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**2005
State of the Nation
Address**

Technical Report

EXECUTIVE SUMMARY

INTRODUCTION

Having won a resounding, fresh mandate to govern the Filipino people in May 2004, President Gloria Macapagal-Arroyo readily took on the challenge of steering the country towards the pursuit of her vision of economic opportunity, social cohesion and democratic faith.

She outlined a 10-Point Agenda, aptly called “BEAT THE ODDs,” which is envisioned to jumpstart the country’s growth and finally set it on the road towards unsurpassed, sustainable and equitable progress.

This agenda of governance spells out major policies and programs to fight poverty through: achieving a **B**alanced budget by collecting the right revenues and spending right; providing **E**ducation for all children of school-age; implementing full **A**utomation of the electoral process; building **T**ransportation and digital infrastructure to link the entire nation; **T**erminating hostilities through a just conclusion of the peace process; **H**ealing the wounds of EDSA 1, 2 and 3; providing **E**lectricity and water for all barangays; offering **O**pportunities for livelihood and the creation of six to 10 million jobs; **D**econgesting Metro Manila through railway and road projects and the establishment of new government centers; and, **D**eveloping **S**ubic and Clark into the most competitive international service and logistics center in Southeast Asia.

Concretized under the 2004-2010 Medium-Term Philippine Development Plan (MTPDP), these are focused policy strategies and programs to arrive at solutions and interventions to the country’s most pressing problems. These ensure that the results of economic reforms instituted since the President took the helm of government in 2001 benefit all sectors of society, particularly the poorest.

With prudent fiscal management and sound macroeconomic policies, GDP growth increased from 3% in 2001 to 6.1% in 2004. GNP growth likewise accelerated from 3.5% to 6.2%. The 2004 economic expansion has been the strongest since 1996 and exceeded the MTPDP target of 4.9–5.8%. For the first quarter of 2005, GDP grew by a moderate 4.6% and GNP, 4.7%.

Inflation and interest rates were maintained at single-digit levels. From 6.8% in 2001, inflation was reduced to 3.5% in 2003 before rising to 6% in 2004. Inflation averaged 8.3% in the first half of 2005, due largely to volatile oil prices in the global market. Based on 91-day Treasury bills, on the other hand, interest rates consistently declined from 9.87% in 2001 to 7.34% in 2004 and to 6.67% for the first half of 2005.

The peso-dollar exchange rate was generally stable, depreciating by only 4.6% from P53.36 per US\$1 on 21 January 2001 when the President assumed office to P55.92 on 30 June 2005, as compared to the 23.6% depreciation from P42.04 on 30 June 1998 to P55.01 on 18 January 2001.

A balance of payments surplus of US\$1.638 billion was recorded for the first five months of 2005, more than three times the US\$477 million posted in the same period last year. The surplus was partly attributed to OFW remittances which, for the first four months of 2005, reached US\$3.1 billion or 17.2% higher than the same period last year.

Foreign direct investments reached P155.5 billion in 2004, more than three times the P34 billion reported in 2003, and P35.1 billion for 2005 first quarter. The P183.88 billion in investments approved by the Board of Investments and the Philippine Economic Zone Authority in 2004 was 224% higher than the previous year. For the first five months of 2005, investments reached P108.16 billion.

Despite weakness in the international market, export earnings grew by 9.2% to US\$39.58 billion in 2004 from US\$36.23 billion in 2003. Exports from January to April 2005 reached US\$12.7 billion, 4.8% higher than in the same period the previous year.

BALANCED BUDGET

The National Government effectively contained the fiscal deficit for the past two and a half years through sustained increases in revenue collections and prudent management of expenditures. From P199.9 billion in 2003, the deficit was further cut to P186.1 billion in 2004. This represents a one percentage point reduction in the deficit to GDP ratio from -4.9% of GDP in 2003 to -3.9% in 2004.

Revenues grew from P563.7 billion in 2001 to P698.3 billion in 2004. Collections increased to P322.35 billion in the first five months of 2005, up 11.6% from the same period in 2004.

The Bureau of Internal Revenue (BIR) posted its highest tax collection growth rate of 13.6% since 1998 and registered its highest ever monthly collection of P62.9 billion in April 2005, exceeding target by P200 million and last year's April collection by P9.9 billion or 18.7%.

With three new tax measures enacted into law – Indexation of Excise Tax on Tobacco and Liquor, Attrition Act and Restructuring of the Value-Added Tax System - revenues are projected to increase by about P48 billion to P56 billion in 2005. These new revenue sources, coupled with administrative measures such as expanded computerization programs of BIR and the Bureau of Customs (BOC), austerity measures across all government agencies, the No Audit Program which enhances voluntary compliance with tax payments, and privatization of power generation companies, are expected to contribute to the further reduction in national government deficit to P180 billion by year-end.

Adding a boost to the revenue measures are the BIR's Run After Tax Evaders (RATE) and the BOC's Run After The Smugglers (RATS) programs, which were launched in March and July 2005, respectively. To date, the BIR has filed 26 tax evasion cases against affluent and known personalities while the BOC has charged 16 respondents for smuggling diesel fuel and agricultural products.

EDUCATION FOR ALL

To ensure that everyone of school age will be in a classroom that is conducive to learning, classroom construction was accelerated to reduce the backlog of 17,873 as of June 2004. The target of constructing 6,000 classrooms a year was surpassed by 92% with 11,533 built in the past school year.

Tuition fee subsidies were given to more than 350,000 students in SY 2004-2005 and 375,000 students in SY 2005-2006 so those who could not avail of free public high school education were accommodated in private schools.

With the accelerated classroom construction, the tuition fee subsidies and the implementation of double-shift classes, the classroom backlog is expected to be completely met before 2010. In addition, the President aims to provide schools in unserved barangays, with 1,176 classrooms already built out of the targeted 1,617.

To provide quality education, about 69% or 3,334 of the 4,830 public high schools were given computers and computer labs. More than 100 million textbooks for priority subjects were also procured and delivered to schools since 2001, while a total of 28,021 new teacher positions were created to address the annual increase in students.

Other efforts in education include the launching of the Early Childhood Care Development curriculum standards for 5-year olds; programs to improve proficiencies in Math, Science, and English; increased access to scholarships for students from indigent families; and the formulation of the Philippine National Qualification Framework to allow technical-vocational students to progress to higher education.

AUTOMATED ELECTIONS

The Administration allocated P3 billion for the Commission on Election's (Comelec) Comprehensive Electoral Modernization Program that would computerize the electoral process and increase confidence in its integrity.

Of this amount, P2.6 billion was utilized in 2003 for the following program components: voter's validation system, automated counting and canvassing system, and system for electronic transmission of election results.

The electoral modernization program was discontinued in January 2004, however, after the Supreme Court disallowed the use of the automated counting and canvassing machines, and electronic transmission of election results on the ground that the winning bidder had not been qualified to participate in the bidding.

Comelec continues to consult with various sectors on electoral reforms to increase efficiency and efficacy of election administration, including possible amendments to election laws. It is also exploring other technologies and systems to re-start the modernization process and cleanse the voter database in time for the 2007 elections.

TRANSPORT AND DIGITAL INFRASTRUCTURE

In line with the Administration's goal to link the entire country through a network of transport infrastructure, the Nautical Highway System was put in place in 2004. The system maximizes the use of the roll-on/roll-off (RORO) vessels in transporting passengers and produce from Mindanao to Luzon.

Three routes from Luzon to Mindanao were developed: Western Nautical Highway (Manila to Dapitan), Central Nautical Highway (Masbate to Dapitan) and Eastern Nautical Highway (Masbate to Surigao). All ports and road connections along these RORO routes are in place, regular services in all routes are being ensured and port facilities are being expanded as needed.

To entice shipping companies to expand or modernize and local governments to invest in RORO facilities, a P30-billion financing program was provided under the Development Bank of the Philippines' Sustainable Logistics Development Program.

New airports are also being developed in Negros Occidental (Silay City), Iloilo (Sta. Barbara/Cabatuan), and Bohol (Panglao) while the Diosdado Macapagal International Airport in Pampanga and Busuanga Airport in Palawan are being upgraded to serve as gateways to tourism destinations.

In terms of digital infrastructure, the government launched the Philippine CyberServices Corridor, an ICT belt stretching 600 miles from Baguio City to Zamboanga which is envisioned to provide a variety of cyberservices at par with global standards. To fuel growth and enhance the access to information and communications technology, internet connectivity cost was reduced to a third of what it used to be in 2002.

TERMINATE HOSTILITIES

The Arroyo Administration put back on track the government's negotiations with the communist insurgents, MILF secessionists, and other rebel groups, which were derailed for almost two and half years by the past Administration in favor of an "all-out-war" policy. At the same time, the government ensured that the existing peace agreements are substantially complied with.

Peace negotiations with the MILF were revived, resulting in a bilateral ceasefire in July 2003 that continues to hold on the ground, the signing of an interim peace agreement on relief and rehabilitation of war-torn communities, and a commitment from the MILF to assist the government in the interdiction and isolation of terrorist groups seeking refuge in MILF communities.

Talks with the CPP/NPA/NDF were also pursued, but were suspended in August 2004 due to the renewal by the US of its terrorist listing. In spite of the unilateral decision of the said movement to suspend the talks, the government kept its communication lines open and undertook confidence-building measures for the possible revival of the talks. While peace negotiations are underway, however, military operations against the CPP/NPA/NDF continued, resulting in the decreased strength of the movement by 35% from 11,930 in 2001 to 7,709 in June 2005.

The government continued the implementation of political, military and socio-economic aspects of the GRP-MNLF Peace agreement in 1996, such as the full reintegration of MNLF members into the AFP and PNP and the devolution of functions and powers to the Autonomous Region of Muslim Mindanao (ARMM). The 1986 peace pact with the Cordillera People's Liberation Army was also pursued with the integration of 264 qualified members into the AFP.

To show the government's commitment for Mindanao and Muslim development, other measures were undertaken to complement the peace negotiations such as: development of conflict-affected areas through investments in infrastructure and livelihood; rehabilitation of hospitals in ARMM to improve health care service delivery; establishment of Shari'ah Courts; promotion of Muslim holidays; and strengthening of Madrasah education.

HEALING THE WOUNDS OF EDSA 1, 2 AND 3

In an effort to heal the wounds and the divisiveness generated by the People Power Revolutions, the National Security Council convened and consulted with political and religious leaders.

All parties agreed on the need to become more united as a people and to prepare for a long-term, multi-faceted, multiple-channeled reconciliation process. In line with this, the religious leaders shall take the lead in finding a just process of reconciliation and provide guidance to the Cabinet in formulating the strategic framework. The government, meanwhile, shall sustain its pursuit of measures to address other threat groups that continue to confront the security of the nation.

Among the specific measures identified were: accelerating the compensation to victims of human rights violations from a portion of the seized Marcos wealth, sustaining reforms in the military to address legitimate grievances of the men in the field, and continuing consultations on how to pursue reconciliation and national unity.

ELECTRICITY AND WATER FOR ALL BARANGAYS

The Administration provided electricity to 5,365 barangays since 2001, attaining 92.87% barangay-level electrification and bringing it closer to its goal of 100% electrification by 2008.

On the other hand, 48 out of the 210 waterless areas in Metro Manila or 1,126 households benefited from the President's Priority Program on Water implemented through MWSS concessionaires. This complemented the Patubig ni PGMA project, which provided potable water through mobile tankers to 956,541 waterless households in Metro Manila, and the provinces of Rizal, Cavite, Bulacan and Laguna. The government shall also provide water to 432 municipalities outside Metro Manila where less than 50% of households have access to potable water.

OPPORTUNITIES TO CREATE 6 TO 10 MILLION JOBS

The government's target to generate six to 10 million jobs in the next six years is being pursued through the development of two million hectares of agribusiness land; increased lending to micro, small and medium enterprises (MSMEs); and the expansion of key sectors. Preliminary estimates from January to June 2005 showed that 1.3 million jobs were created.

At least 135,314 new jobs were created by developing 73,925 hectares of new agricultural lands and linking them with corresponding markets in all regions. Areas were either planted to crops, grown with forage for pasture, stocked with animals, seeded with fingerlings or farmed with seaweeds.

To increase the viability of MSMEs, the government provided P9.9 billion in loans in 2004 and P3.4 billion in the first quarter 2005, resulting in the creation of 562,633

and 152,123 jobs, respectively. Under the SME Unified Lending Opportunities for National Growth (SULONG) program, P27 billion were released in 2004 and P7.2 billion in the first quarter of 2005 which supported 90,445 jobs.

With tourism promotion, arrivals from January 2004 to May 2005 increased by 498,165 and translated into 607,762 new jobs. A total of 468,634 new jobs were created in 2004 and 139,128 from January to May 2005.

Government programs also helped in generating 760,324 jobs in 2005 in other sectors like information and communications technology, mining, housing construction and site development, public construction and maintenance, and economic zones. Meanwhile, more than 61,000 workers have undergone or are undergoing apprenticeship under the Kasanayan at Hanapbuhay Program since 2004.

DECONGESTING METRO MANILA

To decongest Metro Manila and allow people to work within the metropolis while living in nearby provinces, road and rail transport projects were aggressively pursued.

The completed North Luzon Expressway Expansion Project has already cut travel time by half. Construction and rehabilitation of the Southern Luzon Expressway, Southern Tagalog Arterial Road (STAR) Extension, and Manila-Cavite Expressway Extension Project are underway.

The Northrail Project, a commuter system that will run from Caloocan to Clark, is expected to accelerate development in Central and Northern Luzon by improving the interconnection of major transportation facilities in the Manila-Clark-Subic economic triangle.

This is complemented by two other rail projects: (a) the Northrail-Southrail Interconnectivity Project, which would rehabilitate the existing 34-kilometer PNR Commuter Service Line from Caloocan to Alabang; and (b) the MRT 3, Phase II Project which will close the MRT 3-LRT Line 1 loop and form the railway transport backbone in Metro Manila.

Preparations for the development of new government centers have also commenced through the transfer of the following departments: Department of Agriculture to Davao City; Department of Public Works and Highways to Bicol; Department of Tourism to Cebu City; Department of Land Reform to Iloilo City; and Department of Transportation and Communication to Clark.

DEVELOP SUBIC AND CLARK

Major road, seaport and airport projects are underway to develop the Subic-Clark corridor as a premier international service and logistics center in Southeast Asia.

Construction of the P27.4-billion Subic-Clark-Tarlac Expressway commenced in April 2005 and will be completed in 2007. Phase I of the Subic Bay Port Development Project, which involves the construction of a new container terminal at Cubi Point and the rehabilitation of selected wharves, was 22% accomplished as of June.

The Diosdado Macapagal International Airport in Clark is being upgraded to accommodate more airlines and flight frequencies resulting from the government's air liberalization policy. The United Parcel Service (UPS) and Asiana Airlines have increased their flight frequencies, while three new airlines, China Rich Airways, Air Asia Berhad and Tiger Airways, have begun operating in Clark.

OTHER MAJOR ACHIEVEMENTS

On top of the 10-Point Agenda, the Arroyo Administration also recorded substantial accomplishments through other major programs, some of which were started during the President's first term:

- **AGRICULTURAL MODERNIZATION.** In four years, the government utilized P97.12 billion in irrigation, post-harvest facilities, infrastructure, credit and other components of the Agriculture and Fisheries Modernization Act (AFMA). Funding support for AFMA will be sustained until 2015 by virtue of RA 9281, which also extended the effectivity of duty-free incentives on agricultural inputs, equipment and machinery.

Growth in agriculture averaged at 4% in the last four years, attaining a high of 4.8% last year in spite of the disastrous effects of four typhoons in the last quarter.

Production of basic agricultural commodities such as rice, corn, livestock, sugar and fisheries increased. The coconut sector recorded an impressive export performance in 2004 valued at US\$830.20 million, 9.62% higher than in 2003. The government continued to push for the resolution of the coconut levy issue in favor of the coconut farmers to further develop the coconut industry.

- **INFRASTRUCTURE SUPPORT.** The government constructed/ improved/rehabilitated a total of 13,216.56 kilometers of national roads and 183,905.59 lineal meters of national bridges; and completed 5,383 flood control projects nationwide.
- **BILATERAL AND MULTILATERAL COOPERATION.** The National Government entered into agreements on trade and trade-related policies to secure continued economic growth for the country. The Philippines reiterated its

support for an open, transparent, predictable and competitive multilateral trading system by forging economic ties with China, the European Commission, ASEAN and the rest of the world.

- **ENERGY INDEPENDENCE AND SAVINGS.** The Administration formulated the Philippine Energy Plan 2005 Update to provide for a steady increase in the country's energy self-sufficiency from 56.6% in 2005 to the desired level of 60% by 2010. Energy supply as of 2004 was 268.3 million barrels of fuel oil equivalent (MMBFOE), up 4.7% from 2003.

To promote and develop indigenous oil and gas, the Philippine Petroleum Exploration Investment Promotion was launched which attracted exploration investments from the private sector. Since 2004, eight new service contracts have been awarded for the exploration of potential petroleum sources in the country. The government also aggressively developed renewable energy such as biomass, hydro, solar, wind and ocean resources. To make the country, particularly its public transportation, less vulnerable to the volatility of world oil prices, the government launched the Natural Gas Vehicle Program, where initially 200 buses will commercially run on compressed natural gas.

The government launched the National Energy Efficiency and Conservation Program in August 2004 which has resulted in energy savings of 8.1 MMBFOE, equivalent to US\$295 million or P16.2 billion.

The implementation of the Electric Power Industry Reform Act has resulted in discounts for large energy consumers and savings from Independent Power Producer contracts. The Wholesale Electricity Spot Market (WESM), which will give consumers the power to choose the cheapest and most reliable electricity suppliers, was tested in April and will be operational in Luzon in December 2005.

Electric cooperatives were restructured to improve their performance and were granted provisional authority by the Energy Regulatory Commission to reduce existing rates. Their loans were condoned, translating to an average reduction of PhP0.3676/kWh in electricity rates.

The Administration implemented lifeline rates which provided subsidy to about 1.7 million or 40% of Meralco's marginalized end-users.

- **SOCIAL JUSTICE AND BASIC NEEDS.** The Administration intensified its efforts to alleviate poverty through the Kapit Bisig Laban sa Kahirapan (KALAHI) Program, focused on five strategic thrusts: acceleration of asset reform; provision of development/social services livelihood and employment; social protection and security from violence; and participation of the poor in decision-making.

Since 2001, about 840,000 hectares of public and private land have been distributed to 640,967 beneficiaries and more than 100,000 hectares have been placed under leasehold operation benefiting 48,960 farmers. A total of 29 Certificate of Ancestral Domain Titles covering 604,143 hectares with 150,099 beneficiaries and 48 Certificate of Ancestral Land Titles covering 1,105 hectares with 138 family-beneficiaries were also distributed to indigenous peoples.

The government gave security of land tenure to 340,020 informal settlers through Presidential Proclamations declaring public lands as alienable and disposable for housing purposes and the Community Mortgage Program. On the other hand, 216,241 households belonging to the bottom 30% of the income population were provided housing and slum upgrading services. About 372,000 low-salaried workers benefited from

different home lending programs of government agencies.

A total of 2.56 million urban and rural poor families or 12.81 million poor Filipinos were enrolled under the National Health Insurance Program as of 31 May 2005. Access of the poor to low-priced essential medicines was expanded through 76 DOH-retained hospitals, 130 participating LGUs, 4,062 Botika ng Barangay and 288 private sector-run Botika ng Bayan outlets nationwide.

The government attained the lowest strike incidence in 26 years in 2004, with only 25 strike cases declared, 13 cases lower than in 2003. From January to May 2005, only eight strike cases were declared, down by three cases from the same period last year. Strike prevention rate was recorded at 96.6%.

Providing immediate economic relief amidst rising prices of basic goods, increases in wages in all regions ranged from P5 to P25 per day.

- NATIONAL SECURITY, PEACE AND ORDER. The government intensified its relentless campaign against organized crime, terrorism, kidnap-for-ransom (KFR) syndicates, and illegal drugs.

Fifteen KFR groups were deactivated, with the arrest of the most wanted kidnap mastermind, 20 other top KFR bosses and 628 kidnappers.

The intensified anti-illegal drug operations led to the arrest of 152,248 financiers, pushers and users; filing in court of 104,768 drug cases; seizure of P50.46 billion worth of illegal drugs; and dismantling of 40 *shabu* laboratories and warehouses.

A 33% reduction in crime incidents and a monthly average of 89% street crime solution efficiency rate was achieved from April 2003 to March 2005.

The government stepped up efforts to eliminate illegal gambling by passing into law RA No. 9287 (An Act Increasing the Penalties for Illegal Numbers Games). This resulted in the arrest of 102,866 bettors, collectors and *cabos*, and 449 financiers; the filing of criminal cases against known gambling lords; and the confiscation of about P38 million cash and gambling paraphernalia.

The government broke the back of the Abu Sayyaf Group, cutting its strength by 61% from a high of 1,300 at the start of 2001 to 508 as of June 2005. A total of 113 major ASG personalities were neutralized, including Galib Andang (Kumander Robot) and Aldam Tilao (Abu Sabaya).

- **FIGHTING CORRUPTION THROUGH GOOD GOVERNANCE.** The Administration's efforts against graft and corruption focused on punitive and preventive measures as well as the promotion of zero tolerance for corruption.

Of the 288 lifestyle checks conducted on government officials with the rank of director and above, 25 cases were endorsed to the Office of the President for proper action and 108 to the Ombudsman. Among those meted punishments include two officials from DPWH, four from the BOC and six from the BIR.

Partnership with vigilant non-government entities was enhanced to tightly watch procurement processes and the delivery of supplies and materials to the field level. The Government Procurement Reform Act addressed loopholes in the government procurement system and generated P233 million savings from bid notices.

The bureaucracy was rationalized for more effective and efficient delivery of services. A total of 13 agencies were transferred to departments where their functions are more aligned, seven agencies were abolished, and two were merged to address duplication of functions. A more comprehensive rationalization program in government is underway.

Local-national government partnership for development was strengthened and LGUs were empowered with the increase in their internal revenue allotment from P112 billion in 2001 to P152 billion in 2005.

CHALLENGES AHEAD

The President stands firm on her commitment to carry out her 10-Point Agenda of governance. This will not be an easy task, given the need to heal a deeply divided nation before sustainable development is achieved.

The first phase of the President's economic reform agenda is complete and the second phase has begun. The government needs to continue aggressive economic and fiscal reforms by cracking down on tax evaders and smugglers, increasing initiatives against graft and corruption, pursuing effective energy conservation and keeping prices under control.

More importantly, the Administration shall invest in vital social needs to alleviate the plight of the people through job creation, better education, improved healthcare, greater access to electricity and water, and reliable transportation and infrastructure.

The government shall continue to address bottlenecks in program and project implementation to ensure the unhampered delivery of services. The nation also needs to continue to be vigilant against the threat of global terrorism.

Notwithstanding the difficulties brought on by the present political noise, the President remains resolute in her mission to engage all segments of society to work together to advance the vision for the Philippines – a modern country founded on social justice and enjoying economic prosperity.

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BEAT THE ODDS

BALANCED BUDGET

The government aims to attain a balanced budget by 2010 by pursuing legislative and administrative measures to correct the structural defects in the tax system, generate P80 billion through tax measures and generate earnings or savings of around P100 billion from administrative measures.

Strengthened fiscal position

- Effectively contained the fiscal deficit for the past two and a half years. For 2003, the National Government deficit was at P199.9 billion, P2.1 billion lower than the P202 billion deficit ceiling and is -4.9% of GDP. For 2004, the National Government deficit was at P186.1 billion, P11.7 billion lower than the programmed deficit of P197.8 billion, and the second consecutive year that the National Government performed better than its fiscal deficit goal. The deficit represents -3.9% of GDP compared against target of -4.2% of GDP, putting it one year ahead of schedule under the National Government fiscal consolidation plan.

The 2005 deficit is programmed at P180 billion, P6.1 billion or 3.3% lower than the deficit incurred in 2004 and 9% less than the 2004 deficit program. National Government deficit for the first five months stood at P67.8 billion, 12.4% lower than the deficit recorded for the same period last year and only 68.8% of the first semester 2005 program ceiling.

- Increased revenue collections and limited expenditure level. Revenues in 2004 reached P698.3



billion, up 3% than the program revenue of P676.41 billion and 11.4% higher than the 2003 collection of P626.6 billion.

For January to May 2005, revenues collected reached P322.35 billion, comprising 84.12% of the first semester revenue target and 11.62% higher than the P288.8 billion collected in the same period last year.

- ▶ BIR collections of P221.42 billion from January to May 2005 were 14.58% higher than the P193.25 billion collected last year. BIR posted its highest tax collection growth rate of 13.6% since 1998 and registered its highest ever monthly collection of P62.9 billion in April, exceeding target by P200 million and last year's April collection by P9.9 billion or 18.7%.
- ▶ BOC collections for the first five months of 2005 reached P55.83 billion, 11.35% higher than last year's collection of P50.14 billion.
- ▶ Non-tax revenues for the first five months of 2005 amounted to P41.64 billion. Bureau of Treasury income of P28.569 billion, consisting of interest income from deposits and interest income from advances to GOCCs, is 15% more than its income of P24.8 billion last year.

Pursued legislative tax measures to improve revenue generation

- Enacted into law three tax bills:
 - a. Indexation of excise tax on tobacco and liquor or RA 9334 was signed into law on 20 December 2004. It is expected to raise P29.48 billion in incremental



revenues from 2005 to 2011, broken down as follows: P15.79 billion from cigarettes, P11.50 billion from fermented liquor, and P2.19 billion from distilled spirits. In 2005, some P15 billion in revenues will be generated.

- b. Attrition Act of 2005 (RA 9335), signed on 25 January 2005, provides for a system of rewards and punishment for BIR and BOC personnel to encourage more efficiency in tax collections. It is expected to generate P5 billion to P10 billion in additional revenues.
- c. Restructuring of the Value Added Tax (VAT) System (RA 9337) was signed on 24 May 2005 to raise P28 billion to P31 billion in 2005. The law granted the President stand-by authority to raise VAT to 12% in 2006. Upon increase of the VAT rate to 12%, expected revenues would be around P97 billion to P105 billion. The Revenue Regulation for the new VAT System or Revenue Regulation 14-2004 was issued on 22 June 2005.
 - All proceeds of the VAT in 2005 would be applied to budget deficit reduction. By 2006, 70% of the proceeds would be used to plug the budget deficit while the balance of 30% would be used for social services and infrastructure.
 - The 2% VAT increase, once applied, is expected to have minimum impact on the prices of goods in the market and will not affect prices of basic commodities, such as rice, corn, chicken, meat, salt, fish, fertilizer, seeds, fingerlings and poultry feeds, as these are VAT-exempt. The VAT being a consumption tax, those with more to spend will bear more of the VAT.

- The Supreme Court issued a temporary restraining order (TRO) on the implementation of the new VAT law (RA 9337) on 1 July 2005 after a petition was received to halt the process, arguing that it was unconstitutional to grant the President authority to increase the VAT without lawmakers' approval. The DOF estimated that the government is losing around P130 million a day due to the TRO. The government hopes that the issue will be resolved within July 2005.

Pursued other tax measures in Congress

- a. Rationalization of Fiscal Incentives seeks to harmonize and simplify the government's administration of programs and policies on the grant of fiscal and non-fiscal incentives and promote investments in the country. Aside from the tax exemptions and incentives provided for in the National Internal Revenue Code, there are 146 special laws exempting various activities from paying taxes.

The bill aims to correct tax deficiencies by withdrawing all special investment incentives laws that are inefficient, irrelevant and duplicative and formulates only one fiscal incentive law from which all promotable industries shall draw their incentives. The Board of Investments (BOI) estimated about P4.8 billion in revenue savings on the proposed rationalization of investment incentive laws. It also aims to repeal other special incentive laws that are inefficient, duplicative and result in huge revenue drain to the national coffers. There are 40 Special Laws proposed to be repealed by the DOF which will result in annual revenue savings of P12.27 billion.

- b. General Tax Amnesty with submission of Statement of Assets and Liabilities (SAL) aims to broaden the tax base by requiring tax payers to file their statement of assets, liabilities and networth at the same time allowing them to avail of the tax amnesty, that will lead to collection of higher revenues. House Bill 2933 was approved on Third Reading on 14 December 2004 and Senate Bill 1325 is pending with the Committee on Ways and Means. Potential revenues from the bill amount to P16 billion.

Implemented administrative measures to generate savings and increase revenues

- Generated savings of P3.47 billion in 2004 and P220 million in the first semester of 2005 through the adoption by all government agencies, whether or not they receive funding support through the General Appropriations Act, of the following austerity measures (Administrative Order No. 103, s. 2004):
 - Suspension of all training, seminars, workshops and foreign travels, except for ministerial meetings and scholarship trainings that do not entail any cost to the government;
 - Suspension of the purchase of motor vehicles, except ambulances and patrol cars;
 - Reduction of at least 10% in consumption of utilities;
 - Suspension of all expenditure subsidies to GOCCs, other government corporate entities and LGUs except those approved by the Fiscal Incentives Review Board;
 - Suspension of expansion of organizational units and/or creation of positions, except those following “scrap and build” policy or matched by the deactivation of existing units/positions of the same cost; and
 - Suspension of conduct of celebrations and cultural and sports activities.

- Reduced government and personnel expenditures through the implementation of a four-day work week in April and May under Administrative Order 117. The measure was expected to generate at least 10% savings in government electricity and fuel consumption as well as reduce government employees expenditures. About P144 million was estimated as savings from the implementation of the four-day workweek.
- The Energy Regulatory Commission (ERC) approved Napocor rate adjustment effective 26 April 2005 to increase its revenues and reduce its debts. The return on rate base (RORB) was granted an additional hike of P0.0556 per kWh on top of the average P0.98 kWh approved in September 2004 for a total weighted average increase of P1.0354 per kWh. The additional 42% increase of NPC, including adjustments in Generation Rate Adjustment Mechanism (GRAM) and Incremental Currency Exchange Rate Adjustment (ICERA), will increase revenues by P112.25 billion.
- Adjusted tariff rates under EO 336 (23 July 2004) which increased import duty on crude petroleum oils and refined petroleum products starting January 2005. The DOF estimates additional revenue of P29.4 billion from the tariff rate increase.
- Implemented the No Audit Program, pursuant to EO 399 (17 January 2005), which exempts business income taxpayers who will pay 25% above their current income tax payments, from official audit and investigations, subject to certain conditions. It is designed to reduce corruption and administrative costs while enhancing voluntary compliance. The program started on 18 April 2005 and will be effective for five years.
- Increased government fees and charges to account for inflation through the issuance of DBM-DOF Joint

Circular 2-04 (16 December 2004) reminding agencies to implement EO 197, s. 2000 and EO 218, s. 2000 directing all government agencies to increase their fees and charges by not less than 20%. A total of 88 out of 132 national government agencies have complied since CY 2000, with P85.58 billion collected from 2000 to 2004. Estimated annual incremental yield from pending revisions total P4.379 billion.

- Increased BIR revenues by P5 billion through computerization/automation of operating systems; enhancement of audit programs; intensified enforcement procedures; and the conduct of taxpayer compliance verification drives.
 - ▶ Simplified procedures for the accreditation, registration and immediate use of Cash Register Machine/Point of Sale and related business machines through BIR's e-Services and secured government revenues.
 - ▶ Expanded the database of official receipts for audit particularly of professionals and identified establishments not issuing receipts through Bayan, I-txt ang Resibo: Text Raffle Promo. More than 313,000 subscribers participated with 5,791,976 text messages received. Receipts reported amounted to P30.54 billion.
 - ▶ Addressed capital gains and documentary stamp tax leakages in the sale of real property and shares of stocks not listed in the stock exchange, non-payment of taxes and the requisite BIR Certificate of Authority to Register when titles and shares of stocks are transferred and complaints arising from the process of paying taxes and transferring titles/shares through the One-Time Transaction (ONETT) Project.



- Intensified BOC measures on assessment, law enforcement, internal audit and expanded computerization and super green lane to generate additional P8.5 billion in revenues.
 - ▶ Launched on 7 February 2005 the P500-million BOC AsycudaWorld Project to automate the complete loop of import and export transactions including support services, thereby, achieving efficient delivery of services, removing discretion and promoting accountability.
 - ▶ Apprehended 217 shipments of various articles (ceramic tiles, cigarettes, medicines/medical supplies, motor vehicles, optical media, resin, steel, sugar, used clothing, vegetables and wheat) valued at P120.9 million covering the period January to June 2005.
 - ▶ Assigned Customs Police and Intelligence Staff to monitor activities of 120 private ports receiving international cargo.
 - ▶ Closed down a total of 992 Customs Bonded Warehouses, which curtailed smuggling of goods that are not for warehousing consumption, i.e., finished products for re-exports. To date, 46 more warehouses are being subjected to audit in compliance with BOC Mission Orders to audit warehouses resulting to issuance of one demand letter amounting to P2.5 million, two collectibles amounting to P2.3 million, 39 with ongoing audit and four reported with no obligations.
- Bureau of Treasury measures, sourced from GOCCs' remittances, will generate an additional P1.5 billion in revenues.

Pursued the investigation and prosecution of persons involved in corruption, smuggling and tax evasion

- Filed 120 corruption cases, nine lifestyle check cases and one plunder case against 227 BOC officials and personnel since January 2001 to June 2005, including one deputy commissioner and one customs collector. Of these, 12 have already been dismissed from office including one for lifestyle check, 19 suspended, seven reprimanded, one given warning, 40 exonerated, 53 resolved and the rest are pending for further investigation.
- Filed 373 cases against 344 BIR personnel, 158 of whom are graft-related cases. Of these, 76 have been dismissed from the service, 46 suspended, 49 reprimanded, 44 exonerated, two forced resignation, five fined and the rest are pending at BIR for hearing/ investigation and decision.
- Filed 74 tax evasion cases in various courts/agencies as of 17 March 2005 amounting to P5.49 billion of tax liabilities/underdeclared revenues/underdeclarations with BIR. Three tax cases have been resolved, 14 cases are pending with the DOJ amounting to P4.951 billion, while 57 cases are with the RTC amounting to P0.534 billion.
- Launched Run After Tax Evaders (R.A.T.E.), a joint DOF and BIR program which seeks to file one tax case a week against affluent tax evaders. Twenty six tax evasion cases have been filed before the DOJ as of 6 July 2005 against business establishments, high-profile personalities, actors, a singer and a professional basketball player.
- Launched on 1 July 2005 the Run After The Smugglers (RATS) Program which led to the filing of three criminal cases against 16 respondents involved in the smuggling of diesel fuel, sugar and frozen fish.

- Launched in November 2004 the Customs Anti-Smuggling Group Program which resulted in the apprehension of 24 shipments of various goods/articles valued at P221.8 million and the filing of criminal cases against 12 respondents involved in the importation of these goods.

Increased incremental cash flows from privatization of generation/transmission companies

- Increased the revenue program of the national government from the sale of Malampaya by P1.83 billion in 2005. Proceeds have been remitted to the Bureau of Treasury amounting to P0.647 billion in 2002, P1.475 billion in 2003, and P1.631 billion in 2004.
- Privatized six power plants with total combined proceeds of US\$567 million. The Masinloc plant alone has a purchase price of US\$561.74 million that will be paid 40% upfront with the balance to be paid in the next seven years, using a deferred payment facility at 12% interest rate. Another 19 power plants are scheduled to be bidded out this year representing 70% of total generation companies for privatization.

EDUCATION FOR ALL

The government aims to ensure that everyone of school age will be in school in an uncrowded classroom, in surroundings conducive to learning. In this regard, the following measures are being pursued: (a) closing the classroom gap by building 3,000 school buildings or 6,000 classrooms yearly, (b) adopting double or multi-shift classes, (c) expanding service contracting or providing tuition assistance to high school students to study in private schools, (d) providing scholarships to poor college students; and, (e) providing every high school at least one computer for learning and teaching.

Reduced classroom-student backlog

- Classroom backlog based on two shifts of 1:50 classroom-student ratio is 17,873 for school year 2004-05. For school-year 2005-2006, the backlog is 12,199 classrooms, inclusive of new enrolments, and assuming that all programmed classroom construction in the past two years is achieved. Measures undertaken to address backlog were:
 - ▶ Constructed 11,533 classrooms from July 2004 to June 2005, exceeding by 92% the annual target of 6,000 classrooms. These classrooms were constructed in coordination with the private sector and other government institutions under the various school building programs, namely: Regular School Building Program of DepEd and DPWH, Priority Development Assistance Fund of Legislators, Foreign-assisted School Building Programs, Classrooms Galing sa Mamamayang Pilipino Abroad, DTI-NDC lending program to local government units, DOLE's Adopt-a-School Program and Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII) school building program.
 - ▶ Adopted double shift policy in public schools pursuant to DepEd Order No. 62 on 13 December 2004 to address classroom shortages in a systematic and cost-effective manner.
 - ▶ Implemented the Government Assistance to Students and Teachers in Private Education (GASTPE) Program which addressed classroom shortage by accommodating students who will not be able to avail of free public high school in private schools through a contract entered into by the government with private schools. The Program granted tuition fee subsidies to 356,951 students in SY 2004-2005 and 375,000 students in SY 2005-06.

Provided scholarships to poor and deserving students in tertiary education

- Implemented the Student's Assistance Fund for Education for a Strong Republic (SAFE-4 SR) Program, renamed to Enhanced Student Financial Assistance Program (E-STUFAP), to provide needy 3rd, 4th, 5th and graduating college students with interest-free loans of as much as P8,000 to enable them to finish their college education. Loans below P4,000 are payable within five years and those P4,000 and above are payable in 10 years, with two years grace period. The repayments will be used as loans to other students. Since 2003, a total of 48,837 students from 1,640 higher educational institutions have been provided loan assistance totaling P301 million.
- Implemented the "Iskolar Para sa Mahihirap na Pamilya" Program, a college scholarship program for students from indigent families. The scholarship entitles a qualified indigent family to send one child to college or technical-vocational course through a grant of P20,000 for a two-year vocational course or P40,000 for a four-year college course to cover basic tuition, transportation and food allowances. Certificates of Educational Assistance were awarded to 1,979 family-beneficiaries. From SYs 2004 to 2006, 192 certificate holders have availed of the scholarship in state universities/colleges (135) and in Technical Vocational Education and Training (57) Programs.

Supported teaching-learning processes through computers in public high schools

- Provided computer access to about 69% or 3,334 of the 4,830 public high schools nationwide, 434 of which have internet access and 513 have networked Personal Computers (PCs), to enhance school learning environment and minimize the digital divide.

- Provided three pilot public high schools (Sumulong HS-Quezon City, Kabankalan National HS-Mandaue City, and Tubat National HS-Sorsogon) with 100 donated used PCs from Busan, Korea under the ASEAN School Net Project.
- Continued to train public high school teachers on information and communication technology (ICT) in teaching/learning through the UP-NISMED and school-based teacher training scheme in the field.

Enhanced pupil learning and memory retention through the Early Childhood Education

- Launched the Early Childhood Care Development (ECCD) curriculum standards for 5-year olds in the National Capital Region on 8 June 2005. The ECCD curriculum aims to enhance the quality and coverage of essential health, nutrition, psychosocial development and early education services for children aged zero to six.
- Finalized and administered the pre-school Readiness Assessment Tool to determine incoming Grade I pupils' readiness for formal education in SY 2005-06.
- Accredited a total of 26,224 out of 44,122 (59%) day care centers and 26,208 out of 43,940 (60%) day care workers as of March 2005 to ensure that accreditation and standards set for ECCD centers are met.

Enhanced access to quality education

- Constructed 1,176 school buildings in barangays too far from schools from July 2001 to June 2004.
- Procured and delivered 104.5 million textbooks to all public schools for priority subjects, benefiting 16.8

million students and attaining 1:1 textbook-pupil ratio in all grade and high school levels except for English III and IV high school which have a 1:2 textbook ratio. Universal procurement of textbooks shall be pursued starting 2005 to ensure availability of single textbook title per subject per grade/year level.

- Created a total of 28,021 new teacher positions/items from 2002 to 2005 to address the annual increase in students in public schools.
- Strengthened the use of English language as a medium of instruction in the educational system through EO No. 210 (s. 2002), to reverse the deterioration of the level of English proficiency among Filipino college graduates against global standards.
- Upgraded Mathematics and Science teaching and learning in basic education by increasing time allotted for Grade I to III and IV-VI to 100 minutes and 80 minutes, respectively. Starting SY 2005, the curriculum for basic education was streamlined for better mastery in learning competencies ensuring articulation between the elementary and secondary curricula. For concepts which are difficult to articulate, enhancement materials were developed such as video materials and activity cards.

Ladderized interface between Technical Vocational Education and Training (TVET) and Higher Education (HE)

- Approved the Philippine National Qualification Framework (PNQF) in April 2005 that would establish equivalency pathways and access ramps for easier access and progression between TVET and higher education. The pilot institutions and sectors that will participate in the initial program implementation

include the following: agriculture-Region XII; health-Regions I and VI; tourism-Region XI and NCR; engineering-NCR, Regions IV and X; education-NCR, Regions IV and X; maritime-Regions VI and VII; and IT-NCR, Regions I, III and VII. Series of workshops shall be undertaken to review and refine the PNQF and monitor the activities of the pilot institutions.

AUTOMATED ELECTIONS

The Administration seeks to computerize the electoral process to increase confidence in its integrity. In coordination with Congress and the Commission on Elections (COMELEC), the government supports the establishment of a roadmap on automated election, hand-in-hand with fasttracking amendments to RA 8436 (Election Modernization Act).

Supported the computerization of the electoral process

- Provided funds for Electoral Modernization Program. Pursuant to Executive Order No. 172 (4 January 2003) and Executive Order No. 175 (10 February 2003), P3 billion was allocated for COMELEC's Comprehensive Electoral Modernization Program. Of this amount, P2.6 billion has been utilized in 2003 for the following components:
 - ▶ Phase I launched the Voter's Validation System, a project aimed at cleansing and updating voters' list in the country, through the use of biometrics technology. The biometric information of 18.25 million registered voters was successfully captured in a central database. In the process, 130,000 individuals were initially discovered to have registered more than once and appropriate criminal cases will be filed in due time.

- ▶ Phase II undertook the design and development of an automated counting and canvassing system that would minimize human intervention in the counting and canvassing process, thereby minimizing if not totally eradicating electoral fraud. The system would have used the 1,991 automated counting machines purchased by the COMELEC, which were tested and found to be 100% accurate and reliable by the Department of Science and Technology and by the captains of the local information technology industry. Unfortunately, the Supreme Court effectively disallowed the use of the machines in January 2004 on the ground that the winning bidder had not been qualified to participate in the bidding.
- ▶ Phase III designed and developed a system of electronic transmission that allowed immediate consolidation and dissemination of results from all over the country. The design and development of a system for electronic transmission of election results using Very Small Aperture Terminal (VSAT) satellite dishes were completed. The VSATs have been installed in key locations throughout the Philippines and were ready for election day when the Supreme Court disallowed their use.
- Strengthened the institutional and legal infrastructure on the other aspects of the election modernization program through the conduct of summits and workshops:
 - ▶ Post Election Conference on 28 July 2004 at the Clark Field Pampanga to evaluate the conduct of the May 2004 election and to re-affirm the Commission's commitment to modernizing the electoral system.
 - ▶ Pre-Summit Conference on 8 October 2004, a preparatory step to hosting the 2004 Asian Summit on Electoral Reform, which unveiled several proposed

amendments to the existing laws governing elections, designed to increase the efficiency and efficacy of election administration.

- ▶ COMELEC Modernization Summit on 18 November 2004 in Tagaytay City to sharpen the Commission's focus on the various aspects of its modernization program particularly with regard to modernization of the 2005 ARMM elections and the 2007 Synchronized National and Local Elections.
- ▶ Consultation meetings on May 4-13, 2005 with an international IT Specialist to review election computerization plans for possible inclusion in future policy issuances.

Pursued reforms to enhance the electoral process

- Enacted laws to further improve the electoral process:
 - ▶ Republic Act 9189 (13 February 2003), which allocated P385 million to allow Filipinos living and working abroad to vote in the 2004 elections and subsequent polls.
 - ▶ Republic Act No. 9164 (19 March 2002), which synchronized the Barangay and Sangguniang Kabataan elections on 15 July 2002 and every last Monday of October every three years thereafter.
 - ▶ Republic Act No. 9007 (21 February 2001), which allocated P2.45 billion to ensure the conduct of the national and local elections as scheduled on 14 May 2001.
 - ▶ Republic Act No. 9006 (12 February 2001) or the "Fair Election Act" which allowed election propaganda, subject to limitations on authorized

expenses of candidates and political parties, the observance of truth in advertising, and supervision and regulation by the COMELEC.

TRANSPORT AND DIGITAL INFRASTRUCTURE

The Arroyo Administration aims to link the entire country through a network of transport and digital infrastructure. The Nautical Highway System, an inter-modal transport system connecting the islands of the entire archipelago using roll-on/roll-off (RoRo) vessels, was expanded to spur inter-island farm trade, improve the distribution of food and agricultural products in the countryside, and promote local tourism. The government shall also embark on the development of new airports to serve as gateways to tourism destinations.

The progressive development of a digital infrastructure to interconnect the entire country will be accelerated and rationalized, with the private sector playing a major role in this effort. The government shall focus on reducing cost of interconnectivity (including Voice-Over-Internet Protocol), regulatory and legal framework, and human resource development.

Pursued expansion of the Nautical Highway System

- Completed the Nautical Highway System by expanding the Strong Republic Nautical Highway (SRNH) or Western Nautical Highway to include the Central Nautical Highway and Eastern Nautical Highway. The system maximizes the use of the RoRo system in transporting passengers and produce from Mindanao to Luzon. All ports and road connections along these RoRo routes are in place, regular services in all routes are being ensured and port facilities are being expanded as needed.

- ▶ Western Nautical Highway (Strong Republic Nautical Highway) provides link from Manila in Luzon to Dapitan in Mindanao. This part of the highway system is RoRo capable and ferries are plying the routes on regular schedules. The route covers Manila-Batangas-Calapan-Roxas-Caticlan-Iloilo-Bacolod-Dumaguete-Dapitan. This system decreased transport cost by 37%-43% for passengers and 24%-34% for cargo, and reduced travel time by 12 hours.
- ▶ Central Nautical Highway provides a seamless link from Masbate to Dapitan through 20 ports: four in Luzon, eight in the Visayas and eight in Mindanao. Sixteen of these ports are RoRo capable except for the ports of Pilar, Cataingan, Cawayan and Plaridel in Masbate, which need to be upgraded. RoRo vessels are presently plying the following routes on regular schedule: Balingoan-Guinsiliban; Balingoan-Benoni; Mambajao-Jagna; Jagna-Cagayan de Oro; Jagna-Nasipit; Tubigon-Cebu; Plaridel-Larena-Cebu; Larena-Dumaguete.
- ▶ Eastern Nautical Highway provides link from Masbate to Surigao through Sorsogon, Southern Leyte and Biliran Island. The Lipata Port in Surigao and Liloan Port in Southern Leyte are RoRo capable, while Naval Port in Biliran, Leyte and Cataingan Port in Masbate are being upgraded with the construction of RoRo ramps. RoRo vessels are regularly plying the Lipata-Liloan and Naval-Placer routes.
- Maintained road networks along the Strong Republic Nautical Highway System to efficiently transport the products of Mindanao to Luzon, via Visayas and vice versa.

- ▶ On the Western Nautical Highway, 479 kms. out of 1,185 kms. of road sections are already improved in Iloilo, Negros, Cebu and Misamis Occidental; 456 kms. are being improved in Iloilo, Capiz, Mindoro and Cebu; and 250 kms. are proposed for improvement in Mindoro, Capiz and Cebu.
- ▶ On the Central Nautical Highway, 285 kms. out of 488 kms. of road sections are already improved in Davao del Sur, Camiguin and Masbate; 100 kms. are being improved in Bohol, Cebu and Masbate; and 103 kms. are proposed for improvement in Bohol, Davao and Surigao del Sur.
- ▶ On the Eastern Nautical Highway, 364 kms. out of 513 kms. of road sections have been improved in Agusan del Norte, Davao del Norte and Surigao del Sur while 149 kms. in Agusan del Sur, Davao del Norte and Davao del Sur are undergoing improvements.
- Provided P30 billion financing to entice shipping companies to expand and modernize, and local governments to invest in RoRo facilities. The financing program under the Development Bank of the Philippines' Sustainable Logistics Development Program has allocated funds for three main components: the creation of a Road RoRo Transport System (RRTS) network (P7.5 billion), grains bulk handling chain (P16 billion), and the cold chain (P6.5 billion). As of 31 May 2005, a total of P1.8 billion has been approved to fund 12 RRTS projects. Six projects, estimated at P320 million, for RoRo vessel acquisition and port construction and development are in the funding pipeline.

Developed new airports and liberalized the airline industry to promote tourism

- Embarked on the development of new airports in Negros Occidental (Silay City), Iloilo (Sta. Barbara/Cabatuan), and Bohol (Panglao) and upgraded the Diosdado Macapagal International Airport in Pampanga and Busuanga Airport in Palawan to serve as gateways to tourism destinations. Corollary to this, the airports in Naga, Guiuan, and Siargao were improved in support of the Integrated Surfing Tourism Development Program in Siargao Island, Surigao, Guiuan in Eastern Samar and Caramoan Peninsula in Camarines Sur.
- Undertook air services negotiations with China, Japan and Nepal which added about 8,000 additional seats per week to the RP traffic right entitlements.
- Continued to liberalize the airline industry through the implementation of a liberalized charter program which encourages foreign low-cost carriers to use unutilized entitlements of their home country.

Developed information and communications technology (ICT)

- Pursued the development of the Philippine CyberServices Corridor which shall provide a variety of cyberservices at par with global standards. The Corridor, which is connected by a US\$10 billion high bandwidth fiber backbone and digital network, shall serve as a “one destination” for investors, stretching 600 miles from Baguio to Zamboanga. Certain areas have been declared as ICT hubs with high-speed networks and connectivity: (Pasig-Ortigas, Makati, UP-Ateneo-Eastwood, Alabang-Paranaque, Subic-Clark, Cebu-Asia Town Park, University Belt, Davao). Additional 9 areas have been identified as potential

ICT hubs: Leyte, Camarines Sur, Pangasinan, Iloilo City, Baguio City, Davao, Zamboanga, General Santos City and Cagayan de Oro.

- Implemented the Community e-Center (CeC) Program to consolidate all government initiatives in providing services through the Internet-enabled community e-centers, allow remote community access to distance education and online market-places for the sale of goods and services for farmers and SMEs. Forty eight CeCs have been established under the program as of June 2005.
 - ▶ Pursued implementation of the eLGU Development Project to enhance local governance through ICT. The e-Real Property Tax System was installed in 132 LGUs with 403 local government officials trained to run the system. Technical assistance was provided to 332 LGUs on information systems planning and 507 LGUs on change management.
- Pursued implementation of the eGovernment Portal to provide a one-stop electronic gateway for government services and information and harmonized various agency numbering systems which will facilitate database linkages (i.e. NSO, SSS, GSIS, BIR, PhilHealth, LTO).
 - ▶ Established an e-Government fund of P4 billion for the seamless processing of business registration, OFW processing, and the development of a single government portal. Twenty-four projects have been approved/endorsed for funding amounting to some P2.98 billion aimed to: 1) enhance service delivery of government services; 2) promote transparency and accountability in government operations; and 3) facilitate the streamlining and standardization of inter-agency processes and the sharing of information within and among national government agencies.

- ▶ Designed Technology Support Program for e-Governance (SUPRE-GOV) to provide technology support to jumpstart e-governance in the country by establishing linkages between the academe, the private sector, and government units.
 - National Computer Center's (NCC) monitoring study as of 30 June 2005 showed that 90% of 375 NGAs and 44% of 111 state universities and colleges have websites. As of March 2005, NCC survey showed that 100% of 79 provinces, 97.4% of 115 cities and 98.9% of 1,500 municipalities have websites.
 - Increased use of ICT by establishing high speed connectivity through the "Philippine Research, Education, and Government Information Network" (PREGINET), a nationwide broadband network interconnecting government, the academe, and the private sector and enabling them to undertake collaborative research and development.
- Promoted the Philippines as a center for ICT development
 - ▶ Created the Commission on Information and Communications Technology (CICT) as a policy making, planning, coordinating, implementing and regulating entity on ICT matters. The Commission shall focus on the development of the ICT industry and bring together all government agencies responsible for ensuring our competitiveness in the global markets and the implementation of e-government.
 - ▶ Reduced internet connectivity cost to 1/3 of what it used to be – from \$12,000 in 2002 for an E-1 connection to US\$2,000 - \$3,000 in January 2005 -

fueling growth of the IT sector. Costs of local internet connections were reduced from P24 per hour in 2000 to P5 per hour today.

- ▶ ICT investments in 2004 reached P8.1 billion, 50% higher than the P5.4 billion in 2003. From January to May 2005, approved ICT investments reached P2 billion.
- ▶ Increased investments in call centers and back office operations, resulting in 73 call centers, with well over 45,000 seats established and 72,000 employed in Metro Manila, Clark Ecozone, Laguna, Davao and Cebu from 2001 to 1st quarter 2005, compared to only two centers with 2,000 seats in 2000.
- ▶ Increased the number of players in the telecommunications industry
 - Broadband network providers: from 19 in 2000 to 21 in 2003.
 - Cellular phone subscribers: from 6.4 million in 2001 to 32.9 million in 2004.
 - Internet subscribers: from 300,000 in 2000 to three million in 2004.
- ▶ Set the policies for systematic and accelerated ICT advancement on:
 - Retail pricing, to address the artificial oversupply of local telephone lines (3.6 million) by allowing local exchange carriers to design price packages which may include local measured service pricing to suit particular market segment.
 - Public calling stations and telecenters to address uneven distribution of fixed telephone lines in the regions and ensure universal access; provide

lending windows for small, medium and micro enterprises seeking to invest in the provision of public calling stations and telecenters, particularly in unserved rural areas.

- Allocation of radio frequencies for use by broadband wireless access network operators.
- ▶ Set the policies for a liberalized telecommunications environment resulting in the operation of 11 international gateway facility (IGF) operators which can provide international long distance calls, six cellular mobile telephone system operators, 270 value-added service providers, 14 inter-exchange carrier licensees that service other carriers' traffic using their own networks, and 73 local exchange operators or those with fixed line services.
- ▶ Developed the National e-Strategy on the Information Society, i.e. the Philippine Summit on the Information Society, in coordination with various relevant stakeholders (academe, government, private sector and civil society). The strategy, which includes the vision, mission, and programs and projects related to the Philippine Information Society, shall serve as the country's inputs to the World Summit on the Information Society, a global collaborative effort under the United Nations-International Telecommunications Union. Under this strategy and consistent with the directions of ICT development of the country, the Philippine Broadband Deployment Strategy and the National ICT Literacy Standards have been developed.

TERMINATE HOSTILITIES

The Arroyo Administration put back on track the government's negotiations process with the communist insurgents, Moro Islamic Liberation Front (MILF)

secessionists, and other rebel groups, which was derailed for almost two and half years by the past Administration in favor of an “all-out-war” policy. At the same time, the government ensured that the final peace agreements with the Moro National Liberation Front (MNLF), Rebolusyonyang Partidong Manggagawa ng Pilipinas/ Revolutionary Proletariat Army/Alex Boncayao Brigade (RPMP-RPA-ABB), and Cordillera People’s Liberation Army (CPLA) are substantially complied with.

The peace negotiations were guided by the Seven-Point Strategic Action Plan to achieve sustainable peace throughout the country especially in Mindanao. The Plan consists of two components: a) Peacemaking and Peacekeeping; and, b) Conflict Prevention and Peacebuilding.

Continued peace talks and conclusion of final peace agreements with rebel groups

Government of the Republic of the Philippines (GRP)-MILF Peace Negotiations

- Revived peace negotiations with the MILF, which resulted in a bilateral ceasefire in July 2003 that continues to hold on the ground, the signing of an interim peace agreement on relief and rehabilitation of war-torn communities, and a commitment from the MILF, in a show of good faith, to assist the government in the interdiction and isolation of terrorist groups seeking refuge in MILF communities. The negotiation process with the MILF follows a strategy dubbed as “*The President’s Peace Initiative in Mindanao*”.
- Generated support from foreign countries such as the US and Malaysia, and donor organizations like the World Bank, which earmarked substantial development funds as peace dividends. This support was based on positive

indications that formal talks with the MILF will resume within the year, and that a final peace agreement with the said group will be signed soon.

- Continued to observe the agreement on cessation of hostilities with the MILF, through the Coordinating Committee on the Cessation of Hostilities and the Local Monitoring Teams. In addition, the 62-man International Monitoring Team, composed of representatives from Malaysia, Brunei Darussalam and Libya, is currently deployed in Mindanao to monitor the implementation of the said agreement. A civil society, Bantay Ceasefire group, is also monitoring the ceasefire agreement implementation.
- Conducted a Joint Needs Assessment (JNA) in the target areas in pursuit of rehabilitation and development, specifically on the following: human development, rural development, finance and private sector, and governance and institutions. The JNA is expected to be completed before the year ends.
- Conducted the Sixth Round of the GRP-MILF Exploratory Talks on December 20-21, 2004 in Kuala Lumpur, Malaysia, which resulted in the following significant developments:
 - ▶ Adopted a set of guidelines to immediately operationalize the Ad-Hoc Joint Action Group, tasked to isolate and interdict criminal elements operating in areas near and within MILF communities;
 - ▶ Signed the guidelines to govern the accreditation, participation, and conduct of observers to the GRP-MILF Formal Peace Talks; and,
 - ▶ GRP Panel reported on the completion of the phased redeployment of AFP troops from Buliok Complex,

Maguindanao, and the dropping of charges filed against MILF leaders and members.

- The Seventh Round of GRP-MILF Exploratory Talks on 18-20 April 2005 in Port Dickson, Malaysia, on the other hand, focused on the ancestral domain issue, where both panels agreed to exhaust all possible consensus points on the strands of concept, territory, and resources.

GRP-Communist Party of the Philippines/New People's Army/National Democratic Front (CPP/NPA/NDF) Peace Negotiations

- Revived the negotiation process with CPP/NPA/NDF, facilitated by the Royal Norwegian Government, which resulted in the following:
 - ▶ Creation of the Joint Monitoring Committee on 24 January 2005 (EO No. 404, s. 2005) for the implementation and monitoring of the Comprehensive Agreement for the Respect of Human Rights and International Humanitarian Law (CARHRIHL). The government vigorously conducted information and advocacy campaign on said agreement in strategic areas including the AFP and PNP establishments.
 - ▶ Kept open communication lines with the NDF for the possible revival of the talks, even when the NDF unilaterally postponed the talks in August 2004 due to the renewal by the US of its terrorist listing.
 - ▶ Signing of the Joint Statements, as well as the separate issuance of the Panel Communiqué, which provided points of agreements on various issues and concerns including their renewed commitment to address the root causes of the armed conflict through social, economic and political reforms.

- Implemented confidence-building measures towards the resumption of the talks, such as: (a) release of a total of 123 alleged political offenders (APOs) out of a total of 148 APOs included in the NDF list submitted to the GRP; (b) certification as priority Administration bill of the Human Rights Compensation Act of 2005 to ensure the indemnification of human rights victims; and (c) affirmation of the parties to comply with their obligations under the CARHRIHL to ensure the protection of the rights of individuals.

GRP-Rebolusyonaryong Partidong Manggagawa ng Mindanao (RPM-M) Peace Negotiations

- Pursued negotiations with the communist breakaway group RPM-M along the agenda of poverty alleviation.
 - ▶ Initiated the participation of 25 barangays in the research analysis-barangay development planning led by the Independent Secretariat to the Peace Process, Balay Mindanaw, including consultations in Mahayahay, Sultan Naga Dimaporo; Upi, Maguindanao; and, Agusan del Norte. To check on the delivery and impact of development projects, a post-consultation session was held in Mahayahay, Sultan Naga Dimaporo in 2004.
- The second round of formal talks will soon resume where the Agreement on Cessation of Hostilities (ACH) is expected to be signed by the GRP and RPM-M. The GRP Technical Working Group has discussed the draft ACH as well as the emerging draft Implementing Guidelines on Cessation of Hostilities.

Pursued measures to fully implement existing peace agreements

GRP-MNLF Peace Agreement

- The signing of the GRP-MNLF Peace Agreement in 1996 provided for a two-phased implementation framework

that gave substance to the mandate of the Constitution to establish autonomy in Muslim Mindanao.

- ▶ Implemented political, military and socio-economic aspects of the agreement as approved by the Organization of Islamic Conference, represented by its Committee of the Eight chaired by Indonesia, in an audit visit to the country in 2002.
- ▶ Continued to ensure the full reintegration of MNLF members into the AFP and PNP, and the devolution of functions and powers to the Autonomous Region in Muslim Mindanao (ARMM). An inventory of socio-economic benefits for the MNLF was also conducted to determine which areas remain unserved. Republic Act 9054 (ARMM Organic Act) is being fully implemented.

GRP-CPLA Peace Agreement

- Enhanced the implementation of the 1986 peace pact or *sipat* with CPLA with the issuance of Administrative Order No. 18 in August 2001 which provided for the integration of 264 qualified members from 1,200 CPLA members into the AFP over a period of four years starting from 15 November 2001 until December 2005. Other CPLA members shall be integrated into the Citizens Armed Geographical Units (CAFGU) or shall be given livelihood assistance.
- To date, a total of 264 and 528 CPLA members have been integrated into the AFP regular force and the CAFGU, respectively. Efforts are now directed towards the creation of cooperatives for the livelihood program for 408 CPLA members.

GRP- RPMP/RPA/ABB Peace Agreement

- Pursued the implementation of the peace agreement signed with the RPMP/RPA/ABB on 6 December 2000,

which called for the creation of a Joint Enforcement and Monitoring Committee to formulate the details and mechanics and monitor the implementation of the peace agreement.

- Implemented programs aimed at the cessation of hostilities, reintegration and provision of development assistance.
 - ▶ Launched in February 2005, through the KALAHI mode, development projects in 17 barangays in Iloilo, Aklan, Negros Occidental, and Negros Oriental.
 - ▶ Released P5.94 million to Reform and Peace Movement in the Philippines Foundation (90% of total P6.6 million KALAHI special funds for development/livelihood projects in 22 barangays), RPMP/RPA/ABB's conduit organization undertaking community development.
 - ▶ Implemented development projects amounting to P9.5 million in the first batch of priority barangays. In addition, P44 million was allocated for development projects in the same barangays.
 - ▶ Released 145 and processed 11 of the 315 alleged political offenders/political prisoners (APOs/PPs). A total of 107 released APOs/PPs were provided P10,000 each while 102 APOs/PPs were provided with micro-enterprise/livelihood assistance amounting to P3 million (57 from Negros, 24 from Mindanao, 21 from Luzon).

Pursued rehabilitation and development of conflict-affected areas

- Rehabilitated and developed conflict-affected areas through government investments in infrastructure and

livelihood and mobilization of official development assistance. In Mindanao, various multi-donor assisted funds are being mobilized, including the Government of the Philippines (GOP)-World Bank funded ARMM Social Fund for Peace and Development, United Nations Multi-Donor Programme and its successor funds, the European Union-United Nations Development Programme Fund for Rehabilitating Internally Displaced Persons, and the Mindanao Trust Fund.

- Utilized the ARMM Social Fund Project Community Development Assistance Component, which covers 127 barangays, to develop local capacities in planning, development and implementation of community-based projects with technical assistance to municipal teams in five provinces and one city. Special attention is made on the rehabilitation and development of Sulu in light of the recent conflicts between local MNLF forces and the AFP.
- Enhanced convergence between DND-AFP and service agencies of government in the delivery of infrastructure, livelihood and other social services in conflict areas. A total of 500 AFP priority barangays and 100 peace agreement areas in CAR, Regions 3, 4, 5, 6, 7 8, 9, 10, 11, and CARAGA have been identified under the *Kalahi Para Sa Kalayaan* Project for CY 2005.

Implemented an enhanced and integrated reintegration, rehabilitation and amnesty program for former rebels

- Undertook steps leading to the formulation of an enhanced national reintegration program for former rebels, to include: (a) a review of the existing reintegration program; (b) consultations with six

provincial governments; and, (c) drafting of a new policy and program framework on reintegration.

- A total of 39,793 former rebels were granted emergency assistance amounting to P76 million, while 16,102 were provided with livelihood assistance in the amount of P306.8 million. Under the Scholarship Program for Rebel Returnees, 216 of the 848 applicants from various rebel groups were approved as scholars for SY 2004-2005. For SY 2005-2006, 60 of the 391 applicants from rebel groups are for endorsement to the Commission on Higher Education, while 333 were endorsed to ARMM.

Implemented a catch-up program for ARMM

- Improved health care service delivery. The ARMM Social Fund Project for Peace and Development is funding the ongoing rehabilitation and improvement of the Buluan District Hospital, Datu Blah Sinsuat District Hospital, Pangutaran District Hospital and the Sulu Provincial Hospital and will fund the expansion of the Lamitan District Hospital. Philhealth shall work for universal enrolment of ARMM households and the phased accreditation of all providers to upgrade rural health units and hospitals in the ARMM.
- Completed the devolution of functions of DOST, DTI, TESDA, NEDA in accordance with RA 9054 (ARMM Organic Act), while the terms and conditions for the devolution are being finalized for PNP, Bureau of Jail Management and Penology/Bureau of Fire Protection, DILG, DPWH, DLR, DENR, Commission on Human Rights, DepEd, DOH, DA, CHed, National Commission on Indigenous Peoples, DOE/NEA, DBM, DOF, DOTC, DOLE, Cooperatives Development Authority, DOT, POEA, OPS, Philippine Sports Commission and NIA.
- Ensured inter-connectivity of ARMM constituent-provinces/city through key infrastructure projects that

would address the perceived lack and inadequate infrastructure in Mindanao. Among these are 13 major road and bridge projects totaling P3.87 billion being implemented or are in the pipeline for Mindanao.

- Established five Shari'ah District Courts and 51 Shari'ah Circuit Courts. Of these, one District Court and 19 Circuit Courts are occupied.

Pursued affirmative action agenda for Muslims

- Continued to implement commitments on affirmative action program for Muslims, including the provision of a proportionate share of appointments to senior government positions; rehabilitation/entry of Islamic banking; establishment of Salaam police units for NCR and urban centers; non-discrimination in police/military action against terrorism; improved Hajj supervision; promotion of Muslim holidays and festivals such as the Eid'l Fitre; affirmative action in schooling and employment; and, streamlining and strengthening of the Office for Muslim Affairs.
- Strengthened and standardized Madrasah education through the development and publication of instructional materials in support of the curriculum for private Madaris and enriched curriculum for public schools; conduct of the National Orientation Workshop on the implementation of DepEd Order No. 51, a unified curriculum for both Madaris and public grade schools, and Madrasah Education Assistance Program; and Pilot Training for Madaris Teachers on the use of the Revised Basic Education Curriculum subjects. The government is the recipient of a scholarship program by the University of Brunei Darussalam for Madaris Educators and Administrators.

Implemented complementary measures to minimize violence

- Supported the Peace Executive Council in Mountain Province for the implementation of projects in line with their proposed expansion of peace zones.
- Continued to link and provide moral support to existing civil society-led sanctuaries and spaces for peace in Mindanao, particularly in Pikit, Cotabato, and other areas of Central Mindanao.
- Provided mediation services and/or funding through NGOs to help prevent, mediate or resolve local conflict, as well as to enhance the capability of communities for conflict management.
- Declared certain communities affected by armed conflict as peace zones including municipalities and barangays in the Cordillera, Negros province and in Mindanao. Projects undertaken in these areas include construction of infrastructure, community-managed livelihood projects, and human resource development. The zones have also become a venue for dialogue, the resolution of conflicts, and the continued empowerment of communities.

Pursued healing and reconciliation efforts in conflict-affected areas

- Institutionalized interfaith dialogue as a peace process mechanism to strengthen solidarity among Christians, Muslims, and indigenous peoples. Hinged on a deeper understanding of religion and culture, interfaith dialogue has become a venue for discussion of issues that impact the pursuit of peace, particularly the campaign against terrorism in Southern Philippines.

- Promoted a culture of peace in fulfillment of the government's commitment to the United Nation's global campaign for a culture of peace through peace education. The government, through the Office of the Presidential Adviser on the Peace Process, has partnered with private and public educational institutions, agencies, local government units and the private sector for the establishment of Centers for Peace Education and Advocacy in schools all over the country which are members of the Catholic Educational Association of the Philippines.

HEALING THE WOUNDS OF EDSA 1, 2 AND 3

In support of a principled national reconciliation and a united country, the Administration shall engage all segments of society in a new government of political reform and economic change where erstwhile divided segments of society are reconciled under justice.

Continued consultations for national reconciliation

- In the National Security Council meeting in September 2004, key government officials met with political and religious leaders to discuss the policies and strategies to heal the wounds and the divisiveness generated by the People Power Revolutions. In the said meeting, the following consensus points were reached:
 - ▶ Need to become more united as a people and to work together for the recovery and progress of our nation and of our democracy.
 - ▶ Need to prepare for a long-term, multi-faceted, multiple channeled reconciliation process. Specific measures identified under this point were:

- Accelerate compensation to victims of human rights violations. To attain this objective, the government committed to push for the passage of a law that will allocate a portion of the recovered assets of the Marcos family deposited in Swiss bank accounts for human rights victims.
- Conduct dialogues and consultations nationwide on how to pursue reconciliation and national unity.
- Sustain the ongoing reforms in the military. The President created the Feliciano Commission to recommend specific measures to address the legitimate grievances of military personnel. Among the measures recommended and the actions taken are as follows:
 - On conversion and other resource management problems in the AFP procurement system, various measures were undertaken such as: (a) the Bids and Awards Committees were reduced from 119 to only two: one at DND for procurement in excess of P50 million and one at the AFP for procurement of P50 million and below; (b) authority was given to each rifle company and equivalent units to cash advance P50,000 per quarter for emergency procurement in the operational area; (c) decentralization of pay and allowances to major Services and devolution of centrally managed items focusing on providing support to the Unified Commands.
 - On the shortage of housing, a five-year on-base housing program was put in place, which is expected to address 34% of the current demand of 7,000 military personnel. For off-base housing, 660 units are earmarked at

Riego de Dios in Tanza, Cavite, Bonifacio Heights in Makati and Kawal Kalinga in Tarlac.

- On health services, more military personnel have been covered by Philhealth and networking arrangements have been worked out with civilian hospitals to accommodate military personnel.
- ▶ The religious leaders to take the lead in finding a just process of reconciliation. They shall provide guidance to the Cabinet, led by the National Security Adviser, which shall formulate the strategic framework plan.
- ▶ Government to sustain its pursuit of measures to address other threat groups that continue to confront the security of the nation.
- Strengthened the partnership between the government and various sectors of society in the implementation of projects and resolution of critical issues, and established grassroots support for the Administration's programs.
 - ▶ Involved different sectors in projects for the poor, such as medical missions.
 - ▶ Provided venues for problem-solving sessions known as the *"Isangguni sa Bayan and Ugnayan at Bahaginan sa Kaunlaran"* to address critical development issues in major areas which are known to be strongholds of the opposition and other forces in both extremes of the political spectrum. This initiative resulted in the formation of multi-sector alliances of civil society organizations in all key areas of the country.

ELECTRICITY AND WATER FOR ALL BARANGAYS

The Administration aims to attain 100% barangay-level electrification by 2008 by providing electricity to the remaining 3,182 unenergized barangays as of end-2004 and provide potable water to all waterless areas by 2010.

Energized more barangays to attain 100% barangay energization by 2008

- Provided electricity to 5,365 barangays from January 2001 to June 2005 under the Expanded Rural Electrification Program, bringing the total number of energized barangays to 38,954 out of 41,945 barangays and attaining a 92.87% barangay-level electrification.
 - ▶ In Luzon, 19,827 out of 20,476 barangays or 96.83% have been energized.
 - ▶ In the Visayas, 10,692 out of 11,443 barangays or 93.44% have been energized.
 - ▶ In Mindanao, 8,435 out of 10,026 barangays or 84.13% have been energized.
- Pursued partnership with the private sector in the implementation of rural electrification projects. Ten Independent Power Producers committed to energize 1,958 barangays from 2001 to 2005, of which 1,104 barangays and 41 sitios have already been energized.

Provided potable water to waterless municipalities

- Implemented the President's Priority Program on Water (P³W) which targets to provide potable water to 210 waterless communities within the National Capital Region not yet adequately served by MWSS

concessionaires and 432 waterless municipalities outside Metro Manila with less than 50% of households having access to potable water based on the 2000 Census on Population and Housing.

- ▶ Provided water services to 48 out of the 210 waterless areas in Metro Manila through MWSS concessionaires benefiting 1,126 households.
- ▶ Identified 80 municipalities to be included under the first batch of priority municipalities/barangays for CY 2005 water supply projects under the P³W.
- Implemented the Patubig ni PGMA project which provided potable water through mobile tankers to a high of 956,541 waterless households in Metro Manila, Rizal, Cavite, Bulacan and Laguna provinces in May 2004. The number of waterless households being served by mobile tankers has decreased to 321,681 households in July 2005 due to the provision of more permanent services by MWSS concessionaires in the areas previously serviced under the Patubig Project. About 75 static water tanks which provided potable water to 121,438 households as of July 2005 were also installed under the Patubig Project.
- Implemented regular water projects in areas outside of the targeted waterless municipalities under P³W.
 - ▶ Implemented water projects which will provide potable water to 337 barangays in 254 waterless municipalities outside Metro Manila. A total of 22 water supply projects were completed in seven waterless municipalities under the coverage of the water districts in Baguio City; Silay City, Negros Occidental; Catarman, Northern Samar; Sindangan, Zamboanga del Norte; Claveria, Cagayan; and Digos City, Davao City which will benefit about 30,000 individuals.

- ▶ Completed 6,702 water supply facilities under the Rural Water Supply and Sanitation Sector Project which aims to provide safe and potable drinking water to residents of remote barangays in the country through construction of deep wells, shallow wells, spring development and rehabilitation of existing deep wells. The project also provides capacity-building to local government units to enhance their delivery of social services, improve social welfare such as water supply and sanitation and reduce poverty.

- ▶ Completed major foreign-assisted water supply projects to address the increasing water demand in the country's growing cities: Cotabato City Water Supply Improvement Program; Gen. Santos Water Supply Improvement Program; and Pili Water Supply Improvement Program. A total of 24 water supply expansion projects were also completed in provincial cities nationwide, while 138 water supply projects were rehabilitated at a total cost of P981 million.

OPPORTUNITIES TO CREATE 6 TO 10 MILLION JOBS

The government aims to generate six to 10 million jobs in the next six years by accelerating growth and job creation in the following key components:

- Agribusiness – Two million hectares of idle and unutilized lands, new and existing agricultural areas, and offshore and inland bodies of water are targeted for agribusiness development to generate at least two million jobs.

- Micro, small and medium enterprises – Loans, technology and marketing support shall be provided to three million microfinance clients to generate three

million jobs, and loans to SMEs shall be tripled from P24 billion in 2004 to P72 billion in 2010.

- Tourism – Tourism promotion shall be intensified in focused areas and air liberalization shall be pursued to increase tourist arrivals that would create three million new jobs.
- Information and communication technology – By promoting ICT and improving the environment for ICT-enabled businesses, one million new workers are expected to be employed in the ICT sector from 2005-2010.
- Housing program – Housing and its related enterprises are expected to generate one million new jobs by 2010 through the Strong Republic Housing Program and measures to facilitate private sector financing.
- Infrastructure projects – Public construction and maintenance are expected to generate employment in local communities.
- Economic zones – Thriving enterprises in the economic zones shall provide employment opportunities.
- Apprenticeship program – Absorption of apprentices into the regular workforce shall be facilitated by giving opportunities for beginners to earn while on training.

For the period January 2004 to June 2005, 5.2 million jobs were generated: 3.9 million in 2004 and 1.3 million from January to June 2005.

Based on the 2003 and 2004 rounds of the Labor Force Survey (LFS), on the average, the economy recorded a net increase of 972,000 jobs in 2004. Comparing the level of employment in April 2005 with April 2004, job generation reached 684,000.

Developed new lands for agribusiness

- Generated at least 135,314 new jobs from January to June 2005 by developing 73,925 hectares of new agricultural lands and linking them with corresponding markets in all regions. Developed areas are either planted to crops, grown with forage for pasture, stocked with animals, seeded with fingerlings or established seaweeds farms. In general, it is assumed that one hectare of land developed generates one job but in some commodities, one hectare may be equivalent to as high as 27 jobs.
- Strengthened LGU and private sector participation in agribusiness land development.
 - ▶ Signed a Covenant of Support for the Development of New Lands for Agribusiness during the National Agribusiness Summit on 27 May 2005 participated in by the Department of Agriculture (DA), League of Provinces of the Philippines and the Regional Agricultural and Fishery Councils. The governors and the private sector pledged P602 million and P1.073 billion, respectively, in addition to DA's commitment of P326 million for 2005 which totaled to P2 billion.
 - ▶ Facilitated the establishment of business enterprises through tie-up with the private sector and institutional arrangement/convergence among government agencies.
 - Tied up with the following corporations: San Miguel Corporation for the intercropping of cassava under 1,000 hectares of coconut in Sta. Lucia, Palawan generating 1,000 jobs; Festive Foods International, Four Seasons Fruits Corporation, Prime Fruit Corporation and four other companies for 7,565-hectare banana

expansion in Davao del Norte to generate 7,150 jobs at the farm level; and Isarog Pulp and Paper Corporation for a 1,500-hectare abaca production in Caramoan, Camarines Sur to generate 3,000 jobs.

- Forged institutional arrangements among agencies (i.e. DA and DND) for the development of 68,156 hectares of idle lands inside military reservations to augment the income of military personnel.
- Instituted DA-DLR-DENR Convergence for Sustainable Rural Development to maximize complementation of rural development efforts focused on the development of new agricultural lands in the countryside. The DLR identified 900,000 hectares for development within KALAHI Agrarian Reform Zones (KARZones) and DENR, 1.9 million hectares of Community-Based Forest Management areas.

Increased viability of micro, small and medium enterprises by providing credit, technology and marketing support

- Strengthened the capacity of the poor to engage in productive enterprises through microfinance and business development services, resulting in job generation. Under this program, the livelihood/employment needs of the microfinance clients are addressed through employment facilitation/generation, microfinance/capital assistance, technical/skills training, production technology development, and marketing/market linkages.
- Created 562,633 jobs in 2004 by releasing P9.9 billion in loans to microfinance borrowers and additional

152,123 jobs from January to March 2005 through loan releases of P3.4 billion, based on the assumption that any loan, regardless of amount, creates one job.

- Approved the National SME Development Agenda which serves as the roadmap for SME development. The roadmap outlines strategies and programs for SMEs in the areas of marketing, financing, training, product development/technology intervention, and advocacy.
- Enhanced access to credit by establishing the SME Unified Lending Opportunities for National Growth (SULONG) in 2003 which simplified lending procedures and guidelines for SME financing. The government financial institutions involved in SULONG (Small Business Corp., LBP, DBP, PhilExim, Quedancor, National Livelihood Support Fund and SSS) apply standardized lending procedures and guidelines, (e.g., loan purpose, fee structures, interest rates, application forms, financial ratios, and other lending parameters for evaluating the loan applications for SMEs).
- Supported 676,258 jobs by releasing P27 billion in loans to SMEs in 2004 on the assumption that one job is supported for every P40,000 loan. The said assumption, however, was adjusted to an average loan size of P80,000 in 2005. As such, 90,224 jobs were supported by loan releases of P7.2 billion from January to March 2005. SULONG lending in 2003 reached P26.76 billion, 34% higher than the P20 billion target.
- Developed products or services with comparative advantage or identified as “specialization” of each participating city or municipality.
 - ▶ Released at least P1 million from the President’s Social Fund to every town, city and municipality under the One Town, One Product, One Million Pesos Program (1M1) to provide financing support to

SMEs. From September 2002 to April 2004, a total amount of P756 million was released to 658 recipients: 499 cities/municipalities/provinces, 171 congressional districts and party lists and 38 barangay councils, NGOs/POs and other entities.

- ▶ Institutionalized the One Town One Product (OTOP) - Philippines Program pursuant to EO No. 176 issued on 11 February 2003 to promote entrepreneurship and create jobs. The program targeted MSMEs with an asset size of not more than P100 million, which account for about 99% of the business establishments. Under the program, DTI, other key agencies, LGUs and the private sector, provide MSMEs with a comprehensive package of assistance. Fifteen (15) model OTOPs from across the country were identified to spearhead project implementation, namely: roasted coffee (Kalinga), wood furniture (La Union), home furnishing (Cagayan), gifts and holiday decor (Nueva Ecija), wood carving and paper mache (Laguna), woven buntal (Marinduque), ceramics (Albay), bamboo (Iloilo), woven raffia (Bohol), mussel (Samar), seaweed (Zamboanga del Sur), high value vegetables (Bukidnon), banana chips (Davao City), banana (North Cotabato), and oil palm (Agusan del Sur).

Increased tourist arrivals through tourism promotion

- Increased inbound tourists by 498,165 through aggressive tourist promotions, particularly in China, which translated into 607,762 new jobs from January 2004 to May 2005. Jobs generated in tourism are computed based on the results of the study conducted by management consulting firm McKinsey & Co. for the Department of Tourism that 1.22 jobs are created for every tourist arriving in the country.

- ▶ In 2004, 2,291,352 tourist arrivals were recorded compared to 1,907,226 in 2003 or an increase of 384,126. Based on these figures, a total of 468,634 new jobs were created in 2004.

- ▶ In January to May 2005, 1,068,512 tourist arrivals were recorded compared to 954,473 recorded in the same period in 2004, or an increase of 114,039. Based on these figures, a total of 139,128 new jobs were created for the period.

Promoted information and communication technology

- Ushered ICT-related job opportunities by promoting ICT and improving the environment for ICT-enabled businesses. A total of 41,000 jobs were generated from January to June 2005 from ICT-related services, such as business process outsourcing (e.g. customer care, accounting, data base management), medical transcription, animation and software development.

Revitalized the mining sector

- Shifted government policy on mining from tolerance to promotion which created 4,911 jobs from January 2004 to May 2005: 2,716 jobs in 2004, up 35.8% than the target of 2,000; and 2,195 jobs for the period January to May 2005. Executive Order No. 270 or the National Policy Agenda on Revitalizing Mining in the Philippines issued on 16 January 2004 promotes responsible mining while adhering to the principle of sustained development, i.e., economic growth, environmental protection and social equity.

- Pursued implementation of the Philippine Mining Act of 1995 (RA 7942) which aims to develop the country's mining industry and make use of the potential US\$840

billion (or about P47.04 trillion) in mineral wealth to jumpstart the economy and to enhance our nationalistic aspirations, protect the indigenous communities, and prevent irreversible ecological damage. The Supreme Court, in its decision on 1 December 2004, upheld the constitutionality of the Act.

- Adopted measures to attract investments in mining such as streamlining of the procedures in processing mining applications and creation of 15 regional one-stop shops, consultations among concerned agencies to harmonize implementation of laws affecting the mining industry, and providing more technical support to the industry.
- Identified 23 large-scale new and expansion mineral development projects nationwide with a total gross value of US\$90.8 billion and the potential to generate US\$4-6 billion in foreign direct investments, US\$5-7 billion in foreign exchange, and about 200,000 direct and indirect employment over the next six years.

Completed housing units and facilitated private sector participation in housing

- Accelerated housing unit construction and site development resulting in 118,994 units constructed and 919,632 jobs created from January 2004 to May 2005. A total of 85,059 housing units were built in 2004 generating 656,147 jobs while the construction of 33,935 housing units from January to May 2005 generated 263,485 jobs. Computation of jobs generated from housing is based on the assumption that a completed house construction requires 8.3 persons working for three weeks, service lot area or development of sites for resettlement requires 5 persons per lot, and a small housing unit for the

affected families of the North Rail Project requires 3.3 persons.

- ▶ Identified housing programs which provide opportunities for employment such as Core Housing (National Housing Authority), End-user Financing (Home Development Mutual Fund or Pag-IBIG), Institutional/Developmental Financing (Pag-IBIG), Bahay Ko Program (Government Service Insurance System), Retail and Developmental Guaranty (Home Guaranty Corporation), and SSS Housing Loan Program (Social Security System).
- ▶ Adopted mechanisms to ensure greater private sector participation in the housing sector and provide better access to housing for low-salaried government and private sector workers, such as:
 - Increased loan-to-collateral ratio which in effect removed equity for loans up to P500,000.
 - Lowered interest rates for housing loans which resulted in the reduction of monthly amortization by 15% to 25%, depending on the loan amount.
 - Reduced signatories from 188 to 40 and processing time from 90 days to 30-45 days for the issuance of housing-related permits and Environmental Compliance Certificates for priority projects such as socialized housing.
 - Reduced processing time for HDMF housing loan application from 30 to seven working days and for GSIS to five days.

Constructed and maintained infrastructure projects

- Hired about 1.9 million people in public construction and maintenance from January 2004 to June 2005: 1.5 million were hired in 2004 and 369,748 were hired

from January to June 2005. These include community-based workers hired in the construction of government projects by contractors pursuant to RA 6685, in “Kalsada Natin, Alagaan Natin” (KNAN) and Project OYSTER (Out-of-School Youth Serving Towards Economic Recovery), and in patronizing products and services of persons with disability.

- ▶ RA 6685 requires all private contractors and sub-contractors of national and local public works projects to hire at least 50% of the unskilled and 30% of the skilled labor requirements from the unemployed bona fide and actual residents of the locality where the projects are to be undertaken.
- ▶ KNAN is a community-level road system maintenance program funded from the maintenance account of the Motor Vehicle Users Charge funds. One to four workers are tasked to maintain a one-kilometer stretch and paid on a daily basis. Activities include planting of trees and ornamental plants, drainage cleaning, clearing of sidewalks and removal of obstructions within the road right-of-way. Project OYSTER was launched by the Philippine National Police on 3 July 2002 as a crime prevention strategy and support mechanism for economic development for out-of-work and out-of-school youth.
- ▶ PWDs engaged in metal fabrication were allocated 25% of the steel windows and gates of public schools for manufacturing.

Expanded operation of enterprises in economic zones

- Generated a total of 83,896 new jobs in the economic zones since January 2005: 81,635 jobs in Philippine Economic Zone Authority areas from January to May 2005 and 2,261 jobs in Subic Bay Metropolitan Authority

areas from January to April 2005. Total jobs include direct and indirect employment. Employment was generated by enterprises providing inputs and services to economic zone export-producers and service exporters (e.g. subcontractors, brokers, cargo handlers/forwarders, canteen/restaurants, banks, utilities, janitorial and maintenance services).

Implemented the apprenticeship program

- Re-launched the Kasanayan at Hanapbuhay (KASH) Program in September 2004 to provide opportunities for beginners to earn while on training and to facilitate the absorption of apprentices into the regular workforce. Since the launching of the program, 61,083 workers (50,405 in 2004 and 10,678 in the first quarter of 2005) have undergone/are undergoing apprenticeship in occupations officially approved for apprenticeship by TESDA (e.g., electric repairman, furniture maker, mechanic) in 739 registered companies.

DECONGESTING METRO MANILA

The government is pursuing the development of infrastructure to decongest Metro Manila and allow the people to work within the metropolis while living in nearby provinces. Infrastructure such as rail projects, highways and expressways are being developed. New government centers will also be created, by transferring certain departments to the regions to spur development.

Expanded road transport facilities

- Completed the North Luzon Expressway (NLEX) Expansion Project (Phase I) in February 2005 which cut by half the travel time along the whole 84-kilometer stretch to only a one-hour drive. The reduced travel

time eased up traffic and ensured the efficient movement of goods, people and service to and from Central and Northern Luzon to Metro Manila.

- Pursued the construction of the Southern Luzon Expressway Extension Project. The project consists of the following:
 - ▶ Toll Road 1 (TR1), involving the full rehabilitation and upgrading of the existing one-km six-lane Alabang Viaduct in Muntinlupa City, is targeted to commence in August 2006.
 - ▶ Toll Road 2 (TR 2) involving the full rehabilitation, upgrading and widening from four to six lanes (28.6 kms.) of the Alabang-Calamba section from 2007 to 2008 at a cost of P2.7 billion.
 - ▶ Toll Road 3 (TR 3) involving the construction of a two-lane 7.8-km new toll road extension connecting South Luzon tollway in Calamba to Southern Tagalog Arterial Road (STAR) in Sto Tomas, Batangas. The project is expected to be finished by February 2006.
- Commenced construction of the P1.7 billion STAR Extension from Lipa City to Batangas City under the build-operate-transfer scheme. Construction works for the 20-km two-lane expressway, excluding interchanges, overpasses, toll booths and related toll facilities, commenced on 25 April 2005 and will be completed in 12 months. The interchanges, overpasses and related toll facilities will be finished in 24 months.
- Undertook the Manila-Cavite Expressway Extension Project to link the existing R-1 Expressway to Noveleta, Cavite and C-5 (25.5 kms.). Road Right-of-Way (ROW) acquisition is 70% accomplished and project construction is expected to start in September 2005 and will be completed within two years.

- Commenced construction to widen/improve MacArthur Highway (Manila North Road) from Meycauayan to Tarlac City. The project will decongest the North Luzon corridor and accommodate traffic diverted from the North Luzon Expressway. Construction of the following packages commenced in June 2005 and will be completed in December 2005:
 - ▶ Package I – Meycauayan-Marilao-Bocaue Section, Bulacan
 - ▶ Package II – Balagtas-Guiguinto Section, Bulacan
 - ▶ Package III – Malolos-Calumpit Section, Bulacan
 - ▶ Package IV – Pampanga Section, including Mabalacat

The remaining Package V – Tarlac Section is expected to commence next year.

- Pursued the construction of the Plaridel Bypass from NLEX towards the east to address the traffic and accessibility problems of Guiguinto and other towns affected by the closure of temporary exits at the NLEX. Detailed engineering has been completed and ROW acquisition is ongoing with LGU assistance. Initial construction of 3.5 kms using local funds amounting to P125 million will commence in August 2005 and will be completed in 2006.
- Undertook the construction of Marikina Bridge and Access Road Project, a new interchange and river bridge connecting Marcos Highway to C-5 by-pass. The project is 27% completed as of June 2005 and will be finished by January 2007.
- Completed the P283.19 million improvement of Ortigas Avenue Extension Road (C-5 to Tikling) in October 2004.

- Completed the construction of the P678.83-million C-5/Boni Serrano Avenue/Katipunan Avenue Interchange Project in Quezon City which was inaugurated in February 2005.

Implemented new rail projects

- Fasttracked the Northrail Project, a US\$503 million commuter system that will run from Caloocan to Malolos (Phase 1, Section 1) and from Malolos to Clark (Section 2).
 - ▶ Signed MOU between the DOF and China Eximbank on 27 April 2005 for the utilization of the US\$500 million loan. Preliminary survey, site reconnaissance and subsoil investigation up to the Bulacan segment of the project by engineers of China National Machinery and Equipment Corporation Group are underway.
 - ▶ Cleared PNR right-of-way and relocated affected informal settlers:
 - Cleared the Metro Manila alignment (Caloocan North-Malabon-Valenzuela segments) of 8,127 informal settler families. A total of 798 families were relocated to Towerville, San Jose del Monte, Bulacan; 252 families to Canumay, Valenzuela City; and 2,351 families to Barangay Bignay, Valenzuela City. A P50,000 housing financial assistance was granted to each of the availing 3,280 families to be used as down payment to purchase properties either in Malabon or Bulacan.
 - Adopted a beneficiary-led in-town relocation policy for affected families along the Bulacan alignment. Organization of Local Inter-Agency

Committees or LIACs, census tagging and verification are completed while beneficiary selection and consultation activities are ongoing. A total of 296 affected informal settler families in Balagtas, Bulacan and 66 in Meycauayan were relocated to in-town resettlement sites.

- Social preparation activities are ongoing in the Pampanga alignment, which will affect 19,500 informal settler families.
- Pursued the US\$50 million Northrail-Southrail Interconnectivity Project (formerly South Rail Project) which involves the rehabilitation of the existing 34-km. PNR Commuter Service Line from Caloocan to Alabang (Phase 1).
 - ▶ Signed loan agreement between PNR and the Export-Import Bank of Korea (KEXIM) on 7 May 2004 and secured Notice of Loan Effectivity from KEXIM on 18 March 2005. The project is expected to start in December 2005 and completed within 18 months from project commencement.
 - ▶ Phase II, which involves the construction of the Sorsogon Railroad Extension, shall commence in 2010 and is expected to be completed by 2011.
- Pushed for the implementation of the MRT 3, Phase II Project which will close the MRT 3-LRT Line 1 loop to facilitate commuter needs from Monumento to EDSA and vice-versa, and at the same time connect MRT 3 to Northrail. When completed, EDSA MRT 3 (Phases I and II) will form the railway transport backbone, complementing the operation of radial lines LRT 1, MRT 2, MRT 7 and Northrail. The project, which will be implemented through the build-operate-transfer scheme, is targeted to commence in the last quarter of 2006 and is expected to be completed by 2009.

Initiated the establishment of new government centers

- Commenced preparations for the transfer of government departments to different regions in line with the government's thrust to develop new government centers and spur regional development:
 - ▶ DA to Davao City to further enhance the comparative advantage of Mindanao in food production.
 - ▶ DPWH to Bicol will address the poverty and local peace and order problems since the building of new roads and other infrastructure facilities will spur development of the region and adjacent areas particularly the Bondoc Peninsula in Quezon and the Samar-Leyte corridor.
 - ▶ DOT to Cebu City to boost tourism, particularly focusing on "beach tourism" within the Cebu-Bohol-Camiguin link and other destinations in Southern Philippines, which have been identified as a primary tourist hub of the country. The DOT has assigned an Undersecretary to man its regional office in Region VII.
 - ▶ DLR to Iloilo City to fasttrack the implementation of CARP in Region VI where about 30% of lands eligible for CARP are still to be distributed.
 - ▶ DOTC to Clark, Pampanga to strengthen the role of Subic-Clark area as the country's multimodal distribution and regional logistics center and major transshipment point of goods and services for domestic and international distribution.
- These departments shall institutionalize and develop the regional offices located in the proposed transfer areas to be manned by a permanent Undersecretary,

and the Secretary will hold office thereat twice a month in preparation for the eventual transfer.

DEVELOP SUBIC AND CLARK

The Arroyo Administration envisions the Subic-Clark corridor to be a premier international service and logistics center in the Southeast Asian Region. The area is being strengthened as the country's major transshipment point of goods and services for domestic and regional foreign distribution through the development of adequate infrastructure that will enhance its competitive advantage as prime investment areas.

Formulated roadmap for development of Subic-Clark corridor

- Approved the Subic-Clark Area Development (SCAD) Program, an infrastructure-based development strategy initiated by the government and pursued in partnership with the private sector. The infrastructure development includes a world-class Subic seaport, the Diosdado Macapagal International Airport, hard infrastructure (e.g., power, water, telecom, land transport, waste management), soft infrastructure (e.g., housing and healthcare facilities, training and education, government policies and incentives), and multi-modal linkages with Metro Manila and the rest of Central and Northern Luzon.

Implemented the Subic-Clark-Tarlac Expressway

- Implemented the P27.405 billion Subic-Clark-Tarlac Expressway Project (SCTEP) to provide a direct, efficient and nearly exclusive road connection between major development areas of Central Luzon (Subic, Clark and

Tarlac). The project is expected to enhance the synergistic development of the region and alleviate the worsening traffic situation along the North-South axes in the region. Construction of the SCTEP commenced in April 2005 and is targeted to be completed in 2007.

Expanded the Subic Bay Port

- Expanded the Subic Bay Port Development Project to promote the economic growth of Subic Bay Freeport Zone (SBFZ) and the development of Central Luzon. The project, funded through a P5.217 billion JBIC loan, involves the construction of a new container terminal at Cubi Point, the rehabilitation of selected existing wharves and the procurement of necessary facilities to promote growth in the area. The project timetable is as follows:
 - ▶ Phase 1 - 2003-2005: 280m berth; two Gantry Cranes; total handling capacity is 300,000 Twenty-Foot Equivalent Units [TEUs] cargo containers. Overall project accomplishment as of June is 22%.
 - ▶ Phase 2 - 2005-2007: 280m berth; two Gantry Cranes; cumulative total handling capacity is 600,000 TEUs.
 - ▶ Phase 3 - 2014-2015: 280m berth; two Gantry Cranes; cumulative total handling capacity is 900,000 TEUs and will be considered in future loans by Japan or other interested parties.

Pursued air liberalization

- Pursued air liberalization in line with the vision of making the Subic-Clark corridor the most competitive international service and logistics hub in the Southeast Asian Region.

- ▶ Issued Executive Order No. 253, s. of 2004 which liberalized cargo flights and removed restrictions on the number of flights and on the type of aircraft used by cargo carriers flying in and out of the Diosdado Macapagal International Airport and the Subic Bay International Airport.
- ▶ Increased flight frequencies of new airlines flying in and out of Clark and Subic
 - The United Parcel Service (UPS), which began operations in April 2002, has eight flights per night. Additional two flights to Clark from Osaka and Shenzhen in April 2005 increased the operations of UPS nightly to 10 flights per night, six days a week.
 - Asiana Airlines has five flights per week from Incheon, South Korea since October 2003.
 - China Rich Airways, a new chartered aircraft from Hong Kong, began its operations in February 2005 with three charter flights per week.
- ▶ Implemented the Liberalized Charter Program which granted the following low-cost airlines charter permits to operate:
 - Air Asia Berhad which operated 26 roundtrip passenger flights initially from April 5-30, 2005 (Kuala Lumpur-Clark), and later extended to 31 August 2005. Another charter permit to operate was granted for the Kota Kinabalu-Clark route, which operated daily from May 1 to 31, 2005 and extended until 31 August 2005. Air Asia Berhad operates 10 flights per week - seven to Kuala Lumpur and three to Kota Kinabalu.

- Tiger Airways, which operates daily flights to Singapore-Clark and vice versa, from 5 April 2005 to 31 October 2005 (Singapore to Clark-DMIA).

OTHER SONA ACCOMPLISHMENTS

ECONOMIC GROWTH

Improved macroeconomic growth performance

- Sustained economic growth in the midst of adverse internal and external factors such as rising global oil and commodity prices. GDP growth increased from 3% in 2001 to 6.1% in 2004 while GNP growth increased from 3.5% in 2001 to 6.2% in 2004. The expansion is the strongest since the economy registered its last peak growth of 5.8% in 1996 and exceeded the Medium-Term Philippine Development Plan target of 4.9–5.8%. GDP grew at a moderate pace of 4.6% and GNP increased by 4.7% for the first quarter of 2005, despite the mild El Nino, high crude oil prices, high inflation rates, tight fiscal situation and the weak external demand.
- Managed inflationary pressures with government gradually reducing and maintaining inflation at single-digit levels from 6.8% in 2001 to 3.0% and 3.5% in 2002 and 2003, respectively. Inflation for 2004 eased up to 6.0% driven largely by supply-side factors, such as the increases in the prices of food and energy-related items. For the first semester of 2005, inflation averaged 8.3% largely due to volatile oil prices, the increases in wages, electricity and transport fares.

To ensure that price increases of basic commodities are reasonable, price monitoring was intensified. The

Vice-President was designated as price coordinator to undertake measures to address concerns that contribute to price increases, such as delays in the delivery of goods, several middlemen and unwarranted charges along the highways.

- Maintained interest rates at single-digit levels. Interest rates based on the 91-day Treasury bills, used by banks and other lending institutions as benchmark for lending rates, declined from 9.87% in 2001 to 7.34% in 2004. Interest rates for the first six months of 2005 improved further to 6.67%. The lower interest rate regime makes credit and loans more affordable and supports economic growth.
- Maintained a generally stable peso-dollar exchange rate. The peso depreciated by 4.6% from P53.36 per US\$1 on 21 January 2001 to P55.92 on 30 June 2005 as compared to the 23.6% depreciation from P42.04 on 30 June 1998 to P55.01 on 18 January 2001.
- Maintained a Balance of Payment (BOP) surplus of US\$1.638 billion for the first 5 months of 2005, more than three times the US\$477 million posted in the same period last year. This was the highest BOP surplus since June 2002 and was attributed to the higher overseas Filipino worker (OFW) remittances and stronger foreign portfolio investments.
- Sustained growth in OFW remittances, which rose by 11.8% in 2004 to reach US\$8.5 billion, the highest ever-recorded level since 1970. For the first 4 months of 2005, OFW remittances totaled US\$3.1 billion, or a growth of 17.2% compared to the same period last year. The continued increase in remittances from Filipinos working abroad was attributed to the double-digit growth in deployment of workers and improved efficiency and aggressive promotion of banks' remittance services.

Improved investment flow

- Total approved Foreign Direct Investments (FDI) reached P155.5 billion in 2004, more than three times the P34 billion reported in 2003. First quarter 2005 FDI reached P35.1 billion, with Japan as the top source registering P14.2 billion worth of investments, practically all of which are committed to the manufacturing industry. Korea followed with P9.6 billion, P9.1 billion of which is pledged for the operation of a power plant in Cebu. Other significant contributors in the quarter are The Netherlands, USA and Thailand.
- BOI and PEZA approved a total of P183.88 billion in investments for the year 2004, or 224% higher compared to the P56.74 billion approved in 2003, and P108.16 billion for the period January to May 2005. Bulk of the investments approved were in manufacturing and services which amounted to P55.75 billion, up by 115% from the P25.93 billion posted in the same period last year. Among the big ticket items in 2005 were the petrochemical projects by the PNOC and JG Summit and Kepco Cebu's 200-MW coal-fired power plant worth a total of P76.29 billion. Briggs & Stratton, the world's largest producer of air-cooled gasoline engines for outdoor power equipment, is relocating its manufacturing plant from China to the Philippines to keep its prices more competitive. It has entered into partnership with local firm Allied Motors Manufacturing Phils., which has a facility at the Laguna International Industrial Park, to accommodate the production of single-cylinder gasoline engines.
- California Public Employees' Retirement System (CalPERS) retained the Philippines in its permissible investment destinations. With some US\$172 billion worth of assets, the CalPERS is maintaining some \$85 million portfolio investments in the country. CalPERS assessed the Philippines based on factors such as

transparency, productive labor practices, market liquidity and volatility, market regulation, legal system, investor protection, capital market openness and transaction costs.

- Approved the 2005 Investment Priorities Plan (IPP) that sets the incentive guidelines for 11 priority areas, namely: agribusiness, healthcare and wellness products and services, information and communications technology, electronics, motor vehicle products, energy, infrastructure, tourism, shipbuilding/shipping, jewelry and fashion garments.

Sustained export performance

- Registered continued growth in exports despite weakness in the international market. Export earnings grew by 9.2% to US\$39.58 billion in 2004 from US\$36.231 billion in 2003. Exports from January to April 2005 reached US\$12.7 billion, 4.8% higher than the same period last year. Semi-conductor exports excelled, increasing year-on-year by 17.02%, surpassing the global sales year-on-year report of 6.97%.

Modernized agriculture to ensure food security and enhance farmers welfare

- Growth in agriculture soared to an annual average of 4% in gross value added in four years attaining the highest output in 2004 with an increase of 4.8%, in spite of the disastrous effects of typhoons *Unding*, *Violeta*, *Winnie* and *Yoyong* in the fourth quarter of 2004.
- Implemented the Agriculture and Fisheries Modernization Act (AFMA), which mandated P20 billion annual allocation for the sector, by utilizing P97.12 billion in four years (P24.21 billion in 2001, P24.36

billion in 2002, P24.60 billion in 2003, and P23.95 billion in 2004) for the following components:

- ▶ Irrigation. Generated 89,524 hectares of newly-irrigated areas and rehabilitated 664,551 hectares benefiting around 520,000 farmer-beneficiaries.
- ▶ Post-Harvest Facilities. Distributed 896 post-harvest machineries/equipment and constructed 1,842 facilities.
- ▶ Other Infrastructure. Completed 1,329 farm-to-market road projects, with 218 more under construction; established nine mariculture parks in Davao, La Union, Northern Samar, Eastern Samar, Western Samar, Leyte, and Southern Leyte; constructed/rehabilitated/improved/expanded 27 regional and municipal fish ports and 11 ice plant and cold storages; established 12 Central *Get Excel* tilapia hatcheries and 14 milkfish hatcheries.
- ▶ Credit. Granted loans amounting to P79.02 billion for 2.53 million farmers/fisherfolk and guaranteed about P1.27 billion worth of loans of 101,900 farmers/fisherfolk.
- ▶ Marketing Assistance. Participated in/conducted 31 international and 229 local trade fairs/exhibits/selling missions; facilitated 461 market matching activities for about 10,500 beneficiaries.
- ▶ Research and Development. Implemented 1,854 R&D projects, 207 of which were completed, upgraded 90 R&D facilities, and generated 33 new technologies.
- ▶ Capability Building. Conducted 16,664 training sessions with about 550,000 participants; produced/distributed 2.1 million information, education and communication materials; supported 150 degree and 374 non-degree scholars.

- ▶ National Information Network. Launched and regularly updated the DA Web Page, which links with 21 agencies; operationalized and maintained the DA-Private VSAT System (Quezon City) and the 15 remote sites with the provision of voice, data/internet and video conferencing facilities; distributed 27,640 copies of agriculture/fisheries statistical reports nationwide.
 - ▶ Salary Supplement. Granted monthly incentive allowances to 17,210 LGU extension workers.
- Passed into law RA No. 9281 on 30 March 2004 which extended the effectivity of duty-free incentives on agricultural inputs, equipment and machinery and provided for continuous funding support for AFMA until 2015.
 - Increased production of basic agricultural commodities.
 - ▶ Rice. Average annual production reached 13.5 million metric tons (MT) from 2001 to 2004, 24% more than the average harvest of 10.9 MT in 1998-2000. In 2004, harvested palay registered a record high of 14.55 million MT. Hybrid rice cultivation expanded by more than 1,700% from 12,550 hectares in 2001 to 229,000 hectares in 2004 through the GMA Rice Program. The program has achieved a new record of 14.1 MT per hectare in the dry season and 12 MT per hectare in the wet season.
 - ▶ Corn. Annual average corn production was 4.72 million MT in 2001-2004, higher than the 4.43 million MT in 1998-2000. For the first three months of 2005, corn production reached 1.25 million MT.

- ▶ Livestock. Grossing P145.6 billion in 2004, livestock earnings grew by 27% (P114.7 billion in 2003). The government is working in earnest to export meat products, particularly fresh and processed chicken cuts, while undertaking necessary precautions to prevent the entry and/or spread of diseases such as avian flu, and ensure the safety and high quality of our meat products in local and foreign markets.
- ▶ Sugar. The country has been more than self-sufficient in sugar since 2003. To prevent the sudden plunge of sugar's farmgate prices, excess production is exported.
- ▶ Fisheries. Growth of 8.4% in fisheries was achieved in 2004, and 5.9% for the first quarter of 2005. With the renewed drive to boost aquaculture, bangus and tilapia production now meets 85% of the country's requirement compared with 81% in 2000.
- Enhanced services for the coconut industry to improve performance and welfare of coconut farmers and beneficiaries.
 - ▶ Coconut sector recorded an impressive export performance in 2004 valued at US\$830.20 million, 9.62% higher than in 2003.
 - ▶ Pushed for the resolution of the coconut levy issue in favor of the coconut farmers. On 7 May 2004, the Sandiganbayan ruled that 27% of the shares of SMC may be rightfully taken over by the government in trust for approximately 20 million beneficiaries. The decision is currently under appeal.

- ▶ Implemented programs that benefited coconut farmers especially when world prices of coconut were at an all-time low:
 - Upgraded Insurance Program. Upgraded farmers' insurance coverage from P5,000 to P10,000 per farmer and distributed 684,275 insurance policies to coconut farmers. Enlisted additional 711,616 coconut farmers to the insurance program.
 - Microfinance and Credit. Released P201.94 million from United Coconut Planters Bank-Coconut Industry Investment Fund (UCPB-CIIF) for re-lending to 46,530 farmer-beneficiaries.
 - Direct Copra Marketing. Released P89.63 million from CIIF Oil Mills Group and established 89 cooperative business units covering 31,098 coconut farmers.

Promoted the Philippines as the preferred tourist destination

- Increased tourism arrivals to an all-time high of 2.29 million in 2004, surpassing the previous highest arrival of 2.22 million registered in 1997. The uptrend was sustained for the first five months of 2005, with visitor count notching an 11.9% growth rate for a record 1.07 million arrivals compared to the 954,473 registered in the same period in 2004. East Asian market accounted for the biggest share at 47%, followed by North America at 27%. Visitors from China grew 126%, Korea by 22.1% and Japan by 8%.
- Sustained marketing efforts to promote the Philippines as a multi-faceted tourist destination. Marketing task forces aggressively promoted the country through

travel fairs, innovative advertising and production of collateral materials in different languages, which brought about a new dimension for increased awareness in the tourist markets. Priority tourist destinations such as Cebu, Bohol, Boracay, Palawan, Manila, Laoag, Davao, Baguio, Subic and Clark experienced increases in business volume. Master plans are being formulated to develop new tourist destinations in areas such as Camiguin, Guimaras, Samar and Pangasinan in close consultation with LGUs.

- Implemented Meet-and-Assist program at the NAIA International Airport, which provides efficient port entry officers who can communicate properly with non-English speaking visitors, especially from China, Japan and Korea. The visa-upon-arrival policy was also implemented to facilitate the entry of Chinese tourists, which yielded an increase in the number of arrivals from China.
- Launched “Biyahé Na” Campaign to boost domestic travel. The campaign highlights a sports tourism project dubbed Island Paradise Adventure Race where participants go through a series of challenges bringing them all over the country. With the success of the initial Luzon race, similar programs are being prepared for Visayas and Mindanao in December 2005 and 2006, respectively.

Sustained infrastructure support through construction and maintenance of national roads and flood control projects

- Constructed/improved/rehabilitated a total of 13,216.56 kilometers of national roads and 183,905.59 lineal meters of national bridges, which include, among others, sections of Pan-Philippine Highway connecting Region II and the eastern part of Central Luzon to Metro

Manila via the North Luzon Expressway, Nasugbu-Batangas City Road, Palawan North Road from Langosgan to Roxas, Rural Road Network Development Projects in Cagayan, Eastern Samar and Nueva Ecija, and Maramag-Kibawe-Kabacan Road from Pinamaloy to Damulog, Bukidnon.

- Implemented the President's Bridge Program with the construction of 96 "Tulay ng Pangulo sa Barangay" which has a total length of 3,520.31 lineal meters; 232 "Tulay ng Pangulo sa SZOPAD/Mindanao" with a total length of 4,782.30 lineal meters; and 89 "Countrywide Bridge Projects" with a total length of 2,343.99 lineal meters.
- Completed 5,383 flood control projects nationwide, such as the West of Manggahan Flood Control Project; Ormoc Flood Mitigation Project; Pampanga Delta Development Project in Pampanga and Bulacan; and Pinatubo Hazard Urgent Mitigation Project, Bulacan to prevent tragic loss of life and livelihood.

Strengthened economic relations through the enhancement of bilateral and multilateral cooperation

- Entered into trade and trade-related policies to secure continued economic growth for the country. The Philippines reiterated its support for an open, transparent, predictable and competitive multilateral trading system by forging economic ties with China, the European Commission (EC), Association of Southeast Asian Nations (ASEAN) and the rest of the world.
 - ▶ Established a consultative mechanism for bilateral relations through a Memorandum of Understanding, and signed two private sector agreements during the visit of Gambian President Yahya A.J.J. Jammeh on 20-23 June 2005.

- ▶ Encouraged Bahraini investments and the establishment of an Embassy in Manila to facilitate the travel of Filipino businessmen and flow of trade and investments during the visit of H.H. Shaikh Kalifa Bin Salman Al-Khalifa on April 6 to 9, 2005. Contacts were established and possible joint ventures with Filipino businessmen and a tie-up in the field of stock exchange with the Bahrain Chamber of Commerce and Industry were explored.
- ▶ Signed the Protocol on Cooperation between the DFA and the Ministry of Foreign Affairs of the Republic of Croatia that paves the way for trade and opportunities for foreign workers on 24 January 2005.
- ▶ Concluded the 2005 Philippine-Germany Negotiations on Development Cooperation with agreed projects and programs for implementation under the bilateral technical and financial cooperation frameworks for the years 2005-2007. The projects, costing Euro 48,277,296.33, are in the priority areas of economic reform and development of the market system; health, nutrition and family planning and HIV/AIDS; environmental policy, protection and sustainable use of natural resources; and drinking water, water management, and sanitation/waste management.
- ▶ Actively engaged the ASEAN Dialogue Partners to invest in trade and infrastructure building in Mindanao and obtained China's support for BIMP-EAGA. China sent a mission to BIMP-EAGA in April 2005, which identified mining, agriculture, fisheries, food processing, electricity and telecommunications infrastructure-building as points of interests and possible cooperation. BIMP-EAGA leaders are now

finalizing the roadmap to achieve an increase in trade, tourism and investment.

- ▶ Signed the following agreements during the State Visit to the Philippines of Chinese President Hu Jintao on 26-28 April 2005:
 - Exchange of Notes on the Opening of a Chinese Consulate General in Laoag City
 - General Loan Agreement of US\$500 million of Preferential Buyer's Credit for the Philippine Government
 - MOU on Promotion of Trade, Investment and Economic Cooperation between the Governments of China and the Philippines
 - Agreement on Economic and Technical Cooperation between the Governments of China and the Philippines (RMB 20 million)
 - MOU on the Early Harvest Programme under the Framework Agreement on Comprehensive Economic Cooperation between the Governments of China and the Philippines
 - Framework Agreement between the Governments of China and the Philippines on the provision of RMB 200 million concessional loan
- ▶ Strengthened China's economic participation in the development of Northern Philippines by involving it in the redevelopment of Port Irene in Cagayan Economic Zone. China has also invested nearly US\$1 billion in the Philnico project in Surigao which is expected to drum up international business confidence in the mining sector.

- ▶ Signed a tripartite agreement on the conduct of a joint marine seismic undertaking in South China Sea by the Philippines, China and Vietnam national oil companies in Manila on 14 March 2005.
- ▶ Reaffirmed EC support for the RP peace process and its commitment to the Multi-Donor Trust Fund for Mindanao. The EC also extended the EC-supported Upland Development Programme for Mindanao which is seen as a model of upland community and resource development. The Philippines also called for increased EU investments, cooperation in outsourcing, greater trade-related technical assistance and capacity-building measures to address, among others, the proliferation of non-tariff barriers to trade.
- ▶ Signed and exchanged originals of the Financing Agreements on the Trade-Related Technical assistance (TRTA) Programme between the Philippines and EC on 30 May 2005. The TRTA aims to assist the Philippines in building an enabling environment conducive to enhancing trade and investments and improving the access of Philippine exports to an expanded European Union market.
- ▶ Signed the Memorandum on the EC's revised National Indicative Program for the Philippines (NIP) for 2002-2004 and 2005-2006, and the Financial Agreements of two EC-assisted programs on good governance. The two NIPs made available 63 million euros to the Philippines to fund priority projects in health, trade and investment facilitation, good governance and counter-terrorism.

ENERGY INDEPENDENCE AND SAVINGS

The Administration's energy independence and savings program aims to achieve a 60-percent self-sufficiency level by 2010 and thus shield the country from the adverse effects of imported energy. Energy independence can only be achieved through a predictable energy policy that promotes a level playing field. The key strategy towards achieving energy independence is the implementation of critical and strategic energy infrastructure projects.

Provided adequate energy supply

- Formulated the Philippine Energy Plan 2005 Update to provide for a steady increase in the country's energy self-sufficiency from 56.6% in 2005 to the desired level of 60% by 2010. Self-sufficiency level in 2004 was 54.05%.
- Increased energy supply to 268.3 million barrels of fuel oil equivalent (MMBFOE) in 2004, up 4.7% from the 256.4 MMBFOE in 2003. The minimum inventory requirement of petroleum products of 15 days for in-country stocks for refiners and seven days for the bulk and Liquefied Petroleum Gas suppliers was maintained.
- Recorded a 40 percent share of natural gas in the total power generation mix for Luzon which translates to a total displacement in imported oil for power equivalent to US\$38 million.
- Conducted daily monitoring of international prices such as Dubai, Brent and West Texas Intermediate (WTI) for crude oil and Mean of Platts for petroleum products; and provided daily price monitor of petroleum products to print and broadcast media, government agencies and consumer groups to give the public an indication of trends in the international market and the possible impact on domestic petroleum products prices.

Implemented energy independence and savings reform package

- Increased reserves of indigenous oil & gas
 - ▶ Launched in 2003 the Philippine Petroleum Exploration Investment Promotion to attract exploration investments in the prospective gas and oil basins in the country. The First Philippine Contracting Round was opened in August 2003 wherein 46 exploration blocks or contract areas closest to potential oil and gas discoveries of the Philippines were offered for private sector participation.
 - ▶ Awarded four new Service Contracts in 2004 that will explore potential petroleum resources in Ragay Gulf, Central Cebu, Agusan-Davao Basin and Tañon Strait and an additional four Service Contracts that will explore possible petroleum resources in offshore Mindoro, Cagayan, South Cebu and Northwest Palawan in 2005. Current production is around 660 barrels of oil per day in offshore Northwest Palawan while gas production in Cagayan and offshore Northwest Palawan is 314 million standard cubic feet of gas per day.
- Aggressively developed renewable energy potential such as biomass, hydro, solar, wind and ocean resources
 - ▶ Launched the Wind Power Investment Kit in June 2004 which highlighted the various opportunities for the development of 16 wind power areas in the country.
 - ▶ Launched the first Wind Contracting Round in March 2005 where 11 potential sites for wind power were offered to private investors.

- ▶ Commissioned the 25-MW Bangui Bay Wind Power Plant in Ilocos Norte in June 2005, considered to be the first wind power plant in the Philippines and South East Asia. The wind power plant is composed of 15 wind turbines with a hub height of 70 meters and 41-meter rotor blades having an installed capacity of 25 MW.
 - ▶ Commenced construction of four mini-hydro projects located in Bohol, Dinagat Island, Aurora and Romblon in 2005.
 - ▶ Inaugurated in April 2004 the US\$300 million Sunpower Solar Wafer Fabrication Plant in Sta. Rosa, Laguna which manufactures high efficiency photo voltaic cells. The plant will produce an equivalent of 25 MW in its initial year of operation, reaching a maximum of 150 MW within the next five years.
 - ▶ Organized Wind Power Summit in December 2004 wherein three contracts were signed between DOE and the private sector to further explore and develop six potential wind power sites with a combined capacity of 140 MW.
- Increased use of alternative fuels
 - ▶ Issued Executive Order No. 290 in 2004 implementing the Natural Gas Vehicle Program to make public transportation less vulnerable to the volatility of world oil prices. Among the initiatives to bring down fuel cost for public transport through the use of natural gas are enhancement of incentive packages for investment in natural gas and grant of franchises for natural gas bus fleets. The first commercial Compressed Natural Gas (CNG) bus in the Philippines was unveiled on 1 July 2005. The start of the commercial run of 200 CNG buses will lower

transport fares as the P14.52/diesel price of CNG is half that of diesel at P29.50.

- ▶ Issued Memorandum Circular No. 55 on 9 February 2004 directing all departments, bureaus, agencies and instrumentalities of the government, including GOCCs, to incorporate the use of one percent by volume of coco methyl ester (CME) in their diesel requirements. The use of CME in vehicles displaced around 250,375 liters of diesel, while the use of autogas in vehicles displaced 1,608,000 liters of gasoline for 2005.
- Forged strategic alliances with other countries through bilateral meetings which resulted in various agreements:
 - ▶ Signing of Joint Marine Seismic Undertaking between PNOC and China National Offshore Oil Company to pursue further studies to explore certain areas in the South China Sea
 - ▶ Signing of MOU with Republic of Korea's Ministry of Commerce and Industry and Energy promoting cooperation in electric power development
 - ▶ Signing of MOU with Thailand on oil and gas exploration, production and transportation as well as joint oil stockpiling
 - ▶ Signing of an MOU with the PTT Public Company Limited of Thailand on the development of the downstream natural gas in the country. PTT signified its interest on pipeline projects and on gas exploration with PNOC-EDC.
 - ▶ Assistance by the United States Agency for International Development in the development of the natural gas industry through the development

of a natural gas bill and promotion of industry acceptance in support of this bill; and enhancing legislative knowledge on natural gas fundamentals.

- ▶ Signing of an MOU with GAIL (India) Ltd. in September 2003 for a joint cooperation in the field of natural gas industry.
- Strengthened energy efficiency and conservation programs
 - ▶ Launched the National Energy Efficiency and Conservation Program in August 2004 to achieve an annual energy savings of 23 MMBFOE and carbon dioxide (5.086 Gg CO₂) equivalent emissions avoidance. In implementing the program, a total energy savings of 8.1 MMBFOE, equivalent to US\$295 million or P16.2 billion was achieved and bunker and diesel consumption of NPC was reduced by 470 million liters. The Galing ng Pilipino Energy Efficiency and Conservation Program was launched on 23 June 2005.
 - ▶ Implemented the five-year Philippine Efficient Lighting Market Transformation Project in January 2005 which aims to address the barriers to widespread utilization of energy efficient lighting systems in the country.
 - ▶ Conducted 49 energy audits of commercial, industrial and government establishments with potential savings of about 2 million liters of oil equivalent amounting to about P24 million.

Implemented the Power Sector Reform Law

- Unbundled electric power rates into charges for each electric service (i.e., generation, transmission, distribution and supply). As of 28 February 2005, the

Energy Regulatory Commission (ERC) has approved 131 out of the 141 unbundling cases of Distribution Utilities (DUs). Based on the Overall Average Tariff Adjustment, the rate unbundling resulted in price reductions ranging from P0.3512/kWh to P0.0069/kWh for 24 DUs and rate increases from P0.0048/kWh to P1.7855/kWh for 107 DUs.

- Administered the Universal Charge (UC) which generated P2.7 billion as of March 2005. Of this, P2.2 billion has been disbursed for missionary electrification through NPC-Small Power Utilities Group (SPUG) and P69.9 million for environmental charge through the NPC.
- Concluded negotiations on 20 out of the 35 Independent Power Producers (IPP) contracts which resulted in savings of US\$1.036 billion in discounted present value. The IPP renegotiations are ongoing and are expected to be finalized by the end of 2005.
- Provided large industrial commercial end-users with 50-centavo per kwh discount on incremental electricity consumption through the Special Program to Enhance Electricity Demand (SPEED). Almost P237 million in total discounts were given on 512 million kwh in incremental consumption in 2003 and from January to May 2004.
- Applied additional 10-centavo per kwh discount to the actual monthly energy consumption of all large energy consumers availing of the SPEED Program under the Transco Transmission Incentive Program. The ERC also authorized MERALCO SPEED discount of P0.12/kwh for incremental consumption of large electricity end-users to take effect until the Wholesale Electricity Spot Market (WESM) is implemented or when there is no available NPC unutilized generating capacity in Luzon Grid, whichever comes first.

Initiated the establishment of a wholesale electricity spot market in Asia

- Promulgated the rules for the WESM where trading of electricity will take place to give consumers the power to choose the cheapest and most reliable electricity suppliers. The WESM rules set the responsibilities of the market operator, system operator, WESM participants and the Philippine Electricity Market Board. WESM market management prototype started operations on 28 May 2004 while the registration of WESM participants commenced in January 2005. Market trial operation started in April 2005 to test the rules, systems, and procedures of the WESM, as well as to ensure market participants' readiness. The commercial operation of the WESM in Luzon will take place in December 2005.

Improved electric cooperatives' (ECs) operations and service

- Implemented a restructuring program for ECs to improve their performance and efficiency, which reduced systems losses from 16.81% to 15.82% on the average, translating to additional revenues of P265 million.
- Removed all forms of cross-subsidies to reflect the true cost of electricity being rendered by each type of customer, each grid, and areas within the regional grid. As of April 2005, eight Private Distribution Utilities (PDUs) and 93 ECs have started removing their cross subsidies. All forms of cross subsidies are set to be phased-out by October 2005.
- Granted, through the ERC, provisional authority to 118 electric cooperatives to reduce existing rates (ranging from 12 to 76 centavos per kwh). Average rate reduction in Luzon is 21 centavos per kwh; in Visayas, 16

centavos/kwh; and in Mindanao, 23 centavos/kwh. Total savings based on average annual sales of the ECs is P900 million per year.

- Condoned loans of 115 ECs which translated to an average reduction of P0.3676/kwh in their electricity rates. As of March 2005, the Power Sector Assets and Liabilities Management (PSALM) corporation has paid a total of P2.3 billion financial obligations of ECs to the National Electrification Administration (NEA) and P49.4 million to other government institutions.
- Implemented lifeline rates to provide subsidy to the marginalized end-users or low-income group. The total number of MERALCO customers under the lifeline rate threshold consumption level has already reached 1.7 million or 40% of the total customers.
- Promulgated the *Magna Carta for Residential Electricity Consumers* in June 2004 to protect and uphold the rights of residential consumers. The *Magna Carta* spelled out the basic rights and obligations of residential electricity end-users such as nondiscriminatory connection, accurate electric meter, prompt refund of bill deposits, regular monthly billing, notice before disconnection, and fair disconnection under special circumstances.
- Provided benefits to host communities totaling P158.4 million in 2004. This fund shall be utilized for electrification, livelihood, reforestation, watershed management, health and/or environment enhancement of host regions. This may also be applied to the lowering of power rates in the areas of affected LGUs.

SOCIAL JUSTICE AND BASIC NEEDS

The Administration has intensified its efforts to alleviate poverty through the implementation of the Kapit Bisig Laban sa Kahirapan (KALAHI) Program. The program has five anti-poverty thrusts at both the policy and program level, namely: (a) acceleration of asset reform; (b) provision of development/social services; (c) livelihood and employment; (d) social protection and security from violence; and, (e) participation of the poor in decision-making. The KALAHI approach embodies the convergent, focused implementation of this strategic thrust especially in the barangay/community level with the participatory involvement of the local government units and the community itself.

Accelerated Land Distribution

- Distributed 839,834 hectares of public and private land to 640,967 beneficiaries and placed under leasehold operation 101,168 hectares of land from January 2001 to June 2005 benefiting 48,960 farmers.
- Distributed/approved 29 Certificate of Ancestral Domain Titles from July 2002 to June 2005, covering 604,143 hectares with 150,099 beneficiaries; and 48 Certificate of Ancestral Land Titles covering 1,105.76 hectares with 138 family beneficiaries.
- Increased resources for the Comprehensive Agrarian Reform Program (CARP) as a result of the Supreme Court's final decision on 17 November 2003 forfeiting in favor of the Philippine government the \$658 million or P35.04 billion Marcos deposits in Swiss banks. Of this amount, P27.04 billion was allocated for CARP, while the remaining P8 billion was earmarked for human rights victims. A total of P22.4 billion was released/programmed for CARP in 2004-2005 leaving a balance of P4.6 billion.

- Provided support services for Agrarian Reform Communities (ARCs) through infrastructure and irrigation projects and micro credit.
 - ▶ Extended P772.12 million loans from January 2001 to March 2005 to cover financial requirements of 449 micro-livelihood and capability building projects benefiting 59,383 agrarian reform beneficiaries. These include credit programs on agro-industrial development, non-rice livelihood projects, agricultural production, rubber rehabilitation, and production credit.
 - ▶ Provided P8.58 billion from January 2001 to March 2005 for the completion of: (a) physical infrastructure projects including 3,068 kilometers of farm-to-market roads with a total of 4,509 lineal meters of bridges which significantly improved market accessibility and reduced the cost of transporting agricultural productions; (b) irrigation projects with a total service area of 50,555 hectares which increased farm productivity; and, (c) 61 post-harvest facilities which enhanced processing of farm products.
- Resolved 74,892 agrarian reform cases from January 2001 to June 2004 which include cancellation of Emancipation Patents and Certificates of Land Ownership Awards, fixing and collection of lease rentals, determination of landowners' just compensation, farmers' reinstatement and recovery of possession of land.

Provided security of tenure and housing to urban poor families

- Gave security of tenure to 340,020 informal settlers through Presidential Proclamations declaring public lands as alienable and disposable for housing purposes

and the nationwide Community Mortgage Program (CMP). CMP beneficiaries increased from 59,456 to 71,254 from January 2001 to May 2005.

- Provided housing and slum upgrading services to 216,241 households belonging to the bottom 30% of the income population from January 2001 to May 2005.
- Extended end-buyers financing to 371,779 low-salaried government and private sector workers through the different home lending programs of GSIS, SSS, LBP, DBP and HDMF from January 2001 to May 2005.
- Allocated P100.494 billion for housing benefiting 928,040 households from January 2001 to May 2005. In addition, Home Guaranty Corporation (HGC) allocated P51.02 billion guarantee funds, which benefited 112,823 households.

Housing Program/Projects

	<u>Amount</u> (in billions)
Community Mortgage Program	P3.359
North/South Rail Relocation	1.930
NHA Projects	1.832
NHA Medium-Rise Housing Projects	.230
NHA Core Housing	.097
HDMF Socialized Housing Project	8.705
Couples for Christ Gawad Kalinga	.030
HDMF End-User Financing	45.635
HDMF Institutional Loan	21.008
GFI's End-User Financing	<u>17.668</u>
 Total	 P100.494 =====

<u>HGC Guarantee Program/Project</u>	<u>Amount</u> (in billions)
Retail Guarantee Line	P 44.158
Development Guarantee Line	.604
Cash Flow Guarantee	<u>6.260</u>
 Total	 P 51.022 =====

Fasttracked the resolution of the remaining land problems of Payatas residents

- Purchased in the amount of P397,800 a 612-sq. m. area for distribution to eight members of the Alyansa ng Mamamayan ng Lupang Payatas (ALMA-LUPA) Federation, Inc. Beneficiaries will repay their respective lots in seven years at an average monthly amortization of P450. Documents for the purchase of a 400-sq.m. lot at P320,000 to benefit additional eight occupant families are being completed.

Provided quality healthcare

- Enrolled 2.56 million urban and poor families or 12.81 million poor Filipinos under the National Health Insurance Program as of 31 May 2005. The program aims to provide all Filipinos access to quality health services.
- Expanded access of the poor to low-priced quality essential medicines.

- ▶ Provided 76 DOH-retained hospitals, 130 participating LGUs, 10 government agencies and a number of NGOs and church-based groups P505 million worth of low-cost, high quality drugs and medicines. For branded medicines under the parallel importation program, consumers generated savings of as much as 82% or an average of 57% compared to suggested retail prices.
- ▶ Established 4,062 Botika ng Barangay (BnBs) especially in areas where there are no pharmacies to dispense low-priced generic over-the-counter drugs and two selected prescription drugs (amoxicillin and cotrimoxazole).
- ▶ Launched in January 2005 the Botika ng Bayan program as a vehicle for establishing a nationwide network of privately-operated retail drugstores distributing a full range of branded and generic, over-the-counter and prescription medicines at affordable prices. As of end-June 2005, 288 Botika ng Bayan outlets have been accredited nationwide. Drugs from these outlets are lower by an average of 35% compared to prevailing retail market prices of the leading brands.

Addressed overly confrontational labor relations and reduced labor-management conflicts

- Attained lowest strike incidence in 26 years in 2004, with only 25 strike cases declared, 34% or 13 cases lower than the strike incidence in 2003. Thus, total mandays lost due to strikes dropped by 65%, from 150,000 in 2003 to 80,000 in 2004. For the period January to May 2005, eight strike cases were declared, three cases lower compared to the same period in 2004. Strike prevention rate was recorded at 96.6%. In

absolute terms, out of the 207 total notices of strikes or lockouts filed, only seven materialized into actual work stoppages.

Enhanced workers welfare and services

- Increased wages of workers and employees in the private sector to provide immediate economic relief amidst rising prices of basic goods and commodities due to the continued and frequent increases in the oil and petroleum prices. The Regional Tripartite Wage Boards in 17 regions issued new wage orders which granted increases in basic wage or cost of living allowance ranging from P5 to P25 per day.
- Facilitated the deployment of a total of 4,071,424 OFWs from January 2001 to June 2005 to various overseas destinations. Total OFW remittances in the same period reached \$32.48 billion.
- Created the Presidential Anti-Illegal Recruitment Task Force which serves not only as vanguard in providing the condition and atmosphere of security and stability for OFWs but also gives the highest priority in promoting human dignity, protecting the people from threat, violence, exploitation and eliminating trafficking of persons. To date, a total of 4,764 complainants were served/acted upon resulting in 439 suspects apprehended for operating without license. Of these, cases were filed against 83 suspects, 17 were served warrants of arrest, 17 were referred to other government agencies and the rest released after proper interrogation. The Task Force also arrested 22 foreign nationals for illegal business operation in the country.
- Secured the protection and welfare of OFWs. In the hostage crisis in 2004 involving truck driver Angelo de la Cruz in Iraq and UN volunteer Angelito Nayan in

Afghanistan, the government demonstrated deep commitment to the well-being of OFWs worldwide by relentlessly pursuing negotiations with various groups for their safe release.

- Enhanced the program package for OFWs and their dependents. Around 2.4 million OFWs and their families, both in-country and overseas, were provided assistance including repatriation assistance, processing of insurance claims for deaths, medical reimbursement and disability/dismemberment claims, livelihood loans, trainings/seminars on reintegration preparedness as well as livelihood skills and assistance.
 - ▶ Increased welfare benefits for OFWs under the Self-Insurance Coverage Program of the OWWA where death benefits for land-based OFW who died of natural causes were increased by 4.2%, while those of accidents, by 66.7%. The amount was more than doubled for sea-based OFWs, with the death benefit for natural causes and for accidents soaring by 122.2% and 185.7%, respectively.
 - ▶ Set up 351 Groceries nationwide to provide livelihood opportunities and improve the socio-economic situation of the OFWs and their families. The project has benefited 14,407 OFWs and their families by providing interest-free loans to qualified OFW Family Circles in the form of P50,000 worth of grocery items and goods.
 - ▶ Provided assistance to 22,775 deportees from Sabah through the DOLE Special Employment Assistance Center in Zamboanga City. The deportees were assisted in their need for documentation and processing services for re-employment and skills training.

- Rescued about 1,182 child laborers through the inter-agency quick action team or the Sagip Batang Manggagawa.
- Created a Special Task Force to address human trafficking problems especially those involving Filipino entertainers in Japan

Expanded delivery of quality social services for the poor

- Implemented the Kapit Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS), a poverty reduction convergence strategy consisting of three clusters: (a) asset reform which aims to develop and safeguard the natural resources and environment for the socio-economic well-being of the concerned communities; (b) human development services and social protection which aims to improve our human resource base through capability building and the provision of basic social services; and, (c) livelihood and employment, which aims to provide livelihood opportunities to the depressed communities. Of the 803 projects amounting to P810.8 million approved for implementation, 531 projects are completed and operational and the remaining projects are expected to be completed by July 2005.

Provided assistance to Payatas kids

- Extended educational assistance to 299 kids in Payatas, 291 of whom have completed their school level in SY 2004-2005.
- Sustained support for SONA kids. Erwin Dolera, who is now 2nd year high school in Lagro High School, received P18,750 for educational and other miscellaneous

expenses. Jason Vann Banogon received P29,663 for tuition fees, other educational and other miscellaneous expenses and is now a 3rd year student at Diliman Preparatory School where he is a consistent honor student. Ritchel Manadong, who received P18,750 for educational and miscellaneous expenses, has graduated from high school in April 2005 at Commonwealth High School and is planning to take up BS Nursing at Fatima College. Christian Custodio received P18,750 for educational and miscellaneous expenses and is now a 3rd year high school student at St. Vincent High School with good scholarship standing.

NATIONAL SECURITY, PEACE AND ORDER

In the last four and a half years, the government has been relentless in its campaign against organized crimes, terrorism, anti-kidnap-for-ransom syndicates, and illegal drugs. Measures were instituted to improve the operational effectiveness of law enforcement agencies and global efforts were harnessed to address national security threats. Partnership with the citizenry was strengthened to address crimes. As a result, incidence of kidnappings was reduced, key terrorist personalities and notorious kidnappers were neutralized, and the supply of illegal drugs was reduced, which preserved the country's economic and political stability.

Put the bulk of Kidnap-for-Ransom (KFR) syndicates behind bars

- Intensified anti-kidnapping operations with the creation of the Police Anti-Crime Emergency Response (PACER) and the National Anti-Kidnapping Task Force (NAKTAF) resulting in the following:

- ▶ Neutralization of the most wanted kidnap mastermind, 20 other top KFR bosses, and 628 other kidnappers.
- ▶ Neutralization of 15 priority KFR groups and five additional groups which are not included in the target list of KFR syndicate.

Cut the supply of illegal drugs

- Intensified anti-illegal drug operations leading to the arrest of 152,248 financiers, big and small-time pushers and users; filing in court of 104,768 drug cases; seizure of P50.46 billion worth of illegal drugs and essential chemicals; and dismantling of 40 shabu laboratories and warehouses, including the largest shabu factory located in Antipolo which yielded P2.2 billion worth of illegal drugs. These efforts cut the supply of illegal drugs in the streets as evidenced by the rise in shabu price from P800 a gram to P3,000 to P5,000.
- Enacted the Comprehensive Dangerous Act of 2002 (RA No. 9165), which created the Philippine Drug Enforcement Agency (PDEA) to lead the campaign against illegal-drug trafficking and drug abuse, and provided P1 billion stand-by fund for anti-illegal drug operations. PDEA's intensified anti-drug operations neutralized 235 out of 344 lord drug syndicates and all of the 12 international drug rings (including Jackson Dy, William Gan, Jose Kim Cuadra, Frank Chua and Cesar Sanchez Lazera groups); and cleared about 7,452 out of 8,163 drug-affected barangays.

Reduced the incidence of street crimes

- Intensified campaign against street crimes, resulting in 33.3% reduction in crime incidents and achieving a monthly average of 89.3% street crime solution efficiency rate from April 2003 to March 2005.
- Stepped up efforts to eliminate illegal gambling by passing into law RA No. 9287 (An Act Increasing the Penalties for Illegal Numbers Games) and defining the responsibilities of local chief executives and police directors in the campaign against illegal gambling. This resulted in the arrest of 102,866bettors, collectors and cabos; neutralization of 449 financiers; confiscation of P37.65 million cash/various gambling paraphernalia; and filing of 36,841 criminal cases against known gambling lords, jueteng financiersbettors before various courts.

Neutralized the Abu Sayyaf Group (ASG)

- Broke the back of the ASG, cutting its strength by 60.9% from a high of 1,300 at the start of 2001 to 508 as of June 2005. A total of 113 major ASG personalities were neutralized including Galib Andang (Kumander Robot), Aldam Tilao (Abu Sabaya), Abdul Mukim Edris, Alhamser Manclad Limbong (Kosovo), Omar Lasal Odik, and Hamsiraj Sali (Jose Ramirez).

Addressed national security threats

- Intensified operations against the CPP-NPA, which decreased the communist terrorist movement's strength by 35.4% from 11,930 in 2001 to 7,709 in June 2005.
- Reduced the threat posed by operatives of international terrorist groups through intelligence gathering and

cooperation with the country's bilateral partners in ASEAN and through AFP and PNP joint forces. The government successfully neutralized Jemaah Islamiyah operative Fathur Rohman Al Ghozi in Sulu and arrested wanted terrorist Taufiq Rifqui. The country actively participated in various counter-terrorist efforts such as the ASEAN Regional Forum Statement on Cooperative Counter-Terrorist Action on Border Security and the RP-Australia MOU on Cooperation to Combat International terrorism.

- Enhanced the capability of enforcement agencies against terrorism through training courses on strategic intelligence. Through the Interpol's international communication system called I-24/7, which is used to exchange information and intelligence on various crimes and criminals worldwide, fugitives from justice were tracked down here and abroad.

Beefed up police force and strengthened defense capability

- A total of 13,104 were recruited in 2001-2004 to augment the personnel force of the PNP to address crimes.
- Allocated P10.8 billion for AFP modernization, of which P5.8 billion have been obligated for 24 projects.
 - ▶ 16 out of 24 projects delivered including the purchase of 402 Squad Automatic Weapons, Armor Recovery Vehicle fighting machine, 325 units of 20W Man-pack Radio Project, PN BN Aircraft, Acquisition of 20 PAF UH-IH.
 - ▶ Four approved projects with partial delivery (Base Communication Network, JCPC Weapon System, PAF

SLEP and Geographic System) and three with approved contract for implementation

- Enhanced the country's strategic relationship with the United States through continuing exercises to sharpen Filipino soldiers' capabilities to move and communicate, to fix and finish off their targets. The Philippines was designated as a Major Non-NATO Ally of the US in its strong stand against global terror boosting aid to the country and giving it greater access to American military equipment supplies and training.

Enhanced police and military welfare and capability

- Fully implemented the salary upgrading of PNP uniformed personnel, with the lowest ranking police member now receiving a monthly base pay of P8,605. Added to this base pay are monthly allowances (quarters, subsistence, clothing, hazard pay, PERA and laundry) for a total monthly pay of P12,155.
- Increased the pay of 119,000 AFP personnel pursuant to RA 9166 to be at par with the salary grade level of public school teachers and PNP personnel. The base pay of the lowest rank soldier (Private) was raised by 50% from P5,770 to P8,650 while the pay of the lowest officer (2nd Lieutenant) was increased by 22% from P13,167 to P16,026.
- Implemented housing and scholarship programs to promote the welfare of soldiers and their families. On-base and off-base housing projects for active soldiers were implemented in Camp Riego de Dios in Tanza, Cavite, Bonifacio Heights in Taguig and Camp Aquino in Tarlac to ease the shortage of housing facilities for soldiers. The funds for on-base housing projects were sourced from the P1.1 billion BCDA Replication Funds and AFP Housing Board Fund, among others. Soldiers who died or became incapacitated while on duty were also provided housing

and financial assistance, scholarship assistance for their children and Medal of Valor awards.

- Initiated reforms to address the recommendations of the Feliciano Commission on the legitimate grievances of the military, such as the creation of an Enhanced Grievance System to handle effectively these grievances, a Special Task Force to monitor the cases involving the alleged AFP Retirement and Separation Benefits Systems scam and the simplification of the AFP procurement process.
- Enhanced the program to professionalize the PNP by revising the Bachelor of Science in Public Safety Four-Year Tri-Service curriculum in the Philippine National Police Academy from the old para-military training system to a disciplined civilian and community-based system. This is envisioned to make law enforcement officers not only technically proficient but imbued with integrity, moral and ethical standards.
- Decreased by an annual average of 20.8% the number of PNP personnel involved in administrative cases such as neglect of duties, irregularities, misconduct, incompetence, dishonesty, and disloyalty from 4,296 in 2001 to 3,534 in 2002, to 2,960 in 2003 and to 2,117 in 2004.

FIGHTING CORRUPTION THROUGH GOOD GOVERNANCE

Graft and corruption are increasingly viewed as threats to sustained growth and development of the country. Corruption distorts access to services for the poor, results in government's poor performance and, consequently, low public confidence in government. In this regard, the Administration intensified its efforts against graft and corruption focusing on the following areas: (a) punitive

measures that include effective enforcement of anti-corruption laws, enforcement mechanism within revenue generating agencies, morality, lifestyle and nightlife checks and programs to facilitate participation of the public; (b) preventive measures that include the strengthening of anti-corruption laws, improvement of integrity systems, conduct of integrity development reviews, strengthening of financial accountability reforms; and, (c) promotion of zero tolerance for corruption through social values formation.

Intensified anti-graft and corruption campaign

- Resolved/decided 1,251 cases filed against Presidential appointees from January 2001 to June 2005, including 57 with punitive recommendations, and 38 motu proprio cases, 19 of which have punitive recommendations. Among those that were meted punishment ranging from suspension to dismissal from the service with forfeiture of retirement benefits and perpetual disqualification from the public service include: two former Commissioners, one Administrator, two Regional Directors, two Executive Directors, five Directors, one Bureau Director, one Asst. Bureau Director, eight Asst. City Prosecutors, two Register of Deeds, one Provincial Agrarian Reform Adjudicator, one Provincial Prosecutor and two Police Superintendents.
- Conducted 288 lifestyle checks on government officials with the rank of director and above to match their wealth and lifestyles with their lawful income. Of this number, 25 cases were endorsed to the Office of the President for proper action, 108 to the Ombudsman, 17 to other appropriate agencies, and 57 are pending with the Presidential Anti-Graft Commission. Among those who were meted punishments include two officials from DPWH, four from the BOC and six from the BIR.

- Enhanced strategic collaboration and partnership with the following active and vigilant non-government entities such as:
 - ▶ Procurement Watch, Inc. which undertook actual monitoring of the procurement processes for goods, supplies and materials of selected government agencies
 - ▶ Inter-Agency Anti-Graft Coordinating Council (IAGCC) and Coalition Against Corruption/ Transparency and Accountability Network which helped in the conduct of lifestyle checks
 - ▶ Philippine Government Employees Association (PGEA) which assisted in the implementation of the “Dulugan ng Bayan” Project which involves activities to ensure integrity and discipline among workers and officials in the government
- Enhanced the capabilities of government investigators on evidence gathering, prosecution and conduct of lifestyle checks through trainings, such as Public Corruption and Ethics Course, Field Investigation Training, Course on Basic and Advance Prosecutorial Skills, Postgraduate Certificate Course in Corruption Studies, Complex Financial Crimes Training and Investigators’ Training on Internal Controls, Training on Detecting Fraud and Corruption in Procuring Contracts and Advanced Filed Investigators’ Course.
- Pursued the strengthening of Internal Audit Units for effective procurement monitoring and enforcement. PAGC signed a US\$300,000 grant agreement with the World Bank Institutional Development Fund to assist the government in the following areas: (a) quality assessment of existing internal audit function and development of quality assurance program for Internal Audit Service Units; and, (b) development of an Internal Audit Manual with appropriate focus on procurement review and reporting.

- Enacted into law the Government Procurement Reform Act (GPRA) or RA 9184 to address loopholes in the government procurement system and speed up bidding, thereby reducing graft and corruption. It provided for the acquisition of goods, supplies and materials by different government agencies through the DBM-Procurement Service and mandated Bids and Awards Committees to invite NGOs and private sector representatives to witness their proceedings.
 - ▶ A total of 2,156 agencies and 12,623 suppliers have registered with the eGovernment Electronic Procurement System (G-EPS).
 - ▶ Bid notices posted registered a total of 104,871 with an estimated potential savings of P233 million.
 - ▶ The GPRA reduced processing time in the procurement of goods and services from several months to a year to a maximum of 3 months. Innovations include the shift from pre-qualification evaluation to simple eligibility check of bidders and the strengthening of post-qualification in order to prevent delays and lack of competition in the procurement activity.
- Sustained the implementation of the No Physical Contact Traffic Apprehension Program/Metro Traffic Ticketing System to minimize/eliminate the “tong/kotong” system. Under the new scheme, MMDA enforcers carrying digital cameras take pictures of vehicles violating traffic laws. Instead of arresting the driver on the spot, MMDA sends a photograph of the violation to the bus operator and the case is settled at the MMDA office.

Improved service delivery through anti-red tape and institutional development measures

- Rationalized the bureaucracy for more effective and efficient delivery of services through issuance of various

Executive Orders effecting the transfer of 13 agencies to departments where their functions are more aligned for more concerted and coordinated effort in formulating policies as well as planning and implementing programs and projects; abolition of seven agencies attending to area-specific concerns; and merger of two agencies with similar objectives.

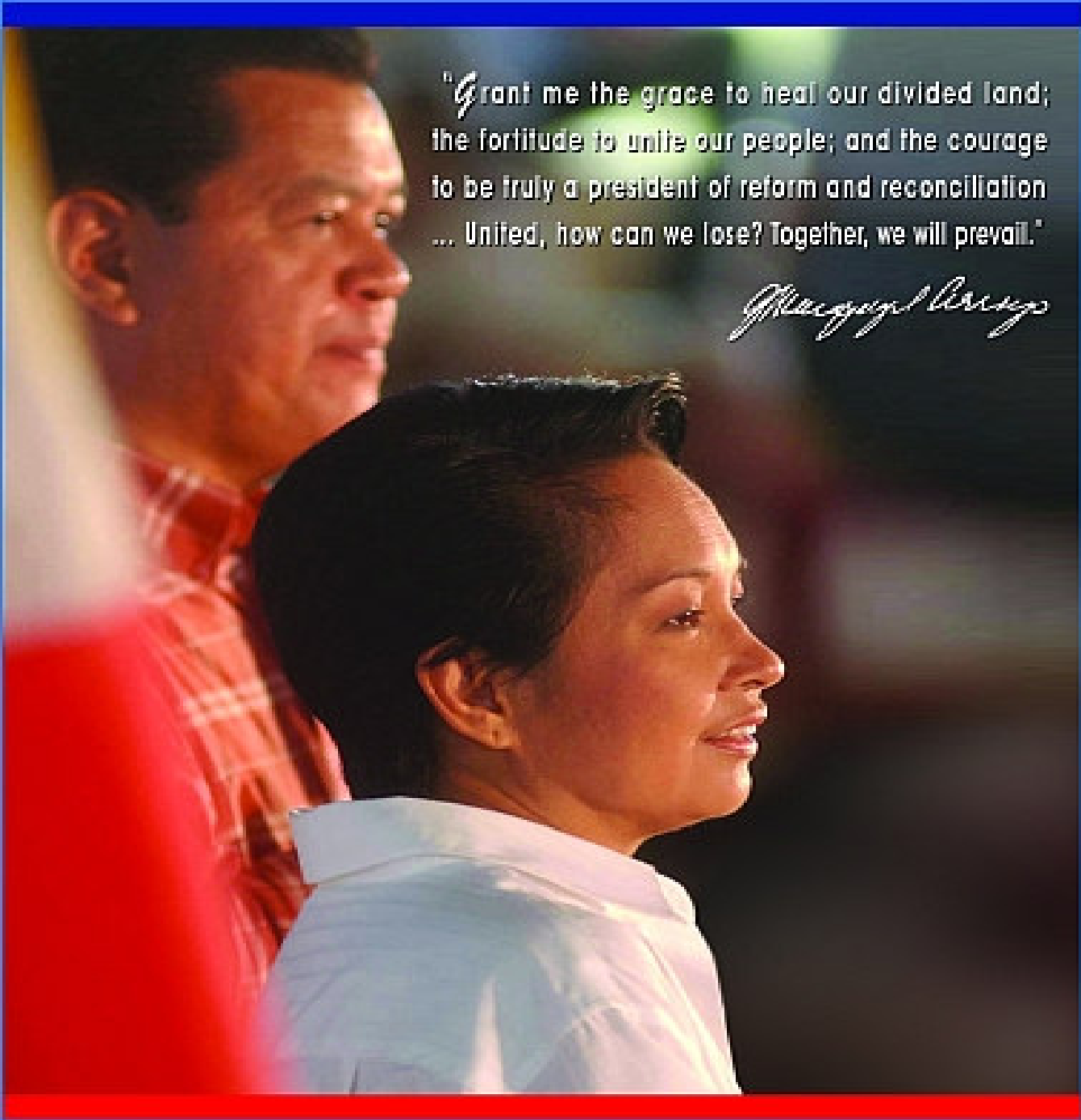
- Directed a strategic review of the operations and organizations of the Executive branch and providing options and incentives for government employees who may be affected by the rationalization of the functions and agencies of the Executive branch (EO 366, October 2004). The measure aims to focus government efforts on its vital functions and channel government resources to these core public services and remove overlaps and duplications in positions to improve the efficiency of government services.
- Enhanced government services to facilitate transaction of public clients.
 - ▶ Adoption of a flexi-working schedule (7am – 7pm) by BOC to ensure continuous and unhampered processing of entries and other documents by importers, exporters, and brokers and other clients.
 - ▶ Establishment of Seafarer’s One Stop Processing Center at POEA, Mandaluyong City to facilitate deployment of Filipino seafarers
 - ▶ Decentralization of TESDA programs and services through networking of regional and provincial offices/training institutions to include registration of Technical Vocational Education and Training (TVET) programs and testing and certification.
 - ▶ Establishment of the Kasanayan-Kabuhayan One Stop Shop Service at the TESDA Women’s Center

which provides packages of resources and services to new and existing small enterprises.

- Encouraged more investments through reduction of red tape and operationalization of One-Stop Shop Processing Centers thereby reducing time and costs in the issuance of documents:
 - ▶ DTI-Philippine Business Registry which involves the development of a web-based portal that will provide One-Stop Shop transactional environment for business registration and facilitation.
 - ▶ National Computer Center – e-Government Portal which involves the design and development of a one-stop shop electronic gateway for the online delivery of government services and information to citizens and businesses including tourists.
 - ▶ Customer Assistance Units in NFA offices nationwide as well as text-NFA 0917-6210927 to service the needs of the investors in the rice marketing industry.
 - ▶ Streamlined various environment and natural resources policies, rules and regulations, particularly the Environmental Compliance Certificate, whose processing time was reduced from 30-360 days to 15-120 days.
 - ▶ Established the Energy Investment Promotion Office to encourage existing investors in the energy/power sector to continue doing business in the country and to attract more investments in the industry.

Strengthened local-national government partnership for development

- Empowered local government units through the continued increase of the Internal Revenue Allotment: P111.77 billion in 2001, P134.4 billion in 2002, P141 billion in 2003 and 2004, and P151.6 billion in 2005.
- Established functional Gabay sa Mamamayan Action Centers in 37,383 barangays to disseminate information on national government programs and services, such as job and livelihood opportunities, health and sanitation, educational and social welfare, and agricultural support services.
- Encouraged local governments to streamline operations and reduce red tape through the establishment of one-stop shops, installation of customer complaint desks and simplification of civil application systems. All cities have set up these mechanisms, while 38% of municipalities have one-stop shops, 40% have customer complaint desks and 49% have simplified civil application system.
- Enlisted the active participation of LGU officials in the effective management of concerns affecting national development such as terrorism, SARS and law and order through the organization/reactivation of various barangay-based institutions including 35,655 Barangay Anti-Drug Abuse Councils, 28,142 Barangay Health and Emergency Response Teams, and 54,654 Barangay Information Networks.
- Implemented the Good Practices for Local Governance Facility for Adaptation and Replication project to replicate good local governance practices in partnership with local and international organizations.



"Grant me the grace to heal our divided land;
the fortitude to unite our people; and the courage
to be truly a president of reform and reconciliation
... United, how can we lose? Together, we will prevail."

Margaret Arroyo

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