-19 health crisis, along with the rapid integration of technological advancements, have catalysed a profound transformation in the Philippines' financial ecosystem. This transformation has paved the way for a new era of digital innovation, characterised by continuous advancements in digital platforms, services, and processes. Concurrently, the banking and financial sectors have demonstrated unwavering commitment in facilitating access to financial resources and support, particularly for consumers and beneficiaries of government programs.

As of recent reports by the Bangko Sentral ng Pilipinas (BSP), the Philippine banking system has exhibited robust growth, with total resources surging by 7.59% to PHP 31.06 trillion in 2023. Universal and commercial banks continue to dominate the sector, accounting for a substantial share of total assets at PHP 24.26 trillion which posed an 8.4% increase, followed by thrift banks whose assets likewise heightened to PHP 1.1 trillion from PHP 1.03 trillion in 2022, and rural and cooperative banks that reflected a slight growth of 0.2% or PHP 404 billion.¹

Additionally, despite the challenges posed by recovery from the pandemic as well as regional and global economic shocks, deposits within the Philippine banking system have shown resilience, reaching PHP 17.8 trillion as of June 2023, reflecting a commendable 8.1% year-on-year growth.² Bank lending likewise posted an upward trajectory, with an 8.6% year-on-year growth in February 2024.³

In line with efforts to further promote financial inclusion, the Philippine government has likewise set targets, aiming to onboard at least 70% of Filipino adults into the financial system and transition 50% of total retail transactions to electronic channels by 2023. Notably, the Philippines has achieved this goal, having reached 50% of retail payments in digital form, and 70.2% of Filipinos financially included, as of end-2023.⁴

In addition to this key success, BSP's proactive measures, including the approval of six digital banks in 2022 and conduct of review to assess the possible reopening of the Philippine market to more digital banks, launch of the Open Finance Framework, introduction of the ASEAN regional payment connectivity initiative, as well as support to legislative measures on amending the Bank Secrecy Law and combatting financial account scamming underscore its commitment to fostering a conducive environment for financial innovation and inclusion, as well as addressing the deficiencies identified by the Financial Action Task-Force (FATF), with the Philippines' inclusion in its grey list.⁵

Similarly, as the financial sector continues its growth trajectory, the insurance industry has also demonstrated positive growth in 2023, showing a notable increase in licensed players, combined assets, net worth, and premiums of licensed life and non-life insurers, among others. However, despite these encouraging developments, challenges persist, as evidenced by a decline in insurance density and penetration (Table 1).

1 Simeon, L.M. (16 February 2024). Bank assets up 8% to P31 trillion in 2023. Retrieved from <https://www.philstar.com/business/2024/02/16/2333645/bank-assets-8-p31-trillion-2023>.

2 Bangko Sentral ng Pilipinas. (06 November 2023). Report on the Philippine Financial System For the First Semester of 2023. Retrieved from https://www.bsp.gov.ph/Lists/Report%20on%20the%20Philippine%20Financial%20System/Attachments/32/StatRep_1Sem2023.pdf.

3 Bangko Sentral ng Pilipinas. (11 April 2024). Bank Lending Grows by 8.6 Percent, Year-on-Year, in February. Retrieved from <https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=7057>.

4 Bangko Sentral ng Pilipinas. (24 January 2024). ECCP Courtesy Meeting with the Bangko Sentral ng Pilipinas.

5 Ibid.

Table 1. Insurance Industry Performance⁶

Life and Non-Life Insurance Companies, and Mutual Benefit Associations	2023	2022	% Increase/ (Decrease)
Total Number of licensed companies	136	134	1.49
Total Number of companies with submissions	131	129	1.55
	(in million Pesos)		
Total Assets	2,309,797.2	2,138,323.4	8.02
Total Liabilities	1,849,013.1	1,691,511.1	9.31
Total Net Worth	460,784.1	446,812.3	3.13
Total Paid-up Capital and Guaranty Fund	84,011.1	81,297.6	3.34
Total Invested Assets	2,053,004.2	1,825,384	12.47
Total Premiums	389,614.1	380,644	2.36
Total Benefit Payments/Losses Incurred	134,450.4	136,753.4	(1.68)
Total Net Income	48,465.6	46,693.4	3.8
Insurance Density*	3,450.97	3,401.60	1.45
Insurance Penetration**	1.60%	1.73%	

Source: Insurance Commission (December 2023)

* Amount of Premium per capita or average spending of each individual on insurance

** Premium Volume as a share of GDP or contribution of the insurance sector to the national economy

Recognizing the pivotal role of digital transformation in augmenting insurance penetration, both the Department of Finance (DOF) and the Insurance Commission (IC) have emphasised the importance of leveraging technology to bridge access gaps and enhance efficiency within the sector.⁷ In addition to this, the IC has continued to bolster its efforts to promote microinsurance as a means to enhance financial literacy and awareness. Positively, it was recorded that microinsurance premiums surged by 19.6% as of the third quarter of 2023, at PHP 10.16 billion from PHP 8.49 billion during the same period in 2022. Similarly, the Commission noted a 2.34% growth in the number of lives insured, with over 56 million Filipinos covered under microinsurance policies.⁸

On the fiscal front, the Philippines has made significant strides in revenue collection, with total collection from the Bureau of Internal Revenue reaching PHP 2.34 trillion in November 2023, up by 8.6% from the previous year's PHP 2.16 trillion. Among the agency's key programs are Digital Transformation and Run After Fake Transactions. Collectively, these initiatives ramped up the BIR's efforts to enhance tax compliance and confidence, as well as promote the use of online tax procedures and platforms.⁹

Meanwhile the Bureau of Customs (BOC) has surpassed its revenue collection target in 2023 by 1.08%, by having accumulated a total revenue of PHP 883.62 billion. This is also a 2.46% jump from the 2022

6 Insurance Commission. (31 December 2023). Consolidated Insurance Industry Performance as of December 31, 2023. Retrieved from <https://www.insurance.gov.ph/consolidated-insurance-industry-performance-as-of-december-31-2023/>.

7 Department of Finance. (24 January 2024). Insurance Commission 75th Milestone Anniversary "Serving with Integrity: 75 Years of Public Trust". Retrieved from <https://www.dof.gov.ph/insurance-commission-75th-milestone-anniversary-serving-with-integrity-75-years-of-public-trust/>.

8 Insurance Commission. (22 January 2024). Microinsurance premium production grows 19.6% to Php10.16B in Q3 2023. Retrieved from <https://www.insurance.gov.ph/microinsurance-premium-production-grows-in-q3-2023/>.

9 Department of Finance. (08 January 2024). BIR ramps up tax compliance and enforcement drives in 2023, results in higher collection performance. Retrieved from <https://www.dof.gov.ph/bir-ramps-up-tax-compliance-and-enforcement-drives-in-2023-results-in-higher-collection-performance/#:~:text=The%20Bureau%20of%20Internal%20Revenue,2.16%20trillion%20by%208.6%20percent..>

collection of PHP 862.42 billion.¹⁰ To help achieve this accomplishment in revenue collection, the BOC employed and furthered its efforts in implementing the recently launched One-Stop Electronic Travel Declaration System of the e-Travel System¹¹ and the National Customs Intelligence System.¹² Additionally, the BOC stated that among the initiatives that it seeks to materialise are the e-Pay Portal System, e-Auction System, and Automated Export Declaration System (AEDS).¹³

For 2024, the DOF aims to raise PHP 4.3 trillion in revenues, with the lion's share of PHP 3.05 trillion coming from the BIR. The DOF seeks to maximise these revenues to deliver projects on public infrastructure, education, health, and social protection.¹⁴ Moreover and particularly for the BIR, the Philippine government aims to increase its tax ratio to 15.9% of the country's gross domestic product in 2026, from 15% in 2020, through its digitalisation and tax compliance efforts, among others.¹⁵

The notable developments in revenue collection can be attributed to various factors, including increased economic activity, tariffs on key imports, and concerted efforts to enhance tax compliance and customs procedures. This enhanced fiscal performance is not only indicative of sound economic management but also underscores the critical role of tax, fiscal, and financial policies in driving sustainable growth and development. Nonetheless, it remains imperative that policies continue to be adaptive to emerging trends and challenges, thereby ensuring the continued resilience and dynamism of the Philippine economy.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

FISCAL AND TAXATION

- On 15 January 2024, **former Finance Secretary Benjamin Diokno officially turned over the Department of Finance (DOF) leadership to newly appointed Finance Secretary Ralph Recto** at the DOF Office.¹⁶ In an official statement, Dr. Diokno expressed his confidence in the incoming finance chief, also noting the strong foundation that the agency has established under his leadership.¹⁷

10 Department of Finance. (08 January 2024). BOC revenue collection, drive vs smuggling, digitalization initiatives in higher gear in 2023. Retrieved from <https://www.dof.gov.ph/boc-revenue-collection-drive-vs-smuggling-digitalization-initiatives-in-higher-gear-in-2023/>.

11 Bureau of Customs. (22 November 2023). BOC and other agencies introduce the eTravel Customs System for streamlined border control. Retrieved from <https://customs.gov.ph/boc-and-other-agencies-introduce-the-ettravel-customs-system-for-streamlined-border-control/>.

12 Bureau of Customs. (06 July 2022). BOC implements the National Customs Intelligence System. Retrieved from <https://customs.gov.ph/boc-implements-the-national-customs-intelligence-system/>.

13 Department of Finance. (08 January 2024). BOC revenue collection, drive vs smuggling, digitalization initiatives in higher gear in 2023. Retrieved from <https://www.dof.gov.ph/boc-revenue-collection-drive-vs-smuggling-digitalization-initiatives-in-higher-gear-in-2023/>.

14 Department of Finance. (04 April 2024). Recto to taxpayers: Settling taxes easier now than ever, exercise heroic duty in nation-building. Retrieved from <https://www.dof.gov.ph/recto-to-taxpayers-settling-taxes-easier-now-than-ever-exercise-heroic-duty-in-nation-building/>.

15 Ramirez, J. (20 November 2023). BIR to undertake \$400-M digitalization drive. Retrieved from <https://mb.com.ph/2023/11/19/bir-to-undertake-400-m-digitalization-drive-1>.

16 Department of Finance. (2024). Ex-Finance Chief Diokno officially turns over DOF to Recto. Retrieved from <https://www.dof.gov.ph/ex-finance-chief-diokno-officially-turns-over-dof-to-recto/>.

17 Department of Finance. (2024). Diokno will turn over DOF to incoming finance chief on solid footing. Retrieved from <https://www.dof.gov.ph/diokno-will-turn-over-dof-to-incoming-finance-chief-on-solid-footing/>.

- As of 06 March 2024, the DOF has started its series of stakeholder briefings for its **refined priority tax measures** to work with various groups to push for the following measures' immediate passage: Value-added Tax (VAT) on Digital Service Providers (DSP); the Imposition of Excise Tax on Single-use Plastics (SUPs); Package 4 of the Comprehensive Tax Reform Program (CTRP); the Rationalization of the Mining Fiscal Regime; and the Reform on the Motor Vehicle Users' Charge (MVUC).¹⁸
- To expedite achieving complete government digital transformation, **the DOF urged public leaders to team up in developing a unified policy direction** towards this goal. The agency, in an official statement, highlighted the crucial **importance of the Public Management Development Program (PMDP) in facilitating rapid digital transformation**.¹⁹ Additionally, both the Bureau of Internal Revenue and the Bureau of Customs have introduced electronic tax payment and filing channels, and modernised customs processes, contributing to enhanced revenue collection. The DOF mentioned that the digitisation program of the Securities and Exchange Commission's (SEC) has greatly augmented the number of registered corporations in the country, hence promoting sustained corporate expansion.²⁰
- The Philippines has joined as a member of the **Organisation for Economic Cooperation and Development (OECD)/G20 Inclusive Framework on Base-Erosion and Profit Shifting (BEPS) Inclusive Framework**²¹ on November 8, 2023—a move reaffirming the government's commitment to uphold tax fairness, protect the country's tax base from aggressive tax avoidance schemes, and promote international tax cooperation. With its membership, the Philippines commits to participate in the implementation of the 15 action points-BEPS package and the Two Pillar Solution.
- The **EU's Carbon Border Adjustment Mechanism (CBAM)** commenced its transitional phase on October 1, 2023, with the first reporting period for importers ending on January 31, 2024. The CBAM will first apply to imports of certain items and selected precursors whose production is carbon intensive and at the highest risk of carbon leakage: cement, iron and steel, aluminium, fertilisers, energy, and hydrogen. CBAM is the EU's mechanism for putting a fair price on carbon emissions from the manufacture of carbon-intensive goods entering the EU, as well as encouraging cleaner industrial output in non-EU countries.²²
- On the DOF revised refined proposal on **Package 4 of the Comprehensive Tax Reform Program (CTRP)**, the Agency presented that the interest income tax will be harmonised at 20%, while royalties will be maintained according to the existing tax code until 2027, subsequently harmonised and decreased to 15% in 2028. Similarly, the dividend income tax will remain unchanged until 2027, with a proposed harmonisation of 10% in 2028. Meanwhile, the stock transaction tax will gradually be reduced annually by 0.1%, from 0.6 % to 0.1% in 2028. The adjusted tax reform proposal will decrease the previously projected PHP 83 billion in foregone revenue from changes to taxes on passive income, financial intermediaries, financial transactions and excise tax on pick-up trucks to PHP 12.2 billion in revenue.²³

18 Department of Finance. (06 March 2024). DOF kickstarts a series of stakeholder briefings for refined priority tax reform measures to push for their immediate passage. Retrieved from <https://www.dof.gov.ph/dof-kickstarts-a-series-of-stakeholder-briefings-for-refined-priority-tax-reform-measures-to-push-for-their-immediate-passage/>

19 Department of Finance. (03 February 2024). Recto urges public leaders to team up in developing a unified policy direction for gov't digitalization. Retrieved from <https://www.dof.gov.ph/recto-urges-public-leaders-to-team-up-in-developing-a-unified-policy-direction-for-govt-digitalization/>.

20 Leyco, C. S. (03 February 2024). Recto calls for unified digital transformation strategy. Retrieved from <https://mb.com.ph/2024/2/2/recto-calls-for-unified-digital-transformation-strategy>.

21 DOF. (09 November 2023). PH joins OECD/G20 BEPS Inclusive Framework to uphold tax fairness, promote int'l cooperation. Retrieved from <https://www.dof.gov.ph/dof-joins-oecd-g20-beps-inclusive-framework-to-uphold-tax-fairness-promote-intl-cooperation/>.

22 European Union. (2023). Carbon Border Adjustment Mechanism. Retrieved from https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en.

23 Department of Finance. (14 February 2024). DOF presents the refined proposal on bill simplifying passive

- Relative to the above development, the Senate of the Philippines Committee on Ways and Means has been holding technical working groups and committee hearings on the proposed **Passive Income and Financial Intermediary Taxation Act (PIFITA)**. The proposed measure will essentially cut the cost of raising capital and debt by reducing the number of tax bases and rates applicable to passive income, financial intermediaries, and financial transactions. If enacted into law, the PIFITA measure will level the field among players with better pricing information by removing tax-induced distortions and is expected to discourage arbitrage opportunities and enable the country to become more competitive compared to its peers in the ASEAN region. As of 11 March 2024, the bills have been filed as Senate Bill (SB) Nos. 1364,²⁴ 1347²⁵, and 900²⁶; and House Bill (HB) No. 4339.²⁷
- The **Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill**²⁸, approved on second reading at the Lower House as of 12 March 2024²⁹, aims to amend the CREATE Act to enhance the country's tax incentives system. The proposed legislation states that the income tax rates will be 20% for domestic and resident foreign corporations elected to be under the enhanced deductions regime. The enactment of the bill is being pushed: 1) to increase corporate tax equity and efficiency by decreasing the rate, increasing tax base, and minimising tax distortions and leakages; 2) develop a more flexible, internationally competitive, performance-based, targeted, time-bound, transparent tax incentives system that can capitalise on economic trends and; 3) provide support for businesses in their recovery from unforeseen events, among others.³⁰
- In November 2022, the House of Representatives approved HB No. 4122³¹, which amends the National Internal Revenue Code (the Tax Code) by **imposing a 12% value added tax (VAT) on digital transactions**. Approved by the House on 14 November 2022, and transmitted to the Senate on 15 November 2022. Estimates from the DoF reported that the 12% VAT can generate an additional PHP 96.72 billion over the next five years from digital advertising, subscription-based services, and other services using information and communication technology-enabled infrastructure, among others.³² A similar bill was filed at the upper house as SB No. 250.³³
- The Philippine Senate approved on final reading **SB No. 2386³⁴ or the Real Property Valuation and Assessment Reform Act (RPVARA)**. Under the measure, a real property information system would

income taxes. Retrieved from <https://www.dof.gov.ph/dof-presents-the-refined-proposal-on-bill-simplifying-passive-income-taxes/>

24 Senate of the Philippines. (2024). Senate Bill No. 1364. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1364

25 Senate of the Philippines. (2024). Senate Bill No. 1347. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1347

26 Senate of the Philippines. (2024). Senate Bill No. 900. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-900

27 Senate of the Philippines. (2024). House Bill No. 4339. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=HBN-4339

28 As of 08 March 2024, it is an unnumbered substitute bill.

29 De la Cruz, J. (12 March 2024). CREATE MORE gets 2nd reading clearance in House. Retrieved from <https://businessmirror.com.ph/2024/03/12/create-more-gets-2nd-reading-clearance-in-house/>

30 House of Representatives. (21 November 2023). PANEL OKS INCENTIVES, FUNDING PROVISIONS OF PROPOSED "BLUE ECONOMY ACT," "CREATE MORE ACT" AND "NAT'L WATER ACT". Retrieved from <https://congress.gov.ph/photojournal/zoom.php?photoid=5424>

31 House of Representatives. (14 November 2022). House Bill No. 4122. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HB04122.pdf

32 Agcaoil, L. (05 December 2023). 'Philippines VAT must align with international standards'. Retrieved from <https://www.philstar.com/business/2023/12/05/2316446/philippines-vat-must-align-international-standards>

33 Senate of the Philippines. (2024). Senate Bill No. 250. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-250

34 Senate of the Philippines. (08 July 2023). Senate Bill No 2386. Retrieved from [https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-2386#:~:text=SBN%2D2386%20\(Per%20Ctte.%20Rpt.%20No.%2099\)](https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-2386#:~:text=SBN%2D2386%20(Per%20Ctte.%20Rpt.%20No.%2099)).

be maintained to make accurate property valuations readily available and reduce discrepancies in these transactions. Once enacted into law, it would hasten the automation of services provided by local government units, which in turn would enhance the efficiency of tax collection and improve the delivery of services.³⁵

- The revised proposal for the **Rationalization of the Mining Fiscal Regime** proposes to impose a four-tier, margin-based royalty ranging from 1.5% to 5% on income from mining operations outside of mineral reservations. Under the current regime, mining obligations vary depending on the mining agreement, which can be undertaken via the Mineral Production Sharing Agreement and Financial or Technical Assistance Agreement. It further added that the proposal is an improved version of House Bill No. 8937.³⁶
- A proposal on the promotion of taxpayers' bill of rights is being advanced at the Senate. Senate Bill No. 1806, or the **Taxpayer's Bill of Rights and Obligations**, seeks to provide increased protection of taxpayers' rights in complying with their obligation to pay national and local taxes to the government, with the goal of preventing, if not completely eliminating, abuses against taxpayers and ensuring that taxes are collected responsibly. As of August 2023, the Senate Bill has been approved on third reading and transmitted to the House of Representatives for concurrence.³⁷
- **Republic Act (RA) No. 11956**³⁸ was passed amending RA No. 11213, the **Estate Tax Amnesty Act**, to extend the period to avail the estate amnesty tax for another two years or until 14 June 2025. Aside from this, the new law expanded the coverage of the amnesty to cover estates of decedents who died on or before 31 May 2022. It also enumerated the documents that must be submitted to the BIR to avail of the estate tax amnesty, and allowed payment by instalment within two years from the statutory date of its payment without civil penalty and interest. **RR No. 10-2023**³⁹ was issued to amend certain provisions of RR No. 6-2019, to implement the provisions of RA No. 11956. Apart from reiterating the list of documents required to avail of the estate amnesty tax, the RR provided certain clarifications on how the estate amnesty shall be availed of, easing the availment for taxpayers.
- On 5 January 2024, the **Ease of Paying Taxes (EOPT) Act** was signed into law as RA No. 11976⁴⁰ with the aim to modernise the Philippine tax administration and strengthen taxpayer rights. Tagged as a priority legislation of the current administration during the State of the Nation Address in 2022 and 2023, the new law supports the 8-Point Socioeconomic Agenda through the collection of more taxes to enhance economic and social development. Among the salient features of the new law are the following⁴¹:
 - Classification of taxpayers into micro, small, medium, and large;
 - Electronic or manual filing of returns and payment taxes either to the Bureau of Internal

35 Barcelona, W. (11 March 2024). Senate OKs Real Property Valuation and Assessment Reform Act. Retrieved from <https://www.pna.gov.ph/articles/1220516>

36 House of Representatives. (22 August 2023). House Bill No. 8937. Retrieved from https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/third_19/HBT8937.pdf.

37 Philippine Senate. (30 January 2023). Senate Bill No. 1806. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-1806.

38 Official Gazette. (08 August 2023). Republic Act No 11956. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/08aug/20230805-RA-11956-FRM.pdf>

39 Bureau of Internal Revenue. (08 September 2023). Revenue Regulations No. 10-2023. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202023/RR%20No.%2010-2023.pdf

40 Official Gazette. (5 January 2024). Republic Act No. 11976. Retrieved from <https://www.officialgazette.gov.ph/2024/01/05/republic-act-no-11976/>

41 Gonzales, A. (7 January 2024). PBBM signs Ease of Paying Taxes Act into law. Retrieved from <https://www.pna.gov.ph/articles/1216498>.

Revenue (BIR), through any authorised agent bank or authorised tax software provider;

- Option to pay internal revenue taxes removal to the City or Municipal Treasurer;
 - Elimination of the distinction between documentation and basis of sales of goods and services; and
 - Classification of value-added tax (VAT) refund claims into low, medium and high-risk.
- In relation to the foregoing, the BIR issued **Revenue Regulations (RR) No. 02-2024**⁴² on 28 February 2024 which prescribes the policies and guidelines for the publication of revenue issuances and other information materials of the BIR pursuant to Section 245(i) of the Tax Code, as amended by RA No. 11976 (Ease of Paying Taxes Act). Additionally, on 22 March, the BIR released RR No. 03- to 08-2024, which cover provisions on VAT and Percentage Tax;⁴³ filing of tax returns and payment of taxes, withholding of tax at source and declaration of income of recipient;⁴⁴ verifying VAT refund claims, 180-day duration on processing of claims;⁴⁵ reducing interest and penalty rates for micro and small taxpayers;⁴⁶ procedures for registration and requirements for invoicing;⁴⁷ and classification of taxpayers.⁴⁸
 - **RR No. 4-2023**⁴⁹ amends Section 2 of RR No. 9-2016 which further expands the coverage of taxpayers mandated to file tax returns through Electronic Bureau of Internal Revenue Forms (eBIRForms). Through this issuance, barangays are now included in the list of taxpayers required to file their tax returns using the eBIR Forms.
 - **RR No. 13-2023**⁵⁰ prescribes the policies and guidelines for the optional VAT-registration of Registered Business Enterprises (RBE) classified as Domestic Market Enterprise (DME) under the five percent (5%) tax on Gross Income Earned (GIE) in lieu of all taxes regime during the transitory period pursuant to Rule 18, Section 5 of the amended Implementing Rules and Regulations (IRR) of Republic Act No. 11534 (CREATE Act).

42 Bureau of Internal Revenue. (28 February 2024). Revenue Regulations No. 02-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202024/RR%20No.%202-2024.pdf

43 Bureau of Internal Revenue. (22 March 2024). Revenue Regulations No. 03-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202024/RR%20No.3-%202024.pdf.

44 Bureau of Internal Revenue. (22 March 2024). Revenue Regulations No. 04-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202024/RR%20No.4-%202024.pdf.

45 Bureau of Internal Revenue. (22 March 2024). Revenue Regulations No. 05-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202024/RR%20No.5%20-2024.pdf.

46 Bureau of Internal Revenue. (22 March 2024). Revenue Regulations No. 06-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202024/RR%20No.6-%202024.pdf.

47 Bureau of Internal Revenue. (22 March 2024). Revenue Regulations No. 07-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202024/RR%20No.7-%202024.pdf.

48 Bureau of Internal Revenue. (22 March 2024). Revenue Regulations No. 08-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202024/RR%20No.%208-%202024.pdf.

49 Bureau of Internal Revenue. (2 February 2023). Revenue Regulations No. 04-2023. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202023/RR%20No.%204-2023.pdf

50 Bureau of Internal Revenue. (10 November 2023). Revenue Regulations No. 13-2023. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202023/RR%20No.%2013-2023.pdf

- **RR No. 16-2023**⁵¹ further amends the provisions of RR No. 2-98, as amended by RR No. 11-2018, to impose Withholding Tax on gross remittances made by electronic marketplace (e-marketplace) operators and digital financial services providers to sellers/merchants for goods and services sold/paid through the former's platform/ facility.
- **Revenue Memorandum Circular (RMC) No. 82-2023**⁵² implements an expanded and improved landscape of accounting information reporting that seeks to provide reliable data and to maximise the quality of such data for better monitoring and analysis of Inventory List. The RMC directs the creation of a BIR-Multi-Sectoral Working Group as a mechanism for consultations regarding issues on tax administration.
- **RMC No. 112-2023**⁵³ clarifies the duty of the Food and Drug Administration (FDA) to determine classification of beverages pursuant to Section 150-B of the National Internal Revenue Code (NIRC) of 1997, as amended, and as implemented by Revenue Regulations (RR) No. 20-2018. Under the RMC, the proper determination of whether a product or beverage is subject to the imposition of the payment of excise tax or is covered by the exclusions therefrom rests with the Commissioner of Internal Revenue and not with the FDA.
- **RMC No. 5-2024**⁵⁴ clarifies that outbound service payments are subject to final withholding tax and final withholding value-added tax (VAT), in light of the Supreme Court En Banc Decision in *Aces Philippines Cellular Satellite Corp. v. Commissioner of Internal Revenue*, GR. No. 226680, dated August 30, 2022. The regulations were issued on 10 January 2024 and took effect immediately. Under the RMC, the BIR introduced the source-based taxation principle as the situs of taxation for cross-border services, namely, consulting; IT outsourcing; financial services; telecommunications; engineering and construction; education and training; tourism and hospitality; and other similar services that follow the same concept of being provided, processed, or performed overseas and then utilised, applied, executed, or consumed in the Philippines. Subsequently, the BIR issued **RMC No. 38-2024**⁵⁵ in response to concerns raised on the implementation of RMC No. 5-2024, particularly on the taxation of cross-border services.

51 Bureau of Internal Revenue. (21 December 2023). Revenue Regulations No. 16-2023. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_1/Full%20Text%20RR%202023/RR%20No.%2016-2023%203.pdf

52 Bureau of Internal Revenue. (14 August 2023). Revenue Memorandum Circular No. 82-2023. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2023%20RMCs/RMC%20No.%2082-2023.pdf

53 Bureau of Internal Revenue. (28 September 2023). Revenue Memorandum Circular No. 2023-112. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2023%20RMCs/RMC%20No.%20112-2023.pdf.

54 Bureau of Internal Revenue. (10 January 2024). Revenue Memorandum Circular No. 05-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2024%20RMCs/RMC%20No.%205-2024.pdf

55 Bureau of Internal Revenue. (15 March 2024). Revenue Memorandum Circular No. 38-2024. Retrieved from https://www.bir.gov.ph/images/bir_files/internal_communications_2/RMCs/2024%20RMCs/RMC%20No.%2038-2024.pdf

MONETARY AND FINANCIAL

- The BSP issued **Circular No. 1185**⁵⁶ on granting additional single borrower's limit for financing eligible projects and zero percent reserve requirement rate against sustainable bonds. The amendments were approved in line with the BSP's 11-point Sustainable Central Banking Strategy, which aims to integrate sustainable finance and contribute to the country's climate commitment and sustainable development goals.
- The BSP published **Circular No. 1186**⁵⁷, approving the amendments to the guidelines on disclosures to the public. Under the circular, the central bank has allowed lenders to publish their quarterly balance sheet report in a printed or online version of a newspaper within 35 banking days following the end of the reference quarter.⁵⁸
- **Circular No. 1187**⁵⁹ was also released by the BSP, which lays out the guidelines on sustainable finance taxonomy for banks. The said document provides a guide to identify economic activities' environmental and social sustainability. The first version of the taxonomy guidelines focus on climate change mitigation and climate change adaptation.
- The Office of the President issued **Executive Order No. 33**⁶⁰ ordering all government offices and departments to adopt the National Anti-Money Laundering, Counter-Terrorism Financing, and Counter Proliferation Financing Strategy (NACS) 2023-2027. This EO ensures that the country exits the Financial Action Task Force (FATF) Grey List, and improves its anti-money laundering, counter terrorism financing, and counter proliferation financing (AML/CTF/CPF) regime.
- The Office of the President issued **Memorandum Circular No. 37**⁶¹ directing the urgent implementation of strategies that combat illegal financial activities. The memorandum directs the **urgent implementation of the National Anti-Money Laundering, Counter-Terrorism Financing and Counter Proliferation Financing Strategy (NACS) 2023-2027**. Under the memorandum, the Anti-Money Laundering Council (AMLC) is directed to submit to the Office of the Executive Secretary a comprehensive report on the status of implementation of NACS 2023-2027 by 08 December 2023.
- In a report released on 23 February, the **Financial Action Task Force (FATF)**⁶² said that even if the Philippines has taken steps in improving its AML/CFT regime, the country should continue implementing action plans to address strategic deficiencies. This includes effective risk-based supervision of designated non financial businesses and professions (DNFBPs) and implementation of controls to mitigate risks linked to casino junket operations. Companies should also submit beneficial ownership declarations with the SEC.⁶³

56 BSP. (2023). Circular No.1185, Series of 20203. Retrieved from <https://www.bsp.gov.ph/Regulations/Issuances/2023/1185.pdf>.

57 BSP. (2023). Circular No. 1186, Series of 2023. Retrieved from <https://www.bsp.gov.ph/Regulations/Issuances/2023/1186.pdf>.

58 Ta-asan, K. B. (12 January 2024). New disclosure rules promote sustainability, digitization – BSP. Retrieved from <https://www.bworldonline.com/banking-finance/2024/01/12/568431/new-disclosure-rules-promote-sustainability-digitization-bsp/>.

59 BSP. (2023). Circular No. 1187., Series of 2024. Retrieved from <https://www.bsp.gov.ph/Regulations/Issuances/2024/1187.pdf>.

60 Official Gazette. (04 July 2023). Executive Order No. 33, s. 2023. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/07jul/20230704-EO-33-FRM.pdf>.

61 Official Gazette. (16 October 2023). Memorandum Circular No. 37, s. 2023. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/10oct/20231016-MC-37-FRM.pdf>.

62 FATF. (23 February 2024). Jurisdictions under Increased Monitoring - 23 February 2024. Retrieved from <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2024.html>.

63 Ta-asan, K. B. (26 February 2024). Philippines urged to strengthen its measures against money laundering,

- **In pursuit of the country's bid to exit the FATF grey list, the SEC targets to increase the compliance rate for beneficial ownership reports to 65%** in the coming months. According to SEC Chairperson Emilio Aquino, SEC would have to purge the list of corporations under delinquent status to reach said target.⁶⁴
- The SEC issued **Memorandum Circular No. 5**⁶⁵, series of 2024, setting the Philippine Sustainable Finance Taxonomy Guidelines (SFTG). This initiative was carried out under the auspices of the Financial Sector Forum (FSF) in line with the directives outlined in the Philippine Sustainable Finance Roadmap, which was issued by the Inter-agency Technical Working Group for Sustainable Finance (also known as the Green Force) in October 2021. These guidelines provide a framework for the determination of the environmental and social sustainability of economic activities and guidance for stakeholders in making well-informed investment and financing choices.⁶⁶
- On 9 May 2023, the House of Representatives approved on final reading **HB No. 7446**,⁶⁷ **amending RA No. 1495 of the Bank Secrecy Law**. The bill seeks to ease deposit secrecy rules to give BSP the power to investigate deposit accounts of bank officials and employees for fraud. The measure proposes to exempt from the Bank Secrecy Law the BSP's inquiry or examination of deposits in relation to possible fraud, serious irregularity, or unlawful activity being committed by bank officials.⁶⁸ In relation, **HB No. 7393**⁶⁹ or the **Anti-Financial Account Scamming Act (AFASA)** was also approved. The bill prohibits the use of bank accounts and e-wallets for suspicious transactions, with those found guilty set to pay fines or face imprisonment.

INSURANCE

- To sustain the insurance industry's continued growth in the years to come, the Department of Finance ordered the Insurance Commission (IC) to **strengthen the implementation of the Financial Products and Services Consumer Protection Act** which helps consumers access financial products and services within a secure environment that prioritises their rights and interests. The DOF also instructed the IC to continuously institute regulatory measures and enforcement mechanisms to ensure the financial stability of its regulated entities and protect the insuring public.⁷⁰
- The IC is requiring covered companies to apply a new set of accounting policies through **Circular**

terrorism financing. Retrieved from <https://www.bworldonline.com/top-stories/2024/02/26/577675/philippines-urged-to-strengthen-its-measures-against-money-laundering-terrorism-financing/>.

⁶⁴ Mercurio, R. (04 March 2024). SEC moves to help Philippines exit from FATF gray list. Retrieved from <https://www.philstar.com/business/2024/03/04/2337815/sec-moves-help-philippines-exit-fatf-gray-list>.

⁶⁵ SEC. (23 February 2024). SEC MC No. 05, series of 2024

Guidelines on the Philippine Sustainable Finance Taxonomy. Retrieved from <https://www.sec.gov.ph/mc-2024/sec-mc-no-05-series-of-2024/#gsc.tab=0>.

⁶⁶ Castro, R. (96 March 2024). SEC sets guidelines on sustainable finance. Retrieved from https://malaya.com.ph/news_business/sec-sets-guidelines-on-sustainable-finance/.

⁶⁷ Senate of the Philippines. (09 May 2023). House Bill No. 7446. Retrieved from <https://legacy.senate.gov.ph/lisdata/4155637881!.pdf>

⁶⁸ Cruz, B. M. D. (10 May 2023). House approves bank secrecy amendments on third reading. Retrieved from <https://www.bworldonline.com/banking-finance/2023/05/10/521810/house-approves-bank-secrecy-amendments-on-third-reading/>

⁶⁹ Senate of the Philippines. (09 March 2023). House Bill No. 7393. Retrieved from <https://issuances-library.senate.gov.ph/sites/default/files/2023-07/4155737867%21.pdf>

⁷⁰ DOF. (25 January 2024). Recto lauds IC for transforming PH insurance industry into a robust and dependable sector for Filipinos. Retrieved from <https://www.dof.gov.ph/recto-lauds-ic-for-transforming-ph-insurance-industry-into-a-robust-and-dependable-sector-for-filipinos/>.

Letter No. 2024-04⁷¹. These will make financial reports more transparent and universally comparable starting 1 January 2025 to which they must use Philippine Financial Reporting Standard 17 (PFRS 17) by then. Companies that adopt the PFRS 17 early must submit IC-specific disclosures in a separate report from their financial statements for periods ending on and after Dec. 31, 2023. Meanwhile, companies who will not yet adopt PFRS 17 must note the new reporting requirements in accounting policies, changes in accounting estimates and errors for their financial statement notes for the years ending 2023 and 2024.⁷²

ADVOCACY RECOMMENDATIONS

Fast-track Senate Concurrence of the Foreign Account Tax Compliance Act (FATCA)

The Foreign Account Tax Compliance Act (FATCA) was adopted in March 2010 with the objective of enhancing compliance with US tax regulations. This mandates all non-US financial institutions, generally known as Foreign Financial Institutions (FFIs), to transmit any pertinent information about US citizens' financial accounts to the Internal Revenue Service.⁷³ Following its adoption, on 13 July 2015, the Philippines and the United States signed an Inter-Governmental Agreement (IGA) Model 1A requiring Philippine financial institutions (PFIs) to provide relevant information on US citizens' accounts to the BIR.⁷⁴

Taking into account FATCA's importance in promoting compliance and combating financial crimes, the ECCP has long advocated for its Senate concurrence. Regarding this, we acknowledge that FATCA was enacted in December 2016 and subsequently transmitted to the Philippine Senate for approval.⁷⁵ However, it has remained pending in the Committee of Foreign Relations at the Philippine Senate since then, according to a June 2019 report.⁷⁶ As such, FATCA will not be fully implemented as the BIR has stated that the Senate concurrence and entry into force of the PH-US FATCA IGA is a prerequisite to the formalisation of FATCA reporting.⁷⁷

To this end, the ECCP reiterates its support in the full implementation of FATCA through a Senate concurrence. Moreover, the Chamber welcomes the recent update from the Bangko Sentral ng Pilipinas, stating that refinements are being done on the policy considering challenges in its implementation, and looks forward to the positive resolution of this policy.⁷⁸ We are confident that the Senate concurrence of FATCA will support the country in strengthening its compliance with international tax policies, leverage

⁷¹ Insurance Commission. (04 March 2024). Circular Letter No. 2024-04. Retrieved from <https://www.insurance.gov.ph/circular-letter-no-2024-04-application-of-philippine-financial-reporting-standard-17-insurance-contracts-prfs-17-to-the-audited-financial-statements-afs-and-reportorial-requirements-o/>.

⁷² Sy, A. M. C. (08 March 2024). Insurers told to make financial reports more transparent. Retrieved from <https://www.bworldonline.com/banking-finance/2024/03/08/580365/insurers-told-to-make-financial-reports-more-transparent/>.

⁷³ 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.

⁷⁴ 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>.

⁷⁵ Bureau of Internal Revenue. (2017). FATCA Advisory 4. Retrieved from <https://www.bir.gov.ph/index.php/international-tax-matters/fatca.html>.

⁷⁶ Philippine Senate. (June 2019). Treaties/Agreement Submitted for Concurrence by the Senate. Retrieved from http://legacy.senate.gov.ph/17th_congress/treaties_17thcongress.asp.

⁷⁷ Ibid.

⁷⁸ Bangko Sentral ng Pilipinas. (24 January 2024). ECCP Courtesy Meeting with the Bangko Sentral ng Pilipinas.

its position in combating financial crime, and promoting a transparent and effective reporting system.

Enact the Anti Financial Account Scamming Act and the amendments to the Bank Secrecy Law

According to the Bangko Sentral ng Pilipinas, the top three types of cyber attacks in 2022 are fraud (5,211 occurrences), phishing and its variations (6,295 incidents), and account takeover or identity theft (3,104 incidents), which involved amounts of PHP 623 million, PHP 623 million, and PHP 409 million, respectively.⁷⁹ Additionally, the BSP noted that the Philippine financial system is likewise one of the most restrictive in the world due to its tight bank secrecy regulation. The International Monetary Fund has recognised the Philippines' and Lebanon's strict bank secrecy regulations as a hindrance to anti-money laundering initiatives.⁸⁰

In relation to this, the Financial Action Task Force's report released in February 2024 retained the Philippines in its list of 'Jurisdictions under Increased Monitoring', among other countries such as Nigeria, Turkey, and Vietnam.⁸¹ The said report underscored that the Philippines should continue to execute its strategies to swiftly tackle its strategic deficiencies, through:

- (1) showing evidence of effective risk-based oversight of Designated Non-Financial Businesses and Professions (DNFBPs);
- (2) ensuring that regulatory bodies are employing anti-money laundering / countering the financing of terrorism (AML/CFT) measures to mitigate risks linked to casino junkets;
- (3) improving and simplifying law enforcement agencies' access to beneficial ownership information while ensuring its accuracy and currency;
- (4) exhibiting a rise in money laundering investigations and prosecutions; and
- (5) demonstrating an increase in prosecution of cases related to terrorist financing.

Nonetheless, the organisation recognised that the Philippines' has made a 'high-level political commitment to work with the FATF and Asia/Pacific Group on Money Laundering (APG) to strengthen the effectiveness of its AML/CFT regime'.⁸² Among the steps taken by the government to strengthen its AML/CFT and counter proliferation financing (CPF) regime is the issuance of Executive Order No. 33, series of 2023,⁸³ as well as Memorandum Circular No. 37,⁸⁴ that mandate all government agencies and offices, as well as government-owned or -controlled corporations, to develop and implement pertinent strategies and programs to carry out the National Anti-Money Laundering, Counter-Terrorism Financing and Counter Proliferation Financing Strategy (NACS) 2023-2027. Relatedly, the Anti-Money Laundering Council has also urged the private sector to continue to support the efforts to remove the Philippines from the FATF grey list.⁸⁵

Moreover, the BSP has called on the business sector to help back the proposed amendments to the Bank Secrecy Law which seeks to ease deposit secrecy rules to give BSP the power to investigate deposit

accounts of bank officials and employees for fraud, as well as the Anti-Financial Account Scamming Act (AFASA) that prohibits the use of bank accounts and e-wallets for suspicious transactions.⁸⁶

In this regard, and to complement the steps taken to promote security and transparency in the country's banking sector, the ECCP highly welcomes the passage of amendments to the Bank Secrecy Law, as well as the Anti-Financial Account Scamming Act, which have also been identified by the as among its priority legislation.⁸⁷ We strongly believe that these pieces of legislation will provide the BSP 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. We likewise opine that these measures can significantly contribute to the removal of the Philippines in the FATF grey list. The ECCP anticipates and will continue to monitor the progress of the 19th Congress in accordance with this proposal.

Further Promotion of Ease in Tax- and Finance-Related Transactions and Processes

Boost digital transformation in the financial sector

The BSP, under its Digital Payments Transformation Roadmap, has aimed to digitise 50% of all payments and onboard 70% of Filipinos into the financial system by the end of 2023.⁸⁸ Early this year, the central bank stated that it has already reached the said target, having recorded a 50% rate on use of retail payments in digital form, as well as 70.2% of Filipinos financially onboarded.⁸⁹

Moreover, in a bid to boost its digitalisation efforts, the BSP has also employed initiatives such as the Open Finance Framework, facilitation of entry of 6 digital banks and assessment on opening the Philippines to more of said players, Regulatory Sandbox, Digital Marketplace Framework, as well as the Central Bank Digital Currency project or Project Agila, as well as the ASEAN regional payment connectivity initiative.⁹⁰

The ECCP recognises that significant steps have been taken and successes have been achieved by the Philippine government in advancing digital transformation. Moreover, we highly believe that the digitalisation initiatives implemented by public and private stakeholders are tools to further promote financial inclusivity, innovation, and adaptability.

In this regard, the ECCP also strongly urges that actions are taken to bridge the gaps in digital infrastructure development, boost security in the financial services sector, and foster strong public trust and confidence among consumers. Moreover, we highly believe that the digitalisation initiatives implemented by public and private stakeholders are tools to further advances financial inclusivity, innovation, and adaptability.

The Chamber also particularly backs the promotion of the use of transaction accounts for wage payments. Based on the agency's Report on its 2021 Financial Inclusion Survey, 70% of companies still provide wages manually or by cheques.⁹¹

79 Gonzales, A. (22 January 2024). BSP backs immediate passage of AFASA bill. Retrieved from <https://www.pna.gov.ph/articles/1217383>.

80 BSP. (11 February 2021). House Committee on Banks and Financial Intermediaries Hearing.

81 Financial Action Task Force. (23 February 2024). Jurisdictions under Increased Monitoring - 23 February 2024. Retrieved from <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2024.html>.

82 Ibid.

83 Official Gazette. (04 July 2024). Executive Order No. 33, series of 2023. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/07jul/20230704-EO-33-FRM.pdf>.

84 Official Gazette. (16 October 2023). Memorandum Circular No. 37, s. 2023. Retrieved from <https://www.officialgazette.gov.ph/downloads/2023/10oct/20231016-MC-37-FRM.pdf>.

85 Anti-Money Laundering Council. (30 November 2023). Philippines' continued efforts in strengthening AML/CTF/CPF regime in response to FATF statement. Retrieved from <http://www.amlc.gov.ph/advisories/amlc-advisory>.

86 Bangko Sentral ng Pilipinas. (24 January 2024). ECCP Courtesy Meeting with the Bangko Sentral ng Pilipinas.

87 Legislative Executive Development Advisory Council. (2023). LEDAC Common Legislative Agenda: 19th Congress. Retrieved from <http://ledac.neda.gov.ph/wp-content/uploads/2024/02/List-of-LEDAC-CLA-as-of-February-27-2024.pdf>.

88 Bangko Sentral ng Pilipinas. (2023). BSP Digital Payments Transformation Roadmap 2020-2023. Retrieved from https://www.bsp.gov.ph/Pages/ABOUT%20THE%20BANK/Events/By%20Year/2021/BSP-UP%20Professorial%20Chair%20Lecture%20Series/BSP_2c_irao_discussion.pdf.

89 Bangko Sentral ng Pilipinas. (24 January 2024). ECCP Courtesy Meeting with the Bangko Sentral ng Pilipinas.

90 Ibid.

91 Bangko Sentral ng Pilipinas. (2021). Financial Inclusion Survey. Retrieved from <https://www.bsp.gov.ph/Inclusive%20Finance/Financial%20Inclusion%20Reports%20and%20Publications/2021/2021FISToplineReport.pdf>.

To this end, the ECCP and its Tax and Financial Services Committee seek to continue working with and supporting the Philippine government in establishing programs and policies that create an enabling and robust regulatory environment for a digitalised financial sector. The Chamber will likewise continue to actively engage the business community to encourage partnerships and innovation, in championing the attainment of the financial sector's goals.

Further enhance efforts on ease of paying taxes

Parallel to the BSP's digitalisation efforts, the BIR has continued to develop measures to streamline and optimise the use of technology in its operations and requirements. Among other initiatives, both the BIR and the Bureau of Customs (BOC) have implemented electronic tax payment and filing channels, as well as modernised customs processes, thereby contributing to improved revenue collection.⁹² Additionally, the BOC has reached 97% digitalisation rate, having digitised 161 out of 166 customs processes.⁹³ Notably, the DOF also reported that the digitisation program of the SEC has significantly augmented the number of registered corporations in the country, hence promoting sustained corporate expansion.⁹⁴ In terms of legislative reforms, the ECCP welcomes the enactment of the Ease of Paying Taxes Act or Republic Act No. 11976. We recognise that this policy will significantly support the objective to simplify and modernise tax administration to increase tax compliance. This being said, the ECCP and its Tax and Financial Services Committee support the enactment and look forward to the effective implementation of the EOPT Act. As such, the Chamber will continue to monitor and engage with industry experts and the government, especially the Bureau of Internal Revenue, on the crafting of the Revenue Regulations that will implement the provisions under the EOPT Act.

In addition to boosting digitalisation, the ECCP urges that initiatives on improving clarity and fairness of tax rules, as well as the consistency of their applications, are further enhanced. We likewise underscore the importance of providing for faster turnaround time in request for rulings, claims for refunds, and audits, as well as reducing human intervention in the selection of audit, in advancing the country's efforts on ease of doing business, and tax awareness and compliance.

Adoption of generally accepted international rules and practices

In addition to the above-mentioned, the Transfer Pricing Audit Guidelines, issued in 2019 through BIR Revenue Audit Memorandum Order No. 1-2019,⁹⁵ were developed to ensure quality auditing by offering a set of standardised methods and procedures. Furthermore, Revenue Regulations No. 34-2020⁹⁶ establishes criteria and procedures for submitting Transfer Pricing paperwork, which aligns with the government's enhanced efforts to streamline and simplify operations.

Recognising the policy's intent to further advance ease of doing business and tax compliance, the ECCP and its Tax and Financial Services Committee has welcomed the release of the updated transfer pricing measures and recommendations to improve ease of doing business and advance tax compliance.

At the same time, the ECCP welcomes the Philippines' membership in the Inclusive Framework on base

92 Leyco, C. S. (03 February 2024). Recto calls for unified digital transformation strategy. Retrieved from <https://mb.com.ph/2024/2/2/recto-calls-for-unified-digital-transformation-strategy>.

93 Department of Finance. (08 January 2024). BOC revenue collection, drive vs smuggling, digitalization initiatives in higher gear in 2023. Retrieved from <https://www.dof.gov.ph/boc-revenue-collection-drive-vs-smuggling-digitalization-initiatives-in-higher-gear-in-2023/>

94 Leyco, C. S. (03 February 2024). Recto calls for unified digital transformation strategy. Retrieved from <https://mb.com.ph/2024/2/2/recto-calls-for-unified-digital-transformation-strategy>.

95 Bureau of Internal Revenue. (2019). Revenue Audit Memorandum Order No. 1-2019. Retrieved from <https://www.pwc.com/ph/en/tax-alerts/assets/2019/RAM0%201-2019%20TP%20Audit.pdf>.

96 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

erosion and profit shifting (BEPS) in October 2023.⁹⁷ In the same manner, we recognise the release of the report on Amount B of Pillar One by the Organisation for Economic Co-operation and Development/G20 Inclusive Framework on BEPS, which introduces a simplified and more efficient approach in applying the arm's length principle to baseline marketing and distribution activities. This particularly focuses on the needs of low-capacity countries.⁹⁸

To facilitate compliance with transfer pricing and the BEPS framework, the ECCP strongly believes that initiatives to further clarify and raise awareness on related tax rules should be put in place. We likewise firmly urge that its implementation should be constantly adaptable to current trends and practices, including the growing use of technology.

As such, the ECCP strongly recommends that clearer and more specific criteria for implementing e-invoicing, e-receipting, and transfer pricing documentation is established. This will help taxpayers understand how to comply with the transfer pricing laws, resulting in a more stable tax system.

The Chamber likewise encourages further enhancement of digitalisation efforts, to promote compliance with transfer pricing and BEPS by increasing data transparency, enabling automated documentation, facilitating advanced analytics, and allowing for real-time monitoring of multinational enterprises' (MNEs) activities and transactions. We strongly opine that these advancements contribute to a fairer and more efficient international tax system by helping ensure that MNEs pay their fair share of taxes in the jurisdictions where they generate profits.

To this end, the ECCP underscores the need to implement tax policies that are inclusive and adaptive. By adopting innovative technologies, optimising processes, prioritising taxpayer-centric initiatives, as well as application of relevant international tax rules and practices, we are convinced that governments may promote a culture of compliance, as well as economic growth and prosperity. The objective of creating a streamlined and effective tax ecosystem can be accomplished with coordinated efforts and cooperative projects, which will benefit tax authorities and taxpayers equally.

In advancing the above advocacies and recommendations, the ECCP highlights the critical role of stakeholder collaboration. As such, the Chamber remains committed to fostering mutually beneficial and collaborative relationships with government agencies, sector experts, and advocates in driving sustainable and inclusive development in the areas of finance, insurance, and tax.

Strengthen tax awareness and promote taxpayers' rights

A strong and sustainable tax system is a critical factor in advancing countries' economic development. Central to this system is ensuring that taxpayers understand their rights and duties under applicable tax laws, and that government officials adhere to established procedures in their dealings with taxpayers.

This being said, the ECCP highlights the importance of the Code of Conduct⁹⁹ that establishes defined procedures in dealing with taxpayers. Additionally, we strongly believe that efforts relating to boosting tax awareness and taxpayers' rights should provide for effectively delineating the rights of taxpayers, including the right to fair and equal treatment, the right to privacy and confidentiality, the right to timely and accurate information, as well as the right to appeal and redress. Similarly, it should outline taxpayers' obligations, emphasising compliance with tax laws, timely payment of taxes, and cooperation with tax

97 Organisation for Economic Co-operation and Development. (11 October 2023). The Philippines joins the Inclusive Framework on BEPS and participates in the agreement to address the tax challenges arising from the digitalisation of the economy. Retrieved from <https://www.oecd.org/tax/beps/the-philippines-joins-the-inclusive-framework-on-beps-and-participates-in-the-agreement-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy.htm>.

98 Organisation for Economic Co-operation and Development. (19 February 2024). Pillar One - Amount B: Inclusive Framework on BEPS. Retrieved from <https://www.oecd.org/tax/beps/pillar-one-amount-b-21ea168b-en.htm>.

99 Office of the Ombudsman. (n.d.). Republic Act No. 6713. Retrieved from https://www.ombudsman.gov.ph/docs/republicacts/Republic_Act_No_6713.pdf.

authorities.

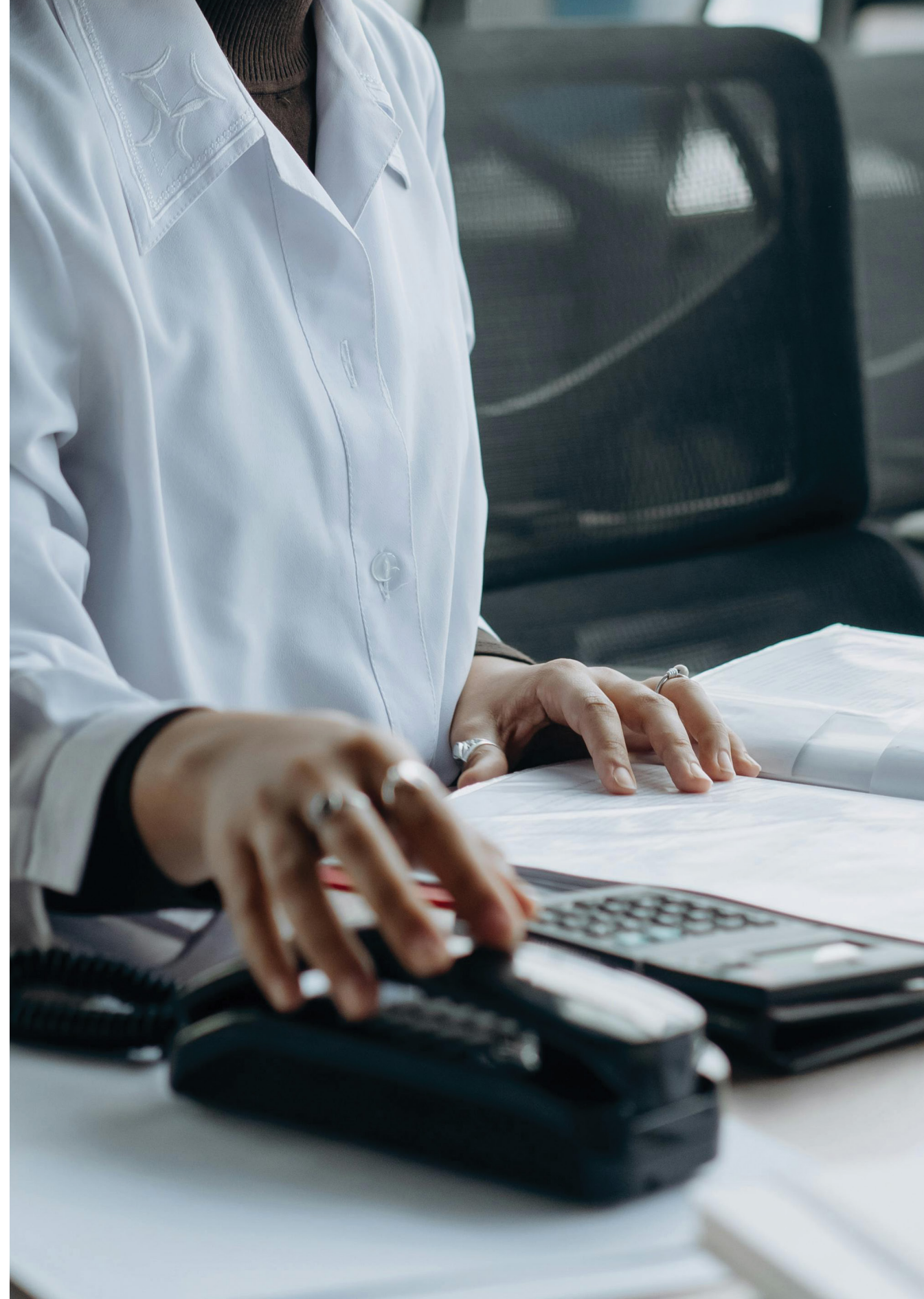
Supplementarily, it is imperative that robust taxpayer education and awareness initiatives are implemented. These programs should aim to enhance taxpayers' understanding of their rights and obligations, tax compliance requirements, and avenues for seeking assistance or redress in case of disputes. Maximising the use of channels such as workshops, seminars, online resources, and outreach campaigns will ensure widespread dissemination of information and promote voluntary compliance.

It is likewise crucial to note that in aligning with international norms and practices, the efforts on advancing taxpayers' rights should draw upon principles established by organisations such as the Organisation for Economic Cooperation and Development (OECD). By integrating best practices in taxpayer rights protection, dispute resolution mechanisms, and tax administration, the Philippines can enhance its credibility in the global tax arena and facilitate cross-border cooperation in tax matters.

As such the ECCP recognises the push at the Senate and House of Representatives to enact legislation on the Taxpayer's Bill of Rights and Obligations.¹⁰⁰¹⁰¹ The ECCP aligns with the overarching principles of this proposed measure, such as providing avenues for increased tax policy awareness, protecting taxpayer rights, and contributing to a fairer tax system for taxpayers. Finally, the ECCP recognises the proposed measure's intent to enhance tax awareness and education, as well as boosting confidence in the country's tax system.

100 Torregoza, H. (01 August 2023). Senate OKs taxpayers bill of rights on final reading. Retrieved from <https://mb.com.ph/2023/7/31/senate-o-ks-taxpayers-bill-of-rights-on-final-reading>.

101 Cruz, B.M. (15 August 2023). House committee approves Taxpayer's bill of rights and obligations. Retrieved from <https://www.bworldonline.com/the-nation/2023/08/15/539847/house-committee-approves-taxpayers-bill-of-rights-and-obligations/>.



ASSESSMENT OF 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Fast-track Senate Concurrence of the Foreign Account Tax Compliance Act (FATCA)		
Lift or Amend the Bank Secrecy Law		
Further Promotion of Digital Transformation in Tax- and Finance-Related Transactions and	Boost digital transformation in the financial sector	The Bangko Sentral ng Pilipinas stated that it has already reached its target under the Digital Payments Transformation Program, by having reached 50% of retail payments in digital form, and 70.2% of Filipinos financially included in 2023.
	Further clarify the implementation of the Transfer Pricing rules	
	Tax digitalisation and ease of paying taxes	<p>The Ease of Paying Taxes Act was signed into law on 05 January 2024, with the aim to modernise the Philippine tax administration and strengthen taxpayer rights.</p> <p>This measure was identified as a priority legislation of the current administration during the State of the Nation Address in 2022 and 2023.</p> <p>As of February 2024, the Bureau of Internal Revenue has released one Revenue Regulation to implement the said law.</p>

SOME PROGRESS	NO PROGRESS / RETROGRESSION
	<p>The Senate concurrence of the Foreign Account Tax Compliance Act (FATCA) has remained pending in the Committee of Foreign Relations at the Philippine Senate since December 2016, according to a June 2019 report.</p> <p>In January 2024, the Bangko Sentral ng Pilipinas stated that refinements are being done on the policy considering challenges in its implementation.</p>
<p>The bill on the proposed amendments to the Bank Deposits Secrecy Law, as well as the Anti Financial Account Scamming Act, have both hurdled 3rd reading at the House of Representatives, and been submitted to the Senate as of May 2023.</p> <p>The Legislative-Executive Development Advisory Council (LEDAC) has also approved the inclusion of these two measures in its priority legislation under the current administration.</p>	<p>The Philippines remains to be in the grey list of the Financial Action Task Force, based on its report released in February 2024.</p> <p>The FATF said that even if the Philippines has taken steps in improving its Anti-Money Laundering / Countering the Financing of Terrorism regime, the country should continue implementing action plans to address strategic deficiencies.</p>
	<p>The BIR continues to implement the Revenue Regulations and Memorandum Circulars that it has issued from 2013 to 2020 in line with its policy on Transfer Pricing. No further clarification on its implementation has been noted.</p>

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Extend the implementation of the Tax Amnesty Package		<p>Republic Act No. 11956 , which lapsed into law in August 2023, extended the deadline to avail the estate tax amnesty for another two years, or until June 14, 2025, as well as the coverage of the amnesty to the estates of persons who passed away on or before May 31, 2022.</p> <p>The Bureau of Internal Revenue's Revenue Regulations No. 10-2023 has also been issued in September 2023, to implement further amendments to Republic Act No. 112213.</p>
Increase efforts to provide incentives and improve ease of doing business across all government levels		

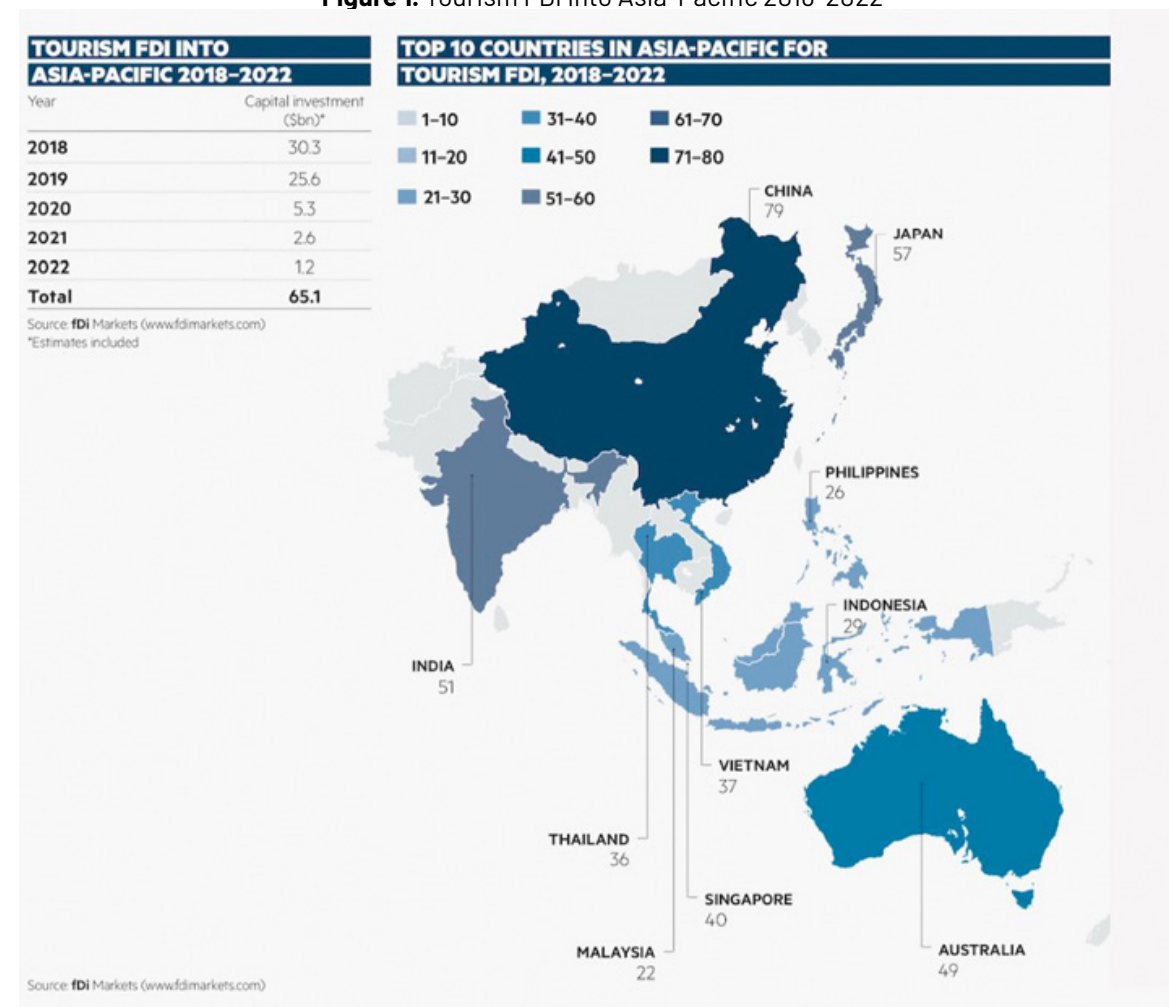
SOME PROGRESS	NO PROGRESS / RETROGRESSION
Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) bill that has been approved at the Lower House aims to amend the CREATE Act to enhance the country's tax incentives system.	

TOURISM ADVOCACY PAPER 2024

INTRODUCTION

From a business standpoint, the level of investments in the tourism sector reflects the confidence and perceived opportunities within the industry. This is evident in the case of the Philippines, which ranked as the third-largest recipient of global tourism foreign direct investment (FDI) from 2018 to 2022, according to a World Trade Organization (WTO) report. This trend facilitated the funding of 26 projects aimed at enhancing tourist destinations nationwide, totaling USD 11.1 billion in investments.¹ Despite the pandemic and its adverse effects on the sector, the country has shown promising potential, indicating that foreign visitors are eager to experience the beauty and attractions that local destinations have to offer.

Figure 1. Tourism FDI into Asia-Pacific 2018-2022



Source: United Nations World Tourism Organisation

In 2023, 5.4 million visitors were recorded by the Department of Tourism (DOT), exceeding the projected 4.8 million international visitors for the same year – a testament to the tourism industry’s resilience amid setbacks in the previous years.² Although it is noteworthy that this figure represents only 66% of pre-

1 Arnaldo, M.S. F. (16 October 2023). PHL ranks 3rd global tourism FDI recipient in '18-'22. Retrieved from <https://businessmirror.com.ph/2023/10/16/phl-ranks-3rd-global-tourism-fdi-recipient-in-18-22/>

2 Rocamora, J.A.L. (02 January 2024). PH records 5.45M int'l visitors in 2023. Retrieved from <https://>

pandemic levels. South Korea retains its top spot as the country's main source of international visitors, getting 26.41 percent of the share which delivered 1,439,336 foreign tourists. It was followed by the United States with 903,299 tourists (16.57 percent) visiting the country; then Japan with 305,580 (5.61 percent); Australia with 266,551 (4.89 percent); and China with 263,836 (4.84 percent). Moreover, the Philippine tourism revenue surged in 2023.³ The country registered an estimated PHP 482.5 billion international receipts from January 1 to December 31, 2023, a 124.9% increase compared with the PHP 214.58 billion estimated visitor receipts from the same period last year.⁴

Table 1. Air Visitors Arrivals by Nationality - January to December 2023

Air Visitor Arrivals by Nationality - January to December 2023		
By Nationality	Total	% Share
Grand Total	5,450,557	100.00
Total Overseas Filipinos	447,082	8.20
Total Overseas Tourists	5,003,475	91.80

Source: Department of Tourism

These promising figures from 2023 along with the rapid reopening of the economy, the Philippines greatly benefits from it for the DOT predicts 7.7 million tourists in 2024.⁵ In the first quarter, over 1.2 million tourists were recorded to visit the Philippines, a 22.86% increase from 2023 in the same period. The top markets for the period include South Korea, remaining the country's top source of tourists with 349,956 visitors, followed by the United States with 195,603 visitors, China with 85,876, Japan with 73,159, Canada (50,555), Australia (50,488), Taiwan (42,955), United Kingdom (30,507), Singapore (25,253) and Germany (20,816).⁶ Similarly, according to the Civil Aeronautics Board (CAB), domestic passenger traffic returned to pre-pandemic levels, reaching 28.96 million last year, up 28% from 22.50 million in 2022.⁷

www.pna.gov.ph/articles/1216218#:~:text=MANILA%20%E2%80%93%20The%20Philippines%20welcomed%20a,remaining%20are%20447%20082%20overseas%20Filipinos.

³ Department of Tourism. (02 January 2024). DOT Chief: Philippines surpasses yearend target with 5.45 million int'l visitor arrivals in 2023, int'l visitor receipts surge at PHP482.54 billion. Retrieved from https://beta.tourism.gov.ph/news_and_updates/dot-chief-philippines-surpasses-yearend-target-with-5-45-million-intl-visitor-arrivals-in-2023-intl-visitor-receipts-surge-at-php482-54-billion/

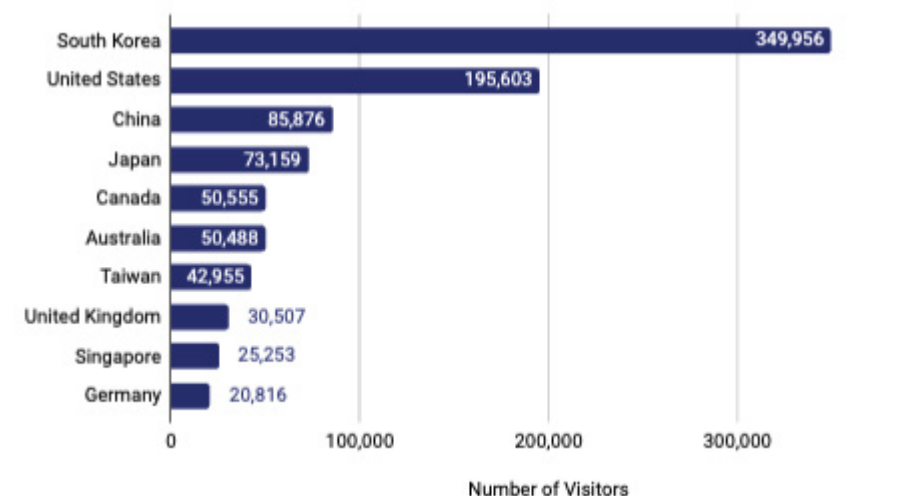
⁴ Venzon, C.H. (03 January 2024). Philippine Tourism Revenue in 2023 Tops Pre-Pandemic Level. Retrieved from <https://www.bloomberg.com/news/articles/2024-01-03/philippine-tourism-revenue-in-2023-tops-pre-pandemic-level?leadSource=uverify%20wall>

⁵ Isip, I. (22 February 2024). DOT bats for more air seats, flights. Retrieved from https://malaya.com.ph/news_business/dot-bats-for-more-air-seats-flights/

⁶ Ong, G. (08 March 2024). DOT: Philippines welcomes over 1.2 million tourists. Retrieved from <https://www.philstar.com/headlines/2024/03/08/2338971/dot-philippines-welcomes-over-12-million-tourists>

⁷ Amojelar, D. G. (11 March 2024). Air passenger traffic returned to pre-pandemic levels, says CAB. Retrieved from <https://manilastandard.net/business/transport-tourism/314425008/air-passenger-traffic-returned-to-pre-pandemic-levels-says-cab.html>

Figure 2. Top Ten Visitor Markets, January - March 2024



Source: Department of Tourism

When it comes to leading tourist destinations, a study conducted by Frost and Sullivan reveals that although the Philippines attracts a significant number of visitors to its nature/environment-based attractions such as beaches, islands, national parks, and water sports, it lags behind its Asian counterparts in drawing tourists to cultural destinations including art museums, historical landmarks, and food exploration.⁸

Philippines Destination Image versus Leisure Travelers Motivations		
PRODUCT		COMPARATIVE PERFORMANCE
Sun/Beaches/Islands	76%	Thailand is No1 while Philippines and Indonesia followed closely behind
Nature/National parks/Forests	50%	Stiff rivalry between Philippines, Malaysia and Indonesia
Mountains/Hiking/Trekking	38%	Philippines scores highest for adventurous activities
Diving/Water sports	34%	Philippines is up there with the rest of the world in diving
Historical landmarks	51%	Philippines ranked lowest
Cultural/Art museums or activities	29%	Philippines ranked very poorly
Religious/places of worship	11%	Philippines ranked poorly
City trips	34%	Philippines ranked average; Singapore is tops
Shopping	27%	Philippines ranked below average
Food explorations/Cooking class	27%	Philippines ranked poorly
Romantic getaway	21%	Philippines scored the highest
Visiting friends/relatives	18%	Philippines scored very high among the top 3
Nightlife/Entertainment	15%	Philippines ranked high slightly below Thailand and Singapore
Spa/Wellness/Health/Medical	4%	Philippines ranked high
Farm/Plantation/Vineyard visits		Philippines ranked high
Casino/Gaming		Philippines ranked high; below Singapore

Source: Frost & Sullivan 2022 Study on The Consumer Insight Survey of Travel Markets



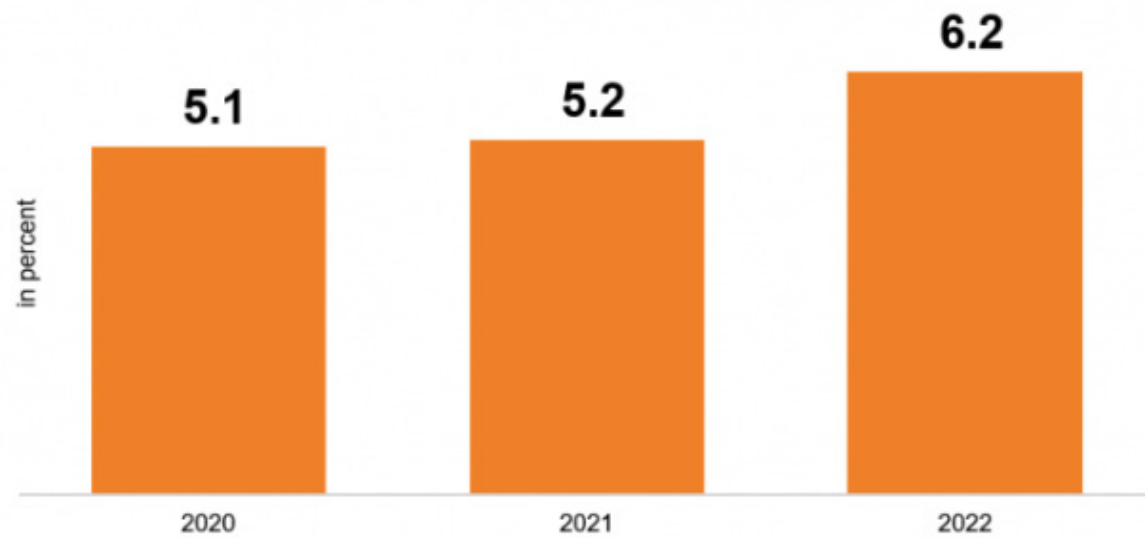
Source: Department of Tourism

The tourism industry holds significant importance in the Philippines, consistently contributing to the nation's GDP. Before the pandemic, tourism's direct gross value added (TDGVA) reached PHP 2.5 trillion,

⁸ Presentation of DOT Tourism Development Planning Division Chief Hon. Ramil Basuel during the ECCP Tourism Committee Meeting on 21 March 2024

equivalent to 12.9% of GDP. However, this figure plummeted to 5.1% in 2020 due to the pandemic's impact. Since then, with the gradual easing of travel restrictions, it has rebounded to 6.2% of GDP in 2022.^{9 10} However, it is noteworthy that this is still about 45% below its share in the GDP.

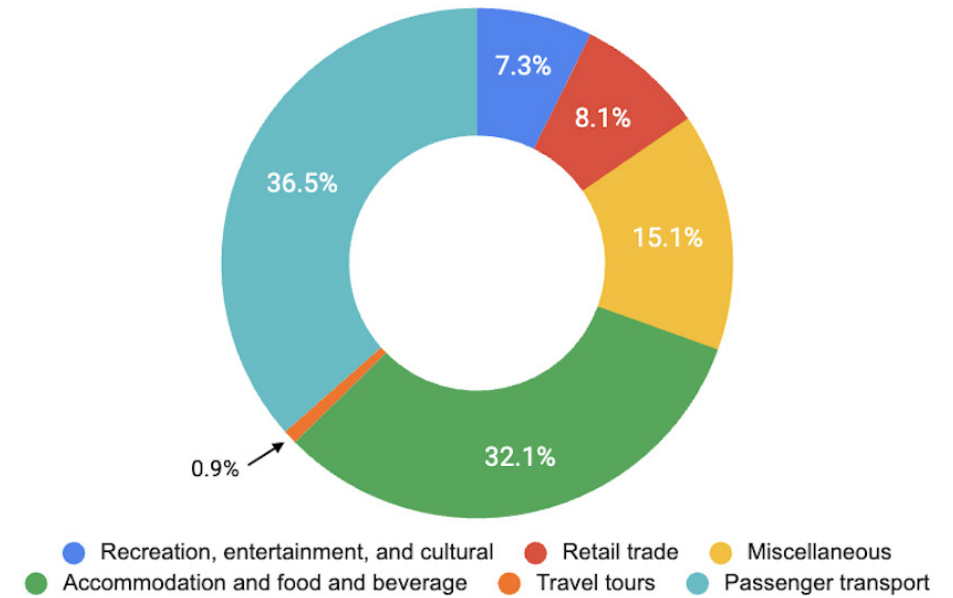
Figure 3. Percent Share of Tourism to GDP, 2020-2022



Source: Philippine Statistics Authority

Meanwhile, the employment rate in the tourism industry has rapidly rebounded, with 93.5% of pre-pandemic jobs already recovered, after the loss of 1 million jobs in the industry during the pandemic. According to the Philippine Statistics Authority (PSA), passenger transport created 1.9 million jobs, or 36.5% of tourism employment in 2022. 'Accommodation and food and beverage' takes the second largest contributor (32.1%); followed by miscellaneous (15.15%); retail trade (8%); recreation, entertainment, and culture (7.35%); and travel tours (0.9%).

Figure 3. Distribution of Tourism Employment, by Industry, 2022



Source: Philippine Statistics Authority

The tourism industry of the Philippines is projected to soar, proving its critical role in sustaining the socioeconomic development of the country.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- The Department of Labor and Employment (DOLE) issued Department Order (DO) No. 242, otherwise known as the Revised Implementing Rules and Regulations (IRR) of Article 96 of the Labor Code of the Philippines on the Service Charges Collected by Hotels, Restaurants, and other Similar Establishments. The DO excludes managerial employees from benefiting from the collected service charge.¹¹
- On 26 February 2024, the Department of Labor and Employment and the Bureau of Immigration (BI) signed a Data Sharing Agreement (DSA) to expand the information exchange pertaining to foreign nationals issued with Alien Employment Permit (AEP). The AEP, issued by DOLE, is a prerequisite in the application for a Pre-arranged Employment Visa 9(G) issued by the BI. The terms of the agreement aim to streamline operations and eliminate duplication of documentary requirements as both agencies will be sharing relevant data and information in the processing of AEP and 9(G) visa.¹²

⁹ Pilar, L.O. (16 June 2023). Tourism's contribution to GDP climbs to 6.2% in 2022. Retrieved from <https://www.bworldonline.com/top-stories/2023/06/16/529001/tourisms-contribution-to-gdp-climbs-to-6-2-in-2022/>

¹⁰ Philippine Statistics Authority. (15 June 2023). Tourism Contributes 6.2 Percent to GDP in 2022. Retrieved from <https://psa.gov.ph/statistics/tourism/node/1684059873>

¹¹ Department of Labor and Employment. (1 February 2024). Department Order No. 242. Retrieved from <https://bwc.dole.gov.ph/images/Issuances/DepartmentOrder/DO-242-24.pdf>

¹² PNA. (28 February 2024). DOLE, BI ink pact on sharing of foreign workers' data. Retrieved from <https://www.pna.gov.ph/articles/1219734>

- In May 2023, President Ferdinand R. Marcos Jr. approved the National Tourism Development Plan (NTDP) for 2023 to 2028, which will serve as the administration's blueprint and the development framework for the tourism industry. The NTDP provides a framework to guide the development and implementation of programs, projects, and activities towards a sustainable, innovative, inclusive, and globally competitive tourism industry. The Plan's seven strategic goals include improvement of tourism infrastructure and accessibility; cohesive and comprehensive digitalisation and connectivity; enhancement of overall tourist experience; equalization of tourism product development and promotion; diversification of the tourism portfolio through multidimensional tourism; maximisation of domestic and international tourism; and strengthening tourism governance through close collaborations with national and local stakeholders.¹³
- The San Miguel Corp. (SMC)-SAP & Co. Consortium won the bidding for the PHP 170.6 billion Ninoy Aquino International Airport (NAIA) rehabilitation project, as it proposed a revenue share with the government of 82.16% – more than double that offered by its two competitors: GMR Consortium and the Manila International Airport Consortium, which proposed a share of 33.3% and 25.91%, respectively. The NAIA upgrade project involves the restoration of passenger terminals and airside facilities such as the runway, aircraft parking area, and airfield lighting, as well as the installation of infrastructure to allow for intermodal transfers at the terminal. The Department of Transportation (DOTr) expects the winning bidder to take over operations and maintenance of the airport by September.¹⁴
- Two months before the 2023 yearend, the DOT breached its target of training 100,000 frontline tourism workers on the Filipino Brand of Service Excellence (FBSE). Trainees include workers across a variety of sectors, such as accommodation, travel and tour, transport, academe, meetings, incentives, conferences and exhibitions (MICE), farm tourism, tour guide, and tourist police.¹⁵ As of 31 December 2023, there were 126,343 FBSE-trained tourism workers. Undertaken by the DOT Office of Industry Manpower Development (OIMD), the FBSE program is one of the centerpiece programs of the Agency, which focuses on soft skills training.¹⁶
- The Philippines won four major awards at the World Travel Awards 2023. Apart from the Global Tourism Resilience Award, the Philippines was hailed as the World's Leading City Destination for its capital, Manila. The country was once again named the World's Leading Dive Destination and World's Leading Beach Destination, defending its titles from 2022.¹⁷ The Philippine Ports Authority (PPA) has started building ports that are dedicated to cruise operations, as it anticipates an influx of tourists following the country's win as the "Best Cruise Destination in Asia 2023" at the latest World Cruise Awards. This aims to provide a safer and more convenient maritime transportation experience to tourists aboard cruise vessels.¹⁸
- Through the marketing arm of the DOT, the Tourism Promotions Board (TPB), the Tourism Department launched the upgraded Travel Philippines application in October 2023. This enhanced digital platform contains pick-up and drop-off points for every mode of travel, including a list of

domestic and international airports for booking flights. It also connects users to a travel directory of the best establishments in the area for accommodation.¹⁹

- In 2023, the DOT unveiled the Tourist Assistance Call Center, which shall serve as the hotline and one-stop shop for local and foreign tourists, made available to provide tourism- and travel-related information and extend assistance to any untoward incidents that may occur during the tourist's visit.²⁰
- The eTravel platform, an online registration system for travellers 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 travelling 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).²¹

¹³ Presidential Communications Office. (16 May 2023). PBBM approves five-year National Tourism Development Plan. Retrieved from https://pco.gov.ph/news_releases/pbbm-approves-five-year-national-tourism-development-plan/

¹⁴ PPP Center. (16 February 2024). SMC-SAP & Company Consortium wins NAIA PPP Project. Retrieved from https://ppp.gov.ph/press_releases/smc-sap-company-consortium-wins-naia-ppp-project/

¹⁵ Philippine News Agency. (15 October 2023). Filipino hospitality soars with DOT surpassing 100K target trainees. Retrieved from <https://www.pna.gov.ph/articles/1211834>

¹⁶ Department of Tourism. (3 January 2024). Retrieved from <https://www.facebook.com/photo/?fbid=783900843782048&set=pb.100064864171029.-2207520000>

¹⁷ Ayeng, R. (6 December 2023). Phl bags 4 major int'l travel awards. Retrieved from <https://tribune.net.ph/2023/12/05/phl-bags-4-major-intl-travel-awards>

¹⁸ Marasigan, L. S. (19 October 2023). PPA readies ports for cruise tourism boom. Retrieved from <https://businessmirror.com.ph/2023/10/19/ppa-readies-ports-for-cruise-tourism-boom/>

¹⁹ Posadas, A. (2 November 2023). Visiting the PH? DOT's new app is set to make that easier. Retrieved from <https://usa.inquirer.net/139100/visiting-the-ph-dots-new-app-is-set-to-make-that-easier>

²⁰ Department of Tourism. (2 October 2023). DOT launches Tourist Assistance Call Center. Retrieved from https://beta.tourism.gov.ph/news_and_updates/dot-launches-tourist-assistance-call-center/

²¹ 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/>

On legislation

- 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.²² 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 2023.²³ Its Senate counterpart, Senate Bill No. (SBN) 2415 has been pending in the second reading since September 2023.²⁴
- 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. 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.²⁵ However, the measure was 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.”^{26 27} In the 19th Congress, SBN 1121 and HBN 1801 have been filed to push for the PTSB creation. Senate Committee Report No. 38 was filed in March 2023 while HBN 1801 is still with the Committee on Government Reorganisation since August 2022.^{28 29}
- 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 2022.³⁰ In the Lower House, HBN 2234, or An Act Creating the Philippine Airports Corporation has been pending with the Committee on Government Enterprises and Privatisation since August 2022.³¹

22 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>

23 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

24 Senate of the Philippines. (2023). Senate Committee Report No. 106. Retrieved from <https://legacy.senate.gov.ph/lisdata/4254138708!.pdf>

25 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

26 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>

27 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/18amb0VttcBHZFEyFIRnai-xbeTiqRhB/view?usp=sharing>

28 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

29 House of 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

30 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

31 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 2023.³² Meanwhile, its Senate counterparts, SBN 1003 and 1654, filed in August 2022 and January 2023, respectively, have been pending at the committee level. Under the bills, the Agency's fiscal autonomy will be enhanced, as it will be exempted from Republic Act No. 7656 or the Dividend Law to maximise 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 Standardisation Law in consideration of the highly technical nature of the functions of the agency.³³

ADVOCACY RECOMMENDATIONS

Improvement of international and domestic connectivity

Upgrade airports and other tourism-related infrastructure

Airports are vital elements of a strong and thriving economy. They play a pivotal role in driving international trade, attracting investments, and boosting tourism. In facilitating trade and business, airports enable the efficient movement of goods and provide high-speed cargo transport, promoting timely delivery and reducing supply chain disruptions. Moreover, airports are often the first point of contact for tourists, providing a lasting impression of a country. These infrastructural components create a wide range of employment opportunities and stimulate the growth of secondary industries, such as hotels, restaurants, and other tourism establishments.

Various 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, realising the economic gains this would bring. The Philippines has made significant progress, with the Aboitiz GMR Megawide Cebu Airport Corporation (AGMCAC) winning another award for the Philippines in February 2023 as Asia's Best Airport in the under 5 million passenger category.³⁴ It has likewise achieved Level 1 Mapping, becoming the first airport in the Philippines to join the Airport Carbon Accreditation programme as well as the first and only ACI World Airport Service Quality (ASQ)-accredited airport in the country.³⁵ In November 2023, Clark International Airport was hailed as one of the 24 World's Most Beautiful Airports, according to Prix Versailles, World Architecture Award.³⁶

Nonetheless, the country has yet to further improve its competitiveness vis-à-vis its ASEAN neighbours as the Ninoy Aquino International Airport (NAIA) has been frequently ranked relatively dismal. More recently,

32 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

33 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

34 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>

35 Airport Carbon Accreditation. (5 March 2024). Mactan-Cebu International Airport puts the Philippines on the Airport Carbon Accreditation map. Retrieved from <https://www.airportcarbonaccreditation.org/mactan-cebu-international-airport-puts-the-philippines-on-the-airport-carbon-accreditation-map/>

36 Adel, R. (10 November 2023). Clark International Airport among 'World's Most Beautiful Airports'. Retrieved from <https://www.philstar.com/headlines/2023/11/10/2310442/clark-international-airport-among-worlds-most-beautiful-airports>

in May 2022, NAIA was tagged as the “worst business class airport in the world” in an international study.³⁷ The relatively restricted number of destinations served and the limited volume of passengers that it can accommodate are some of NAIA’s recognised 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.³⁸ 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.³⁹

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 neighbours. 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.⁴⁰

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 Economics⁴¹

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, rehabilitation of airports should involve improvement in both physical and digital infrastructure and upgrading air transport networks. Modernised 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

37 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>

38 Asia Sentinel. (2021). Manila’s Airport Fiasco. Retrieved from <https://www.asiasentinel.com/p/manilas-airport-fiasco>

39 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/>

40 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>

41 Oxford Economics. (2020). Aviation: Benefits Beyond Borders. Retrieved from https://aviationbenefits.org/media/167517/aw-oct-final-atag_abbb-2020-publication-digital.pdf

the pandemic lockdowns.

In this context, the ECCP commends the government leaders for considering NAIA modernisation a priority. The Chamber also continues to advocate for strengthened public-private partnerships (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. Relatedly, the DOTr reported that as of September 2023, nine major hubs/regional airports are under PPP evaluation process. Meanwhile, over 40 airports are in various stages of development.⁴² These undertakings will aid in increasing the number of flights and destinations in the aviation industry, promoting inbound and outbound travel to and from the Philippines.

In February 2024, the DOTr announced the San Miguel Corp. (SMC)-SAP & Co. Consortium as a winning bidder for the NAIA rehabilitation project, as it proposed a revenue share with the government of 82.16%. The NAIA upgrade project involves the restoration of passenger terminals and airside facilities such as the runway, aircraft parking area, and airfield lighting, as well as the installation of infrastructure to allow for intermodal transfers at the terminal.⁴³ According to the Agency, NAIA privatisation 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 privatised.⁴⁴ The SMC-SAP & Co. Consortium is expected to take over operations and maintenance of the airport by September.

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 travellers to explore many of the countries’ tourist destinations. The National Tourism Development Plan (NTDP) 2023-2028 covers Improvement of Tourism Infrastructure and Accessibility as one of its 7-point agenda. The Strategic Infrastructure Programs of the Department of Public Works and Highways (DPWH) involve 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.⁴⁵ As of 2023, the DOT reported that 158 kilometers of tourism roads have been completed to increase connectivity with the DPWH under TRIP.⁴⁶

With this in mind, there should be improved mechanisms in place to support the transportation of travellers from the airport to their respective destinations in the country, especially within Metro Manila. In October 2023, President Ferdinand Marcos Jr. approved programs and projects worth an estimated PHP 270 billion that are meant to boost tourism and address gaps in the country’s healthcare system. Included on the list of National Economic and Development Authority (NEDA) board-approved projects is the PHP 4.5 billion rehabilitation of the Bohol-Panglao International Airport, which would be funded via PPP. At present, the airport can accommodate two million passengers annually. Once the upgrade is completed, the airport would be able to accommodate 3.9 million travellers per year.⁴⁷ Still, the DOT should continue to closely coordinate with the Department of Health (DOH) and other concerned agencies in establishing and improving health facilities in various tourist spots in the country, particularly in far-flung areas. This

42 Ibid.

43 PPP Center. (16 February 2024). SMC-SAP & Company Consortium wins NAIA PPP Project. Retrieved from https://ppp.gov.ph/press_releases/smc-sap-company-consortium-wins-naia-ppp-project/

44 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/

45 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

46 Department of Tourism. (24 January 2024). Retrieved from <https://www.facebook.com/photo/?fbid=798038635701602&set=pb.100064864171029.-2207520000>

47 Cigalal, I. N. P. (14 October 2023). Bongbong Marcos approves P270B worth of key projects. Retrieved from <https://business.inquirer.net/426249/marcos-approves-p270b-worth-of-key-projects>

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 travellers

As gateways to the Philippines, airports play an important role in offering tourists a favourable impression of the Philippines. In order to fully utilise the enormous potential for domestic and international tourism in the country, modernising 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 travellers. 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.⁴⁸ In addition, the Department of Budget and Management (DBM) has granted the release of almost PHP 2.5 billion to the Department of Information and Communications Technology (DICT) for the implementation of the Free Public Internet Access Program (FPIAP). Over PHP 2.4 billion will be earmarked for free internet Wi-Fi connectivity in public places, while the remaining PHP 50 million goes to connectivity concerns for State Universities and Colleges (SUC).⁴⁹

While the Tourism Committee welcomes these government initiatives, we emphasise 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.⁵⁰ In relation to this, the Better Internet Act⁵¹ requires internet service providers (ISP) to expand their coverage and set a minimum Internet connection speed.

Insofar as airport operations are concerned, the Bureau of Immigration (BI) is gearing up for extensive modernisation projects in 2024 that align with the country's ambitious tourism targets. It was presented that the BI is set to replace 25% of its manual operations with electronic gates this year as part of a medium-term plan.⁵² Moreover, among the key priorities of the DOTr for 2023-2024 is technology advancement, particularly airport collaborative decision-making (A-CDM) for NAIA and Mactan-Cebu International Airport (MCIA) as well as the employment of digital ID for seamless airport passenger processing.⁵³ The Aviation and Tourism Committees continue to advocate for strengthened digitalisation efforts with the aim of improving the whole passenger experience. This introduces an opportunity for travellers to further streamline their journey with advanced sharing of information and a contactless process at airports,

48 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/>

49 PNA. (15 February 2024). DBM releases P2.5B for Free Public Internet Access Program. Retrieved from <https://www.pna.gov.ph/articles/1218933>

50 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/>

51 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.

52 Barretto, N. C. (15 January 2024). BI aligns upgrades with tourism. Retrieved from <https://www.bworldonline.com/the-nation/2024/01/15/569027/bi-aligns-upgrades-with-tourism/>

53 Presentation of Department of Transportation Undersecretary for Aviation and Airports Roberto Lim at the 2023 Aviation Summit

including biometric recognition and the use of e-boarding pass thru mobile applications for immigration processing time.

Promote Domestic and International Tourism

Streamline travel requirements and improve visa application of foreign nationals to further attract tourists to the Philippines

The ECCP and its Tourism Committee are deeply committed to making the Philippines a more competitive destination for local and foreign investments. Given the increased travel demand of tourists in the wake of fully reopened borders, we emphasise the urgency of simplifying travel regulations. The Committee underlines that considerably shorter visa application processes and a simpler list of travel requirements will enhance the country's position as a preferred tourist and investment destination. As such, the Chamber's Tourism Committee supports the move of the Department of Justice (DOJ) to suspend the implementation of the revised guidelines on departure formalities following concerns by lawmakers and travellers over the supposed overreach of the right to travel. The BI directed all airport personnel not to temporarily implement the 2023 Revised Guidelines on Departure Formalities.^{54 55}

In regards to the travel requirements of expatriates seeking entry to the Philippines, concerns have been raised by industry players on the tedious process of coordinating with various government agencies that create bottlenecks in visa application and processing. Specifically, the Tourism Committee strongly urges the government to align the overall timeline of visa application processing with the BI Citizen's Charter; to improve the turnaround time in releasing work permits of foreign nationals from DOLE and issuance of working visas and emigration clearance certificates (ECC) from the BI; and to effectively ensure that the list of visa requirements on the websites of the Philippine government agencies and embassies/consulates are updated and complete to avoid back-and-forth transactions.

In line with the government's push to reduce red tape and expedite business and non-business related transactions in government, considerably shorter 9(A) visa application processes and a simpler list of travel requirements will help the country compete as a favoured tourist and investment destination. Non-pandemic-related documents other than the minimum requirements for travellers to enter the country should likewise be streamlined.

Moreover, the Committee calls for the extension of the validity of the Alien Certificate of Registration Identity Card (ACR I-Card) and simultaneous filing of ACR I-Card cancellation and ECC application at satellite offices to significantly reduce processing time. Regional offices must also integrate the Alien Employment Permit (AEP) filing system into online submission same as the DOLE National Capital Region (NCR) office. By the same token, the BI ought to consolidate corporate documents within an online portal, facilitating Petitioners in submitting updated documents for compliance. Additionally, the BI should have the capability to prompt the portal if new or revised corporate documentation is necessary. This approach aims to streamline the application process by reducing the number of required documents for each applicant and minimising the volume of documents to be reviewed by BI officers. Moreover, avoiding the duplication of corporate documents will contribute to a reduction in paper consumption.

The Committee reiterates that there is an urgent necessity to enhance visa application processes, as the current inefficiencies not only consume stakeholders' time and resources but also result in delays for expatriates' travel plans. Failure to address the concerns of expatriates seeking entry into the country may hamper the promotion of the Philippines as a top tourism and investment destination. As such, the

54 Servillos, N. J. (1 September 2023). DOJ suspends 'stricter' outbound travel rules. Retrieved from <https://www.philstar.com/headlines/2023/09/01/2292896/doj-suspends-stricter-outbound-travel-rules>

55 Official Gazette. (25 August 2023). 2023 Revised Inter-Agency Council Against Trafficking (IACAT) Guidelines On Departure Formalities For International-Bound Filipino Passengers. Retrieved from https://www.officialgazette.gov.ph/downloads/2023/08aug/2023_Revised_IACAT_Guidelines_on_Departure_Formalities_for_International-Bound_Filipino_Passengers.pdf

ECCP commends the DOLE and BI in its Ceremonial Signing for a Data Sharing Agreement (DSA) last 26 February 2024. With the aim to expand the information exchange pertaining to foreign nationals issued with AEP, the DSA will streamline operations and eliminate duplication of documentary requirements as both agencies will be sharing relevant data and information in the processing of AEP and 9(G) visas. Particularly, the agreement will enable BI real-time online verification and authentication of AEPs being shown by foreigners seeking employment in the Philippines, and at the same time, provide DOLE updates on who has been issued 9(G) working visas, provisional work permits, and special work permits. In relation to this, it was announced that the processing of 9(G) visas will be online starting 1 June 2024.⁵⁶

Prior to this, DOLE issued Labor Advisory No. 16-21 in compliance with the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) issued Resolution No. 131-A⁵⁷ to govern the issuance of AEP or Certificate of Exemption/Exclusion for foreign nationals working for more than six months in the country. In addition, the BI issued Operations Order No. JHM-2021-004 which provided specific guidelines in relation to the issuance of 9(G) visas, while 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. The ECCP, together with its Human Capital and Tourism Committees, supports these developments made on easing the restrictions on foreign employment.

Furthermore, the government is now in the process of rolling out its improved electronic visas (e-visa) as well as the reduced visa requirements to attract more tourists from its target. The said measures were part of the NTDP 2023-2028.⁵⁸ In line with our support of the current administration's commitment to digitalise services, particularly in the areas of government payments, company and business registrations, issuance of permits and licenses, loan applications, and revenue collection, we believe that this crucial undertaking will provide better and quality services to the public.

Implement regulation that promotes fair and equitable distribution of service charges among all workers in service charge-collecting establishments in the tourism industry

In the dynamic landscape of the Philippine tourism sector, the call for comprehensive measures to address the welfare of industry players has never been more urgent. As the country grapples with the multifaceted challenges stemming from the global pandemic and its impact on the travel and hospitality industry, it is pivotal to develop equitable policies for tourism workers. The formulation and implementation of effective structures are crucial steps toward cultivating a tourism environment that values human capital.

In February 2024, the DOLE issued DO No. 242, otherwise known as the Revised IRR of Article 96 of the Labor Code of the Philippines on the Service Charges Collected by Hotels, Restaurants, and other Similar Establishments. The new DO still excludes managerial employees from benefiting from the collected service charge.⁵⁹ Upon examination of the service process in hotels and resorts, it becomes evident that all employees contribute to ensuring total guest satisfaction. The Committee reiterates that in the realm of the hospitality sector, encompassing hotels and resorts, every employee contributes to the provision of service. Exclusionary practices against managerial staff from service charge beneficiaries may affect the quality of service they provide to their customers as service charges are forms of incentives.

56 PNA. (28 February 2024). DOLE, BI ink pact on sharing of foreign workers' data. Retrieved from <https://www.pna.gov.ph/articles/1219734>

57 IATF. (2021). Resolution No. 131-A. Retrieved from <http://calabarzon.dole.gov.ph/fndr/mis/files/IATF-RESOLUTION-NO-131-A-S-2021.pdf>

58 Medinilla, S. P. (6 November 2023). Govt 'fine-tuning' e-visa system to boost tourism. Retrieved from <https://businessmirror.com.ph/2023/11/06/govt-fine-tuning-e-visa-system-to-boost-tourism/>

59 Department of Labor and Employment. (1 February 2024). Department Order No. 242. Retrieved from <https://bwc.dole.gov.ph/images/Issuances/DepartmentOrder/DO-242-24.pdf>

It is in this light that the Tourism Committee recommends revisiting the policies in place to advocate for equal distribution of service charges to all employees, regardless of their employment status or position title. Given that everyone in the service industry is expected to contribute to overall guest satisfaction, such a policy adjustment aligns with the fundamental principles of fairness and equality.

To address the ambiguity surrounding the distribution of service charges in the hospitality industry, it is imperative to establish clear and transparent policies that outline the parameters for their allocation. By providing clarity on service charge distribution, policymakers can mitigate the potential of having varied interpretations and ensure fairness and equity for all stakeholders involved. Moreover, fostering open dialogue and collaboration among industry stakeholders, including business organisations, labor unions, and regulatory bodies, will be essential in formulating policies that strike a balance between the interests of employees and the sustainability of businesses in the hospitality sector.

In the same way, the ECCP and its Tourism Committee call for a long-term and sustainable risk mitigation and crisis readiness plan for the sector minimise possible industry-related economic shocks caused by other imminent local and international calamities aside from public health emergencies. This response plan should be able to emphasise sustained business operations, capacitated workforce, and protected vulnerable groups. Job recovery-focused assistance must 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. 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

The tourism industry stands at a critical juncture where the caliber of its workforce plays an increasingly vital role. As destinations strive to distinguish themselves in a competitive global landscape, there is a need to cultivate a skilled and adaptable workforce for the Philippines. To meet the evolving demands of the tourism sector, it is imperative to enhance training programs aimed at upskilling and empowering the industry workforce.

The DOT's training thrusts highlight Gateway Training, Digital Training, Advocacy Training, Certificate Training Language Courses and 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.⁶⁰ As of September 2023, 7,575 tourism police officers have been successfully trained under the Tourist-Oriented Police for Community Order and Protection (TOPCOP) program.⁶¹

Two months before the 2023 yearend, the DOT also breached its target of training 100,000 frontline tourism workers on the Filipino Brand of Service Excellence (FBSE). Trainees include workers across a variety of sectors, such as accommodation, travel and tour, transport, academe, meetings, incentives, conferences and exhibitions (MICE), farm tourism, tour guide, and tourist police. Undertaken by the DOT Office of Industry Manpower Development (OIMD), the FBSE program is one of the centerpiece programs of the Agency, which focuses on soft skills training.⁶² As of 31 December 2023, there were

60 Department of Tourism. (2023). Presentation of Assistant Secretary Rica Bueno during the ECCP Tourism Committee Meeting on 22 February 2023.

61 Presentation of Undersecretary Atty. Shereen Gail C. Yu-Pamintuan during the ECCP Luncheon Meeting with the Department of Tourism on 20 September 2023.

62 Philippine News Agency. (15 October 2023). Filipino hospitality soars with DOT surpassing 100K target trainees. Retrieved from <https://www.pna.gov.ph/articles/1211834>

126,343 FBSE-trained tourism workers.⁶³ Building on the Philippine Tourism Human Capital Development Plan 2021-2025, which sets out strategic actions toward a harmonised education system for tourism professionals⁶⁴, the ECCP Tourism Committee highlights the need to invest in comprehensive training initiatives that encompass diverse skill sets. Notwithstanding the efforts of the government, the Committee recommends the continued allocation of sufficient resources and funds to training programs for the tourism workforce.

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, upskilling, and re-skilling programs, with the aim of accommodating potential demand for tourism employment as the Philippines opens up to travellers. 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 training 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 of 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. Recently, the country won for five consecutive years as Asia's Leading Dive Destination at the World Travel Awards (WTA).⁶⁵ In order to maintain the Philippines' standing as a key travel destination, safety and security should be prioritised as vital aspects of tourism. As such, the Tourism Committee looks forward to the effective implementation and strategic establishment of DOT's emergency baywatch facilities in top beach destinations in the Philippines.⁶⁶

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.⁶⁷ From April to June 2023 alone, 24 drowning-related injuries and deaths have been recorded, making it among the top causes of injuries this quarter.⁶⁸ 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.⁶⁹ This policy

63 Department of Tourism. (3 January 2024). Retrieved from <https://www.facebook.com/photo/?fbid=783900843782048&set=pb.100064864171029.-2207520000>

64 Department of Tourism. (September 2022). Philippine Tourism Human Capital Development Plan 2021 - 2025. Retrieved from <http://tourism.gov.ph/files/09-2022/09-20-2022/Printing/PTHCD.pdf>

65 Ayeng, R. (6 December 2023). Phl bags 4 major intl travel awards. Retrieved from <https://tribune.net.ph/2023/12/05/phl-bags-4-major-intl-travel-awards>

66 Arnaldo, M. S. F. (20 September 2023). Philippines nears international arrivals goal. Retrieved from <https://businessmirror.com.ph/2023/10/02/phl-nears-international-arrivals-goal-of-4-8m-dot/>

67 Philippine Statistics Authority. (2023). 2022 Causes of Deaths in the Philippines. Retrieved from <https://psa.gov.ph/press-releases/id/176676>

68 Department of Health. (2023). Online National Electronic Injury Surveillance System (ONEISS): April - June 2023 Surveillance Report. Retrieved from <https://drive.google.com/file/d/1T1iDoJowcCao32zbzma0yNnoNoDwKRg3/view>

69 Philippine Coast Guard. (2014). Memorandum Circular 03-14. Retrieved from <https://coastguard.gov.ph/>

shall promote security, water safety, water rescue, lifesaving, and lifeguarding of the beach-going public. Developing an improved enforcement framework for this memorandum circular will bring about a high influx of tourists as recreational activities available in the destinations become safer. We also recommend that the scope of this policy shall be expanded to cover water parks operated for public or collective use.

In 2023, the DOT unveiled the Tourist Assistance Call Center, which shall serve as the hotline and one-stop shop for local and foreign tourists, made available to provide tourism- and travel-related information and extend assistance to any untoward incidents that may occur during the tourist's visit.⁷⁰ The Agency reported that as of 2023 yearend, there were 2,497 calls to the new hotline.⁷¹ Moreover, the DOT, Department of National Defense (DND), and Department of the Interior and Local Government (DILG), have signed a Memorandum of Agreement (MOA) on 31 May 2023 to strengthen inter-agency partnership by ensuring that peace, security, and order are prioritised in tourism development programs, with a specific focus on Mindanao.⁷² The Tourism Committee supports this initiative so as to promote domestic tourism in other destinations in the country and not only in Luzon and in Visayas.

Enact laws to restructure the Civil Aviation Authority of the Philippines (CAAP) into a regulatory body, including the ratification of the Montreal Protocol 2014 to tackle the growing issue of unruly passengers

Strengthening the CAAP as the agency in charge of safety and regulatory oversight necessitates legislative action. With this, the Chamber backs the enactment of the Civil Aviation Authority Act of 2008 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.

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 privatised airports. The privatisation of CAAP and having the Philippine Airport Corporation/Authority (PAA) will also promote modernisation in the aviation and tourism industries. Nevertheless, setting a clear framework for the regulation of current privatised airports is imperative to ensure the quality and reliability of infrastructure assets and services.

The ECCP has likewise been supporting the creation of a Philippine Transportation Safety Board. Following the veto of the PTSB bill by the Office of the President in 2022, the Chamber, together with the JFC, Safe Travel Alliance, and IATA, issued a public statement expressing their disappointment over the veto⁷³ 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 2023.⁷⁴

<images/philcoastguard/mcannexes/May02/MC0314.pdf>

70 Department of Tourism. (2 October 2023). DOT launches Tourist Assistance Call Center. Retrieved from https://beta.tourism.gov.ph/news_and_updates/dot-launches-tourist-assistance-call-center/

71 Department of Tourism. (24 January 2024). Retrieved from <https://www.facebook.com/photo/?fbid=798038635701602&set=pb.100064864171029.-2207520000>

72 Department of Tourism. (31 May 2023). DOT, DND, DILG forge pact to make Mindanao a peaceful and viable tourist destination. Retrieved from https://beta.tourism.gov.ph/news_and_updates/dot-dnd-dilg-forge-pact-to-make-mindanao-a-peaceful-and-viable-tourist-destination/

73 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/>

74 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/>

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.⁷⁵

On the issue of safety, a number of governments and associations have reported an increase in the issue of disruptive and unruly passengers at the onset of the pandemic. 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 travellers with the safety measures set by airlines to contain the spread of the coronavirus.⁷⁶

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. Recently, the DOTr transmitted its endorsement of the MP14 to the Department of Foreign Affairs (DFA), which is a step forward. Once approved and supported by the DFA, MP14 will then be reviewed by the Office of the President, which will then transmit its endorsement to the legislative branch. IATA expects some semblance of full approval in 2024, with full implementation by 2025.

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. With respect to this, the DOT under the current administration designed sustainability plans and programs, including equalised tourism promotion and development, and the national accreditation standards revisions to include sustainable and green practices incentives, among others.⁷⁷ Moreover, the Tourism Department published the Philippines Tourism Manual on Climate Change to present a framework aimed at providing stakeholders with more options in dealing with climate change. The DOT Standard Local Tourism Statistics System (SLTSS) Manual also recommends data gathering and monitoring systems that support LGUs in making destinations resilient and sustainable.⁷⁸

The government is also looking at the possibility of incentivising 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 light, 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 realising 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 economy

arangkada/foreign-chambers-other-stakeholders-call-for-passage-of-ptsb-bill-after-naia-air-traffic-system-glitch/

75 Ibid.

76 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/>

77 PNA. (05 December 2022). PH hospitality, sustainable tourism highlighted at WTTC Summit. Retrieved from <https://www.pna.gov.ph/articles/1190070>

78 Presentation of DOT Tourism Development Planning Division Chief Hon. Ramil Basuel during the ECCP Tourism Committee Meeting on 21 March 2024

79 Rocamora, J. A. (26 July 2022). Gov't eyes incentivizing sustainable tourism practices. Retrieved from <https://www.pna.gov.ph/articles/1179802>

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.

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 2023 RECOMMENDATIONS

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
Improvement of international and domestic connectivity	Upgrade airports and other tourism-related infrastructure	
	Bridge the digital infrastructure gap and improve internet connectivity in Philippine airports for ease of communication for travellers	<p>The DBM has granted the release of almost PHP 2.5 billion to the DICT for the implementation of the Free Public Internet Access Program (FPIAP).</p> <p>The eTravel platform, an online registration system for travellers 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>

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>In February 2024, the DOTr announced the San Miguel Corp. (SMC)-SAP & Co. Consortium as a winning bidder for the NAIA rehabilitation project. The NAIA upgrade project involves the restoration of passenger terminals and airside facilities such as the runway, aircraft parking area, and airfield lighting, as well as the installation of infrastructure to allow for intermodal transfers at the terminal.</p> <p>Through TRIP, the DPWH allocated PHP 17.69 billion for the construction and improvement of roads and infrastructure facilities in tourist zones. As of 2023, the DOT reported that 158 kilometers of tourism roads have been completed to increase connectivity with the DPWH under TRIP.</p>	

ISSUE	RECOMMENDATION	COMPLETED / SUBSTANTIAL PROGRESS
<p>Promote Domestic and International Tourism</p>	<p>Streamline travel requirements to further attract tourists to the Philippines</p>	
	<p>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</p>	
	<p>Enhance training programs to level up the tourism workforce</p>	
	<p>Strengthen the implementation and enforcement framework of policies ensuring the safety and security in tourism facilities including resorts</p>	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>The Anti-Red Tape Authority (ARTA) conducted a series of clarificatory meetings in 2023 with the private sector and concerned government agencies on the rampant visa processing issues for foreign nationals.</p> <p>In December 2023, ARTA also conducted a clarificatory meeting to discuss the reported delays and difficulties encountered by foreign nationals in securing visas for work in the Philippines, as well as with other visa-related requirements such as the Alien Certificate of Registration Identity Card (ACR I-Card).</p> <p>On 26 February 2024, the DOLE and BI signed a Data Sharing Agreement (DSA) to expand the information exchange pertaining to foreign nationals issued with Alien Employment Permit (AEP). The AEP, issued by DOLE, is a prerequisite in the application for a Pre-arranged Employment Visa (9G) issued by the BI.</p>	
	<p>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.</p>
<p>As of 31 December 2023, there were 126,343 FBSE-trained tourism workers. Trainees include workers across a variety of sectors, such as accommodation, travel and tour, transport, academe, meetings, incentives, conferences and exhibitions (MICE), farm tourism, tour guide and tourist police.</p>	
<p>In 2023, the DOT unveiled the Tourist Assistance Call Center, which shall serve as the hotline and one-stop shop for local and foreign tourists, made available to provide tourism- and travel-related information and extend assistance to any untoward incidents that may occur during the tourist's visit.</p> <p>DOT is working with the Tourism Infrastructure and Enterprise Zone Authority and the DOH to build "Baywatch emergency sensors."</p>	

ISSUE	RECOMMENDATION	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>	
	<p>Incorporate sustainability in a long-term strategy for the development of the Philippine tourism industry</p>	

SOME PROGRESS	NO PROGRESS / RETROGRESSION
<p>In the 19th Congress, SBN 1121 and HBN 1801 have been filed to push for the PTSB creation. Senate Committee Report No. 38 was filed in March 2023 while HBN 1801 is still with the Committee on Government Reorganisation since August 2022.</p> <p>In the Lower House, HBN 2234, or An Act Creating the Philippine Airports Corporation has been pending with the Committee on Government Enterprises and Privatisation since August 2022. SBN 1073, filed by Senator Grace Poe, has been pending at the Committee level since September 2022.</p> <p>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.</p> <p>Recently, the DOTr transmitted its endorsement of the MP14 to the Department of Foreign Affairs (DFA). Once approved and supported by the DFA, MP14 will then be reviewed by the Office of the President, which will then transmit its endorsement to the legislative branch.</p>	
<p>The government is looking at the possibility of incentivising 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.</p>	



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