

PART I

INTRODUCTION

01 Overview



Overview

The long-term vision remains the same, and has become even more pronounced with the emergence of new threats

Every Filipino aspires to enjoy a “*matatag, maginhawa, at panatag na buhay*.” This is *AmBisyon Natin 2040*. Sensitive to these aspirations, the Duterte administration has embraced the mission to enable and empower every Filipino to achieve his or her *AmBisyon*. The Philippine Development Plan (PDP) 2017-2022 has been formulated to lay down the foundation for inclusive growth, a high-trust and resilient society, and a globally-competitive knowledge economy. This foundation is intended to be strong enough for the next three development plans to build on.

During the first three years, a number of needed reforms have been enacted. The reforms have been game-changing and the desired social and economic outcomes were achieved, even surpassing the targets at times. This primarily stems from the conscious effort to include social protection components as part of the reform program. This was done to cushion the expected adverse though temporary effects, thereby increasing support to the reform.

Almost four years in, the Philippines was on its way to becoming an upper-middle-income country, until the once-in-a-century global pandemic, caused by COVID-19, struck. The immediate response was to save lives by first restricting social and economic activities to limit the spread of the virus, while improving the country's health system capacity.

The health system capacity has since been substantially improved. However, the social and economic restrictions had adverse social and economic consequences. The challenge at hand is to muster, as quick as possible, an economic turnaround. And much depends on being able to manage the risks and transition to the “new normal.”

Even at this time of COVID-19 global pandemic, the country has been benefitting from the reforms enacted and already implemented (e.g., Rice Tariffication Law [RTL Law], Sin Tax Reform Law, Ease of Doing Business and Efficient Government Service Delivery [EODB-EGSD] Act, Tax Reform for Acceleration and Inclusion [TRAIN] Law, Telecommuting Act, Social Security Act of 2018, *Balik Scientist Act*, etc.). A more accelerated timeline concerning the other reforms would have substantially built up the country's resilience (e.g., PhilSys Act, Universal Health Care [UHC] Act, Philippine Innovation Act, entry of a third telecommunications provider, Free Internet in Public Spaces Act [PSA], etc.). This pandemic also lends urgency to crucial reform

initiatives that will encourage strategic industries to locate in the country (e.g., amendments to the Foreign Investments Act [FIA], Public Service Act [PSA], Retail Trade Liberalization Act [RTLA], and the Corporate Recovery and Tax Incentives for Enterprises [CREATE]). Over the immediate term, there is a need to address financial risk that may have worsened because of the mobility restrictions imposed to contain COVID-19. The proposed Financial Institutions Strategic Transfer (FIST) and Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) laws are designed to manage such risks.

We are 20 years away from 2040. While there seems to be ample time to catch up on the targets related to *AmBisyon*, recent developments have shown that social and economic gains can easily be reversed. Hence, together with economic recovery, building resilience is now the urgent and important development objective. Being resilient, after all, is an essential component of the *AmBisyon*: having a secure future (*panatag na buhay*).

Embracing *AmBisyon Natin* 2040

Early into his administration, President Rodrigo Roa Duterte issued Executive Order No. 5, s. 2016 “approving and adopting the twenty five-year long-term vision entitled *AmBisyon Natin* 2040 as guide for development planning.”

AmBisyon Natin 2040 represents the collective aspirations of Filipinos to enjoy a “*matatag, maginhawa at panatag na buhay*.” This was the result of various focus group discussions and nationally-representative survey undertaken by the National Economic and Development Authority (NEDA) in early 2016.

AmBisyon Natin 2040 reveals the many dimensions of well-being that Filipinos value the most: strong family and community ties, a comfortable lifestyle, and a secure future. It should then be the mission of government to steer development processes to enable and empower every Filipino to achieve these aspirations.

The same EO adopted the following vision for the Philippines:

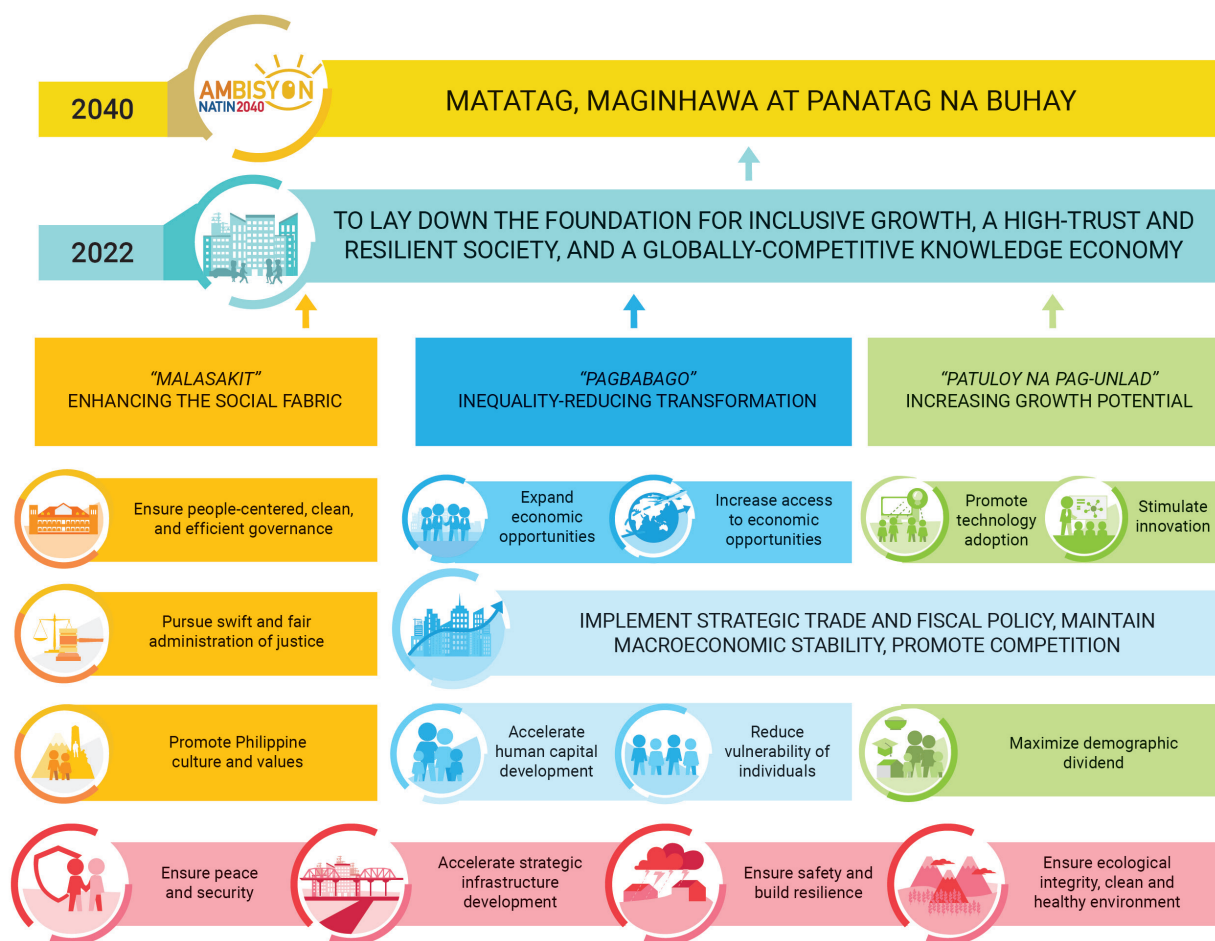
“By 2040, the Philippines shall have been a prosperous, predominantly middle-class society where no one is poor; our peoples live long and healthy lives, are smart and innovative, and live in a high-trust society.”

A Plan with a Vision: The Philippine Development Plan 2017-2022

The strategic framework of the PDP 2017-2022 (Figure 1.1) is guided by *AmBisyon Natin* 2040. The goal is to lay down the foundation for inclusive

growth, a high-trust and resilient society, and a globally-competitive knowledge economy.

Figure 1.1 The PDP Framework



The strategies to achieve this objective are organized under the three major pillars of “*Malasakit*,” “*Pagbabago*,” and “*Patuloy na Pag-unlad*.”

The *Malasakit* pillar is about enhancing the social fabric. The strategies aim to build the foundations for a high-trust society by ensuring a clean, efficient, and people-centered governance; guaranteeing swift and fair administration of justice; and increasing awareness of the different cultures and values across Philippine society.

The *Pagbabago* pillar is about effecting inequality-reducing transformation. It consists of strategies to expand economic opportunities, accelerate human capital development, reduce vulnerability, and build safe and secure communities.

The *Patuloy na Pag-unlad* pillar is about increasing potential growth. It consists of strategies to enhance the factors necessary to accelerate and sustain growth and development through 2040. It is about promoting science, technology, and innovation. It also covers strategies to reap the demographic dividend.

Supporting these pillars are policies and programs to ensure sound macroeconomic fundamentals and promote healthy competition. Furthermore, realizing the importance of rectifying or improving initial conditions that are the foundations for sustainable development, the PDP 2017-2022 contains policies and programs to ensure peace, security, and public order and safety; accelerate infrastructure development; and address environmental concerns.

This PDP also gives deliberate attention to the special circumstances of overseas Filipinos (OFs) and their families, with the aim of empowering them to achieve their aspirations for a “*matatag,*

maginhawa, at panatag na buhay.” Special focus is given to their eventual reintegration and active participation into the country’s development processes.

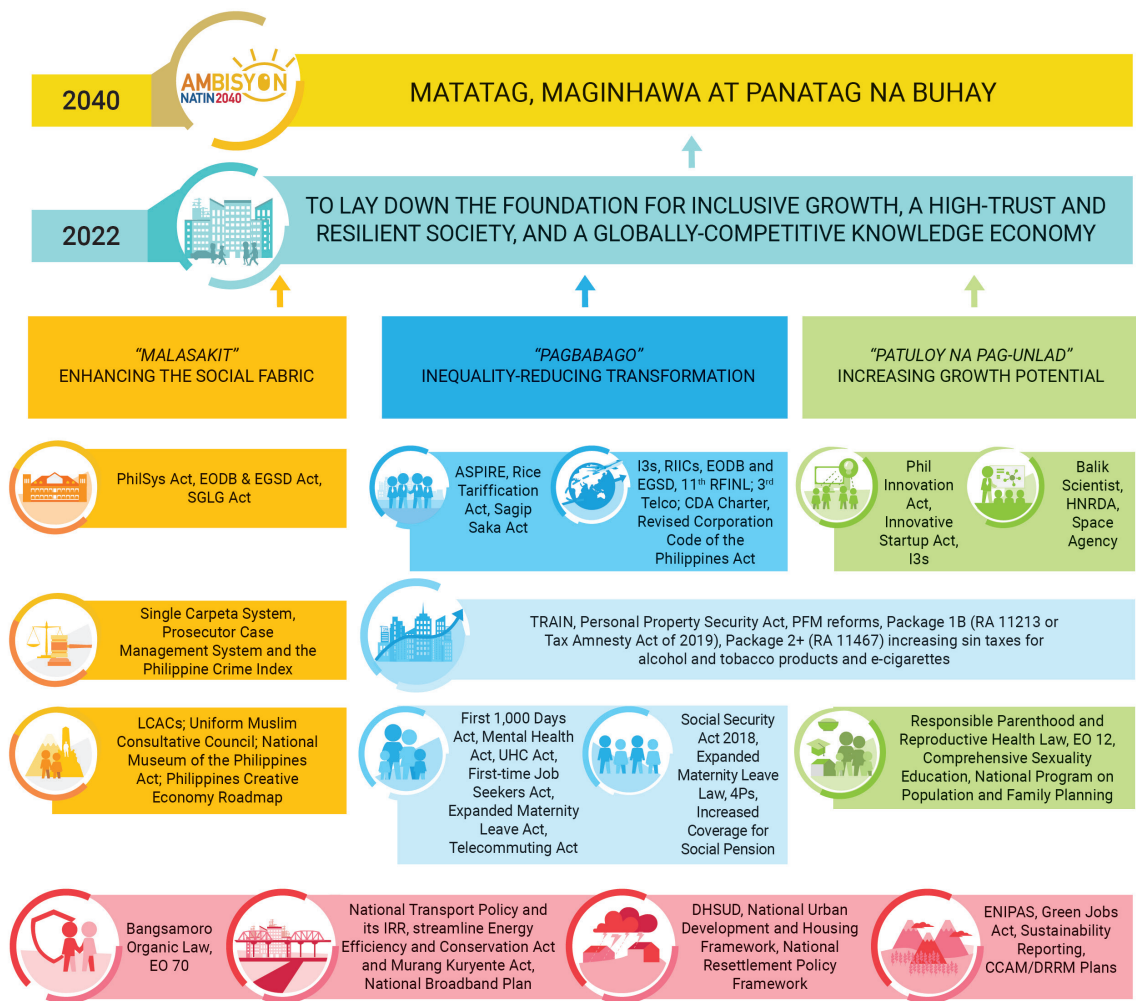
Reforms Instituted

Running on a platform of change, the Duterte administration has introduced a number of much-needed and long-awaited reforms, some of which have been institutionalized through legislation. These game-changing reforms are expected to yield net benefits to society and even provide a robust foundation on which to build resiliency. Some reforms were admittedly radical and were expected to result in short-term negative effects

given initial trade-offs. However, a feature of these reforms is the deliberate inclusion of safety nets to cushion the sectors that might be adversely affected, though temporarily, by the reform.

Figure 1.2 re-draws the strategic framework of the PDP 2017-2022, to indicate major reforms undertaken. This is followed by a discussion of the major reforms that can be used as basis for greater resilience.

Figure 1.2 PDP 2017-2022 Reforms Instituted



The **PhilSys Act** establishes a national digital ID system that will provide every Filipino with proof of identity. This national ID will facilitate transactions in business and with government by providing a credible but easily accessible instrument for “know your customer” protocols. This will also fast-track financial inclusion and facilitate the provision of targeted transfers from government, as the need arises.

The **EODB-EGSD Act**, meanwhile, directs all agencies in government to streamline government processes, particularly those concerning business to government (B2G) and consumers to government (C2G), and rationalize or even harmonize regulations. Under the “new normal,” businesses need to reconfigure processes or change product lines altogether, and these may require a new set of permits. This law requires government to be facilitative so that businesses can quickly undertake the changes and new investments required.

Farmers and fisherfolk are expected to benefit from the **Sagip Saka Act** which provides various forms of assistance to improve (a) production and productivity; (b) access to financing and better technologies; and (c) business support and development services. Access to finance is further increased with the **Agricultural Free Patent Reform Act** which makes agricultural free patents tradable and bankable instruments.

A major reform in the agriculture sector is the **RTL**. This is a long-awaited reform designed to open the market for rice trade. The previous regime of quantitative restrictions on imported rice provided price support to the rice farmers but this made the retail price of rice expensive as a result. Despite the price support, rice farming in the Philippines has been unprofitable, especially when compared to other countries in Asia (Bourdey et. al., 2016). To balance the interests of farmers and those of consumers toward overall efficiency and economic growth, the law (a) replaces the quantitative restrictions on imported rice with tariffs of 35 to 40 percent and (b) establishes the **Rice Competitiveness Enhancement Fund (RCEF)** coming from the tariff revenues. The RCEF consists of an annual

appropriation of PHP10 billion for six years to fund programs on farm mechanization, seed development, propagation and promotion, credit assistance, and extension services, which were specifically identified to improve the productivity of rice farmers, reduce production cost, and link them to the value chain. The excess from the PHP10 billion tariff revenue collection will still be given to rice farmers and appropriated by Congress the following year for the direct financial assistance to rice farmers, titling of agricultural rice lands, expanded crop insurance program, and crop diversification program. The fund provides assistance to rice farmers in the form of farm machinery and equipment, high-yielding seeds, access to affordable credit, and skills training programs on farm mechanization and modern farming techniques. The impact on consumers was evident – the retail price of rice went down by about 9 percent in 2020 from its average in 2018, before the law was enacted. The impact on rice farmers, on the other hand, will require a more extensive impact evaluation. What is clear though, is that the *palay* subsector grew by 7.2 percent during the second quarter of 2020, amid the very strict economic lockdown, from the same period in 2019.

To further facilitate investments, the **Revised Corporation Code of the Philippines** eliminates barriers to entry of both small and large enterprises by permitting the formation of one-person corporations and by allowing stockholders or members to exercise their rights through remote communication and in-absentia voting, among others. As remote communication becomes part of the new normal, this amendment of the Corporation Code will ensure that business meetings and voting can proceed.

As part of human capital development, the **Universal Access to Quality Tertiary Education Act** provides free tuition in state universities and colleges, free technical and vocational education and training, tertiary-education subsidy, and student loans. On the other hand, the **Philippine Qualifications Framework Act** reinforces and strengthens the recognition of knowledge and skills acquired outside the formal education systems through a system of pathways, equivalencies, and

credit transfers. To further increase employability, the **Tulong Trabaho Act** provides free training fees and additional financial aid to qualified beneficiaries enrolling in selected training programs (STPs). These reforms ease the financial burden of acquiring tertiary education, reskilling, and retooling programs, which the workforce will also need to adjust to the new normal.

The **Pantawid Pamilyang Pilipino Act** institutionalizes the *Pantawid Pamilyang Pilipino Program* (4Ps) to reduce the vulnerabilities of children in poor families. The program provides cash transfers to family beneficiaries conditional on health, nutrition, and education outcomes for a maximum of seven years. Other features of the law also provide effective ways of engaging with poor families even for information and communication campaigns, which will be useful to help them adjust to the new normal, among others.

The **UHC Act** aims to provide health care coverage to all Filipinos, when and where needed, without having to bear huge financial burden. It is a package of health care reforms centered around health care financing. Among others, it replaces the fragmented system of health care provision with a network approach. This is to be funded by taxes on tobacco and alcohol.

The **Social Security Act of 2018** strengthens the Social Security System (SSS), which is an important institution in building resilience. It also provides economic support to workers who have been involuntarily displaced.

The creation of the **Department of Human Settlements and Urban Development (DHSUD)** reorients housing policies and programs towards building communities, in addition to building houses. These policies and programs must now consider resiliency and sustainability conditions.

The new normal will definitely require innovative ways of production, socialization, consumption,

governance, etc. Operationalizing these innovations requires an ecosystem covering science, technology, and innovation (STI). Four landmark laws were recently enacted to help establish the ecosystem. These are (a) the **Philippine Innovation Act** which establishes the National Innovation Council (NIC), an inter-agency and multisectoral committee that effectively elevates policy and planning on STI to the highest levels of government; (b) the **Innovative Startup Act** which provides incentives and monetary and operational support to innovative and technology startups to foster an innovative entrepreneurial culture; (c) the **Philippine Space Act** which provides the institutional framework to enable the country to reap the benefits from the development and use of space technologies; and (d) the **Balik Scientist Act** which further encourages Filipino experts, scientists, inventors, and engineers who are currently abroad to share their knowledge and expertise in the country.

The entry of a **third telecommunications player**, meanwhile, will create a more competitive environment to help ensure affordable and reliable internet services in the country. This is expected to accelerate digital transformation. Further reforms in the **PSA** and **FIA** will open the sector more.

The **TRAIN Law** corrects the inequity of the tax system by reducing personal income taxes while broadening the tax base. The resulting increase in revenues allowed for the expansion of infrastructure and social services budget. Various **expenditure management reforms** have also been introduced to address underspending while ensuring the effective and efficient delivery of public services. These reforms were instrumental in improving the country's credit rating to BBB+, the highest rating it has achieved so far. In turn, this has enabled the government to mobilize resources for a massive social assistance package during the COVID-19 pandemic.

The signing and subsequent ratification of the **Bangsamoro Organic Law** marks a historic and

significant milestone in the decades-long struggle for self-governance and peace in Mindanao. This has paved the way for lasting peace, which is an essential pre-condition for building resilience.

The government has embarked on the **Build Build Build (BBB)** program, which is an ambitious infrastructure program that increases spending for infrastructure from 4 percent of gross domestic product (GDP) in 2016, based on actual disbursement, to 5.5 percent in 2021, and 4.3 percent in 2022.

A **National Transport Policy (NTP)**, together with its implementing rules and regulations (IRR), has also been adopted. Among others, the policy prioritizes the movement of people, rather than of vehicles, and provides the basis for offering alternative means of mobility.

In the energy sector, reforms have been enacted to encourage investments and reduce the electricity bills of consumers. To facilitate the processing of investment applications in the energy sector, EO 30, s. 2017 was created. Another law, the **Energy Virtual One-Stop Act**, was created to simplify and speed up permitting processes for new power generation, transmission, and distribution projects. The **Murang Kuryente Act** was enacted in 2019 to help reduce consumers' monthly electricity bills and strengthen consumer welfare protection through the utilization of the government's share from the *Malampaya* Fund to pay for the National Power Corporation's (NPC) stranded contract costs and stranded debts. Furthermore, the **Energy Efficiency and**

Conservation Act establishes a framework for institutionalizing energy efficiency and conservation, and promoting the use of energy-efficient technologies. All these are important in encouraging investments in the new normal which may require more geographically-dispersed areas of production, including home-based production.

The **Free Internet in Public Places Act** aims to provide free, secure, and reliable internet service in public places across the country. Prior to this, the **National Broadband Plan (NBP)** was approved in 2017, which called for the government to also initiate investments in broadband infrastructure to complement private sector efforts in the delivery of universal, fast, reliable broadband internet services towards a digital economy. These are critical initiatives to bridge the digital divide in order to ensure that no one is left behind even while we transition to the new normal.

The current pandemic has demonstrated the link between ecological integrity and human health—from the need for better ventilation and sunlight, to ensuring that human activities do not encroach on animal habitats (as a means of preventing zoonotic diseases). The **Expanded National Integrated Protected Areas System (ENIPAS) Act** expands the coverage of the country's national protected areas (3.1 million hectares), strengthens institutional arrangements for the management of protected areas, and streamlines the process for accessing the **Integrated Protected Area Fund (IPAF)** for additional financial resources and economic opportunities in the sites.

Results Delivered

In addition to the reforms instituted, the Duterte administration has committed to a set of targets that indicate progress towards inclusive growth, a high-trust and resilient society, and a globally-

competitive knowledge economy. Table 1.1 shows the headline outcome indicators, the targets, and the accomplishments during the first three years of the administration.

Table 1.1 PDP 2017-2022 Headline Indicators: Targets vs. Accomplishments, 2017-2019

INDICATOR	BASELINE VALUE (YEAR)	PLAN TARGETS			ACCOMPLISHMENTS		
		2017	2018	2019	2017	2018	2019
GDP (growth rates [g.r.]) sustained	7.1 (2016) ^r	6.5- 7.5	7.0- 8.0	7.0- 8.0	6.9	6.3	6.1
Gross National Income (GNI) per capita (g.r.) increased	4.5 (2015)	4.5	5.0	5.0	5.2	4.3	3.9
Poverty Incidence (% of Population) reduced	23.5 (2015) ^r	-	17.3-19.3	-	N/A	16.7	N/A
Rural Poverty Incidence (%) reduced	34.0 (2015) ^r	-	25.6	-	N/A	24.5	N/A
Subsistence Incidence (%) reduced	9.1 (2015) ^r	-	6.8	-	N/A	5.2	N/A
Food Inflation (%) kept stable	1.7 (2016) ^a	2.0 - 4.0	2.0 - 4.0	2.0 - 4.0	3.2	6.6	1.8
Human Development Index (HDI) improved	0.701 (2015)	Increasing	Increasing	Increasing	0.708	0.711	0.718
Unemployment Rate (%) decreased	5.4 (2016) ^r	5.1-5.4	4.7-5.3	4.3-5.3	5.7	5.3	5.1
Employment Generated increased	n.a. (2016)	900,000- 1.1 Mn	900,000- 1.1 Mn	900,000- 1.1 Mn	-664,000	823,000	1.27 Mn
Youth Unemployment Rate (%) decreased	11.5 (Oct 2016)	11.0	10.4	9.8	11.9	13.3	12.9
Underemployment Rate in areas outside NCR (%) decreased	19.7 (2016)	18.3-20.3	17.8-19.8	17.4-19.4	17.1	17.7	15.1
Global Innovation Index (GII) (rank) improved	74 out of 128 economies (2016)	Increasing	Increasing	Increasing	73 out of 127 economies	73 out of 126 economies	54 out of 129 economies

Note: r – revised; a – adjusted original target set in 2016 will be retained

On accelerating economic growth. GDP grew by 6.9 percent in 2017, well within the target growth rate for the year. Consequently, GNI per capita rose by 5.2 percent on the same year. Beginning 2018, the target was to grow between 7 and 8 percent. However, the country's GDP growth moderated to 6.3 percent in 2018, and 6.0 percent in 2019. This was due to global headwinds marked by increased tendencies towards protectionism, especially coming from the developed economies. The reenacted budget in 2019 also contributed to the less-than-targeted economic growth.

On improving employment numbers. The Duterte administration has delivered on its promise of improving employment numbers. In 2017, unemployment rate increased, but has since declined. In 2018, unemployment rate is estimated at 5.3 percent; in 2019, it went down further to 5.1 percent, both within target.

The net job loss in 2017 can be explained by the higher school participation rate among the youth aged 15-24 years, resulting from the required additional two years of basic education and further encouraged by the tuition fee assistance

for higher education. This also explains the increase in youth unemployment rate from 11.9 percent in 2017 to 13.3 percent in 2018. This, however, improved to 12.9 percent in 2019.

In 2018, net jobs generated reached almost 900,000. This further increased to 1.27 million in 2019, which is more than the target, as the BBB program implementation gained traction.

Underemployment rate in areas outside the National Capital Region (AONCR) reflected the increase in full-time jobs outside Metro Manila. This remained within target, at 17.1 percent and 15.1 percent in 2017 and 2019, respectively.

On ensuring that economic growth benefits the poor. Food inflation rate remained low in 2017 at 3.2 percent, but escalated to 6.6 percent in 2018 due to the mismanagement of the country's rice supply. Food inflation then dropped to 1.8 percent in 2019, primarily due to the implementation of the RTL.

What would be considered a significant accomplishment of the Duterte administration is the rapid decline in overall and rural poverty incidence beyond targets. Overall poverty incidence declined from 23.5 percent in 2015 to 16.7 percent

in 2018, while rural poverty incidence declined dramatically from 34.0 percent in 2015 to 24.5 percent in 2018.

The reduction in poverty incidence in 2018 was achieved despite the high food inflation. This was because of the higher number of paid jobs generated and a deliberate effort to cushion the poor from the adverse, though temporary, effects of the TRAIN law and infrastructure program. This was done by providing transfers to low-income families (estimated at 10 million) through the Unconditional Cash Transfer (UCT) program, which has been implemented for three years. In addition, the HDI was estimated by the United Nations Development Programme (UNDP) to have increased from 0.699 to 0.712. This marks the first time that the country joined the category of high-level HDI.

From a baseline ranking of 74 (out of 128 economies) in 2016 according to the GII, the country jumped to rank 54 (out of 129 economies) in 2019. The country is considered as among the innovation achievers, having scored above average in most innovation dimensions relative to other lower middle-income countries.

Directive for the Next Two Years: Focus on Recovery and Resilience

Further demonstrating the resolve to enable and empower every Filipino to achieve his or her Ambisyon, the government has implemented two major initiatives: ***Bayanihan to Heal as One (Bayanihan 1)*** and ***Bayanihan to Recover as One (Bayanihan 2)***.

Bayanihan 1 provided funds to address the requirements of COVID-19 for tracing, testing, and treatment while assisting low-income families and returning OFs who were economically displaced because of the quarantine restrictions. Some 17.6 million and 14 million low-income families received the first and second tranches of the

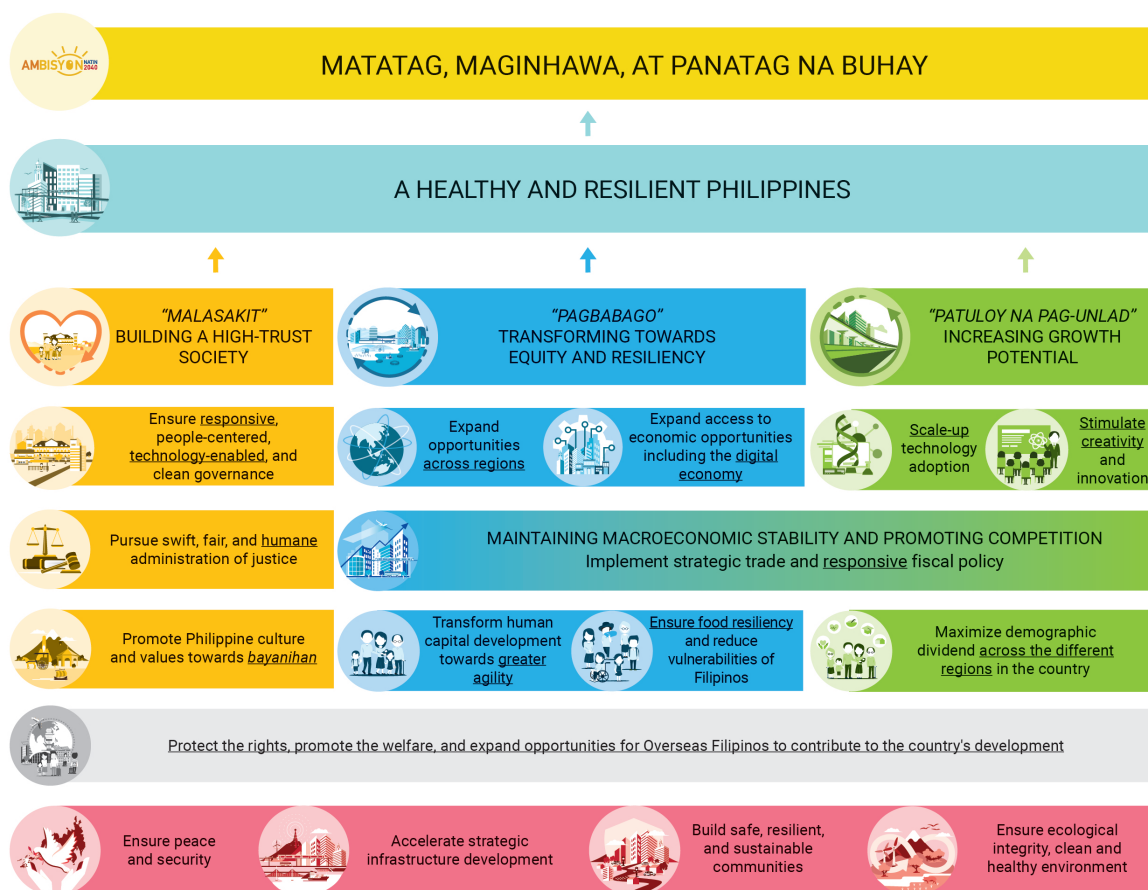
Social Amelioration Program (SAP), respectively. Meanwhile, the Small Business Wage Subsidy (SBWS) program benefitted 2.1 million workers employed by small businesses that were adversely affected by quarantine restrictions.

Bayanihan 2 will sustain the efforts to improve health system capacity, particularly on contact tracing, testing, and isolation protocols. It will also provide financial assistance to the sectors that were adversely affected by the pandemic – transportation, tourism, education, and micro, small, and medium enterprises (MSMEs). Assistance will also be given to the agriculture sector, in the form of credit, farm

inputs, and training, and skills training, particularly on digital skills, to the displaced workers. Both initiatives include provisions to build resilience.

To sustain this, the PDP has been updated to focus its strategies towards having a healthy and resilient Philippines while facilitating economic recovery (see Figure 1.3).

Figure 1.3 Strategic Framework of the Updated PDP 2017-2022



The updated PDP presents a comprehensive environmental scan of the political, economic, social, technological, ecological, and legal dimensions under the new normal (Chapter 2).

The National Spatial Strategy (Chapter 3) is also updated to meet the demands of the new normal.

Moreover, this updated PDP contains five major programs designed to build the resilience of individuals, families, businesses, government, and society under the new normal: (1) health system improvement, (2) food security and resiliency, (3) learning continuity, (4) digital transformation, and (5) regional development through the *Balik Probinsya Bagong Pag-asa* Program (BP2).

These are integrated into the previous strategies, as will be discussed in Chapter 4.

Health system improvement. The UHC Act provides a comprehensive framework for health system improvement. The reform calls for a paradigm shift in the provision of care, from being fragmented and facility-based, to having a network of care with primary care facilities acting as the gatekeeper. The lessons from the COVID-19 pandemic would then add strengthening of health care outreach services and even home-based care. Health promotion also needs to be a prominent feature of health care. More importantly, there needs to be a careful assessment of the current state of health care promotion and

provision in the country, and a plan and investment program over the medium-term on how to improve it to become better prepared for any future health crisis, which we hope does not come.

Food security and resiliency. Food security is about access to safe and affordable food at all times. Food resiliency is having food security during times of crises or emergencies. During the imposition of the enhanced community quarantine (ECQ), data shows that while 86 percent of farmers were able to continue their agricultural work, only 65 percent were able to sell their produce. On the other hand, people in the cities found it very difficult to access fresh produce. Over the next two years, policies and programs will be guided by a food value chain approach – from farm to plate. In addition to programs to improve agricultural productivity, there will be investments in storage facilities, post-harvest, cold chain, and even technologies that prolong the shelf-life of food. Urban residents also need to attain some level of food sufficiency.

Learning continuity. The big challenge under the new normal is to build 21st century knowledge, skills, and competencies in a way that is safe for learners and teachers as even modern pedagogical approaches are centered around participation, teamwork, and collaboration. Added to this is the problem of the digital divide that, if not addressed, will translate to inequality in access to education and may even worsen inequality in the longer term. Education sector agencies will thus design inclusive mechanisms that deliver quality education. Lifelong learning will remain a priority strategy, but especially focusing on digital skills training.

Digital transformation. Government will accelerate its digital transformation agenda, beginning with the implementation of the National Broadband Plan (NBP) and the Free Wi-Fi program. More government transactions will be enabled using the digital platform. Similarly, there will be technical and financial assistance programs to help businesses, especially MSMEs, to transition towards greater digitalization.

In parallel, government will ensure the safety and security of digital transactions, including digital payments. The framework for consumer protection will also be reviewed to encompass the new normal way of transacting.

Regional development. While this has been the goal of the original PDP, the COVID-19 pandemic has made regional development an urgent matter. We have seen that the virus could be transmitted rapidly in densely-populated areas. This has highlighted the need to have well-ventilated living quarters, workspaces, and public spaces. It is also important to have more green outdoor public spaces.

A major initiative to decongest urban areas is the BP2. The program encourages Metro Manila residents, especially informal settlers, to return to their home provinces. BP2 will provide assistance for transportation expenses, livelihood, housing, and education, among others. Over the medium-term, there will be various investments in infrastructure, agriculture, business, transportation, and access to health care. These investments will reduce inequality in the quality of life across the various regions.

We have also seen the benefits of having well-planned communities where people's places of residence are close to where they work, where there is nearby access to health care facilities and food, and so on. All these underscore a need to review the different Comprehensive Land Use Plans (CLUPs) and local development plans. At the same time, disaster risk reduction and management (DRRM) plans need to be revised to include the occurrence of pandemics in the whole framework.

The BBB program will remain a major strategy for economic recovery. The list of infrastructure flagship projects (IFP) has recently been updated considering the new priorities listed above. The foundational role of infrastructure development in achieving the goal of having a healthy and resilient Philippines is recognized. At the same time, the employment to be generated by the implementation of BBB projects will be instrumental in accelerating economic recovery.

Enact the Remaining Reforms

To ease financial capital constraints resulting from the pandemic

The restrictions on mobility and business operations that were imposed to prevent the spread of COVID-19 while health systems were being improved exacted pressure on the cash flow and financial position of businesses and families. An online survey conducted by NEDA in early April 2020, three weeks into the imposition of ECQ in Luzon and other regions of the country, show that while about two-thirds of businesses did not operate during the ECQ, more than three-fourths continued to pay wages to their pre-ECQ pool of workers. This cash flow problem could negatively affect significant portions of the business sector, as payments to suppliers were being deferred, and ultimately to financial institutions, as loan repayments were being postponed. This could lead to a rise in nonperforming loans and a heightened reluctance of banks to extend credit. If the situation is prolonged, this will delay economic recovery.

Two important pieces of legislation are being proposed to address the aforementioned problem: (a) the FIST bill, which seeks to create special purpose vehicles to help financial institutions offload their COVID-19-induced non-performing assets and (b) the GUIDE, which creates a special investment vehicle that would infuse capital into key enterprises while preserving employment (and talents) therein.

To increase strategic investments, including Foreign Direct Investments (FDIs)

While the accomplishments with respect to social, economic, and environmental outcomes have been impressive, the past three years has

demonstrated that there are limits to the country's infrastructure and investment capacities. Moreover, these limits may be due to restrictive policies that limited the entry of FDIs. Some of these restrictions can be addressed by amending laws or regulations such as the PSA, FIA, and the RTLA.

The CREATE will usher in a more competitive tax and incentive regime for businesses – corporate income tax rate will be reduced (by 10 percentage points [ppts] for small businesses and by 5 ppts for all others). The incentive structure can be nuanced depending on the type of investment, location, and subject to agreed performance targets. CREATE is expected to encourage investments in strategic industries that are especially needed by the country to build resilience.

With respect to infrastructure provision, public-private partnerships (PPP) will remain an option to address infrastructure gaps in various social and economic sectors, while still recovering from the economic shock due to COVID-19.

To ease human capital constraints

In addition to attracting additional external investments, it is important to begin developing the country's knowledge economy. Related to this, the Philippines needs to improve its capacity for intellectual property rights protection. In the next two years, increasing knowledge and improving the knowledge ecosystem to improve health and building resilience should be prioritized to improve education and health outcomes.

To improve governance over the management of resources

As population increases, as the economy grows, and as growth centers expand, there will be greater and competing demand for land resources. A national land use framework needs to be established to define the indicative priorities for land utilization and allocation across residential, infrastructure, agricultural, and protective uses. The framework will also guide efforts, monitor developments related to land use, and evolve policies, regulations, and directions of land use planning processes.

Another critical concern today, which is bound to worsen over the immediate future, is the access to and quality of water supply. The NCR and CALABARZON (Cavite, Laguna Batangas, Rizal, and Quezon) are already under a state of absolute water scarcity; Ilocos Region, Central Luzon, and Bicol Region are under water scarcity; and MIMAROPA (Mindoro, Marinduque, Romblon, and Palawan) and Central Visayas are under water stress. New sources of drinking water need to be developed. Equally important is to institute governance reforms in the sector, where the institutional set-up is weak and fragmented. There is a need to create an apex body that will act as the single lead agency to oversee/coordinate overall policy and project/program implementation. The creation of a Water Regulatory Commission is also proposed to harmonize regulatory practices, processes, and fees in the water sector.

To improve the governance over the environment

The more robust way to address environmental degradation is to effect behavioral change. This becomes even more important as we see the close links between human health and quality of the environment. To this end, NEDA has formulated the Philippine Action Plan for Sustainable Consumption and Production which consists of a package of actions with respect to policy and regulation, research and innovation, infrastructure, and education and promotion. It also encompasses the issues of waste management, sustainable business and lifestyles, and efficient use of resources.

To expand market linkages for MSMEs

As MSMEs are encouraged to innovate and participate in the global market, they need to comply with international quality standards. Currently, the need is to develop the personal protective equipment (PPE) ecosystem to afford the country's health care system a reasonable level of security over the supply of PPEs. Prescribing the country's National Quality Infrastructure covering standardization, metrology, testing analysis, quality management, certification, and accreditation is an important step to gain access to markets, especially global markets. Beyond harmonized rules and procedures, the testing laboratories need to be strategically dispersed across the country to provide MSMEs easy access to the facility.

Keeping the Long View

We now realize that twenty years until 2040 is a long time and many challenges may come at any time and place obstacles along the way. COVID-19 may just be one of these. It is important to quickly recover lost ground, ensure sustainability of the gains by building resilience, then get back on track towards *AmBisyon Natin 2040*.

In the remaining Plan period, the Duterte administration is renewing its commitment to enable and empower every Filipino to enjoy each and every one of his or her aspirations—a *matatag, maginhawa, at panatag na buhay*.

