7 POLICY PRIORITIES
The Philippine SCD team identified policy priorities for achieving Ambisyon Natin 2040 and the World Bank’s global twin goals of reducing poverty and boosting shared prosperity. The priorities were determined based on the diagnostic analysis which forms the core of this report, along with stakeholder consultations.

An extensive series of “upstream” consultations were conducted in the initial stage of the SCD. These consultations informed the selection of topics for the diagnostic. Consultations were held in Luzon, Visayas, and Mindanao with officials from several government agencies, academic and think tank experts, civil society organizations, development partners, and the private sector. The team greatly benefitted from the insights provided in the consultations.

In all the consultations there was a strong consensus about the critical importance of governance. Participants noted that many well-intended programs and policy reforms had not realized their promise due to weaknesses in implementation. They mentioned the lack of policy predictability, weak civil service capacity, and political dynasties as particular concerns. Examples were cited in the areas of inclusive growth and jobs, human capital development, and resilience.

Other key issues noted by participants covered a broad terrain. Issues that were highlighted repeatedly in consultations included weak infrastructure, cumbersome business regulations and the lack of competition, the need to improve the quality of education and provide skills to youth, service delivery for health and nutrition, how to bring urban women into the labor force, the balance between labor regulation and labor rights, wealth polarization, the spatial dimensions of inequality, and environmental risks and climate change. Following the consultations, these issues were all explored in the diagnostic analysis.

After the completion of the diagnostic analysis, the SCD team drew upon the diagnostic and input from the consultations to identify a candidate list of key priorities. World Bank Group experts with knowledge across a variety of subject areas, gathered at a workshop to assess the importance of each candidate priority. Candidate priorities were assessed and identified based on three criteria:

1. The impact that addressing the priority will have on reducing poverty and boosting shared prosperity. (These are the World Bank’s global “twin goals”, and they are closely aligned with the Philippines’ Ambisyon 2040 vision.)
2. The strength of the evidence base for the priority.
3. The extent of complementarities with other priorities.

Based on this assessment, the analysis in the diagnostic, and the consultations, the World Bank Group experts identified seven priorities. The seven priorities are not intended to be comprehensive. They do not address many areas in which existing policies and programs have been effective, such as macroeconomic management.

Following this process, a series of “downstream” consultations were held to receive feedback on the priorities. These consisted of three events with a variety of stakeholders. Participants endorsed the overall priorities and provided comments which informed the fine-tuning of the priorities.

Of the seven priorities, one is tagged as an overarching priority and the rest are grouped in three categories defined in terms of the need for additional policy effort. The “Get in Gear” priorities are those for which extensive policy and program reform will be needed. “Press on the Accelerator” priorities are those for which the direction of current policy is appropriate, but additional efforts are needed. Finally, for “Keep Driving” priorities, current policy is largely on the right track, and follow-through is needed on current efforts.

Overarching Priority

Upgrade public administration to be fit for purpose to meet the objectives and challenges set out in Ambisyon Natin 2040

The Philippines has a policy or program to address nearly all its critical constraints. What is needed is principally not policies or programs but follow-through and successful implementation of existing efforts.
Strengthening public administration in multiple ways to establish strategic human resources management and leadership development across the civil service could make the government more effective. This priority covers a wide agenda, including boosting the effectiveness and capability of the civil service, increasing competition and contestability in public procurement, improving the functioning of the judiciary, and developing more effective and accountable local governments (including through participatory and community-driven mechanisms.)

Priority should also be given to improving the effectiveness of budget planning and management by aligning it more closely with national and regional plans while strengthening accountability for efficient financial and nonfinancial performance. Additionally, while the bond between political and economic power which undermines voice and accountability is inherently difficult to break, implementing the constitutional ban on political dynasties and strictly enforcing the existing prohibition on vote-buying would be meaningful steps.

Group 1 Priorities: “Get in Gear”

For priorities in this group, current policy has been insufficient to confront the magnitude of the corresponding constraint. Extensive policy and program reform will be needed.

Reduce child malnutrition
The high level of malnutrition threatens the economic future of the country and the prospects for poor Filipino children to achieve a better life as adults. Countries that have improved nutrition have done so with a multipronged approach.

Key action points for reducing malnutrition in the country are efforts to improve maternal and child health, increase consumption of healthy foods by young children and mothers, and expand access to sanitation facilities. The Pantawid Pamilya conditional cash transfer program, by promoting the demand for health services and making food more affordable, can be leveraged to increase its impacts on nutrition. Implementation of the Universal Health Coverage Law also provides a critical opportunity to address nutrition and broader weaknesses in health care access and quality. Finally, a wide public campaign and possibly a targeted funding mechanism could drive action to reduce malnutrition by local governments.

Protect the country from climate, environmental, and disaster threats
Over the long term, climate change poses the largest threat to the prosperity of the Filipino people. Under a pessimistic projection, climate change could end all economic growth in the country by roughly 2075, and the median Filipino would never join the global middle class.

A wide variety of climate adaptation efforts can reduce the impact. These include helping farmers shift to climate-resilient cropping systems, protecting mangroves and sensitive coastal areas to reduce the impact of typhoons, and better managing water resources. The Philippines has a Risk Resiliency Program (RRP) to enhance the integration of climate adaptation priorities into the national budget, but the program has not yet become an effective vehicle for action.

The Philippines also has a strong interest in joining worldwide efforts to cut greenhouse gas emissions and move towards a low-carbon future. The key step is to develop renewable energy sources and move away from reliance on coal-fired power plants. The government can work with the private sector to tap the country’s high potential for solar and wind power.

In terms of disaster risk management, the Philippines has a mixed record. On the one hand, it has generally managed post-disaster response well and managed the associated fiscal risks smartly through a disaster risk finance and insurance program. On the other hand, it is weak in its efforts to mitigate the risks posed by a potential large-scale disaster, particularly the possibility of an earthquake in Metro Manila. Efforts to improve preparation for disasters, in particular to make critical infrastructure and buildings more resilient to earthquakes, are needed. Emergency cash transfer mechanisms should be further developed to allow an efficient response that can help affected populations bounce back quickly after disasters.
**Group 2 Priorities: “Press on the Accelerator”**

For priorities in this group, the direction of current policy is appropriate, but additional efforts are needed.

**Strengthen peacebuilding**

The poorest parts of the Philippines are the areas most affected by conflict, principally in western and southern Mindanao. The country will not succeed in freeing itself from poverty unless it is able to build peace.

Passage of the Bangsamoro Organic Law (BOL), which led to the creation of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), is a huge step forward. A sustained peace will require effort to address multiple challenges: (1) creation of an effective bureaucracy for the BARMM to deliver basic services in health, education, and other areas, 2) the recovery and reconstruction of Marawi, 3) the normalization process for ex-combatants, (4) handling the threat of resurgent violence, and (5) advancing the broad development agenda for the Mindanao region to help it catch up with the country’s broader success.

**Close the learning gap in basic education**

The Philippines has made huge progress in expanding access to education through the provision of universal kindergarten and the creation of senior high school in recent years. The core challenge will be making sure that students learn while they are in school and acquire foundational skills, particularly basic literacy and numeracy along with socioemotional skills like perseverance, creativity, adaptability, and team work, which are essential to ensure a productive life and success in the labor market. The principal point of action will be improving the quality of teaching, mainly through improved teacher professional development. Parallel efforts are needed to improve access to teaching and instructional materials and improve school infrastructure.

Improving basic education can be the core of the broader agenda of preparing Filipinos for the economy of the future, through basic education as well as early childhood education, higher education, technical and vocational training, and lifelong learning.

**Group 3 Priorities: “Keep Driving”**

For "keep driving" priorities, current policy is largely on the right track. What is needed is follow-through on current efforts.

**Build quality infrastructure**

Infrastructure investments have been neglected for many years. Only recently has overall infrastructure spending been ramped up, with a focus on transport infrastructure in Luzon. Better infrastructure is critical to boosting agriculture and tourism, which have not achieved their potential. Developing digital infrastructure will also help the economy continue to generate new jobs.

Infrastructure planning should be conducted with an eye to ensure that new works benefit broad segments of the population and address the full gamut of needs, including water and sanitation. Development of rural roads, which can be carried out through a community-driven development approach, remains an effective way to connect farmers to markets and boost incomes for the rural poor.

**Open the economy to competition**

Limits to business competition have restricted private sector growth and favored the entrenched elite over new market entrants. Concentrated market power raises prices, harming all Filipinos.

The government has taken several major steps to improve competition, including passage of the Philippine Competition Act in 2015, the Ease of Doing Business Law in 2018, and the Rice Liberalization Law in 2019. Following through with the implementation of these measures could markedly advance shared prosperity. Complementary actions that can foster greater competition include amending the Public Services Act, loosening restrictions on foreign direct investment, and reducing nontariff trade barriers.