



Completion Report

Project Numbers: 43396-013 and 43396-014
Loan Numbers: 2872 and 3233
June 2016

Philippines: Increasing Competitiveness for Inclusive Growth Program (Subprograms 1 and 2)

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Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit	–	peso/s(P)
		At Appraisal
		At Project Completion
Loan 2872		1 June 2012
		7 December 2012
P1.00	=	\$0.02297
\$1.00	=	\$0.02445
		P43.53
		P40.91
 Loan 3233		24 November 2014
		10 November 2015
P1.00	=	\$0.02224
\$1.00	=	\$0.02117
		P44.95
		P47.24

ABBREVIATIONS

ADB	–	Asian Development Bank
BIR	–	Bureau of Internal Revenue
DBM	–	Department of Budget and Management
DOF	–	Department of Finance
DOJ	–	Department of Justice
DOLE	–	Department of Labor and Employment
DOT	–	Department of Tourism
GAA	–	General Appropriations Act
ICIG	–	Increasing Competitiveness for Inclusive Growth
LIBOR	–	London interbank offered rate
NEDA	–	National Economic and Development Authority
PCC	–	Philippine Competition Commission
PDMF	–	Project Development and Monitoring Facility
PDP	–	Philippine Development Plan
PESO	–	public employment service office
PIA	–	preliminary impact assessment
PPP	–	public–private partnership
PPPC	–	Public–Private Partnership Center
RIA	–	regulatory impact assessment
RIS	–	regulatory impact statement
TA	–	technical assistance
TCC	–	tax credit certificate
VAT	–	value-added tax

NOTE

In this report, "\$" refers to US dollars, unless otherwise stated.

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BASIC DATA

A. Loan Identification

1.	Country	Philippines	
2.	Loan Numbers	Loan 2872-PHI (Subprogram 1) Loan 3233-PHI (Subprogram 2)	
3.	Program Title	Increasing Competitiveness for Inclusive Growth Program	
4.	Borrower	Republic of the Philippines	
5.	Executing Agency	Department of Finance	
6.	Amount of Loan	Subprogram 1 \$350 million	Subprogram 2 \$350 million
7.	Program Completion Report Number	PHI 1566	

B. Loan Data

1.	Fact-finding	Subprogram 1	Subprogram 2
	– Date Started	17 November 2011	28 April 2014
	– Date Completed	14 December 2011	27 June 2014
2.	Loan Negotiations		
	– Date Started	16 February 2012	29 October 2014
	– Date Completed	16 February 2012	29 October 2014
3.	Date of Board Approval	26 June 2012	15 December 2014
4.	Date of Loan Agreement	4 July 2012	12 February 2015
5.	Date of Loan Effectiveness		
	– In Loan Agreement	2 October 2012	13 May 2015
	– Actual	16 August 2012	12 May 2015
	– Number of Extensions	0	0
6.	Closing Date		
	– In Loan Agreement	31 October 2012	31 December 2015
	– Actual	7 December 2012	10 November 2015
	– Number of Extensions	1	0
7.	Terms of Loan		
	– Interest Rate	LIBOR-based	
	– Maturity (number of years)	15 years	
	– Grace Period (number of years)	3 years	

8. Disbursements

a. Dates

	Initial Disbursement	Final Disbursement	Time Interval
Subprogram 1	29 November 2012	29 November 2012	0 month
Subprogram 2	30 October 2015	30 October 2015	0 month
	Effective Date	Actual Closing Date	Time Interval
Subprogram 1	16 August 2012	7 December 2012	3.72 months
Subprogram 2	12 May 2015	10 November 2015	5.98 months

b. Amount (\$)

Category	Original Allocation	Amount Disbursed	Amount Cancelled
Subprogram 1	350,000,000	350,000,000	0
Subprogram 2	350,000,000	350,000,000	0
Total	700,000,000	700,000,000	0

C. Program Data

1. Program Cost (\$ million)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost		
Subprogram 1	350.00	350.00
Subprogram 1	350.00	350.00
Total	700.00	700.00

2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
ADB Financed (Single Tranche)		
Subprogram 1	350.00	350.00
Subprogram 2	350.00	350.00
Total	700.00	700.00

ADB = Asian Development Bank.

3. Cost Breakdown by Program Component (\$ million)

Component	Appraisal Estimate	Actual
Subprogram 1	350.0	350.0
Subprogram 2	350.0	350.0
Total	700.0	700.0

4. Program Schedule

Item	Appraisal Estimate	Actual
Other Milestones		
Subprogram 1	31 October 2012	29 November 2012
Subprogram 2	31 December 2015	30 October 2015

5. Program Performance Report Ratings
(Performance Validation not required for program loans)

Implementation Period	Ratings	
	Development Objectives	Implementation Progress

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members ^a
Subprogram 1				
Reconnaissance	3–15 June 2011	7	91	a, b, c, d, e, f
Fact-finding	17 November– 14 December 2011	3	84	a, b, g
Subprogram 2				
Reconnaissance	17–20 April 2013	4	16	e, h, i, j
Reconnaissance	5–11 May 2013	1	7	h
Fact-finding	28 April–27 June 2014			
Project completion review	14 April – 3 May 2016	2	4	f, o

^a a = mission leader/senior economist, b = economist, c = advisor, d = education specialist, e = senior finance specialist, f = operations assistant, g = fiscal management, h = mission leader/principal economist, i = PPP specialist, j = microfinance specialist, o = young professional.

I. PROGRAM DESCRIPTION

1. The Increasing Competitiveness for Inclusive Growth (ICIG) program in the Philippines comprised two subprograms from 2010 to 2014. Subprograms 1 and 2 (\$350 million each) were funded by the Asian Development Bank (ADB) ordinary capital resources. ADB approved the policy-based loan for subprogram 1 on 26 June 2012, and the loan agreement for subprogram 1 became effective on 4 July 2012.¹ Subsequently, subprogram 2 was approved on 15 December 2014, and the loan agreement became effective on 12 February 2015.²

2. After four decades, the Philippine economy began to experience its highest and longest expansion since 2010 with an average annual growth of 6.5%, which is well beyond its long-term average of 5.0%. In spite of this growth, poverty and income inequality in the country continued to remain high. Under the Philippine Development Plan (PDP) 2011–2016, the government has given highest priority to poverty reduction. Job creation is considered one of the main approaches to reduce poverty, along with increasing competitiveness as a central tenet. In this context, the government invested its efforts and resources in areas such as skills development, continued investment in infrastructure, and reforms to the investment climate toward a competitive economy.

3. Though the sustained economic growth resulted in modest improvement in job creation by picking up quality employment with average annual expansion of 3.7% since 2010, this has been insufficient to either absorb the increasing number of new job seekers or adequately decrease the working age population crowding into the nonwage or unstable informal sector. The percentage of young people not in employment, education, or training (NEET rate) remains relatively high at 25% for the Philippines, which is considered to be the second highest in Southeast Asia. Particularly, in comparison to high-income households, this percentage becomes twice as high in low-income households. A significant portion of young people from low-income households have not been integrated into the labor market, restricting their career prospects and future earnings and perpetuating lifetime poverty. The underlying causes are the inadequate demand for labor and the significant mismatch of technical and life skills among the youth. The government recognizes the importance of creating decent jobs, hence the need for structural policy reforms, including to the labor market, and effectively targeted public provisioning of employment services to assist the disadvantaged youth from low-income households toward reduced poverty and income inequalities, and to spur more inclusive growth.

4. Public and private investment in the Philippines remains much lower compared to most other economies in Southeast Asia. Though sustained economic growth has contributed to the recovery from the declined investment rates after the Asian financial crisis (from 13.5% of gross domestic product in 2005 to 16.8% in 2008 and 19.4% in 2012), the country continues to underinvest—particularly in infrastructure. This has negatively impacted the long-term economic growth potential; hence much higher investment is required to sustain the current average growth rate of 6.5% per annum.

5. Since 2010 the Philippines considerably improved its competitiveness and enhanced perception on its investment climate through government reform efforts. This is highlighted by its

¹ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for Increasing Competitiveness for Inclusive Growth Program*. Manila.

² ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Policy-Based Loan for Subprogram 2 to the Republic of the Philippines for Increasing Competitiveness for Inclusive Growth Program*. Manila.

rankings in key global competitiveness surveys such as the World Economic Forum's Global Competitiveness Index, which ranked the Philippines as 59th among 148 countries in 2014 improving six places compared to 2013. Despite this progress, continued reforms to the labor market, investment regime, business regulations, and the finance sector are needed to establish a solid platform to attract investment and create jobs.

6. The ICIG program supported the government's key reform priorities aimed at employment generation by increasing competitiveness in the economy using an inclusive approach through the labor market, in line with the PDP 2011–2016 and the ADB country partnership strategy 2011–2016 for the Philippines.³ The desired impact of the program was an improved investment climate. The expected outcome was an improved competitiveness of selected sectors. To improve competitiveness and promote labor market inclusiveness, the program was designed to (i) implement structural policy reforms to the economy through a better competition policy, regulatory efficiency, and competitive trade logistics; (ii) strengthen the market for infrastructure projects through public–private partnerships (PPPs); and (iii) promote competitive labor markets to overcome structural weaknesses and generate employment.

7. As a policy-based loan, the ICIG program comprised a number of innovative components. First, while including a set of high-impact and crosscutting structural policy reforms such as competition policy, regulatory, and tax reforms to improve competitiveness for a wide range of sectors, the program also included a package of deeper structural policy reforms for specific leading sectors such as tourism, logistics, and infrastructure. Second, the program included two innovative pilot projects with clearly measurable performance indicators: (i) a youth job placement program (JobStart Philippines) implemented by the Department of Labor and Employment (DOLE) in four pilot local government units to assist 1,600 out-of-school youths in finding quality employment, and (ii) a tourism skills development program implemented by the Department of Tourism (DOT). This is a PPP between the DOT, employers, and industry groups, and piloted in the four fast-growing tourism destinations of Bohol, Cebu, Davao, and Palawan. These pilot projects were supported by two ADB technical assistance (TA) grants financed by the Government of Canada (Can\$12.5 million). The ICIG program also supported regulatory impact assessment (RIA) pilot projects in DOT and DOLE aimed at reducing red tape and improving the quality of regulations.

8. Under subprogram 1, the government implemented measures to (i) enhance competition policy and regulatory efficiency; (ii) promote competitive trade logistics; (iii) strengthen the PPP policy, regulatory, and institutional framework; (iv) establish long-term financing and risk guarantee mechanisms for PPP in infrastructure; (v) improve labor market information and employment intermediation systems; (vi) promote industry-led skills and service standards in tourism; and (vii) strengthen employment policies and programs. Subprogram 2 built on the reforms initiated under subprogram 1 to implement structural policy reforms to the economy, strengthen the market for infrastructure projects through PPPs, and promote competitive labor markets. The ICIG program has the following key accomplishments: (i) establishment of the Office for Competition at the Department of Justice (DOJ); (ii) establishment of the Governance Staff division in the National Economic and Development Authority (NEDA) to champion RIA practice in government; (iii) piloting RIA in DOT and DOLE to demonstrate the benefits of systematic approach to reviewing regulations; (iv) pocket open skies policy as a major reform boosting the competitiveness of the logistics market and benefiting industries; (v) interim measures to address congestion in the Port of Manila and the underutilization of Subic Bay and Batangas ports; (vi) reforms to value-added tax (VAT) refunds benefiting exporters; (vii)

³ ADB. 2011. *Country Partnership Strategy: Philippines, 2011–2016*. Manila.

establishment of the PPP Governing Board in the Public–Private Partnership Center (PPPC) to institutionalize the PPP framework; (viii) establishment of long-term financing and risk guarantee mechanisms for PPP in infrastructure through the Strategic Support Fund; (ix) design and implementation of JobStart Philippines through public employment service offices (PESOs); (x) piloting the tourism skills development program as a PPP between the DOT, employers, and industry groups; and (xi) establishment of the social protection results framework to guide government employment programs and protect vulnerable workers.

9. The ICIG program required the accomplishment of policy triggers (8 policy triggers under subprogram 1 and 14 policy triggers under subprogram 2), and all of them were accomplished. During the implementation of subprogram 2, the government and ADB agreed to move two original policy triggers to the post-program partnership framework and to add one new policy trigger to subprogram 2. The first policy trigger moved to post-program partnership framework is the approval of the port utilization plan to decongest the Port of Manila and enhance port sales in the Subic Bay and Batangas ports. It was replaced in subprogram 2 with the government's interim measures to decongest the Port of Manila as the new policy trigger. The second policy trigger moved to the post-program partnership framework required the government to provide budgetary financing for the tourism skills development program upon completion of the tourism skills pilot project funded under ADB TA, which will be completed in February 2017. These changes did not materially affect the impact and outcome of the program.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

10. The ICIG program was fully aligned with the PDP 2011–2016 and the ADB country partnership strategy 2011–2016 for the Philippines and considered to be highly relevant in design and formulation. The PDP focuses on a broad policy framework covering employment generation, competitiveness, and investment in infrastructure. The country partnership strategy identified expansion in investment as an outcome indicator. The structural reform priorities under the program included efforts to enhance the business climate by promoting competition policy, regulatory efficiency, competitive trade logistics, and private sector participation in infrastructure through PPPs. The program also supported the government in promoting competitive labor markets by piloting a youth employment program (JobStart Philippines) and a tourism-industry-led skills and services development program, and through longer-term labor policy reforms.

11. Competitiveness was the central tenet of the reform agenda on investment climate at the time of the design and formulation of the program. The newly appointed government was committed to achieve global competitiveness through implementing a package of structural policy reforms covering domestic competition policy, regulatory efficiency, trade logistics, PPP framework in infrastructure, and labor markets. In providing policy research and analytical support for subsequent interventions in these areas, ADB provided TA for Strengthening Institutions for an Improved Investment Climate, which was implemented from 2009 to 2011.⁴ This provided the necessary inputs to design and formulate the program in 2012. In response to private sector demand for structural reforms to sectors that hold promise for enhancing economic growth and job creation in an inclusive manner, the program focused on logistics, infrastructure, and tourism.

⁴ ADB. 2011. *Technical Assistance to the Republic of the Philippines for Strengthening Institutions for an Improved Investment Climate*. Manila (financed by the Japan Fund for Poverty Reduction).

12. Although significant progress was noted in the selected sectors since the design and formulation of the ICIG program, further efforts are needed. Hence the relevance of the program remains considerably high.

B. Program Outputs

13. The ICIG program supported the key reform priorities of the government aimed at employment generation by improving competitiveness with three outputs: (i) implementing structural policy reforms to the economy, (ii) strengthening the market for infrastructure projects through PPPs, and (iii) promoting competitive labor markets. Demonstrating a considerable progress, the ranking of the Philippines in the World Economic Forum's Global Competitiveness Index increased 38 places from 85th in 2010 to 47th in 2015.

1. Output 1: Implementing Structural Policy Reforms to the Economy

14. The ICIG program supported the government in implementing structural policy reforms to the economy through enhancing competition policy and regulatory efficiency, and promoting competitive trade logistics.

15. The government reform approach for enhancing competition policy and regulatory efficiency consists of three pillars: (i) developing a competition policy law, (ii) institutionalizing RIA in government, and (iii) sector-by-sector competition and regulatory reforms. In relation to competition policy, the government established the Office for Competition at the DOJ with 17 staff members and a P10 million budget allocation as an interim measure in 2014. The Government of Japan (through Japan International Cooperation Agency) provided capacity building support for the Office for Competition. Although the main function of the Office for Competition was to issue advisory opinion, the office established five sector working groups and the Sector Regulators Council. In 2015, the Philippine Competition Commission (PCC) was created with the mandate to enforce and implement the provisions of the Philippine Competition Act, which was signed into law on 21 July 2015.⁵ The PCC largely took over the functions of the Office for Competition and intends to ensure efficient market competition by providing equal opportunities for businesses in all economic sectors.

16. In institutionalizing RIA, the Governance Staff division was established at NEDA to champion the practice in government and to build capacity in line ministries. ADB provided assistance to pilot RIA in DOLE, DOT, and NEDA to demonstrate the benefits of systemic approach to reviewing regulations. The three pilot agencies completed the capacity development activities and 24 RIAs, which consist of four preliminary impact assessments (PIAs) and 20 regulatory impact statements (RISs).⁶ Fifty percent of stakeholders consulted

⁵ The Philippine Competition Act (Republic Act 10667) defined, prohibited, and penalized three types of anticompetitive conduct (anticompetitive agreements, abuse of dominant position, and anticompetitive mergers and acquisitions) to ensure continued economic growth through market competition.

⁶ DOLE completed two PIAs: (i) termination of employment, and (ii) assessment of contracting, subcontracting, private recruitment, and placement regulations; and eight RISs: (i) apprenticeship, (ii) employment insurance, (iii) labor market test, (iv) Magna Carta of seafarers, (v) private recruitment and placement agencies, (vi) PESOs, (vii) security of tenure, and (viii) special program for the employment of students. DOT completed two PIAs: (i) requiring and implementing cost-benefit tools and one-stop shop on tourism enterprise zone application, and (ii) review of national tourism standards for hotel and resort accommodations; and eight RISs: (i) rules and regulations governing the conduct of sports scuba diving in the Philippines, (ii) cost recovery of hotel accreditation fees, (iii) simplification of travel tax administration, (iv) guidelines on marine wildlife tourism interactions, (v) improving access to duty free for foreign tourists, (vi) review of special resident retiree's visa application fees,

during the process were women. DOT developed a RIA work plan for 2014–2016 and assigned working groups within the department and attached agencies. It issued a memorandum circular on the institutionalization of RIA and adoption of manual among its attached agencies.⁷

17. During 2016–2017, the Department of Trade and Industry, Securities and Exchange Commission, Department of Agriculture, and Food and Drug Administration are prioritized to undergo capacity development on RIA. Through the interagency committee on development administration, NEDA will provide policy advice and steer the Development Academy of the Philippines' Modernizing Government Regulations Program for 2016–2018. NEDA intends to conduct a whole-of-government regulatory policy review in 2017, which may involve regulations on the movement of goods and delivery of services. Currently, NEDA is focusing on familiarizing government agencies with the good regulatory practice framework and encouraging them to conduct initiatives on RIA and reduce unnecessary regulatory burdens. In light of the presidential elections in May 2016, the issuance of the draft executive order was put on hold to minimize risks that can be brought about by the change in political leadership, particularly on the ownership of the policy. The ICIG program was instrumental in gaining attention on the importance of RIA, which has made considerable progress. More capacity building may enhance readiness for institutionalizing RIA across agencies.

18. In promoting competitive trade logistics, the government undertook major reforms. The first reform was the adoption of the pocket open skies policy (Executive Order 29) and the rationalization of the common carriers tax and the gross Philippine billings tax on foreign airlines' passenger revenues (Republic Act 10378). This aligned the aviation sector of the Philippines with neighboring economies, boosting the competitiveness of tourism and logistics sectors and benefiting a wide range of industries. During January–June 2012, the pocket open skies policy generated an increase of almost 15% in incoming and outgoing flights to the Philippines. The policy also increased inbound and outbound passenger traffic for both international and domestic travels. Second was the reform to VAT cash refunds benefiting exporters of goods and services by replacing tax credit certificates (TCCs) used until 2011. Executive Order 68-A was issued to replace TCCs with cash refunds along with the encashment of existing TCCs. The slow progress of implementation prompted the Bureau of Internal Revenue (BIR) to issue Circular 52-2014 laying out a more convenient process of claiming VAT cash refunds and conversions while aligning with the provisions of the National Revenue Code. In 2014, funding was allocated to the BIR (P8.8 billion) and the Bureau of Customs (P6.5 billion) under the General Appropriations Act (GAA). At least 90% of eligible VAT refunds were made within the 120/60 day rule. Out of the P6.5 billion allocated to the Bureau of Customs, only P600 million was utilized given that most taxpayers are yet to apply for VAT refunds as provided under the relevant legal statutes.

19. To promote competitive trade logistics, measures were taken to decongest the Port of Manila and address the underutilization of Subic Bay and Batangas ports. First, to address the lengthy delays in clearance at the Port of Manila, the government issued Executive Order 172 as an interim measure to provide the Philippine Port Authority the authority to redirect container traffic to the Subic Bay and Batangas ports. Second, a port utilization plan including measures

(vii) Philippine Retirement Authority investment options, and (viii) ecotourism standards. NEDA completed four RISs: (i) liberalizing cabotage, (ii) plastic bag regulation, (iii) regulations on sharing economy businesses such as Uber Taxi, and (iv) quantitative restrictions on purchases of rice. The Bureau of Local Employment also conducted RIA of the rules governing the employment of foreign nationals and implementing guidelines on the recruitment and placement for local employment in 2013, which resulted in the issuance of revised guidelines.

⁷ Tourism Promotions Board, Tourism Infrastructure and Enterprise Zone Authority, Duty Free Philippines, Intramuros Administration, and National Parks Development Committee

to enhance the use of Subic Bay and Batangas ports thereby decongesting the Port of Manila was drafted by the Philippine Port Authority to be submitted to NEDA for approval and implementation during the ICIG post-program partnership framework.

2. Output 2: Strengthening the Market for Infrastructure Projects through Public–Private Partnerships

20. The program strengthened the market for infrastructure projects through PPPs by enhancing the policy, regulatory, and institutional framework, and establishing long-term financing and risk guarantee mechanisms. The program also strengthened the functions of the PPC and Project Development and Monitoring Facility (PDMF) as a technical facility providing transaction advisory services. The program revitalized and institutionalized the PPP framework by establishing the PPP Governing Board under Executive Order 136 issued in 2013 to set up the PPP pipeline for the PDMF. Exceeding the performance targets, by the end of 2014 nine competitively tendered projects with PDMF support were awarded, of which four are gender responsive. Among these projects, two are completed and operational, one is under construction (Mactan Cebu International Airport Project), one has been withdrawn (Modernization of the Philippine Orthopedic Center Project), and the remaining four are undergoing preconstruction activities. As of Q1 2016, 12 PPP projects in infrastructure with a total cost of P200.48 billion were awarded and are in different stages of implementation.⁸ The program was instrumental in enhancing access to information both locally and internationally, hence increasing foreign partnerships for infrastructure.

21. In 2012–2016 the capacity building division of the PPC trained 1,332 staff members involved in PPP projects from national government agencies, including the Department of Finance (DOF) and NEDA. Among them, 50% are women, exceeding the original 30% target. The capacity building program aims to promote an environment conducive to PPP projects as a viable option for development. It strives to empower implementing agencies with the competencies to craft well-structured PPP infrastructure development projects. The activities and interventions cover the spectrum of pre-implementation and implementation phases of a typical PPP project defined under a capacity building framework.

22. In establishing long-term financing and risk guarantee mechanisms for PPPs in infrastructure, the Department of Budget and Management (DBM) allocated P8.1 billion to the Strategic Support Fund in the 2013 GAA to provide sustainable financing of the government's share in PPPs implemented under the Department of Public Works and Highways and the Department of Transportation and Communications. The 2014 GAA allocated an additional P20 billion to cover contingent liabilities arising from PPPs. These produced concrete and measurable results, and the government included financing for PPPs under the national budget to advance and sustain these reforms toward improving underinvestment in infrastructure.

3. Output 3: Promoting Competitive Labor Markets

23. To foster competitive labor markets, the program improved labor market information and employment intermediation systems, promoted industry-led skills and service standards in tourism, and strengthened employment policies and programs. Two TA grants supported the

⁸ Public–Private Partnership Center of the Philippines. <https://ppp.gov.ph>.

implementation of output 3: (i) Employment Facilitation for Inclusive Growth,⁹ which supported capacity building for labor policy analysis and formulation, and the pilot implementation of the JobStart Philippines program (MyFirstJob) to assist at-risk youths in finding quality employment; and (ii) Improving Competitiveness in Tourism,¹⁰ which supported regulatory impact assessment, hotel and resort quality assurance and accreditation system, and tourism industry skills development program.

24. In improving labor market information and employment intermediation systems, the ICI program supported the design and implementation of a youth employment placement program (JobStart Philippines) to assist young people in finding quality employment by providing opportunities to develop and improve necessary functional and behavioral skills for success in the competitive labor market. JobStart Philippines provides full cycle employment facilitation services—from planning career paths to acquiring best-fit jobs through career guidance, technical training, life skills, and internship. ADB and the Government of Canada supported DOLE in program implementation. JobStart Philippines began as a pilot program in 2014 in four cities: Taguig, Quezon, San Fernando, and General Trias. More than 1,800 youths were selected for training through the pilot program. In collaboration with the Economics and Research Department of ADB, the pilot program adopted a sex-disaggregated randomized impact evaluation to assess its effect on the employment performance of the youth. The impact evaluation is expected to be completed by Q4 2016 and the evidence from this assessment will guide the nationwide rollout of JobStart Philippines. The pilot run produced 1,070 graduates (51% female), of which 783 (again 51% female) found jobs or were absorbed by partner employers, registering an overall placement rate of 73%. The pilot implementation of JobStart Philippines recorded 1,144 internship pledges from 47 employers that forged memoranda of agreement with DOLE. The highly successful pilot program is appreciated by both beneficiaries and employers, and has led DOLE to submit a bill to Congress for institutionalizing the nationwide implementation of JobStart Philippines. The bill passed third reading in both houses of Congress, and will be endorsed to the President for consideration. JobStart Philippines is being rolled out in 2016 in a phased approach covering 10 additional areas including three in Luzon (Pasay, Caloocan, and Mandaluyong), three in Visayas (Bohol, Cebu, and Dumaguete), another three in Mindanao (Davao, Tagum, and Cagayan De Oro), and Puerto Princesa in Palawan. In 2016, DOLE through the Bureau of Local Employment targets 3,200 youth beneficiaries and 24 PESOs.

25. The government implemented measures to continue capacity development of PESOs to improve labor market information and employment intermediation systems. The PESOs provide employment facilitation services that include career guidance and employment coaching, livelihood and entrepreneurship, and job placement and referral. From 2010 to 2015, the number of established PESOs rose from 1,756 to 1,925 while the institutionalized PESOs increased from 65 to 413. The number of established PESOs with standard labor market information and employment intermediation systems in place increased to 1,000. In 2010–2015, the number of qualified jobseekers referred for placement through the job search assistance from PESOs was 9.2 million (compared to 4.6 million in 2005–2010). The placement rate in 2010–2015 was pegged at 81% with 7.4 million placed jobseekers compared to 75% in 2005–

⁹ ADB. 2013. *Technical Assistance to the Republic of the Philippines for Employment Facilitation for Inclusive Growth*. Manila (TA 8335-PHI; \$5,591,897; financed by the Government of Canada and implemented from March 2013 to February 2017).

¹⁰ ADB. 2013. *Technical Assistance to the Republic of the Philippines for Improving Competitiveness in Tourism*. Manila (TA 8334-PHI; \$7,116,900; financed by the Government of Canada and implemented from March 2013 to February 2017).

2010 with 3.4 million placed jobseekers. For 2015 alone, the number of qualified jobseekers referred for placement was 2.154 million, with 1.795 million jobseekers being placed.

26. In promoting industry-led skills, the ICI program piloted the tourism skills development program as a PPP between DOT, employers, and industry groups. This employer-led initiative was implemented in the four pilot areas of Bohol, Cebu, Davao, and Palawan to support employee development and business growth. Through the pilot program, 7,545 employees (50% female) accessed skills development in tourism during the first and second phase. During the first phase, 450 employees were awarded with Technical Education and Skills Development Authority (TESDA) national certificates on various competencies. By the end of Q2 2016, 424 employees are expected to be awarded with TESDA certificates. DOT drafted on-the-job training and teacher's immersion manuals to be used in collaboration with industry and education partners toward enhancing the quality of the tourism skills development program. DOT completed the first tourism human resource development strategy and action plan, 2015–2020. DOT submitted a concept note to DBM for the nationwide implementation of the tourism skills development program, and budgetary financing will be provided in 2017. DBM approved the DOT reorganization structure under the Tourism Act (Republic Act 9593), which provides for the creation of the Office of Industry Manpower Development (to carry out the tourism human resource development strategy and action plan) and the institutionalization of the industry grant scheme program.

27. To complement the skills development program, DOT assessed 700 establishments under the newly developed hotel and resorts quality assurance and accreditation system to promote service standards in tourism. Among them, 141 are from the four pilot regions of Bohol, Cebu, Davao, and Palawan, which were assessed through the TA (footnote 10). The ratings were disseminated through the DOT website. New national accommodation standards were developed, and 7 DOT assessors and 25 third party assessors were provided with relevant training. DOT developed Mabuhay standards¹¹ for accommodations not included under the national accommodation standards, pilot-tested 28 enterprises, and provided training for 50 assessors. Service, hospitality, efficiency food, and friendliness standards were developed and incorporated under the new national accommodation standards.

28. In strengthening employment policies and programs, DOLE completed PIA on selected employment programs (such as the special program for employment of students and the apprenticeship program) and made suggestions for improvement to reduce structural rigidities in the labor market toward stimulating job growth. DOLE also took stock of 40 government income support programs for workers and published findings on its website. The government established the social protection results framework to guide its interventions in employment programs and ensure the social protection of vulnerable workers. Although considerable progress has been achieved, the government continues to invest its efforts in this area.

C. Program Costs and Disbursements

29. Subprograms 1 and 2 (\$350 million each) were funded from ADB's ordinary capital resources. The loan proceeds were disbursed in two single tranches. The subprogram 1 loan was released on 29 November 2012, 3 months after loan effectivity. The subprogram 2 loan was released on 30 October 2015, 5 months after loan effectivity. As requested by DOF

¹¹ Mabuhay is a general term used for a tourist inn, pension house, motorist hotel, bed and breakfast, homestay and vacation home. Mabuhay Standards cover the minimum standard requirements in the operations of this accommodation category.

because of the delay in their financing needs, the loan closing date of subprogram 1 was extended for 2 months to allow disbursement. Disbursement of the loan proceeds was in accordance with the provisions of ADB's Simplification of Disbursement Procedures and Related Requirements for Program Loans.

D. Program Schedule

30. Subprogram 1 was implemented from August 2010 to October 2012, and subprogram 2 from October 2012 to October 2014. The completion date of subprogram 1 was extended by 2 months to allow disbursement, and there was no extension for subprogram 2.

E. Implementation Arrangements

31. The executing agency (DOF) was responsible for the overall implementation of the program, post-program partnership framework, the medium-term results framework, and coordination among the implementing agencies. The implementing agencies were DOJ, DOLE, DOT, the Department of Trade and Industry, the Department of Transportation and Communications, NEDA, BIR, and the Bureau of Customs. DOF conducted regular meetings with the implementing agencies as required to monitor the progress under the ICIG program. The National Competitiveness Council consulted with representatives of the key chambers of commerce (such as the Japanese Chamber of Commerce and Industry and the Joint Foreign Chambers of Commerce) to provide feedback to DOF and implementing agencies on program implementation, impact, and other competitiveness issues.

F. Conditions and Covenants

32. The ICIG program accomplished 22 policy triggers and 22 policy measures. The status of compliance of the policy triggers and measures for subprograms 1 and 2 are in Appendixes 2 and 3. The program required compliance with several covenants in administering the program and these were all complied with. The status of compliance with loan covenants is in Appendix 5.

G. Performance of the Borrower and the Executing Agency

33. The performance of the government and the executing agency (DOF) is rated *highly satisfactory*. The government led by DOF made significant efforts toward implementing structural policy reforms to the economy, strengthening the market for infrastructure projects through PPPs, and promoting competitive labor markets. Since subprogram 1, DOF continued to deepen the reform agenda in the mentioned areas; these efforts significantly contributed to successful design and implementation of the youth employment program (JobStart Philippines) during subprogram 2. DOF also commendably managed certain complex issues related to major reforms such as (i) the pocket open skies policy abolishing common carriers tax and gross Philippine billings tax from foreign airlines, and (ii) the VAT cash refunds benefiting exporters. The government was fully behind supporting the reform agenda.

34. DOF was highly efficient in implementing the ICIG program to accomplish the policy measures within the expected timeframe. DOF collaborated with ADB and other development partners engaged in these policy areas and effectively coordinated with implementing agencies (including DOLE, DOT, and NEDA) to satisfactorily comply with covenants and conditions for the release of loans for subprograms 1 and 2. This reduced coordination costs and improved policy development avoiding major changes affecting timelines or financing plans during the program implementation.

H. Performance of the Asian Development Bank

35. The performance of the Asian Development Bank was rated *highly satisfactory* by the executing and implementing agencies. This is evidenced by the successful release of the two subprogram loans within the original timeframe. The program was monitored by the Public Management, Financial Sector, and Trade Division of ADB's Southeast Asia Department. The team supported the government agenda through regular engagements and leading them to new programs.¹²

36. As part of the completion review, the government assessed the ICIG program through a questionnaire completed by the DOF, DOLE, DOT, and NEDA in April 2016. Overall, the government rated the program *highly satisfactory* for relevance, efficiency, effectiveness, and likely sustainability. This was achieved through dialogue between ADB and the government; flexibility embedded in the program ensured its success. The complete results of the government survey are in Appendix 6.

III. EVALUATION OF PERFORMANCE

A. Relevance

37. During the formulation in 2012 as well as upon completion in 2016, the government rated the overall performance of the ICIG program *highly relevant* (Appendix 6). The government focused on poverty reduction as the highest priority under the PDP 2011–2016 recognizing employment generation as a main approach along with improving competitiveness as a central tenet toward achieving this goal. The strategy for improving competitiveness focuses on several key components including increased domestic competition, reduced red tape, improved logistics, strengthened PPPs in infrastructure, enhanced human capital development, and efficient labor market policies. The ICIG program and its related TAs (footnote 10) were designed to support a broad range of structural policy reforms aimed at employment generation to assist the government in achieving the objectives under the PDP 2011–2016 toward more sustainable and inclusive growth. The desired impact of the program was an improved investment climate through (i) implementing structural policy reforms to the economy, (ii) strengthening the market for infrastructure projects through PPPs, and (iii) promoting competitive labor markets.

38. Certain features under the program led to major reforms in the country. First, the government established the Office for Competition at the DOJ, which led to the development of the competition policy law and establishment of the PCC. In July 2015, the landmark Philippine Competition Act (Republic Act 10667) was signed to ensure continued economic growth through improved market competition. Second, the initiation and piloting of RIA in DOLE and DOT is seen as a significant accomplishment because it was new to the Philippines compared to other countries in APEC and ASEAN. Though RIA is yet to be institutionalized, the pilot successfully created the necessary foundation for expanding it to other agencies and rolling out nationally. Third, the establishment of the PPP Governing Board under Executive Order 136 in 2013 is an important step toward implementing a world class framework for PPP in infrastructure. As the

¹² ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for Expanding Private Participation in Infrastructure Program*. Manila; ADB. 2016. *Concept Paper: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for Facilitating Youth School-to-Work Transition Program*. Manila

overall policy making body for PPPs, the board was instrumental in institutionalizing the PPP framework. Fourth, the design and implementation of youth employment placement program (JobStart Philippines) is the first of its kind in Southeast Asia. The program assists young people to jump-start their career by developing and improving necessary technical and life skills to be more responsive to the demands of the competitive labor market. As the implementing agency, DOLE issued guidelines for the national implementation of JobStart in February 2016 and under Department Order 148-16 its Bureau of Local Employment is assigned to provide capacity building and technical assistance to the PESOs and regional and field offices. The program is expected to be implemented until 2020 with a target of more than 60,000 beneficiaries and 64 PESOs. The ICIG program was formulated based on important elements of PDP 2011–2016 and although progress was significant, further efforts are needed and the program remains highly relevant to support the priorities of the government aimed at employment generation.

B. Effectiveness in Achieving Outcome

39. In achieving the outcome of improved competitiveness of selected sectors, the ICIG program is rated *highly effective*. Three out of four outcome indicators specified in the design and monitoring framework exceeded expectations. First, the number of jobseekers who found employment through institutionalized PESOs increased by 18% per annum from 1,936 people per PESO during 2005–2010 to 3,844 people per PESO during 2010–2015 over achieving the target. Second, the Philippines' ranking on the ease of doing business substantially improved by 13 places from 108th in 2014 to 95th in 2015, according to the World Bank's *Doing Business* report. Third, the Philippines' ranking in the global travel and tourism competitiveness index improved by 20 places from 94th in 2011 to 74th in 2015 exceeding the target by 15 places. Finally, the remaining outcome indicator of improving by 10 places in the World Bank's global logistics performance index was not achieved because the Philippines dropped to 57th among 160 countries in 2014 compared to the baseline ranking of 44th among 155 countries in 2010. In hindsight, perhaps the formulation of this outcome indicator should have explicitly targeted the improvement of infrastructure and customs (which was a key focus of the ICIG program), while excluding sub-indicators that were beyond the scope of the program. Despite the decrease in ranking, the Philippines remains respectable and performs better compared to the East Asia and Pacific regions and lower-middle-income countries. The program effectively contributed to improved competitiveness in infrastructure and tourism. Institutionalizing RIA, reducing red tape, promoting competitive trade logistics, strengthening the markets for infrastructure through PPPs, and promoting industry-led skills are crucial for the Philippines to further advance its competitiveness.

C. Efficiency in Achieving Outcome and Outputs

40. The ICIG program is rated *highly efficient* in achieving its outcome and outputs, having been efficiently managed by DOF, the implementing agencies, and ADB. The program accomplished all the policy triggers within the original time frame. Overall out of thirteen performance targets, nine were overachieved, one was achieved, and three were partly achieved. Under output 1, five out of seven performance targets were overachieved, one achieved, and the remaining one was partly achieved. Overachieved targets include (i) the number of investigated complaints on anticompetitive practices, (ii) RIA-piloted national departments or agencies, (iii) completed RIAs, (iv) female stakeholders consulted during RIA process, and (v) increased container traffic at the Subic and Batangas ports. Increase in foreign tourists was achieved as targeted. Under the partly achieved target, processing of eligible VAT refunds was accomplished; however, encashment of outstanding TCCs was not achieved as most taxpayers have yet to apply under the provided relevant legal statutes. Under output 2,

performance targets were overachieved for both PPP projects awarded and PPP staff members trained from line ministries including women. Under output 3, among the four performance targets, two were overachieved and two were partly achieved. The number of institutionalized PESOs and accredited hotels were overachieved. The target for internships through the JobStart pilot was partly achieved (including female participation rate at 51% as opposed to the targeted 56%). The number of people that accessed tourism skills development was overachieved while female participation rate was partly achieved at 50% against the targeted 55%.

41. The potential direct benefits of the ICIG program was estimated at \$1,876 million compared to direct costs of \$961.3 million to the government and private sector, producing a benefit–cost ratio of 2.0 over the program’s medium-term period from 2011 to 2016. Indirect benefits of the program were estimated at \$1,080 million. The program design, based on a set of high-impact policy triggers, was appropriate to the value of the program and aligned with the executing and implementing agencies’ knowledge of the sector and capacity to implement, which contributed to the *highly efficient* rating. The completion review survey requested the government to rate the program on a scale from 1 (*not efficient*) to 5 (*highly efficient*), and the government rated it 4.5 (*highly efficient*). The highest ratings were given for managing the program in terms of regular reviews, meeting program processing milestones, policy dialogue on program triggers and milestones, providing appropriate technical assistance, and ADB’s responsiveness to changes in external circumstances and policy priorities.

D. Preliminary Assessment of Sustainability

42. The outcome and the outputs of the ICIG program are ranked *highly likely to be sustainable*. The program supported implementing structural policy reforms and advancing competition policy, regulatory efficiency, PPPs in infrastructure, and competitive labor markets being complementary to the existing government efforts, clearly indicating strong government ownership. The addition of the post-program partnership framework was instrumental in ensuring sustainability.

43. In enhancing the competition policy, the establishment of the Office for Competition led to the creation of the PCC and the enactment of the Philippine Competition Act in July 2015. The PCC is tasked to enforce the provisions of the act by investigating and penalizing anticompetitive conduct. The PCC is finalizing the implementing rules and regulation of the act. The successful implementation of the act and continued reforms would sustainably promote fair and healthy competition among firms to ensure the proper distribution of benefits from economic growth.

44. Toward enhancing regulatory efficiency, the pilot agencies recognize RIA to be highly useful as it pertains not only to policies but also to programs creating synergies within departments. The progress to date (including developing manuals and publishing guidelines along with commitment from the relevant agencies) highlights the likelihood of RIA being institutionalized. For instance, DOT issued the memorandum circular on RIA institutionalization and adoption of manual among its attached agencies. However, the institutionalization process will require further efforts particularly to increase appreciation and capacity building across agencies other than the pilot agencies; hence appropriate timing needs to be considered.

45. In strengthening the market for infrastructure projects through PPPs, the establishment of PPC, PDMF, and PPP Governing Board was instrumental. Measures were implemented to strengthen their capacity and functions toward improved service delivery. These interventions

produced substantial progress including successful institutionalization of the PPP framework and securing funding from the national budget to establish long-term financing and risk guarantee mechanisms in supporting and expanding PPPs in infrastructure. Continuing reforms in this area will lead to strengthening and sustainability of PPPs in infrastructure.

46. The success of JobStart Philippines in four pilot areas led to the submission of the bill for institutionalizing the nationwide implementation to Congress, with a view to form part of the labor and employment laws of the country and to receive budgetary financing from the government. The legislation of JobStart Philippines is envisaged to serve as a tangible and sustainable solution providing equality in employment opportunities toward more inclusive economic development. The skills grant scheme piloted in four areas under the tourism industry skills development program successfully secured commitment from the government to provide budgetary financing in 2017 for a national and sustainable rollout.

E. Impact

47. The program is assessed as having a substantial development impact through an improved investment climate. The ADB assistance provided for the competition policy, PPP framework, and JobStart Philippines, which contributed to enhancing the competitiveness of selected sectors. Successful implementation of the ICIG program led to two new programs supported by ADB: (i) Expanding Private Participation in Infrastructure Program approved in 2015, which covers key areas of reform through strengthened government financial support, legal, and regulatory framework, and expanded and efficiently implemented pipeline for PPP projects; and (ii) Facilitating Youth School-to-Work Transition Program to be approved in 2016, which will enhance employment facilitation programs, training systems, and labor market policies and regulations benefiting young people (footnote 12). Advancing policy reforms to the economy, market for infrastructure projects through PPPs, and labor markets to improve competitiveness will ensure a more sustainable and inclusive economic growth toward poverty reduction, which is the government's highest priority as defined under the PDP 2011–2016.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

48. The ICIG program was implemented as expected. The program and policy design was well aligned with the government's reform agenda under the PDP 2011–2016 and ADB's strategic objectives under the country partnership strategy 2011–2016 for the Philippines. Hence, the program was and is highly relevant during the program design and formulation as well as upon completion. The strong commitment from the government, carefully sequenced high-impact crosscutting structural policy reforms along with a package of deeper structural policy reforms in specific sectors, and highly effective coordination among executing and implementing agencies and development partners contributed toward successfully achieving the expected program outcome and outputs. These outcome and outputs are highly likely to be sustainable given the strong ownership and ongoing commitment from the government, and regular reviews under the post-program partnership framework. Overall, the program is rated *highly successful*.

B. Lessons

49. Several lessons can be derived from the performance evaluation of the ICIG program: First, continuous policy dialogues and developments are crucial for advancing and sustaining

the implemented reforms. The program accomplished this through periodic policy reviews, timely policy dialogue, providing appropriate technical assistance, being responsive to the changes of macroeconomic circumstances and government priorities, and effective coordination with other development partners. Second, policy-based programs can achieve better outcome through carefully sequenced high-impact crosscutting structural policy reforms along with a set of deeper sector-specific structural policy reforms. Third, thorough understanding of the capacity and readiness of the executing and implementing agencies along with proper timing and sequencing are imperative for reform success. Fourth, experimenting new strategies with pilot projects is essential for proper understanding and building stakeholder support for potential policy reforms. Fifth, adoption of rigorous impact evaluation was highly useful in assessing the impact of pilot program before successfully rolling out JobStart Philippines nationally. Sixth, greater use of the post-program partnership framework can be highly instrumental in supporting the sustainability of reforms under the program.

C. Recommendations

1. Program Related

50. **Future monitoring.** First, it is important to keep up the momentum on institutionalizing RIA by making it a mandatory practice, considering the benefits of systematic approach to reviewing regulations. The successful implementation of RIA requires a central focal point within the government to advocate and champion it across line ministries, and providing incentives and support for line ministries to implement the practice. Discussions need to continue on issuing an executive order for RIA institutionalization upon appointment of the next administration. Design and implementation of a national strategy for RIA will ensure consistent implementation of the practice across agencies. A RIA learning network among NEDA, DOLE, DOT, and any additional pilot agencies would promote enhanced collaboration and mutual learning. Given the recent introduction, a pilot agency approach for a longer period could be more appropriate to realistically and successfully institutionalize RIA practice across agencies. Second, considering the underinvestment in infrastructure, the continuation of reforms encouraging PPP remains crucial to enhance the competitiveness of the Philippines' economy. Further efforts are needed to address inadequate legal and regulatory framework, financing for government's share in PPP projects, access to finance through capital market and international commercial banks, infrastructure master plan, and institutional framework for developing PPP pipeline to boost PPPs in infrastructure. Third, a convergence of government programs facilitating employment could be considered under related future programs to avoid duplicating efforts and ensure a wider range of services (e.g., strengthening the coordination of appropriate government agencies with higher education, technical, and vocational institutions to provide proper education and training that is responsive to the demands of labor market).

51. **Additional assistance.** The possibility of changes in political leadership and policy priorities will require ADB's engagement in these areas to sustain the reform momentum. During the ICIG program ADB successfully built up the dialogue with the government on competition policy. Capitalizing on momentum gained from this dialogue, continued assistance will be needed to advance and sustain competition policy reforms. In institutionalizing RIA, further assistance can be provided to facilitate the legal and administrative mandate of assigning the central overseer role to NEDA. The youth employment program (JobStart Philippines) will require further support given its considerable potential to create jobs for young people from low-income households in the country. This can be provided through the forthcoming Facilitating Youth School-to-Work Transition Program. Additional financing from bilateral development partners will be explored.

2. General

52. Future programs should consider greater use of randomized impact evaluation. The ICIG program adopted a sex-disaggregated randomized impact evaluation to assess the effect of the JobStart Philippines pilot program on the employment performance of the young. The impact evaluation was conducted in partnership with the ADB Economics and Research Department and involved the participation of 4,300 young people. The rigorous impact evaluation of the pilot program provided the evidence to guide DOLE prior to the nationwide rollout of JobStart Philippines. Adoption of randomized impact evaluation can be highly useful in assessing program performance and enabling better-informed, evidence-based design of development interventions.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines		Data Sources and Reporting Mechanisms
	Appraisal	Actual	
<p>Impact Improved investment climate</p>	<p>By December 2018:</p> <p>(i) Philippines' ranking in global surveys of competitiveness improved by at least 15 places (2010 baseline); and</p> <p>(ii) youth full-time wage employment increased by an average of 5.0% per annum (2010 baseline: average 3.4% growth in 1991–2010).</p>	<p>(i) Overachieved: World Economic Forum's global competitiveness index increased by at least 38 places to 47th in 2015 from 85th in 2010.</p> <p>(ii) Not achieved: Youth full-time wage employment increased by 1.29% per annum during 2010–2015</p>	<p>World Economic Forum Global Competitiveness Report</p> <p>Heritage Foundation Index of Economic Freedom</p> <p>World Bank Group <i>Doing Business</i> reports</p> <p>National Statistics Office household labor force survey</p>
<p>Outcome Improved competitiveness of selected sectors</p>	<p>By December 2015:</p> <p>(i) number of people who found jobs through institutionalized PESOs increased by 10% per annum (2010 baseline: average 1,000 people per PESO);</p> <p>(ii) cost of rules and regulations for key licenses reduced by 15% (2014 baseline);</p> <p>(iii) Philippines ranking in global logistics performance index improved by at least 10 places (2010 baseline: rank 44 out of 155 countries); and</p>	<p>(i) Overachieved: Number of people who found jobs through institutionalized PESOs increased by 15% to 3,844 people per PESO during 2010–2015 from 1,936 people per PESO during 2005–2010</p> <p>(ii) Overachieved: The available baseline for business licensing survey is in 2015 and the follow up will be in 2018. As substitute, the World Bank <i>Doing Business</i> report ranking on the ease of doing business improved by 13 places from 108 in 2014 to 95 in 2015.</p> <p>(iii) Not achieved: World Bank's ranking in global logistics performance index dropped to 57th among 160 countries in 2014 from 44th among</p>	<p>DOLE annual PESO data</p> <p>ADB business licensing survey 2015</p> <p>World Bank Logistics Performance Index</p>

Design Summary	Performance Targets and Indicators with Baselines		Data Sources and Reporting
	(iv) Philippines ranking in global travel and tourism competitiveness index improved by at least 15 places (2011 baseline: rank 94 out of 139 countries).	155 countries in 2010; performance of infrastructure and customs (key focus under the ICIG program) improved while other sub-indicators deteriorated. (iv) Overachieved: World Economic Forum's travel and tourism competitiveness index increased by at least 20 places to 74th in 2015 from 94th in 2011.	World Economic Forum Travel and Tourism Competitiveness Report
Outputs 1. Structural policy reforms to the economy implemented	By December 2014: (i) at least three complaints of anticompetitive practices investigated (2011 baseline: no data); (ii) RIA piloted at five national departments or agencies, with at least 50% of focal persons women (2011 baseline: no data); (iii) at least 15 RIAs completed by all pilots (2011 baseline: no data); (iv) at least 50% of stakeholders consulted through the RIA process are women (2011 baseline: no data); (v) at least 90% of eligible value-added tax refunds made within the 120/60 day	(i) Overachieved: Received 21 complaints on anticompetitive practices. 7 were resolved and 14 were under investigation as of mid-2014 (ii) Overachieved: RIA piloted at 7 national departments and agencies (DOLE, DOT, NEDA, Philippine Commission of Sports SCUBA Diving, Tourism Infrastructure and Enterprise Zone, Philippines Retirement Authority, and Duty Free Philippines Corporation); 53% of focal persons were women (iii) Overachieved: 24 RIAs completed by all pilots. (iv) Overachieved: 55% of stakeholders consulted through the RIA process were women (v) Partly achieved: Processed 90% of eligible VAT refunds within the	Department of Justice, Office for Competition annual report Department administrative orders from DOLE, DOT, NEDA, and two others Published RIAs by agencies piloting RIA Completed RIA checklists DOF (Bureau of Internal Revenue) annual tax reports,

Design Summary	Performance Targets and Indicators with Baselines		Data Sources and Reporting
	<p>rule and encashment of all outstanding tax credit certificates completed (2011 baseline: no data);</p> <p>(vi) number of foreign tourist arrivals to Philippines increased by 10% per annum (1991–2010 baseline: estimate of long-term average); and</p> <p>(vii) increased container traffic at the Subic and Batangas ports (2010 baseline: Subic 34,318 TEU and Batangas 6,194 TEU).</p>	<p>120/60 day rule, encashment of 49% outstanding tax credit certificates to be completed as most taxpayers are yet to apply for VAT refund</p> <p>(vi) Achieved: Foreign tourist arrivals average annual growth rate increased by 10.2% from 2010 to 2015 compared to 6.3% from 1991 to 2010</p> <p>(vii) Overachieved: Increased container traffic at the Subic port to 77,177 TEU in 2014, and Batangas port to 100,000 TEU in October 2015</p>	<p>surveys of investors</p> <p>National statistics on tourism arrivals, National Statistics Office</p> <p>DOTC annual reports on Subic and Batangas port sales</p>
2. Market for infrastructure projects through PPPs strengthened	<p>By December 2014</p> <p>(i) six competitively tendered PPP projects, of which two are gender-responsive, are implemented (2011 baseline: no); and</p> <p>(ii) at least 100 staff members involved with PPP in DOF, NEDA, DBM, and line ministries trained in PPP, at least 30% of them women.</p>	<p>(i) Overachieved: Awarded 9 competitively tendered projects, 4 of them are gender responsive, 2 are completed and operational, 1 is under construction, 4 undergoing preconstruction activities, and 1 withdrawn.</p> <p>(ii) Overachieved: During December 2015 to March 2016, 108 staff members involved with PPP from DOF, NEDA, DBM, and line ministries were trained in PPP, 49% was female.</p>	<p>Government reports including from DOF, NEDA, and other line departments and agencies</p> <p>ADB technical assistance reports</p>
3. Competitive labor markets promoted	<p>By December 2014:</p> <p>(i) number of institutionalized PESOs with standard labor market information and employment intermediation systems in place increased to 100 (2011 baseline: 89);</p>	<p>(i) Overachieved: Number of institutionalized PESOs with standard labor market information and employment intermediation systems in place increased to 413 in 2015 from 65 in 2010.</p>	<p>DOLE and PESO annual reports</p>

Design Summary	Performance Targets and Indicators with Baselines		Data Sources and Reporting
	<p>(ii) at least 1,600 youths placed in internships through the JobStart Philippines pilot, of which 56% are female school leavers (2011 baseline: no data);</p> <p>(iii) at least 5,000 people accessed skills development through the PPP Tourism Industry Skills Development Program pilot, with at least 55% women workers (2011 baseline: no data); and</p> <p>(iv) 100 hotels accredited under the new national quality assurance system pilot (2011 baseline: no data).</p>	<p>(ii) Partly achieved: JobStart pilot included 1,820 out-of school youths of which 57% female, and produced 1,070 graduates, 688 internship placements, and 783 job placements (total 1,471 internship & job placements) right after completing training of which 51% are female</p> <p>(iii) Partly achieved: 5,212 trained under phase 1, 2,333 trained under phase 2, total of 7,545, with 50% female trainees</p> <p>(iv) Overachieved: Assessed 700 establishments under the new national quality assurance system, and ADB TA assisted 141 of them from four pilot regions</p>	<p>DOLE annual report on the JobStart Philippines pilot</p> <p>DOT annual report on the skills development pilot</p> <p>DOT data on hotel accreditation and annual report on the accreditation pilot</p>

Source: Asian Development Bank

PERFORMANCE OF SUBPROGRAM 1 POLICY ACTIONS

Policy Actions in Subprogram 1	Performance
A. Structural Policy Reforms to Promote Competitiveness	
1. Competition policy and regulatory efficiency	<p>Accomplished. The Government has implemented a series of measures to set the foundations for improved domestic competition, regulatory transparency and efficiency. These accomplishments included:</p> <ol style="list-style-type: none"> 1. Government started implementing regulatory review pilots in three departments. These steps included (i) Memorandum of Agreement (MoA) between, DOLE, and DOT to pilot regulatory impact assessment (RIA) programs, (ii) DOLE, and DOT designated RIA focal person(s), of which one of the two is a woman, and (iii) DOLE and DOT started drafting RIA work plans for 2012. a\ 2. Presidential Executive Order (EO) issued pronouncing Government commitment to promoting competition policy. The EO assigned the Department of Justice (DOJ) as the focal point and responsible for establishing a competition office. DOJ issued department order establishing the Office for Competition.
2. Competitive trade logistics	<p>Accomplished. The Government has introduced several measures to lower the cost of domestic trade logistics and facilitation with the aim of improving economy-wide competitiveness in the economy. These measures include:</p> <ol style="list-style-type: none"> 3. Presidential EO issued providing for increased “Open Skies” whereby Philippine Air Panels may offer and promote third, fourth and fifth freedom rights to the country’s airports other than Ninoy Aquino International Airport (NAIA) without restriction on frequency, capacity, and type of aircraft. b\ 4. The Government initiated reforms to the VAT refund system by shifting from the current tax credit certificate (TCC) system to the cash refund system. To this effort, P9.3 billion has been earmarked in the 2012 General Appropriations Act for VAT cash refund. 5. The Government continued to implement measures to improve trade facilitation. To this effort, the BOC included in its five year strategic plan (i) measures to design and develop the clearance-related e2m system project, and (ii) measures to align customs procedures to international standards under the ratified Revised Kyoto Convention on the simplification and harmonization of customs procedures. 6. To reduce congestion at the Manila port, the Government (through DOTC/PPA/SBMA) initiated a review of the strategic actions for improving Manila, Subic and Batangas ports utilization. PEZA issued circular providing incentives for improving port utilization at Batangas.

Policy Actions in Subprogram 1	Performance
	7. The Government (Department of Transportation and Communication DOTC) initiated a study on ways to harmonize vehicle regulations and certifications with ASEAN partners.
B. Creating an Efficient Market for Infrastructure Projects through Public-Private Partnerships	
3. Strengthening PPP policy, regulatory and institutional framework	<p>Accomplished. The Government implemented a series of measures to strengthen the PPP governance framework and capacity with the aim of improving service delivery. These accomplishments included:</p> <p>8. NEDA drafted amendments to the EO no 8 (dated 9 September 2010) to streamline functions of the PPP Center (PPPC) and strengthen the operations of the Project Development and Monitoring Facility (PDMF). Key features included (i) upgraded the PPPC Executive Director to the level of an undersecretary; (ii) clarified that the PDMF is a revolving fund for developing PPP projects; and (iii) strengthened oversight of the PDMF through setting up the PDMF Board. c/</p> <p>9. The PPPC established a panel of firms for fast-track selection of PPP project development consultants. The panel and the PDMF guidelines, approved by the PDMF Board, were published on the PPPC's website.</p> <p>10. Government (BOT IRR Committee) drafted and circulated amendments to the implementing rules and regulations (IRRs) of the Build-Operate-Transfer (BOT) law. Key features of the amended IRRs include clarifications on (i) the procedures for granting automatic franchise to the winning bidder; (ii) procedures for processing of unsolicited proposals; and (iii) the government guarantees for regulatory risks.</p> <p>11. The Government (through NEDA) submitted to Congress comments on the amendments to the BOT Law, including on increasing the number of days for Swiss challenge.</p> <p>12. The Government (NEDA) initiated review of (i) the government's PPP institutional set-up, and (ii) other PPP-related legislation to ensure harmonized legal and regulatory framework for PPPs.</p> <p>13. NEDA drafted amendments to 2008 guidelines on joint ventures to provide for inclusion of PPP projects following joint-venture arrangements into the review processes of the Investment Coordination Committee. This will be applied to joint-venture PPP projects with government contribution amounting to at least P150 million.</p>
4. Establishing long term financing and risk guarantee mechanisms	Accomplished. The Government introduced measures to provide for sustainable financing PPP projects. These

Policy Actions in Subprogram 1	Performance
	<p>accomplishments included:</p> <p>14. The Government allocated in the 2012 General Appropriations Act (GAA) P19.6 billion to the Strategic Support Fund (SSF) to support PPPs, and P161.0 million for PDMF to finance preparation of PPP projects. The NEDA Board (ICC) has issued the guidelines for the SSF.</p> <p>15. The Department of Finance initiated two studies to develop policy on: (i) the identification of risks, management and funding of contingent liabilities arising from PPP projects and (ii) the mechanisms on government financing of its share (e.g., right-of-way acquisition, resettlement costs) in PPP projects.</p>
<p>C. Promoting Competitive Labor Markets</p>	
<p>5. Improving labor market information and employment intermediation systems</p>	<p>Accomplished. The Government implemented a series of measures to address the challenge of job and skills mismatch in the labor market. Through the Human Development and Poverty Reduction Cluster, the government has developed a governance framework and identified convergent programs to address mismatch in the labor market. These accomplishments included the following:</p> <p>16. The Government (through DOLE) continued advocating the institutionalization of the Public Employment Service Offices (PESOs) at the LGU level. As of December 2011, 89 PESOs were institutionalized placing approximately 96,000 persons in jobs. d\</p> <p>17. The Government (through DOLE) drafted publications on labor market information including: (i) skills report providing information (LMI) on skills needs of the tourism and BPO sectors over the medium term; and (ii) industry career guides containing critical indicators on the employment potentials of key industries over the medium term.</p>
<p>6. Promoting industry-led skills and service standards development</p>	<p>Accomplished. The Government (Through DOT) implemented a set of interventions to raise industry-led skills and service industry standards. The measures include:</p> <p>18. The Government (through DOT) established the Tourism Skills Development Program, which includes the Tourism Skills Grant Scheme. By June 2014, 26 grants were awarded to industry in the four pilot areas of Bohol, Cebu, Davao and Palawan under the first phase of the scheme. 4,300 workers are being trained by industry under the scheme, including for MRA under ASEAN. Approximately 46% trainees are women.</p> <p>19. The Government (through DOT) established and implemented the new hotel and resorts five Star rating system, which is aligned to international standards. International and national third party assessors were engaged to grade hotels and resorts. A total of 693 hotels and resorts have been assessed for</p>

Policy Actions in Subprogram 1	Performance
	ratings in 2014, of which 141 hotels and resorts were graded by international third party assessors in the four pilot areas.
7. Strengthening employment policies and programs	<p>Accomplished. The Government with relevant stakeholders continued developing policy and programs for employment facilitation including:</p> <p>20. The Government (through DOLE) carried out a stock take of 40 government wide income support programs for workers and posted on DOLE website.</p> <p>21. The Government (through DOLE and TESDA) carried out preliminary impact evaluations on selected employment programs including the Special Program for Employment of Poor Student (SPES) and the apprenticeship program. Suggestions for improvements made.</p> <p>22. DOLE Social protection results framework established and targets the following outcomes: (i) employability of workers enhanced and (ii) social protection for vulnerable workers strengthened</p>

ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, BIR = Bureau of Internal Revenue, BOC = Bureau of Customs, DBM = Department of Budget and Management, DOF = Department of Justice, DOJ = Department of Justice, DOLE = Department of Labor and Employment, DOTC = Department of Transportation and Communications, GOJ = Government of Japan (JICA and Embassy of Japan), GOP = Government of the Philippines, LGU = local government units, NEDA = National Economic and Development Authority, PDMF = Project Development and Monitoring Facility, PPPC = Public-Private Partnership Center, VAT = Value Added Tax.

Source: Asian Development Bank.

PERFORMANCE OF SUBPROGRAM 2 POLICY ACTIONS

Policy Actions in Subprogram 2	Performance
A. Implementing Structural Policy Reforms to the Economy	
1. Enhancing competition policy and regulatory efficiency	<p>Accomplished. The Government started implementing reforms to competition policy, regulatory transparency and efficiency. These included:</p> <ol style="list-style-type: none"> 1. The Government (through NEDA) established the Governance Staff division with responsibilities to advocate RIA in government. 2. DOLE and DOT implemented RIA work plans and completed 10 regulatory impact assessments. DOT extended RIA program to two attached agencies (scuba diving commission and Philippine retirement authority). DOLE developed the e-Regulations portal for public consultations and publication of RIAs. 3. The Government (through Department of Justice) established the Office for Competition (OFC) by designating 17 staff and a 2014 budget of P10 million. Capacity development activities implemented.
2. Promoting competitive trade logistics	<p>Accomplished. The Government started implementing reforms aimed at lowering the transaction costs to doing business and trade. These include:</p> <ol style="list-style-type: none"> 4. Government abolished the common carriers tax (CCT) on passenger revenues (RA 10378). 5. As an interim, emergency measure to decongest container traffic at the Port of Manila, Presidential Executive Order 172 was issued providing for redirection of container traffic from the Port of Manila to the Subic Freeport and the Port of Batangas. 6. Government (DOF/BIR) reformed its VAT refund by (i) issued Presidential EO 68-A which replaced TCCs with cash refunds for new rebates and instructs an encashment for existing TCCs, (ii) BIR issued Circular 52-2014 clarifying process and administration of claims or VAT refund, (iii) The 2014 GAA allocated P8.8 billion to BIR and P6.5 billion to BOC for VAT cash refunds.
B. Strengthening the Market for Infrastructure Projects through Public-Private Partnerships	
3. Strengthening PPP policy, regulatory and institutional framework	<p>Accomplished. The Government continued strengthening the PPP policy and regulatory framework. These measures included:</p> <ol style="list-style-type: none"> 7. EO 136 (May 2013) issued that institutionalized the PPP framework by (i) established the PPP Governing Board as the overall policy-making body on PPPs of the PDMF and (ii) strengthened the operations of the PDMF. 8. Sixteen (16) feasibility studies for PPP projects prepared with support of the PDMF and with completed gender responsive check lists.

Policy Actions in Subprogram 2	Performance
	<p>9. The Government (through the PPP Governing Board) cleared comprehensive PPP manuals for national government agencies and local government units, and guidelines for PPPs in health, education and agriculture sectors.</p> <p>10. The Government (NEDA, PPPC) completed initiatives to enhance capacity of PPPC. These included: (i) signed MOA with the University of New South Wales, Australia, for establishing a twinning partnership and (ii) 195 staff members involved with PPP in DOF, NEDA, DBM, and line ministries trained in PPP, of which 56% are female.</p> <p>11. Government (through the PPPC) completed review of PPP-related legislation and recommended proposed amendments to the BOT law to harmonize with the PPP framework.</p> <p>12. NEDA approved amendments to 2008 guidelines on joint ventures. Amended guidelines issued (May 2013) and published on PPPC and NEDA websites.</p>
<p>4. Establishing long term financing and risk guarantee mechanisms</p>	<p>Accomplished. The Government continued adoption of measures to provide sustainable financing and risk guarantee mechanisms for PPP projects. These included:</p> <p>13. The Government (Department of Budget and Management) allocated in the 2013 GAA P8.1 billion (DPWH – P3b, DOTC – P5.1b) to SSF for PPPs and P632 million for PDMF.</p> <p>14. The Government allocated P20 billion in the GAA to cover contingent liabilities arising from PPPs in 2014.</p> <p>15. The Department of Finance completed and submitted to the PPP GB the policy paper on the government’s share in PPP projects. Paper disclosed on PPPC website.</p>
<p>C. Promoting Competitive Labor Markets</p>	
<p>6. Improving labor market information and employment intermediation systems</p>	<p>Accomplished. The Government implemented several capacity development activities to strengthen delivery of labor market services to local communities. These included the following activities:</p> <p>16. The Government (through DOLE) designed and commenced implementation of JobStart Philippines pilot project - a youth employment program - by: (i) signed MoAs with four local government units to pilot JobStart Philippines through their PESOs, (ii) the intake of 1,600 out-of-school youth into JobStart Philippines commenced in June 2014, of which 56% are young women, and (iii) established a sex-disaggregated randomized impact evaluation of JobStart Philippines.</p> <p>17. The Government (through DOLE) continued capacity development at selected PESOs for effective service delivery at the LGU level by (i) designed gender-sensitive manual for career guidance and (ii) developed a LMIS action plan and began</p>

Policy Actions in Subprogram 2	Performance
7. Promoting industry-led skills and service standards development	<p>implementing it in the four pilot LGUs.</p> <p>Accomplished. The Government (Through DOT) implemented a set of interventions to raise industry-led skills and service industry standards. The measures include:</p> <p>18. The Government (through DOT) established the Tourism Skills Development Program, which includes the Tourism Skills Grant Scheme. By June 2014, 26 grants were awarded to industry in the four pilot areas of Bohol, Cebu, Davao and Palawan under the first phase of the scheme. 4,300 workers are being trained by industry under the scheme, including for MRA under ASEAN. Approximately 46% trainees are women.</p> <p>19. The Government (through DOT) established and implemented the new hotel and resorts five Star rating system, which is aligned to international standards. International and national third party assessors were engaged to grade hotels and resorts. A total of 693 hotels and resorts have been assessed for ratings in 2014, of which 141 hotels and resorts were graded by international third party assessors in the four pilot areas.</p>
8. Strengthening employment policies and programs	<p>Accomplished. The Government with relevant stakeholders continued developing policy and programs for employment facilitation including:</p> <p>20. The Government (through DOLE) carried out a stock take of 40 government wide income support programs for workers and posted on DOLE website.</p> <p>21. The Government (through DOLE and TESDA) carried out preliminary impact evaluations on selected employment programs including the Special Program for Employment of Poor Student (SPES) and the apprenticeship program. Suggestions for improvements made.</p> <p>22. DOLE Social protection results framework established and targets the following outcomes: (i) employability of workers enhanced and (ii) social protection for vulnerable workers strengthened.</p>

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Source: Asian Development Bank.

ASSESSMENT OF POST-PROGRAM PARTNERSHIP FRAMEWORK, 2014–2016

Policy Measures under the Post Program Partnership	Assessment of Performance
<p>Implementing Structural Policy Reforms to the Economy</p> <ol style="list-style-type: none"> 1. Presidential EO approved. NEDA (through the Governance Staff) starts roll out of RIA practice in the national government. 2. DOT implements its tourism red tape reduction program, which incentivizes selected LGUs through the grants mechanism to reduce business-related red tape in the four pilot areas. 3. Government (through the Department of Justice) continues to enhance capacity at the competition office and reports on investigations into complaints of anti-competitive practices. 4. The Government (through DOTC/PPA/SBMA) approved the ports utilization plan and enhanced port sales. 	<p>Ongoing</p> <p>Considerable progress was achieved and the government is continuing its efforts</p>
<p>Strengthening the Market for Infrastructure Projects through Public-Private Partnerships</p> <ol style="list-style-type: none"> 1. BOT Law amended, and implementing rules and regulations to the amended BOT law issued. 2. PPP Center adequately staffed and at least 5 PDMF-supported projects are approved by ICC annually 	<p>Overly accomplished</p> <p>Undertaken by the Expanding Private Participation in Infrastructure Program¹³</p>
<p>Promoting Competitive Labor Markets</p> <ol style="list-style-type: none"> 1. JobStart Philippines pilot program completed and impact evaluation published. 2. Government (through DOLE) prepares a five year program for nationwide rollout JobStart Philippines with a target of placing up to 100,000 out-of-school youth into employment per annum by 2019. 3. Government completes the second phase of the Tourism Skills Grant Scheme with at least 2,500 workers accessing training under the grants scheme. 4. Government provides budgetary financing to DOT for the national rollout of the Tourism Skills Grants scheme in 2016 on a sustainable basis. 	<p>Successful</p> <p>Will be adopted by the forthcoming Facilitating Youth School-to-Work Transition Program¹⁴</p>

¹³ ADB. 2015. *Report and Recommendation of the President to the Board of Directors: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for Expanding Private Participation in Infrastructure Program*. Manila.

¹⁴ ADB. 2016. *Concept Paper: Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1 to the Republic of the Philippines for Facilitating Youth School-to-Work Transition Program*. Manila.

Policy Measures under the Post Program Partnership	Assessment of Performance
<p>5. Government expands tourism standards including: (1) complete the full rollout of Hotel and Resorts Star rating system (approximately 6000 enterprises), (ii) roll out the new “Tourism Service Quality” standards to supplement the Hotel and Resorts standards, and (iii) extend quality standards to bed and breakfast accommodation, guest houses, tourist inns and pension houses.</p> <p>6. Government (through DOLE) strengthens policies and programs to help shorten the school-to-work transition for at-risk youth by, for example, strengthening the framework for apprenticeships, improvements to SPES, among others.</p>	

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Source: Asian Development Bank

STATUS OF COMPLIANCE WITH LOAN COVENANTS

Covenant	Reference in Loan Agreement	Status of Compliance
Subprogram 1		
The Borrower shall cause Subprogram 1 to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and good governance practices.	LA, Article IV, Section 4.01 (a)	Complied with. All policy actions under Subprogram 1 were accomplished and there is continuous dialogue between ADB and the government.
In the carrying out of Subprogram 1, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.	LA, Article IV, Section 4.01 (b)	Complied with.
The Borrower shall make available, promptly as needed, the funds, facilities, services and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of Subprogram 1.	LA, Article IV, Section 4.02	Complied with. Budget support was provided to line ministries responsible for each policy action.
The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of Subprogram 1 are conducted and coordinated in accordance with sound administrative policies and procedures.	LA, Article IV, Section 4.03	Complied with. Activities were done in accordance with national laws and regulations.
The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items, if applicable, financed out of the proceeds of the Loan and to indicate the progress of Subprogram 1.	LA, Article IV, Section 4.04 (a)	Complied with. Financial management of funds and recording was according to accepted accounting standards and COA's regulations.
The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.	LA, Article IV, Section 4.04 (b)	Complied with.
As part of the reports and information referred to in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of Subprogram 1, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter and the Policy Matrix.	LA, Article IV, Section 4.05 (a)	Complied with.
Without limiting the generality of the foregoing or Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB semiannual reports on the carrying out of Subprogram 1 and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter and the Policy Matrix.	LA, Article IV, Section 4.05 (b)	Partially complied with. No semiannual reports were submitted; however, progress was assessed by the ADB team through frequent discussions with the government.
Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Borrower shall have the Deposit Account audited by independent	LA, Schedule 3, para. 4 (b)	Complied with.

Covenant	Reference in Loan Agreement	Status of Compliance
auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.		
Implementation Arrangements. The Program Executing Agency shall be responsible for the overall implementation of Subprogram 1 and MTRF. The Program Implementing Agencies shall be responsible for the day-to-day implementation of Subprogram 1.	LA, Schedule 5, para. 1	Complied with. DOF as executing agency oversees the overall implementation of subprogram 1 and accomplishment of the policy actions through the various line ministries.
Program Coordination and Consultations. The Borrower shall ensure that DOF coordinates with Program Implementing Agencies and meet with them if needed, on an ad hoc basis, to monitor progress and to ensure effective implementation of the reforms proposed under Subprogram 1. The Borrower shall also cause the National Competitiveness Council to consult with the key chambers of commerce, including Japanese Chamber of Commerce and Industries Inc., Joint Foreign Chambers of Commerce and other chambers to provide feedback to the Program Executing Agency and Program Implementing Agencies on Program implementation, impact, and other issues effecting competitiveness.	LA, Schedule 5, para. 2	Complied with. This is part of the government system of coordination.
Policy Actions and Dialogue. The Borrower shall ensure that all policies adopted and actions taken under Subprogram 1, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program and subsequently.	LA, Schedule 5, para. 3	Complied with. Actions undertaken are still being implemented and part of the post-program long-term government strategy.
The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of Subprogram 1 and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.	LA, Schedule 5, para. 4	Complied with.
Governance and Anticorruption. The Borrower, the Program Executing Agency and the Program Implementing Agencies shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	LA, Schedule 5, para. 5	Complied with.
Monitoring and Review. The Borrower shall provide	LA, Schedule	Complied with.

Covenant	Reference in Loan Agreement	Status of Compliance
ADB with the opportunity to review and comment on relevant studies, draft legislation, decrees, orders, rules and regulations which may likely impact the objectives and implementation of the Program.	5, para. 6	
Subprogram 2		
The Borrower shall cause the Program to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business and development practices.	LA, Article IV, Section 4.01 (a)	Complied with. All policy actions under subprogram 2 were accomplished and there is continuous dialogue between ADB and the government.
In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.	LA, Article IV, Section 4.01 (b)	Complied with.
The Borrower shall make available, promptly as needed the funds, facilities, services, and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Program and for the operation and maintenance of the Program facilities.	LA, Article IV, Section 4.02	Complied with. Budget support was provided to line ministries responsible for each policy action.
The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Program are conducted and coordinated in accordance with sound administrative policies and procedures.	LA, Article IV, Section 4.03	Complied with. Activities were done in accordance with national laws and regulations.
The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to indicate the progress of the Program.	LA, Article IV, Section 4.04 (a)	Complied with. Financial management of funds and recording was according to accepted accounting standards and COA's regulations.
The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.	LA, Article IV, Section 4.04 (b)	Complied with.
As part of the reports and information referred to in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.	LA, Article IV, Section 4.05	Complied with.
Implementation Arrangements. The Program Executing Agency shall be responsible for the overall implementation of the Programmatic Approach, PPPF, and MTDR. The Program Implementing Agencies shall be responsible for the day-to-day implementation of the Programmatic Approach.	LA, Schedule 4, para. 1	Complied with. DOF as executing agency oversees the overall implementation of subprogram 1 and accomplishment of the policy actions through line ministries.
Policy Actions and Dialogue. The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Programmatic Approach.	LA, Schedule 4, para. 2	Complied with. Actions undertaken are still being implemented and part of the post-program long-term government strategy. The

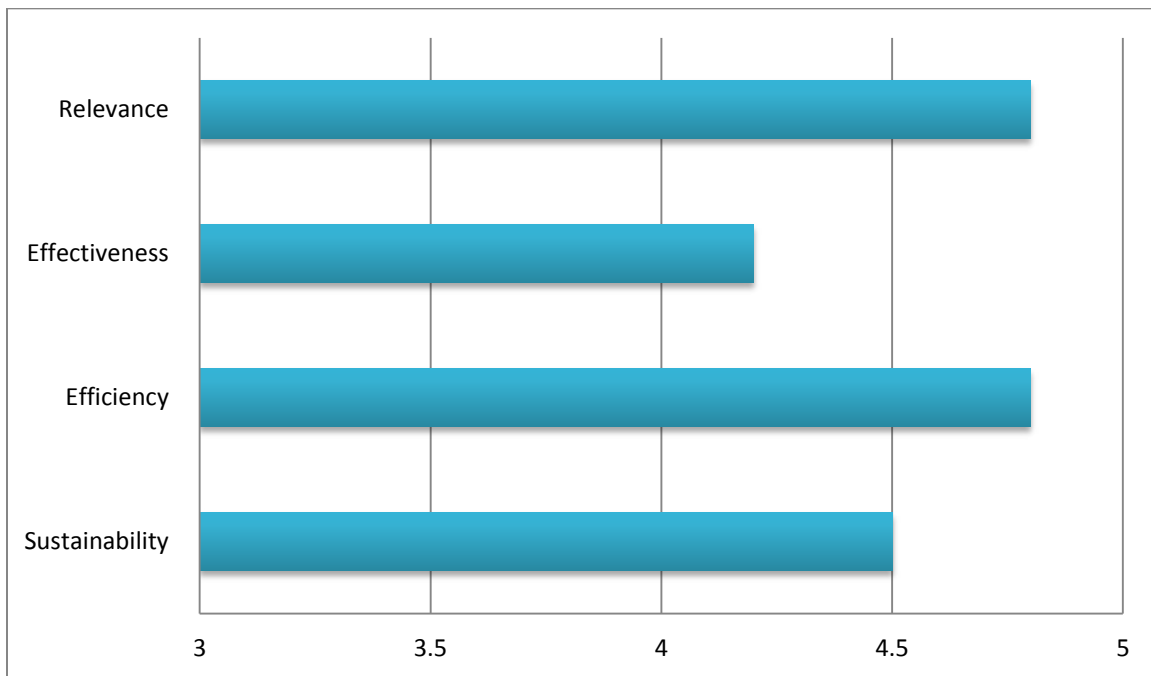
Covenant	Reference in Loan Agreement	Status of Compliance
		JobStart Philippines bill is also in the process of being ratified.
The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.	LA, Schedule 4, para. 3	Complied with.
Use of Counterpart Funds. The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of certain programs and activities consistent with the objectives of the Program.	LA, Schedule 4, para. 4	Complied with.
Governance and Anticorruption. The Borrower, the Program Executing Agency, and the Program Implementing Agencies shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.	LA, Schedule 4, para. 5	Complied with.
Monitoring and Review. The Borrower shall provide ADB with the opportunity to review and comment on relevant studies, draft legislation, decrees, orders, rules and regulations which may likely impact the objectives and implementation of the Program.	LA, Schedule 4, para. 6 (a)	Complied with.

GOVERNMENT SURVEY RESULTS

1. ADB designed a survey questionnaire as a part of the completion report process to gather the views of the executing and implementing agencies on the performance of the ICIG program. The survey was implemented in April 2016 and completed by senior policy makers from the DOF, DOLE, DOT, and NEDA. The survey addressed the relevance of the program in supporting the development priorities of the government, effectiveness in achieving the expected outcome (improved competitiveness of selected sectors), efficiency of ADB in managing the program and supporting the outcome and outputs, and the likelihood of its longer-term sustainability. The rating scale of the survey ranged from 1 (highly negative perception) to 5 (highly positive perception). The assessment scores were determined as follows: 3.0 and below (not relevant, effective, efficient, sustainable), above 3.0 to 4.0 (relevant, effective, efficient, sustainable), and higher than 4.0 (highly relevant, effective, efficient, sustainable). The survey provided an opportunity for the government to suggest ICIG program features to be retained, abandoned, or added if another program were to be designed to supporting their priorities aimed at employment generation.

2. **Summary results.** The government rated the ICIG program as follows: highly relevant (4.8), highly effective (4.2), highly efficient (4.8), and highly likely to be sustainable (4.5).

Figure A6.1: Summary Results of Program Performance

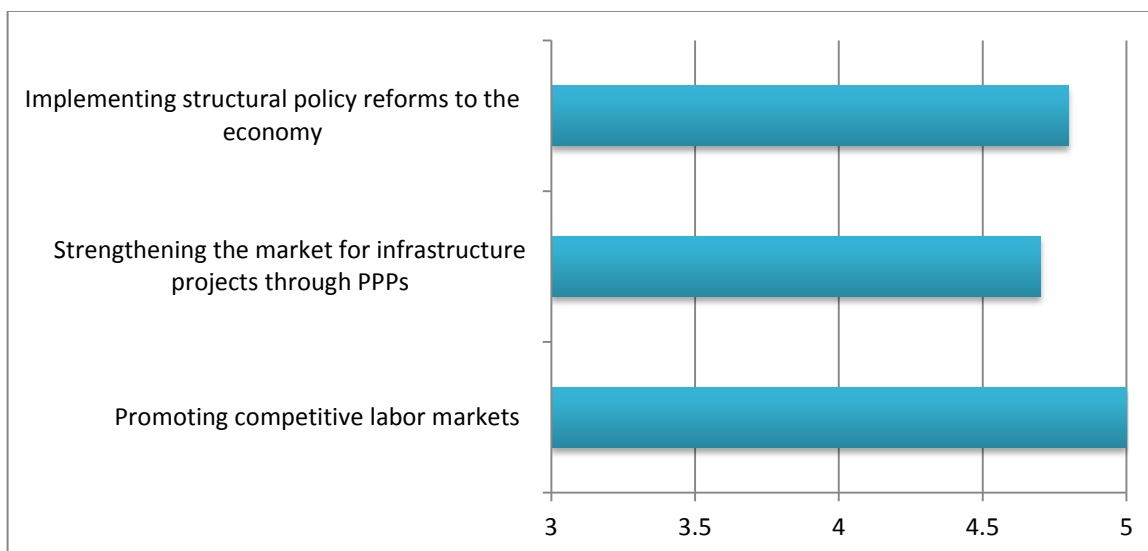


Source: Program Completion Report Survey, Government of the Philippines.

3. **Relevance to the government's goals of employment generation.** The program was highly relevant in supporting the priorities of the government with an overall rating of 4.8 (Figure A6.2). Output 1 (implementing structural policy reforms to the economy) was rated 4.8, output 2 (strengthening the market for infrastructure projects through PPPs) was rated 4.7, and output 3 (promoting competitive labor markets) was rated 5.0. The program was aligned with PDP 2011–2016 and the ADB country partnership strategy, 2011–2016 for the Philippines. The program design included high-impact and crosscutting structural policy reforms for a wide range of sectors along with a package of deeper structural policy reforms to assist in the development of

specific leading sectors such as tourism, logistics, and infrastructure by carefully considering the knowledge and capacity of the executing and implementing agencies.

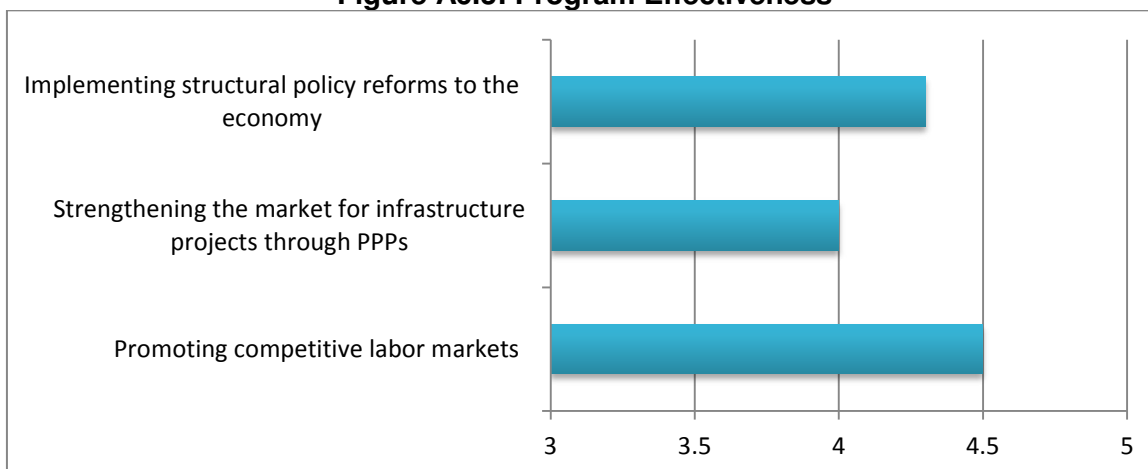
Figure A6.2: Program Relevance



Source: Program Completion Report Survey, Government of the Philippines.

5. **Effectiveness in achieving expected outcome of an improved competitiveness of selected sectors.** The program was rated *highly effective* with an overall score of 4.3 (Figure A6.3). Individually, output 1 (implementing structural policy reforms to the economy) was rated *highly effective* (4.3), output 2 (strengthening the market for infrastructure projects through PPPs) was rated *effective* (4.0), and output 3 (promoting competitive labor markets) was rated *highly effective* (4.5). The successful achievement of all the three outputs exceeded the expectations set out in the design and monitoring framework of the program.

Figure A6.3: Program Effectiveness



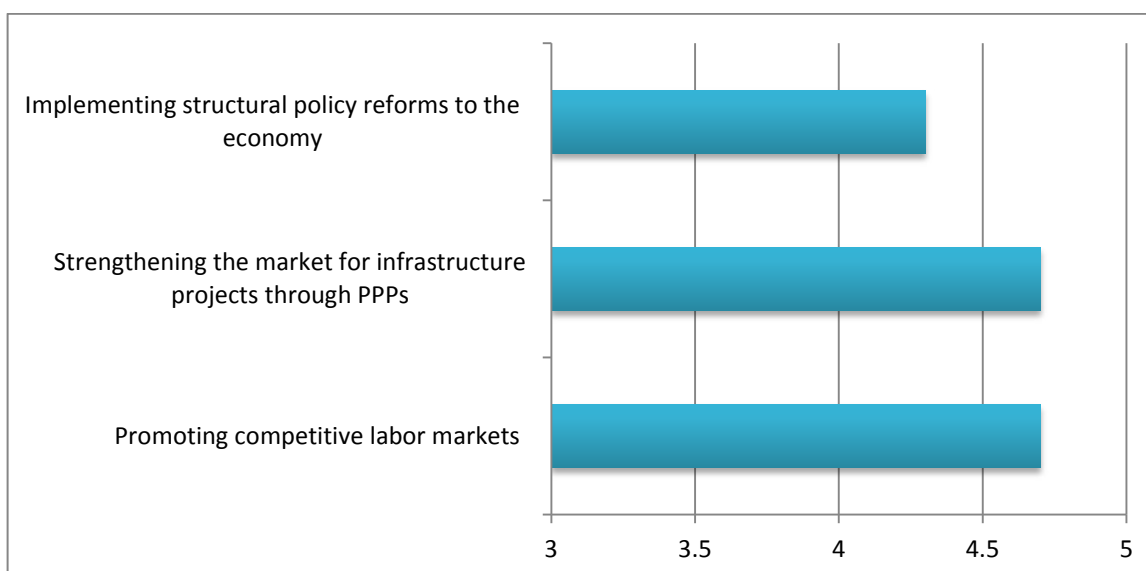
Source: Program Completion Report Survey, Government of the Philippines.

6. **ADB efficiency in managing the program and achieving outcome and outputs.** In the survey questionnaire provided to the executing and implementing agencies, six questions focused on the performance of ADB in managing the program and achieving the outcome and

outputs. These included periodic policy reviews and meeting loan processing schedules, timely policy dialogue on program triggers and milestones, providing appropriate technical assistance, responsiveness to the changes in macroeconomic circumstances, and coordination with other development partners. The government rated ADB to be *highly efficient* in managing the program by providing an overall score of 5.0.

7. **Sustainability of the program's outcome and outputs.** The survey requested the government's view on the sustainability of reforms under the program. As highlighted in Figure A6.4, all three program outputs scored higher than 4.0 (*highly likely to be sustainable*). Output 1 (implementing structural policy reforms to the economy) was rated 4.3, output 2 (strengthening the market for infrastructure projects through PPPs) was rated 4.7, and output 3 (promoting competitive labor markets) was rated 4.7, hence an overall rating of 4.5 for program sustainability. The program supported the government reforms on competition policy and regulatory efficiency, strengthening and institutionalizing PPP policy framework, and designing and implementing JobStart Philippines to improve labor market information and employment information systems, which are aligned with PDP 2011–2016.

Figure A6.4: Program Sustainability



Source: Program Completion Report Survey, Government of the Philippines.

8. The government shared lessons from the program in the survey. The government appreciated the timely support to its development agenda, the catalytic role played by the program toward certain major reforms, program flexibility and responsiveness to the changes in external environment and policy priorities, close coordination and collaboration with other development partners, and timely loan processing. The government suggested areas to be considered in future programs to support employment generation, and these included looking at approaches to (i) establish a RIA learning network among pilot agencies to promote learning and collaboration, (ii) provide assistance to facilitate legal and administrative mandate to institutionalize RIA ensuring the role of NEDA as the central overseer, (iii) continue with regional TA demonstrating operationalization of RIA in ASEAN context, (iv) strengthen coordination with government agencies and converge programs facilitating job creation to avoid duplication and ensure wider range of services, and (v) implement a monitoring and evaluation system and build capacity to institutionalize JobStart Philippines. The government recognized the importance of

the post-program partnership framework to continue engagement of policy in these areas. The government also provided suggestions in this context for ADB to further strengthen its role as a leading development partner, and these included continued support, integration of more international experiences, and enhanced flexibility in the next program while considering and aligning with the policy developments of the next administration.

CONTRIBUTION TO THE ADB RESULTS FRAMEWORK

No.	Level 2 Results Framework Indicators (Outputs and Outcomes)	Targets	Methods/Comments
1	None	None	The Increasing Competitiveness For Inclusive Growth Program contributed to the government's key reform priorities aimed at employment generation by increasing competitiveness in the economy using an inclusive approach through the labor market.

Source: Asian Development Bank