

2.2 Present state of sectors and issues

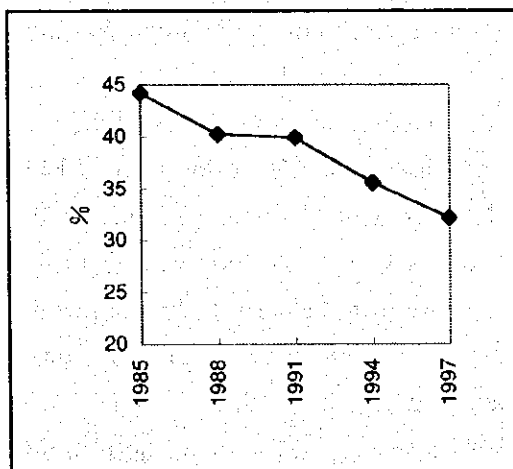
2.2.1 Poverty

(1) Present state of poverty

Poverty still persists. As to the number of households below the poverty line^{NOTE 45} in 1997, their share in the total number of households decreased from 35.5% in 1994 to 32.1% in 1997, but in terms of absolute number there was no improvement, partly due to the high population increase rate.

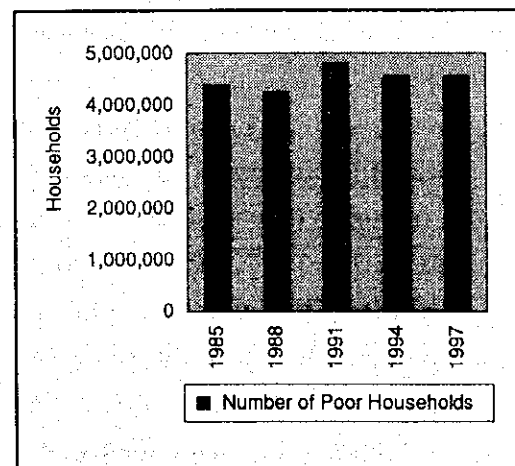
As to the influence of the economic crises on the poor, rising commodity prices and higher rate of unemployment caused by sluggish business circumstances began to press the economy of the poor households, and it is also anticipated that in the future, on the government level, an adequate budget will not be appropriated for poverty measures, due to the deteriorating financial situation.

Figure 2-4 Share of the Number of Poor Households in the Total Number of Households (1995-1997)



Source: NSCB

Figure 2-5 Change in the Number of Poor Households (1985-97)



Source: NSCB

NOTE 45 Income or expenditures per person per year necessary to meet necessary nutrition (2000 calories per day) and other basic needs. As to values, refer to the Table 2-3.

Table 2-3 Poverty Lines and Poor Household Shares According to Regions (1994, 1997)

Region	1994		1997 ^b	
	Poverty line ^a	Poverty household share ^b (%)	Poverty line ^a	Poverty household share ^b (%)
Nationwide	8,885	35.5	11,388	32.1
NCR	11,230	8.0	14,360	7.1
CAR	10,853	51.0	12,744	42.3
I. Ilocos	10,022	47.9	11,981	37.6
II. Cagayan Valley	8,316	35.5	9,873	31.6
III. Central Luzon	9,757	25.2	12,836	16.8
IV. Southern Tagalog	9,537	29.7	12,507	25.7
V. Bicol	8,319	55.1	10,497	50.1
VI. Western Visayas	8,197	43.0	10,800	41.6
VII. Central Visayas	6,425	32.7	8,726	34.2
VIII. Eastern Visayas	6,444	37.9	8,755	40.7
IX. Western Mindanao	7,074	44.7	9,670	39.8
X. Northern Mindanao	7,938	49.2	10,455	46.8
XI. Southern Mindanao	8,201	40.3	10,489	37.9
XII. Central Mindanao	8,971	54.7	11,155	49.1
ARMM	8,889	60.0	11,214	58.6

^a Income or expenditures per person per year, necessary to meet necessary nutrition (2,000 calories) and other basic needs

^b Share of poor households in the total number of households

^c Preliminary results based on the 1997 Family Income and Expenditure Survey

Source: NSCB Home Page

The share of poor households to the total all households varies largely among regions. According to an estimation based on the provisional results of the Family Income and Expenditure Survey in 1997, the poverty incidence was highest in ARMM (Autonomous Region of Muslim Mindanao), at 58.6%, followed by 50.1% in region V (Bicol), and 49.1% in region XII (Central Mindanao). The lowest was recorded in NCR (the National Capital Region), at 7.1%, followed by 16.8% in region III (Central Luzon) and 25.7% in region IV (Southern Tagalog). Nationwide, the poverty incidence is decreasing, except for two regions, regions VII (Central Visayas) and VIII (Eastern Visayas) where it is still increasing.

On the other hand, the estimates for 1997 show that 27% of all households below the poverty line are in urban areas, and 73% are in rural areas. In urban areas, some degree of improvement is observed in both the poverty incidence and the number of poor households. In rural areas, however, the number of poor households increased, though the poverty incidence was improved.

Table 2-4 The Number and Share of Households below the Poverty Line (1994-1997)

	Number of households		Share of households	
	1994	1997	1994	1997
Nationwide	4,531,170	4,553,384	35.5	32.1
Urban	1,521,882	1,246,173	24.0	18.5
Rural	3,009,288	3,307,215	47.0	44.4

Source: NSCB

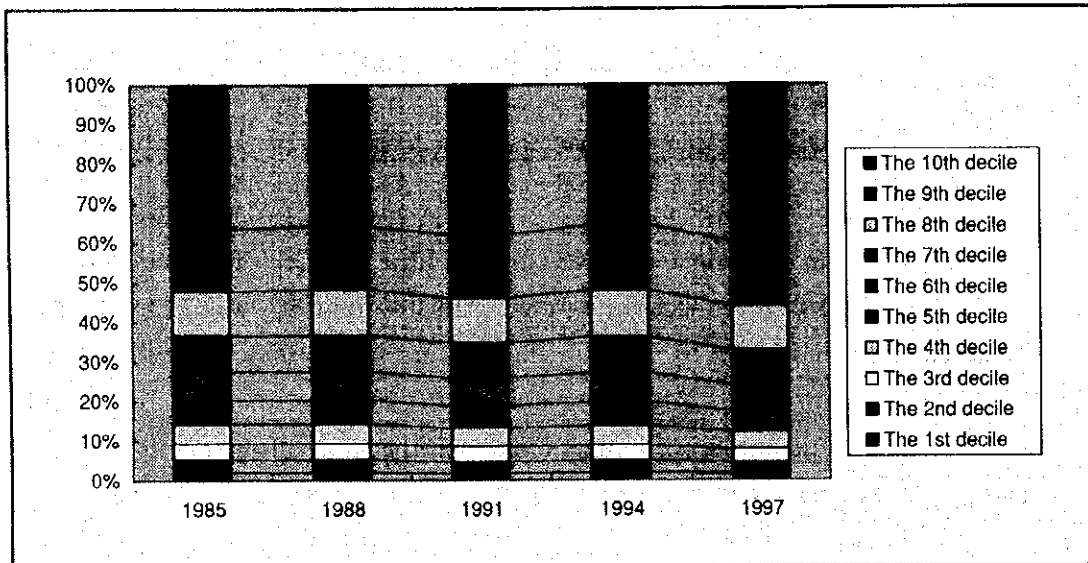
Also, the state of income disparity showed little practical improvement. The average household income, according to the estimates for 1997, was 123,881 pesos, and it virtually increased by 21% in the 3 years from 1994, which means an annual increase of 6.6%. Regarding income distribution, the share of income increased only in the top-level income class, and the share of income in the other income classes decreased.

(2) Social Reform Agenda

The Philippine Government adopted the Social Reform Agenda (SRA) in 1994, and it is presently promoting poverty-alleviating projects by selecting 21 provinces and six urban areas, such as the NCR, Baguio city, and Cebu city. The Social Reform Agenda is a series of government efforts aimed at development that will secure the welfare of the socially disadvantaged. In this Agenda the Government indicated priorities of issues in social reform aimed at promoting regional development and alleviating poverty faced by the majority of the population^{NOTE 46}.

NOTE 46 Engr Rey Gerona (March 1996), *The Philippines Poverty Situation and the Social Reform Agenda*, JICA Philippine Office, p.p. 14.

Figure 2-6 Percentage Distribution of Total Family Income by Income Decile



Source: NSO, *Family Income Expenditure Survey (1998.7.15)*

Listed as people in the socially disadvantaged are tenant farmers and the landless, small-scale fishermen, the urban poor, ethnic minorities, laborers in the informal sector, and other such people, including women, poor students and youth, children, physically handicapped people, the elderly, and victims of disasters. The Estrada Administration presents the following six items as the purposes of the Social Reform Agenda^{NOTE 47}: 1) to provide social support toward the poorest among the poor; 2) to create employment opportunities and assure social security; 3) to strengthen industrial development and livelihood means, in order to improve income and quality of living; 4) to develop human resources; 5) to secure livelihood means for poor people; and 6) to pursue empowerment of self-sufficient communities and people.

(3) Background of poverty problems in the Philippines

Poverty in the Philippines is considered to have originated from the large landownership that was established as a result of Spanish colonialization of an rural society^{NOTE 48} that had never historically achieved an ethnic integration by

NOTE 47 *The Estrada Administration's Social Reform Agenda: A National Anti-Poverty Framework, Final draft for approval*, pp. 4-6 (acquired, at the time of field survey, from the National Anti-Poverty Commission).

NOTE 48 Tsuneo Ayabe, Akira Takahashi, and Yoshihiro Tsubouchi (1983), "Social Change and Value System"; compiled by Toru Yano, *Invitation to Southeastern Asian Study* (Vol. 1), pp. 169-170.

local powers, and from the subsequent formation of a commodity economy in the rural society^{NOTE 49}. The factors for the present poverty problems are diversified, but slow progress of agrarian reform, which is supposed to erode the foundation of the elite class in particular; poor labor absorption capacity emanating from industrialization, which the Government has promoted for the past decades, are greatly responsible.

(a) Poverty in rural areas and urban/environmental problems

In the Philippines, poverty in rural areas is deeply related to poverty in urban areas, which latter is exemplified by slums. Small peasants, who farm relatively inferior land, heavily indebted farmers, or majority of agricultural laborers, can hardly gain sufficient income, and as a result they move into urban areas seeking employment opportunities. Because employment opportunities are limited also in urban areas, however, they find work opportunities only in the informal sector and become slum-dwellers. Emigrants who moved from region V (Bicol) where agricultural development is behind, or from one of the poorest areas, such as region VIII (Eastern Visayas), tend to remain in slums for a long time. On the other hand, emigrants from the region III (Central Luzon) and region IV (Southern Tagalog), which are adjacent to Manila, are considered to be mostly temporary migrant-workers who come to the NCR to work, during the slack season of farming^{NOTE 50}. As such, aspects of poverty vary.

Also, poverty in rural areas is related to soil erosion on mountain slopes and flood in the lowlands^{NOTE 51}. Poor farmers who can have only meager farming land in villages go to upland areas seeking land to cultivate, and they settle on a left-over site of commercial lumbering, practicing exploitative cultivation, such as slash, burning, or grazing. When such practices are repeated for several years, the vegetation that covers the ground surface will be lost and topsoil will become depleted. As a result, farmers end up having to move to another place, and cultivate a slope in a interior areas, resulting

NOTE 49 Hiromitsu Umehara (1992), *The Structure and Change in the Rural Philippines*, pp. 78-118.

NOTE 50 Toru Nakanishi (1991), *Economics of Slums: Urban Informal Sector in the Philippines*, p.p. 179.

NOTE 51 Marian S. delos Angeles and Maria Eugena C. Bennagen (1994), "Continued Usage of Resources on Highlands in the Philippines: Issues regarding Environmental Management Based on Communities" edited by Arsenio M. Balisacan and Katsumi Nozawa, *Structure and Reform for Rural Development in the Philippine*, p.p. 138.

in further expansion of soil erosion. On the slopes where topsoil was lost, it becomes difficult to practice farming, and at the same time, the loss of water-holding power causes landslides, and the drained earth and sand deposit in riverbeds, causing flooding.

(b) An oligopolistic control of agricultural market^{NOTE 52}

High-yielding rice varieties, which began being introduced in the late 1960s, are now cultivated by almost all farmers, and farming has been mechanized. High-yielding varieties, require new inputs such as certified seed, fertilizer, agricultural chemicals, and farm mechanization, which have resulted in the formation of markets for such agricultural inputs, machines and equipment. The landowner class, whose profit from land possession remarkably decreased due to the continued implementation of agrarian reform program in the rice crop zone, newly emerged as commercial elite, such as fertilizer and chemical merchants, the agricultural work-contractors, and the agricultural financiers. However, because this local market for agricultural inputs, supplies, and services is easily monopolized by the commercial elite, the prices for such inputs and services tend to be set high. The processing and marketing of rice products are also handled by only limited traders concerned, and consequently, producers' sales prices are not set fairly. Under these circumstances, the increase of harvest realized through the introduction of high-yielding varieties has not necessarily led to increasing farmers' incomes.

(c) Further spread of a commodity economy in rural areas^{NOTE 53}

Along with the diffusion of high-yielding species in the 1970s, agriculture and its related activities have been commercialized. Local free-access resources have gradually become scarce partly due to the population increase. Traditional building materials, such as bamboo and nipa, which originally grew naturally, were exhausted. As a result, for building a new house or remodeling or enlarging an existing house, such building materials as sheet zinc and blocks must be purchased from traders in villages or towns. In addition, use of agricultural chemicals resulted in the disappearance of fish

NOTE 52 Hiromitsu Umehara (1992) *op. cit.*, pp. 353-361.

NOTE 53 Hiromitsu Umehara (1992) *op. cit.*, pp. 351-352.

and frogs that used to be caught in irrigation channels and rivers, which served as a source of protein for poor farmers. Also, due to the change in agricultural practices, such work as rice planting, weeding, gleaning, and others, which used to be an important source of income for women, ceased to exist. In addition, large-scale poultry farming and piggery, which started in the suburbs of Metropolitan Manila and local cities, squeezed out small-scale raising of livestock in farmers' backyards. Therefore, more and more cash income became indispensable in daily living in rural areas. Such circumstances explain the background for poor farmers' being pushed into urban areas and mountainous areas.

(d) Rural communities with low cohesiveness

In general, Philippine village communities are considered to be loosely structured, compared with those of Japan where highly cohesive relations among villagers used to prevail, through shared resources, such as temples and commons. In the Philippine rural communities which are mainly comprised of tenant farmers and agricultural laborers, they are connected, by the nature of their livelihood, with respective landlords in or outside a village, and agricultural laborers must seek work not only in villages or neighboring villages but even in remote provinces^{NOTE 54}. Therefore, the conventional Philippine village communities do not have much of a core and of a cohesiveness among villagers beyond the range of blood relations.

2.2.2 Health

The Philippines has various issues to deal with, such as the population increase, the nutrition problem, spreading of infectious diseases, such as tuberculosis and dengue fever, and drug abuse.

Also, the state of public health varies among regions. For example, the infant mortality rate and the under five mortality rate are both low in NCR (the National Capital Region) and region III (Central Luzon), and they are high in region VIII (Eastern Visayas) and ARMM (Autonomous Region of Muslim Mindanao). In particular, in ARMM, the Government has just started tackling health issues. Further, there are more than a few cases where the situation of health service supply is

NOTE 54 *ibid.*, pp. 272-273.

deteriorating in comparison with the state before decentralization, due to confusion from the system transfer of decentralization.

(1) Health administration and staff

Before enforcement of the 1991 Local Government Code, health service was well established, reaching the Barangay level, which is the smallest public administrative body, and the complete control over the service was in the hands of Department of Health. However, the Health Department's jurisdiction came to cover only region-level health bureaus, according to the Code, and respective LGUs were given jurisdiction over province, city, and town levels. About 70% of the health staff at the Department was shifted, and many powers were transferred to LGUs. As a result, each level of health administration faces a confusion, although it is probably a temporary problem during transition of the system. In response, requirements are as follows: appropriate budget distribution according to decentralization, improvement of abilities of administrative officials, and strengthening of collaboration between region-level health bureaus and respective LGU-level health bureaus.

Also, qualitative and quantitative disparity in health service, including the conditions of health facilities and availability of materials/medicine, is expanding, according to the difference in respective LGUs' development priority. Especially for Barangays, there is a concern that the health service situation will worsen in the aspect of supply of medicine, etc., compared with the situation before the decentralization, thus urgent measures are needed. In addition, it is desired to improve the quality of staff who participate in supplying health service to residents, such as midwives^{NOTE 55}, who are in charge of end regional medical service, so that regional residents can receive better health service.

(2) The health service supply system and regional residents' awareness

In the Philippines, the usage rate of health service by residents is low, and it is not unusual for people to die without receiving care at a medical institution^{NOTE 56}.

NOTE 55 Midwives stay in Barangay Health Stations at the rate of one per 5,000 persons of the population. They are in charge of wide-ranging work, such as maternal and child health, nutrition guidance, family planning, and emergency treatment. Japan International Cooperation Agency's Medical Cooperation Department (March 1997), *Country Medical Cooperation File: the Philippines*.

NOTE 56 *ibid.*, pp. 101-102.

For the people to receive appropriate medical treatment, it is necessary to establish a referral system for primary, secondary, and tertiary medicine. On the other hand, improvement of public health requires expansion of the supply of service, as well as enhancement of regional residents' awareness toward public health and primary health care.

(3) Family planning/maternal and child health

In the Philippines, family planning is promoted from the viewpoint of health and welfare. Though of slight degree, the gross birth rate decreased from 39 (per 1000 population) in 1970 to 29 in 1997, and the population increase rate decreased from 2.4% (average of 1970 to 1990) to 2.2% (1990-1997). The implementation rate of family planning in 1995 was about 50%.

The infant mortality rate decreased from 80 (per 1000 live births) in 1960 to 32 in 1997, and the under five mortality rate decreased from 110 (per 1000 live births) in 1960 to 41 in 1997^{NOTE 57}. As mentioned earlier, however, there is great disparity among regions.

(4) Infectious diseases

In the 1990s, the disease rate of malaria and measles has been decreasing, but new problems, such as an increase of skin disease and AIDS, are being faced.

As to HIV/AIDS, the rate is still low in comparison with Thailand and Cambodia, but many factors indicate future expansion of prevalence, such as the large number of people who travel overseas to work and the high rate of other sexually transmitted diseases (STD). The Philippine National AIDS Council^{NOTE 58}, which consists of representatives of other government agencies and NGOs, is an advisory group to the President, who determines the policy regarding AIDS. The Council established the National AIDS/STD Prevention and Control Program (NASPCP) in the Department of Health, in which such measures as integration with STD measures, integration with maternal and child health activities, and efforts for adolescent education are being taken.

NOTE 57 UNICEF (1988), *The State of the World's Children 1999*.

NOTE 58 Consists of representatives from government agencies, such as the Department of Health, the Department of Education, Culture and Sports, the Department of Tourism, the Department of Foreign Affairs, the Department of Interior and Local Governments, the Department of Social Welfare and Development, the Department of Labor and Employment, the National Economic and Development Authority, and multiple NGOs.

The disease rate of tuberculosis is 237.5 (per 100,000 population), which is the highest among member nations in the jurisdiction of the WHO Regional Office for the Western Pacific. The population of the Philippines represents only 4% of the population in the jurisdiction, but the number of tuberculosis patients accounts for 29%. Further, there is a concern about the spread of drug-resistant bacteria. Considering this situation, the Department of Health shifted emphasis on its policy for tuberculosis measures from a conventional discovery of patients to the improvement of the cure rate after infection. Tuberculosis measures are also selected as a priority program by the Estrada Administration.

Table 2-5 Health-Related Indices by Regions

Region	Infant mortality rate per 1000 live births (1995)	Under 5 mortality rate per 1000 live births (1995)	Maternal mortality rate per 100,000 births (1995)	Population per medical staff ^{NOTE 59} (1995)		
				Physician	Nurse	Midwife
NCR	32.2	38.5	119	37,992	37,678	20,128
CAR	54.9	76.9	193	102,231	53,160	9,103
I. Ilocos	45.7	61.4	161	32,248	26,346	5,403
II. Cagayan Valley	53.7	74.6	191	10,892	8,120	1,752
III. Central Luzon	40.4	52.6	171	37,524	30,892	6,938
IV. Southern Tagalog	44.9	60.0	139	30,306	34,512	8,022
V. Bicol	58.3	82.3	166	36,504	22,450	6,545
VI. Western Visayas	55.2	77.4	184	44,927	39,879	6,167
VII. Central Visayas	47.3	64.0	158	23,354	13,853	3,855
VIII. Eastern Visayas	64.3	92.6	190	50,386	41,494	13,724
IX. Western Mindanao	58.6	82.8	200	32,841	17,622	5,009
X. Northern Mindanao	53.7	74.6	225	27,319	17,120	3,765
XI. Southern Mindanao	51.8	71.6	160	132,250	95,220	14,832
XII. Central Mindanao	53.5	74.0	187	110,591	55,295	12,941
ARMM	63.4	91.1	320	38,164	24,126	4,916
CARAGA	-	-	-	50,225	33,483	7,787
Philippines	48.9	66.8	180	34,632	26,084	6,448

Source: National Statistical Coordination Board

2.2.3 Education

Based on the report by the Congressional Commission on Education (EDCOM) in 1991, an organizational reform of the Department of Education, Culture, and Sports (DECS) was conducted. As a result, basic education (elementary, secondary, and non-formal education) came to fall under the jurisdiction of the DECS, higher education under the Commission on Higher Education (CHED), and vocational training under

NOTE 59 The Physicians and nurses in this statistics are only national public service workers.

the Technical Education and Skills Development Authority (TESDA). Non-formal education is implemented by various agencies, such as the DECS and the Department of Social Development and Welfare, according to purposes. The Department of Science and Technology (DOST) is in charge of education in science and technology.

In the 1990s, in the wave of the international tendency of adoption of the "Education For All Declaration" and promotion of "human development," the Philippines also positioned universal basic education, which is a basic need, as an important issue in education policy. The government has been promoting qualitative and quantitative improvement of elementary and secondary education, and programs aimed at decentralization and improvement of administrative function of education^{NOTE 60}, focused on the poor provinces where education is not spread sufficiently, which were designated in the Social Reform Agenda (SRA).

Also, private enterprises' efforts to support the public education is being promoted, such as a program to assist finance toward public schools and public universities, and a program to link vocational school education with in-company training (dual training system). Additionally, efforts are being made to spread and expand non-formal education targeting out-of-school youth and adults through the Literacy Service Contracting Scheme, based on the partnerships between the DECS and other government agencies, NGOs, private schools, private universities, and religious groups.

(1) Basic education

The participation rate of six-year elementary education in the Philippines was 95.09% in 1997, and quantitative expansion is observed. However, the rate of children remaining in school at five years after entrance was low, at 73.73%, which indicates many drop-outs. The participation rate in the four-year secondary education was 64.22% (1997), and their rate of remaining in school was 52.05%, suggesting the need of improvement both in quality and quantity. What is common in elementary and secondary education^{NOTE 61} is the low level of academic achievement by students, and many do not achieve the established scholastic ability level^{NOTE 62}.

NOTE 60 Such as the Third Elementary Education Program (TEEP) and the Secondary Education Development and Improvement Program (SEDIP).

NOTE 61 DECS (1997), *DECS 1997 Annual Report*.

NOTE 62 The Master Plan for Basic Education (1995-2005) reported that only 29% of the items required to be learned were actually learned, as assessed by the National Elementary Assessment Test (NEAT); and in the National Secondary Assessment Test (NSAT), the achievement levels in science and mathematics subjects were 30 to 40%.

Table 2-6 Participation Rate and the Rate Reaching the Final Grade, in Elementary and Secondary Education

Year	Participation rate (%)		Rate reaching the final grade (%)	
	Elementary education	Secondary education	Elementary education	Secondary education
1994-95	87.14	58.47	66.50	48.99
1995-96	92.70	62.25	67.50	47.53
1996-97	94.33	62.62	72.13	48.32
1997-98	95.09	64.22	73.73	52.05

Source: DECS

Also, in a 1994 survey, the simple literacy rate, which is the rate of being able to read and write simply in any language, was 93.9% nationwide in the Philippines. And the functional literacy rate, which includes calculating ability in addition to reading and writing, was 83.8%.

Further, as mentioned later, unevenness is evidenced in the diffusion of basic education among regions in the country. There is no gender disparity in education, such as in the literacy rate, but in the Islam region, women have only limited opportunities to receive education.

(a) Educational administration and finance

The DECS is promoting decentralization of educational administration in order to expand the supply of educational opportunities and improve the quality of education. This decentralization has gradually enabled local government units to take initiatives in implementing measures according to their own situations^{NOTE 63}. Consequently, Division Offices' abilities for planning and implementation, as well as monitoring for overall basic education, is challenged.

Similarly, as for elementary education, educational development plans and school improvement plans must be made and implemented on the District Office level, and further on the elementary school level. In other words, educational administration officers on the District level and principals of schools must have management abilities to measure the educational situation of each elementary school, create a program to realize qualitative improvement

NOTE 63: Local areas have Division Offices that have jurisdiction over provinces and the level of cities that are under supervision of provinces, and District Offices that have jurisdiction over the level of cities that are outside supervision of provinces and municipalities. Elementary education is under the jurisdiction of District Offices, and secondary education is under the jurisdiction of Division Offices. In the past, Division Offices were under the jurisdiction of each region office of the central DECS, and they were strongly connected to the central DECS.

of education, and actualize the program in cooperation with guardians and regional residents.

The educational budget is given the largest distribution in the government budget, and the DECS's budget accounts for 15.9% (1998). However, 80% of the DECS's budget is taken up for teachers' salaries, and expenses for facilities and better quality of education cannot be secured sufficiently.

A Special Education Fund, which comes from part of real property taxes, is available as educational financial resources for LGUs, but revenues vary with respective taxation bases of LGUs, resulting in regional disparity.

(b) Quality of education

1) Training for teachers in service

Quality of education greatly depends on the ability of teachers. Teachers are required to have instructing abilities to utilize their own creativity, fully considering children's and students' interest and situation.

In fact, not many teachers have a teacher's license, and in particular regarding science teachers, the rates of teachers who completed respective courses for specialty fields are 40% for general science, 41% for biology, 21% for chemistry, and only 8% for physics (as of 1992). Under such circumstances, several institutions have striven to improve the abilities of teachers in service, such as the establishment of teacher training centers in local areas, a training program for science teachers, and a degree-acquisition program by a private foundation. However, these are not fully systematized, and it is often difficult to carry out such programs due to financial shortages.

Teachers have a heavy burden in conducting classes, and bears other responsibilities, such as management and repair of school buildings, therefore it is difficult for them to spare time to study and develop teaching materials. Also, teachers have difficulties in taking leaves to participate in a training program except during a long vacation, since their positions are not substituted during their absence.

2) Teaching language and study efficacy

Since 1974, bilingual education using either English or Filipino (national language), depending on the subject, has been conducted^{NOTE 64}. In the multilingual Philippine society^{NOTE 65}, however, there are students who use

another language besides these two as their mother tongue, and it is sometimes difficult for them to understand a class conducted in a non-native language. For example, science and arithmetic/mathematics are taught in English, so students' understanding level in these subjects is said to be low, due to the considerable influence of language. In this line, the high school affiliated with Philippine University is conducting an experiment to measure study achievement levels using English and Pilipino^{NOTE 66}. Also, there is a view^{NOTE 67} that, in the stage of studying basics, using a native language is more effective to achieve better understanding of concepts, though use of English is desirable for teaching and study in advanced fields.

At present, teachers as well as students bear considerable burden. When the content of textbooks is not written in children's mother tongues, it is questioned whether teachers have an adequate understanding of the content in English or Filipino, as well as how they actually teach the content to their students.

Also, there is a movement to review teaching languages (revival of Filipino, the national language) under the Estrada Administration, but the direction has not yet been determined.

3) Curriculum, textbooks

On average, only one textbook is distributed for eight students, for each subject, and the situation is even worse in local areas. Students cannot obtain textbooks due to higher prices because private companies began producing them in conjunction with the promotion of privatization. There are also problems related to transportation and distribution of such materials, especially in local areas.

NOTE 64 In elementary education, the five subjects of science, arithmetic, music/drawing and manual arts/physical education, living science and English are taught in English, and the three subjects of morality, civics, and Pilipino are taught in Pilipino. In secondary education, English, mathematics, science, industrial arts and home economics, computers, and other subjects are taught in English, while Pilipino, social studies, music/art/physical education, and sense of values education are conducted in Pilipino. In classes of the first and second grades of elementary school, use of local languages, to assist providing education, is approved.

NOTE 65 There are said to be more than 100 languages in the Philippines, but the major languages are Tagalog (about 28%), which is the base of Pilipino, Cebuano (about 24%), Ilocano (about 10%), Ilongot (about 9%), Bicolano (about 6%), and Samar-Leyte (about 4%), according to the DECS (1997) "Facts & Figures on Philippine Education."

NOTE 66 According to the Bureau of Secondary Education of DECS, as announced on September 29, 1998.

NOTE 67 According to the DOST-SEI, as announced on September 30, 1998.

Regarding curriculum, there are excessive contents programmed, especially in secondary education, in light of the short education period of four years. This is said to be true especially in the area of science. Therefore, appropriate content according to students' level of development and study is needed.

(c) Education in poor regions and for ethnic minorities and Islam

Many regions of ethnic minorities and Islam are poor, and in these regions the spreading of education is behind compared with other domestic regions. The DECS is making efforts to improve the state of education in the poor provinces that the Social Reform Agenda identifies.

The Functional Literacy Rate is 92.4% in NCR (the National Capital Region), while it is 61.2% in ARMM (Autonomous Region of Muslim Mindanao). Elementary education enrollment rates are 91.6% in NCR and 79.8% in ARMM. The rates of students reaching the final grade are 85.5% in NCR and only 29.7% in ARMM. The secondary education enrollment rates are 93% in NCR and 15.7% in ARMM. As such, there is a large discrepancy among regions.

Also, in elementary education, there are many combined classes of multiple grades, due to the small number of students per grade and to the shortage of teachers.

In the Mindanao region, there are Islamic schools called madrasah and schools managed by NGOs. Among them, only a few use the government-established curriculum. In face of this situation, the Department of Education began to consider improvement of education at madrasahs toward integration of education, and measures are planned to be strengthened^{NOTE 68}.

In the regions of ethnic minorities, study materials related to their unique local cultures and living are needed, especially in elementary education. In addition, the number of teachers from ethnic minorities is in short, which makes it difficult to carry out educational activities that meets the needs of students. As for the non-formal education program, adult literacy education is conducted in mother tongues, and measures to meet students' needs are taken, such as the usage of textbooks written in a mother tongue and the employment of instructors from regional communities. Similar measures are behind, however, in school education settings.

NOTE 68 CMEP-PMO, *The Comprehensive Mindanao Education Program (CMEP) 1997-2014, Executive Summary*.

Table 2-7 Education-Related Indices by Regions

Region	Simple literacy rate		Functional literacy		Elementary education		Secondary education	
	(1994)	(M/F)	rate	(1994)	Participation rate 1995-96	Rate reaching the final grade 1994-95	Participation rate	Rate reaching the final grade
NCR	98.8	(98.9/98.8)	92.4	(91.8/93.0)	91.6	85.5	93.8	83.4
CAR	88.8	(89.9/87.5)	78.6	(76.8/80.5)	90.8	60.1	66.8	76.1
I. Ilocos	95.5	(96.1/94.8)	86.4	(85.6/87.3)	92.5	79.7	77.1	81.1
II. Cagayan Valley	93.3	(93.7/92.8)	86.6	(86.6/86.6)	89.2	69.2	67.2	77.1
III. Central Luzon	96.3	(96.5/96.1)	87.3	(86.1/88.5)	92.4	77.5	68.9	76.7
IV. Southern Tagalog	96.4	(96.8/96.0)	88.0	(86.3/89.8)	90.8	75.6	69.7	78.6
V. Bicol	96.9	(94.8/95.0)	82.8	(81.2/84.5)	90.5	69.9	57.1	72.3
VI. Western Visayas	91.9	(90.8/93.0)	80.9	(77.3/84.8)	90.1	63.6	61.9	79.5
VII. Central Visayas	93.1	(93.4/92.8)	80.8	(78.5/83.2)	85.2	66.3	51.9	72.6
VIII. Eastern Visayas	90.9	(89.2/92.7)	79.7	(75.7/84.2)	86.1	58.0	49.6	71.7
IX. Western Mindanao	89.7	(89.1/90.1)	75.4	(72.6/78.1)	83.5	50.6	45.8	65.1
X. Northern Mindanao	94.6	(93.8/95.5)	83.4	(79.5/87.4)	87.3	59.7	77.5	70.3
XI. Southern Mindanao	92.0	(91.6/92.4)	79.4	(75.6/83.2)	88.3	61.1	52.8	70.8
XII. Central Mindanao	90.8	(90.3/91.4)	77.4	(74.2/80.7)	86.8	49.0	65.5	65.8
ARMM	73.5	(75.6/71.4)	61.2	(63.2/59.1)	79.8	29.7	15.7	57.1
Philippines	93.9	(93.7/94.0)	83.8	(81.7/85.9)	89.2	66.5	62.3	75.8

Source: DECS

(2) Higher education

The gross enrollment rate in 1995 in higher education in the Philippines was about 27%^{NOTE 69}. There are over 270 national and other public universities and over 1000 private universities^{NOTE 70}, but degree-holding teaching personnel are in short supply, in addition to a shortage of research facilities, especially at local universities. Priority issues under the Estrada Administration are a higher education system for agriculture and fisheries, and arrangement for such as instructors' training. Also, a plan to create Centers of Excellence, centered in NCR, Cebu, and Davao, is proceeding.

691 institutions (1996/1997) out of 1,396 higher education institutions have teacher-training courses, but many of them do not meet the standard in terms of staff quality and library sufficiency. Besides, 74% of the curriculum designed to train elementary teachers, and about 60% of the subject-based curriculum for secondary education teachers, consists of general education, and there are not

NOTE 69 According to the *UNESCO World Education Report 1998*. The gross enrollment rate is the rate of all students who are enrolled in higher education among the population group of persons who are within five years after completing secondary education, regardless of age.

NOTE 70 As of January 1997. According to CHED *Higher Education Data*.

substantial subjects specialized in teaching methods, content, and speciality. In addition, though a teaching license is issued if the teaching qualification examination is passed, the passing rate was about 25% on average from 1991 to 1994.

(3) Vocational training

The Technical Education and Skills Development Authority (TESDA) conducts training in vocational skills, training for trainers, implementation and authorization of technical skills testing, and occupational guidance, etc. Training of personnel (secondary and vocational education) that matches the demands of labor market is called upon, and in response, training of intermediary level engineers is conducted. In particular, since the Dual Training System was instituted, it has become possible to conduct education connecting training schools with actual occupational practice. However, participation by the private sector in the program is insufficient. Also, training of personnel (vocational training) based on regional industrial demands is not necessarily adequately conducted, and training instructors are in short supply as well.

Twenty percent of all workers in the Philippines have completed higher education, and another 20 percent have completed secondary education, while 40 percent have completed only elementary education. As workers' wages and their level of school education are correlated, it is desired to further enrich the system to acknowledge the equivalency of results of study obtained outside the regular school system as school certificates.

2.2.4 Economic development

(1) Agriculture

The agriculture sector, producing 20.9% of the GDP and employing 39.3% of the work force^{NOTE 71}, is important not only as an industry but also from the viewpoint of social development, as it provides employment opportunities for the rural poor. A challenge in this sector is well-balanced promotion of productivity improvement, an important factor for any industry, and rural development, to

NOTE 71 National Statistical Coordination Board, 1996.

reduce regional disparity and poverty.

Under the circumstances in which international competition is expected to intensify accompanying further tariff reductions and liberalization within AFTA, Philippine agricultural export products must become more competitive in both price and quality. Regarding non-export agricultural products, it is necessary to strengthen their price competitiveness by such as reducing unit production costs, to protect them from being overcome by imports.

It is possible, in view of natural conditions in the Philippines, to raise the rate of self-sufficiency in food. And using valuable foreign currency to import food is attended with high opportunity cost. Therefore, further efforts are needed to improve agricultural productivity, through the promotion of agricultural research and diffusion of its results, and the efficient utilization of irrigation facilities.

Increasing the income of the poor is indispensable for the mitigation of regional disparity, one of the primary goals of the Philippines' development. Increased incomes not only expand the domestic market but also contribute to the development of other industries. It is crucially important to assist the poor in supporting themselves. At the same time, continued support by the Government is needed for farming, and for the living environment for farmers who engage in farming in such poor lands as forest land (slopes), where productivity is originally low and difficult to improve.

(a) Main crops

Rice, the staple diet, tremendously increased in unit yield and production amount during the Green Revolution, initiated in the middle of the 1960s, through the development and extension of high-yield varieties, use of fertilizers and pesticide, and construction of irrigation facilities. As a result, self-sustenance in food was attained from the end of the 1970s to the mid-1980s, with a small surplus for export. The rate of self-sustenance, however, has declined since the beginning of the 1990s because of stagnation in unit yields, the high rate of population increase, and repeated natural disasters, despite a slight yearly increase in the planted area. The decline led to a sharp increase of imports.

Corn, a second staple diet, also increased in yield since the 1980s as a result of the Green Revolution. In recent years, its per capita consumption is decreasing, because increased incomes have enabled people to purchase more rice, which costs more than corn but is preferred. With the rapid

increase in demand for livestock products, most of the corn is now used as feed, thus producing a considerable change in the type of consumption. Unit yield was 1.5 tons in 1996^{NOTE 72} for the target of 5 tons, and the amount of production reached only 60% of the target, causing heavier dependence on imports.

Reasons for the unit yields of rice and corn still being lower than in Asian neighboring countries include the oligopolistic structure in which profit is concentrated on certain private traders who supply agricultural materials and equipment, and who distribute products, besides obsolescent irrigation facilities and insufficient technical guidance and extension. As a consequence, farmers are discouraged from investing to raise yields and improve productivity, because their efforts are not immediately to result in income increase.

(b) Commercial crops

Coconut, accounting for the greater part of world production and constituting an important source of foreign currency earnings, is still a major agricultural export of the Philippines. Its yield and production, however, are decreasing gradually, with the aging of coconut trees and felling for lumber, and affected by agrarian reforms. Sugar cane is losing its international competitiveness, due to the decreased production efficiency resulting from delayed modernization of sugar processing factories. While added value of these traditional export crops is declining, the Government is striving to develop new commercial crops and promote crop diversification. Although production of fruit and vegetables is increasing gradually, no considerable change is yet observed in the composition of commercial crops.

(c) Irrigation

As of 1997, the area irrigated by the National Irrigation Administration (NIA) was 1,322,860 ha, which accounted for 42.3% of the total irrigable area of 3,126,340 ha^{NOTE 73}. (NIA develops, operates, and maintains National Irrigation Systems (NIS) and Communal Irrigation Systems (CIS), excluding private systems.) The Government aims to cover 73.8% of the total irrigable

NOTE 72 Bureau of Agricultural Statistics, Department of Agriculture.

NOTE 73 National Irrigation Administration.

area by 2025^{NOTE 74}. For many of the irrigation systems, Irrigation Associations (IA) have been organized, and they collect irrigation charges from the benefited farmers and manage secondary and lower-rank canals. Irrigation associations cover only 80% of the irrigated area, and their activity is stagnant. For the Community Irrigation Systems, it is mandatory to establish irrigation associations, and completed facilities are transferred to the associations. But their activity is stagnant in many cases, as with the National Irrigation Systems. The collection of irrigation charges, the associations' mandatory minimum duty, is not carried out properly, not to mention adequate water management.

Much money has been spent in recent years to rehabilitate these facilities that are outdated and inadequately managed, for the above-mentioned reasons. A vicious circle is formed in which inadequate management reduces irrigated areas, and crops are subjected to extensive damage from droughts and floods, which, as a result, reduces income from irrigation charges, leading to insufficient funds for irrigation. New irrigation is extended over only about 10,000 ha in a year^{NOTE 75}, making it difficult to attain the above-mentioned goal. Irrigation charges collected in 1996 were 65% of the scheduled sum for the NIS, and the repayment rate of CIS construction expense was as low as 19%. It is urgently necessary to strengthen the organizational and managerial system of the NIS and the irrigation associations, and to encourage farmers' participation, accompanying the extension of irrigated areas and the improvement of irrigation efficiency.

(2) Agrarian reform

The agrarian reform that followed Philippine independence has made progress through enactment and revision of laws several times, since the Agrarian Reform Act was established in 1955 (Republic Act No. 1400). The Marcos Administration addressed agrarian reforms resolutely in 1972, as an important means of carrying out the social reforms it instituted under martial law. Reforms produced minimum results as the program covered only the tenanted rice and corn lands. Sugar cane and coconut growing areas, however, were not included as targets of reform, and

NOTE 74 Republic of the Philippines (1998), *The Philippine National Development Plan: Directions for the 21st Century*

NOTE 75 National Irrigation Administration.

beneficiary farm workers were excluded from it. Results were therefore not satisfactory overall.

(a) Present efforts

When President Aquino was inaugurated in 1986, people had great expectations for the genuine agrarian reform that would involve all farmlands and farmers including landless farmers and farm workers. It took more than two years, however, before the Comprehensive Agrarian Reform Program (CARP) was formulated, because of strong resistance from landowners. CARP aimed at comprehensive reform involving all farmlands of the country.

Currently, the Philippines' agrarian reforms are being carried out in accordance with CARP.

CARP started with a limited term of 10 years from the effectuation of the Comprehensive Agrarian Reform Law of 1988 (Republic Act No. 6657). In October 1995, the Ramos Administration that took over the program scheduled to extend the term by 2.5 years, to 2000, and made a downward revision of the program, regarding such as the area of lands to be covered. In February 1998, Ramos decided to further extend the term of another ten years, to 2008, and appropriate an additional 50 billion pesos for the program.

Compared with the reforms thus far, CARP involves all farmlands and agricultural workers^{NOTE 76}. Its other characteristics include defining of target terms and areas regarding land distribution, the approval of substitution measures, such as profit and production sharing system in the corporate farms, stock distribution option, and the provision of support services for the beneficiaries of reform.

Currently, main measures include (i) distribution of government-owned lands and private lands, (ii) physical and non-physical projects for supporting farmers, and (iii) lease-hold operation under the fixed rental farming system. These are implemented with cooperation by the departments concerned.

(b) Progress in CARP

The rate of accomplishment was 57% at the end of 1998 for the planned land area of 8.1 million ha to be distributed, after revision of the program in 1996. The rate is 63% for government-owned lands, and 41% for privately

NOTE 76 Under the PD No.27 declared on October 21, 1972, targets included only rice and corn planting lands and tenant farmers who had tenant contracts.

owned lands. Reforms are apt to be delayed in lands other than tenant lands for rice and corn. The program now focuses on the leasing of publicly owned lands to farmers practicing agriculture there. For privately owned farmlands, not much progress has been made in sugar cane and coconut growing areas. In these lands, nonresident landowners do not reinvest in their lands, and this seems to lower productivity.

The Aquino and Ramos Administrations produced comparatively satisfactory results in land distribution, as shown in the table below. Farmer-support services, such as the building of basic production infrastructure, the provision of information on distribution, and the provision of basic living services, are indispensable for self-sustenance of beneficiaries, but these services are inadequate in many regions, mainly due to shortages of financial resources.

Table 2-8 Results of Land Distribution by Three Administrations (until 1996)

Marcos Administration (14 years)	Aquino Administration (4 years)	Ramos Administration (4.5 years)
260,765 ha (18,626 ha/year)	1,726,004 ha (431,501 ha/year)	2,335,705 ha (519,046 ha/year)

(c) Future challenges under CARP

Funds for implementing CARP are provided by the Agrarian Reform Fund, established in 1987. The financial resources of the fund consist of revenue from sales of government-owned assets, which is transferred to the Asset Privatization Trust, and revenue from sale of the Marcos's assets seized by the Presidential Commission on Good Government. Funds available at the end of 1996, however, covered only 50% of the initially planned sum, causing financial difficulties.

Financial difficulties not only delay land distribution but also lead to unsatisfactory support service for beneficiary farmers, because limited funds are appropriated toward land acquisition. Under these circumstances, the Department of Agrarian Reform (DAR) is requesting donor countries' cooperation in support services for farmers. Regarding government-owned uncultivated lands, it is often the case that not only production infrastructure but also development plans are not prepared at the time of land transfer, and this prevents farmers from settling down and support themselves.

CARP is so extensive as to distribute as much as 30% of the national

land. It is necessary for industrial balance and environmental conservation to be taken into consideration in implementing the program. It is also necessary to study how to keep balance between productivity and poverty alleviation through the distribution of means of production, as it is expected that the division of land to small lots will reduce scale merits, and that low-productivity lands will be included in lands for future distribution.

(3) Economic infrastructure

As economic infrastructure is literally the basis of private economic activities, building it up could produce significant external effects. The stable supply of energy at a low price is essential to meet the increasing demand in developing industrial activities. To meet the demand, it is necessary to develop and effectively utilize the country's own resources as much as possible. Traffic transportation system, telecommunications, and water supply must be expanded and improved, in pace with social and economic growth and development

(a) Energy and electric power

At present, the supply of energy just manages to keep up with the rapid increase of demand in the process of economic growth, such as by the increased number of vehicles and improved living conditions. The rate of self-sufficiency in energy declined from 44% in 1996 to 42.5% in 1997^{NOTE 77}. Regarding electric power, power shortages have been solved by the construction of new power stations under the BOT scheme, but power rates are much higher than in neighboring countries. Power supply is inefficient and unstable because of low technical levels and inadequate operation and management that originate from lack of maintenance funds and human resources, including technical personnel.

In the Philippines, an agricultural country, biomass, such as coconut shells, rice hulls, and wood chips, accounts for a high percentage in primary energy, and a considerable part of electric power is supplied through hydroelectric and geothermal power generation.

For the Philippines, an archipelago country, rural electrification is an important issue. While most urban areas have been electrified, less developed

NOTE 77 NSCB, *Philippine Statistical Yearbook 1996, 1997*.

hilly regions and isolated remote islands have not. The rate of home electrification is forecasted to remain around 75% in 1999^{NOTE 78}.

(b) Traffic and transportation

Roads play the most important role in the Philippine traffic system. The road length overall totals about 161,000 kilometers, and that of national roads is a little over 27,000 kilometers (1996). Concrete-or asphalt-paved roads account for 17% of the total road length, or 55% of national roads. The suburbs of the National Capital Region (NCR) have expressways and toll roads. Road density is highest in NCR, Region I (Ilocos), and Region VII (Central Visayas), while it is lowest in Region IV (Southern Tagalog), Region II (Cagayan Valley), and Region VIII (Eastern Visayas). Regional disparity is considerably huge^{NOTE 79}.

With economic growth in recent years, the number of vehicles has been increasing rapidly, creating serious traffic congestion in the Metro Manila. On the other hand, it is necessary, to achieve balanced national development through further economic growth and regional development, to establish a nationwide road network, pave existing roads, improve road planning, strengthen management and maintenance systems, and construct expressways connecting the Metro Manila with newly developing industrial areas in its suburbs.

Railroads play a much smaller role in traffic in the Philippines than roads, accounting for less than 1%, both in passenger and cargo transport. Currently, the Philippine National Railways provides train service along about 440 kilometers, and the Light Railway Transit Authority operates the about 14 kilometers of Light Railway Transit (LRT) lines. As heavy traffic congestion in the Metro Manila is impeding economic activities, it is imperative to construct and operate railroads as a means of mass transport. The construction of railroads and LRT lines is being promoted with foreign capital and Japan's credit^{NOTE 80}.

For the Philippines, an archipelago country, marine traffic is indispensable both for goods distribution and for mass transit. The country has about 700

NOTE 78 Republic of the Philippines (1998), *The Philippine National Development Plan: Directions for the 21st Century*.

NOTE 79 JICA Philippine Office, *Basic Materials by Sector* by a JICA expert stationed at DOTC.

NOTE 80 *ibid.*

public ports and about 300 private ports. They handled about 150 million tons of cargo, and about 48.3 million passengers, as of 1996. But insufficient navigation safety facilities and obsolescent ships often cause marine accidents, while inadequate harbor facilities and inefficiency in shipping industry hamper export competitiveness. Modernization and expansion of these harbor facilities are urgently needed.

Air traffic, reflecting an increase in international human movement accompanying economic growth, has seen a sharp increase of passengers for domestic flights. The country now has 176 airports, including 89 public ones. Among them, four, including the Ninoy Aquino International Airport (formerly known as the Manila International Airport), are international airports, four are substitution international airports, and 12 are major domestic airports. In 1997, they handled 22.54 million passengers, and about 650,000 tons of cargoes. In the future, it is necessary to improve the Ninoy Aquino International Airport and other international airports; to improve local airports, in order to promote regional development; to pave the way for new companies to enter the business by deregulating the domestic airline industry, and to improve airport facilities and strengthen their management, in order to ensure air traffic safety.

(c) Telecommunications

Domestic telephone service has spread rapidly in recent years. Some 5.78 million telephone circuits were in use as of the end of December 1997, with a diffusion rate of 8.07 circuits per 100 people (as of the end of December 1996: 3.35 million circuits, 4.66 circuits/100 people). As of the end of December 1997, as many as 76 entities (private, 72; local government unit, 3; state, 1) provided telephone service. Fifty-eight percent of telephone sets are, however, located in Metro Manila, while local telephone service is nearly non-existent, except in urban regions. The Philippine Long Distance Telephone Company (PLDT), a private business, provides services in Metro Manila and major cities of the country, having a considerably large share.

This rapid spread of telephone service is a product of decisive action taken by Ramos Administration in liberalizing new access to telecommunication business. This intensified competition among a number of new entrants from around 1993 in domestic, international, and cellular telephony, and existing entities launching new business. As a result, they

prioritized laying of circuits in highly profitable urban regions, which widened regional gaps. To cope with this situation, the government required new entrants in cellular telephone and international communications business to lay a certain number of fixed circuits. Difficulty in interconnection among entities, however, has become apparent, posing a problem that urgently needs to be solved.

The Government, aiming to reduce regional disparity, promoted projects for constructing local telephone networks, with the assistance of donor communities, including Japan, and thus far 100,000 telephones have been installed. Yet this remains insufficient. In 1990, the Department of Transportation and Communications (DOTC) initiated a project for constructing public telephone stations in all towns and villages, as a provisional means of making public telephone service available to every individual. This project is implemented by the PLDT and new private entrants, with assistance from France, Canada, the United States, and Germany. As of 1995, 803 of 1236 planned stations had been constructed.

In today's information society, in which facsimiles, computer, satellite communications, and electronic payment through communications technology are coming into wide use, improvement of the telecommunications sector is indispensable for further social and economic growth and development.

(d) Waterworks

The diffusion rate of waterworks was 72% in 1995, and the rate is still low in the provinces. The spread rate of tap-water supply to individual houses is 84% in Metro Manila, 37% in other cities, and 16% in the provinces. In the provinces, people get water from wells or through community faucets. The present situation is a long way from having easy access to safe water^{NOTE 81}.

Water supply service in the Metro Manila has been provided by the Metropolitan Waterworks and Sewerage System (MWSS), in rural cities with populations exceeding 20,000 by public entities called Water Districts, and in other regions by local government units. They are, however, not in sound economic condition, and they can neither make new capital investment nor conduct adequate maintenance. In the Metro Manila, the MWSS has been

NOTE 81 Japan International Cooperation Agency, *JICA Preliminary Study Report on Assistance in Water Supply and Sanitation Planning in Visayas and Mindanao*.

divided into two bodies, and its operations have been transferred to private companies. Their water supply service and the change of water rates should be watched over.

(e) Housing conditions in the Metro Manila

Housing conditions in the Metropolitan area are extremely poor, except in the high-class housing site called the Village, where a limited number of wealthy people live. The Metro Manila has millions of illegal residents from provinces, called squatters. They can cause delay in implementation of public works for improving infrastructure, such as roads, harbors, and rivers, because resettlement of these people is problematic. The Housing and Urban Development Coordinating Council (HUDCC) is addressing housing problems on a comprehensive basis. It started a national housing program in July 1997, focusing on the construction of 940,000 houses in six years, for low-income people. The National Housing Authority (NHA), an implementing agency under the control of the HUDCC, engages in the improvement of living conditions of squatters, such as redevelopment of the scavenging area called the Smoky Mountain, improvement of suburban resettlement sites, and the construction of medium-rise apartment houses. In addition to measures taken directly by the national Government, implementation of the national housing program requires housing supply by local government units. At present, it is confronted by insufficient human and financial resources.

(f) Factors restricting economic infrastructure-building

Restricting factors in the energy sector include insufficient domestic capital for new plants and equipment, weak energy administration, and a lack of specialists and technical personnel, as well as insufficient maintenance funds.

Restricting factors common in the sectors of traffic and transport, telecommunications, and water supply include insufficient funds and small budget scales in ministries, agencies, public corporations, and local government units (which are implementing agencies), their poor policy-making capacity, and unsatisfactory maintenance systems due to shortages of able technical experts and low technical levels. In particular, they are less aware of the importance of maintenance and management. In fact, financial difficulties make it impossible for them to construct new facilities or make capital

investment by themselves, without financing from international organizations or assistance from donor countries. In recent years, all sectors have come to intend to incorporate the BOT scheme, which is designed for utilizing private capital, and some are implementing it.

(4) Industry sector

The ratio of the industry sector including mining, manufacturing, construction and utility (electric power, gas, and water supply), to the GDP declined from 40% in 1983 to 36% in 1997. The share of manufacturing industry declined from 26% to 25%. The ratio of persons employed in the manufacturing industry declined from 12.1% in 1960 to 9.9% in 1997, while that in the entire secondary industry remained almost unchanged: it was 15.3% in 1960, and 16.3% in 1997. The ratio of persons employed in primary industry, however, declined from 61.1% in 1960 to 41.3% in 1997, and workers falling in the variance were absorbed in the tertiary industry. Very limited employment created by industrialization, and a rate of population increase that is higher than in Southeast Asian neighbor countries, brought high rates of unemployment and underemployment, contributing partially to chronic poverty. The national average unemployment rate in 1996, before the currency crisis, was already 8.6%, with the rate of underemployment being as high as 21.0%. During the third quarter of 1998, these rates rose to 9.6% and 23.7%, respectively. The number of people working abroad, including seamen, more than doubled, from about 350,000 in 1984 to about 750,000 in 1997.

Poor employment-generating effects are attributable to long-lasting low growth during the 1980s and the unsophisticated industrial structure. In 1997, food and petroleum and coal products accounted for more than 50% of the total output of the manufacturing industry. A wide range of supply industries have not been developed, and repercussion effects can not be amplified among the domestic industries. For instance, the Philippines has only about 150 domestic companies from which the automobile industry purchases parts, while Thailand has about 600. Local industries have not been developed either.

The information industry, whose recent growth is considerable, is expected to become a core industry in the future. It has great potential for the Philippines, which has a large number of workers who understand English. It is, however, imperative to establish legal systems and to ratify international treaties for the protection of intellectual property rights.

The ratio of mining to total exports was declining, with 21.33% in 1980 as a peak, and it was as low as 3.03% in 1997. The number of metal mines sharply declined, from 62 in 1978 to 13 in 1998. This was caused by natural disasters, such as the eruption of Mt. Pinatubo, power shortages, the over-valued peso, worsened metal market conditions, lower-grade mineral deposits, an increased tax burden, complaints against mine pollution, and people's distrust of the Government's environmental administration. To cope with the situation, the Government enacted the Philippine Mining Act of 1995 (Republic Act No. 7942), allowing 100%-foreign-capital companies to enter the Philippine mining industry, though this was limited to large-scale mining. The act mandated the conducting of Environmental Impact Assessment (EIA) and the obtaining of Environmental Compliance Certificates (ECC).

Inadequate industrial infrastructure, such as electric power, roads, and harbors, can restrict the mining and manufacturing industries, and a number of problems exist: unstable and costly power supply; traffic congestion in the Metro Manila, and insufficient local roads; and airports and harbors without hub functions. Inadequate addressing of environmental problems, such as industrial waste, could hamper future industrial development. Furthermore, high domestic interest rates, resulting from the recent Asian currency crisis; insufficient foreign currency reserves, and domestic banks oriented to sounder operation are causing domestic banks' hovering hesitation in financing small-and medium-sized businesses. Other problems include insufficient competition among banks and the unsatisfactory domestic capital market, as well as insufficient venture capital. These impede the development of a wide range of supply industries.

(5) Private sector participation and privatization

Since 1986, privatization in the Philippines has been focused on improving the Government's fiscal balance and inefficient management in some sectors. Remarkable progress was made during the Ramos Administration. The Estrada Administration, regarding privatization as an important challenge, will promote it further, as long as circumstances permit.

In recent years, private sector vitality and capital is actively employed in public works, such as the construction and operation of power stations and roads, which the public sector used to handle. The Ramos Administration, encouraging participation by the private sector, implemented a number of projects, mainly construction of power stations, as part of its efforts to curtail government expenditures. Recent worsened

economic conditions in the Philippines and its neighbors, however, have discouraged investors, and a consequent decrease in funds seems to hinder private projects. It is necessary to study demarcating government and private roles, depending on the urgency and necessity of projects, as well as financial and economic conditions. It is natural that only highly profitable public works should be conducted by the private sector or through privatization. There should exist a large number of public works mainly in the provinces, which are likely to be left behind by private sector involvement and privatization. Consideration should be given to the demarcation of private and government roles and the public nature of projects.

2.2.5 The environment and disaster prevention

(1) The environment

The Philippines' environmental problems must be studied separately for each of rural areas, including mountain and coastal areas, and urban areas. Environmental problems in rural areas concern national land conservation, that are mainly destruction and deterioration of forests. They are connected closely with the economy in agricultural and fishing villages, and further to poverty problems of farmers and fishermen. Environmental problems in urban areas revolve around environmental pollution in various forms, which has become obvious, especially in the National Capital Region (NCR), resulting from urbanization and industrialization.

(a) Agricultural, mountain, and fishing areas

In the Philippines, like other Southeast Asian countries, commercial felling resulted in a considerable decrease of forest resources by the 1970s. Exportation of raw timber was banned in 1993, and cutting itself was banned, as a general rule, in 1997. It is likely, however, that illegal felling still continues, because of unsatisfactory monitoring systems. Also new clearing of forests for cultivation, and exploitation of remaining forests are caused by flatland farmers moving to slope or mountainous areas, being driven by population increase and poverty.

These human activities deteriorate good forest resources and destroy forest ecosystems, which results in reduction of wildlife habitats, and further threatening the living of ethnic minorities in mountainous regions. Cultivation

of slope areas and reduced village forests accelerate soil erosion, cause soil to flow into and down rivers; increase flood discharge, partly due to decreased inland forests; and cause frequent floods in flatlands in the lower reaches of rivers. Soil deterioration and the drying up of water sources undermine the foundation of agricultural production. A vicious circle of poverty and environmental deterioration is typical in mountainous areas of the Philippines. In general, where people do not have ownership or utilization rights, non-sustainable utilization of resources tends to be accelerated, making the situation worse.

Accordingly, the Philippine Government placed an importance on conservation and management of forests, in order to improve the situation, and came to recognize that farmers' cooperation is indispensable for forest regeneration. It positioned, in its executive order in 1995, Community-Based Forest Management (CBFM) as a national strategy for attaining sustainable forest management and social equity. This provided people's organizations with the right to use forests for a limited period of time, based on a contract, and ensured them continued farming. The Government is thus fostering farmers' sense of responsibility toward conservation of land and the environment. CBFM describes its idea as "people first, and sustainable forestry will follow," implying that sustainable management of forests is not possible without improvement of people's living conditions. The 1997 Strategic Action Program of the Department of Environment and Natural Resources (DENR) set the goal of allocating 9 million ha to CBFM by 2008. For the time being, environmental conservation, especially conservation and regeneration of forests, in agricultural and mountainous areas depends on success in forest management policy.

In coastal areas, environmental problems, such as reduced mangroves and coral reefs, have become apparent. Deterioration in coastal natural ecosystems, and reduced fishing resources, affected by dynamite fishing and fishing with muroami (a kind of fishing net), are observed.

(b) Urban areas

Because environmental management in the Philippines was focused on developing natural resources, such as forest, marine, and mineral resources, as well as land, the Government was very slow in addressing urban environmental problems. Rapid urbanization and industrial development have

caused various urban environmental problems and industrial pollution. Urban environmental situation is serious. These environmental and pollution problems in the Manila Metropolitan and other urban areas range from water contamination, air pollution, household waste treatment; living environmental problems, such as traffic noise and insufficient urban parks; to problems of industrial waste of various kinds. The Philippine Government does not always seem to address these problems decisively, despite the urgent need to solve them. Some point out that senior managerial officials and technical personnel of the DENR, many of whom are from forestry-related offices, lack adequate knowledge and experience needed to address urban environment and industrial pollution problems.

With the decentralization of power, local offices of the DENR or local government units (LGUs) became responsible for taking environmental measures. These organizations, however, lack adequate personnel having knowledge and experience, as well as equipment and materials. It can be said that they can neither conduct proper environmental management nor take necessary measures.

(2) Disaster prevention

The Philippines is one of the countries in South East Asia that is prone to frequent natural disasters.

An archipelago country formed on the mobile circum-Pacific belt, the Philippines, like Japan, has active volcanoes and frequent earthquakes. Wide areas of the country is covered by mountains, and rivers flowing rapidly. Situated in the Southeast Asian tropical monsoon zone, the country has much precipitation, and typhoons strike every year. Natural disasters fresh in people's memory include the eruption of Mt. Pinatubo in 1991, and the resulting huge pyroclastic flow, the eruption of Mt. Mayon, and its ash fall, in 1993, the great flood in Ormoc in 1991, and the earthquake disaster in Baguio in 1990. In these natural conditions, frequent earthquakes, volcanic eruptions, landslides, and floods cause not only damage in agriculture and forestry but also loss of precious human lives. Typhoons and natural disaster victimize people, which are almost an annual calamity. Moreover, the destruction and deterioration of forests due to social factors, such as the population increase and the inadequate management of slope farmlands, contribute to the occurrence of floods and earth-flow disasters.

Amid natural conditions that trigger frequent disasters and social conditions that are vulnerable to them, the Philippine Government is urged to establish disaster-resistant land management. As mentioned in the environment section, these disasters are being aggravated by the absence of environmental measures, such as for forest conservation. However, the Department of Public Works and Highways (DPWH), which is responsible for flood control, for example, does not have sufficient appropriations, and in fact it depends heavily on foreign assistance. Infrastructure-building, through assistance, for disaster prevention, is impeded by inadequate institutional systems and an insufficient number of technical personnel. The establishment of disaster-resistant land management is a challenge that requires a long-term commitment. Drastic improvement is needed in respective areas of disaster prevention, such as erosion control, flood control, fire fighting, and meteorology.

The disaster prevention should be based on scientific research that deals with various disasters. Though there are research institutions that have produced good results, such as the Philippine Institute of Volcanology and Seismology, scientific research needs strengthening overall. Little progress has been made in urban disaster prevention, as in the case of urban environmental pollution control.

As no measures have been taken for water resources management, JICA is conducting a survey on potential water resources on a national basis, and the outputs are expected to be utilized. Water resource development is reportedly conducted by the private sector, but it is doubtful whether it is possible in the absence of water resources administration.

2.2.6 Gender

The Philippines' gender-related development index (GDI) ranks 82nd among 163 countries, which is higher than the rankings of Indonesia (88th) and China (93rd). Its gender empowerment measure (GEM) ranks 46th among 102 countries, following China (33rd), and Japan (38th) in Asian countries. It can be said that Philippine women participate actively in economic and political activities and professional occupations^{NOTE 82} (84).

Table 2-9 Gender-Related Development Index (1998)

Gender-related development index	Earned income ratio (%)		Life expectancy (years)		Adult literacy rate (%)		Primary, secondary and higher education gross enrollment ratio	
	Female	Male	Female	Male	Female	Male	Female	Male
0.661	35.0	65.0	69.3	65.6	94.3	95.0	81.8	70.9

UNDP (1998), *Human Development Report 1998*

Table 2-10 Gender Empowerment Measure (1998)

Gender empowerment measure	Number of seats in the congress (ratio of women %)	Administrators and managers (ratio of women %)	Professional and technical workers (ratio of women %)
0.458	11.6	32.8	64.1

UNDP (1998), *Human Development Report 1998*

However, there are considerable disparity in GDI, by regions, such as between the NCR (the National Capital Region) and Region IX (Western Mindanao) and Region XII (Central Mindanao); by areas, such as between urban and rural areas; and by classes, such as between the higher and lower classes of people. These disparity often reflect religious and ethnic diversity, as well as poverty problems.

The female literacy rate on a national basis is as high as that of males, but it is low in Region IX (Western Mindanao) and the ARMM (Autonomous Region of Muslim Mindanao). Considerable regional disparity are also seen in health and medical service for women.

Amid noticeable job specialization by sex, about half of women are as active as men in the labor market. There is no wage disparity between men and women in terms of occupational categories. Women of the urban elite employed in specialized or technical occupations are higher in academic background than men, and they are paid higher accordingly. Many women in the poor brackets and in squatter quarters in cities, however, work in the informal sector. More than half of people working abroad are women, engaging in service labor, such as housekeeping.

NOTE 82 Borrowed from UNDP (1998), *Human Development Report 1998*. The gender-related development index (GDI) introduced in "Human Development Report 1995" is intended to measure average achievements in life expectancy, educational levels, and incomes, with inequity between men and women being taken into consideration. Where both male and female achievements are lowered, or where there is a gender gap in the rise of achievement, GDI becomes low. As the gender gap in basic human development becomes larger, GDI becomes lower than the human development index (HDI). The gender empowerment measure (GEM) is intended to compare the extent of expansion in ability of and opportunities for men and women in economic and political activities. It is calculated from indexes indicating participation in these activities and power toward economic resources.

Table 2-11 Gender-Related Development Index by Region (1994)

Region	NCR (National Capital Region)	CAR	I Ilocos	II Cagayan Valley	III Central Luzon	IV Southern Tagalog	V Bicol	VI Western Visayas
GDI	0.827	---	0.602	0.579	0.635	0.649	0.584	0.607
Region	VII Central Visayas	VIII Eastern Visayas	IX Western I Mindanao	X Northern Mindanao	XI Southern Mindanao	XII Central Mindanao	ARMM	Philippines
GDI	0.635	0.555	0.523	0.593	0.620	0.543	---	0.650

ADB (March 1998), *Compendium of Social Statistics in the Philippines*.

In face of this situation, the National Commission on the Role of Filipino Women (NCRFW), an organization under the Office of the President's direct control, established the Philippine Development Plan for Women 1989-1992 (PDPW), and thereby the Government clearly announced its intention to involve women in development. Former President Aquino promulgated "Approval and Adoption of the PDPW" (Executive Order 348), and required all government agencies to be responsible for surely implementing the plan. The plan was succeeded by the Philippine Plan for Gender Responsive Development 1995-2025 (PPGD), which proposes development goals and strategies in various fields, including human development, economics, industry; infrastructure-building, and technical assistance, with a view to regarding women not only as beneficiaries of development but also as partners for development and as potential resources awaiting development.

Box 1 On Mindanao

1. History

Among the regions of diversified character in the Philippines, Mindanao has experienced a development process completely different from that in other regions, due to its historical background.

In the 13th century, Islam was introduced into the island of Mindanao via the Malay Peninsula, and a great majority of the inhabitants converted to Islam. The group of Muslims came to peacefully coexist with native people living in the mountainous area of the island; they respected each other socially and culturally.

Under governance by the United States, the number of Christians increased, in the process of plantation development with U.S. capital and the granting of rights to cut forests over extensive areas. In addition, a number of Christians moved to the island from Luzon and the Visayan Islands after World War II. Christians gradually came to have control over political and economic activities in Mindanao, with support of the national Government, seeking national integrity. They came to have social advantage, deepening antagonism with the Muslims. The Muslims, who mainly lived in the western part of the island, united and formed a resistance organization in the beginning of 1970, in order to protect their ancestral land, resources, and beliefs, and an armed struggle started against the national Government. Repeated struggles after that left the island underdeveloped.

2. Present conditions

The island of Mindanao, having the second largest area, following Luzon, is blessed with rich resources, both human and natural (i.e. land, forests, marine resources, and minerals).

While regional economic development initiatives were formed beyond national boundaries, in the economic globalization of recent years, former President Ramos proposed, in 1992, the "East ASEAN Growth Area (BIMP-EAGA)," for the purpose of activating the economy in the islands of Mindanao, Borneo (Malaysia, Brunei), Kalimantan, Sulawesi, and Irian Jaya (Indonesia) (total area of 1.5 million square kilometers, with 45 million people), to promote economic development in the region. The incorporation of Mindanao in this initiative brought remarkable economic development in its eastern part, with Davao at its center.

In the western part, where a number of Muslims lived, the MNLF (Moro National Liberation Front), the largest organization of Islamic extremists, accepted the Government's peace offer in September 1996. In response to this, the Government established a government organization, the Southern Philippines Council for Peace and Development (SPCPD), in order to maintain peace and promote social and economic development there. Various projects have been implemented, with assistance from the Government, donor community, and international organizations, to reduce regional disparity in basic human needs.

Former President Ramos visited Mindanao frequently during his term (six years from 1992 to 1998) and emphasized the national Government's policy, focusing on development of the island. Among the infrastructure development projects in the national development flagship project by the Ramos Administration, about 40% were for Mindanao. The Estrada Administration has stated that it would follow the predecessor's national policy. Continuous development of Mindanao poses a challenge.

2.3 The Philippine Government's policy toward development^{NOTE 83}

A medium-term development plan to be implemented by the Estrada Administration during the administration's term from 1999 to 2004 was in the process of being created in March 1999. The materials which enable us to study the direction of future development in the Philippines include the Ten Point Action Plan, The President's Budget Message for 1999, and a draft of the Medium-Term Plan now being worked on. This section defines the stands and outlines of these materials for the purpose of understanding what the Philippine Government considers desirable for their development.

2-3-1 The Ten Point Action Plan and The President's Budget Message for 1999

The Ten Point Action Plan is the platform that the Estrada Administration announced as their action plan for the first 100 days after the inauguration in July 1998. The short-term goals focused on poverty alleviation, agricultural promotion, and crime eradication. These goals were Estrada's public commitments during his presidential election campaign. The plan takes over the preceding administration's policy of promoting the private sector-led economy which is centered on foreign capital and deregulation. In public finance, the plan emphasizes restoring confidence in the administration by establishing a framework for government spending for the first three years of the administration. This will be done by a consultation group consisting of the Cabinet Ministers and members representing the legislative, economic, and academic worlds. Abolishing pork barrel politics is part of their plan for restoring confidence in the government. Regarding agriculture, the plan reconsiders agrarian reform from the viewpoint of the efficiency of land utilization. The Estrada Administration's agrarian reform is characterized by their intention to introduce a market-based food security approach. The plan does not make any special mention of issues related to decentralization which is an important challenge that the administration has taken over from the Ramos Administration. The plan embodies expectations about the participation of the private sector for building such basic infrastructure as electric power, water supply, and transport.

The President's Budget Message for 1999 is President Estrada's speech from when

^{NOTE 83} This section depends on Yoshio Koyama (1999), *The draft of the JICA project formulation specialist report: Medium-Term Philippine Development Plan*, and comments from Mr. Koyama.

the fiscal 1999 budget was submitted to congress in August 1998. President Estrada used the catch phrase of "market friendly and pro poor" to announce an increase of appropriations to the ministries in charge of crime eradication, small-and medium-sized enterprise promotion, and infrastructure building. President Estrada employed it to regain market confidence and assist vigorous private activities. He also announced an appropriation of 44% of the budget in fiscal 1999 for the social development sector aiming at reducing the rate of poor households to less than 25%. President Estrada stated an increase of IRA by 33% for assisting local government units. He also revealed his intentions to carry out fiscal reform simultaneously by rationalizing the preferential treatment of investments, introducing road taxes, and abolishing pork barrel appropriations and other such items.

2.3.2 Medium-Term Phillipine Development Plan 1999-2004

In March 1999, the first draft of the Medium-Term Philippine Development Plan, 1999-2004, was subjected to public hearings on a regional basis. Views and comments received are arranged in order in the National Economic Development Authority (NEDA) secretariat, reviewed again by sector, and then arranged as a second draft for final approval.

In formulating the plan, representatives from the legislative body and citizens (NGOs and learned societies) participate in draft-studying, which used to be conducted by an administrative body in the past. People's views and opinions are reflected in the plan, through regional public hearings, with the aim of achieving broad-based participation by the people.

A medium-term expenditure plan has been newly formulated for the development plan, with a view to realizing effective budgetary management through closer connection between the plan and budget. A medium-term public investment plan was formulated for allotting public investment for the coming three years. This is expected to be expanded in the medium-term expenditure plan, and a ceiling is expected to be set for ordinary expenditures, with a view to enhancing the practical effect of the plan.

The 1999-2004 plan contains the following as priorities.

- 1) Agricultural modernization (productivity increase and food security)
- 2) Extension of basic living services
- 3) Local infrastructure-building
- 4) Liberalization, deregulation, privatization, and globalization

- 5) Maintenance of macroeconomic stability and strengthening of financial systems
- 6) Partnerships among the national Government, local government units, the business community, and citizens, to eradicate crime and violence

There is no large difference between the Medium-Term Philippine Development Plan 1999-2004 and that for 1993-1998, in contents and goals that the Philippines should attain. A relatively large difference is the order of the chapter of "Macroeconomy and Development Financing." In the plan for 1993-1998, it constituted the second chapter, while it comes last in the plan for 1999-2004. Another difference is the goal of development. It has been changed from "economic stabilization and reconstruction" to "economic stabilization, productivity improvement, and increased savings, which are preconditions of poverty alleviation" (this is the final goal of development.) and "attracting foreign investment and strengthening the financial sector, which can stand fluctuations in short-term funds." These changes seem to show the Philippines' standpoint that it has almost attained economic rehabilitation, the precondition of development of all kinds, and now it can launch comprehensive development, including reductions of poverty and regional gaps.

In social development, which is placed in the first chapter, the plan points out that a major challenge in poverty alleviation concerns the problem of distribution, not to mention that of percentage. It states, as the Philippines' challenges, maintaining the pace of social development in the past six years, further improving people's access to basic social services, correcting inequitable opportunities of access to social development and participation in development, and expanding basic social services. It must be noted that the plan shows policies on health, education, and safety net-building, and defines regions that should be given priority in each sector.

In the chapter of agriculture, agrarian reforms, and the natural environment, the plan specifies priority issues in promoting rural development. They include productivity improvement, improved access to production means, diversification of production and resource use, environmental conservation, institutional streamlining for implementing these policies, and approaches involving the people concerned.

The plan considers it necessary and important for a framework to be constructed in which the Departments of Agriculture, Agrarian Reform, and the Environment and Natural Resources jointly address these issues. It also defines priority regions on which rural development should be focused.

Major goals in mining and manufacturing include raised international competitiveness in harmony with sustainable development, expanded employment

opportunities, especially in rural regions; and industrial development efforts in poor regions. Regarding infrastructure, the plan proposes, as a general course, promoting private sector participation, formulating an integrated plan, moving targets of growth from large cities to local core regions, and establishing harmony between industrial development, including agriculture, and environmental management.

As challenges regarding governance, the plan mentions rationalization of the administrative system, building of a framework for public spending for a term of several years, utilization and promotion of the private sector, and eradication of corruption and crime.

3. Assistance toward the Philippines

3.1 Trends in Assistance

3.1.1 Overview

Japan's official development assistance (ODA) to the Philippines, which commenced with the Philippine-Japan Friendship Highway Project in 1968, amounted to 8,129 million dollars in total up to 1997, which is third-ranked, following those to Indonesia and China. Japan is the Philippines's most major donor, supplying about 60% of its bilateral ODA. In order to appropriately distribute such a large amount of assistance and achieve satisfactory effectiveness, the Japanese Government and the Philippine Government have held annual consultation meetings on economic cooperation. They have discussed individual cases and had close interaction also regarding Japan's assistance policy and various issues related to implementation of the assistance. In addition, as can be seen in the embodiment of the Multilateral Assistance Initiative (MAI) toward the Philippines, which was proposed at the expanded donor meeting in July 1989, Japan has played an active role as a major donor. In the annual consultation meeting in February 1997, Japan held a discussion regarding development of the Southern Philippines, which the Philippine Government strongly requested, in response to the peace agreement with the Moro National Liberation Front (MNLFF) in September 1996, thus promoting cooperation. As such, as a major donor, Japan is making efforts to promote cooperation based on understanding of the future direction of development in the Philippines.

3.1.2 Achievements

Among Japan's ODA, loan aid has been directed mainly toward supporting economic infrastructure and measures for the economic currency, and it has been implemented mainly on cooperation related to electricity and other energies, and the establishment of such infrastructure as roads and harbors. When the Philippine economy was in a severe situation, such as in the late 1980s, and during the gulf crisis in 1991, Japan provided commodity loans. From around the time of the Ramos Administration, assistance was directed toward such areas as roads, airports, water resources, and electricity, which were deteriorated due to the financial difficulties during the previous administration. As such, Japan played a role in the Philippines' economic restoration.

As to agriculture, continual support has been given for rural development and agrarian reform, with emphasis on irrigation.

On the other hand, toward mitigating regional disparity, funds have been provided for infrastructure, such as roads and bridges, and for integrated rural development to create a core of growth, in local areas. Also, regarding cooperation that directly benefits people, Japan has been working on projects for improvement of water supply and sewerage, for electrification in poor areas in Manila, and for elementary education in poor regions. In addition to the environmental sector, such as forest conservation and environmental pollution control, Japan has provided cooperation to reduce economic damage due to disasters; examples are a restoration project for the disaster-stricken area following an eruption of Mt. Pinatubo in 1991, and efforts for flood control.

As to grant aid, Japan has conventionally cooperated in education and human resources development, in the area of basic human needs, such as health and medical care, which are directly related to improving people's welfare, and in the agricultural sector. Also, during the currency crisis, it has increased the amount of assistance. In recent years, in particular, support for socioeconomic infrastructure in local areas has been remarkable. In such fields as education for AIDS prevention, improvement of living situation of ethnic minorities, education, and health, Japan has extended assistance flexibly, such as through grant assistance for grassroots projects.

Technical cooperation has been conducted mainly on such sectors as agriculture, industrial technology, health, and transportation. In the health sector, project-type technical cooperation has been continually implemented since the 1960s. Also in the agricultural sector, Japan has cooperated in technical study aimed at improving productivity and rural development, with a long-term goal of improving farmers' livelihood. Regarding diffusion of agricultural techniques, Japan Overseas Cooperation Volunteers (JOCVs) have played a significant role. Examples in recent years are cooperation to establish socioeconomic infrastructure in rural regions, such as infrastructure development and technical study that shall contribute to improving agricultural productivity, water supply in local regions; local-development-oriented cooperation, as seen in a rural living improvement training project; and cooperation related to supplementing private activities, such as industrial standardization aimed at strengthening international competitiveness. Regarding improvement of the assistance approach, Japan has diversified its assistance programs according to needs. In the field of science and mathematics education, Japan conducted 'package cooperation,' which is basically project-based technical cooperation, combined with dispatching of experts and JOCVs, as its first such cooperation, and it conducted second-country

training.

3.2 Perspective of Assistance toward the Philippines

The Philippines was able to organize the prerequisite conditions for full-scale development, which are national reconciliation and restoration of the economy, during the Ramos Administration. Reconciliation with the armed forces reformist group and the peace settlement with the MNLF meant achieving political stability, which the previous administration could not realize, and based on this achievement, agreement was formed on prioritizing economic development. Also, the peaceful transfer of political power between the ruling party and the opposition party, from Ramos to Estrada through the election in May 1998, symbolizes that the Philippines is being successful in stabilizing its democratic process. In the diplomatic aspect, the Philippines is attempting to break away from its 'special relationship with the United States', as represented by the withdrawal of U.S. military bases, and is making efforts to build better relations with neighboring Asian countries.

The Ramos Administration positively tackled economic restoration; it improved the bottleneck due to a quantitative shortage of infrastructure, and it implemented various economic reforms toward liberalization and deregulation, based on the IMF's Structural Adjustment Lending. As a result, investments from overseas and exports grew smoothly, partly supported by a favorable economy in Asia and America, and a GNP growth rate of between 5% and 6% was achieved in the four years between 1994 and 1998. Japan's assistance, and strengthening of the connection between Japanese and Philippine private sectors, are also considered to have played a significant role in promoting industry, through renovation of the infrastructure that was deteriorated due to financial difficulties, and through an increase of foreign direct investments. During this period the per capita GNP reached \$1,000, and breaking away from deficit finance was attempted, and a budget surplus was temporarily achieved, though it was mainly generated by growth of non-tax income, such as profit from sales generated by privatization. As to the economic crisis since 1997, though such influences as a decrease of revenue and decreased investments due to the sluggish economy over several years cannot be avoided, the influences are considered to be smaller than in neighboring countries. As such, the Philippine economy can be said to have gotten back on a track of stable growth. The Extended Fund Facility with the IMF, which was planned to end in June 1997, was prolonged till the end of that year, and it was subsequently continued in the form of a prevention agreement in March 1998, and

economic management is conducted based on its monitoring. Japan needs to support the Philippines' sustainable development in an framework of international community.

On the other hand, there are still wide-ranging poverty problems that are slow in improving. Though the share of households below the poverty line is decreasing, it was still high, at 32.1%, in 1997, and no improvement can be seen in the real number, partly due to the high rate of population increase. As to income disparity, the share of the upper income class is rather expanding.

Disparity among regions has not been improved either. In terms of income, the annual household income in 1997 was 123,881 pesos, as a national average, and it was the highest, at 274,823 pesos, in NCR (the National Capital Region), while it was lowest, at 68,018 pesos, in region VIII (Eastern Visayas), followed by 71,806 pesos in CARAGA, showing an over-fourfold difference from NCR. Regarding the poor household rate, it was the lowest in NCR, at 7.1%, while it was the highest in ARMM, at 58.6%, followed by region V (Bicol), at 50.1%^{NOTE 84}.

Alleviation of poverty and mitigation of regional disparity are purposes of development themselves, and they are also essential to achieving political stability and sustainable economic growth, for future development of the Philippines. Therefore, in future assistance, it is important to directly work on these issues. They are also essential in view of the concern about expansion of disparity accompanying further progress of economic liberalization.

In efforts toward alleviating poverty and regional disparity, support is necessary for basic health service and education, which are directly related to these issues, in addition to support for direct improvement of livelihood.

In the health sector, Japan has made many achievements in assistance. As pointed out in the previous Chapter, however, there is still large regional disparity between NCR and other regions, in such indices as the under five infant mortality rate, staff in charge of health care, etc. As healthy living is the base of every social and economic activity, it is important to support improvement of accessibility and quality of public health and basic health service.

Education is a basic human need, and it forms abilities, attitudes, and consciousness that enable people to take initiatives related to social and economic activities aimed at improving living and to realize social participation. Education is also closely related to improving poverty problems, environmental problems, and public health issues. It is pointed out that, in the Philippines, in relation to empowerment to enable citizens

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to participate in nation-building, priority should be placed on improving access to and quality of basic education. There are actually various problems related to basic education, and supply of educational opportunities to regions that are far behind, as well as improvement of quality, is needed. From the perspective of realizing social justice, Japan's cooperation is meaningful.

Promotion of decentralization is also important as a part of efforts to reduce poverty and regional disparity. Decentralization has been promoted with an aim of eliminating regional disparity, since the enforcement of the Local Government Code of 1991. Powers, work, staff, budget, etc., to local government units have been transferred, and presently it is already supposed to be in a stable period, following the transition period according to the initial planning. It is highly significant that the Code has institutionally given local government units authority to initiate development plans, including distribution of budgets and staff. Actually, however, things are not proceeding smoothly, due to local government units' lack of administration experience and abilities. As distribution of budget and staff has become left to the discretion of local government units, which have little know-how and experiences, basic social service supply, is degraded, due to the deterrent priorities of such local government units. In addition, disparity of administrative abilities among local government units, and the tendency of local grants to be concentrated in cities with larger populations, can generate new disparities.

Support for these issues will contribute to improving local government units' ownership in their development and to mitigation of regional disparity, which are the expected purpose of the Code, resulting in greatly helping development in the Philippines. Support for decentralization is necessary also because the role of local government units is essential in expanding efforts in respective sector of poverty measures, basic health service, and education, on a level close to residents, and in enhancing their effectiveness and sustainability.

In addition, support for environmental protection and disaster prevention is important. The environment provides the 'setting' and 'energy and material resources,' to carry out various socioeconomic activities, and it is involved with every process in the cycle of decomposing wastes produced from these activities, thus supporting the overall society. In agricultural and mountainous regions in the Philippines, destruction of forests and devastation of slope farmland are emerging as a problem in both aspects of resource management and farmers' living environment. In urban areas also, such problems as the deterioration of air and water, and waste disposal, have come to surface. They cause a hindrance to sustainable development and can greatly affect the low-

income class in particular. In the present situation, however, it is difficult to conduct effective environmental administration, due to insufficient finances and a lack of accumulated technical knowledge and know-how in the national Government and its local agencies, which are in charge of the environmental code and their enforcement. In order to pass the Philippines's asset of a rich environment on to the next generation, cooperation in this sector is of great significance.

The Philippines constantly suffers natural disasters, such as earthquakes and typhoons, and these not only taken many human lives every year, they also seriously damage economic activities, such as agricultural production, and the basic economic infrastructure. In addition to conventional cooperation for restoration from these disasters and for a disaster-prevention infrastructure, assistance to improve the existing disaster-prevention system is essential, from a viewpoint of long-term development.

Next follows basic perspectives in assistance corresponding to respective issues.

3.2.1 Poverty

As of 1997, slightly over 70% of the poor lived in rural areas^{NOTE 85}, and poverty in such areas is closely related to small landownership, low growth of agricultural productivity, the high population growth rate, and the oligopolistic market of agricultural products and agricultural inputs. The hardship for small peasants and the landless in rural areas have inevitably induced massive exodus from villages into the upland areas, which has resulted in such environmental and disaster-related problems as explosive deforestation and soil erosion. Solving these rural problems is important in the future development, and it is considered necessary to support programs primarily for improvement of livelihood and the establishment of socioeconomic infrastructure.

Poverty in rural areas pushes out those who can no longer sustain their lives there into cities, which leads to the formation of squatter districts. Many in this underprivileged class in urban areas have unstable employment and live in poor housing environments, without sufficient social services. In addition to support for alleviating poverty in rural areas, it is necessary to assist the urban poor in improving social service delivery, the living environment, and accessibility to information and micro financing that will help them to establish independent livelihood.

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3.2.2 Health

In the Philippines, the level of public health, especially for the poor, is low in both quality and quantity. Therefore, it is essential to improve access to health and nutrition service in order to improve public health, and to enhance the quality of such service, as well as to expand primary health care to the people. Another issue concerns strengthening measures for maternal and child health and infectious diseases, such as AIDS and tuberculosis.

Further, it is also necessary to tackle regional disparity in health service, which still remains a challenge. Through decentralization, the supplying of service and budget allotment came to be entrusted to local government units that lack experience and know-how in this fields. As a result, in some local government units, finances are not allotted appropriately, and the quality of service is temporarily lowered. To amend and resolve these problems, staff who participate in health administration need developing.

3.2.3 Education

In the present situation of basic education, there is great disparity among regions in basic literacy ability and enrollment rates in elementary and secondary education. Also, there are some issues to be fairly improved, such as a large number of drop-outs and low academic achievement.

Under such circumstances, the Philippine Government tends to concentrate efforts on expanding elementary and secondary education. Another important role of education is to train experts that society demands in response to the orientation toward higher scientific technology and advanced information systems. In this aspect of education, higher education and vocational training institutions that play such an important role. They are managed basically by the private sector, but those that are positioned as public institutions are, in principle, to be independently managed based on partnerships with the private sector^{NOTE 86}.

Therefore, it is necessary for Japan, with respect for such governmental policy, to assist the overall qualitative improvement of elementary and secondary education, as well as to assist expansion of educational opportunities in regions where the spread of

NOTE 86 The Congressional Commission on Education (EDCOM), in 1991, advised that investment of educational funds should be concentrated in basic education (elementary and secondary education), and that higher education should be managed using universities' independent funds, except for such as scholarships for students who lack economic resources.

education is behind. Also, it is important to further assist in creating an environment that enables every citizen to receive education, such as by providing out-of-school education other than schooling in order to flexibly respond to needs of youth and adults who did not have opportunities to receive school education.

3.2.4 Decentralization/administrative organizations

Decentralization is not necessarily smoothly progressing, due to the lack of administrative experience and ability in local government units. Due to the discrepancy in administrative abilities among local government units and to preferential allocation of domestic revenue to cities, differences among local government units are emerging even in the supplying of public service, which should secure a set level of quality, and in efforts for development. Also, many local government units cannot effectively take advantage of the entrusted power of determining developmental plans that reflect local needs, due to insufficient planning and coordination abilities. In addition, as to developmental planning, there is insufficient coordination between higher-ranking and lower-ranking local government units, as well as among neighboring local governments. Therefore, it is important to assist in improving the administrative capacity of local government units and officials, thus supporting achievement of the initial purpose of decentralization. In conjunction with such efforts, assistance in strengthening a system that will enable local government units to take initiatives in improving their own abilities, and strengthening the network to promote transfer and sharing of know-how among local government units, will also serve to enhance local autonomy and sustainability.

Factors underlying sluggish development of local governance include a lack of available funding, due to LGUs' narrow taxation base; a lack of fiscal finance, and poor credit that prevents the procuring of private funds, in addition to the lack of administrative abilities and experience. Therefore, it will be effective to provide financial cooperation in order to implement essential projects, until the local government units secure independent finances.

Regarding fields where especially large-scale power was transferred, and which are strongly related to poverty alleviation-such as priority issues and sectors, like health, education, the environment/disaster prevention, and diffusion of agriculture-reinforcement of technical knowledge and abilities of policy making, coordination, and implementation, is considered to bring about substantial effects.

3.2.5 The environment/disaster prevention

In agricultural and mountainous regions, destruction and decline of forests, as well as devastation of slope farmlands, are causing a problem from a viewpoint of both resource management and protection of the living environment. The mountain people, which are the original inhabitants of upland, have been victimized, and their living adversely influenced, by the destruction and decline of back-country forests, while their own population increase is causing the collapse of sustainable slash-and-burn agriculture, thus imposing a burden on the environment. The increase of the poor, who emigrated from flatland agricultural villages, aggravated a problem in land conservation, such as soil outflow and increased flooding as a result of expanded slope farming, thus causing environmental deterioration of the concerned regions and downstream flood disasters.

Therefore, solving the environmental problems in these regions necessitates protection and restoration of forests, and establishment of sustainable agriculture on slope farmlands. Also these issues should be advanced integrally with supporting farmers' livelihood. As such, comprehensive assistance should be provided, to include assistance for livelihood, for development of sustainable slope agriculture techniques, and for protection and restoration of forests. In other words, support of CBFM (Community-Based Forest Management), which is being promoted by the forest sector, is important. Similar measures are needed for protection of the coastal environment, such as coral reefs.

On the other hand, deterioration of the urban environment caused by urbanization and industrial development greatly affects the socially vulnerable, and it also becomes a factor inhibiting various economic activities. The urban environmental problems calls for an urgent solution, but measures toward this are extremely insufficient, as mentioned in the previous Chapter. In addition to individual measures for such as air pollution, water contamination, wastes from everyday living, industrial wastes, and improvement of the living environment, it is necessary to strengthen the divisions and organizations that regulate and manage the urban environment. Strengthening of monitoring and administrative guidance abilities of environmental regulatory divisions, such as the Department of Environment and Natural Resources, are urgently needed.

The Philippines sustains much damage by natural disasters every year. In particular, disasters caused largely by the failure of national land preservation policy greatly harm the relatively low-income class. As epitomized by the volcanic regions and those repeatedly hit by typhoons, disasters tend to occur repeatedly in the same

specific regions, and they seriously damage the overall regions as well as the low-income class.

Japan has continuously amplified cooperation toward disaster recovery efforts, in addition to dispatching disaster relief teams. In the future, it will continue conventional cooperation for such as effective operation of disaster-prevention infrastructure, like river management facilities and drainage facilities. In addition, it is necessary to review the existing disaster-prevention system from a long-term perspective, and to provide assistance, involving the meteorological and fire-fighting sectors, focused on volcanic erosion control, flood control, and measures for earthquakes and typhoons. Future assistance for disaster-prevention measures should consider the uniqueness of disasters that happen in the Philippines, which is extremely effective for improving welfare in the overall Philippine society.

Special Note: Development of Mindanao Island

Mindanao Island should be regarded as the two regions; the eastern part which includes Davao, General Santos, and Cagayan de Oro, and the western part, called SZOPAD (Special Zone of Peace and Development). Attention should be paid to the different development needs in each region.

As to the eastern region, economic development has been achieved, especially around Davao, in the framework of 'BIMP ' the Eastern ASEAN Growth Area,' which former President Ramos advocated in 1992. Due to the influence of Asian currency crises, intra-regional economic and trade activities are sluggish. In the future, it will be necessary to attract domestic investment from other extensive economic cities, such as Manila and Cebu, in addition to the economic activities in the framework of BIMP-EAGA. The conceivable cooperation in this region is in the sector of economic infrastructure, human resources, the environment, and basic human needs.

On the other hand, the western region: SZOPAD, has been left behind in the nation's socioeconomic development. Therefore, initial assistance should be aimed at improving basic human needs (BHN). In this region, although public peace has been considerably improved after the achievement of a peace agreement with the Moro National Liberation Front, other Islamic radical groups, such as the Moro Islam Liberation Front (MILF) and the Abu Sayyaf Group, are active. In addition, the communistic guerrilla organization called the New People's Army operates around rural areas in the Philippines, including Mindanao Island. This situation calls for adequate security measures.