

JICA Country Analysis Paper  
for  
the Republic of the Philippines

Japan International Cooperation Agency  
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JICA Country Analysis Paper (JCAP) is a document in which JICA analyzes countries from the viewpoint of development and is to be utilized in considering and providing effective cooperation to ODA recipient countries. JCAP also provides information to the Government of Japan in formulating aid policies such as “Country Assistance Policy”. Nonetheless, it should be noted that actual cooperation and implementation of projects are considered and determined in accordance with policies of the Government of Japan, budget of each fiscal year, and external environments surrounding the project, among others.

## Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BDP	Bangsamoro Development Plan
BIAF	Bangsamoro Islamic Armed Forces
BIM/CIM	Building / Construction Information Modeling, Management
BPDA	Bangsamoro Planning and Development Authority
BPO	Business Process Outsourcing
BTA	Bangsamoro Transition Authority
CCUS	Carbon dioxide Capture, Utilization and Storage
DBM	Department of Budget and Management
DOH	Department of Health
DOTr	Department of Transportation
DPWH	Department of Public Works and Highways
DRRM	Disaster Risk Reduction and Management
DX	Digital Transformation
EWBS	Emergency Warning Broadcast System
FOIP	Free and Open Indo-Pacific
FVC	Food Value Chain
GCR	Greater Capital Region
GDP	Gross Domestic Product
GHG	Green House Gas
GNI	Gross National Income
ICT	Information and Communication Technology
IFPs	Infrastructure Flagship Projects
IoT	Internet of Things
ITS	Intelligent Transport Systems
IMF	International Monetary Fund
JDS	The Project for Human Resource Development Scholarship
JETRO	Japan Export Trade Organization
KEXIM- EDCF	Export-Import Bank of Korea Korea Economic Development Co-operation Fund
LEAP	Leading Asia's Private Infrastructure Fund
LGU	Local Government Unit
MDA	Maritime Domain Awareness
MILF	Moro Islamic Liberation Front

M/P	Master Plan
NAIA	Ninoy Aquino International Airport
NAP	National Adaptation Plan
NDC	Nationally Determined Contribution
NEDA	National Economic and Development Authority
NPA	New People's Army
NSSMP	National Sewerage and Septage Management Program
O&M	Operation and Maintenance
PAGs	Private Armed Groups
PCG	Philippine Coast Guard
PDP	Philippines Development Plan
PPP	Public-Private Partnership
PSE	Private Sector Engagement
PUV	Public Utility Vehicles
SDGs	Sustainable Development Goals
SONA	The State of the Nation Address
STEP	Special Terms for Economic Partnership
TOD	Transit Oriented Development
TVET	Technical and Vocational Education and Training
UHC	Universal Health Care
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USAID	U.S. Agency for International Development
WEF	World Economic Forum
WHO	World Health Organization

## List of Authors

Chapter	Name	
Overall supervision	KIDO Takehiro	
Chapters 1-3	NISHII Yosuke	
Chapter 4	Quality Infrastructure Development in the Greater Capital Region	FURUICHI Yuko, SATO Moeka, SUZUKI Takeshi, MATSUKAWA Satoshi, ARAMAKI Risa
	Infrastructure Development for Developing Regional Centers	SATO Moeka, KOBAYASHI Chihiro, HIJIKATA Yuji, James Kazumori Watson, SHINGUCHI Shintaro, ARAMAKI Risa
	Industrial Promotion and Investment Environment Development	SUZUKI Takeshi, KOBAYASHI Chihiro, SHINGUCHI Shintaro, FURUICHI Yuko, AOKI Nobuhiko
	Productivity Improvement and High- Value Addition in Agriculture	FURUICHI Yuko, HIJIKATA Yuji, MATSUKAWA Satoshi
	Climate Change Measures, Disaster Risk Reduction and Management, and Environmental Management	AOKI Nobuhiko, IIDA Yohei, James Kazumori Watson, SHINGUCHI Shintaro
	Enhancement of Law Enforcement Capacity through Public Safety /Counter Terrorism Measures	SATO Moeka, FURUICHI Yuko
	Promotion of Human and Social Development	KOBAYASHI Chihiro, ARAMAKI Risa, IIDA Yohei
	Peace, Stability, Growth and Development in Mindanao	SHINGUCHI Shintaro, OCHIAI Naoyuki, AOKI Nobuhiko, KOBAYASHI Chihiro
	Railways	SUZUKI Takeshi, MATSUKAWA Satoshi, SATO Moeka, FURUICHI Yuko
	Roads and Other Transportation	ARAMAKI Risa
	Information and Communications/Digitalization	SHINGUCHI Shintaro, FURUICHI Yuko
	Energy (Electricity, Renewable/New Energy)	AOKI Nobuhiko, James Kazumori Watson
	Disaster Risk Reduction and Management	IIDA Yohei, AOKI Nobuhiko
	Water and Environmental Management	James Kazumori Watson, AOKI Nobuhiko
	Health	KOBAYASHI Chihiro, ARAMAKI Risa
	Education and Industrial Human Resource Development	ARAMAKI Risa, KOBAYASHI Chihiro, IIDA Yohei, AOKI Nobuhiko
	Cross-sector	NISHII Yosuke
Chapter 5	NISHII Yosuke	

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The basic policy (overall goals) of the current Country Development Cooperation Policy for the Republic of the Philippines (April 2018) sets out the aim of “realizing inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy” with the three priority areas of “strengthening a foundation for sustainable economic growth,” “ensuring human security for inclusive growth,” and “peace and development in Mindanao.” Also, with the formulation of the “JICA Country Analysis Paper for the Republic of the Philippines” (hereinafter “JCAP”) in July 2020, JICA established similar policies and priority areas, and has carried out cooperation in various fields.

Considering the time of the revision of the JCAP was three years ago (2020), there have been significant changes in the domestic and international socio-economic environments facing the Philippines. Thus, it is necessary to reaffirm the significance of cooperation in response to these changes.

Further, marking the 50<sup>th</sup> anniversary of Japan-ASEAN diplomatic relations in 2023 and marking the 70<sup>th</sup> anniversary of the start of Japan’s ODA in 2024, it provides an important perspective in considering longer-term trends accounting for the achievements of past cooperation. For example, looking at Japan-Philippines relations 50 years from now, it is expected that the Philippines will become an even more important neighboring partner country for Japan in various aspects. With the Philippines’ economy becoming roughly a similar size to that of Japan, a deepening interdependence is expected, including labor and human resources, sharing basic values and interests in diplomacy and security, among others. In light of these factors, it is extremely important to strengthen and evolve mutual trust between the two countries, hence, the necessity to review the JCAP to align with these current and foreseen circumstances.

(Changes in the surrounding environment and situation of the Philippines)

The Philippines continues to face many development challenges such as vulnerability of the investment environment/infrastructure, natural disaster risks, human development/domestic disparity, etc. However, with the previous JCAP revision, there have been increasingly “complex crisis” within the global context which has provided the Philippines with more diverse and complex challenges such as infectious disease, including the global COVID-19 pandemic, climate change, as well as increasing geopolitical risks such as soaring prices associated with conflicts in Ukraine, Gaza, China-Taiwan relations, and territorial water issues in the South China Sea, etc.

On another note, the Philippines is expected to reach an Upper Middle-Income Country (UMIC) status as early as 2025 (as the earliest possible scenario) which is also in line with the Government of the Philippines’ target to achieving UMIC by 2025. After a certain period of transition once the country is declared as UMIC, certain conditions of cooperation will change, such as ineligibility of tied loans, including Special Terms for



Economic Partnership (STEP) for ODA. With the likelihood of a relative decline in concessional financing provided to the Philippines in the future, the ability of the Government of the Philippines to carry out its roles and responsibilities will be increasingly tested as it is required to work closely with the private sector and to improve the business and investment environment.

Currently, the Philippines is enjoying the longest demographic dividend (a period in which the proportion of working-age population to the total population is increasing) among major ASEAN countries and is in the process of rapid economic expansion. According to UN population projections, Philippines' population is expected to grow by approximately 50% over the next 50 years which is approximately 180 million people. While some projections, such as that of Goldman Sachs, expects the country's GDP to grow placing the country's economy to 14<sup>th</sup> in the world by 2075 (Japan is forecasted to be ranked 12<sup>th</sup>). As such, the Philippines is expected to increasingly grow its importance as a neighboring country. Promoting inclusive development with a focus on its people so that nobody is left behind will ultimately play an important role in the stability of the Philippines and, consequently, for the stability of Japan.

(Changes in systems and policy directions in the Philippines)

At the end of June 2022, a new administration was formed under President Ferdinand Marcos Jr. Under this new administration, the "Philippine Development Plan (PDP) 2023-2028", a medium to long-term development policy, was announced elaborating the key areas and priorities of the administration.

Further, in relation to the ongoing process of the Mindanao peace and development, the parliamentary elections is scheduled to be held in 2025 establishing the Bangsamoro Autonomous Government.

Considering the above, a review of current cooperation policies is necessary to align with the new Administration's policy changes and context of BARMM's important transition period.

(Review of Japanese Government Cooperation Policy)

In 2023, the Japanese Government conducted a review and made some important changes on policies related to its relationship with the Philippines as set out below. To align with Japanese Government's policies, these changes need to be considered in the context of the JCAP.

- Revision of the Development Cooperation Charter (June 2023): As for the basic policy, the Charter puts priority on the importance of a new era of "human security", co-creation with developing countries, advocating the dissemination and implementation of international rules and guidelines for development cooperation, and maintaining and strengthening free and open international order based on "quality growth" and the rule of law.

- Revision of the Country Development Cooperation Policy for the Republic of the Philippines: The Ministry of Foreign Affairs has revised this policy in 2023, and cooperation must be consistent with this.
- Promotion of the Acceptance of Foreign Human Resources: Based on a report of the Advisory Panel of Expert on Ideal Form of Technical Intern Training Program and Specified Skilled Worker System submitted at the end of 2023, there is a policy of progressively dissolving the technical intern training program, creating a developmental work system, and optimizing the specified skilled worker system, etc. with the aim of realizing a cohesive society and making Japan a country of choice as an attractive place to work. As Japan's population continues to decline in contrast to the population growth in the Philippines (Reference: While the population of the Philippines is expected to be approximately 177 million in 2075, the population of Japan is expected to decrease to 87 million), it becomes increasingly important for Japan, which accepts and will continuously accept more Filipino workers, to consider the state of cooperation and bilateral relations with these policies in mind.

## Chapter 2 Development Policy/Plans and Major Development Challenges in the Philippines

### 2.1 Development Policy/Plans of the Philippines

(Long-term development vision)

In October 2016, the former Duterte administration announced “AmBisyon Natin 2040”, a long-term development vision which also forms the basis of current administration policy. The goal of this vision is to create “a prosperous middle-class society where no one is poor” by 2040 through the realization of the following three aspirations:

- Strongly-rooted (Matatag): work-life balance enabling time with family, friends, and community, high-trust society with strong sense of community, and cultivate culture of volunteerism to serve community and those in need;
- Comfortable (Maginghawa): free from hunger and poverty, comfortable and secured home ownership, convenient and affordable transportation, domestic and international travel and vacation, quality education, and decent job opportunities;
- Secure (Panatag): long and comfortable life, stable finances to cover unexpected expenses, safe environment in all places in the country, and service-oriented and free from corruption Government.

In relation to achieving the above, the following issues were raised for the government and private sector to address:

- Provide better opportunities to Filipinos.
- Provide low-cost, high-quality goods and services in each industry.
- Make appropriate investments for these purposes.

- The government should provide growth opportunities and the equal distribution of wealth.

This vision was formulated based on the perspective of Filipinos describing the kind of life they want to live and how the country will be by 2040. The visioning process consists of a qualitative focus group discussions and a national sample survey of Philippine population. The vision does not target overly ambitious goals nor have particularly high expectations for the country's international status and high economic growth. Rather, it reflects a strong national desire and aspiration to build a society in which people feel secured in line with the concept of human security.

(Short and medium-term priority policies)

In July 2022, after the inauguration of President Ferdinand Marcos, Jr., the following 8-Point Socio-economic Agenda was announced as the priority policies of the new Administration. The short-term goals have focused on the recovery from the effects of COVID-19 pandemic while the medium-term goals have emphasized repeatedly the necessity for human capital development and job creation.

- Short-term agenda
  - ✓ Protect purchasing power and mitigate socioeconomic scarring: Ensuring food security; reducing transport and logistic costs, energy cost to families.
  - ✓ Reduce vulnerabilities and mitigate scarring from the COVID-19 pandemic: Tackling health by ramping up vaccination and booster intake among vulnerable sectors, and complying with safety protocols, among others; strengthening social protection; addressing learning losses.
  - ✓ Ensure sound macroeconomic fundamentals: Enhancing bureaucratic efficiency and sound fiscal management; ensuring a resilient and innovative financial sector.
- Medium-term agenda
  - ✓ Create more jobs: Promoting trade and investment, improving infrastructure, and ensuring energy security, etc.
  - ✓ Create quality jobs: Increasing employability, Advancing R&D and innovation activities and enhancing the digital economy to create employment in high value-added fields.
  - ✓ Create green jobs: Pursuing both a green economy and a blue economy, which focuses more on sustainable use of marine resources; establishing livable and sustainable communities.
  - ✓ Ensure a level playing field: Strengthen market competition; reducing barriers to entry and limits to entrepreneurship
  - ✓ Uphold public order and safety, peace and security

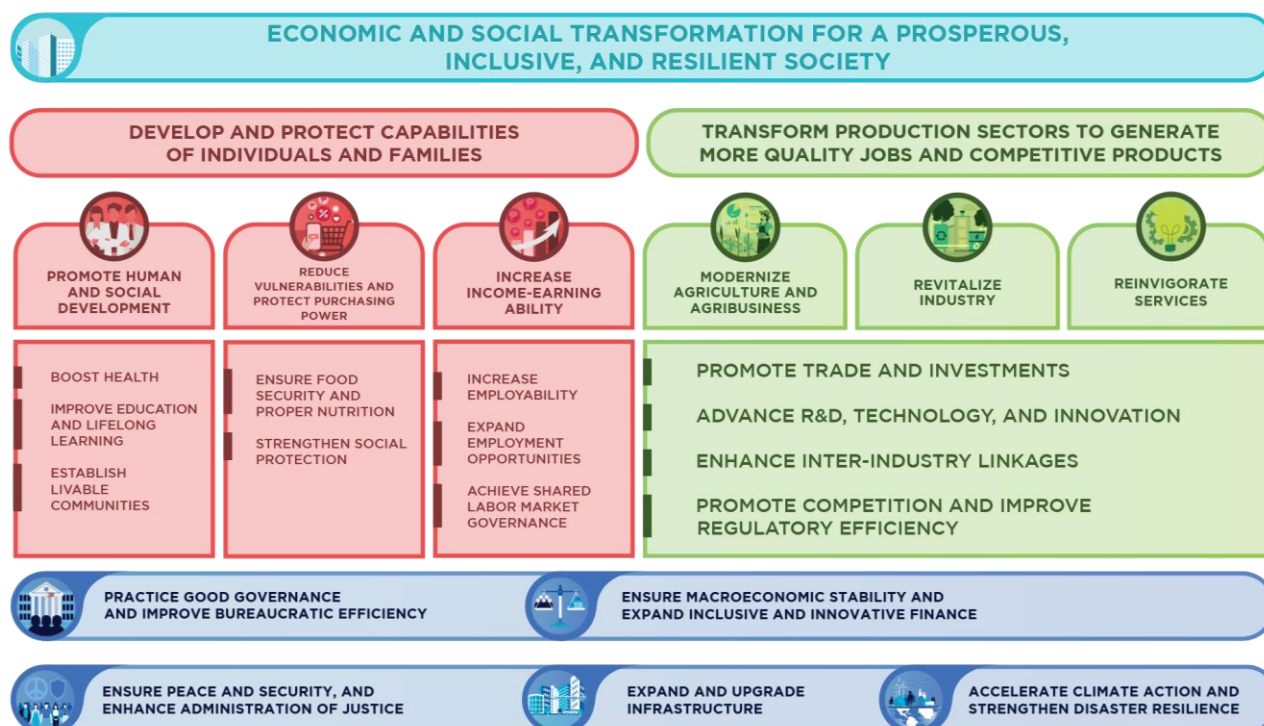
Whilst the Philippines is expected to potentially enjoy benefits from demographic dividend, the Administration also acknowledged the possibility of a future wherein young

people are unable to secure work leading to issues such as social unrest and economic stagnation. Thus, this has become the basis for the subsequent medium-term development plan, Philippine Development Plan (PDP) 2023-2028, and government policy announced by the Administration.

(Medium-term development plan)

Based on the above agendas, a new medium-term development plan “Philippine Development Plan (PDP) 2023-2028” was published in January 2023. This plan was anchored on the achievement of “AmBisyon Natin 2040” by “realizing economic and social transformation for a prosperous, inclusive, and resilient society”. The PDP targets to maintain high level of economic growth (real GDP growth rate from 5.7% to 6.5-8.0%; per capita GNI from US\$3,640 to US\$6,044-6,571), reduce the unemployment rate (from 5.4% to 4.0-5.0%), ensure fiscal discipline (cumulative National Government debt to GDP ratio: from 63.7% to 48-53%), and reduce the poverty rate (from 18.1% to 8.8-9.0%) by 2028. To achieve these targets, the plan identified various strategies encapsulated by three main objectives such as to “develop and protect capabilities of individuals and families” focusing on human capital development, “transform production sectors to generate more quality jobs and competitive products” focusing on employment and industrial development, and “foster an enabling environment encompassing institutions, physical and natural environment” focusing on good governance and institutional improvements. Thus, it is understood that the PDP intends to simultaneously overcome vulnerabilities while enhancing competitiveness through income growth and industrial revitalization.

[Figure 1] Philippine Development Plan 2023-2028 (Structure)



[Figure 2] Philippine Development Plan 2023-2028 Key Achievement Indicators

PDP Indicators	Baseline	Target
	(2022)(*)	(2028)
Economic Growth Rate (GDP Growth Rate)	7.7%	6.5-8.0%
Global Innovation Index	59 <sup>th</sup> out of 132	Top 43 or higher
Global Competitiveness Index	Top 45%	Top 33%
Unemployment Rate	5.4%	4.0-5.0%
Percentage of wage and salary workers in private establishments to total employed	49.6%	53.0~55.0%
Gross National Income (GNI)	USD 3,640	USD 6,044 - 6,571
Poverty Incidence	18.1%	8.8 - 9.0%
Food Inflation Rate	5.7%	2.0 - 4.0%
Headline Inflation Rate	5.6%	2.0 - 4.0%
National Government (NG) Deficit to GDP Ratio	6.5%	3.0%
Outstanding NG debt stock to GDP ratio	63.7%	48% - 53%

\* Based on figures at the time of formulation of the Philippines Development Plan (end of 2022). Some figures are included from the previous year.

(State of the Nation Address)

On July 24, 2023, President Ferdinand Marcos, Jr. delivered his second State of the Nation Address (SONA) addressing several key issues and priorities. These includes addressing issues on agriculture, climate change and peace in Mindanao, as well as

continuing the previous administration's efforts to address issues on infrastructure investment, water resources, etc. He also expressed a strong intention to not only continue and complete important large-scale infrastructure development projects but also to expand and implement more through "Build-Better-More" program as a key to economic growth. Further, key strategies and targets announced during the SONA includes the following:

- Economic Growth and Fiscal Management: Emphasized the results of the first year of the administration with the best economic growth performance in 46 years. Set a target for GDP growth of 6-7% in 2023. Appealed Congress' support on legislating policies and reforms under Medium-term Fiscal Framework such as tax reform policy, tax collection capacity, among others.
- Agriculture: Announced new programs to promote agricultural production, including consolidation, modernization, mechanization and supply chain improvements. Appealed support on crafting and implementing priority legislations such as Fisheries Code, Cooperative code, Anti-Agricultural Smuggling Act and Agrarian Emancipation Act to boost local agriculture.
- Water Resources: Established the Water Resources Management Office and Department of Water Resources to ensure the country and future generation would have available adequate and clean water resources. Announced the implementation of water supply projects all over the country.
- Infrastructure Development: Highlighted the "Build-Better-More" program for large-scale infrastructure development which the Government will continue to implement as key to economic growth. Announced to keep infrastructure spending of 5-6% of GDP each year particularly to implement the identified 194<sup>1</sup> Infrastructure Flagship Projects (IFPs) which is a national priority. Also mentioned the establishment of Maharlika Investment Fund, a government-backed investment fund, to supplement funding<sup>2</sup> for some of the nation's high-priority projects.
- Energy: Highlighted the construction of additional powerplants to increase power generation and household electrification. Emphasized the need for renewable and low-carbon energy transition to achieve 35% share in total energy by 2030 and 50% share by 2040. Announced the opening of renewable energy projects to foreign investments.
- Health: Emphasized measures to curtail malnutrition and other diseases, increased number and capacity of public health facilities, reforms and expansion of health insurance system (PhilHealth), and efficiency improvement of primary care services through cooperation with Local Government Units (LGUs) and the private sector.

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<sup>1</sup> As of July 2023. From 198 projects (equivalent to a total of PHP8.77 trillion) as of the end of 2023, IFPs have been revised and reviewed regularly resulting to 185 projects (equivalent to a total of PHP9.14 trillion) as of the end of February 2024.

<sup>2</sup> In the SONA, it was mentioned that "the funds shall be used to make high-impact and profitable investments, such as Build-Better-More Program" while the capital gains will be "reinvested into country's economic well-being".

- Investment Promotion and Business Environment Development: Highlights existing bilateral and multilateral trade agreements with ASEAN, Japan and Europe and plan to forge more international partnership enhancing trade strategies; Announced the creation of “Green Lanes” which address multiple regulatory barriers to improve business climate and attract more foreign direct investment.
- Climate Change: Committed to reducing greenhouse gas (GHG) emissions, protection and conservation of forest, and adoption of “circular economy” concept.
- Mindanao Peace: Praised the progress towards self-governing, progressive and effective Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) which was made possible with the cooperation of all stakeholders and support from international community. Announced continued support to BARMM to achieve singular vision for inclusive development of all Filipinos.

#### (Initiatives for Digital Transformation (DX))

Under the Philippine Development Plan 2023-2028, the Government of the Philippines identified promotion of digitalization as one of the issues to be tackled on a cross-sectional basis for the promotion of economic and social transformation (deep transformation). This aims to improve information transparency, prevention of corruption, and provision of more efficient administrative services by promoting digital transformation for the government and nation. President Marcos’ SONA in 2023 set out a policy to immediately address digitalization.

In particular, the Department of Budget and Management (DBM) created a DX roadmap and is working to improve the efficiency of administrative procedures through the digitalization of budget management systems, accounting procedures, project monitoring and procurement procedures, etc. The government is also working to promote e-governance with the launch of the “eGovPH”, an administrative service app digitalizing and simplifying various national and local government services, and “ePhillID” digitalizing the national ID system wherein 87% of the population have registered. On digital infrastructure, efforts are being made to enhance internet speeds and provide high-speed communication infrastructure in underserved areas through the implementation of National Fiber Backbone Project and Broadband ng Masa Program. Further, the E-commerce Roadmap 2022 has been created to promote the spread of e-commerce while strengthening cybersecurity, privacy and consumer protection, and to provide training and other support for people whose work will be affected by digitalization.

#### (Initiatives for Gender Mainstreaming)

According to the 2023 Global Gender Gap Report of the World Economic Forum (WEF), the Philippines placed 16<sup>th</sup> out of 146 countries with a gender inequality index of 0.791. This made the Philippines the highest ranked among ASEAN countries and only behind New Zealand in the East Asia/Pacific region in terms of gender mainstreaming. On the other hand, challenges remain for women in terms of participation in economic activities

with 44.05% labor force participation rate and income level remains at 71.6% that of men. The PDP targets to improve the labor force participation rate of women (from 51.7% in 2021 to 52.0-54.0% in 2028) as part of efforts to “improve market governance for a level playing field.”

## **2.2 Goals related to International Frameworks**

(Sustainable Development Goals (SDGs))

According to United Nations’ Sustainable Development Report 2023 (June 2023), the Philippines ranks 98<sup>th</sup> out of 166 countries in terms of achieving the SDGs. Of the 17 SDGs, those considered to have the greatest deviations from targets are Goal 3 (Good health and well-being), Goal 8 (Decent work and economic growth), Goal 10 (Reduced inequalities), Goal 14 (Life below water), Goal 15 (Life on land), and Goal 16 (Peace, justice and strong institutions). In the process of formulating the PDP, the Government of the Philippines consulted with the Sub-Committee on SDGs (chaired by the NEDA Director), a cross-ministerial committee which supervises SDGs policy and progress, to reflect efforts towards achieving SDGs in the PDP.

(Nationally Determined Contribution (NDC))

The Government of the Philippines ratified the Paris Agreement in 2017 and submitted its National Determined Contribution (NDC) to the UNFCCC Secretariat in 2021. Under this NDC, the Philippines commits to reduce GHG emissions by 75% against projected Business as Usual (BAU) scenario between 2020 and 2030, and to peak its emissions by 2030 in accelerating a just transition of sectors into green economy. Of this 75%, 2.71% is unconditional (utilizing country’s own efforts and resources) while 72.29% is conditional targets (utilizing financial and technical support provided by developed countries). This NDC also sets out plan to implement adaptation measures in sectors related to agriculture, forestry, ecosystems, health, and human security to reduce and avoid the impacts of climate change. The Government of the Philippines is also currently formulating the NDC Implementation Plan and National Adaptation Plan 2023-2050 (NAP) which will serve as guidelines for promoting specific adaptation and mitigation measures in the country. Further, with the above policies and plans, the Government of the Philippines’ spending on climate change mitigation and adaptation projects have drastically increased from PHP195 billion in 2017 to PHP289 billion in 2022 (the percentage of the overall budget decreased from 7% to 5.7%).

## **2.3 Current Status of Cooperation with the Philippines**

(Japanese cooperation in the Philippines)



According to the National Economic and Development Authority (NEDA), the ODA projects<sup>3</sup> currently being implemented in the Philippines as of December 2023<sup>4</sup> has a total commitment net value of approximately US\$37.1 billion (approx. JPY5.565 trillion (US\$1 = JPY150)). Of the total amount committed, about US\$35.2 billion (approx. JPY5.28 trillion) (114 projects) are ODA loans and about US\$1.9 billion (approx. JPY280 billion) (252 projects) are ODA grants. In total, 20 development partners (including countries and international organizations) have been supporting ODA activities in the Philippines.

For more than 20 years, Japan has been the top bilateral partner of the Philippines and in CY 2023, it was ranked as the top provider of ODA among all development partners. Of the ODA projects being implemented as of December 2023, Japan's cooperation accounts to about 33% of the total ODA commitment amounting to US\$12.2 billion (approx. JPY1.83 trillion), making Japan the largest partner ahead of the ADB (total of US\$11.4 billion or approx. JPY1.71 trillion). Other development partners include the World Bank (total of US\$8.2 billion or 22%), the AIIB (total of US\$1.7 billion or 4%), China (total of US\$1.1 billion or 3%), and South Korea (total of US\$900 million or 2%). Due to the depreciation of yen, the ADB held the top position among development partners in 2022 with about US\$10.9 billion or 33% of the total commitment while for the preceding seven years, Japan had maintained its position as the top development partner.

The composition of development partner countries include traditionally active partners such as the US, Japan, France, Australia, Germany, etc., and emerging partner such as South Korea which has recently been increasing its amount of aid. South Korea has shown huge interest in large-scale infrastructure projects, with a large proportion of its aid allocated to infrastructure development. On ODA projects supported by China, while there appeared to be a large commitment in the past, the implementation value may be relatively small. There have been some projects (e.g. South Long Haul Railway, the Subic-Clark Railway, and the Mindanao Railway (Davao-Digos)) in which the Governments of Philippines and China have faced a deadlock resulting to these projects being returned to the drawing board. On the other hand, India has shown interest to takeover those railway projects unsupported by China which may indicate its potential entry as a new development partner in the Philippines. With the increasing support of various development partners and entry of non-traditional partners in the Philippines, an increased competition may be expected among funding agencies.

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<sup>3</sup> Defined under Philippine law "ODA Act of 1996" as (1) administered with the objective of promoting sustainable social and economic development and welfare of the Philippines, (2) contracted with governments of foreign countries with whom the Philippines has diplomatic, trade relations, or bilateral agreements and/or member-countries of the United Nations (UN); these countries' government agencies and international or multilateral lending institutions, (3) there are no available comparable financial instruments in the capital market, and (4) must contain a grant element of at least 25 percent. It should be noted that the definition includes support from international organizations.

<sup>4</sup> ODA loan and grant aid projects include those newly signed projects in 2022, ongoing and/or continuing projects from years prior to 2022, and projects closed within 2022 based on the approved loan closing date.

[Figure 3] Summary of Ten Biggest ODA-funded Project (as of 2022)

Source: NEDA 2022

Project name		Implementing agency	Development partner
1	North-South Commuter Railway (NSCR) System	DOTr	JICA, ADB
2	NSCR Malolos – Tutuban aka N1		
3	NSCR Extension Project (Clark Extension)		
3	NSCR-PNR South Commuter Railway Project (NSRP-S) (Tutuban-Calamba)		
4	Metro Manila Subway Project (Phase 1)	DOTr	JICA
5	Panay-Guimaras-Negros Island Bridges Project	DPWH	KEXIM-EDCF (South Korea) <sup>5</sup>
6	Philippine National Railways (PNR) South Long-Haul Project	DOTr	China <sup>6</sup>
7	Cebu-Mactan Bridge and Coastal Road Construction Project	DPWH	JICA
8	Capacity Enhancement of Mass Transit Systems in Metro Manila – LRT Line 1 South Extension	DOTr	JICA
9	Davao City Bypass Construction Project	DPWH	JICA
10	Second Health System Enhancement Address and Limit COVID-19 (HEAL 2)	DOH	ADB, AIIB

#### (Status of ODA Cooperation to the Philippines)

Given the circumstances in which public debt has swollen to exceed 60% of GDP<sup>7</sup> due to the COVID-19 pandemic, the Government of the Philippines has clearly stated its policy to suppress the public debt ratio in the medium-term (outstanding National Government debt to GDP ratio in the PDP: from 63.7% in 2022 to 48-53% in 2028) for fiscal soundness, through promotion of private sector partnership. On the other hand, with Philippines' enormous developmental needs, it is expected that certain levels of concessional financial support will continuously be needed by the Government. For instance, President Marcos stated in his 2023 SONA that 5-6% of GDP would be spent each year for infrastructure development. While he also mentioned the use of public-private partnerships and the newly established Maharlika Investment Fund for infrastructure development financing, these funding sources are expected to remain focused on

<sup>5</sup> However, the scope of KEXIM-EDCF financial support is limited to the detailed design of the project (E/S loan) and there is no outlook yet for funding for the main project.

<sup>6</sup> However, support returned to the drawing board as China has not responded to requests for funding.

<sup>7</sup> However, in spite of this, the debt is mainly structured in medium to long-term bonds, with external debt accounting for less than 30%, being the lowest among ASEAN countries. Foreign exchange reserves are also maintained at a high level of 7-8 months of imports, which is high even among ASEAN countries. The IMF has also predicted that public debt will decline in the medium to long-term, and evaluates no issues with the certainty of debt fulfillment, and the various private credit rating agencies have also maintained their investment grade ratings, so at the current time (March 2024) there are no major concerns about the country's debt sustainability.

projects with high profitability. Further, as the Government of the Philippines aims to reduce its fiscal deficit (as a percentage of GDP) from 6% to 3%, it may impose limitation on its domestic budget and expenditures which may not cover all of its immense needs. In fact, of the total PHP9.1 trillion (approx. JPY24 trillion) required for the implementation of 185 IFPs (as of February 2024), about 59% (approx. JPY14 trillion or more) is planned to be financed through ODA. This indicates that the role of ODA is expected to remain significant in the coming years. Specifically, Japanese ODA plays substantial role with 20% (approx. JPY3 trillion) of the ODA requirement for the IFPs is expected to come from Japan and 22% (approx. JPY3 trillion) from co-financing between Japan and the ADB.

## 2.4 Development Challenges in the Philippines

The macro economy of the Philippines has been stable since the 2010s. With continuous high economic growth rates ranging from 5-6%, the country is expected to become an Upper-Middle Income Country in the coming years. Despite having strong economic foundation, it still faces significant risks and vulnerabilities, and structural issues compared to other regions and neighboring countries. Addressing these issues is crucial for achieving sustainable and inclusive growth.

[Risks and Vulnerabilities]

(Investment environment and infrastructure vulnerabilities)

According to the Ease of Doing Business 2020 published by the World Bank, the Philippines ranked 95<sup>th</sup> out of 190 countries, behind other ASEAN countries such as Malaysia (12<sup>th</sup>), Thailand (21<sup>st</sup>), Vietnam (70<sup>th</sup>) and Indonesia (73<sup>rd</sup>). The report highlighted challenges in the Philippines such as Starting a Business (171<sup>st</sup>), Registering Property (120<sup>th</sup>), Getting Credit (132<sup>nd</sup>), Paying Taxes (95<sup>th</sup>), Trading across Borders (113<sup>th</sup>), and Enforcing Contracts (152<sup>nd</sup>). To attract further investment and strengthen competitiveness, it is necessary to improve relevant systems, administrative and financial capacity to create an investment environment that responds to these issues.

Further, based on the 2023 World Competitiveness Ranking Report published by the World Economic Forum, the quality of infrastructure in the Philippines ranked 58<sup>th</sup> out of 141 countries, behind Indonesia (51<sup>st</sup>), Thailand (43<sup>rd</sup>), and Malaysia (35<sup>th</sup>) in the ASEAN region. Among the issues identified related to inadequate infrastructure as an impediment to direct investment and industrial development includes chronic traffic congestion in metropolitan areas<sup>8</sup>, insufficient airports and ports capacity and higher electricity price than neighboring countries, etc.,. There is also a growing concentration of population and economic activity in the Metropolitan Manila area, putting pressure on its infrastructure

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<sup>8</sup> According to 2023 Traffic Index by TOMTOM Co., Ltd. comparing traffic conditions in 387 cities in 55 countries around the world, Manila is said to be the most congested metropolitan area in the world.

which leads to an urgent need to develop regional hub cities (e.g. Metropolitan Cebu area, Davao City, etc.).

(Natural disaster risks)

According to the World Risk Report 2023 published by Bündnis Entwicklung Hilft and IFHV which indexes disaster frequency and vulnerability of each country, the Philippines was ranked with the highest risk (1<sup>st</sup> place) out of the 193 target countries. It was noted that Philippines is constantly exposed to risks such as earthquakes, typhoons, and floods, among others, which may result to serious damage in the event of such disasters. In fact, over the past 30 years, natural disasters have resulted in the deaths of 33,000 people and affected a total of 120 million people. The annual average amount of damage to public and private assets due to typhoons and earthquakes is said to be approx. US\$3.5 billion (about JPY484.6 billion). Furthermore, with the expected occurrence of more devastating disasters due to climate change, disaster preparedness remains to be a crucial challenge for the Philippines.

(Human development and domestic disparity risks)

The Gini coefficient for the Philippines in 2021 was 0.407, which was the highest in the ASEAN region, ahead of Indonesia with 0.379, Thailand with 0.351, Vietnam with 0.368, Laos with 0.388, and Myanmar with 0.307 (Gini Index, World Bank). There is still a significant disparity in per capita GDP by region wherein Metropolitan Manila recorded earning more than US\$8,000 while the Mindanao region is only about US\$1,000. The income disparity which has traditionally existed between the rich (conglomerates and large landowners) and the poor still remains.

The Philippines also ranks 116<sup>th</sup> out of 191 countries in the United Nations Development Programme's (UNDP) Human Development Index 2022. This placed the country below the regional average for the ASEAN, behind countries such as Malaysia (62<sup>nd</sup>), Thailand (49<sup>th</sup>), Indonesia (114<sup>th</sup>), and Vietnam (115<sup>th</sup>). This can be attributed to disparities in income, education, and health, etc.

(Risks in the South China Sea)

In the South China Sea, which is adjacent to the Philippines, multiple countries assert territorial claims leading to a tense situation. Particularly, tensions are rising over territorial rights with China, which claims jurisdiction over almost the entirety of the South China Sea. President Marcos has consistently stated that "We will not allow any foreign power to take even one square inch of our territory, and we will resolutely protect our sovereignty". Since his inauguration, he has consistently addressed the issue of territorial rights, making it clear that no concessions will be made. In 2016, the International Court of Arbitration ruled that many of the actions of China in the South China Sea have been in violation of international law but while the claims of Philippines were supported, China

has ignored this ruling and continued its activities in the area. There have been frequent incidents in the waters of the South China Sea with the Chinese Coast Guard vessels obstructing routes, firing water cannons, and colliding with Philippine vessels and Philippine Coast Guard (PCG) vessels. On March 5, 2024, a Chinese Coast Guard vessel fired its water cannon and hit a PCG vessel with its dangerous maneuvers. There is a trend towards increasing tensions with continued friction and conflict between the Philippine Navy or PCG and Chinese authorities, and the situation has worsened from a state of diplomatic instability to one of risky confrontations.

(Risks in Mindanao peace process)

The long-standing armed conflicts in Mindanao brought by insurgencies and local rido (clan wars), and afterwards, violent extremism (e.g. Marawi siege) have been a risk factor in the Philippines. While some social and political fragility remains, the Mindanao Peace Process has moved forward in the recent years. Particularly, the Comprehensive Agreement on the Bangsamoro was signed in 2014 and the Bangsamoro Organic Law was enacted in July 2018 granting the autonomy of the Bangsamoro region. Following this, the Bangsamoro Transition Authority (BTA) was then established in February 2019 as an interim regional government for the Bangsamoro region until the Bangsamoro Autonomous Government is established through Parliamentary election in 2025. The outcome of the 2025 Parliamentary election could pose additional risks. Depending on the process and results of the election, the launch of the Bangsamoro Autonomous Government may be challenged which may potentially destabilize the entire region. Therefore, continued monitoring of the situation in Bangsamoro region is necessary.

[Social Structural Issues]

In addition to the risks and vulnerabilities above, future cooperation targeting social transformation should take into account the social structural characteristics of the Philippines described below.

(Uneven distribution of political capital)

In terms of Governance, the Philippines has long adopted a presidential form of government wherein Presidential elections are held every six years and are carried out in a democratic and peaceful manner. While so-called party politics have not been firmly established yet in the Philippines, there is a tendency in each region to be ruled by “political dynasties”. Political dynasties have long been present in Philippine’s national and local politics wherein power and positions have been concentrated to a few elite clans and families. The presence of dynasties may obstruct the democratic process creating political inequality.

(Uneven distribution of economic capital)

With regards to economic capital, there tends to be a concentration of wealth in the private sector among a few wealthy people and business elites. The power of conglomerates is particularly strong as they can monopolize domestic capital allowing them to undertake various commercial projects, including infrastructure development. Financial institutions affiliated with these conglomerates also has a strong influence and power in the market. These financial institutions have eased up capital access to large companies and corporations by offering long-term and low-interest loans. On the other hand, small and medium-sized enterprises still face difficulties in accessing funds due to the mainstream reliance on collateral-based lending. These schemes imposed by financial institutions widen the disparities on financial access. In the rural areas, a strong presence of a few large landowners and *hacenderos* remain which leads to imbalanced land distribution and persistent landlord-tenant relationships. On another note, the Philippines is also said to be the world's largest exporter of labor, with many Filipinos working overseas (OFWs) due to limited domestic employment opportunities. With this, the OFWs' remittances to the Philippines have largely contributed to the country's GDP and have become an important source of foreign exchange. These structural unevenness of economic capital impedes economic competitiveness and contributes to greater inequality and poverty.

(Increase in young population)

The population structure of the Philippines is characterized by a large volume of young (with a median age of 24.5 years) and working age population (15 to 64 years old) which accounts for approximately 60% of the total population. Consequently, according to a United Nations population projection, the population is expected to increase by 50% over the next 50 years totaling to just under 180 million people. While this demographic dividend may stimulate economic growth, if this young population is not adequately provided with education, health, social security, and employment, etc., there is a risk of social unrest arising due to issues such as worsening unemployment and lack of education, etc. Therefore, it is necessary for the Government of the Philippines to consider not just improving the quality but also expanding social services and infrastructure for its growing population.

## **2.5 Characteristics of Japan's cooperation**

(JICA Cooperation in the Philippines)

JICA has actively promoted cooperation with the Philippines in light of the aforementioned challenges making it one of its priority partner countries. In fact, based on JICA's Operational Results Report for FY2022, the Philippines has been consistently ranked within the top three globally across various ODA schemes. In terms of cumulative assistance, the Philippines has received about JPY4 trillion of ODA loan (ranking third in

the world behind India with approx. JPY7.4 trillion and Indonesia with approx. JPY5.6 trillion), about JPY250.1 billion of grant aid (ranking first in the world), about JPY278.8 billion of technical cooperation (ranking second in the world behind Indonesia with approx. JPY380.5 billion), and 1,689 Japanese Volunteers (ranking third in the world behind Malawi with 1,908 and Kenya with 1,774 volunteers). Further, given the enormous development needs and importance of cooperation with the Philippines in the recent years, the amount of cooperation is constantly increasing. For FY2022 alone, the Philippines ranks second in the world receiving a total of JPY418.245 billion (ODA Loan aid: JPY407.017 billion; Grant aid: JPY4.166 billion; Technical cooperation: JPY7.062 billion) behind only India (total of JPY586.236 billion).

In terms of the main areas of cooperation, so far the transportation sector has received a particularly large amount accounting for 58% of ODA loans (1<sup>st</sup> place by sector), 13% of grant aid (3<sup>rd</sup> place by sector), and 24% of technical cooperation (1<sup>st</sup> place by sector). Other main sectors supported includes the disaster risk reduction and management sector (irrigation, flood control, and reclamation) and energy sector (electricity and gas) each accounting for 7%. In terms of technical cooperation outside of the transportation sector, a large proportion of cooperation has gone to agriculture (9%) and social infrastructure (7%), while for grant aid, agriculture (30%) accounts for the largest share, followed by human resources (19%) which includes the Project for Human Resource Development Scholarships (JDS).

Looking closely at the infrastructure development in the Philippines, the transportation and disaster risk reduction and management sectors make up a particularly large proportion of investments. To support these development initiatives, JICA has financed or co-finance about 42% of the necessary ODA funds for the identified ODA-funded IFPs (as of the end of February 2024) that the Government of the Philippines is carrying out under its “Build Better More” Program.

Through these cooperations, the Government of the Philippines has placed huge confidence in the high quality of Japan’s cooperation. In fact, former President Duterte, who led the “Build, Build, Build” Program (*predecessor of the current “Build Better More” Program*), gave Japan’s cooperation high praise and has characterized it as “fast and sure”. Since then, the Government of the Philippines and Japan have affirmed to continue the swift and steady cooperation. Further, maintaining and utilizing various assets that have been developed through Japan’s assistance such as core infrastructures, human development networks from counterpart trainings, surveys and research results (e.g., master plans), among others will be crucial for future cooperation in the Philippines.

(Competitiveness of ODA loans)

As the Philippines is expected to become an Upper Middle-Income Country in the next few years, it may no longer be eligible for tied ODA loans (including STEP) because of the country’s ability to raise foreign currency at a relatively advantageous interest rate

given its high credit rating (Investment grade rating as of February 2024). In 2022, Philippines issued a 10-year Samurai Bonds at 1.22% which may indicate that the relative attractiveness of ODA loan in terms of interest rates is expected to decline in the future. In recent years, emerging donors such as South Korea (i.e., the Export-Import Bank of Korea (KEXIM-EDCF) and India, etc. are also looking to develop/propose concessional financing products and participate in projects. As such, the competition to provide ODA among donors is expected to further intensify. Considering these, it will be necessary to make efforts towards enhancing collaboration with other development partners and to explore ways to improve added value in overall cooperation, including synergies with relevant technical cooperation projects, etc. While the relative attractiveness of ODA loans may become less, the general terms and conditions of ODA loans still remain concessional (though not as much as with the STEP conditions) and it should be noted that there are limitations in terms of the scale of funds that can be raised from the market (the amount of the above Samurai Bonds was approximately JPY7 billion). Additionally, considering the limitations of other donors' funding capacities, Japanese ODA loans, with its ability to mobilize large-scale funds, are likely maintain a certain degree of competitiveness in meeting the enormous development funding needs of the Philippines.

## Chapter 3 Major Development Issues and Sectors to be Addressed by JICA

### 3.1 Significance of cooperation with the Philippines

[Response to Philippine Development Issues]

While the Philippines is experiencing steady economic growth, risks and vulnerabilities as well as social structural issues, etc. still exist as mentioned in the previous Chapter. With the diverse and enormous developmental needs to address such risks and vulnerabilities, Japan plays a significant role to realize high-quality development and enhancement of human security. These are detailed below.

(Response to the demographic dividend)

As mentioned above, as the country's population increases, there will be even more associated developmental challenges such as food security, improving the quantity and quality of education and health, reducing poverty and ensuring quality of life. It is important to carry out cooperation aimed at ensuring the well-being<sup>9</sup> of the growing young population to overcome the vulnerabilities, risks, and social structural issues mentioned above, and to maintain a sustainable and stable society. As part of this, job creation is an extremely important issue that needs to be addressed. While efforts are required to develop the industry and infrastructure to secure jobs, and to overcome the uneven

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<sup>9</sup> There is no established definition of "well-being," but it is a very broad concept which has been defined as an expression of a "good" physical, mental and social state (Professor Maeno, Keio University). (Cabinet Office, materials from the "Liaison Conference of Relevant Ministries and Agencies on Well-being")



distribution of political and economic capital toward ensuring economic and social stability, JICA is expected to play a catalytic role in the promotion of efforts in this process.

(Building a strongly rooted, comfortable, and secure society)

The goal of the Government of the Philippines is to build a strongly rooted, comfortable, and secure society under “AmBisyon Natin 2040,” and to create a happy middle-class society without poverty. However, as mentioned above, there are also structural issues such as domestic disparities, the uneven distribution of political and economic capital, unbalanced land ownership, and a reliance on overseas employment that hinder equitable development that needs to be addressed. In fact, while the per capita GDP in Metropolitan Manila is as high as approx. US\$8,000 due to the accumulation of talent of existing workforce in the Philippines, and the spur of overseas and domestic private capital, there is a widening disparity with other regions. There is an urgent need to develop an environment (including infrastructure, policies and systems, human resources, and organizational capabilities) in other regions in which the same potential can be unleashed. In order to realize sustainable achievements towards a strongly rooted, comfortable and secure society, collaboration with public stakeholders in other countries including Japan will be one of the important elements in the country’s efforts to resolve social issues in the future.

(Transforming into a Progressive Upper Middle-Income Country)

As the Philippines approaches the UMIC status following the current economic trend, there are sectors and projects where private capital is becoming a catalyst for development. However, to further expand development and attract continuous investment of risk-sensitive private capital, it is necessary to enhance current investment climate. By doing so, the Philippines could build a virtuous cycle that creates further opportunities and establishes itself as a trusted Upper Middle-Income Country.

[Importance to Japan]

The Philippines is an important partner country to Japan with its close economic, social, and diplomatic ties, and its strong relationship built on mutual trust. Promoting cooperation aimed at further deepening trust and strengthening “friendship” is also in Japan’s national interest as detailed below.

(Strategic Partnership)

The Philippines and Japan shares fundamental values such as democracy, rule of law, free market economy and respect for fundamental human rights, among others, as well as strategic interests. The two countries have historically built a close and friendly relationship. During the visit of then President Aquino to Japan in September 2011, the two countries agreed to position their bilateral relationship as a “Strategic Partnership”. This “Strategic Partnership” has been further strengthened by the subsequent leaders of

both governments, confirming to continue raising partnership to further heights through ODA and private investment which has been promoted under the aforementioned framework. Based on the longstanding and reliable cooperation, former President Duterte called Japan “a friend closer than a brother,” and further added that Japan-Philippine relations were entering a “golden age”. Current President Marcos also expressed strong expectations for further development of Japan-Philippines relations going forward through various opportunities such as the Japan-Philippines Summit Meeting in February 2023. It is important that this relationship is maintained and developed.

(Geopolitical importance)

The Philippines is strategically located on international maritime transport routes making it a geopolitically important country that shares strategic interests with Japan (e.g., conservation and utilization of marine resources). Its stable development leads to peace and stability in the Indo-Pacific region and contributes to the realization of the goals of the Free and Open Indo-Pacific (FOIP).

(Connections with Japan)

The Economic Partnership Agreement between Japan and the Philippines came into effect in 2008 wherein Japan is the only country that has a bilateral Comprehensive Economic Partnership Agreement with the Philippines. This Agreement formed as the basis for important economic activity by Japan as more than 1,400 Japanese companies have expanded their operations in the Philippines.

In terms of Security, the first Japan-Philippines Foreign and Defense Ministerial Meeting (“2+2”) was held in April 2023. This made the Philippines the third country outside the developed countries to have established such meetings with Japan, following Indonesia and India. The relationship between the two countries is being strengthened through the provision of a coastal surveillance radar system amounting to JPY600 million to the Philippine Navy in November 2023 (first project under the Official Security Assistance), and the negotiations on a Reciprocal Access Agreement to promote mutual exchange between the Japan Self-Defense Forces and the Philippine military.

These diplomatic and economic ties have led to a high degree of public trust towards Japan in the Philippines. In fact, according to a Philippine research agency public opinion poll as of August 2023, Japan was the most trusted country. Similarly, in a survey conducted by a Singapore research institution (ISEAS–Yusof Ishak Institute), the Southeast Asian country that most trusted Japan was found to be the Philippines. Considering that the relationship between the two countries began with post-war reparations, a special noteworthy relationship based on trust has been subsequently established. In particular, when it comes to Mindanao peace and development, Japan has built up assets of great trust not found with other countries through its many years of cooperation.

In addition, person-to-person exchanges between the two countries are rapidly increasing, including the Filipino workers in Japan who have become a valuable source of labor force. The Philippines is a pro-Japanese country with an abundant young population and labor force, and a promising market. A mutually complementary cooperative relationship with Japan is hoped to continue to maintain and enhance the Philippines' special outlooks and views towards Japan despite some disadvantages (e.g., language barriers).

### **3.2 Direction of Future Cooperation**

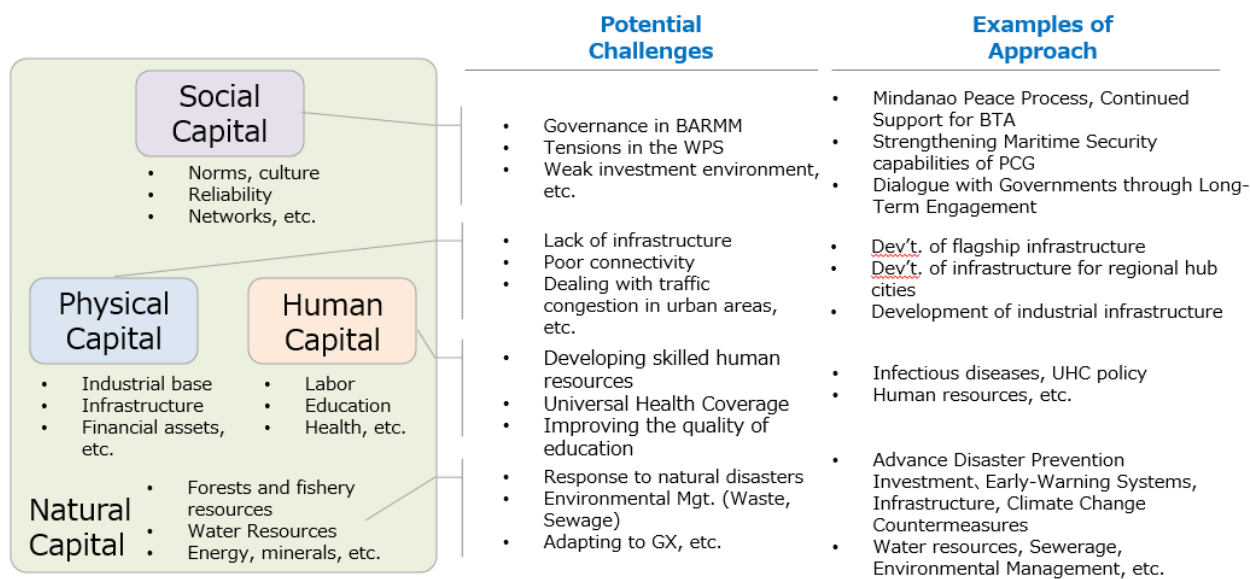
Based on the above, the direction of future cooperation with the Philippines is summarized below. This direction represents the current position of JICA and is not to be construed as a replacement of the "Country Assistance Policy".

(Realizing a strongly rooted, comfortable, and secure society)

Provide support while being mindful of the national goal of the Philippines to create a strongly rooted, comfortable, and secure middle-class society without poverty, or, in other words, to pursue human security that leaves no one behind. To achieve this goal, it is essential to create an environment in which the individuals' well-being can continuously improve by creating a virtuous cycle of high-quality growth, job creation and improved livelihood. Promoting such efforts are expected to build on the country's current high economic growth, leading the country to develop into a progressive Upper Middle-Income Country.

In terms of creating a virtuous cycle of high-quality growth, job creation, and improved income, it will be essential to secure and develop various forms of capital. These include social capital (norms and culture, reliability, networks, etc.), physical capital (industrial base, infrastructure, financial assets, etc.), human capital (labor, education, health, etc.), and natural capital (forest/fisheries resources, water resources, energy, minerals, etc.). JICA's Cooperation will focus on these various forms of capital, ensuring a balanced approach while continuing to strengthen areas where JICA has established relatively strong expertise. The issues and initiatives for each of these forms of capital are set out below.

[Figure 4] Examples of Issues and Areas of Initiatives for each Form of Capital



(Initiatives to ensure quality and sustainable economic growth)

There is a need to generate employment opportunities with high added value by ensuring high quality economic growth so that a virtuous cycle of economic growth, job creation and improved livelihoods can be created. From this point of view, following points should be emphasized:

- ① High value-added infrastructure development: Emphasizing the importance of expanding the number and building high quality infrastructures all over the country. In particular, the promotion of highly convenient and functional urban development in increasingly concentrated urban areas, and improvements and advancements to urban functions are expected. Regional developments are also in progress to eliminate the over-concentration of Metropolitan Manila, aiming to rectify regional disparities through connectivity and industrial development. These efforts are expected to mainly contribute to physical (infrastructure and industrial base development, etc.) and social capital (norms, etc.).
- ② Operation and Maintenance: In addition to the development of new infrastructures and urban developments, etc., placing a particular emphasis on efficient operation and maintenance is necessary to ensure quality and sustainability of these infrastructures. By doing so, it is expected to contribute to physical (infrastructure and industrial base, etc.) and social capital (norms, etc.).
- ③ Development of an Effective Investment Environment: Emphasizing the development and enhancement of the current investment climate to serve as the basis for high-quality economic growth. Specifically, in addition to the development of basic infrastructure, focus on improving and increasing the efficiency of systems, improving administrative capacity, and promoting business environment development to attract direct investments in the country. It is also important to encourage private sector and develop an environment which promotes public-

private partnerships. Improvement of the quality and efficiency of public services, and promotion of administrative and fiscal efficiency including the development of financial markets, etc. are also necessary. These efforts are expected to mainly contribute to social (investment and administrative service norms, etc.) and physical capital (industrial and financial infrastructure, etc.).

- ④ Industrial development: Promoting industrial development to serve as a basis for job creation and improved livelihoods. Efforts including modernization in various industry sectors such as manufacturing, agriculture, energy, and the green economy, etc. are expected to contribute to physical (industrial base development, etc.) and natural capital (resources and energy, etc.).

(Initiatives to address vulnerabilities and risks)

Strengthen responses to various vulnerabilities and risks faced by the country that may hinder the creation of a virtuous cycle of economic growth, job creation, and improved livelihoods. To achieve this, the following points should be emphasized:

- ① Climate change, disaster response, and environmental management: Strengthen systems and promote specific measures against increasing climate change, disaster and environmental management risks associated with development in the country. These are very important considering that the Philippines is one of the world's most disaster-prone country and one of the most vulnerable to climate change. Particularly, work to achieve synergies by combining structural and non-structural cooperation and disaster prevention investment. These efforts are expected to mainly contribute to natural (disaster response, environmental management, etc.), and physical capital (infrastructure, etc.).
- ② Social safety-nets: Expand health and education as opportunities for skill development and employability to strengthen the safety nets for those left behind by rapid economic growth and to maximize the potential of the abundant young population and labor force. These efforts are expected to mainly contribute to human capital (labor, education and health, etc.).
- ③ Poverty reduction: Reduce poverty and disparities through regional development, job creation, and improved livelihoods to eliminate cyclical and persistent poverty that are present due to the existence of various disparities. These efforts are expected to contribute to human (labor force, etc.) and social capital (trust, etc.).

(Initiatives to ensure peace and stability)

To achieve high quality economic growth, job creation and improved livelihoods, there needs to be peace and stability within the country and regions. The establishment of peace and stability in the Philippines will contribute to the long-term vision and human security of the country, as well as the realization of FOIP. From this point of view, following points should be emphasized:

- ① Peace in Mindanao: Support the promotion of peace and development in Mindanao based on a long relationship of trust.
- ② Regional security: Strengthen law enforcement capabilities to ensure maritime security.

These efforts are expected to mainly contribute to social capital (norms and culture, trust, and networks, etc.).

(Initiatives aligned with the needs of an Upper Middle-Income Country)

With the Philippines expected to become an Upper Middle-Income Country as soon as 2025, there are likely to be changes to the country's surrounding environment and measures to meet its development needs. From this point of view, following points should be emphasized:

- ① Collaboration with the private sector: Private funds are becoming increasingly important as sources of financial support and the relative importance of the role of ODA is expected to be reduced and transitioned to the private sector. Look for potential roles and opportunities to become a catalyst for the use of public-private partnerships and to introduce private funds, which includes strengthening the response to private sector cooperation projects and its financing.
- ② Knowledge support: The need to provide knowledge (non-structural support) to stimulate innovation that improves the quality of society is expected to increase. These needs can be met through conduct of technical cooperation by strengthening systems, human resources and organizational structures, and through master plans etc., utilizing Japan's experience and knowhow, with a long-term development vision and planning in mind.
- ③ Graduation from STEP: While a certain decline in competitiveness is expected in terms of interest rates, this may be enhanced through promotion of cooperation aimed at addressing development needs on areas in which Japan has a comparative advantage. This can add value by exploring the use of public-private partnerships, private sector financing, and technical cooperation, and by increasing the added value of overall support.

### **3.3 Review of Cooperation Programs**

The current three-tier structure was reviewed based on the above environment and policies, etc. While the structure itself (three priority areas, seven development issues and eight cooperation programs) has not changed, some modifications have been made as to the content and links between the development issues and cooperation programs. The major changes are as follows.

- Agriculture: Agriculture was positioned as the basis for sustainable economic growth recognizing that job creation and improved livelihoods are important issues for promoting well-being in rural areas.
- Climate change: Content related to climate change measures (mitigation and adaptation) was added to the Cooperation Program which have previously been aimed at responding to disaster risks, in accordance with the priorities of the international community and the current administration.
- Maritime security: Initiatives related to maritime security were organized to ensure human security for inclusive growth and to consider the purpose of cooperation which includes responding to maritime threats such as terrorism and illegal fishing, etc., and responding to disasters, etc.
- Peace in Mindanao: Consideration was given to the steady and continuous execution of development through a sectoral approach that responds to the development issues in the Mindanao region towards the establishment of peace.

[Figure 5] Three-tier structure before update

Overall Goal: Implement cooperation to achieve “inclusive growth, a high-trust and resilient society, and a globally competitive knowledge economy.”		
Priority Areas (Subsidiary Goals)	Development Issues (Development Goals)	Cooperation Programs
Strengthening the Foundations for Sustainable Economic Growth	Quality Infrastructure Development for Sustainable Economic Growth	Quality Infrastructure Development in the Greater Capital Region
	Industrial Promotion and Capacity Building of Administrative Capacities	Infrastructure Development for Developing Regional Centers
		Industrial Promotion and Capacity Building of Administrative Capacities
	Enhancement of Law Enforcement Capacity through Public Safety/Counterterrorism Measures	Enhancement of Law Enforcement Capacity through Public Safety/Counterterrorism Measures
Ensuring Human Security for Inclusive Growth	Disaster Risk Reduction and Management	Disaster Risk Reduction and Management
	Productivity Improvement and High-Value Addition in Agriculture	Productivity Improvement and High-Value Addition in Agriculture
	Strengthening Safety Net	Strengthening Safety Net
Peace and Development in Mindanao	Peace and Development in Mindanao (Sustainable peace in conflict affected areas)	Program for Peace and Development in Mindanao (Sustainable peace in conflict affected areas)



[Figure 6] Three-tier structure after update (revisions in bold)

Overall Goal: <b>Implement cooperation to achieve "economic and social transformation to realize a prosperous, inclusive and resilient society"</b>		
Priority Areas (Subsidiary Goals)	Development Issues (Development Goals)	Cooperation Programs

Strengthening the Foundations for Sustainable Economic Growth	Quality Infrastructure Development for Sustainable Economic Growth	High-quality Infrastructure Development Program in the Greater Metropolitan Area <b>Infrastructure Development Program for Regional Development</b>
	Industrial Promotion and <b>Improvement of the Investment Climate</b>	Industrial Promotion and <b>Improvement of the investment climate</b> program
	<b>Agricultural productivity improvement and high value enhancement</b>	<b>Agricultural Productivity Improvement and High Value Enhancement Program</b>
Ensuring Human Security for Inclusive and Resilient Growth	<b>Climate Planning, Disaster Risk Reduction and Management, and Environmental Management</b>	<b>Climate Planning, Disaster Risk Reduction and Management, and Environmental Management program</b>
	<b>Strengthening law enforcement capabilities through security and counter-terrorism measures, etc.</b>	<b>Program for Enhancement of Law Enforcement Capacity through Security and Counter-Terrorism Measures</b>
	<b>Promotion of Human and Social Development</b>	<b>Promotion of Human and Social Development Program</b>
Promoting of Peace and <b>Stability</b> , Development and <b>Growth</b> in Mindanao	Peace, <b>Stability</b> , Development and <b>Growth</b> in Mindanao (Sustainable peace in conflict affected areas)	Program for Peace, <b>Stability</b> , Development and <b>Growth</b> (Sustainable peace in conflict affected areas)

#### Chapter 4 Analysis by Program/Sector

This Chapter will summarize the development challenges and future direction for each program. It will then be followed by identifying challenges and future directions for each major sector. Based on this, the approach will consider private sector interests/trends in each sector, progress in private sector-led development, division of roles between the public and private sectors, and cooperation with other stakeholders.

In the sector analysis part of this chapter, nine major sector categories that JICA has worked on to date (i.e., railway, roads and other transportation, information and communications technology/digitalization, energy (electricity and renewable/new energy), agriculture, disaster risk reduction and management, water and environmental management, health, and education/industrial human resource development) will be covered. However, the overall direction of future cooperation with the Philippines will basically follow the same direction as set forth in “Chapter 3 Major Development Issues and Sectors to be Addressed by JICA”. Hence, the analysis of the major sectors in this Chapter does not signify the exclusion of possible cooperation in other sectors not identified herein (considering rapidly advancing technological innovations such as digital technologies, and changes to the environment surrounding development needs). nor preclude certain adjustments to the direction of initiatives, even during the period covered by this JCAP. In addition, a one-to-one relationship between each program and sector may not be directly the case as some activities within the same sector may be organized into different programs depending on the development issues handled by each project.



#### **4.1 High-quality Infrastructure Development Program in the Greater Metropolitan Area**

[Related Global Agenda: Urban and Regional Development, Transportation, Energy and Mining, Digital for Development, Environmental Management, Sustainable Water Resources Management and Water Supply]

(Development issues)

The Marcos administration has positioned infrastructure development as a priority issue for high quality growth with enhanced competitiveness, job creation and improved livelihood, and poverty reduction. The Government of the Philippines intends to provide many opportunities for this by building mass transportation systems and logistics, further promoting regional development, etc., and introducing private and foreign capital. In the Greater Capital Region (GCR<sup>10</sup>), there is a need to establish (1) improved international competitiveness, along with (2) safe, secure, and sustainable urban functions, forming a hub for people, goods, and information. The specific issues are as follows:

- ① International competitiveness: Reduce urban concentration through the appropriate distribution of economic hubs and infrastructure. Improvements related to the movement of people and goods (logistics) given the lack of transportation infrastructure development and operational capacity, etc. Improvements related to the moving of information given the lack of information and communications technology infrastructure development and competitiveness, etc. Measures to avoid disruptions to urban functions due to disasters and improvements to systems to revitalize private and foreign capital.
- ② Safe, secure, and sustainable urban functions: Secure low-carbon, convenient and highly safe means of transportation. Improvements related to environmental pollution such as for air, water, and soil pollution. Planned formation of living spaces. Disaster measures, ensuring safe drinking water supply, public safety (improved informal settler conditions), access to medical care, securing a stable employment environment, and the popularization of renewable energy, etc.

(Future direction)

For enhancing transportation in GCR, it is necessary to promote modal shift and provide cooperation related to improving the capacity and added value of existing infrastructure (expansion of transportation networks, improvement of Operation and Maintenance (O&M) capabilities, improvement of logistics efficiency, development of efficient transportation plans including the use of intelligent transport systems (ITS)),

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<sup>10</sup> Greater Capital Region refers to the combined area of National Capital Region, Region III (Central Luzon) and Region IV-A (Calabarzon)

developing areas along railway lines (urban and regional development), and climate change (promotion of mitigation and adaptation measures, etc.).

In terms of urban development, public transport-oriented development (TOD) including suburban development and public utility vehicles (PUV), and cooperation related to public infrastructure development such as improving urban and residential environments will be promoted.

As Digitalization is also considered an important perspective, cooperation in areas such as ICT infrastructure development and strengthening cybersecurity systems will continue, and in doing so, strengthening and understanding DX systems, development and utilization of geospatial information will be promoted.

## **4.2 Infrastructure Development Program for Regional Development**

[Related Global Agenda: Urban and regional development, transportation, energy and mining, digital for development, environmental management, sustainable water resources management and water supply]

(Development issues)

The Philippines consists of three major islands (i.e., Luzon, Visayas, and Mindanao), and the economic disparities among the regions in Luzon, which includes the Metro Manila, Visayas and Mindanao are significant. While there has been an apparent economic disparity between Metro Manila and the major cities in Visayas and Mindanao (Cebu and Davao), it is also observed that there is a large gap between these major cities and the rest of the regions within their islands. Given this situation and to realize the current government's idea of balancing growth across the nation, there is a need to focus on the development of regional hubs to reduce poverty and improve income disparities with urban areas.

Looking at Luzon, the largest island in the Philippines, it has been the economic, social and cultural center with continuing economic growth centered around Metro Manila. Its surrounding regions has advantages in terms of inter-regional mobility in comparison with other regions. As such, many companies invest in Manila, Subic, and Batangas etc. for their economic activities. On the other hand, there are still large regional economic disparities within Luzon, and there is a need to strengthen logistics (roads) throughout the entire island for the purpose of expanding production of high value-added food processing, agricultural and marine products processed goods, and electronic products, etc., and to strengthen roads and airport functions to improve the access to tourism gateways, etc.

When it comes to Visayas, since it is composed of many islands, it is necessary to expand the gateway functions of each island such as their roads, airports and ports, to improve and strengthen connectivity among people, goods and services. Particularly, in Metro Cebu, there is a need to implement measures against environmental pollution

including those caused by tourism development, etc. There is also a need to improve traffic congestion, social services such as securing drinking water, and job creation through the promotion of industries such as electronic products, etc. In terms of addressing issues that hinder potential for future growth, expansion of the business process outsourcing (BPO) industry that is concentrated in Cebu to other cities and infrastructure development to attract the manufacturing industry, among others, should be considered.

As for Mindanao, in addition to its security risks, it has many ancestral lands and environmental reserves that could limit the development of secondary and tertiary industries. Thus, there is a need to utilize existing developable land to strengthen high value-added food processing and logistics (ports, bridges, and roads, etc.) for agricultural, marine and processed products, etc.

Further to the above, issues that are common to both Visayas and Mindanao include reducing concentration of people in large cities and strengthening the food value chain in the agricultural sector.

(Future direction)

To decongest urban areas, particularly Metro Manila, and spur sustainable high-quality economic growth in both urban and rural areas, there is a need to promote domestic and foreign investments in rural regions that can create job opportunities and improve livelihoods. It is also necessary to support the development of resilient infrastructure including transport and traffic networks for developing regional hubs and improving connectivity between regions, energy grids, water environments, and disaster prevention, etc., and to support the formulation of comprehensive medium to long-term urban development plans. Furthermore, to propose innovative and value adding interventions, , the possibility of collaboration with Japan's private sector and local governments, among others, should be considered.

#### A. Railway Sector

(Sector issues)

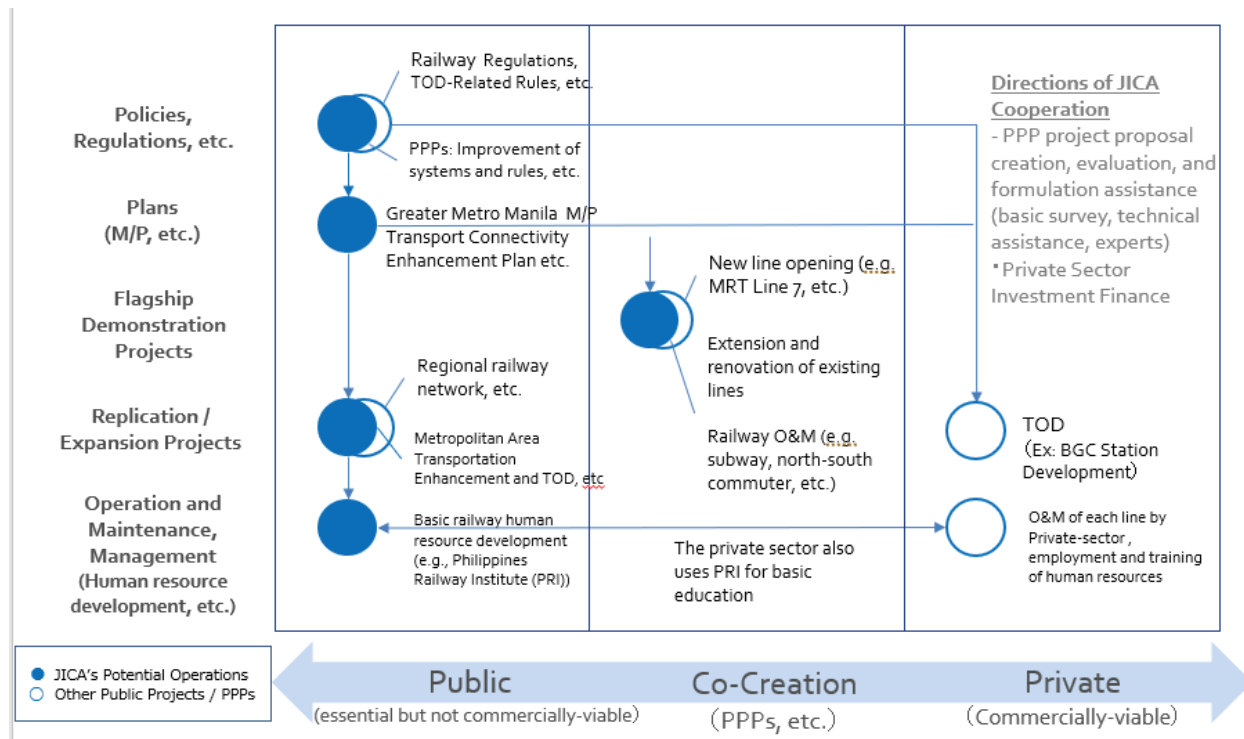
As specified in the "High-quality Infrastructure Development Program in the Greater Metropolitan Area," there are issues that have been identified such as a lack of transportation infrastructure developments, insufficient operational capacity and securing low-carbon, convenient, and safe means of transportation. The GCR, especially Metro Manila, has been experiencing serious traffic congestion issues due to overpopulation and economic development, etc. Thus, development of railway lines is important in addressing these issues as a means of transportation that excels in mass transportation, punctuality, safety, and environmental aspects. In addition, the importance of improving transportation and traffic networks to improve connectivity has been noted under the

“Infrastructure Development Program for Regional Development”.

Further, considering the total length of the three elevated railway lines in the GCR only extends for 50 km, it shows that rail-based public transport as a means of mass transportation is currently insufficient. As more than 20 years have passed from the start of operation of these existing lines, it is important to properly maintain and extend its coverage to secure sufficient transportation capacity and meet expected future passenger demand. In addition, improving added value for each line (e.g., improved connectivity, developing suburban areas and promoting TOD) to develop surrounding areas, increasing non-fare revenues, and pursuing sound and sustainable railway operations are important issues that needs to be addressed to promote the inflow of private capital. Of the 185 IFPs of the Government of the Philippines, the Railway Sector accounts for 24 projects, and is positioned at the core of infrastructure development. For existing operational lines that were constructed with support from ODA loans, the main policy of the government has been to outsource O&M works to private companies, and 9 of the 24 railway IFPs are expected to be implemented through public-private partnerships (including projects where the private sector will be responsible for construction and operation), as the government strengthens its position of seeking private capitals inflow.

Moving forward and as mentioned above, it will be important to ensure reliable construction and full operation of new lines, increase transportation capacity of existing lines, improve added value for the entire public transportation network, and to utilize private resources to realize safe and secured O&M. Considering these, focus areas for future cooperation and collaboration have been categorized by implementing entity (public/private sector) as shown below.

[Figure 7] Direction of Cooperation in the Railway Sector



(Future direction of cooperation)

① Policies, Regulations and Plans:

Railway development has progressed based on the JICA-assisted “Roadmap for Transport Infrastructure Development for Metro Manila and Its Surrounding Areas (Region III & Region IV-A)” (“Transport Roadmap”) which was approved and adopted by the Government of the Philippines in 2014. Based on this, JICA shall continuously follow-up on the progress to ensure that priority projects identified in the Transport Roadmap are steadily implemented including other railway projects which have not been approved by the administration at that time. Our cooperation shall also cover support in upstream areas such as establishment of rules and regulations on development along railway lines and formulation of long-term M/P for new railway lines. Currently, service levels and safety standards have become less predictable because of the lack of systematic legal system and long-term plan for railway projects. This causes disparities in O&M quality across railway lines and a negative impact on the private sector participation in the development of areas around stations. For the development and cooperation in the railway sector, JICA expects to make use of the relationship built on trust with the Philippines since the 1970s as well as the knowledge on urban railway network development borne by Japanese government agencies, academic experts, research institutions and railway operators (e.g. inter-connected rail operations and development along railway lines). It is also expected that these efforts would build the foundation to promote participation of Japanese companies operating in railway-related fields or along railway lines.

② Project Development (core project/dissemination):

JICA shall steadily implement large-scale projects in GCR, particularly the construction of two new railway lines expected to complete after 2027, and focus on cooperation for opening of these lines. Furthermore, JICA shall consider supporting O&M including renovations and reinforcement to secure sufficient transportation capacity because previously, some of the existing railway lines experienced decline in operational rates. JICA shall also cooperate in improving connectivity among ODA-funded railways and other types of transportations, and developing TOD capacity of various government agencies in order to add value to each railway line. Since 2010, JICA has cooperated in the railway sector with ODA loans amounting to more than JPY1 trillion (including projections), and technical cooperation focusing on planning, capacity building, among others. Thus, it is now important to ensure that these cooperation will achieve its development effects. The planned cooperation and on-going efforts are expected to enhance the commercial viability of each railway line and contribute to promoting the participation of private companies.

③ Operation and Maintenance, and Human Resource Development:

JICA shall examine the possibility of cooperation for smooth transfer of O&M to the private sector, mainly during the period at the start of operations with low passenger demand, utilizing project loans, PPP infrastructure loans, overseas investment/financing, research, etc. From a commercial viability standpoint, the said period can be a risk for private companies and a barrier for the Government of the Philippines to promote PPP infrastructures. Further, it is estimated that about 10,000 to 15,000 railway personnel are needed to be hired for the opening of two new lines with a total length of more than 150 km. Therefore, JICA shall continue to strengthen the technical capacity of the Philippine Railways Institute (PRI) as the development of human resource and organizational capabilities for O&M are urgently needed. It is also necessary to strengthen the capacity of railway operators for the sustainable development of railway business through diversification of revenue sources such as commercial development of in-front-of / inside-of stations. In addition, JICA shall cooperate with the Department of Transportation, the implementing agency, to strengthen its capacity to formulate and enforce legal systems considering delays observed in the processes/procedures for smooth project implementation such as land acquisition and resettlement.

## B. Roads and other Transportation Sectors

(Sector issues)

As mentioned above, under the “High-quality Infrastructure Development Program in the Greater Metropolitan Area,” the movement of people and goods (logistics) has been constrained due to lack of transportation infrastructure development and operational

capacity, etc. In addition, under the “Infrastructure Development Program for Regional Development”, strengthening logistics and connectivity in each region remains to be an issue. While the roads sector is primarily responsible for most cargo and passenger transportation in the Philippines, demand for air and maritime transportation have seen to increase in recent years despite a temporary decline due to COVID-19. These sectors are important in contributing and solving the issues above.

In terms of challenges surrounding the roads sector, chronic traffic congestion in the metropolitan area has become a serious issue and there is a need to strengthen traffic management capabilities, including the use of intelligent transport systems (ITS). Topographical and geographical obstacles such as mountain ranges and scattered islands in the Philippines also needs to be overcome. However, there seems to be a lack of sufficient knowledge and experience on constructing long tunnels, long-span and special bridges which are necessary to strengthen the road networks between economic hubs such as the GCR and regional cities, and between regional cities themselves. Furthermore, many of the bridges in the Philippines were constructed about 50 years ago, i.e., between 1970s to 1980s, which raises an issue on the structural integrity of these old bridges. Considering that the country is located in the circum-Pacific volcanic zone, which is prone to damage from large-scale earthquakes and the increasingly severe effects of climate change, there is a need to improve the seismic resistance and resilience of roads and bridges. To address these issues, the roads and bridges sector has been positioned at the core of infrastructure development accounting for 66 of the 185 Government’s IFPs. Of the 66 projects, 14 have been identified for construction of highways to address high traffic demand, etc. These projects are currently being implemented or are expected to be implemented through PPP while there has also been a move towards outsourcing the O&M activities of tunnels and highways etc. constructed under ODA loans to private companies promoting hybrid PPP (i.e; construction by the public sector and managed by private sector).

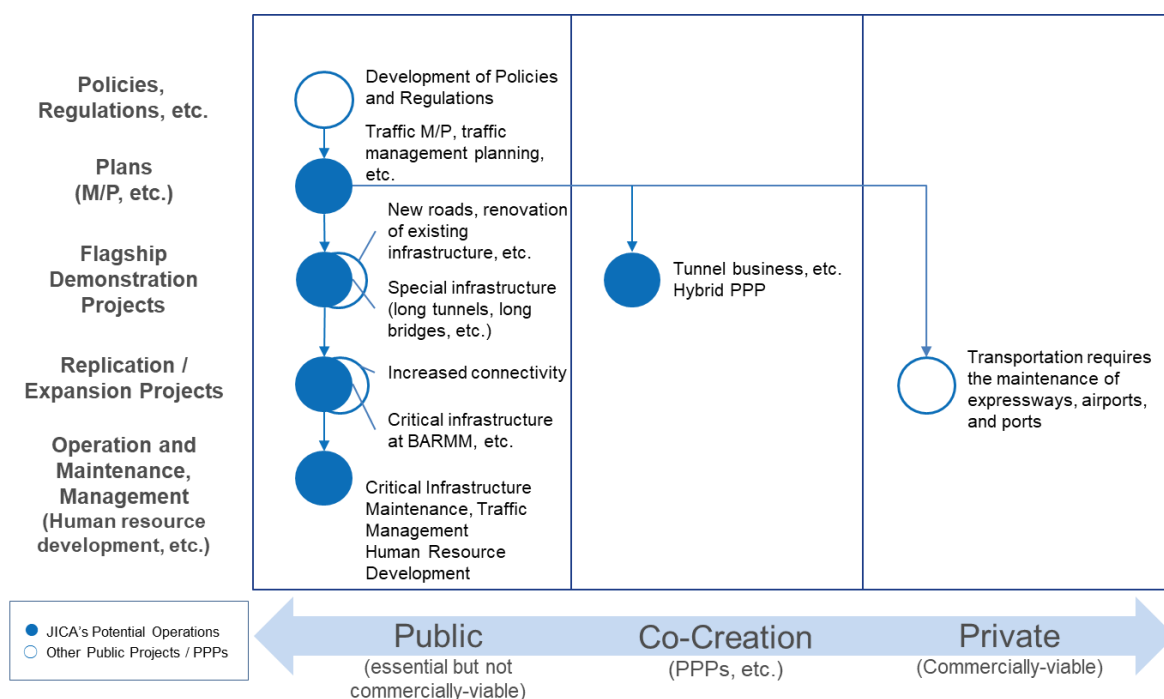
When it comes to the airport sector, reducing congestion at the Ninoy Aquino International Airport (NAIA) as Philippine’s main gateway airport remains to be an issue. To address this, projects such as expansion of NAIA’s functions, construction of a new Manila International Airport (Bulacan Province) by PPP, expansion of Clark International Airport, and the expansion of alternative uses of Sangley Point Airport for private sector utilization, etc are being proposed and implemented. In the regional areas, there is an urgent need for hybrid PPP to expand the capacity of local airports, improve systems for receiving international flights etc., and develop a new gateway airport to complement NAIA.

As for the ports sector, maritime transportation has increased significantly in recent years. However, challenges remain with expanding the capacity of major ports, introducing modernized equipment, and strengthening port management systems to reduce the concentration of cargo at Manila Port and realize an efficient transportation

network that integrates land and sea transportation. The IFPs include six port projects wherein four are expected to be implemented through PPP.

Considering the above, it shows that the development of highways, airports and ports with high traffic demand are being implemented through private capital while the public continues to play a leading role in efforts to develop other roads and bridges, etc. Given that this is one of JICA’s focus areas in the future, the direction of cooperation in roads and other transportation sectors are categorized and organized in the figure below based on the implementing entity (public/private sector).

[Figure 8] Direction of Cooperation in the Roads and Other Transportation Sector



(Future direction of cooperation)

① Policies, regulations and plans:

While some ITS related facilities have been introduced in the GCR, it is still insufficient and further development and utilization of ITS is needed to alleviate traffic congestion. JICA will work to strengthen road traffic management capabilities by formulating plans for ITS development, etc. JICA will also work on formulating a regional development M/P which includes traffic management, to strengthen connectivity in regional cities.

② Project development (core project/dissemination):

Utilizing highly safe and durable Japanese technologies for the construction of long tunnels and long span bridges, JICA will cooperate mainly on the implementation of high standard highway network development, including special infrastructure, in accordance with the JICA-assisted “Project for Master Plan on High Standard Highway Network Development (Phase 2) (2021)”. Support will also be provided for long tunnels, to be implemented through Hybrid PPP, to strengthen proper O&M planning, contract forming



and supervisory capabilities of private companies. This will be made through capacity building such as trainings, dispatching experts who are familiar in these fields, and consulting services. JICA will also cooperate on development plans which are not highly commercially viable for private sector to participate, such as on important infrastructure development in the BARMM region.

③ Operation and maintenance, and human resource development:

In addition to supporting projects and human resource development related to the strategic management and proper maintenance of critical infrastructure such as roads, airports, and ports, etc., JICA will work to enhance maintenance and management capacity of existing congested road networks and special infrastructures that needs rehabilitation. This aims to address the issues on aging infrastructure, improve seismic resistance and strengthen existing infrastructures. Also, further to the formulation of ITS development plans as mentioned in ① above, JICA will also work on human resource development, such as strengthening ITS related facility, procurement, and O&M capabilities.

### C. Information and Communications Technology/Digitalization Sectors

(Sector issues)

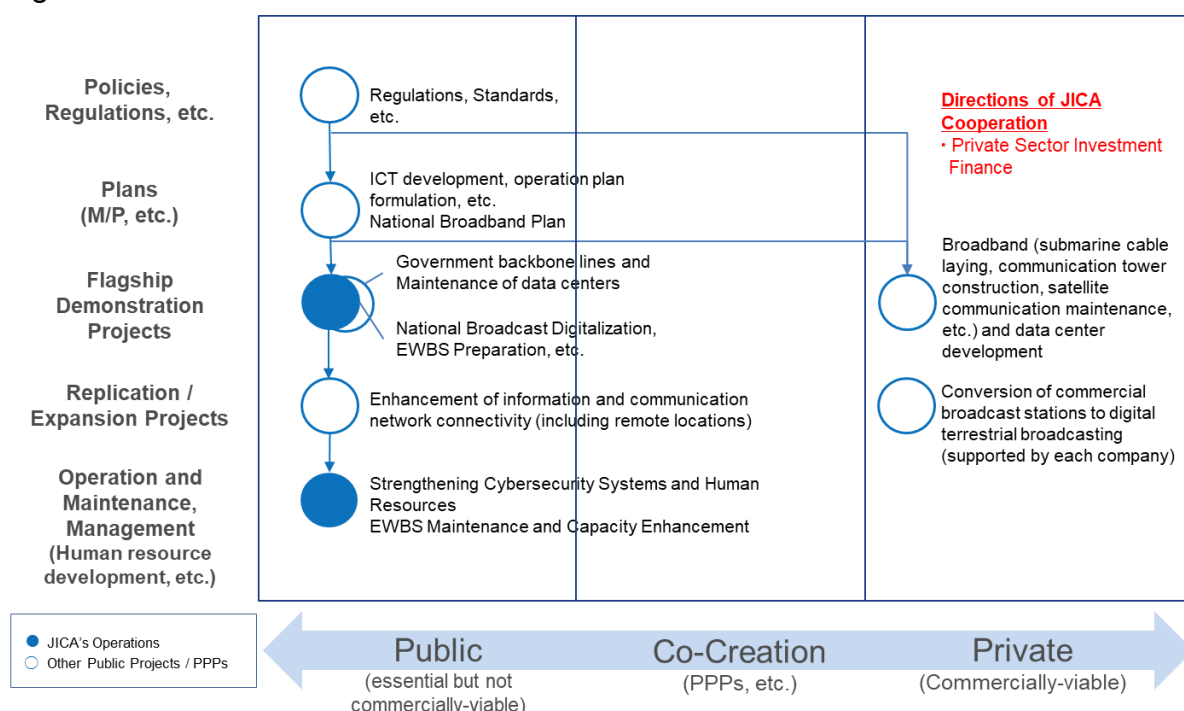
As described in the “High-quality Infrastructure Development Program in the Greater Metropolitan Area” and the “Infrastructure Development Program for Regional Development,” information and communications technology (ICT) infrastructure is the foundation of innovation and international competitiveness. It also serves as the basic infrastructure that contributes to improvement of digital divide and enhancement of disaster risk responses, making this an important sector for addressing social issues.

The ICT and digitalization sectors in the Philippines, particularly broadband development, is largely driven by private sector initiatives. However, internet speeds remain unreliable even in urban areas while access is very limited in many rural areas especially where private sector expects low revenue. The Government of the Philippines has made efforts, including the formulation of the “National Broadband Plan” in 2017, but implementation has been stalled due to limited administrative capacity. For the digitalization of terrestrial television broadcasting (DTTB), the Government of the Philippines officially adopted Japan’s Integrated Services Digital Broadcasting-Terrestrial (ISDB-T) system in November 2013, paving the way for the transition from conventional analog broadcasting. This transition promises to provide a variety of services to the public such as disaster prevention, news reporting, and other daily life information to the people. Despite this, the introduction of DTTB remains limited in the country given the lack of experience in operating various services that utilize ISDB-T technology and challenges faced in strengthening the implementation system, including coordination with commercial broadcasters. Cybersecurity vulnerabilities are also a concern, with the

Philippines reported to have been the fourth most targeted country by cyber criminals in the world in 2021 (USAID/IBM, 2022). In line with this, the Government of the Philippines has formulated the “National Cybersecurity Plan 2023-2028” to promote its efforts in enhancing cybersecurity in the country while challenges remain in terms of organizational structures, technical capabilities, and human resource development.

JICA’s future focus areas, which are identified based on the preceding analysis, are categorized in the figure below by implementing entity (public/private sector).

[Figure 9] Direction of Cooperation in the Information and Communications Technology/ Digitalization Sectors



(Future direction of cooperation)

① Project development (core project/dissemination):

To promote DTTB based on ISDB-T system, JICA will cooperate in the development of facilities and systems for the national broadcasting to build its DTTB network, utilizing Japan’s knowledge and experience. The timely and appropriate transmission of crucial public information such as elections and emergency alerts using the Emergency Warning Broadcasting System (EWBS) through DTTB network will address information gap, enhance democracy, promote national unity and peace process in the Bangsamoro region, and reduce disaster associated risks and impacts. JICA will also closely monitor the development of telecommunications networks, including broadband, national plans, technologies and trends in private sector. If there are needs that will be identified later on which complement these plans and trends, initiatives to address information disparities and promote regional connectivity, JICA will consider such needs.

② Operation and maintenance, and human resource development:

Building on Japan's existing efforts to strengthen relationships with ASEAN nations in the field of cybersecurity through conduct of policy meetings, and recognizing shared importance of this field between the Governments of Japan and the Philippines, JICA will provide technical cooperation to improve Philippines' capabilities in responding to cybersecurity threats and strengthening government systems against cyberattacks. This cooperation is expected to complement and collaborate/establish partnerships with other development partners such as the US and South Korea who are active in supporting this field. JICA will also support strengthening policies for public broadcasting system and organizational and human resource capabilities, including operation and maintenance of EWBS through DTTB.

### **4.3 Industrial Promotion and Improvement of the Investment Climate Program**

[Related Global Agenda: Energy and mining, private sector development, public finance and financial system, and climate change]

(Development issues)

The investment environment in the Philippines is lagging behind other ASEAN countries in terms of the amount of direct investment received. According to the World Bank's Doing Business 2020 Report, Philippines ranked 95<sup>th</sup> out of 190 countries in making it easier to do business in the country. In particular, Philippines ranked low in terms of business establishment (171<sup>st</sup>), registration (120<sup>th</sup>), raising funding (132<sup>nd</sup>), taxation (95<sup>th</sup>), trade (113<sup>th</sup>), and contract execution (152<sup>nd</sup>). This shows the need to improve administrative and financial capacity including development of related systems and deepening of the financial system, etc. to enhance the investment climate. Furthermore, according to the World Economic Forum's World Competitiveness Ranking 2023, the Philippines ranked 58<sup>th</sup> out of 141 countries, behind Indonesia (51<sup>st</sup>), Thailand (43<sup>rd</sup>), and Malaysia (35<sup>th</sup>) in the ASEAN region. It showed that in addition to the chronic traffic congestion in metropolitan areas, the inadequate infrastructures (i.e., limited capacity and congestions at airports and ports, high electricity rates compared to neighboring countries, etc.) are impediments to attracting direct investment and industrial development.

In terms of industrial promotion, while there is a certain level of agglomeration and international competitiveness in the fields of information technology and business process management (IT/BPM), the expansion of support industries has been limited. It is important to foster job creation in the manufacturing industry to accommodate the increasing domestic labor force. On the other hand, the relative advantages of the Philippine manufacturing industry in comparison with other ASEAN nations has not been established yet. While there are many export-processing foreign companies in the country, support industries have not been developed. This is mainly due to heavy reliance of foreign companies to import raw materials which limits the opportunities for domestic

suppliers to develop. The lack of progress in industrial agglomeration, including support industries, remains to be an issue in terms of strengthening international competitiveness with a view of developing export industries. It is also essential to develop industrial human resources to cater the needs of the industry, and to identify promising sectors that can foster job employments in the country in the future. Further, the outlook for industrial development should be taken into account in a comprehensive manner, including important industries inside and outside the country, and the impact and growth prospects of remittances from Overseas Filipino Workers (OFWs).

(Future direction)

In addition to the development of basic surrounding and related infrastructures such as access to transportation, water, electricity, and communications, etc., JICA will provide assistance to improve customs, taxation and administrative capacity through the dispatch of experts and conduct of trainings. These assistance are expected to contribute in the enhancement of business environment, direct investments, industry and trade. Further to addressing specific issues noted above (business establishment, registration, raising funding, taxation, trade, and contract execution), JICA will support the creation of an environment to promote public-private partnerships, including development of important infrastructures. JICA will also consider support for deepening of the financial system to contribute to stable macroeconomic and monetary policy management. While continuing to work on the promotion of the manufacturing industry, JICA will likewise cooperate to create jobs and improve international competitiveness through identification of promising sectors as mentioned above, and improving OFW's capabilities and creating an environment to accept them. (One element of this is the establishment and improvement of systems and rules to develop new industry fields towards the utilization of green technologies and the creation of green jobs.)

#### D. Energy (Electricity, Renewable/New Energy) Sector

(Sector issues)

As noted under the “Industrial Promotion and Improvement of the Investment Climate Program,” along with the transportation, water, and communications, etc., the energy sector is part of the important basic infrastructure that forms the basis for industrial development and investment promotion. Further, as indicated in “High-quality Infrastructure Development Program in the Greater Metropolitan Area” and “Infrastructure Development Program for Regional Development,” the development of the energy supply network is similarly one of the core public infrastructure projects that forms the foundation for regional competitiveness and urban development.

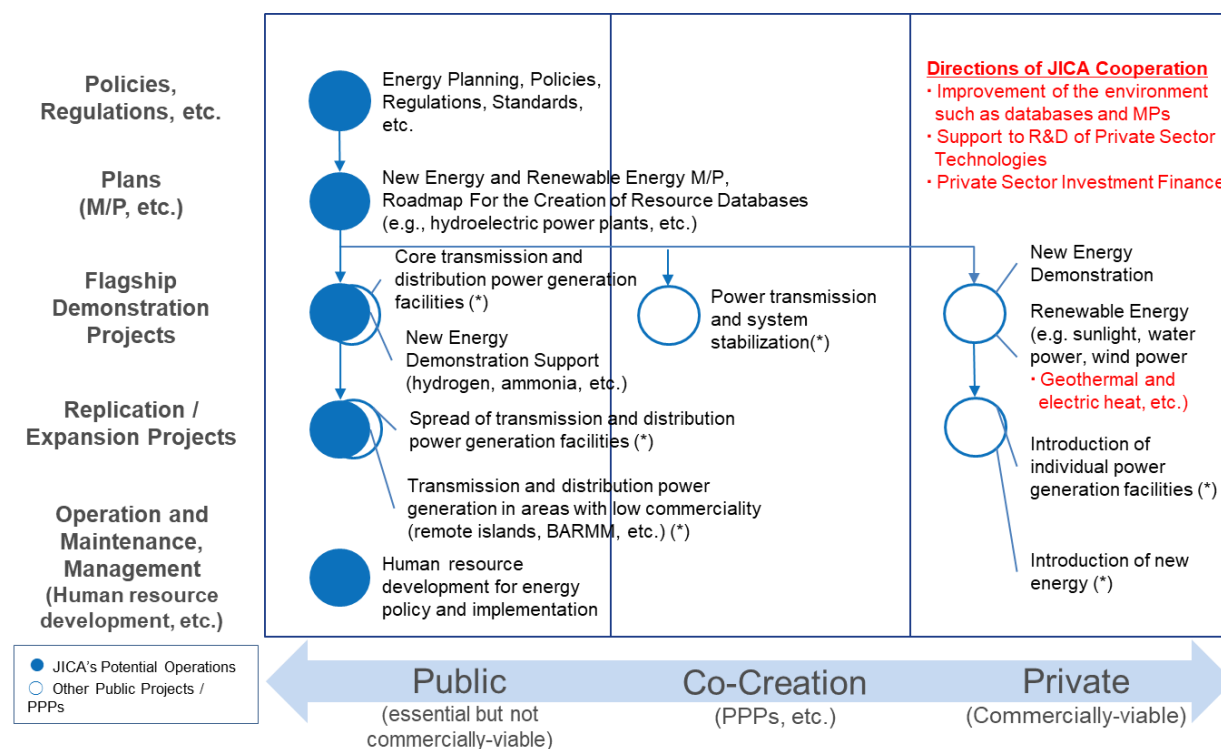
On another note, the Philippines has one of the highest electricity prices in Asia which is seen as one of the main obstacles in attracting and expanding the manufacturing

industry. In 2020, 47.3% of Philippines' energy consumption has been generated using fossil fuels imported from overseas. Due to heavy reliance on imported fossil fuels, energy prices became volatile and easily driven by global conditions. Further, energy sector is primarily led by the private sector which naturally tends to pursue greater profits while power transmission subsector is heavily influenced by Chinese capital resulting to challenges in terms of energy security.. While per capita electricity consumption in the Philippines is the lowest among ASEAN member countries, electricity demand is expected to increase four times that of 2019 by the year 2040 due to projected population growth. Thus, there needs to be a balance between increasing power generation, reducing losses, stabilizing electricity prices, reducing greenhouse gas (GHG) emissions and energy security.

Under the 2010 National GHG Inventory, the energy sector was the largest source of GHG emissions. The Government of the Philippines currently targets to increase the proportion of renewable energy in domestic power generation capacity to 35% by 2030 and 50% by 2040 (Note: There is also some discussion about increasing these targets). Most of the energy industry in the Philippines is privatized, and the promotion of private sector investment will have a significant impact on achieving these targets. In 2011, regulations surrounding foreign companies' ownership ratio in renewable energy businesses were abolished to promote further investments and attract foreign companies with advanced technical capabilities. The development of solar and wind power has relatively advanced due to this movement, but there have been delays in developing geothermal and hydropower plants because of risks and challenges associated with the implementation of projects such as prolonged selection of suitable sites. When it comes to hydropower, plans are being formed to expand hydropower capacity by 6,150 MW by 2040, requiring large-scale hydropower development of more than 100 MW. In addition, regulatory authorities have not kept up with assessment of energy development projects, and delays in licensing procedures pose a risk to businesses. Further, as the amount of power generation increases, the insufficient capacity and delays in expansion of power grids are anticipated to impact the introduction of renewable energy. Efforts to stabilize the electricity system will become more necessary with the introduction and promotion of renewable energy.

The Government of the Philippines has placed natural gas-fired power generation as an alternative to coal-fired power generation to complement the various renewable energies that fluctuate in power generation. Further, the introduction of energy storage systems (storage batteries, pumped storage power generation, etc.) and emerging technologies such as hydrogen and carbon dioxide capture, utilization, and storage (CCUS) are being considered to stabilize the power system. The Government aims to achieve full electrification by 2028, given the current domestic electrification rate of 94.5%.

[Figure 10] Direction of Cooperation in the Energy (Electricity, Renewable/New Energy) Sector



(Future direction of cooperation)

In the energy sector, in addition to improving the environment to promote private renewable energy power generation projects (including new technology demonstration and environmental development), JICA will consider cooperation in improving energy efficiency and promoting energy conservation which includes power distribution and reduction of energy loss in off-grid areas such as remote islands, based on the role of Government.

① Policies, regulations, and plans:

The electricity market is primarily led by the private sector. To complement this, JICA will support the development of policies and business environment to promote further private investments. Renewable energy sources such as hydropower and geothermal energy, etc., require a lot of time to develop which led to low private investment. Given that this is an area in which Japan has accumulated extensive experience, JICA will work to reduce private risk and promote investment from a comprehensive perspective through the formulation of a M/P setting out a specific path through collection, analysis, and disclosure of basic information for the selection of suitable locations.

② Project development (core project/dissemination):

To support power generation expansion projects, etc. of the private sector, including Japanese companies, JICA will work to improve the business environment by strengthening the capacity of regulatory authorities. This aims to address the delays in regulatory approval procedures and eliminate bottlenecks in expanding power

transmission and distribution networks. Also, given Japan's progress in developing new technology fields such as hydrogen and CCUS, JICA will support the promotion of these technologies through fostering technical understandings and demonstration projects. Despite having low economic efficiency at the moment, it is expected that these projects will greatly contribute to the decarbonization of the Philippines in the future. In addition, given that there are still non-electrified areas with low commercial potential such as BARMM, etc., JICA will support efforts towards full electrification from the perspective of contributing to peace and stability through development as noted in the "Peace in Mindanao - Stability, Growth and Development Program."

③ Operation and maintenance, and human resource development:

Given Japanese private companies experience in implementing and advancing energy sector projects, JICA will work on human resource development utilizing Japan's experience and knowhow in electricity market liberalization, renewable energy, etc. This will also lead to potential business opportunities for Japanese companies through their promotion of Japan's technical advantages in new and energy-saving technologies boasting high international standards. This will also lead to future business opportunities for Japanese companies by promoting understanding of Japan's technical strengths in new technologies and energy-saving technologies boasting high international standards.

#### **4.4 Agricultural Productivity Improvement and High Value Enhancement Program/Sector**

[Related Global Agenda: Agriculture and rural development, private sector development, climate change]

(Development issues)

In the agriculture and fisheries industries, the major issues identified are low productivity, efficiency, and sustainability along with a lack of market access and promotion of agribusinesses. Furthermore, considering that poverty rate is 30% in agriculture sector despite the sector accounting for 24.4% of employment<sup>11</sup>, there is a serious need to improve and increase the income of agricultural workers by addressing the issues mentioned above. In terms of job creation, as one of the most important policies and issues for the Government of the Philippines, the development of the agriculture and fisheries industry, is becoming increasingly important.

Institutional constraints are also present which contributes further to the issues mentioned above. For example, with respect to the land ownership system, since the agricultural land has been occupied with a small number of large landowners, tenant farmers are not able to borrow financial products using land as collateral and not able to

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<sup>11</sup> Philippine Statistics Authority (December 15, 2023) "Press Conference on the 2023 First Semester Official Poverty Statistics" <<https://www.psa.gov.ph/statistics/poverty>>

invest for necessary products due to landowner-tenant farmer relationship. Therefore, institutional reinforcement or improvement of financial access for farmers are necessary through consolidation of small-scale farmers to establish farmers association etc.

Since many small-scale farmers are unable to obtain the capital to purchase and maintain agricultural machinery and facilities, these farmers are behind in mechanization and adoption of the latest technologies. One of the contributing factors to this is the limited access to financial products. In recent years, with the increasing impact of natural disasters brought by climate change, the agricultural sector experienced stagnant growth rates attributed to lack of sufficient resilience to risks posed by natural disasters. This insufficient resilience to disasters is also linked to limited financial access as farmers cannot purchase sufficient and quality equipment and facilities. Furthermore, in terms of structural infrastructure, the inadequate access roads to markets and the deterioration of existing infrastructure such as irrigation facilities are also raised as an issue.

Delays in the transition to high value agriculture and fisheries is also one of the challenges in this sector. In the past, ensuring a steady supply of relatively affordable food in the country had been prioritized by the Government of the Philippines to address food security and reduce poverty. However, when it comes to rice which is a staple agricultural product in terms of food security, its supply has lagged behind to meet demand despite the slight increase in domestic production with the enactment of the Rice Tariffication Law. This has resulted to several issues such as rice shortages, post-harvest losses and price hikes. Meanwhile, the diversification of agricultural products and transition of production systems to higher value-added cash crops have been delayed. Further, the value chain for quality assurance, cost reduction and value enhancement in processing, distribution, and sales has not been sufficiently built which suppresses the potential development of new industry such as agribusiness.

(Future direction)

- Project development (core project/dissemination):

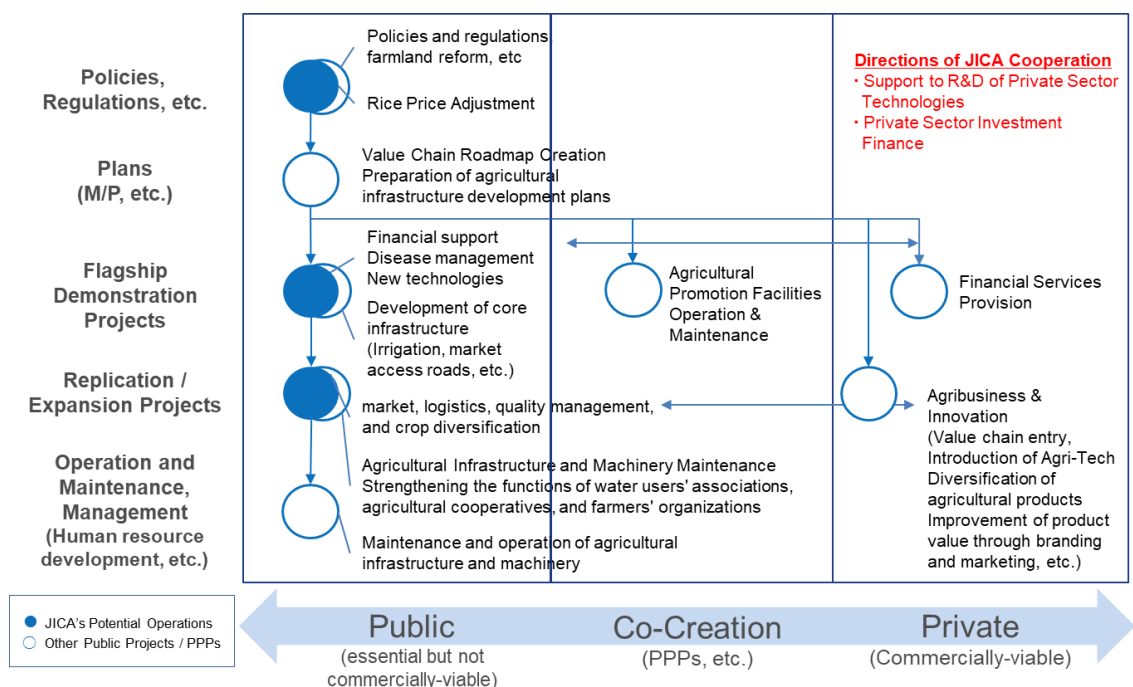
Based on the abovementioned issues, JICA's future cooperation will focus on improving agricultural efficiency and resiliency through enhancement of financial access and capabilities of agricultural cooperatives, related enterprises, and agencies to address existing bottlenecks, develop sustainable agricultural-related technologies, and respond to climate change and natural disasters. In addition, to promote increased productivity, reduced costs, and transition to high value agricultural products, JICA will consider cooperation addressing institutional, technical, and structural aspects along the entire Food Value Chain (FVC). This cooperation may include strengthening the capacity of those involved in agriculture and FVC, improving post-harvest processes, and supporting agro-industry growth to improve efficiency and expand industrial potential.

In the agricultural sector, while there have been many initiatives made by public sector,



the introduction of new technologies can be undertaken by both the public and private sector. As such, JICA will collaborate with private companies in enhancing their activities and knowledge on various areas such as new agribusiness, product packaging, branding and marketing, among others. JICA will also promote the use of the Internet of Things (IoT) and Agri-tech while analyzing and considering barriers in disseminating technologies such as introduction costs and feasibility based on benefits to smallholder farmers.

[Figure 11] Direction of Cooperation in the Agriculture Sector



#### 4.5 Climate Planning, Disaster Risk Reduction and Management, and Environmental Management Program

[Related Global Agenda: Climate change, natural conservation, environmental management, sustainable water resources management and water supply, disaster risk reduction through pre-disaster investment and build back better]

(Development issues)

The Philippines has the highest risk and exposure to natural disasters in the world, with 33,000 lives lost and 120 million people affected by natural disasters in the past 30 years. The typhoons and earthquakes have caused an average annual damage of about US\$3.5 billion (approximately JPY484.6 billion) to both public and private assets (IFHV/Bündnis Entwicklung Hilft. 2022). Given that climate change is expected to increase and intensify disaster risks in the future, further efforts for both adaptation and mitigation are necessary to achieve sustainable economic growth and accelerate decarbonization in the country.

When it comes to addressing climate change, challenges remain in planning, implementation, monitoring, and evaluation of Nationally Determined Contributions (NDCs) as corresponding policies to United Nations Framework Convention on Climate Change (UNFCCC) and Paris Agreement remains unclear on the submission of necessary documents to achieve NDCs. In addition, it is necessary to address the reduction and degradation of forests through afforestation and reforestation as it plays critical role in GHG absorption. In terms of disaster prevention, in addition to continuing promotion of structural and non-structural measures, there are still issues to be addressed such as strengthening institutions (including LGUs), systems, and personnel, and securing sufficient funding. It is expected that the Philippines will be able to share its accumulated disaster prevention knowledge to other countries in the future.

As for the water resource, sanitation, and waste management sector which is primarily under the responsibility of LGUs, the implementation of projects by the LGUs and other public and private entities have been insufficient, and the use of subsidies under the National Sewerage and Septage Management Program (NSSMP) have also been stagnant. In 2019, the nationwide drought has raised awareness in the country for the need to establish an efficient water usage and proper treatment of waste water to meet the rapid population growth in the Philippines.

(Future direction)

As for climate change measures, JICA will strengthen the capacity of government agencies in preparing various framework documents and data, and promote efforts by the public and private sector in achieving targets and NDCs under the Paris Agreement. JICA will also consider enhancing the quality of meteorological data for a more effective and timely weather forecasting and appropriate infrastructure design adapting to climate change through maximizing the use of DX technologies, among others. Further, support for policy implementation activities, institutional capacity building and system development using data for forest management and conservation contributing to both climate change mitigation and adaptation will be considered by JICA. While Philippines' GHG emissions is not significant in a global scale, Japan will continue to promote cooperation in the transportation sector that contributes to the reduction of GHG emissions through modal shifts, etc. and private-sector partnerships such as the introduction of new technologies.

In terms of disaster prevention, JICA will support formulation of upstream plans such as flood control master plans, etc., to strengthen core structural measures and flood forecasting/warning systems, and enhancement of DRRM administrative, financial and implementation capabilities. JICA will also further promote private sector partnership projects in this area.

For water and environmental management sectors, JICA will work towards establishing efficient water usage, proper waste water treatment and solid waste management by

analyzing and recommending policy and plan reforms suitable to various scales of LGUs (including business operators), and creating scale appropriate development and financial plans utilizing private-public partnership schemes for LGUs with bankable projects.

#### E. Disaster Risk Reduction and Management Sector

(Sector issues)

As noted in the “Climate Planning, Disaster Risk Reduction and Management, and Environmental Management program,” responding to the various natural disaster risks becomes a challenge as it is foreseen to become more severe in the future. As such, DRRM plays a significant role in contributing to adaptation and mitigation of climate change risks and in reducing human and economic damages. Also, as noted in the “High-quality Infrastructure Development Program in the Greater Metropolitan Area” and the “Infrastructure Development Program for Regional Development,” the development of disaster prevention infrastructure contributes to establishing a safe, secure, and sustainable cities and regions, making this an important sector.

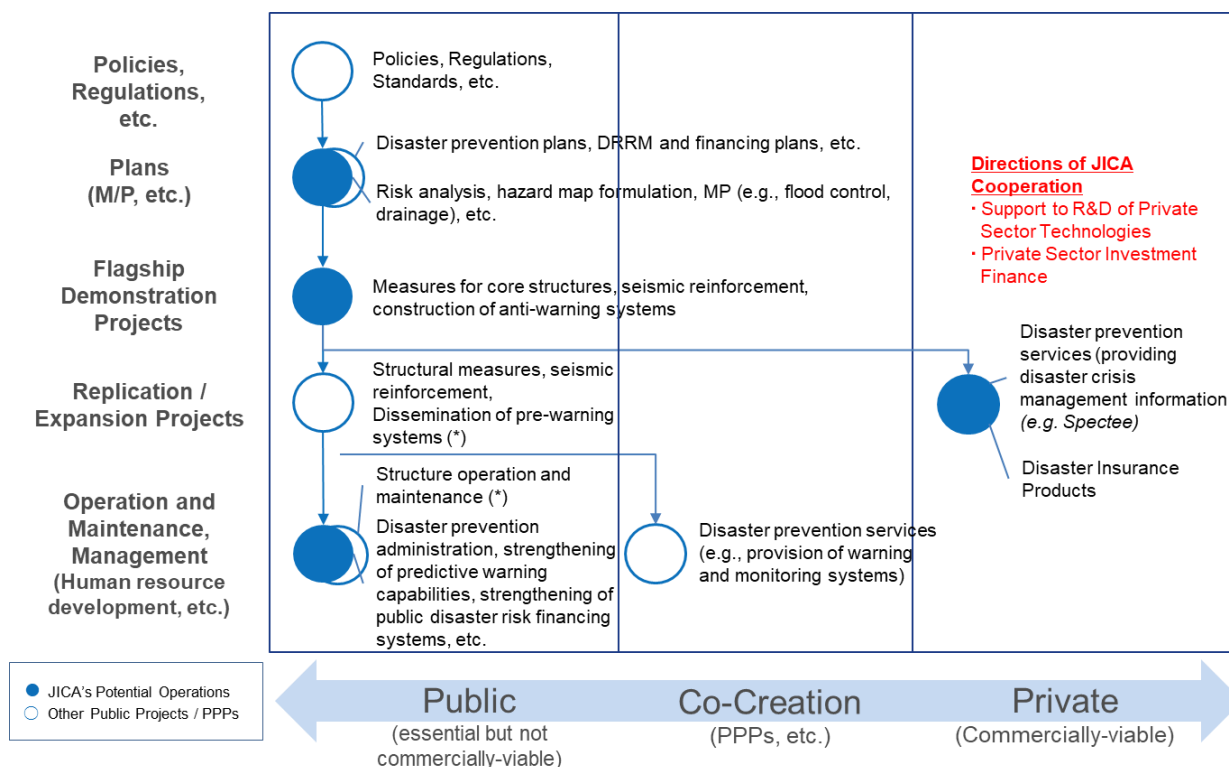
On the other hand, challenges in this sector include disparities in planning and implementation capabilities of national, regional and local governments, inadequate cooperation among related organizations (central and local governments, flood control departments and water resource departments, etc.), securing sufficient recovery funds for contingent liabilities in the event of disaster, and lack of Master Plans for responding to socio-economic conditions and climate change impacts. Further, structural and non-structural measures for various disasters and human resource development related to their operation, maintenance and management are still in progress.

In 2010, the Government of the Philippines enacted the “Disaster Risk Reduction and Management Act,” a comprehensive policy focusing on pre- and post-disaster response and mitigation and creating a system that can reduce and manage disaster risks. The PDP (2023-2028) also underscores initiatives that positions DRRM as a cross-sectoral matter, with the aims of reducing vulnerability to natural disasters and building communities that are safe and secure in the face of natural disasters. Further, in this sector, policy formulation, operation, maintenance, and management are basically carried out by the public sector, but in some areas such as the provision of disaster crisis management information, warning and monitoring systems, the private sector have been engaged along with the use of their technology.

Based on the above, the formulation and revision of upstream plans such as DRRM plans and Master Plans, etc., the strengthening of DRRM administrative/financial and implementation capacity, and the promotion of structural and non-structural measures are important for the reduction of disaster risks. There are also many private companies that carry out DRRM related projects, and it is important to consider maintenance and management systems from a medium to long-term perspective to ensure sustainable

operation, in addition to exploring possibilities of utilizing private sector know-how and collaborating with private companies. Also, given the knowledge on DRRM that has been accumulated by the Philippines, it is expected that this will be shared with other countries. Regarding areas of focus for the future, implementing entities (public/private sector) are categorized on the horizontal axis and are organized as shown in the figure below.

[Figure 12] Direction of Cooperation in the Disaster Risk Reduction and Management Sector



(Future direction of cooperation)

① Policies, regulations, and plans:

JICA will support the planning and formulation of various plans (DRRM plans, flood control master plans, hazard maps, risk assessments, etc.) and securing quick-disburse funds in preparation for disasters, disaster risk management and relocation of public infrastructure, etc. As for existing Master Plans in various river basins, these will be reviewed by JICA as necessary in light of climate change impact, among others. For more than 50 years, since the 1970s, Japan has supported Philippines' DRRM sector utilizing its technical knowledge and technological advantages. As such, JICA's cooperation will continue to leverage on these expertise.

② Project development (core project/dissemination)

Based on various plans, JICA will support structural and non-structural measures for areas at high risk of natural disaster utilizing Japan's knowledge and technologies. Support for structural measures (river improvement etc.) will include those related to risk reduction of typhoons, floods, erosion control, earthquakes, and storm surge/high wave.

Currently, there is inadequate measures made for coastal conservation to mitigate with storm surge and tsunami damage, etc., thus, there is a need to strengthen these measures in the future. In terms of non-structural measures, challenges remain in improving the accuracy of forecasts and warnings for weather, earthquakes, tsunamis, and volcanoes, etc., and promoting the use of such information for disaster response by DRRM related organizations and residents, etc. As such, JICA will provide cooperation focused on improved accuracy and use of various observation, prediction and warning systems. In determining and planning potential support, JICA will also consider incorporating private sector technology and creating environment for public-private collaboration.

③ Operation and maintenance, and human resource development

JICA will support the strengthening of organizations in charge of disaster risk reduction, the development of related human resources, and improvement of information sharing and cooperation among relevant organizations. JICA will also develop capabilities of relevant agencies in analyzing and utilizing various observation results. In addition, in light of the increase in natural disasters due to climate change, it is important for JICA to cooperate in the enhancement of disaster risk financing and insurance, and to follow-up and utilize space technologies and innovations.

## F. Water and Environmental Management Sector

(Sector issues)

As indicated in the "Climate Planning, Disaster Prevention, and Environmental Management Program", securing and efficiently using water resources and appropriately treating sewage and waste water are positioned as important undertakings that contribute not only to public health but also to climate change adaptation. Further, as described in the "Program for Quality Infrastructure Development in Metropolitan Areas" and the "Infrastructure Development Program for the Development of Regional Bases," environmental management initiatives are important as a foundation for competitive and sustainable regional and urban development.

On the other hand, while policies and systems are determined by the national government in this sector, the implementation of such policies and systems are delegated to LGUs. These LGUs face challenges in implementing projects with lack of budget and human resources and complex intertwining of politics and informal sector. These structural challenges are necessary to be considered in ensuring viability of projects. Further, with the concentration of population in metropolitan areas (Metro Manila, Metro Cebu, Metro Davao) (about 18% of the population living in 3% of the national land area, Philippine Statistics Bureau, 2020), it has exacerbated water scarcity and urban environmental problems. For example, this situation has created an overwhelming

shortage of sewage treatment facilities, and waste disposal issues but concrete measures and initiatives are insufficient.

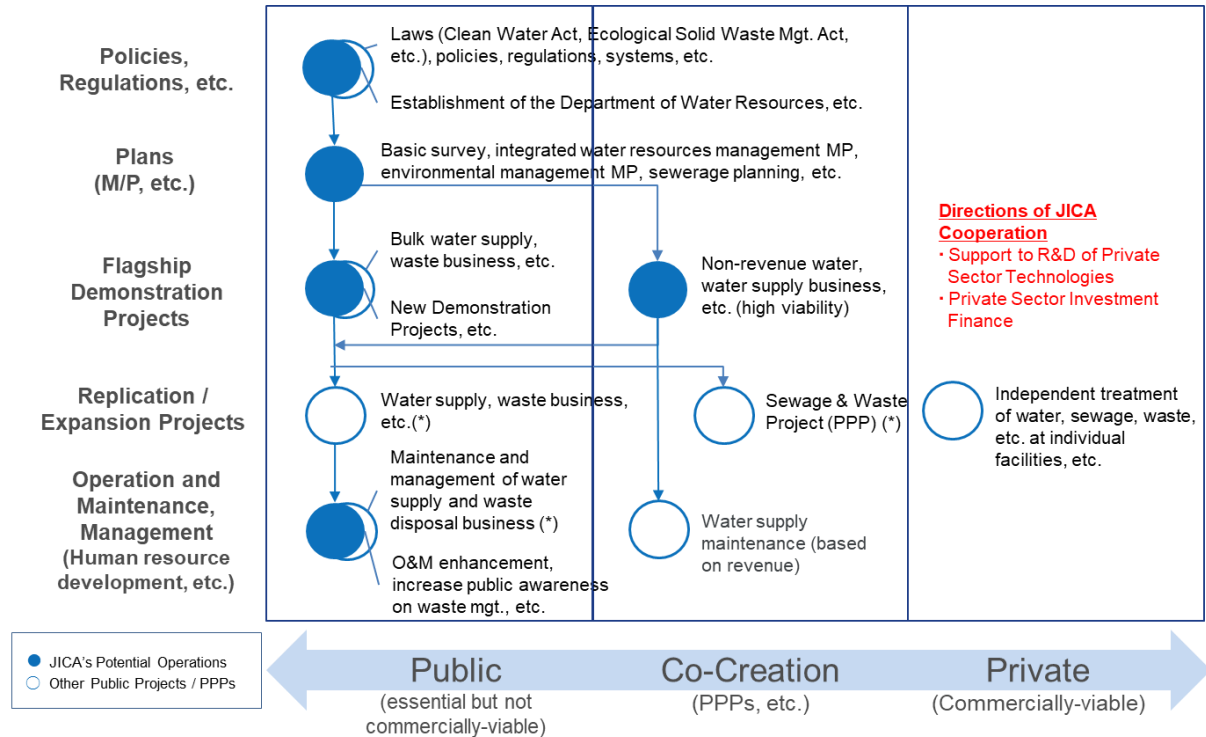
In 2019, the El Niño phenomenon caused a severe drought nationwide resulting to water shortages, which are expected to worsen due to climate change, and securing new water resources and establishing efficient water usage have become an issue (JICA Data Collection Survey for National Water Development and Management Plan, 2023). The National Government, through the Department of Public Works and Highway (DPWH), is implementing the NSSMP to promote wastewater and sludge treatment by providing subsidies to LGUs. However, the complex requirements cause low application rate from the LGUs resulting to an access rate of 52% on appropriate sewage and sludge treatment and approximately 76% of households have never gotten their septic tank sludge removed. In response to ever increasing amount of waste, only a few LGUs have been able to implement appropriate processes from discharge to final disposal. LGUs also face restrictions on the number and functionality of landfill sites, illegal dumping of plastic waste, low recycling conversion rates, and a sizable opposition among residents with regard to the incineration of solid waste for conversion into energy. Therefore, as waste and wastewater account for approximately 15% of all GHG emissions in the Philippines (Climate Change Commission, 2020), it is of utmost priority of the Government of the Philippines to come up with a solution that takes into perspective the climate change mitigation.

(Future direction of cooperation)

Based on the above issues in the water and environmental management sector, which is generally a public-driven sector, Japan will continue to cooperate with the national government in policy formulation and institutional development, and with the LGUs in formulation and implementation of projects. Japan will also support further cooperation in environmental education and development of private sector technologies and finance.

[Figure 13] Direction of Cooperation in the Water and Environmental Management

## Sector



### ① Policies, regulations, and plans:

The Government of the Philippines recognizes the need for the development and management of efficient water resource and waste water treatment, and has recently announced the establishment of the Department of Water Resources. As such, JICA will support the formulation of policies and plans from a comprehensive and integrated water resource management perspective utilizing Japan's experience and knowledge.

In addition, to further develop sewage projects of LGUs, JICA will work to improve the utilization of subsidy system that supports implementation of sewage and related facilities based on existing plans in regional cities by utilizing schemes such as collaboration with local governments, etc.

### ② Project development (core project/dissemination):

Based on the above policies and plans, projects with low commercial viability will be supported by JICA through collaboration with private sector such as SDGs business supporting surveys, among others, to address social development needs and formulate bankable projects. On the other hand, JICA will utilize ODA loan/investment schemes aimed to promote private initiatives in commercially viable projects for improving business environment and further market expansion, while utilizing good practices for further dissemination.

### ③ Operation and maintenance, and human resource development:

While the policies and systems formulated by national government promotes

development of public-owned enterprises, it is necessary to establish an O&M system that is appropriate to the financial and technical capabilities of each LGUs. Particularly, the O&M costs should consider LGUs' limited financial resources, i.e., tax revenues. In addition, it is important to gain the understanding and cooperation of private companies and individuals as main contributors to sewage and wastes. Thus, JICA will strengthen the capacity of national and local governments, and educate the private sector.

#### **4.6 Program for Enhancement of Law Enforcement Capacity through Security and Counter-Terrorism Measures**

[Related Global Agenda: Transportation, governance]

(Development issues)

In the span of five years from 2018 to 2022, the Philippines recorded an annual average of 1,091 marine accidents due to the increase in passenger and cargo transportation between islands, aging vessels, and improper operation of overloaded ships, etc., according to the Philippine Coast Guard. As the mobility of people and goods continues to boost, the risk of maritime crimes also increases. Further, with the territorial dispute in West Philippine Sea, sabotage activities and illegal fishing by neighboring countries within the Philippines' Exclusive Economic Zone (EEZ) become a major issue. As a "strategic partner" located on a geopolitically important sea lane for Japan and as a maritime nation, there is a need for the Philippines to promote stability and prosperity in its maritime areas and to build a sustainable, safe and reliable maritime transportation network to realize FOIP. However, the Government of the Philippines is facing challenges as follows:

- ① Insufficient capacity of PCG in terms of its maritime law enforcement and search and rescue capabilities, vessels, facilities, equipment, and personnel which are needed to ensure freedom of navigation based on international frameworks;
- ② Insufficient surveying and charting capabilities needed to secure ship navigation safety and to negotiate border delimitation with neighboring countries; and
- ③ Insufficient Maritime Domain Awareness (MDA) capabilities to respond appropriately and quickly to various incidents at sea.

(Future direction)

Leveraging on Japan's strengths in security, counter-terrorism and maritime law enforcement capabilities, JICA will provide support through the provision of ships and equipment to relevant authorities in the Philippines, development and capacity building of organizations and human resources (including maritime law enforcement, border control in cooperation with customs, search and rescue, disaster response, navigation safety, and study programs), reconstruction of the main government building, development of facilities in Subic, and enhancement of law enforcement capabilities in accordance with international and domestic laws. JICA will also actively pursue cooperation for regional



stabilization through the development of the best mix of both structural and non-structural support, and potential collaboration and synergies with other development partners such as the United States. In addition, to appropriately develop the maritime security capabilities of the Philippines, Japan will assess and formulate direction of cooperation and specific plans through gap analysis particularly those related to MDA.

#### **4.7 Promotion of Human and Social Development Program**

[Related Global Agenda: Health, improving nutrition, education, social security/disability and development]

(Development issues)

While economic growth in the Philippines has been high in recent years, and the country has made steady growth towards becoming an Upper Middle-Income Country, the poverty rate still remains high at 18.1%. In terms of income, there is a significant disparity with the top 1% of earners monopolizing 17% of national income, while the bottom 50% accounting for only 14% (World Bank, 2022). The Philippines also recorded a Gini coefficient of 0.407 in 2021, which is the highest level among Asian countries. In the “Human Development Index (HDI) 2023-2024,” a summary measure of average achievement in health, education and income, the index for the Philippines was 0.710, and while this has improved from the previous figure of 0.692, it is still lower than the averages for the East Asia/Pacific region (0.766) and the world (0.739), which suggests the need to address remaining challenges to reduce inequality. In order to improve the well-being of individuals and realize a healthy and long-lived society, as a key to supporting high economic growth in the future, there is an urgent need to resolve issues related to health and education which are the cornerstones of human security. As efforts to realize this program, the Marcos Administration has planned to (1) boost health, (2) improve education and lifelong learning, and (3) establish livable communities in the PDP.

In the health sector, while various health indicators are improving, there are still issues such as maternal and child health and infectious diseases, etc. despite being close to becoming an Upper Middle-Income Country. In terms of under-five mortality rate, the Philippines has a rate of 26 per 1,000 births, which is high in comparison to the average of 15 for Southeast Asian and Pacific countries (UNICEF, 2023). For infectious disease, the Philippines is listed in one of 30 tuberculosis endemic countries (WHO 2023), and while there are many countries in Africa where this is prevalent, this is the lowest level among ASEAN countries and there is an urgent need for improvement. In 2020, the national average maternal mortality rate was 70.66 per 100,000 births while BARMM has a rate of 73.83 (Bangsamoro Planning and Development Authority (BPDA), 2023) which suggests that it may be even worse in some BARMM islands. In terms of non-infectious diseases, lifestyle-related diseases and illegal drug use have been cited as issues even in developed countries. Relative to this, support for nutritional improvement and

strengthening of treatment and rehabilitation of illegal drug patients have become an urgent concern. Measures have been taken with the enforcement of the Universal Health Care Act (UHC Act) in 2019, for “everyone to receive services for the promotion of good health, prevention, treatment, and functional recovery, at an affordable cost.” In the Philippines, more than 90% of citizens are enrolled in the National Health Insurance Program operated by the Philippine Health Insurance Corporation (PhilHealth), but the service utilization rate is low and the proportion of out-of-pocket medical expenses is high due to people not knowing that they are enrolled or outpatient services such as tests and medicines not covered by insurance. In addition, there are many challenges in strengthening medical security and securing health financing, which are key policies of the UHC Act, wherein financial and technical support are required. Furthermore, over the long term, it is expected that the total fertility rate will go down with the declining birthrate and aging population progressing in the future.

With regard to “improvement of education and lifelong learning”, the provision of high-quality basic education for all citizens and securing globally competitive and inclusive technical and vocational education and training (TVET) have been positioned by the Government of the Philippines as important challenges. In addition, shortage of educational infrastructure (classrooms, teachers, textbooks, facilities, etc.) continues and are even more serious in remote areas in the Philippines. Further, given that the passing rate of teacher’s licensing exams is constantly low, there are also challenges with securing and improving the quality of teachers. These challenges have seriously affected learning and unless further measures are taken, it is predicted that there will be a risk of missing out on the demographic dividend and that this will lead to a decline in productivity over the next few decades, so urgent action is required.

(Future direction)

In the health sector, JICA shall steadily implement specific cooperation to build health systems/structures and support dissemination to accelerate the achievement of universal health coverage (UHC) as mentioned in the Health Sector Strategy (2023-2028) created based on the PDP. JICA shall also implement support to improve nutrition, infectious disease control and non-infectious disease measures to improve various health indicators. Further, JICA will focus on improving maternal and child health and nutrition in BARMM and will contribute to the achievement of UHC throughout the Philippines, aiming to correct disparities in medical access. JICA recognizes the importance to implement project addressing new needs in the fields of medical and nursing care for the elderly that leverage Japan’s experience, while keeping in mind the promotion of the Japanese government’s “Asia Health and Well-being Initiative.”

In the education and industrial human resource development sector, JICA will cooperate on the development of educational human resource, vocational training, collaborative industry human resource development with Japan, and private education

business support, etc. with a focus on supporting and improving quality of education and industrial human resource development that creates employment.

## G. Health Sector

(Sector issues)

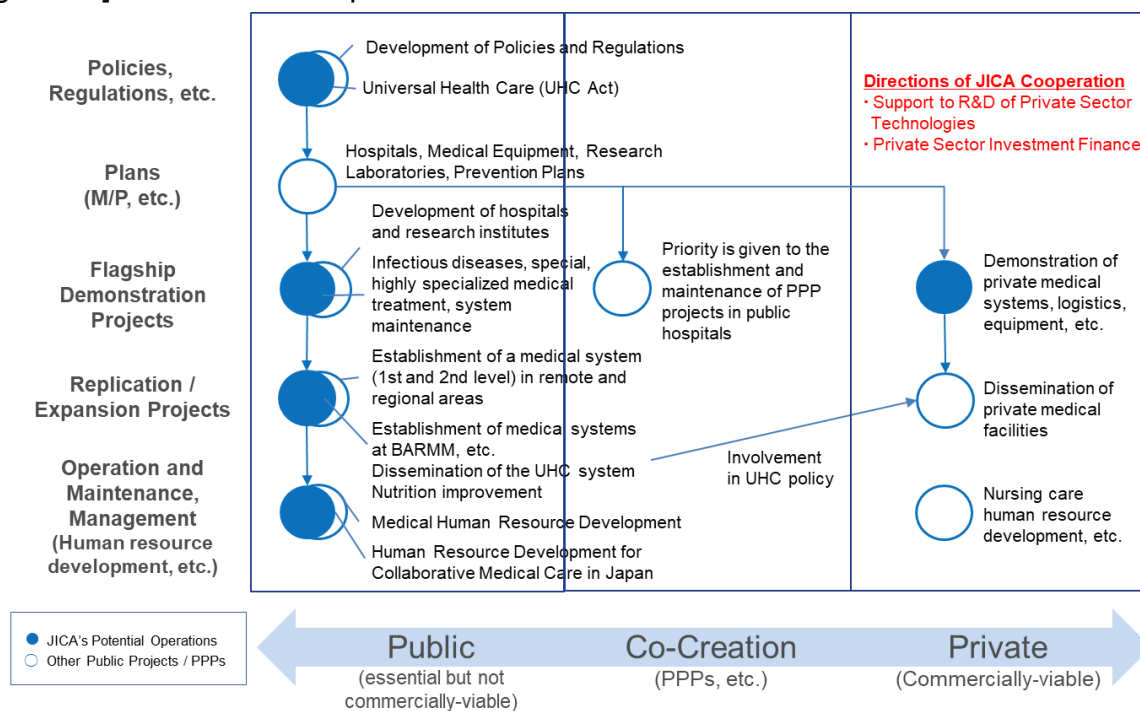
As mentioned above, under the “Promotion of Human and Social Development Program,” promoting health is a key for improving individual’s well-being, which is the capital that will support high economic growth in the future. In particular, the improvement of various health services is expected, and this has become an important sector in order to make sure that increasing young population can receive necessary health service who will support growth of the country.

On the other hand, the challenges remain in this sector which include limited access to medical services (lack of equipment, medical personnel, lack of funds, etc.), in addition to infectious diseases, maternal and child health and various disease measures. The Government of the Philippines has also identified issues such as rectifying health disparities according to the social determinants of health, voluntary health choices and actions, improving the access, quality and efficiency of health care, and strengthening health systems, but it is important to cooperate in the creation of a medical service system that allows people to receive needed medical services when they need, through the realization of UHC.

In the health sector, the formulation of policies and plans is carried out by the government while professionals in the public and private sectors play a role in demonstration, dissemination, operation, and maintenance management. Further, the private sector plays an important role in contributing its accumulated knowledge, technology, and experience.

Based on the above, the areas of focus in the future and main implementing entities (public/private sector) are categorized on the horizontal axis and organized as shown in the following diagram.

[Figure 14] Direction of Cooperation in the Health Sector



(Direction of future cooperation)

① Policies, regulations, and plans:

JICA shall continue to consider financial cooperation and technical support towards the execution and enhancement of structures under the UHC Act towards the realization of UHC. Japan is a country that has achieved UHC from an early stage and has maintained a universal health insurance system for more than half a century. JICA has experiences cooperating with various countries to achieve UHC, so Japan's knowhow is expected to be utilized to contribute to this area. JICA shall also consider collaboration with other development partners in support of this policy.

② Project development (core project/dissemination):

JICA will continue to implement infectious disease measures based on Japanese knowledge and technologies (strengthening testing capacity, rabies, etc.). JICA has also recognized the importance to support for improving maternal and child health and nutrition in BARMM, which is the least developed region due to long-standing conflicts. In order to achieve UHC, no region should be left behind throughout the Philippines. JICA has been providing peacebuilding support in BARMM for many years and JICA has acknowledged the importance of continuous cooperation in Mindanao.

③ Operation and maintenance, and human resource development:

JICA will support the development of health and medical human resources in central and regional governments. In addition, based on the "Asia Health and Well-being Initiative," JICA will promote the sharing of experience that can leverage the knowhow of Japan on nursing care for the Philippines which is expected to become an aging society over the long term.

## H. Education and Industrial Human Resource Development Sector

(Sector issues)

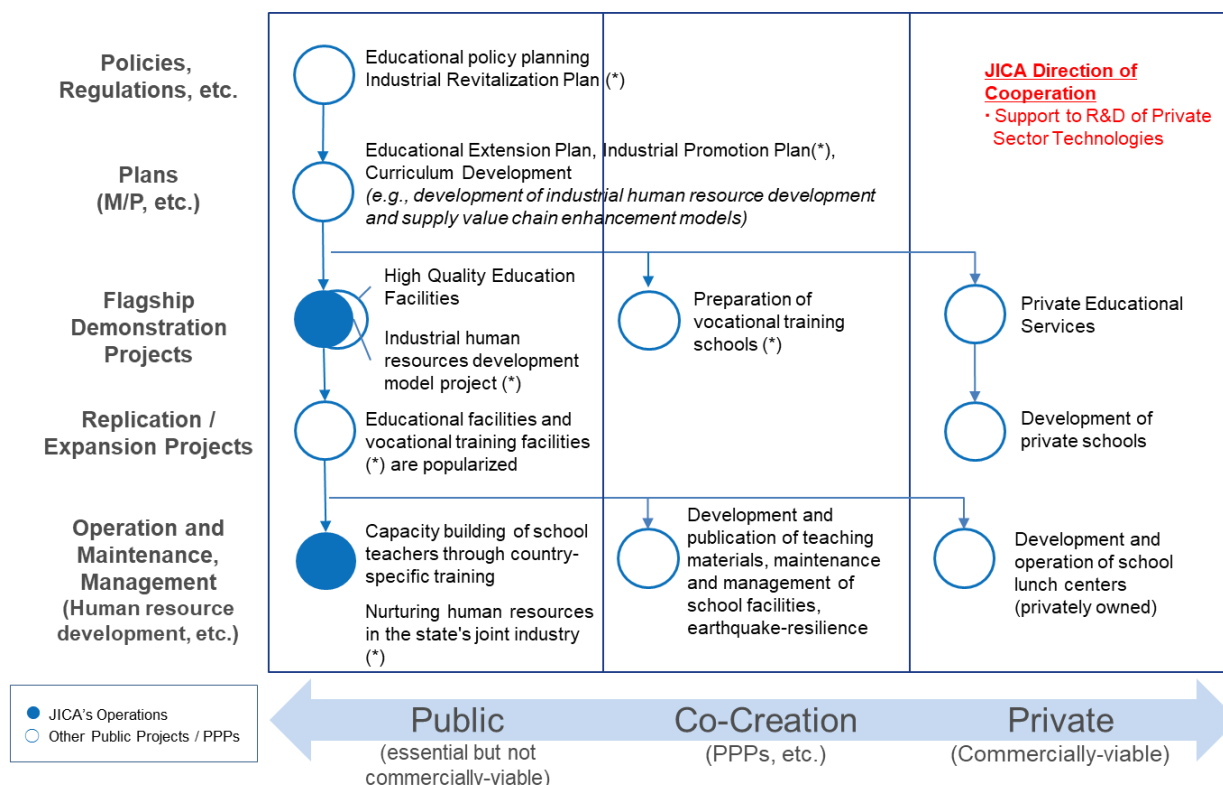
As noted in the “Promotion of Human and Social Development Program,” the education and industrial human resource development sector is an important sector in realizing high quality education and TVET, and in securing its access. Also, as noted in the “Industrial Promotion and Improvement of the Investment Climate Program,” the development of industrial human resources that can meet the needs of industry is the foundation of industrial promotion.

On the other hand, the lack of educational infrastructure and education quality has a serious impact on student learning. According to World Bank estimates, the learning poverty rate in the Philippines is 90.9% (World Bank, 2022). This means that 9 out of 10 10-year-old children are not able to read and understand simple sentences. In addition, in the 2018 national academic achievement test, the percentage of students in the 3<sup>rd</sup> and 6<sup>th</sup> grades that were at least at the “Proficient” level remained low, at 6.39% and 12.63%, respectively. Further, in the Organization for Economic Co-operation and Development (OECD) learning achievement survey of 15-year-olds in 81 countries and regions in 2022, the Philippines was 77<sup>th</sup> overall (reading comprehension (76<sup>th</sup>), mathematical literacy (76<sup>th</sup>), scientific literacy (79<sup>th</sup>)), which clearly shows the serious issues in education.

The fact that high quality human resources have not been sufficiently developed to meet the requirements of domestic and international industries and companies has also become a challenge. In a survey conducted by the Philippine Institute for Development Studies (PIDS) in 2022, it was reported that the salaries of women engaged in digital related work are 18.4% lower than those of men, and women’s participation in the STEM fields (science, technology, engineering and mathematics) is considered important. On the other hand, participation in STEM education in the Philippines is just 17.78% for women and 44.26% for men, so it is important to promote the participation of women.

Based on the above, it is important within the education and industrial human resource development sector to improve the quality and access to education and TVET. With the exception of private schools, educational material development, and facility management, etc., this sector is mainly operated by the public sector. Also, to promote education and industrial human resource development that creates employment and to focus on improving quality, JICA will implement cooperation aimed at the development of educational personnel in appropriate fields, TVET support, private education business support, and the development of human resources for collaborative industries with Japan. These cooperation would be based on a flexible consideration of the development policies and situations in industries given the importance of strengthening industry and hence to creating employment opportunities to secure employment after graduation from school which will be addressed separately. The areas of focus in the future have been organized as shown in the figure below.

[Figure 15] Direction of Cooperation in the Education and Industrial Human Resource Development Sectors



(Direction of future cooperation)

① Project development (core project/dissemination):

JICA will cooperate in TVET through industrial human resource development model projects. Currently, there are Japanese companies expanding in the Philippines that require vocational skills that match their needs. In providing cooperation, it is expected that JICA will utilize assets from existing projects in its industrial human resource development. Depending on the content of cooperation, JICA will also consider integrating it with projects under the “Industrial Promotion and Improvement of the Investment Climate Program.”

② Operation and maintenance management, and human resource development:

JICA will provide support for development of educational human resource, Japanese collaborative industry human resource development, and private education businesses. In addition to contributing to the “Industrial Promotion and Improvement of the Investment Climate Program,” the above cooperation will also contribute to the local expansion of Japanese companies, so its implementation is significant. Collaboration with the private sector can also be expected for Japanese collaborative industry human resource development, and private education business support. This cooperation will also collaborate, depending on the content, with projects under the “Industrial Promotion and Improvement of the Investment Climate Program.”

## **4.8 Program for Peace, Stability, Growth and Development in Mindanao**

[Related Global Agenda: Peacebuilding, Governance]

(Development issues)

Since the Government of the Philippines and the Moro Islamic Liberation Front (MILF) signed a comprehensive peace agreement in 2014, the peace process has moved forward, albeit with some twists and turns, towards the establishment of the Bangsamoro Autonomous Government. Ensuring the implementation of this peace agreement and achieving sustainable peace, while taking care not to create division and conflict by making only certain regions and parties subject to cooperation, are the most important issues to prevent the Mindanao region from returning to a state of conflict.

The process of implementing the peace agreement consists of two tracks: the “political track” and “normalization track”. On the political track, the Bangsamoro Transition Authority (BTA) was established in 2019, and the transition process is underway with the aim of holding a parliamentary election in 2025 for the establishment of the Bangsamoro Autonomous Government. During and after the transition period to the autonomous government, the BTA and the Bangsamoro Autonomous Government, together with the LGUs in the region, will face numerous governance challenges. These include developing a parliamentary cabinet system, various legal frameworks, and effective budget formulation and execution. Their overarching goal will be to achieve good governance, ensuring highly transparent and effective administrative management. It is crucial to improve administrative service delivery, revitalize the local economy, and maintain security and stability.

The normalization track includes the decommissioning of the 40,000 combatants of the MILF’s Bangsamoro Islamic Armed Forces (BIAF) and the implementation of socio-economic development support for decommissioned combatants and their communities, as well as other programs. To date, about 26,000 BIAF combatants have been decommissioned and Phase 3 of the decommissioning program has been completed (as of March 2024). On the other hand, there have been delays in socio-economic development support to improve the livelihoods, social welfare, vocational training, and community development for decommissioned combatants and their communities. There has also been poor progress in the implementation of other programs such as transitional justice and the disbandment of private armed groups (PAGs), which are issues as a whole progress on the normalization track.

Delays in development due to years of conflicts are also a serious issue. Although the poverty rate in BARMM has improved significantly, declining from 54.2% prior to the establishment of the BTA (2018) to 29.8% (2021), it still has the highest regional poverty rate in the country. Furthermore, the number of people with access to safe water in BARMM is 73% as compared to the national average of 93%, the facility birth rate is 39% as compared to 88% nationally, and the required immunization rate for children aged 12-

23 months is only 15% in BARMM compared to 72% nationally. These development indicators clearly show that the region is lagging behind other regions in terms of development.

The BTA has formulated its second Bangsamoro Development Plan (BDP-2) covering the six-year period from 2023 to 2028. JICA provided support in the formulation of the BDP-2 prior to its approval in January 2023 by the BTA Parliament. BDP-2 was formulated to align vertically with the eight-point socio-economic agenda advocated by the Marcos administration, and the improvement of development indicators in BARMM has become an important issue in achieving the national development goals set by the Government of the Philippines.

It is important that local residents in Mindanao feel the dividends of peace to maintain peace and stability. In addressing each of the above issues, ideally a balanced development targeting all stakeholders will be made, with consideration to inclusiveness and regional balance for the various religions (Muslim, Christian, indigenous peoples (IPs)), ethnic groups (Maguindanao, Lanao, and Tausug, etc.), women, youth, and socially vulnerable groups, etc. The realization of universal values such as democracy and the rule of law are also important issues for this region, given the remaining strong clan power and feudal social control systems.

(Future direction)

Stability has prevailed as peace has been brought to the Mindanao region. JICA will provide multi-layered cooperation for peace in Mindanao with the aim of promoting socio-economic development and the development of the region, society, and individuals.

In terms of cooperation on the political track, JICA will promote the establishment and development of various legal systems and capacity building of organizations and human resources for the BTA and the Bangsamoro Autonomous Government to function autonomously and proactively to be able to reliably provide administrative services to all residents in the region. JICA will also cooperate with the BTA and the Bangsamoro Autonomous Government and local government units (LGUs) within BARMM, as well as related agencies of the Government of the Philippines, to achieve autonomy with support and confidence of the local people, and promote capacity building and human resource development for all these organizations so that they can maintain good relations with each other and fulfill their responsibilities as administrative bodies.

Cooperation on the normalization track will foster support for initiatives that improve the livelihoods, vocational training, social welfare, healthcare, and community development for the productive lives of decommissioned MILF combatants and their families and communities.

In order to promote progress in both political and normalization tracks of the implementation of the peace agreement, and to contribute to peace and stability in Mindanao through development, JICA will also strengthen cooperation in the



development of infrastructure (roads, bridges, water and sewage systems, solid waste management, ports, airports, rivers, etc.), which is the foundation for regional economic development, as well as in agriculture and fisheries as key industries in the region and the private sector, which will be a catalyst for economic development. JICA will also support the improvement of health and nutrition services for pregnant women, newborns and children from the perspective of promoting human and social development. In implementing this cooperation, JICA will work to realize tangible cooperation by utilizing not only Japanese personnel but also local human resources, taking into account a detailed assessment of the security situation in BARMM (mainland Mindanao and Sulu Archipelago), as well as inclusiveness and regional balance.

Historically, the formation and implementation of projects for peace and development in Mindanao have been concentrated at the Southeast Asia and Pacific Department and the Office for Peacebuilding. However, as Mindanao is in a post-conflict development phase, JICA will support projects managed by sectoral departments through a more collaborative approach and multi-layered system across departments. In doing so, it is important that projects, regardless of sector, are implemented with a full understanding of the destabilizing factors unique to Mindanao, incorporate the perspectives on preventing the recurrence of conflict and promoting peace, and also consider inclusiveness to avoid division and conflict and achieve sustainable peace through development.

#### **4.9 Cross-Sectoral Matters**

JICA will promote climate change measures, digital transformation (DX), collaboration with the private sector, and human resource development/human resource exchange as the important policies of the Government of the Philippines and organizational initiatives for JICA. These cross-sector initiatives will be promoted as much as possible throughout all cooperation.

(Climate change measures)

As mentioned above, the Philippines is one of the world's most vulnerable countries to climate change risks, and efforts are required to address climate change. Initiatives specific to climate change are noted in the "Climate Planning, Disaster Risk Reduction and Management, and Environmental Management Program," above. With respect to mitigation, JICA will promote cooperation in the reduction of CO<sub>2</sub> emissions through the development railways and roads, etc. given that the transportation and traffic sector accounts for most GHG emissions, and through afforestation projects such as the "Forest Management Project," etc. In terms of adaptation, JICA will continue to cooperate in investment in advance disaster prevention and disaster prevention education and in the realization of early recovery after disasters. JICA will cooperate by mobilizing the capabilities of the private sector to promote private investment, which is the main business entity in the field of renewable energy, etc., and utilizing private sector

collaboration projects, including SMEs, while also considering the use of private sector investment financing (including the Asian Development Bank's LEAP facility), and paying particular attention to areas of interest of Japanese companies and the Japanese government.

(Digital transformation (DX))

As mentioned above, the Government of the Philippines has positioned the promotion of digitalization and innovation as the basis for reforms, and is working on the digitalization of administrative services, etc. In terms of direct support for digitization, JICA will work in collaboration with other donors to support the strengthening of cybersecurity related systems and will provide lateral support for the development of a digital terrestrial broadcasting network and the spread of broadband. JICA will also work in all sectors and projects to use data and digital technologies to improve project efficiency and maximize project effectiveness. In particular, JICA will promote DX in each sector through private-public collaboration including the development of administrative platforms, forming the digital public infrastructure, and will promote DX in the utilization of ITS (signal systems, etc.). In the transportation sector, at the BIM/CIM design, construction, and operation and maintenance stages of ODA loan projects, and in the promotion of the observation and analysis of geographical data, etc.

(Private sector collaboration)

The current Marcos administration encourages active investment of the private sector, including foreign investment. The Administration also has made it clear that it will actively promote the use of PPPs as well as ODA in its infrastructure policy with a view of improving the fiscal situation. To promote PPPs and achieve sustainable growth, improving the investment environment, which is inferior to neighboring countries, such as through infrastructure development continues to be important. In addition to continued and active cooperation, JICA will promote vertical support in each sector, aiming to build systems that enables appropriate project/system design and evaluation decisions necessary to promote and attract private sector participation. Also, given the possible participation of Japanese companies, JICA will strengthen private sector engagement (PSE) and actively seek cooperation through co-creation for system support, surrounding environment development and back financing, etc. with private funds for the expansion of private companies. Recognizing that the consistency, predictability and reliability of the Philippine side's measures and response are key to the revitalization of private business, JICA will encourage the Philippine side to strengthen and optimize awareness and response to realize the timely and appropriate measures and handling of various specific projects, while continuing and strengthening proactive efforts (including representing and intermediating private companies). In addition, JICA will continue to promote private sector investment finance to Philippine and Japanese companies to proactively develop

projects, keeping in mind the options to utilize the Facility for Accelerating Climate Change Resilience and Sustainable Society (ACCESS) established in May 2023, as well as the Facility for Supporting Agricultural supply chain and Food security Enhancement (SAFE) and the Facility for Accelerating Financial Inclusion (FAFI).

(Human resource development/human resource exchange)

As mentioned above, the Philippines is a pro-Japanese country and people-to-people exchange between the two countries are rapidly expanding. With the abundant young population and labor force and the promising market in the Philippines, it is hoped that a mutually complementary and cooperative relationship will continue to develop with Japan. Through cooperation in the various projects above, JICA will continue to promote human resource development and exchange, and the development of people who are pro-Japanese and knowledgeable about Japan through the acceptance of human resources such as trainees and international students. JICA will also strengthen the network of returned trainees that have been built up through the accumulation of past cooperation and will consider the strategic use and support of foreign human resources. In addition, JICA will promote human resource development and exchange at a grassroots level through the strategic use of volunteer cooperation projects.

On another note, three of the eight socio-economic policy agenda items launched by the current Marcos administration are related to employment. Currently, the Overseas Filipino Workers (OFWs) plays a significant role in the industrial and economic engine of the Philippines, and it is expected that employment and overseas human resource dispatch will become increasingly important issues in the future. On the other hand, as the declining birthrate and aging of Japanese society continues to progress, it will be significantly important to accept and utilize foreign human resources, and JICA should be keen on the circumstances surrounding both countries. Given this, JICA will further focus on human resource development and exchange considering that if Japan becomes the country of choice for such workers, it will be a win-win situation for both countries.

## **Chapter 5 Points to consider when Implementing Cooperation**

(Long-term project planning)

In the Philippines, where economic growth is progressing along with investment in various projects by both public and private sectors, it is essential that development is made based on the priorities of the long-term plans for each sector. In particular, given the risk of policy changes every time there is a change in government in the Philippines, it is important to ensure policy coherence for stakeholders, including private companies, to be able to predictably engage in business. JICA will cooperate in planning, starting with M/P, to demonstrate Japan's strengths in this area and to meet expectations from the Philippine side, while seeking a long-term commitment and response from the

## Government of the Philippines.

### (Division of responsibilities of government)

In the Philippines, where private investment and public-private partnerships are being promoted, it is important for the Government of the Philippines to work closely with the private sector and prove its ability to implement and fulfill its responsibilities to gain international trust and good reputation. On the other hand, there have been some issues in past projects with regard to the response and responsibility-taking of the Government of the Philippines, and some examples of these are given below.

- Government Permits and Approval Processes: The process of obtaining government approvals and clearance, including concluding government agreements, takes a lot of time, leading to delays.
- Land acquisition and Relocation of Project-Affected People: Construction cannot proceed without timely and appropriate land acquisition and relocation of affected people, and this has caused construction delays and standby costs.
- Ensuring timely contract payments and supporting budget: When sufficient budgetary provisions are not made within the Government of the Philippines budget and implementing agencies have weak structures, it leads to delays in invoice processing, project delays, and unpaid contracts, etc.

For smooth project implementation and collaborations between the public and private sectors, there is a need to encourage the Philippine side to improve its response and to encourage an appropriate division of labor between the public and private sectors for the steady implementation of private-public partnerships.

### (Incorporating project risks)

As seen in lessons learned in past ex-post evaluations, the lack of capacity in relevant organizations, insufficient systems and initiatives due to a lack of coordination among relevant organizations, etc., and delays in various approval procedures, etc. pose a detriment to project effectiveness and a risk of delays. This is against a backdrop in which party politics with clear party agenda and platforms has not been the norm, and there is a great risk of policy change due to changes of government every six years. It is necessary to formulate project plans that take these risks into consideration in advance and properly understand and account for these project risks.

### (Security management)

JICA is working to steadily implement security measures, but the Philippines still faces security risks such as sporadic general crimes, struggles between parties involved in the peace process in Mindanao, and guerilla activities by communist forces, etc. While the Bangsamoro autonomous government is expected to be established in Mindanao in 2025, there was an incident in May 2017 in which the city of Marawi was occupied by Islamic extremists, and in December 2023, an explosion at the Mindanao State University Marawi

Campus resulted in casualties. In addition, there are still concerns about violent extremism, with the Government of the Philippines having resumed peace negotiations with communist forces, and while the power of the New People's Army (NPA) under the Communist Party of the Philippines has weakened, they are still carrying out extortion of companies and wealthy people in addition to making attacks on government forces across the country, excluding the larger cities. In implementing projects, it is necessary to make constant efforts to strengthen security management implementation systems to ensure the safety of those involved in the project.

On the other hand, in addition to the importance of the various projects that promote balanced development based on domestic disparities, it should also be fully recognized that excessive security concerns should not lead to a tendency to only focus on specific areas of cooperation or beneficiaries, which may lead to division and conflict. Balance and ingenuity are extremely important, taking into account the significance of implementing necessary cooperation and taking into account ripple effects, while maintaining constant efforts to ensure safety and an unwavering commitment to basic policies.

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