



JUNE 2024

THE PHILIPPINES HUMAN CAPITAL REVIEW

Investing in the Early Years to Boost Human Potential



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Table of Contents

Foreword	vii
Acknowledgments	ix
Abbreviations	x
Executive Summary	1
Part I. Introduction	12
What is Human Capital?	13
Why is Focusing on Human Capital in the Philippines Important?	17
What are the Development Challenges Affecting Human Capital in the Philippines?	22
Part II. Landscape Analysis of Human Capital in the Philippines	32
In-Utero and Early Childhood (0–5)—Early and Lifelong Advantage	34
Childhood and Schooling (6–10)—Safe and Educated	38
Adolescence and Youth (11–25)—Continued Education and the Transition to the Workforce	41
Adulthood (26–64)—Healthy, Skilled, Empowered, Productive, and Resilient	45
Aging and Elderly (65+)—Aging with Dignity	53
Regional and Subnational Disparities in Human Capital	54
Challenges and Opportunities for Enhancing Human Capital	60
Part III. Enabling Environment for Improved Service Delivery and Public Financing for Human Capital	68
Leadership, Oversight, and Coordination	69
Performance Management and Community Engagement for Quality Service Delivery	72
Financing and Public Financial Management	75
Recommendations	85
Key Recommendation	86
Complementary Recommendation 1	90
Complementary Recommendation 2	94

Annexes

Annex 1. Creating Conditions for a Demographic Dividend	103
Annex 2. Subnational HCI—Methodology, Data Sources, and Key Assumptions	108
Annex 3. Additional Visualization of Subnational HCI Results	111
Annex 4. Financing and Public Financial Management—Additional Figures	117
Annex 5. Qualitative Research Methodology	120
Annex 6. LGU Case Study: Valenzuela City, Metro Manila	122
Annex 7. LGU Case Study: Navotas City, Metro Manila	129
Annex 8. LGU Case Study: Surigao City, Surigao del Norte	132
Annex 9. LGU Case Study: Villareal, Western Samar	135
Annex 10. LGU Case Study: Cotabato City, Bangsamoro Autonomous Region in Muslim Mindanao	139
Annex 11. Provincial LGU Case Study: Surigao del Norte	144

Figures

Figure 0.1. Share of Working Age Population, 2025–2055	4
Figure 0.2. Southeast Asia Primary Learning Metrics (SEA-PLM) Results by Quintile, 2019	6
Figure 0.3. Probability of Dying Between the Ages of 30 and 70 Years from Four Non-communicable Diseases (NCDs), Philippines vs ASEAN vs LMICs vs UMICs, 2000–2019	6
Figure 0.4. Distribution of Subnational HCI Figures, Philippines	7
Figure 0.5. Complementary Recommendation 1 - Empower and Protect the Country's Existing Reservoir of Human Capital	10
Figure 0.6. Complementary Recommendation 2 – Prioritize Key Implementation Considerations to Maximize Intervention Impact on Human Capital Outcomes	11
Figure 1.1. HCI and Gross National Income (GNI) Per Capita (Current USD), 2020	18
Figure 1.2. Total Fertility Rate, Philippines, 1993–2022	20
Figure 1.3. Predicted Share of Working Age Population, 2025–2055	20
Figure 1.4. TFR Per Wealth Quintile, 2003–2022	21
Figure 1.5. TFR, Philippines and the Three Poorest Regions, 2003–2022	21
Figure 1.6. Poverty Rate, Income Gini Index, and GDP Growth, 1985–2024	24
Figure 1.7. Southeast Asia Primary Learning Metrics (SEA-PLM) Results by Quintile, 2019	24
Figure 1.8. Labor Force Participation Rate, by Sex, 2019–2023	27
Figure 2.1. Life Cycle Analytical Framework	33
Figure 2.2. Pregnant Women and Young Children Ages Zero to Five in 4Ps, 2012–2020	36
Figure 2.3. Share of Youth Not in Education, Employment, or Training (NEET), by Gender	43
Figure 2.4. Enrollment in Top 10 Most Populated Discipline Groups in Higher Education, Academic Year 2019–2020	44
Figure 2.5. Probability of Dying between the Ages of 30 and 70 Years from Four NCDs, Philippines vs ASEAN vs LMICs vs UMICs, 2000–2019	46

Figure 2.6 Hypertension Cascade Analysis among People Ages 30–79 Years Old	46
Figure 2.7. Human Capital Index Computed at the Subnational Provincial and HUC Level	55
Figure 2.8. Summary of Opportunities and Challenges Across the Life Cycle	60
Figure 3.1. Spending on Education and Health vis-à-vis HCI score, Philippines and Peer Countries	76
Figure 3.2. LGU Revenues by Source of Funding (%), 2021 – 2022	77
Figure 3.3. Financing of LGU Expenditures by Funding Source, 2021 – 2022	78
Figure 3.4. Share of Spending on Human Capital (% of LGUs’ Total Expenditures), 2018 – 2022	79
Figure 3.5. Share of Spending Across Components of Expenses (% of Sector Spending), 2018-2022	80
Figure 3.6. Budget Execution Rate by Type of Expense (% of Sector Budget), 2018 – 2022	81
Figure 4.1. Complementary Recommendations for Continuous Human Capital Utilization and Protection	90
Figure 5.1. HCI Component 1: Survival	111
Figure 5.2. HCI Component 2: School	113
Figure 5.3. HCI Component 3: Health	115
Figure 5.4. Reported Needs from Cities from the Baseline Study on the State of Devolution in the (Pre-Mandanas) Philippines	117
Figure 5.5. Government’s Share of Total Expenditures by Sector, 2018–2021	117
Figure 5.6. Government’s Allocation of Health and Education Expenditures Across Subsectors, 2018–2021	118
Figure 5.7. Spending on Public Health Facilities, Billion PHP, 2018–2023	118

Tables

Table 0.1. Lagging Human Capital Indicators, Philippines and Regional Peer Countries, and UMICs, 2020	3
Table 0.2. Policy Recommendations for Building Human Capital in the Early Years	10
Table 1.1. Philippines HCI 2020 Indicators, by Gender, with Benchmarks	14
Table 1.2. Human Capital in the Philippines, Regional Peer Countries, and UMICs, 2020	18
Table 4.1. Policy Recommendations for Immediate and Holistic Investment in the Early Years	87
Table 4.2. Recommendations and Implementation Considerations	98
Table 5.1. HCI Data Sources	108
Table 5.2. LGU Spending of NG Transfers on Human Capital or Social Sectors, 2018–2022	119
Table 5.3. Summary of LGUs Interviewed	121

Foreword

The Philippines has experienced robust economic growth averaging 6.3 percent between 2011 to 2019. Despite a pandemic-induced contraction, it remains a top performer in the region and is on track to reach Upper Middle Income Country (UMIC) status in a couple of years. This growth and dynamism is due in large part to the talent of Filipinos. According to this *Human Capital Review (HCR) Report* for the Philippines, over 70 percent of the country's wealth is its people. It has a large and dynamic services sector, which comprises around 60 percent of the economy, as well as Overseas Filipino Workers (OFWs) contributing remittances comprising another 8.5 percent of the economy in 2023.

The wealth of the country is its people, and its prosperity is generated by its people. Yet human capital is still underutilized, a Filipino child born today will only reach 52 percent of her/his potential productivity compared to a child provided with full health and good quality education. Investing in human capital now is urgent and important for the Philippines. The proportion of working aged population is increasing, even as those of its regional neighbors are ageing. This is a strategic advantage because demand for skilled workers will continue to grow, both domestically and overseas. Harnessing this advantage will require protecting and fully utilizing the human capital potential of the country.

How can the country maximize this potential? By effectively managing the talent of Filipinos.

- ◆ This report shows that the country trails behind countries of similar levels of economic development in quality of education, skills, and nutrition. Raising quality of education and protecting health, especially in the early years, will equip the next generation with the skills they need to meet the demands of higher productivity and higher paying jobs. Investing in the skills of this young population is essential to fuel future growth and increase household incomes. It will help the economy grow faster for longer.
- ◆ If the Philippines focuses on inclusion, it can narrow gaps and reduce inequality of opportunities in the long-term. Investing in human capital of the poor and vulnerable, including women and Indigenous Peoples who are not part of the labor force but are skilled and educated, will allow them to catch-up, reducing disparities. Women have higher education levels than men but are less likely to be in the labor force. Fostering more inclusive participation in the labor market should further catalyze human capital as a driver of poverty reduction.
- ◆ Another unique feature of the Philippines is its large diaspora of skilled people, a reservoir of talent working abroad in various industries such as healthcare, maritime, hospitality, and others. The country can benefit more from its overseas workers who come home with higher level skills and more experience. They can contribute to the development of skills and industries within the Philippines.

Future economic growth, narrowing inequalities in income and opportunities, and delivering real improvements in well-being will depend in large part on investments in human capital. This report shares important findings around opportunities to improve service delivery for nutrition, education, and health through support to local governments, digital transformation of service delivery, and inclusion of disadvantaged and vulnerable populations. With the report's thorough analysis on human capital development in the Philippines, I hope that readers will find it valuable for guiding policy discussions and implementation, as well as promoting further research in relevant fields.

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Abbreviations

4Ps	Pantawid Pamilyang Pilipino Program	CFLGA	Child-Friendly Local Governance Audit
ACED	Ateneo Center for Educational Development	CHED	Commission on Higher Education
ADB	Asian Development Bank	CHEV	Climate and Health Economic Valuation
AICS	Assistance to Individuals in Crisis Situation	CHO	City Health Office
AIP	Annual Investment Program	CI	Confidence Interval
ALS	Alternative Learning System	CLUP	Comprehensive Land Use Plan
APIS	Annual Poverty Indicators Survey	COA	Commission on Audit
ARMM/	Bangsamoro Autonomous Region in Muslim Mindanao	COS	Contract-Of-Services
BARMM	Bangsamoro Autonomous Region of Muslim Mindanao	CPD	Commission on Population and Development
ARTA	Anti Red Tape Authority	CPF	Country Partnership Strategy
ASEAN	Association of Southeast Asian Nations	CRMC	Cotabato Regional and Medical Center
BEFS	Budget Expenditures and Financial Statement	CSC	Civil Service Commission
BFIRST	Beneficiary FIRST Social Protection Project	CSIS	Citizen Satisfaction Index System
BHS	barangay health stations	CSO	civil society organization
BNS	Barangay Nutrition Scholars	CSWDO	City Social Welfare and Development Office
BSP	Bangko Sentral ng Pilipinas	CWC	Council for the Welfare of Children
CAR	Cordillera Administrative Region	DA	Department Agriculture
CBMS	Community-Based Monitoring System	DBM	Department of Budget and Management
CBS	Cash Budgeting System	DepEd	Department of Education
CCT	Conditional Cash Transfer	DHSUD	Department of Human Settlements and Urban Development
CDC	Child Development Center		
CDC	City Development Council	DICT	Department of Information and Communications Technology
CDP	Comprehensive Development Plan		

DILG	Department of the Interior and Local Government
DMW	Department of Migrant Workers
DOH	Department of Health
DOJ	Department of Justice
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DOST-FNRI	DOST Food and Nutrition Institute
DPWH	Department of Public Works and Highways
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
DTP	Devolution Transition Plan
EBT	enterprise-based trainings
ECCD	Early Childhood Care and Development
ECE	Early Childhood Education
ENNS	Expanded National Nutrition Survey
FAO	Food and Agriculture Organization
FFPI	FAO Food Price Index
FIES	Family Income and Expenditure Survey
FNRI	Food and Nutrition Research Institute
FOI	Freedom of Information
FOSA	Food-Oriented Social Assistance
FSP	Food Stamp Program
GAD	Gender and Development
GDP	gross domestic product
GIDAs	Geographically Isolated and Disadvantaged Areas
GIP	Government Internship Program
GJA	Green Jobs Act

GNI	gross national income
GSIS	Government Service Insurance System
HC	human capital
HCI	Human Capital Index
HCR	Human Capital Review
HFEP	Health Facility Enhancement Program
HNP	Health, Nutrition, and Population Control
HRH	Human Resources for Health
HUCs	Highly Urbanized Cities
ICFP	Integrated Community Food Production Program
ICP	Incident Command Post
ICT	information and communications technology
IFMIS	Integrated Financial Management Information System
ILO	International Labour Organization
IMD	International Institute for Management Development
IP	Indigenous Population
IPRA	Indigenous Peoples' Rights Act
IRA	Internal Revenue Allotment
IRR	Implementing Rules and Regulations
IT-BPM	Information Technology and Business Process Management
JEE	Joint External Evaluation
JMC	Joint Memorandum Circular
JO	Job Order
KALAHI-CIDSS	Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services
Konsulta	PhilHealth Konsultasyong Sulit Tama

Lao PDR	Lao People Democratic Republic	NDHS	National Demographic and Health Survey
LCE	Local Chief Executive	NDRRMC	National Disaster Risk Reduction and Management Council
LDIP	Local Development Investment Program	NEDA	National Economic and Development Authority
LEP	Local Expenditure Program	NEET	Not in Employment, Education, or Training
LFS	Labor Force Survey	NG	National Government
LGA	Local Government Academy	NGA	National Government Agency
LGU	Local Government Unit	NGO	Non-Governmental Organization
LIPHS	Local Investment Plan for Health	NHIP	National Health Insurance Program
LLL	Lifelong learning	NLRP	National Learning Recovery Program
LMIC	low- and middle-income countries	NNS	National Nutrition Survey
LMIC	lower-middle income countries	NSDC	National Skills Development Committee
LNAPs	Local Health and Nutrition Action Plans	NTA	national tax allocation
LSB	Local School Board	OCPDC	Office of the City Planning and Development Coordinator
LUCs	Local Universities and Colleges	OECD	Organization for Economic Cooperation and Development
MBHTE	Ministry of Basic, Higher, and Tertiary Education	OFW	Overseas Filipino Worker
MCCT	Modified Conditional Cash Transfer	OGSS	Other Government Schools
MELLPI	Monitoring and Evaluation of Local Level Plan Implementation	OHS	Office of Health Services
MOOE	Maintenance and Other Operating Expenses	OOP	Out-Of-Pocket
MPS	Mean Percentage Score	OPT	Operation Timbang
MSSD	Ministry of Social Services and Development	OR	Odds Ratio
NAC	National Advisory Council	OSAPIEA	Office of the Special Assistant to the President for Investment and Economic Affairs
NAPC	National Anti-Poverty Commission	PCF	Primary Care Facility
NAT	National Achievement Test	PCSO	Philippine Charity Sweepstakes Office
NBB	No Balance Billing	PCW	Philippine Commission on Women
NCD	non-communicable diseases		
NCIP	National Commission on Indigenous Peoples		
NCR	National Capital Region		

PDF	Philippine Development Forum
PDP	Philippine Development Plan
PEIRIDDEC	Prevention, Early Identification, Referral, and Interventions for Delays, Disorders, and Disabilities in Early Childhood
PERA	Personal Economic Relief Allowance
PESO	Public Employment Service Offices
PFM	Public Financial Management
PFMAT	Public Financial Management Assessment Tool
PFMIP	Public Financial Management Improvement Plan
PHC	Primary Healthcare
PhilSys	Philippine Identification System
PHO	Provincial Health Office
PHP	Philippine Peso
PISA	Programme for International Student Assessment
PLUS	Project for Learning Upgrade Support
PLV	Pamantasan ng Lungsod ng Valenzuela
PMNP	Philippines Multisectoral Nutrition Project
PNP	Philippine National Police
POEA	Philippine Overseas Employment Administration
POS	Point Of Sale
PPAN	Philippine Plan of Action for Nutrition
PPAs	Programs, Projects, and Activities

PPR	Prevention, Preparedness, and Response
PSA	Philippine Statistics Authority
PSOFT	Public Schools of the Future in Technology
RA	Republic Act
RBF	Results-Based Financing
RHU	Rural Health Unit
RPRH	Responsible Parenthood and Reproductive Health
RPT	Real Property Tax
RSDC	Regional Social Development Committee
SAP	Social Amelioration Program
SDC	Social Development Committee
SDO	Schools Division Office
SEAMEO	Southeast Asian Ministers of Education Organization
SEA-PLM	Southeast Asia Primary Learning Metrics
SEF	Special Education Fund
SFP	Supplementary Feeding Program
SGLG	Seal of Good Local Governance
SGLGB	Seal of Good Local Governance for Barangays
SMAW	Shielded Metal Arc Welding
SPES	Special Program for the Employment of Students
SSS	Social Security System
SSSW	Social Services and Social Welfare
STEM	Science, Technology, Engineering, and Mathematics
SUCs	State Universities and Colleges
SWS	Social Weather Stations
TaRL	Teaching at the Right Level

TB	Tuberculosis
TEACEP	Teacher Effectiveness and Competencies Enhancement Project
TESDA	Technical Education and Skills Development Authority
TFR	total fertility rate
TIMSS	Trends in International Mathematics and Science Study
TLS	Temporary Learning Spaces
TUPAD	Tulong Panghanapbuhay sa ating Disadvantaged/ Displaced Workers
TVET	Technical and Vocational Education and Training
TVL	Technical-Vocational-Livelihood
UHC	Universal Health Care
UHCI	Utilization-Adjusted Human Capital Index
UMIC	upper middle-income country
UN	United Nations
UN DESA	UN Department of Economic and Social Affairs
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
UPPI	University of the Philippines Population Institute
USD	United States Dollar
VALMASCI	Valenzuela City School of Mathematics and Science
WASH	Water, Sanitation, and Hygiene
WDI	World Development Indicators
WHO	World Health Organization
YDS	Youth Development Session



EXECUTIVE SUMMARY

Investing in the Early Years to Boost Human Potential

Executive Summary

Human capital—which encompasses health, knowledge, skills, and experience acquired throughout one’s life stages—is one of the main drivers of broad-based economic growth that translates into improvements in living standards. Enabling the present and future workforce to develop human capital will help them realize their full potential as productive members of society. This productivity translates into economic benefits that are more evenly distributed and will propel the economy towards inclusive and sustainable growth.

This Philippines Human Capital Review (HCR) highlights the following key findings:

- ◆ Notwithstanding pandemic-related setbacks, there is a window of opportunity for the Philippines to reap the benefits of a demographic shift. The country has about one generation (20–25 years) to develop human capital, address socioeconomic challenges, and tackle disparities before the window closes.
- ◆ A life cycle approach to assessing human capital reveals numerous challenges that impact various stages of a Filipino’s life. The HCR underscores the critical importance of the early years as under-accumulation of human capital at this juncture of life is irreparable.
- ◆ At the local government unit level, where services ultimately converge, nearly 26 percentage points of human capital potential is most likely being lost due to governance or service delivery inefficiencies. There is thus an urgent need for capacity development and improved governance at the local level.
- ◆ Cross-cutting challenges, including gender inequities, climate change, and pandemics, pose additional hurdles to enhancing human capital and must be addressed.

Human capital refers to the knowledge, skills, health, and experience that people accumulate throughout their lives (World Bank 2024). Beyond mere intrinsic worth, these qualities significantly enhance people’s productivity. In essence, human capital represents the assets embedded within individuals. Building human capital requires sustained investments along multiple dimensions. The process is sequential and cumulative: skills build on earlier skills, and current skills beget future skills (Heckman 2006). Although human capital can be acquired over an entire lifetime, it is built most effectively when people are young. There are a variety of reasons for this, including greater brain plasticity at early ages and the fact that younger people are generally expected to engage in activities that deliberately build skills (such as formal schooling). Any disruption to the process of building human capital can have long-lasting effects.

As the primary recommendation, the HCR urges immediate and holistic investment in the early years to foster essential human capital, laying the groundwork for reaping the demographic dividend. The HCR proposes ways to implement a whole-of-government approach to ensure effective early childhood development. Similarly, addressing socioeconomic disparities and building local capacities are needed for developing and protecting the Philippines' existing human capital amid cross-cutting challenges that include climate change, pandemics, and digitalization.

OPPORTUNITIES AMID MYRIAD CHALLENGES

With a notable rise in gross national income, the Philippines is on the cusp of attaining upper-middle-income country (UMIC) status by 2026. Between 2011 and 2019, economic growth increased to an average of 6.3 percent year-on-year. Growth was pro-poor, job-rich, carbon-efficient, and spatially balanced. Although the Philippine economy experienced a sharp contraction during the pandemic, it has since recovered and remains among the top growth performers in the region. Over the past decade, both public and private investment strengthened, buoyed by investments in human and physical capital and structural reforms in trade, investment, and competition.

While the GNI per capita has been on an upward trajectory, the Philippines is currently missing out on almost half of its human capital potential. Investments in human and physical capital and structural reforms in trade, investment, and competition boosted the Philippine economy even in troubled times. However, the nation's human capital indicators that gauge sustainable development and people's wellbeing remain lackluster compared to its peers. The Philippines has the lowest human capital index (HCI), which warn of the constraints to productivity of the next generation of workers given the prevailing rates of mortality, schooling achievements, and health outcomes. As of 2020, the Philippines' HCI is 0.52, which implies that a child today can achieve just over half of their productive potential by age 18. Indonesia and Vietnam, despite being lower-middle-income countries (LMICs) like the Philippines, have HCIs that are 2 to 17 percentage points higher, at 54 and 69 percent, respectively (Table 0.1).

Table 0.1. Lagging Human Capital Indicators, Philippines and Regional Peer Countries, and UMICs, 2020

Indicator	Philippines	Vietnam	Indonesia	Malaysia	Thailand	Average UMICs
Harmonized Test Scores	362	519	395	446	427	411
Learning-Adjusted Years of School	7.49	10.68	7.83	8.89	8.68	7.8
Fraction of Children Under 5 Not Stunted	0.7	0.76	0.72	0.79	0.89	0.61
Adult Survival Rate	0.82	0.87	0.85	0.88	0.87	0.86
Human Capital Index 2020	0.52	0.69	0.54	0.61	0.61	0.56

Source: World Development Indicators.

If the Philippines were to achieve its UMIC status by 2026, it would need sizeable investments in human capital in the short and medium terms to attain human capital outcomes typical of countries in this league. The aftermath of the COVID-19 pandemic amplified the many challenges related to education, nutrition, health, social protection, and jobs that retard human capital accumulation, protection, and utilization. Human capital losses not only affect individuals through declines in their future earnings; they also can have negative economy-wide effects. Human capital is one of the main drivers of economic growth, and so, anything that erodes it could result in lower growth rates for many years to come. Large investments in human capital will be needed to recover losses while also addressing new challenges brought about by climate change and digitalization, among others.

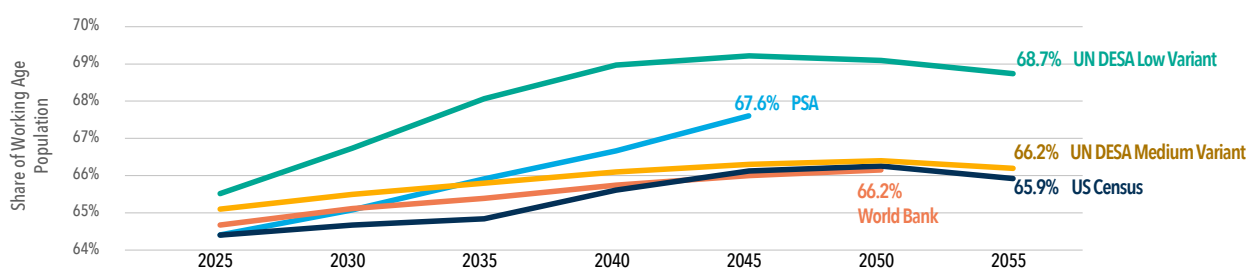
KEY FINDINGS

Four key findings can be extracted from the Philippines Human Capital Review (HCR). These points serve as a shared understanding for the Philippine Government and various stakeholders engaged in human capital development, aiding in the identification of immediate and medium-term priorities for investments.

Key Finding 1: There is a window of opportunity for the Philippines to reap the benefits of a demographic shift, notwithstanding pandemic-related setbacks and uncertainties from climactic and technological megatrends up ahead. The country has about one generation (20–25 years) to develop human capital, address socioeconomic challenges, and tackle disparities before the demographic window closes.

The demographic and sectoral transformations that are underway in the country impose an urgent timeline for human capital development. The Philippines' demographic profile is characterized by a large young population, a growing percentage of working age persons (15 to 64) relative to both young and old dependents, and declining national fertility rates. The share of Filipinos below the age of 15 is 31 percent and the median age is 25 in 2020. The working age share of the population is likewise projected to grow by 2045 (Figure 0.1).

Figure 0.1. Share of Working Age Population, 2025–2055



Sources: PSA, 2022b; World Bank Databank: Health, Nutrition and Population Statistics, Population Estimates and Projections; US Census Bureau International Database; UN DESA World Population Projections, medium and low fertility variants.

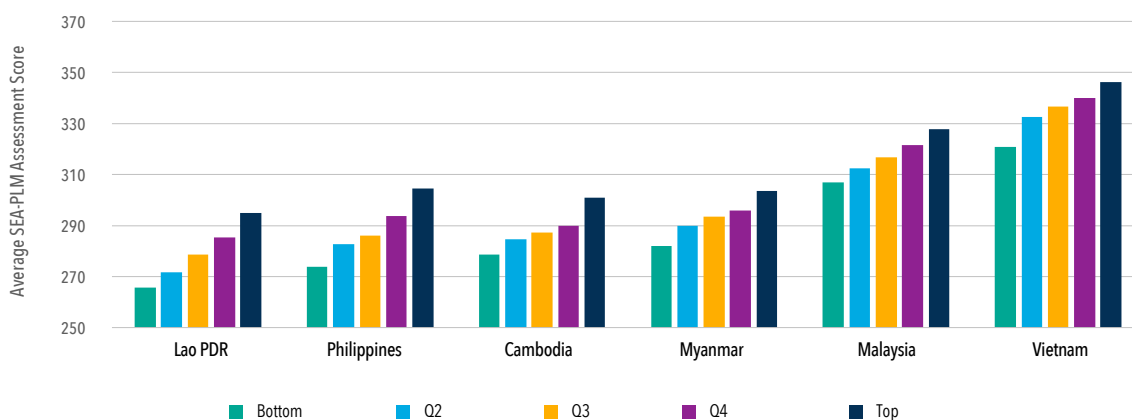
This demographic shift places the country in a unique, yet time-limited, position to leverage its demographic dividend and rapidly advance human capital through targeted and strategic investments. Human capital investments will ensure that the working age persons comprising the largest segment of the population will be productive and active such that young and elderly dependents will be adequately supported, and the country will reap the demographic dividend. Population projections suggest that the Philippines has about one generation (20–25 years) before the window of opportunity to reap a demographic dividend closes.

Meanwhile, a long-run shift from an agrarian economy to labor-intensive manufacturing and services industries that accompanied the period of renewed growth in the Philippines, along with global megatrends, including digitalization, green jobs, and the changing nature of work, poses challenges and opportunities in building the twenty-first century set of skills. Nutrition and schooling interventions during childhood and support for skills development and transitioning to the workforce are critical to enabling young Filipinos to contribute to and benefit from the demographic shift and expected economic growth.

Key Finding 2: The early years are critical as under-accumulation of human capital at this juncture of life is irreparable. A life cycle approach to assessing human capital reveals numerous challenges that impact various stages of a Filipino's life, emphasizing the need to build, protect, and use human capital throughout a person's entire life.

Human capital development efforts must address the distinct challenges that individuals face as they go through different stages of life, starting in utero and continuing throughout early childhood, childhood, adolescence, adulthood, and old age. The first five years of life (0–5 years) are extremely important for the development of human capital, and the effects of this period can be seen throughout a person's entire life. In the life cycle stage of childhood and schooling (6–10 years), children must acquire the foundational cognitive and socio-emotional skills while staying healthy to succeed in life and in the labor market. During adolescence and youth (11–25 years), individuals experience significant physical, cognitive, and emotional growth, necessitating targeted interventions in education, health, and social support. During the adulthood stage (26–64 years), individuals must be fully prepared for the labor market and engaged in productive activities or gainful employment. During the aging and elderly life cycle stage, it is important that the elderly receive the necessary healthcare specific to their age and are given opportunities for continued learning and employment that is financially beneficial.

The Philippines urgently needs to address nutrition and early childhood education issues among young children as these affect their future skills formation and productivity. The prevalence of undernutrition among Filipino children has been alarmingly high in the past 30 years and is likely increasing due to ongoing food insecurity. Disparities in health services, immunization coverage, and undernutrition rates persist, particularly among marginalized groups. Enrollment in early childhood education is also low, hindering the accumulation of foundational skills. Based on the Annual Poverty Indicators Survey 2019, only 40 percent of three- and four-year-olds in the Philippines were enrolled in preschools. Foundational skills—literacy, numeracy and socio-emotional skills acquired in the early years (0–10 years)—tend to be weak. Learning outcomes are low, as seen in

Figure 0.2. Southeast Asia Primary Learning Metrics (SEA-PLM) Results by Quintile, 2019

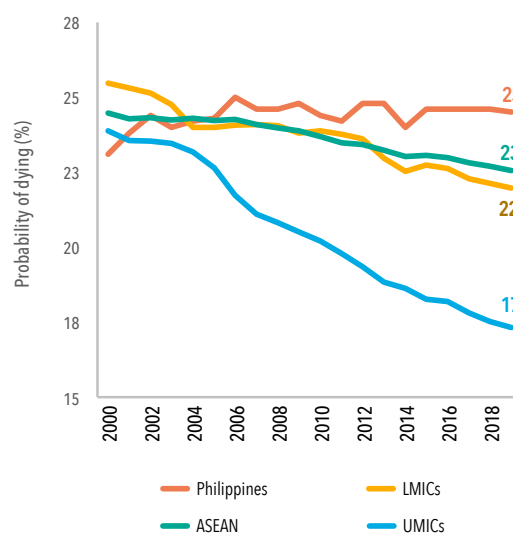
Source: Afkar et al. (2023) based on data from the 2019 Southeast Asia Primary Learning Metrics (SEA-PLM) data (UNICEF and SEAMEO 2020).

Note: The chart shows average fifth-grade SEA-PLM assessment scores, by household socioeconomic status quintile (Q)—a nationally derived measure based on (a) highest parental occupation of either parent, (b) highest education level of either parent, and (c) family's home resources through the home resources scale (UNICEF and SEAMEO 2020, 66).

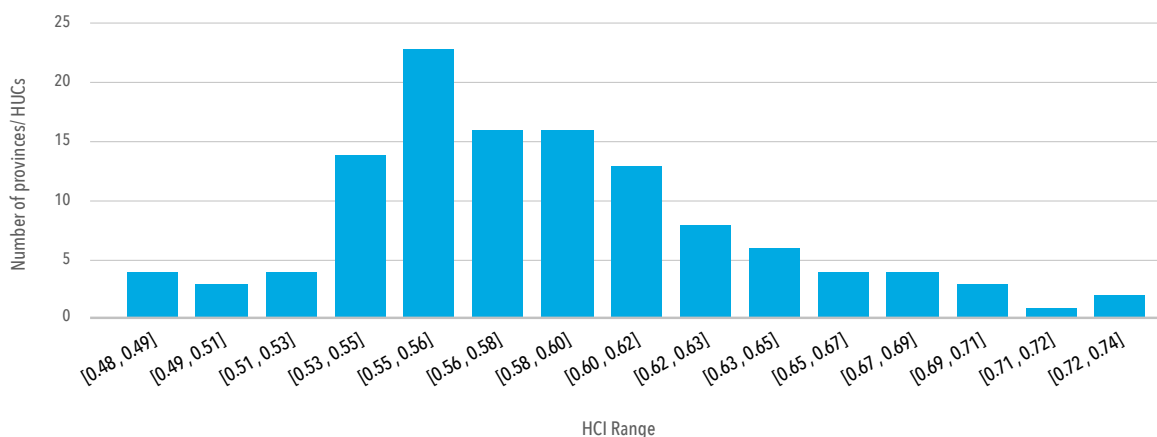
national and international standardized exams. There are disparities in enrollment across socioeconomic groups (Figure 0.2). The high learning poverty rate among Filipino primary-school-age children (90 percent) remains a serious concern that can hinder human capital accumulation if not immediately addressed.

Barriers to labor market entry and limited access to health services restrict the potential of Filipino youth, adults, and elderly. Adolescents and youth encounter challenges in transitioning to the workforce, as worsened by the COVID-19 pandemic. Nearly 18 percent of youth, between the ages of 15 and 24, were not in employment, education, or training (NEET) in 2021. High rates of unemployment and underemployment among youth emphasize the need for comprehensive interventions, including vocational training, career guidance, and job matching support. Tertiary education enrollment has increased, but equity issues persist, favoring wealthier households. At the adulthood stage, healthcare access and labor market opportunities

are crucial for protecting and utilizing accumulated human capital. However, in the Philippines, the likelihood of dying between the ages of 30 and 70 from cardiovascular diseases, cancer, diabetes, and chronic respiratory diseases shows an increasing trend, in contrast to comparator countries (Figure 0.3).

Figure 0.3. Probability of Dying Between the Ages of 30 and 70 Years from Four Non-communicable Diseases (NCDs), Philippines vs ASEAN vs LMICs vs UMICs, 2000–2019

Source: World Bank DataBank, Health Nutrition and Population Statistics. The figures for ASEAN are calculated by the author as the population weighted average of all 10 ASEAN countries.

Figure 0.4. Distribution of Subnational HCI figures, Philippines

Source: Author's computations of HCI at the provincial level

In the labor market, skills mismatch, low-quality jobs, and lack of skills in emerging industries (green and digital) persist. Overseas employment provides additional income but highlights weaknesses in the local job market. Finally, at the aging and elderly stage, Filipinos continue to face difficulties accessing healthcare and social protection.

Key Finding 3: At the local government unit level, where services ultimately converge, up to 26 percentage points of human capital potential could be lost due to governance or service delivery inefficiencies. There is thus an urgent need for capacity development and improved governance at the local level.

Subnational calculation of the HCI, coupled with qualitative assessments, reveals significant variation and points to potential bottlenecks in service delivery at the local level. Subnational HCI computations reveal significant disparities among provinces and highly urbanized cities (HUCs) with HCI estimates ranging between 0.48 and 0.74 (Figure 0.4), emphasizing the need for nuanced policies catering to lagging areas. Qualitative assessments with a sample of local government units (LGUs) further elucidate challenges impacting human capital development, including inequitable access to services, internal migration issues, uneven distribution of competent human resources, and political dynamics affecting resource allocation. Some LGUs have, however, initiated measures to improve access to human capital services, showcasing good practices and potential solutions.

National policies are not easily translated into local plans and implementation is inconsistent across regions. While dedicated councils coordinate strategies, there is a need for better synergy among them and to address overlapping roles and fragmentation, as observed in sectors like nutrition and early childhood care. Among LGUs, lack of human resources and limited technical capacity, in addition to inadequate or misaligned financial resources, are common challenges. These call for targeted capacity building and budget support for lagging LGUs and equitable incentive mechanisms for LGU performance.

Considerations related to LGU absorptive capacity, and their prioritization of human capital sectors, are essential to driving improvements in human capital outcomes. Despite a substantial increase in National Government (NG) transfers to LGUs between 2021 and 2022, LGUs' spending on human capital declined. Most of the increase in LGU budgets was allocated to General Public Services—particularly Personnel Services and Maintenance spending—instead of human capital sectors. About 1.5 percentage points of GDP went to General Public Services in 2022 out of the 1.8 percentage points increase in LGU budgets. This resulted in a doubling in underspending. Additional assessments also indicate disparities in the LGUs' prioritization of human capital in their budget allocation, as well as limited absorptive capacity and public financial management (PFM) bottlenecks.

The NG has steadily improved its public financial management (PFM) system by implementing major reforms that aim to enhance financial management processes and information systems, but PFM improvements are slow at the local level. National government agencies (NGAs) support LGUs to operationalize PFM coordination mechanisms, processes, and tools. However, implementation is weak and compliance is low. Given the lack of a recent representative assessment of the state LGUs' PFM systems, qualitative assessments were conducted in five cities for this report. The assessment reveals that while LGUs fully implement PFM processes and procedures mandated by the NGAs, they still face issues on budget predictability, monitoring, and reporting. Such issues hinder the LGUs' absorptive capacities and often lead to spending inefficiencies.

Key Finding 4: Cross-cutting challenges, including gender inequities, climate change, and pandemics, pose additional hurdles to enhancing human capital.

Gender disparities persist across life cycle stages. In the childhood and schooling stage, boys lag behind girls in academic performance, with girls performing consistently higher in various standardized exams. In the adolescent and adulthood stage, however, women face challenges in the labor market. Women's labor force participation remains persistently low and one of the lowest in East Asia and the Pacific region. In 2019, the Philippines had the lowest female labor force participation rate (49 percent) among comparator neighboring countries and 78 percent of NEET, ages 15 to 64, were female (World Bank 2023c). Adolescent or teenage pregnancy, household caregiving responsibilities, and other forms of gender-based bias and discrimination continue to affect women's employment prospects. On average, Filipino women live longer than men but face lower labor market participation rates and fewer income-earning opportunities, resulting in significant financial burdens and risks as they age. Additionally, due to limited-service delivery for the elderly in the Philippines, women often shoulder the responsibility of caring for sick and aging family members, further exacerbating their financial strain.

Climate change and pandemics threaten health and education outcomes of Filipinos, with projected increases in climate-related illnesses and deaths and damage to health and education facilities. Climate change poses a significant threat due to the country's geography and location, leading to frequent weather-related calamities that damage homes, livelihoods, and infrastructure, hindering progress in health and education. In health, climate change is projected to lead to an additional 1 million cases of climate-sensitive diseases.¹

¹ The Climate and Health Economic Valuation (CHEV) tool developed by the World Bank was adopted to estimate (i) the number of cases and deaths for selected health risks (dengue, diarrhea, extreme heat, malaria, and stunting) that are sensitive to changes in temperature and precipitation; and (ii) the associated economic (social) cost of these cases and deaths.

The education sector also suffers from vulnerabilities to natural hazards, with thousands of schools requesting funding for rebuilding classrooms destroyed by disasters. Temporary Learning Spaces (TLS) lacking essential facilities like water and sanitation are utilized, often for extended periods. In addition, schools in disaster-affected areas often serve as evacuation centers, making it difficult for these schools to remain operational. The Philippines is also vulnerable to emerging pandemics, as evidenced by COVID-19, which highlighted deficiencies in public health and pandemic prevention, preparedness, and response capacities, particularly at local levels (World Health Organization [WHO] 2018).

Key Recommendation: The primary recommendation of the HCR urges immediate and holistic investment in the early years to foster essential human capital, laying the groundwork for reaping the benefits of the demographic dividend.

To ensure an optimal start in life for every child as a foundation for boosting human capital, holistic services in the early years, including on maternal and child health, nutrition, early education and stimulation, development of foundational skills, and social protection in the first 10 years, are paramount. Extensive evidence underscores the positive impacts of investing in holistic approaches to young children's development on their health, education, future employment prospects, and broader economic growth (Bendini et al. 2022). Effective and streamlined governance, robust monitoring systems, quality and sufficient workforce, adequate and efficient financing, and incentives grounded in strong stewardship by local governments are critical to achieve results in early years' programs (Denboba et al. 2014).

Several key interventions can enhance existing multisectoral early years programs in the Philippines. Firstly, recognizing the foundational importance of early childhood development, a comprehensive national strategy is essential to enhance early years services across the Philippines. This strategy involves clarifying and streamlining the roles of key agencies, empowering LGUs to tailor interventions, and fostering interagency collaboration to optimize resources. Furthermore, a multisectoral approach should scale up high-impact interventions to address stunting, building on successful programs such as the Philippine Multisectoral Nutrition Project (PMNP). Additionally, launching a nationwide awareness campaign to promote holistic early years services and developing a skilled early years workforce through comprehensive training programs, integrating primary healthcare into early childhood education, and ensuring ongoing professional development are crucial. To address the learning crisis, implementing learning acceleration programs focused on foundational skills and revising DepEd's recovery programs to align with successful international models is vital. Establishing an integrated targeting and monitoring system, prioritizing pregnant and lactating women and young children in social protection programs, is also a critical step. Further, securing adequate financing, mobilizing public and private funds, and leveraging private sector partnerships will support holistic early years services. Implementation would be overseen by key agencies including the NNC, ECCD Council, and various relevant agencies, such as DOH, DA, DILG, DepEd, DSWD, DTI, DOLE, DOST, DBM, and NEDA. The timeline for these efforts is immediate, emphasizing the urgency of action required to address the needs of this crucial period of development (Table 0.2).

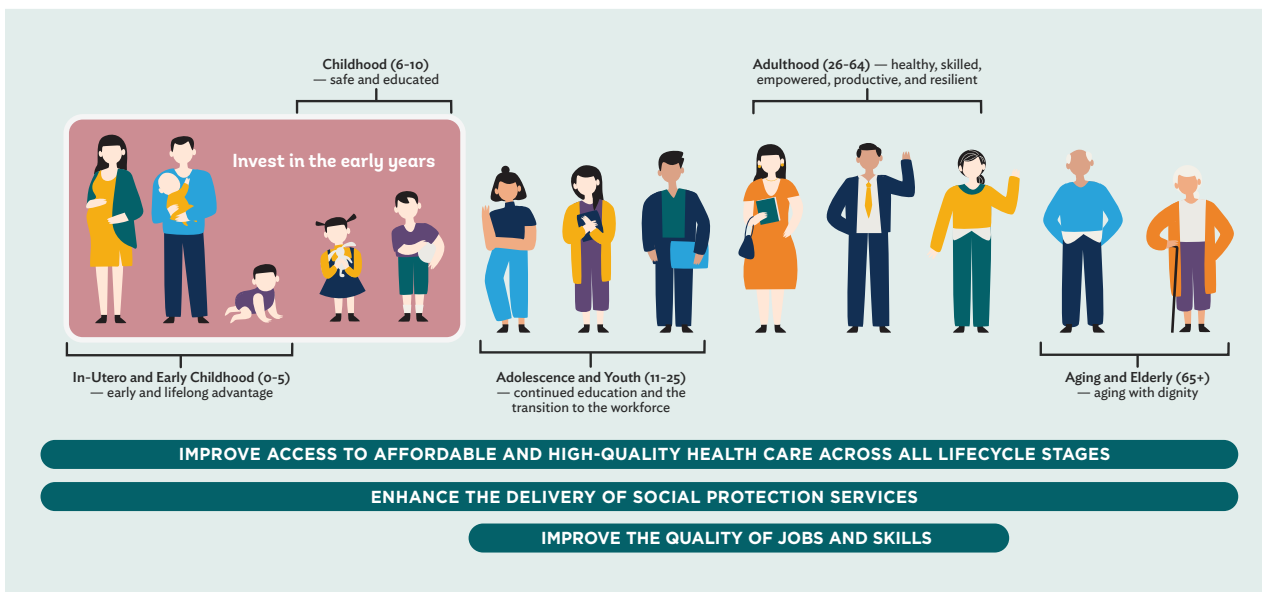
Table 0.2. Policy Recommendations for Building Human Capital in the Early Years

Immediate and Holistic Investment in the Early Years
Policy Recommendation 1.1: Strengthen governance, monitoring, and awareness
Policy Recommendation 1.2: Leverage successful programs to scale up key nutrition-sensitive and nutrition-specific interventions to reduce stunting and ensure optimal child development
Policy Recommendation 1.3: Develop enabling platforms for early childhood development and focus on foundational skills
Policy Recommendation 1.4: Prioritize social protection for vulnerable groups
Policy Recommendation 1.5: Ensure adequate and efficient financing and incentives

Complementary Recommendation 1: Multiple policy options across the life cycle and across sectors merit consideration to empower and protect the country’s existing reservoir of human capital.

The Philippines is endowed with a rich human capital reservoir, poised to be harnessed with strategic investment and protection against potential shocks. A spectrum of policy options can be considered across various life stages. Three critical options include a) enhancing access to quality healthcare, b) bolstering social protection services, and c) elevating job quality and skills in alignment with market demands. Each policy avenue, from improving healthcare accessibility to refining job training programs, addresses different facets of human capital development, with the potential to improve well-being across generations and productivity and propel the nation towards sustained growth and resilience (Figure 0.5).

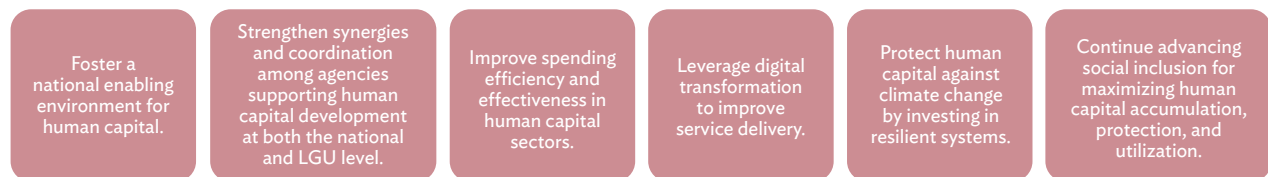
Figure 0.5. Complementary Recommendation 1 - Empower and Protect the Country’s Existing Reservoir of Human Capital



Complementary Recommendation 2: Key implementation elements could be prioritized to maximize intervention impact on human capital outcomes, especially at the subnational level.

Interventions for human capital development in the Philippines require careful attention to key implementation considerations. The HCR emphasizes the importance of a national enabling environment for human capital development in the Philippines, highlighting the need to strengthen the Social Development Committee (SDC), its national member agencies, and its regional counterparts for effective coordination and resource allocation. The report suggests leveraging technology for integrated monitoring and evaluation systems to enhance program tracking and decision-making at national and local government levels. It also recommends improving spending efficiency in human capital sectors by supporting low-income LGUs, enhancing incentive mechanisms, and ensuring consistent application of Public Financial Management (PFM) processes. Furthermore, it underscores the potential of digital transformation to revolutionize service delivery across education, healthcare, and social protection, and stresses the need to protect human capital against climate change by investing in resilient systems. Lastly, it calls for advancing social inclusion to maximize human capital accumulation, protection, and utilization, through strengthening legal frameworks, gender equality, and inclusion of vulnerable populations. These implementation considerations are especially crucial at the subnational level where service delivery can be further enhanced (Figure 0.6).

Figure 0.6. Complementary Recommendation 2 – Prioritize Key Implementation Considerations to Maximize Intervention Impact on Human Capital Outcomes





PART 1.

Introduction

Introduction

What is Human Capital?

- 1. Human capital (HC) is the knowledge, skills, and health that people accumulate over their lives.** Human capital encompasses the health, education, and training of individuals—all are crucial for promoting economic growth, productivity, and development within a society (Wantchekon et al. 2015). It is seen as a key driver of sustainable economic progress. Investments in human capital development can lead to higher productivity, increased incomes, and improved living standards (Flabbi and Gatti 2018). Nearly all countries that were low-income in 1995 but grew to become middle-income in the present day had accelerated investment in accumulating human capital between 1995 and 2018. For instance, human capital per capita more than doubled from 1995 to 2018 in current middle-income countries that were classified as low-income in 1995. Worldwide, the share of human capital in total wealth increases steadily with the level of development; high-income countries have more human capital than their lower income counterparts. Development, then, is intimately linked to building human capital.
- 2. Human capital constitutes 70 percent of the total wealth of the Philippines and 64 percent of the total wealth of nations globally** (World Bank 2021). Relative to natural capital and produced capital, human capital—measured as the expected future earnings of the entire labor force—is the largest asset group across all income groups in all countries. This is also the case in the Philippines where an educated labor force has sustained economic and civic life and stimulated economic growth, even in troubled times (King 2020).
- 3. The Philippines is not fully harnessing its human capital potential given the country's Human Capital Index of 0.52 in 2020; it lags behind its regional and income peers (see Table 1.1).** A key metric for the World Bank Group's analysis of human capital formation is the Human Capital Index (HCI) (Box 1.1). The HCI measures the constraints to productivity of the next generation of workers given the prevailing rates of mortality, schooling, and health in 174 countries. The Philippines HCI implies that an adult can only achieve just over half of his/her productive potential.

Box 1.1. Human Capital Index Definition and Methodology

The HCI is an international metric used to benchmark the key components of human capital across countries. The HCI measures the amount of human capital that a child born today can expect to attain by age 18, given the risks of poor health and education services that prevail in the country where they live. The HCI is designed to highlight how improvements

in current health and education outcomes shape the productivity of the next generation of workers. It assumes that children born today experience in the next 18 years the educational opportunities and health risks that children in this age range currently face. The HCI could be used to develop policies across lagging human development sectors (health, nutrition, education).

The HCI measures key points along the trajectory from birth to adulthood of a child born today and quantifies them in the following three dimensions/components: a) survival, b) learning-adjusted years of schooling, and c) health. Its components are combined into a single index by, first, converting them into contributions to productivity relative to a benchmark of complete education and full health. Multiplying these contributions to productivity together gives the overall HCI (HCI = survival x education x health).

Table 1.1. Philippines HCI 2020 Indicators, by Gender, with Benchmarks

Indicator	HCI 2020 – Estimate				
	Philippines			East Asia & Pacific	Lower Middle Income
	All	Male Only	Female Only	All	All
HCI Component 1: Survival					
Probability of Survival to Age 5	0.972	0.969	0.975	0.978	0.959
HCI Component 2: School					
Expected Years of School	12.9	12.8	13.2	11.9	10.4
Harmonized Test Scores	362	354	368	432	392
HCI Component 3: Health					
Survival Rate from Age 15-60	0.817	0.766	0.870	0.864	0.804
Fraction of Children Under 5 Not Stunted	0.697	0.689	0.706	0.759	0.750
Human Capital Index (HCI)	0.52	0.49	0.54	0.59	0.48

Source: World Development Indicators.

Note: The World Bank list of East Asia & Pacific countries can be found here: <https://data.worldbank.org/country/Z4>

4. The Philippine government recognizes the importance of human capital and has implemented strategies and policies that aim to address challenges hindering its accumulation, protection, and utilization. The Philippine Development Plan (PDP) 2023–2028 presents the Government’s latest strategy for economic development.² The PDP is based on the administration’s 8-point socioeconomic agenda.³ It focuses on pressing, short-term issues such as inflation, a tighter

² For further details, refer to the PDP full report: <https://pdp.neda.gov.ph/philippine-development-plan-2023-2028/>

³ Includes the following: i) protect purchasing power of families, ii) reduce vulnerability and mitigate scarring from the COVID-19 pandemic, iii) ensure sound macroeconomic fundamentals, i) create more jobs, v) create quality jobs, vi) create green jobs, vii) ensure a level playing field, and viii) uphold public order and safety, peace and security. <https://pdp.neda.gov.ph/wp-content/uploads/2022/10/PDP-2023-2028-Primer.pdf>

fiscal space, and socioeconomic scarring. It also looks at priorities for the medium term to reinvigorate higher-quality job creation and accelerate poverty reduction in the next six years. It aligns with the *AmBisyon Natin 2040* which aims for Filipinos to enjoy a strongly rooted, comfortable, and secure life.⁴ The PDP was developed during a period of economic recovery and in the face of various challenges such as geopolitical uncertainties, recession in major advanced economies, high food and energy prices, digitalization and automation affecting the labor market, and climate change. The plan strives to take a whole-of-government and whole-of-society approach; it also provides a comprehensive roadmap with actionable policies, programs, and legislative priorities to achieve the country's development outcomes. It calls for deep and fundamental transformations in all sectors with the goal of creating jobs, reducing poverty, and building a prosperous, inclusive, and resilient society. The PDP indicators require close monitoring and assessments to inform impacts.

5. Human capital initiatives have been a key focus of the Government and are central to the PDP 2023-2028. Key initiatives on human development include developing and protecting the capabilities of individuals and families by improving education and promoting lifelong learning⁵, boosting health and nutrition, establishing livable communities, expanding training and skills development, intensifying employment facilitation, ensuring food security, and rationalizing social protection.⁶ The following programs and initiatives are responsive to and support the transformative agenda of the PDP 2023-2028:

- ◆ The *Pantawid Pamilyang Pilipino Program* (4Ps), a conditional cash transfer program established in 2008, aims to alleviate poverty and improve access to education and healthcare for vulnerable families. Led by the Department of Social Welfare and Development (DSWD) and institutionalized in 2019 through the 4Ps Act, this program covers about 4 million households annually and exemplifies the “whole of government” approach. It emphasizes continuity, coordination, and evidence-based decision-making, a theme that is also reflected in the PDP. Building on the lessons learned from 16 years of implementation, the 4Ps can further improve service delivery, better target poor beneficiaries, and strengthen intended impacts.
- ◆ In July 2023, the *MATATAG* agenda was launched by the Philippine government to address critical challenges in the education system and improve the learning outcomes that were negatively affected by the COVID-19 pandemic. The agenda comprises the following components: i) MAke the curriculum relevant to produce competent, job-ready, active, and responsible citizens, ii) TAke steps to accelerate the delivery of basic education facilities and services, iii) TAke good care of learners by promoting learner well-being, inclusive education, and positive learning environment, and iv) GIve support for teachers to teach better.⁷

⁴ For details, see: <https://2040.neda.gov.ph/about-ambisyon-natin-2040/>

⁵ Lifelong learning, in this report, is defined as a notion of learning always and everywhere; a notion of uninterrupted learning (from cradle to grave), which supposes a favorable attitude towards learning. LLL in its fullest sense therefore encompasses all forms of learning: formal education, non-formal education and informal learning. Formal education is provided in the system of schools, colleges, universities and other formal educational institutions that normally form the full-time continuous education process for children and young people, generally beginning at the age of five to seven and continuing to up to 20 or 25 years old. Non-formal education is defined as any intentional, organized and sustained educational activities that do not meet the definition of formal education and typically do not lead to the attainment of any particular level of education. It is usually provided outside public educational institutions, yet structured in terms of learning objectives, learning time or learning support and cater to persons of all ages. It can be provided by employers, private educational institutions, NGO and other organizations. Informal learning results from daily life activities related to work, family or leisure. It is not structured and typically does not lead to certification. Informal learning can be intentional and non-intentional. It includes self-education, in which the individual does not test the acquired knowledge. It is not institutionally coordinated and usually, it is not systematic.

⁶ The background policy notes for this Human Capital Review cover these topics.

⁷ For details, see: <https://www.deped.gov.ph/2023/01/30/matatag-depeds-new-agenda-to-resolve-basic-education-woes/>

- ◇ Further, the Philippines has implemented a number of policies to improve the provision of basic health services. The Universal Health Care (UHC) Act was passed in 2019 to ensure that all Filipinos are guaranteed equitable access to quality and affordable health care goods and services, and protected against financial risk. PhilHealth, the national health insurance program, has also implemented a number of policies and programs to this end, but access, quality, and affordability challenges remain. Responsibility for health service delivery in the Philippines mostly rests with Local Government Units (LGUs), leading to wide geographic variation.
- ◇ On nutrition, the President of the Philippines signed the Republic Act 11148 titled “*Kalusugan at Nutrisyon ng Mag-Nanay Act*” in 2018. It focuses on multisectoral programs and interventions focused on targeting the first 1,000 days of life as the golden window of opportunity. In this regard, the act mandates LGUs to integrate maternal and child health nutrition programs in the Local Health and Nutrition Action Plans (LNAPs) and investment plans for health. Recently, the DSWD is moving forward with the preparation of a Food Stamp Program (FSP) to support low-income households amid food and fuel crises, high inflation, and high levels of malnutrition. The FSP will provide extra support to the most food insecure households especially those with infants and pregnant and lactating women. With strong political endorsement through an executive order signed by the President in October 2023, the FSP has become the administration’s high-priority policy. Box 1.2 highlights some of the World Bank’s support for human development in the Philippines.

6. The government also established the Social Development Committee (SDC) to: a) advise the President and the NEDA Board on matters concerning social development, including education, human resource, health and nutrition, population and family planning, housing, human settlements, and the delivery of other social services; b) coordinate the activities of government agencies concerned with social development; and c) recommend appropriate policies, programs and projects consistent with the national development objectives. The SDC is a cabinet-level interagency committee composed of the Secretary of Labor and Employment as Chairman; the Secretary of NEDA as Co-Chair; and the Executive Secretary, the Secretaries of the Department of Agriculture, Education, Health, the Interior and Local Government, Agrarian Reform, and Social Welfare and Development. Added members are the Secretaries of the National Anti-Poverty Commission (NAPC), Department of Human Settlements and Urban Development (DHSUD), Technical Education and Skills Development Authority (TESDA), Commission on Higher Education (CHED), Secretary of the Department of Information and Communications Technology (DICT), and the Office of the Special Assistant to the President for Investment and Economic Affairs (OSAPIEA). The SDC has a Secretariat and regional counterparts known as the Regional Social Development Committee (RSDC), which provides a platform for discussing social development concerns within each region. Region-specific issues are presented and discussed during the National-Regional Consultative Meetings.⁸

⁸ For details, see: <https://neda.gov.ph/neda-board/>

Box 1.2. World Bank-supported Initiatives on Human Development in the Philippines

The government of the Philippines continues to partner with the World Bank in improving the delivery of social protection and nutrition services. Currently, the DSWD is implementing the Beneficiary FIRST 15 Social Protection Project (BFIRST) which aims to mitigate the impacts of the COVID-19 pandemic among vulnerable households and improve the social protection delivery systems. BFIRST highlights the importance of digital payments, digital data governance, and digital IDs (Philippine Identification System [PhilSys]) to enhance 4Ps delivery and promote convenience in accessing social services among beneficiaries. The government is also implementing the Philippines Multisectoral Nutrition Project (PMNP) using a performance-based financing approach to incentivize LGUs. The goal is to strengthen primary health care services and to support convergence of priority nutrition services to targeted households.

The support to the education system is aligned with the country's MATATAG agenda and focused on the improvement of teaching and learning. The Department of Education (DepEd) is implementing the World Bank-supported Teacher Effectiveness and Competencies Enhancement Project (TEACEP) to improve the quality and equity of instruction from kindergarten to grade 6 in regions 9, 12, and the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM). Moreover, the World Bank and DepEd are currently preparing the Project for Learning Upgrade Support (PLUS) to support the implementation of the National Learning Recovery Programs, the MATATAG agenda and the Alternative Learning System (ALS), which highly impact human capital accumulation in the country.

Why is Focusing on Human Capital in the Philippines Important?

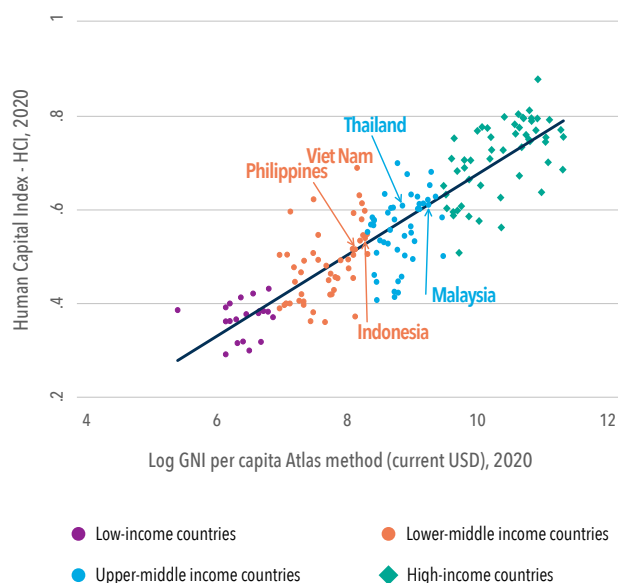
7. The Philippines will likely reach upper-middle-income country (UMIC) status by 2026, as the economy continues to be driven by private consumption spending and the services sector. Between 2011 and 2019, economic growth increased to an average of 6.3 percent year-on-year. Growth was pro-poor, job-rich, carbon efficient, and spatially balanced. Although the Philippines experienced a sharp growth contraction during the pandemic, the country has since recovered and remains among the top growth performers in the region. Over the past decade, growth was anchored on strong private domestic demand, as private consumption was fueled by rising household incomes, steady remittance inflows, and an improving labor market. Both public and private investment strengthened during the decade, buoyed by the government's commitment to accelerating investments in human and physical capital and structural reforms in trade, investment, and competition. Moreover, the period of renewed growth was accompanied by an acceleration of the long-run shift of the economy away from agriculture towards services, which accelerated productivity growth and quickened poverty

reduction, transformation from an agrarian economy to labor-intensive manufacturing and services industries, and accelerated poverty reduction. The case of Vietnam showed how the transformation from an agrarian economy to labor-intensive manufacturing and services industries created more and better jobs and accelerated poverty reduction.⁹

8. Although the Philippines is expected to become UMIC by 2026, its human capital indicators fall short of a typical UMIC.

Catching up with these peers will hence require more and better investments in human capital across the life cycle (World Bank 2019). Across the six subcomponents of the HCI, the Philippines performs lower than its regional peers and an average UMIC, except for expected years of schooling (Table 1.2). The gaps in other educational outcomes (harmonized test scores and learning adjusted years of school) were particularly concerning. Figure 1.1 also shows that the Philippines has the lowest HCI relative to neighboring UMICs (Malaysia, Thailand). Indonesia and Vietnam, despite being lower-middle-income countries (LMICs) like the Philippines, have HCIs of 54 and 69 percent, respectively, about 2 to 17 percentage points higher than that of the Philippines. Meanwhile, the average HCI for UMICs stands at 56.4 percent, nearly five percentage points higher than the Philippine HCI. If the Philippines were to achieve its UMIC status by 2026, it would need sizeable investments in human capital in the short and medium terms to attain comparable human capital outcomes.

Figure 1.1. HCI and Gross National Income (GNI) Per Capita (Current USD), 2020



Source: Authors, using data from World Development Indicators.

Table 1.2. Human Capital in the Philippines, Regional Peer Countries, and UMICs, 2020

Indicator	Philippines	Vietnam	Indonesia	Malaysia	Thailand	Average UMICs
Probability of Survival to Age 5	0.97	0.98	0.98	0.99	0.99	0.98
Expected Years of School	12.95	12.86	12.39	12.47	12.72	11.8
Harmonized Test Scores	362	519	395	446	427	411
Learning-Adjusted Years of School	7.49	10.68	7.83	8.89	8.68	7.8
Fraction of Children Under 5 Not Stunted	0.7	0.76	0.72	0.79	0.89	0.61
Adult Survival Rate	0.82	0.87	0.85	0.88	0.87	0.86
Human Capital Index 2020	0.52	0.69	0.54	0.61	0.61	0.56

Source: World Development Indicators.

⁹ For details, see: <https://documents1.worldbank.org/curated/en/173771496368868576/pdf/111771-PUBLIC-Vietnam-FY18-22-CPF-FINAL.pdf>

9. Boosting human capital in the Philippines is even more urgent given the demographic and sectoral transformation and the megatrends that are underway in the country. These economic shifts can sustain growth and reduce poverty, provided that worker productivity and economic participation are enhanced through human capital buildup. The country needs to address the many challenges related to education, nutrition, health, social protection, and jobs that retard human capital accumulation, protection, and utilization. For instance, the rapid expansion of the high-skill services sector entails higher demand for skilled workers, who are often those with specialized training or tertiary education (Canlas 2016). Also, despite government efforts, challenges in the early years of life, including stunting, low early childhood enrollment, and low learning outcomes remain binding constraints to increasing the productivity of the future workforce. Global megatrends, including digitalization, green jobs, and the changing nature of work pose challenges and opportunities in building the 21st century set of skills. Protecting these skills against reversals and enabling their productive utilization require coordinated efforts among stakeholders, including the government and private sectors. At the level of local government units (LGUs), shortages of technical capacities limit the implementation of development programs, which in turn leads to lower impacts on human capital outcomes. This trend suggests the need to invest in capacity building programs among local-level government officials, in particular, and technical and vocational education and training (TVET) and lifelong learning for the workforce, in general.

10. The Philippines stands at a critical juncture in its human capital development, with a rapidly growing population and a unique opportunity to leverage its demographic dividend. The Philippines' demographic profile is characterized by a large young population, a growing percentage of working age persons (15–64) relative to both young and old dependents, and declining national fertility rates. All of these are key conditions for the demographic dividend (see Box 1.3 for a definition of the demographic dividend).

Box 1.3. What is the Demographic Dividend and Why is it Important?

The demographic dividend refers to the economic benefit that a country can experience when it undergoes a rapid decline in child mortality rate followed by a rapid decline in birth rate. This results in smaller families, and a youth population that is empowered and ready to enter the labor market. A demographic dividend, however, can only be realized if both demographic factors and government policies to build and use human capital are in place.

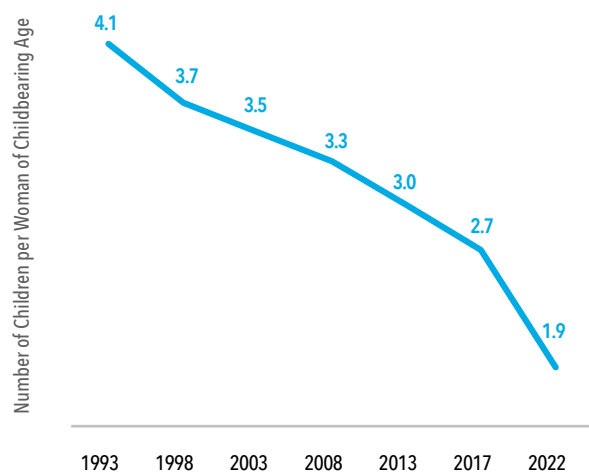
The concept of demographic dividend was introduced in the late 1990s to describe the relationship between changes in population age structure and accelerated economic growth in East Asian countries like South Korea, Singapore, and Thailand (Bloom, Canning, and Malaney 2000; Bloom and Williamson 1997).

The demographic dividend is important for accelerated economic growth and development for several reasons. Firstly, smaller and healthier families lead to opportunities for increased

per capita investment in health, education, and other forms of human capital. With fewer dependents to support, there is a higher saving rate. This can then be channeled into productive investments in the economy. Secondly, a youth population that is educated and empowered can contribute to innovation, productivity, and entrepreneurship, driving economic growth. Thirdly, the demographic dividend can help alleviate the dependency burden on the working-age population, as there is a larger proportion of working-age individuals compared to dependents (Bloom, Canning, and Sevilla 2001).

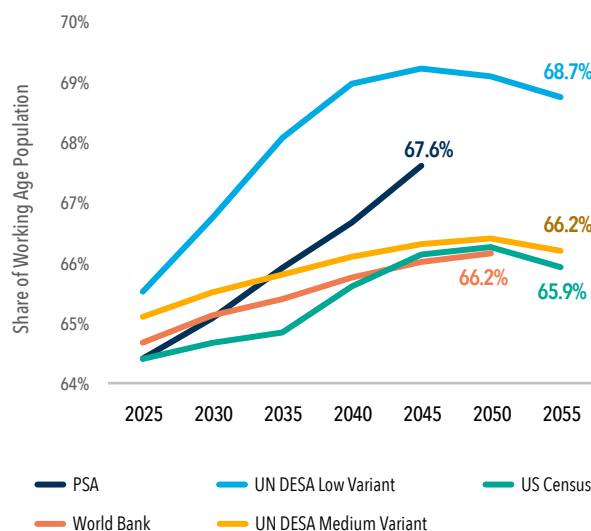
Fertility rates have been on a slow but steady decline. The United Nations Children’s Fund (UNICEF) reports a total fertility rate (TFR) of 2.7 births per woman in 2022, down from 3.1 in 2013. The Philippines 2022 National Demographic and Health Survey (NDHS) reports a TFR of 1.9 births per woman indicating an even sharper decrease (Figure 1.2). The Philippines Statistics Authority (PSA) predicts an increase in the share of working age population to nearly 68 percent by 2045. This projection is further corroborated through other sources such as the UN Department of Economic and Social Affairs (UN DESA) which predicted a working age population of 66.4 percent in 2050 (Figure 1.3). The projections are expected to decrease the Philippines’ age dependency ratio¹⁰ which currently stands at 56 to approximately 47.8 in 2045, according to the PSA.

Figure 1.2. Total Fertility Rate, Philippines, 1993-2022



Sources: PSA 2022a, NDHS surveys; World Bank Open Database

Figure 1.3. Predicted Share of Working Age Population, 2025-2055



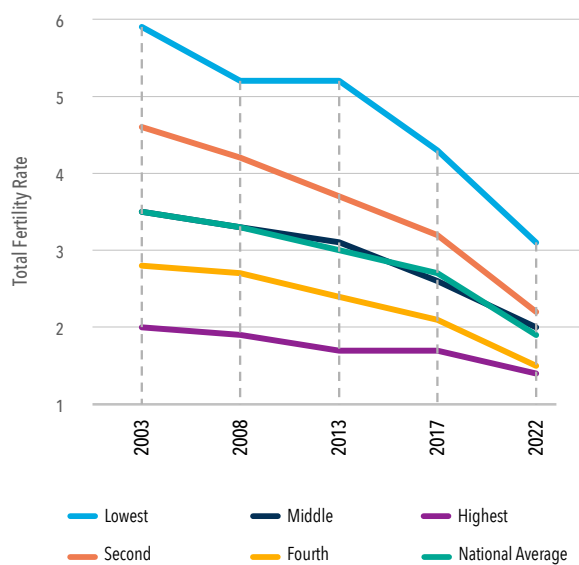
Sources: PSA, 2022b; World Bank Databank: Health, Nutrition and Population Statistics, Population Estimates and Projections; US Census Bureau International Database; UN DESA World Population Projections, medium and low fertility variants.

¹⁰ The age dependency ratio is the ratio of dependents (people younger than 15 or older than 64) to the working-age population (ages 15 to 64). Data are shown as the proportion of dependents per 100 working-age population.

11. Population projections suggest that the Philippines has about one generation (20–25 years) before the window of opportunity to reap a demographic dividend closes. The demographic transition requires the country to advance human capital investments among the younger population and continue to utilize and protect the existing stock of human capital among the working age and elderly Filipinos within a limited time period. Improvements in early childhood health and education outcomes could particularly help ensure the productivity and skills development of the future workforce. With neighboring countries facing aging populations, the Philippines could leverage the demographic dividend advantage by producing the skills needed by regional peers (i.e., healthcare, caregiving), opening a unique opportunity for the country to impact growth in the region (de la Vega et al. 2021).

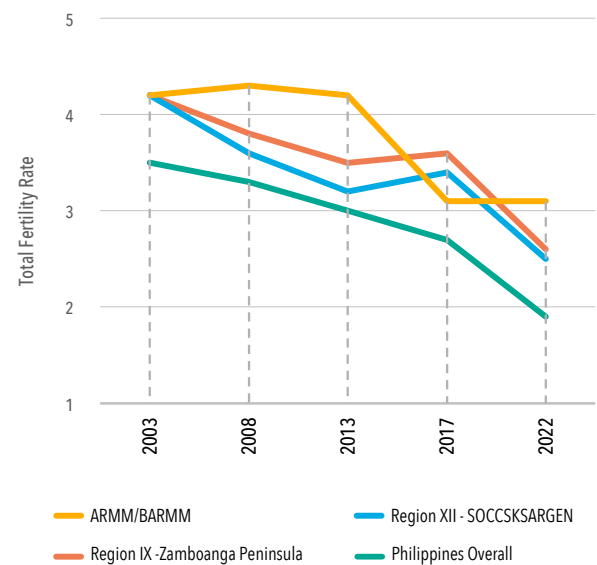
12. The benefits of the demographic shift may not be distributed equally among all Filipinos, highlighting the need to ensure equity of opportunity in accessing human capital-building interventions, programs, and policies. A deeper look at national fertility rates uncovers a high degree of variation both regionally and between households in the highest and lowest wealth quintiles. In the past 20 years, fertility rates among those in the lowest wealth quintile have been at least double the rates of those in the highest quintile (Figure 1.4). Furthermore, an analysis of NDHS data since 2003 shows consistently higher fertility rates in the poorest regions of the country compared to the national average (Figure 1.5). Total demand for contraception has remained stable since 1998 at around 70 percent among currently married women, while unmet need for contraception has steadily declined and is currently at 12.3 percent (PSA, 2022a). For the past 10 years, both demand for contraception and unmet need are higher among households in the lowest wealth quintile, though not markedly so. Regionally, there is variation in unmet need for contraception, with 20 percent of households

Figure 1.4. TFR Per Wealth Quintile, 2003–2022



Source: NDHS surveys

Figure 1.5. TFR, Philippines and the Three Poorest Regions, 2003–2022



Source: NDHS surveys

in BARMM reporting an unmet need in 2022 versus 12 percent in the NCR (PSA, 2022a). Access to contraception has faced legal and cultural challenges in the Philippines. The Philippines' Responsible Parenthood and Reproductive Health Law, though passed by the legislature in 2012, was blocked by the Supreme Court until 2017. Though no longer blocked, access to family planning faces continued legal, social, and structural barriers, and many women do not receive high quality family planning counseling or the full spectrum of modern methods when needed (Nagai et al. 2019; Trisolini et al. 2023).

13. Poorer families tend to pass through the demographic transition after families with more resources due to the strong association between income, fertility, education, and life expectancy (World Bank 2016). As the Philippines moves through a demographic transition, per capita income will not rise as quickly in areas where the number of dependents remains high. The divide between poor and wealthy could grow, creating greater disparities. Poor regions and households may require additional support to “level the playing field” when it comes to reaping the benefits of demographic change. The role of human capital protection and utilization in these areas remains critical. (A more detailed analysis of the Philippines demographic profile and potential to benefit from the demographic dividend is provided in Annex 1.)

What are the Development Challenges Affecting Human Capital in the Philippines?

14. While the Philippines has a potentially favorable demographic profile, it also faces several human development challenges; these hinder a full capitalization of the demographic dividend. To fully capitalize on its demographic advantage, the Philippines must address a myriad of challenges affecting its population including (1) the slow pace of national fertility rate reductions and remaining pockets of high fertility in several regions which may delay or slow the onset of the demographic dividend, (2) limited and unequal access to quality education and healthcare, (3) poor learning outcomes (including very low levels of foundational learning), (4) low quality of jobs and skills, (5) persistent poverty and inequality, and (6) increased vulnerability to global challenges such as climate change and pandemics. These challenges affect the country's ability to build, protect, and utilize its human capital to its full potential and can hinder capitalizing on the demographic dividend.¹¹

15. These challenges were highlighted further and exacerbated by the COVID-19 pandemic which stifled key building blocks of human capital. The COVID-19 pandemic exacted a heavy toll on the Philippines by affecting the health of its citizens, their ability to obtain quality education and jobs, and by crippling the economy. Fear of COVID-19 transmission and strict community quarantine measures lowered the demand for essential health care services; health facilities, on the other hand, diverted resources away from primary care and prevention to meet the surge in

¹¹ Protecting human capital includes the provision of social assistance in times of crises to help sustain household investments in health and education.

COVID-19 treatment needs. As a result, maternal and child health measures—including undernutrition, maternal mortality, and childhood immunization—deteriorated (World Bank 2023a). Furthermore, extended physical school closures of more than two years, coupled with inadequate online/remote learning capacity for many children, exacerbated an existing learning crisis among Filipino schoolchildren, many of whom currently face learning losses that will be challenging to overcome. Before the pandemic, around 80 percent of 15-year-old Filipino students performed below the minimum proficiency levels in mathematics, reading, and science in the OECD's Programme for International Student Assessment (PISA 2018). Massive job losses during the pandemic were also observed, characterized by a disproportionate rise in youth unemployment. The Philippine government implemented various measures to mitigate the impacts of the pandemic. These included in-kind social assistance (mainly food aid) delivered by the local government units, emergency cash grants through the Social Amelioration Program, and wage subsidy programs for formal sector workers and small businesses through the COVID-19 Adjustment Measures Program and Small Business Wage Subsidy Program. While coverage of government support was high, overall impact was modest due to the magnitude of the pandemic and the amount and timeliness of assistance.¹²

16. Today, despite decades of efforts to reduce poverty, 18 percent of Filipinos remain poor (PSA 2022c). This is largely due to the COVID-19 pandemic which affected Filipinos' well-being, jobs, and incomes. At the onset of the pandemic, between January and April 2020, almost 20 percent of total employment was lost (from 42.5 to 33.8 million). The number of jobs fluctuated throughout the pandemic due to business closures, lockdown measures, and mobility restrictions. Economic growth plummeted by 16.9 percent from Q2 2019 to Q2 2020. Prior to the pandemic, sustained economic growth had helped drive rapid poverty reduction in the country, with the national poverty rate falling by about two-thirds over the last three decades. The country experienced significant growth in employment and real wages which greatly contributed to poverty reduction. Nonetheless, the pre-pandemic poverty rate was still 16.7 percent with wide regional variation: the poverty rate in BARMM, which was 62 percent in 2018, was nearly four times the national poverty rate and 28 times the rate in the National Capital Region (NCR) (World Bank 2022a). Between 2018 and 2021, the national poverty rate increased to 18.1 percent with subnational variations remaining prominent. The Social Weather Stations (SWS) Survey¹³ showed that almost half of Filipinos (48%) rated themselves as poor in the third quarter of 2023 (Philstar 2023).

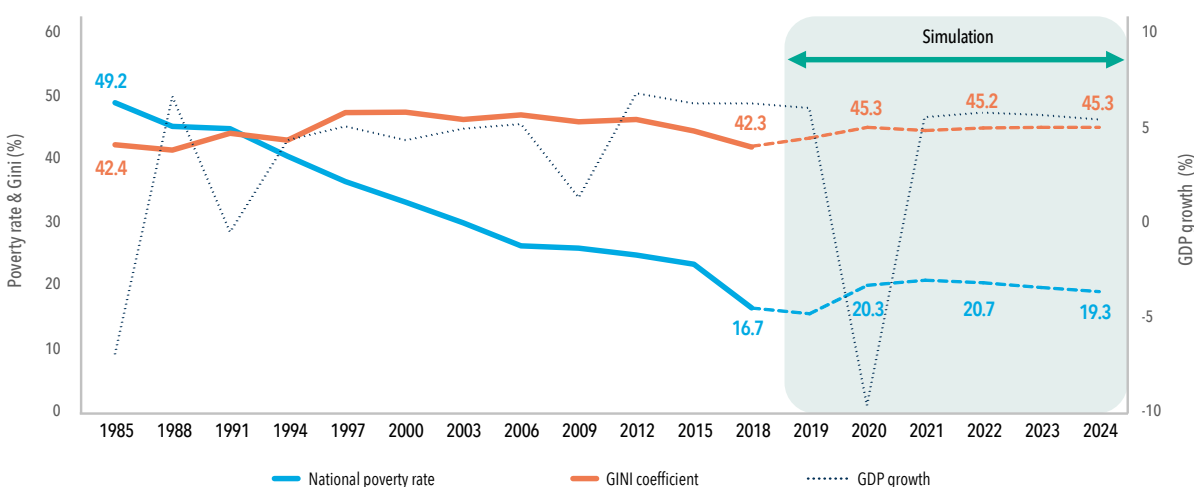
17. Inequality also remains high with the income Gini Index standing at 42.3 in 2018, one of the highest among countries in East Asia. Despite a decreasing trend in the Gini Index since the early 2000s, significant disparities in income distribution within the country persist (Figure 1.6). The top 1 percent of earners collectively capture 17 percent of the national income, while only 14 percent is shared by the bottom 50 percent (World Bank 2022a). Projections for 2020 to 2024 show an increase in inequality which could be attributed to the pandemic. These inequalities extend beyond income and affect access to education, healthcare, and other essential services, perpetuating the cycle of inequality for future generations (Box 1.4). For example, data from the 2019 Southeast Asia Primary

¹² For details, see the following reports: COVID-19 and Social Assistance in the Philippines: Lessons for Future Resilience (<https://documents1.worldbank.org/curated/en/0993335004082237964/pdf/P17338000c78b50000b7c406e14ddbada7.pdf>) and Philippine Jobs Report: Shaping a Better Future for the Filipino Workforce (<https://www.worldbank.org/en/country/philippines/publication/philippine-jobs-report-shaping-a-better-future-for-the-filipino-workforce>)

¹³ The Social Weather Stations (SWS) conducts quarterly surveys on perception about poverty and living conditions in the Philippines. These surveys provide valuable insights into the public's perception of inequality and poverty in the country.

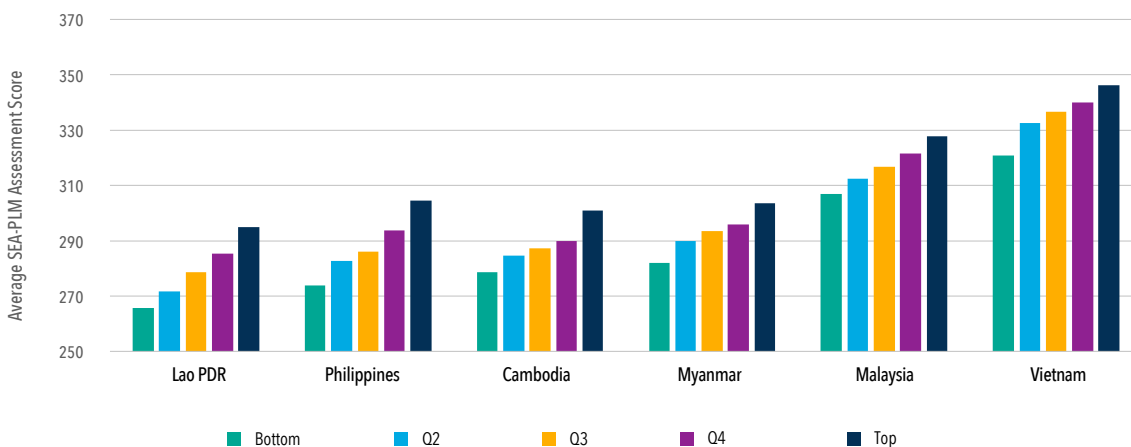
Learning Metrics (SEA-PLM)—an international student assessment covering Cambodia, Lao PDR, Malaysia, Myanmar, the Philippines, and Vietnam—shows that Filipino students from disadvantaged socioeconomic backgrounds learned less than their peers from more advantaged backgrounds, on average, and that these gaps are more pronounced in the country relative to regional peers (Figure 1.7). Such differences in learning proficiency between students in the top and bottom socioeconomic quintiles could represent more than two years of schooling in the most unequal settings (Afkar et al. 2023). Efforts to address this issue are crucial for promoting economic mobility and ensuring a more equitable society.

Figure 1.6. Poverty Rate, Income Gini Index, and GDP Growth, 1985–2024



Source: World Bank 2022a, based on data from the Family Income and Expenditure Survey (FIES) 1985–2018, World Development Indicators (WDI) 2022, and poverty and inequality rates’ microsimulation model which includes emergency COVID-19 social assistance.

Figure 1.7. Southeast Asia Primary Learning Metrics (SEA-PLM) Results by Quintile, 2019



Source: Afkar et al. (2023) based on data from the 2019 Southeast Asia Primary Learning Metrics (SEA-PLM) data (UNICEF and SEAMEO 2020).

Note: The chart shows average fifth-grade SEA-PLM assessment scores, by household socioeconomic status quintile (Q)—a nationally derived measure based on (a) highest parental occupation of either parent, (b) highest education level of either parent, and (c) family’s home resources through the home resources scale (UNICEF and SEAMEO 2020, 66).

Box 1.4. Inequality in the Philippines

The World Bank's 2022 report on "Overcoming Poverty and Inequality in the Philippines" captures how inequality persists throughout the life cycle and how it adversely affects human capital accumulation in the current and next generations:

"In the Philippines, inequality starts even before birth and is perpetuated over the life cycle. It starts with maternal nutrition and health during a child's gestation. Differences continue into childhood, where disparities in access to health care, proper nutrition, safe drinking water, sanitation, and quality education determine the extent to which a child's human capital develops. Inequality shapes outcomes later in life, such as employment opportunities and income, which in turn influence how much Filipinos as adults are able to invest in developing the human capital of their own children. While the Philippines has been making progress in many of these areas, notably in access to such basic services as electricity, safe drinking water, improved sanitation, and school enrollment, persistent large disparities between its regions remain, relating to households' income levels and maternal education. Inequality of opportunity and low intergenerational mobility result in a waste of human potential, a lack of innovation, and a misallocation of human capital."

18. Building, protecting, and utilizing human capital in the Philippines will take place against a medium-term fiscal consolidation plan to restore public finance to its pre-pandemic condition. The pandemic led to reduced public revenue and increased pandemic-related expenditure, which resulted in wide fiscal deficit and a rapidly rising level of national government debt. This led to little space for new expenditure on human capital and other priority areas. The government committed to a medium-term plan to reduce the national government debt level to below 60 percent of its gross domestic product (GDP) by 2025 and the fiscal deficit to three percent of GDP to restore its fiscal space. This means that the government needs to carefully manage its finances to ensure that investments in education and healthcare are prioritized particularly for those who need it most. Long-term inclusive growth should remain a priority despite the emphasis on fiscal consolidation through the continued allocation of funds to health, education, infrastructure, and relevant sectors. Fiscal consolidation does not have to be inconsistent with improving investment in human capital. For example, a potential expansion of existing health-related excises and introducing new ones will increase public health as well as revenue. Moreover, the positive impact of broader tax reforms could increase the space for investment in human capital, provided that the impact on the poor and vulnerable are managed through targeted social protection measures (World Bank 2022b, World Bank 2023b).

19. Cross-cutting and intertwined global challenges—notably climate change, the threat of emerging pandemics, and violent conflict—are also increasingly affecting human capital outcomes in the Philippines and require active integration into policy considerations. Climate change poses a major threat to the Philippines due to its island geography and location in the Pacific Ocean. Repeated weather-related calamities have caused significant damage to homes and livelihoods, especially in vulnerable communities; it has also set back progress on key health

and education human capital outcomes. For example, the country's education infrastructure is highly vulnerable to the disruptive impacts of geological (e.g., earthquakes) and climate-related (e.g., typhoons) hazard events. DepEd needs to frequently cope with a growing number of affected learners and teachers, loss of classrooms, and long periods of service downtime. Based on DepEd's data from 2019–2023, more than 35,000 public schools (75 percent of the school inventory nationwide) requested funding to rebuild classrooms which were damaged or destroyed by natural hazards. During this period, Temporary Learning Spaces (TLS) were provided nationwide to cope with the loss of classrooms. The TLS (makeshift schools), which do not include water, sanitation, and hygiene (WASH) facilities, are intended only for short-term use. But these are often used for up to three years. This means that children are learning in inadequate conditions for prolonged periods. It is estimated that more than 1 million students learn in TLS or in other informal spaces nationwide. Furthermore, there are also challenges for schools to remain operational in disaster-affected areas, as many of them are often used as evacuation centers by the affected communities.

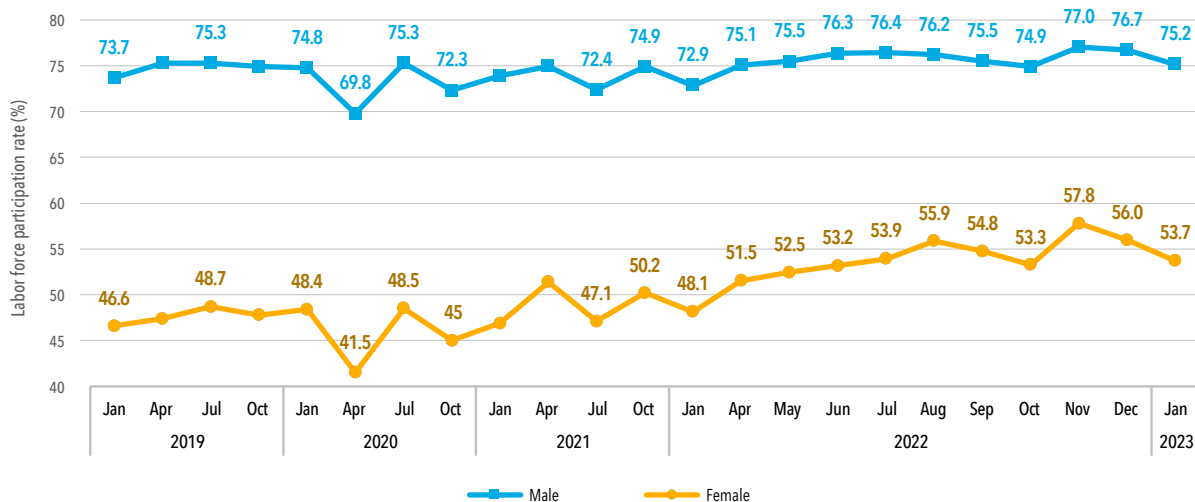
20. With the onset of climate change, the Philippines is also vulnerable to increased risks of emerging pandemics. COVID-19 has exposed and exacerbated the limited capacity for pandemic prevention, preparedness, and response (PPR) in the Philippines, particularly at the provincial and municipal levels. This aligns with the findings of the 2018 Joint External Evaluation (JEE). The JEE report revealed that while the Philippines demonstrated capabilities in various program areas for public health emergency preparedness and response, there were significant gaps in core public health capacity, such as the disease surveillance and response, laboratory system (WHO 2018).

21. International and domestic conflicts have additional severe effects on the country's ability to invest in human capital. Russia's invasion of Ukraine has driven up food prices globally by disrupting shipping routes and reducing the production of grains and oilseeds. The Food and Agriculture Organization (FAO) Food Price Index, which captures changes in prices of basic food commodities, has fallen since the conflict began in early 2022.¹⁴ Meanwhile, India's recent move to restrict the export of rice continues to disrupt global markets, supplies, and prices (Glauber and Mamun 2024). Philippine households in the poorest decile spend nearly two-thirds of their household income on food (World Bank 2022a). This makes even small increases in food prices challenging if not impossible to sustain. Households in this situation may resort to cutting back on quantity and/or quality of food consumption, which can have damaging effects on child nutrition and development. At the domestic level, the Philippines has worked in recent years to end the decades-long conflict in parts of Mindanao and integrate former militants. The peacebuilding process, however, requires continued commitment and investment, and stabilizing the new government in BARMM is key priority to further peacebuilding. Doing so will also ensure that health and education services are provided to and accessed by citizens.

22. Lingering gender disparities, as driven by norms, discrimination, and other forms of bias, also have a cross-cutting effect on the building and utilization of human capital in the Philippines. While the country has achieved gender parity in primary and secondary education, there are still qualitative differences due to gendered segregation in the types of trainings and college

¹⁴ The FAO Food Price Index (FFPI) monitors price changes in international markets for key food commodities, including cereal, vegetable oil, dairy, meat, and sugar. For details, see: <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

Figure 1.8. Labor Force Participation Rate, by Sex, 2019–2023



Source: PSA, Labor Force Survey, various rounds

programs offered in various education institutions. Notably, the choice in program or course may be driven by social norms, personal beliefs, and biases. Women’s labor force participation remains persistently low and one of the lowest in the East Asia and Pacific region. In 2019, the Philippines had the lowest female labor force participation rate (49 percent) among comparator neighboring countries (60 percent for China, 53 percent for Indonesia, 76 percent for Cambodia, 51 percent for Malaysia, 59 percent for Thailand, and 73 percent for Vietnam) (Belgith et al. 2021). Progress in narrowing the gender gap in labor force participation saw slight improvements in recent years, with a rapid increase in female participation during the pandemic (Figure 1.8). To date, women in the Philippines continue to face various challenges, including limited job opportunities, more precarious employment, the burden of unpaid work, and unequal pay. Sexual and gender minorities particularly face hurdles in building and utilizing their human capital—including accessing health, education, and labor markets—because of persistent stigma and discrimination (Abesamis 2022; UNDP 2021).

23. Persons with disabilities and indigenous populations face unique human development challenges. In 2016, the PSA reported that the prevalence of severe disability among those 15 years and older was 12 percent and that an additional 47 percent of Filipinos experienced moderate disability (PSA 2016). Among those with severe disability, nearly 50 percent reported achieving no more than an elementary school education compared to one-third of those with moderate disability, and 15 percent of those with no disability. Health care responsiveness was similarly problematic, with nearly 50 percent of those with moderate disability and 40 percent with severe disability reported needing but not receiving inpatient care in the past year. The indigenous population (IP) in the Philippines has long been excluded from official statistics due to the lack of a well-considered ethnicity variable in the census tool (Tebtebba 2021). Finally, in 2020, an ethnicity variable was included in the census and the Philippines Statistics Authority was able to report the indigenous population to be just under 10 million persons (PSA 2023). Indigenous populations tend to be among the poorest and most disadvantaged, facing challenges in accessing education, health care, employment, and social services.

A small study conducted in 2017 by the University of the Philippines Population Institute (UPPI) and UNICEF shed light on the experiences of indigenous persons in accessing benefits through the Modified Conditional Cash Transfer (MCCT) program. The study team found that non-compliance to program conditions were mostly due to cultural beliefs about Western medicine and immunization (Perez-Brito 2021). On the supply side, the study found that many communities lack sufficient and/or accessible educational and health facilities for their populations (UPPI 2017).

24. By investing in human capital and leveraging the demographic dividend, the Philippines can achieve sustainable and inclusive growth. A well-educated and healthy workforce can drive innovation, attract investments, and create employment opportunities. Improved health and education outcomes and reduced poverty can also lead to a more equitable society. This ensures that the benefits of economic growth are shared by all.

25. This report a) lays out the current status of human capital in the Philippines; b) assesses key drivers and bottlenecks for building, protecting, and utilizing human capital; and c) proposes crucial reforms and policies that the Philippines can implement in order to maximize its support for Filipinos.

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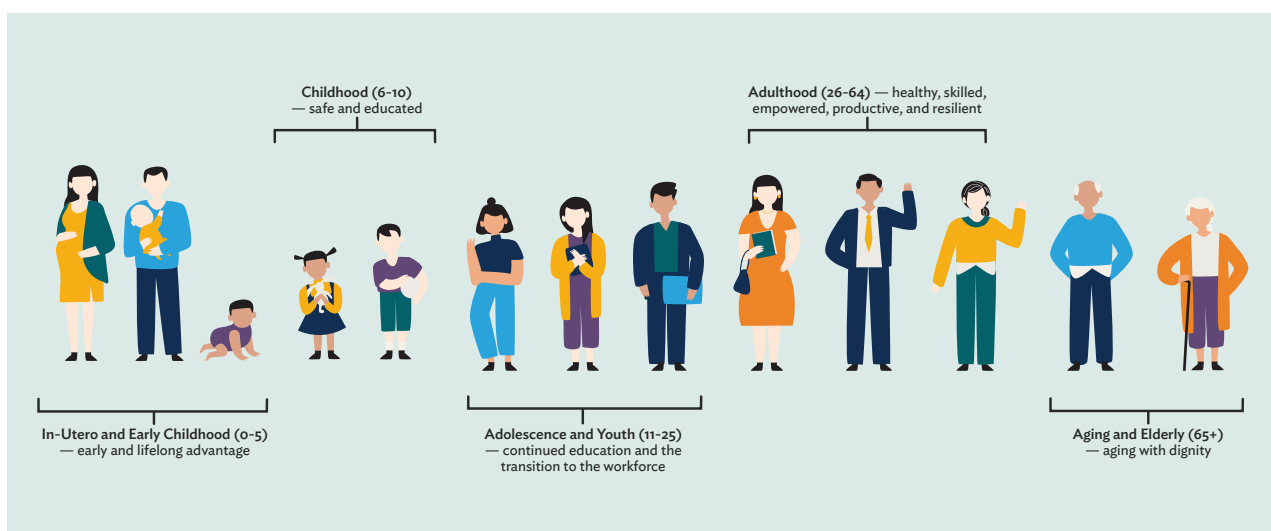
PART 2.

Landscape Analysis of Human Capital in the Philippines

Landscape Analysis of Human Capital in the Philippines

26. While the Philippines has made progress in certain aspects of human capital development, there are still challenges to address at each stage of the life cycle. These challenges include improving access to quality, holistic and affordable early childhood education, and nutrition-specific and nutrition-sensitive services and healthcare services. It also includes enhancing the quality of education at all levels with special emphasis on the decrease of the currently high learning poverty rate, addressing skills gaps and unemployment among young people, promoting inclusive and productive employment during the working age, and ensuring the well-being of older adults. The life cycle analytical framework (Figure 2.1) emphasizes the need to build, protect, and use HC throughout a person's entire life starting in utero and continuing throughout early childhood, childhood, adolescence, adulthood, and old age. Particular attention is paid to the early years given their profound impact on later life outcomes and parity concerns by geographic and socioeconomic dimensions.

Figure 2.1. Life Cycle Analytical Framework



In-Utero and Early Childhood (0–5) —Early and Lifelong Advantage

27. The first five years of life are extremely important for the development of human capital, and the effects of this period can be seen throughout a person’s entire life. Reliable evidence from studies across disciplines such as neuroscience, education, health, psychology and economics shows that the brain undergoes enormous growth and development during the first years of life, as well as that it is most malleable to experiences in early childhood. Adequate early stimulation and nutrition have proved fundamental for brain development in early years leading to proper brain functioning across the lifespan and a healthy brain during aging (Walker et al. 2007). Under-accumulation of human capital at this juncture of life is irreparable. This is why it is crucial to invest in various aspects of early childhood development, such as ensuring a healthy pregnancy, safe birth, breastfeeding, proper nutrition, cognitive stimulation, and immunization coverage. Investments in early years contribute to better educational achievements, less involvement in criminal activities, improved health and labor market outcomes, as well as increased female labor force participation (Naudeau et al. 2011; Schweinhart et al. 2005; Berlinski and Galiani 2007).

28. While there have been significant improvements in the coverage of essential health services for early childhood including antenatal and postnatal care, several challenges such as immunization coverage still exist. In 2022, fewer than three-fourths (72 percent) of children ages 12 to 23 months received all basic antigens—a percentage that is no higher than in 1993; moreover, 11 percent of children received no vaccinations at all (PSA and ICF 2023). Additionally, there are still disparities in access to care based on geographic and socioeconomic factors. Under-five mortality rates are more than four times higher among households in the lowest wealth quintile than those in the highest quintile. This suggests differential access to quality prenatal and pediatric health care services and nutrition interventions (Ulep and Uy 2021). Therefore, it is important to ensure that health care for mothers and children is more evenly distributed in the country. This can be achieved by improving access to community-based facilities by making them more resilient; capacitating primary care workers with appropriate incentives for delivering quality care; and promoting community engagement to enhance the understanding of health services for mothers and children.

29. The prevalence of undernutrition among Filipino children is alarmingly high and likely increasing due to ongoing food insecurity. In 2021, about one in four children under the age of five was considered stunted, or small in size for their age. That same year, nearly one in five children was classified as underweight and six percent were classified as “wasted,” or underweight for their height. These rates have not markedly changed in the past 30 years, and they place the Philippines among the 10 countries globally with the highest number of stunted children. A recent analysis of the 2015 National Nutrition Survey (NNS) highlighted key factors affecting stunting in the Philippines and stressed further the need for multisectoral convergence when fighting stunting (Box 2.1). Filipino children in the poorest wealth quintile face much higher rates of undernutrition than those from wealthier households. In 2019, 42 percent of children in the poorest wealth quintile were stunted. This is nearly four times higher than children in the wealthiest quintile (11 percent) (Mbuya et al 2021).

There have been efforts to improve access to nutrition-specific and nutrition-sensitive interventions during pregnancy and in early childhood, predominantly in the first 1,000 days. The challenges, however, remain in terms of quality, equity, and financing, particularly in rural and marginalized areas.

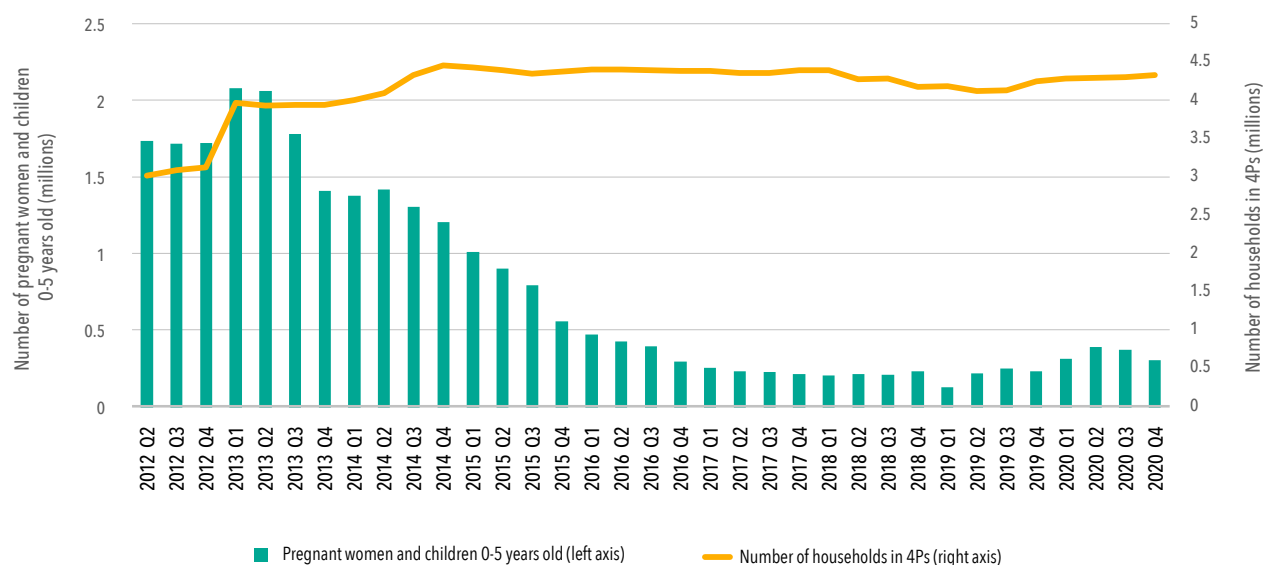
30. Enrollment in early childhood education (ECE) is low in the Philippines; this handicaps all subsequent human capital accumulation. Educational programs at this age set a foundation for lifelong learning, but data from 2019 show that just 40 percent of three- and four-year-olds were enrolled in preschools.¹⁵ Barriers to access include demand-side constraints—namely caregiver sentiment that three- to four-year-old children are too young for formal schooling. Barriers also include supply-side factors, including distance of preschool centers from home and their operating hours that conflict with work schedules. In addition, the lack of a robust quality assurance system is a major issue that affects both service delivery and parental interest. Global evidence reveals that participation in early childhood education improves learning outcomes of young children by increasing their school readiness (World Bank 2019). In the Philippines, nearly 80 percent of children in Grade 5 could not complete school readiness tasks before attending primary school, underscoring the importance of investing in ECE (UNICEF et al. 2021).

31. The national conditional cash transfer program of the Philippines, 4Ps, focuses on human capital development among young children from disadvantaged households. The program provides cash grants to eligible poor households upon compliance with certain health and education conditionalities. In particular, 4Ps requires pregnant household members to visit their local health center to avail of pre- and post-natal care starting from the first trimester of their pregnancy. Services prior to delivery include prenatal consultations, blood pressure and weight monitoring, and breastfeeding and family planning counseling sessions. During delivery, the pregnant member should receive appropriate services by a skilled health professional. Once children are born, they are required to avail of different preventive health and nutrition services. Those ages zero to five years should receive immunization for vaccine-preventable diseases as prescribed by the DOH and bimonthly weight monitoring. Children 0 to 23 months old are required to undergo monthly weight monitoring, applicable vaccination, and deworming. In terms of education conditionalities, children ages three to four years old are required to enroll in a child development center or pre-school and maintain a class attendance rate of at least 85 percent per month.¹⁶ In recent years, the average share of pregnant women and young children ages zero to five in 4Ps has declined due to the delayed updating and validation of the list of poor households based on *Listahanan*, the targeting system for social protection programs such as 4Ps (Figure 2.2).¹⁷ The government's recent plan to transition from *Listahanan* (i.e., census-based static registry) to a dynamic social registry is a welcome initiative as it would allow real-time updating of beneficiary information and on-demand application to social protection programs.

¹⁵ Based on data from the Annual Poverty Indicators Survey (APIS), 2019. See also <https://www.pids.gov.ph/publication/policy-notes/starting-strong-why-early-childhood-care-and-development-matters-in-the-philippines>.

¹⁶ For details, see the 4Ps Operations Manual, 5th Edition: https://pantawid.dswd.gov.ph/wp-content/uploads/2022/08/08152022_4ps_OM_print.pdf

¹⁷ *Listahanan*, also known as the National Household Targeting System for Poverty Reduction (NHTS-PR), is an information management system that identifies who and where the poor are nationwide. This system makes available to national government agencies and other social protection stakeholders a database of poor households as basis in identifying potential beneficiaries of their social protection programs and services. For details, see: https://listahanan.dswd.gov.ph/wp-content/uploads/2019/11/listahanan_info_kit_7.pdf

Figure 2.2. Pregnant Women and Young Children Ages Zero to Five in 4Ps, 2012–2020

Source: DSWD Pantawid quarterly reports

This system could help ensure the inclusion of the most vulnerable households with pregnant women and young children and increase their uptake of health and education services during this critical early life stage.

32. Food-oriented social assistance (FOSA) programs in early childhood aim to address food insecurity and malnutrition. A recent initiative that also prioritizes households with pregnant and lactating women and young children is the food stamp program which allows poor beneficiaries to purchase food using issued cards. In schools, the Supplementary Feeding Program (SFP) provides food to children ages two to four years who are enrolled in child development centers and children ages five years who are not in kindergarten but enrolled in Supervised Neighborhood Play. The SFP comes in the form of hot meals (i.e., rice and viand or milk and alternative meals) served during break time and as recommended by Food and Nutrition Research Institute (FNRI).

33. The GOP has already implemented a crucial multisectoral mechanism to combat high levels of stunting, exemplified by the Philippines Multisectoral Nutrition Project (PMNP), a key component of the early years agenda. PMNP focuses on addressing stunting, particularly during the first 1,000 days of a child's life and could present a significant opportunity for the country to expand its efforts, scaling up the program across all the Philippines Plan of Action for Nutrition provinces, and promoting convergence of both nutrition-specific and nutrition-sensitive interventions.

Box 2.1. Multisectoral Convergence is Necessary for Nutrition Impact: A Pragmatic Programmatic Approach

The narrow time window presented by the first 1,000 days of life to intervene and prevent stunting poses a challenge to nutrition programs. Global evidence is accumulating on the impact of multisectoral convergence of nutrition-specific and nutrition-sensitive interventions towards a more rapid reduction of stunting. This is true for Peru (Huicho et al. 2020), Senegal (Brar et al. 2020), Nepal (Conway et al. 2020) and, more recently, Indonesia. Building from earlier work on what determines stunting (Mbuya et al. 2021), this box presents a life cycle and program perspective, looking at the effects of programs that the Philippine government is already doing to address stunting. A retrospective analysis of data from the 2015 National Nutrition Survey (NNS) provides strong evidence of the potential of multisectoral convergence in the Philippines.

The 2015 NNS provides coverage information from various government programs already in place without the confounding effect of the COVID-19 pandemic. Individual coverage or program reach ranges from almost 100 percent for growth monitoring or Operation Timbang (OPT) participation, to a low of 6.0 percent for supplementary feeding in day care centers. Of much concern, however, are the huge gaps observed upon assessing co-coverage at household, maternal and child levels (disaggregated to account for eligibility). Among conditional cash transfer (CCT) recipients, only 29 percent have both toilet & safe drinking water access; likewise, only 31 percent of mothers have access to the household services, as well as to all three maternal services. Among children, if toilet & safe drinking water access are included, only 2.5 percent of 0- to 1.9-year-olds, and 4.8 percent of 0- to 5.9-year-olds received the services they were eligible for. Moreover, co-coverage of 10 essential services* known to contribute to stunting reduction was zero, which points out to a lack of convergence of services at the individual level.

An analysis of the relationship between co-coverage of services and stunting provides useful insights. Among CCT beneficiaries who have access to both toilets and safe drinking water, the relative risk of child stunting is 31 percent lower (odds ratio [OR] = 0.69, confidence interval [CI] = 0.61 – 0.79) compared to access to just one or no access to either. Likewise, when mothers have access to both toilet and safe water, and receive adequate services during pregnancy and delivery, child stunting is 37.7 percent less likely in their households (OR = 0.62, CI = 0.56 -0.69). However, the relationship between the child co-coverage rates and stunting is not significant (for 0- to 1.9year-olds, OR = 0.97, CI=0.69 – 1.37; for 0- to 5.9-year-olds, OR = 0.92, CI=0.796 – 1.070). It could be that the coverage of some of the child services is just so insufficient that the benefits of the aggregate packages of services for children get diluted.

These results support the emphasis on the first 1,000 days as the window of opportunity for reducing stunting, particularly access to maternal services. These findings confirm Mbuya et al's earlier work (2021) that found that “children under two who lack an adequate

prenatal environment have 1.75 times the risk of stunting as children with evidence of a more optimal antenatal environment.” There is much room for improving access to child services. Further, convergence of services could bring about a more substantial impact on stunting than individual services alone, especially with inclusive coverage for household level services.

*Household-level services: safe drinking water, toilet facility at home, and 4Ps membership (social protection); Maternal services: four or more prenatal visits, maternal micronutrient supplementation, facility birth; Child services: (0-1.9 years) newborn screening, exclusive breastfeeding for the 1st six months, full immunization before 1st birthday, and minimum diet diversity of complementary feeding; (0-5.9 years) participation in growth monitoring &/or Operation Timbang; (1-5.9 years) Vitamin A supplementation and deworming; (3-5.9 years) supplementary feeding in day care centers.

Childhood and Schooling (6–10) —Safe and Educated

34. In the life cycle stage of childhood and schooling, health and education services continue to be crucial in promoting the quality of life towards adolescence and adulthood. Access to health services help ensure good health, prevent and treat noncommunicable diseases (NCDs) and their risk factors, and promote healthy longevity into adulthood (Patton, Sawyer, and Santelli 2016). High-quality education services at this stage must ensure that children acquire the foundational cognitive and socioemotional skills to succeed in life and in the labor market. Social assistance programs such as conditional cash transfer can play a key role in incentivizing school attendance and retention among the poor and vulnerable.

35. Elementary and secondary school enrollment rates had been on an upward trend since the early 2000s.¹⁸ But low learning outcomes, along with gender and socioeconomic gaps in education, continues to be a challenge in the Philippines. In 2019, 91 percent of ten-year-old children could not read or understand a simple text, while five percent were not enrolled in school at all (World Bank 2022c). The results of the DepEd’s National Achievement Test (NAT) through the years and PISA 2018 and 2022 indicate low performance in core subject areas (mathematics, science, and reading). Overall, the Philippines ranked 77th out of 81 countries in the PISA 2022, compared to Indonesia at 69th place, Thailand at 63rd, Malaysia at 47th, and Vietnam at 34th.¹⁹ None of the Filipino students from socioeconomically disadvantaged backgrounds reached basic proficiency levels in any subject, versus 50 percent from the most advantaged group.

¹⁸ The rates declined slightly in 2020, likely the result of COVID-19 school closures. For details, see Philippines Open Stat Database, SDG 4.3.s1: Net enrolment rate in elementary education.

¹⁹ 2022 PISA results showed that the Philippines ranked 3rd from the bottom in Science with an average score of 356 (357 in 2018); 6th from the bottom in Mathematics with an average score of 355 (350 in 2018); and 6th from the bottom in reading with an average score of 347 (340 in 2018) (Ines 2023).

Gender disparities in learning also persist, with girls performing better in national and international standardized exams compared with boys. During the COVID-19 pandemic, school closures were implemented in the Philippines to contain the spread of the virus. The closures commenced in March 2020 and were not lifted until August 2022, more than two years later. This was one of the longest periods of school closure in the world. The World Bank estimates that Learning Adjusted Years of Schooling will fall by 1.3 to 1.9 years from a pre-COVID level of 7.5 years. At the subnational level, some LGUs in the country have initiated various programs to address the learning challenge, including Valenzuela City with its holistic approach to education (Box 2.2).

36. Disparities in the enrollment of older children across income groups persist. In 2013, there were few differences in enrollment between income groups at the primary education level. But by the time children reach high school (around age 13 to 17), just more than half (53 percent) of young people from the poorest wealth quintile were enrolled in school, versus 81 percent from the wealthiest quintile. In 2020, the same story is observed. While children 6 to 11 years old from households in the lowest and richest income decile are most likely to be enrolled in primary school, as children grow older (12 to 15 years old), those in the poorest decile have a lower chance of attending school or being in the age-appropriate grade level compared with those from the richest decile (World Bank 2021; 2022). The low rate of transition from elementary to secondary school of children from disadvantaged households remains concerning, as this dictates their future skills development and learning trajectory. The government aims to narrow these disparities through the delivery of 4Ps CCT among poor households, which requires school-age beneficiary children to attend elementary and secondary school (at least 85 percent attendance rate per month).

37. Despite the recent substantial advances in school enrollment and educational attainment, the improvement in the quality of education is paramount for human capital accumulation in the Philippines. Majority of 10-year-old Filipino students cannot read and understand an age-appropriate text, which is a phenomenon known as learning poverty. This issue is critical because learning is cumulative, highlighting the importance of strong foundational skills. As a result, many of these students will not develop more advanced skills that they will need to succeed in the labor market and in life. A recent analysis performed by the World Bank in 2023 shows that learning poverty in the Philippines is 91 percent, compared to only 53 percent in Indonesia, 23 percent in Thailand, 18 percent in Vietnam, as well as three to four percent in high-income Japan, Korea Republic, and Singapore. Such low level of foundational learning—basic literacy—hinders human capital formation in the country (Afkar et al. 2023).

38. The Philippines is also facing a concerning trend of a triple burden of malnutrition. Poor dietary habits contribute to a triple burden of malnutrition—where undernutrition, characterized by poor growth and micronutrient deficiencies, coexists with the increasing prevalence of overweight conditions (UNICEF 2023). Obesity among children has been steadily rising, along with associated risk factors for diabetes, hypertension, and cardiovascular diseases. Among children five to ten, overweight rates increased significantly, from 9.6 percent in 2019 to 16.2 percent in 2022. Furthermore, children from the wealthiest quintile (9.3 percent) are more likely to experience overnutrition than those from the poorest quintile (1.5 percent) (DOST-FNRI 2020). Increasing overweight and obesity trends are likely driven by unhealthy food environments. It affects Filipino children who are consuming fewer fruits and vegetables, and more sugary, salty, and fatty products.

Box 2.2 The Education 360° Investment Program in Valenzuela: A Holistic Approach to Education

The Education 360° Investment Program was Valenzuela’s response to the [low ranking of its students in the 2012 National Achievement Test \(NAT\)](#). This program takes a holistic approach to improving learning by addressing multiple facets: school supplies, curriculum, nutrition, teacher competency, parental involvement, and infrastructure. The harmonized test score of Valenzuela based on the most recent NAT (i.e., School Year 2018–2019) shows that it performed one percentage point above the national average.²⁰

To encourage parental involvement, an annual *Nanay-Teacher (Mother-Teacher) Parenting Camp* is held in all its public schools to educate parents on their role in their children’s development. This aims to strengthen the involvement of parents in the academic and socio-emotional development of their children through reflection and peer learning, and in collaboration with their child’s teachers.

To improve literacy, the City Government institutes week-long training camps on remedial reading instruction for teachers. It also has a summer reading camp for learners who are non-readers and frustrated readers.²¹ During the reading camp, learners are engaged in ten-day half-day reading lessons to improve their comprehension through the guidance of trained teachers and student aides volunteering from the city’s local university, the Pamantasan ng Lungsod ng Valenzuela (PLV). In 2023, it was noted that participation in the program resulted in a 12.09 percentage point improvement in the assessment scores of participating learners. The reading camp, which began in 2014, is said to benefit close to 100,000 students as of 2023 (Nicol 2023).

To address malnutrition, the city also implements a city-wide in-school feeding program for kindergarten to Grade 6 students, in partnership with the Ateneo Center for Educational Development (ACED). Along with the help of parent volunteers and in coordination with public schools, hot meals are prepared in the city’s central kitchen located in Barangay Balubaran. These are then picked up by the schools. In School Year 2013-2014, 8,125 daycare students from 78 daycare centers were also included in this program. During the pandemic in 2020, the [central kitchen](#) was even used to serve meals to frontliners. At the end of School Year 2022–2023, the nutritional status of 80.9 percent or 3,786 beneficiaries improved from Severely Wasted and Wasted to Normal, thanks to the program (Ateneo Center for Educational Development [ACED] 2023).

To encourage school participation, the city follows up with out-of-school-youth listed in the Community-Based Monitoring System (CBMS) of the Philippine Statistics Authority (PSA) and conducts house-to-house visits to encourage them to participate in

²⁰ Based on authors’ computations

²¹ Non-readers are described as those who do not have the foundational skills to put together words. Frustrated readers, on the other hand, are those who might recognize some words but have difficulty decoding or reading most words and have difficulty with comprehension. For details, see: <https://valenzuela.gov.ph/article/news/10242>

Department of Education's Alternative Learning System (DepEd ALS) (i.e., [Project Tokbuk](#)) (City Government of Valenzuela n.d.). According to a 2023 interview with the local government unit (LGU), 100 percent of ALS learners passed the most recent national assessment.

The LGU was able to implement the program successfully through a participatory and targeted approach, as well as incentivization. Institutionalization of the program through City Ordinance No. 324, series of 2016, volunteerism, and support from the community are some key factors that have contributed to the success of Education 360°. In addition, support for specific target groups has helped improve key issues such as malnutrition and reading ability. Moreover, the City Government provides incentives to encourage participation and good performance such as gift checks to students who complete the reading program. There are also performance incentives for schools and Parent-Teacher Associations who perform well. In 2023, the city recognized the top five public schools that showed the greatest improvement following the Valenzuela Reading Camp 2022. These were then rewarded with desktop computers (Dioquino 2023). Valenzuela was a recipient of the *GalingPook* Award for Innovations and Excellence in Local Governance in 2015; in 2016, it was one of the 30 Deserving Cities for the Guangzhou International Award for Urban Innovation.

Adolescence and Youth (11–25)

—Continued Education and the Transition to the Workforce

39. The adolescence life cycle stage is pivotal in human capital development, serving as a crucial period for the acquisition of skills, knowledge, and behaviors that determine future economic and social contributions. During this stage, individuals experience significant physical, cognitive, and emotional growth, necessitating targeted interventions in education, health, and social support. High-quality education and healthcare during adolescence continue to be important for building a productive workforce.

40. Adolescents 11 to 19 years old in the Philippines encounter significant human capital challenges, particularly in education and health. Educational attainment is a major concern, with dropout rates increasing notably during secondary education. Weak foundational skills means that students are more likely to drop out in subsequent stages of education. At the same time, economic barriers, including the inability to afford school-related expenses and the necessity for many adolescents to contribute to family incomes, force numerous students to leave school prematurely. For adolescents ages 12 to 15, those in the poorest decile have a lower chance of attending school or being in the age-appropriate grade level compared to their counterparts in the richest decile

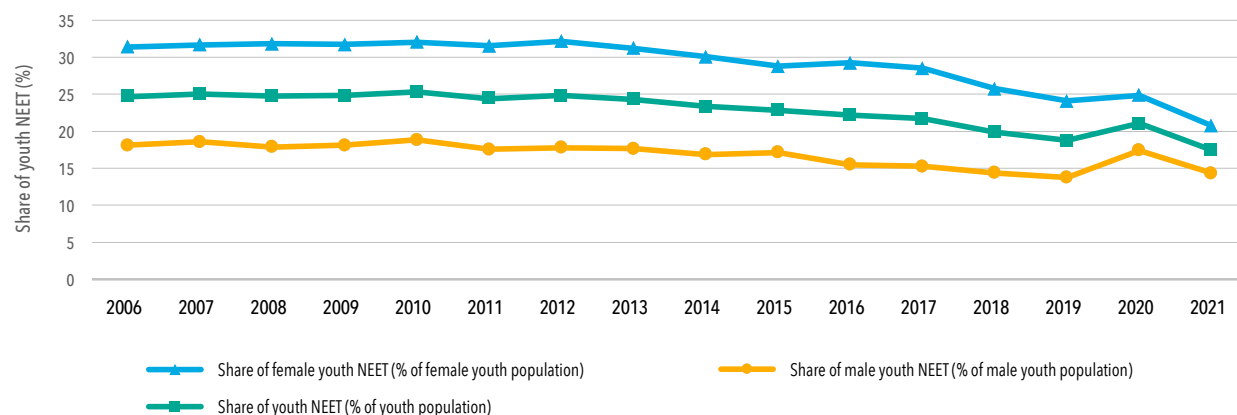
(World Bank 2021; 2022). To address some of these challenges, the Youth Development Session (YDS), a complementary service of the 4Ps program, offers sessions for youth beneficiaries ages 14–18 on navigating school challenges, career planning, and transitioning to the workplace. Although non-mandatory, the YDS’s operational guidelines are being developed to expand coverage and sustain relevance to the needs of youth beneficiaries (Rodriguez and Revilla, 2023). Nevertheless, the quality of education varies greatly across regions, with rural areas and impoverished urban communities often facing shortages of qualified teachers and educational resources. This disparity not only hampers academic performance but also restricts future employment prospects, perpetuating cycles of poverty. Gender disparities in schooling access are also evident—in 2022, gross enrollment in secondary school was 97 percent among girls versus 90 percent among boys; in 2021, enrollment in tertiary school was 40 percent among girls and 30 percent among boys (World Bank 2023a).

41. Health challenges further exacerbate the difficulties faced by Filipino adolescents, reflecting once again the triple burden of malnutrition. High rates of both undernutrition and overweight highlight issues of food insecurity and inadequate healthcare access. Among adolescents ages 10–19, the prevalence of overweight increased from 11.1 percent in 2019 to 11.7 percent in 2022 (DOST-FNRI 2022). Additionally, around 74 percent of 13- to 15-year-olds consume less than three portions of vegetables per day, while 38 percent consume at least one carbonated drink daily (WHO 2015). This triple burden underscores the complex nutritional landscape confronting Filipino youth, posing significant challenges to their overall health and well-being.

42. Moreover, increasing rates of early teen pregnancy in recent years pose threats to long-term human development outcomes. In 2022, the PSA reported 3,135 cases of pregnancies among girls ages 10–14, a 35 percent increase from the 2,320 cases recorded in 2021. Adolescent pregnancy rates have been increasing since 2017 and this trend proves to be alarming in many ways. Mothers under the age of 15 are twice as likely to die from complications in pregnancy or childbirth as women in their 20s. Down the road, they face lower education and employment outcomes, while their child is subject to poor health outcomes (Bacelonia 2024; Save the Children 2024). This trend calls for interventions on ensuring the safety and well-being of very young girls in the country.

43. For young adults, the transition to the workforce is a critical stage as they continue to develop their skills and start to navigate their professional careers. Oftentimes they are at a disadvantage in the labor market given their minimal skills and work experience compared with older competitors. As the Philippines aims to take advantage of the demographic dividend, the focus on supporting youth in their transition to higher education and the workforce remains crucial.

44. Young adults in the Philippines experienced the triple crises of learning, low employment, and poverty during and after the pandemic. The heavy toll of the pandemic on young people manifested in three significant ways: a learning loss associated with prolonged school closures; challenging transitions from school to work due to a weak labor market; and elevated poverty rates due to unemployment or underemployment. Between 2020 and 2021, youth labor market prospects weakened—labor force participation rate decreased from 37 to 33 percent, unemployment rate rose from 14 to 16 percent, and underemployment rate increased from 11 to 16 percent. A few of the government’s COVID-19 programs specifically targeted the youth (World Bank 2023c).

Figure 2.3. Share of Youth Not in Education, Employment, or Training (NEET), by Gender


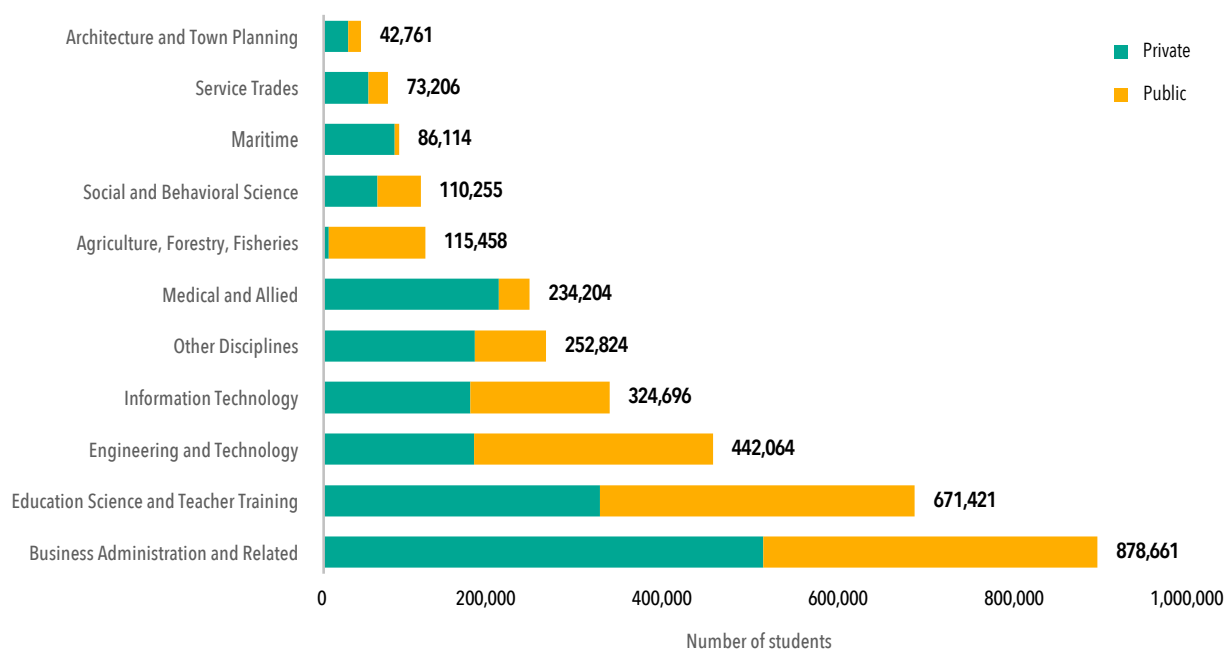
Source: World Bank DataBank, World Development Indicators 2006–2021.

45. In 2021, nearly 18 percent of youth, between the ages of 15 and 24, were not in employment, education, or training (NEET). This group particularly faces the risk of both labor market and social exclusion due to the lack of investment in skills and experience through employment. The share of youth NEET was higher for females (21 percent) than males (14 percent). This gender gap persists over time (Figure 2.3) (World Bank 2023a). The youth unemployment rate by the end of 2021 was 13 percent, nearly two times as high as the national unemployment rate of 7 percent. A number of agencies have implemented programs aiming to improve school and employment access for young Filipinos. The Technical Education and Skills Development Authority (TESDA) leads the delivery of various technical and vocational education and training (TVET) programs, with scholarships available for disadvantaged youth. The Department of Labor and Employment (DOLE) implements several programs, including 1) JobStart,²² which supports the employment of young workers through full-cycle employment facilitation (including education-to-work transition); 2) Government Internship Program (GIP), which facilitates on-the-job training in government offices; and 3) Special Program for the Employment of Students (SPES), which provides temporary employment to poor students during summer or Christmas break. The DepEd’s ALS is also one of the programs that provide educational opportunities for out-of-school youth. These programs, however, are mostly limited in coverage, fragmented, and lack robust monitoring and evaluation mechanisms.

46. Gender-related challenges to accessing the labor market in the Philippines for youth further exacerbate existing challenges. Women face lower labor force participation and higher NEET rates compared to men. This suggests that it is more difficult for female youth to enter and stay in the labor market as they reach child-bearing age. While overall teenage pregnancy among Filipino women ages 15 to 19 years declined from 8.6 percent in 2017 to 5.4 percent in 2022, significant variations exist particularly between wealth quintiles.

²² The program was institutionalized by Republic Act 10869 (“JobStart Philippines Act”) in 2019.

Figure 2.4. Enrollment in Top 10 Most Populated Discipline Groups in Higher Education, Academic Year 2019–2020



Source: CHED 2020 Higher Education Facts and Figures, CHED, Quezon City.

Note: Figures for public higher education institutions include State Universities and Colleges (SUCs), Local Universities and Colleges (LUCs), and Other Government Schools (OGSs).

Teenage pregnancy in 2022 was more than five times higher among those in the poorest quintile compared to the richest (10.3 percent vs. 1.8 percent) (PSA 2022a). Social norms and traditional gender roles also play a role in limiting women's access to the labor market by affecting the types of employment women hold and the gender pay gap.

47. The Philippines recorded an increase in enrollment in tertiary education in recent years, but the participation is uneven across socioeconomic groups, unveiling an equity issue (PSA 2022d). Access to tertiary education has been increasing since the mid-2000s, jumping from 2.6 million students in the academic year 2006–2007, to 3.6 million students in 2020–2021. Recent data show that most of the enrollees come from the fields of business administration, education science and teacher training, engineering and technology, and information technology (Figure 2.4). Disparities in tertiary enrollment between poor and rich households are evident: in 2020, only about 17 percent of those ages 18 to 24 in the poorest decile were in tertiary education, versus 37 percent of those in the richest decile (World Bank 2022a). An estimation of the returns to education, using Heckman approach for 2008 to 2012, indicates that an additional year of college education increases wages by 21 to 23 percent (Sauler and Tomaliwan 2017). In terms of graduate school, very few college graduates pursue master's and doctorate programs. (This was only around eight percent of the total in the academic year 2019–2020.)

Adulthood (26–64) —Healthy, Skilled, Empowered, Productive, and Resilient

48. At the adulthood stage, sustained health, education, and labor market opportunities are essential to reap the benefits of accumulated human capital up to this point. Health services continue to be important as they support the well-being and continued productivity of the adult population. Education and training services and opportunities for lifelong learning are paramount to prepare job seekers for the labor market and equip workers with skills needed to perform and excel in their jobs. Access to job and income opportunities, in addition to a strong and well-functioning social insurance system, keep individuals and families out of poverty in case of shocks.

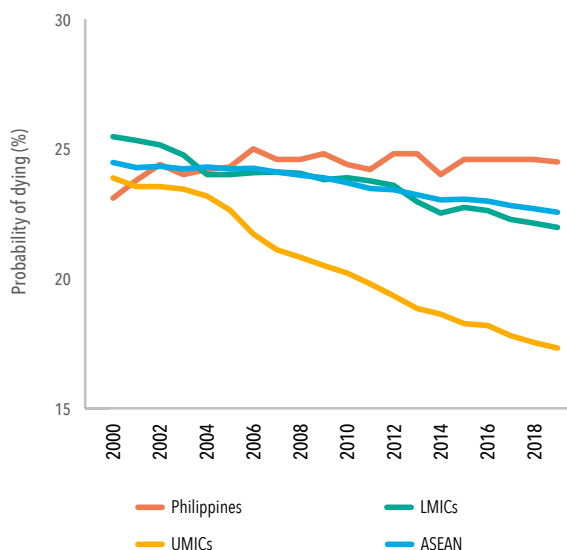
49. Adults in the Philippines face a myriad of challenges, including labor market uncertainties and exposure to diseases. In 2022, 36 percent of the working age population (15–64) were out of the labor force (PSA 2022e). Of those in the labor force, 4.5 percent were unemployed, while 14 percent remained underemployed. These indicators increased during the pandemic but have slowly recovered in 2022. The working-age group are also exposed to NCDs, which are among the top killer diseases in the Philippines.²³

50. Changes in lifestyle, environment, and demographics have led to an increasing burden of NCDs affecting the working age population. In 2019, NCDs accounted for 69.4 percent of deaths—a 12.7 percentage-point rise compared to 2000 (Figure 2.5 and Figure 2.6). From 2000 to 2019, the likelihood of dying between the ages of 30 and 70 from cardiovascular diseases, cancer, diabetes, and chronic respiratory diseases slightly increased from 23.1 percent to 24.5 percent in the Philippines. This is in contrast to a decreasing trend observed in other countries categorized as low- and middle-income countries (LMICs), Association of Southeast Asian Nations (ASEAN) countries, and upper-middle-income countries (UMICs). Among the risk factors for deaths, high blood pressure stands out as the most significant. In 2019, the estimated age-standardized prevalence of hypertension was 32.8 percent for females and 34.7 percent for males. Even with the high prevalence, there are significant challenges in the detection, treatment, and control of hypertension in the Philippines compared to countries like Costa Rica, Brazil, and Colombia. Among individuals with hypertension, 47.6 percent were not diagnosed, 17.0 percent were diagnosed but not receiving treatment, 18.3 percent were receiving treatment but not achieving control, and only 17.1 percent were effectively controlled. This indicates a need for improvement in the country's management of hypertension.

51. At the same time, Filipinos still face a heavy burden of communicable diseases with cases of vector-borne diseases expected to worsen because of climate change. In 2022, the Philippines ranks fourth worldwide in terms of tuberculosis incidence, following India, Indonesia, and China, with 737,000 people falling ill with tuberculosis. On average, 110 Filipinos die every day from this curable disease (WHO 2023). There are also regular outbreaks of vector-borne diseases such as dengue which are projected to increase because of climate change.

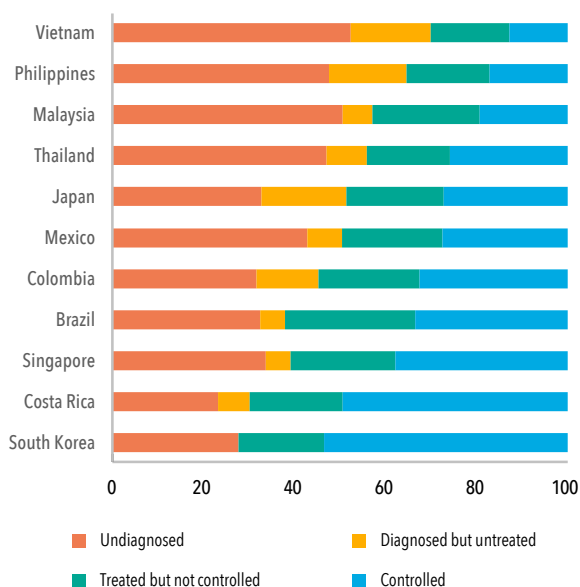
²³ For details, see: <https://www.maniladoctors.com.ph/non-communicable-diseases-among-top-killer-diseases-in-the-philippines/>

Figure 2.5. Probability of Dying between the Ages of 30 and 70 Years from Four NCDs, Philippines vs ASEAN vs LMICs vs UMICs, 2000–2019



Source: World Bank DataBank, Health Nutrition and Population Statistics. The figures for ASEAN are calculated by the author as the population weighted average of all 10 ASEAN countries.

Figure 2.6. Hypertension Cascade Analysis among People Ages 30–79 Years Old



Source: Calculated by author using data from NCD Risk Factor Collaboration (NCD-RisC). 2021 “Worldwide Trends in Hypertension Prevalence and Progress in Treatment and Control from 1990 to 2019: A Pooled Analysis of 1201 Population-Representative Studies with 104 Million Participants.

A World Bank analysis of five climate-sensitive health risks (dengue, diarrhea, extreme heat, malaria, and stunting) shows how climate change affects the lives and health of Filipinos. The assessment indicates that the number of deaths from all five health risks combined is projected to increase from approximately 43.2 thousand to 56.5 thousand in 2050. Most of this increase is the result of dengue-induced deaths (Box 2.3).

Box 2.3. Climate Change and Health in the Philippines

The Climate and Health Economic Valuation (CHEV) tool developed by the World Bank was adopted to estimate (1) the number of cases and deaths for selected health risks (dengue, diarrhea, extreme heat, malaria, and stunting) that are sensitive to changes in temperature and precipitation; and (2) the associated economic (social) cost of these cases and deaths. The number of cases and deaths, and related cost, are estimated in a scenario with climate change and without climate change for the year 2050, using 2020 as baseline.

The results of the Bank’s internal analysis using the CHEV tool for the Philippines indicate that in the year 2050, the Philippines would experience approximately 26 million cases of the five health risks included in the current assessment. This number is approximately

10 million smaller than in 2020. This decline is explained by a decline in the number of cases of diarrhea and stunting. On the other hand, the number of cases of dengue and malaria are expected to increase by 62 percent and 166 percent, respectively. Importantly, there will be approximately 1 million cases more in 2050 as a direct result of climate change (Table B2.1). Approximately 49 percent of malaria cases in 2050 will also be due to climate change.

Table B2.1. Number of Cases With and Without Climate Change

	2020	2050 with CC	2050 without CC	Attributable to CC	
				Absolute number	% of cases
Dengue	1,457,371	2,365,695	2,187,342	178,353	7.5
Diarrhea	31,011,653	22,126,780	21,638,128	488,651	2.2
Extreme heat	349	3,667	667	3,000	81.8
Malaria	25,323	67,356	34,474	32,882	48.8
Stunting	4,239,721	1,634,374	1,287,688	346,685	21.2
Total	36,734,418	26,197,870	25,148,299	1,049,571	4.0

The number of deaths from all five health risks combined is projected to increase from approximately 43.2 thousand to 56.5 thousand in 2050. Most of this increase is the result of dengue-induced deaths. Of the total number of deaths, climate change contributes to approximately 5,000 deaths in 2050 (Table B2.2).

In the short term, over the period 2026–2030, approximately 6,500 additional deaths will occur as a direct result of climate change. In the longer term (2031–2050), climate change will add more than 66,000 deaths from the five health risks included in this assessment.

Table B2.2. Number of Deaths With and Without Climate Change

	2020	2050 with CC	2050 without CC
Dengue	31,901	51,784	47,880
Diarrhea	3,243	2,314	2,262
Extreme heat	44	458	83
Malaria	115	306	156
Stunting	7,857	1,676	1,271
Total	43,159	56,537	51,653

The economic (social) cost of mortality and morbidity arising from these five health risks is estimated to increase from USD 28.2 billion in 2020 to USD 62.2 billion in 2050 (Table B2.3). This increase in the economic cost of mortality and morbidity cannot be attributed solely to climate change. Factors such as changes in total population, changes in the structure of the age pyramid, and changes in gross domestic product also explain the significant increase in costs. In the Philippines, it is estimated that climate change contributes USD 5.3 billion to the economic cost of the health impacts of climate change in 2050. This represents approximately nine percent of the total. In the short term, over the period 2026–2030, the aggregate cost of the impacts of climate change is expected to reach USD 7.1 billion.

Table B2.3. Total Cost of the Health Impacts of Climate Change

	2020	2050 with CC	2050 without CC	Attributable to CC
Dengue	20,979,606,281	57,034,766,834	52,734,841,388	4,299,925,446
Diarrhea	2,140,747,210	2,558,070,947	2,501,578,086	56,492,861
Extreme heat	27,389,499	482,385,825	87,706,514	394,679,311
Malaria	73,724,282	328,413,656	168,089,288	160,324,368
Stunting	4,937,634,803	1,763,605,821	1,337,213,454	426,392,368
Total	28,159,102,075	62,167,243,083	56,829,428,729	5,337,814,354

52. Yet addressing these increasing health needs is limited by accessibility, affordability, and quality constraints. Only about 50 percent of Filipinos have access to rural health units or health centers within a 30-minute travel time, with significant geographic inequity (DOH 2020). Additionally, there have been difficulties in hiring and retaining quality health workers (DOH 2021) and ensuring the availability of essential medicines, vaccines, and diagnostics in primary care facilities, particularly in remote areas. Despite the Philippine Health Insurance Corporation's (PhilHealth) efforts to expand primary care benefits over the past two decades, the current primary care benefit package, *Konsulta*,²⁴ faces several challenges. These include inadequate coverage of essential health services, an insufficient number of *Konsulta*-accredited providers (as many health providers struggle to meet the service and human resource standards required for accreditation), and a cumbersome registration and payment process. The lack of routine monitoring of provider performance and clinical quality in the Philippines, and the lack of evidence-based standards, performance indicators for quality care, and corresponding targets also contribute to a high variation in the quality of services delivered. As a likely result, out-of-pocket (OOP) expenditure on health among Filipinos remains high. Although the proportion of OOP expenditure to total health spending has declined over the past decade, it remains substantial at approximately 41 percent, with its absolute value on the rise (WHO Global Health Expenditure Database, 2021).

²⁴ For details, see: PhilHealth Konsultasyong Sulit Tama (Konsulta), <https://www.philhealth.gov.ph/konsulta/>

Moreover, variations in OOP spending persist across regions and socioeconomic strata, with the poorest segments often forgoing care due to access barriers or financial limitations. Addressing these disparities and reducing reliance on OOP payments are pivotal for fostering equitable access to healthcare and fostering holistic human capital development (Family Income and Expenditure Survey (FIES), 2018).

53. Capitalizing on the human capital of the working age population is further limited by a Filipino labor market characterized by low quality of jobs. During and after the COVID-19 pandemic, the share of wage employment saw a steady decline, while the share of workers engaged in self-employment and informal work gradually increased (World Bank 2022d). Informality is loosely defined as either self-employed without any paid employees or employer in own family-operated farm or business (PSA 2008). Wage workers without formal written contracts, social insurance, or worker protection measures provided by employers are also considered informal workers. Based on Labor Force Survey (LFS) monthly data, the share of informal workers (self-employed and unpaid family workers) from February 2022 to 2023 is anywhere between 35 and 37 percent. These workers tend to be excluded from contributory social insurance, pension schemes, and unemployment benefits under the Government Service Insurance System (GSIS) which caters to government employees, and the Social Security System (SSS) which covers private sector workers (World Bank 2023c). In 2019, the SSS started to offer unemployment benefits as mandated by the Social Security Act of 2018 (Republic Act No. 11199), but these were limited to private sector employees who meet certain eligibility conditions (i.e., age and length of membership or number of contributions) (SSS 2021).

54. Some of the government's labor market programs include public works and employment services which are delivered at the national and local level. The DOLE, DSWD, and Department of Public Works and Highways (DPWH) deliver cash or food for work and *Tulong Panghanapbuhay sa ating Disadvantaged/ Displaced Workers* (TUPAD) programs to provide emergency employment, mostly in the form of infrastructure building projects, to vulnerable or displaced workers. The DOLE also facilitates PhilJobNet, an online job and applicant matching tool to aid job seekers. At the local level, LGUs manage Public Employment Service Offices (PESO) that provide job matching services, career guidance, and employment coaching (World Bank 2023c).

55. Previous literature reveals issues in both demand and supply of labor, with workers settling for jobs below their academic qualifications and employers not being able to find workers with the required skill sets. More recent evidence reveals the persistence of skills mismatches. According to a study, 39 percent of employed Filipinos are overeducated while over a quarter are undereducated (Melchor 2022). Moreover, a significant portion of highly educated workers are employed in low-productivity jobs. Between 2010 and 2019, there was no significant change in the share of university-educated workers engaged in low skilled jobs (about a quarter). This suggests that the quality and type of jobs available in the domestic labor market may fall behind the expectation and aspiration of workers (World Bank 2023c). Further, an analysis of labor market demand using data from jobsites and skills reported by 641 graduating higher education students²⁵ showed a mismatch between the required job skills and students' actual capabilities. In terms of information and communications technology (ICT) skills, the country lags behind its neighboring countries in the region,

²⁵ In healthcare, IT and computer science, and business administration courses from 19 sample colleges and universities

creating a digital skills gap in which companies face unmet demand for high-level and middle-level digital skills. In particular, skills shortage was evident in high-skill areas such as business services and administration, advertising and public relations, sales and marketing, financial analysis, computer network operation, software development, and IT user support; there is also a shortage in middle-skill jobs such as plant and machine operators, contact center and customer representatives (World Bank 2022e). The need to enhance the quality of jobs and skills in the country was strongly emphasized in the Philippine Development Plan 2023–2028.

56. The Philippines initiated measures for the transition to a green economy, supporting the shift towards green jobs and skills. The country's Green Jobs Act (GJA, RA 10771) and its Implementing Rules and Regulations (IRR) were adopted in 2016 and 2017. The GJA envisions the transformation to a greener economy by harnessing the potential of workers and enterprises for green jobs and promoting a climate-resilient and environmentally sustainable development. It defines green jobs as employment that contributes to preserving or restoring the quality of the environment, be it in the agriculture, industry, or the services sector. Green jobs include those that help to protect ecosystems and biodiversity; reduce energy, materials, and water consumption through high-efficiency strategies; decarbonize the economy; and minimize or altogether avoid the generation of all forms of waste and pollution (World Bank 2023c). An early estimation on the effects of green policies suggests that the green economy contributed PHP 2.7 trillion to the country's total gross value added (about a quarter of GDP) and accounted for approximately 6.9 million jobs or about 17 percent of all persons employed in 2016. (The jobs are broken down into 1.3, 1.4, and 4.3 million jobs from agriculture, industry, and services, respectively.) Under the assumption that the sectoral growth targets of the PDP 2017–2022 are achieved, and the conventional subsectors (agriculture, industry, and services) grow equally until 2030, it is projected that the green economy will require an additional 3.9 million workers by 2030. This is about another 56 percent of what it employed in 2016 (baseline year). Further, greening the economy entails changes in sectoral employment. First, some jobs may no longer be required, and thus, will face lower demand (i.e., coal miners and incinerator operators). Second, some jobs may require modified tasks (i.e., bus operators from diesel to electric). Third, new positions may be created if there is a high demand for environmental goods and services (i.e., green procurement managers, operators of sanitary landfills, project engineers, environmental and social safeguard focal persons, renewable energy experts, hydrologists, wind, solar, and biomass experts, biologists, chemists, and disposal officers, solar photovoltaic system fitters, and wind-turbine technicians,). Notably, the green transition is expected to promote gender equality as skilling programs offer income and employment opportunities for women (i.e., organic farming in rural areas,). Finally, many jobs are expected to remain the same but will use more resource-efficient technology. Overall, the transition to a green economy is projected to be favorable for employment, given that greening processes are labor-intensive and can drive demand in the services sector (Abrigo et al. 2019; ILO 2018; Ofreneo 2010). However, the limited development of foundational skills, namely literacy and numeracy, as well as communication and problem-solving skills could affect the acquisition of green skills. There is also lack of data on demand and supply gap and concrete accreditation mechanisms for green skills (World Bank 2023c).

57. Filipinos also lag behind in digital skills at a time where demand for such skills is expected to continue increasing. Studies show that the Philippine workforce has low foundational digital skills relative to its regional peers. Less than 10 percent of individuals in the Philippines can use basic arithmetic formulae in a spreadsheet or create electronic presentations with presentation software.

This is the lowest compared to Cambodia, Indonesia, Malaysia, Singapore, and Thailand. Further, only about a quarter among youth and adults have the basic ICT skills to send e-mails with attached files.²⁶ The International Institute for Management Development (IMD) World Digital Competitiveness Ranking 2022, based on the measurement of knowledge, technology, and future readiness in relation to digital jobs/skills shows that the Philippines ranked 62nd on knowledge, 49th on technology, and 58th on overall readiness out of 64 economies. As digital skills correlate with proficiency in foundational literacy and numeracy skills, measures to enhance these skills across education levels are highlighted (World Bank 2022f). A few initiatives include the DepEd's Digital Rise Program that aims to enhance digital literacy; basic programming skills and Information Communication Technology (ICT)-assisted learning for K-12 basic education; the Commission on Higher Education's (CHED) mid-term digital transformation strategy for higher education; and TESDA's renewed focus on strengthening the digital skills of the Filipino workforce, including through the Go Digital ASEAN program. In December 2021, the government proposed the Public Schools of the Future in Technology (PSOFT) Act that "aims to harness technological innovations, processes, and instruments in facilitating teaching and learning processes that would enhance the performance of students and teachers." The PSOFT Act is pending at the Senate Committee on Basic Education.²⁷

58. Some categories of jobs and industry sectors are likely to be harder hit by automation (digitization) than others. An ILO study (2020) looked at the top 15 occupations in the Philippines in terms of employment size, and found that more than one-third of total employment involved occupations that are unlikely to be affected by automation, either positively or negatively; 28 percent of occupations are susceptible to automation but in both destructive and transformative ways; and, troublingly, 31 percent of occupations in the Philippines are at "high risk of destructive digitalization." Included in this category are sectors that the Philippines has invested in heavily, including some occupations within the IT-BPM sector, as well as occupations that tend to be dominated by women. This implies that many workers will need to be reskilled; education and training systems will have to shift towards equipping workers with skills to assume tasks that are created or transformed through automation; and a high degree of adaptability and a fluid skill set that includes problem solving and risk tolerance will be essential in the changing labor market.

59. While women achieve better schooling outcomes than men, their participation and progression in the labor market remain limited. At this stage, persistent challenges hinder women from fully utilizing and enhancing their human capital. Gender gaps across labor market outcomes are evident: in 2019, 78 percent of those neither in education nor employment or training (NEET), aged 15 to 64, were female (World Bank 2023c); in January 2023, women's labor force participation was nearly 22 percentage points lower than that of men (53.7 vs. 75.2 percent). Even when women manage to secure employment, they are less likely to be engaged in wage work compared to men (Belgith et al. 2021) and they often receive lower wages compared to their male counterparts in the same occupations and industries (World Economic Forum, 2023). Norms and beliefs on the role of women and men in the household and workplace contribute to women's low participation in the labor market. Women are expected to do household chores and undertake caregiving responsibilities, including childcare and elderly care, hindering their full economic participation.

²⁶ For details on data for the Philippines, see the National ICT Household Survey 2019 of the Department of Information and Communications (DICT) and Philippine Statistical Research and Training Institute: <https://dict.gov.ph/ictstatistics/nicths2019/>. Data for all other countries are taken from UN Global SDG Database, <https://unstats.un.org/sdgs/indicators/database/>.

²⁷ For details, see https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=19&q=SBN-2044.

The unequal distribution of domestic labor between women and men also results in women being more likely to fall into the category of unpaid contributing family members, which offers fewer prospects for decent work. Moreover, the lack of systems or services to support childcare lead to more women leaving the workforce. Setting up daycare centers, offering affordable childcare services, or establishing corporate policies on flexible work hours could help create an enabling environment for working women. Different forms of gender discrimination remain evident in hiring practices, promotions, and even credit access, driving women into deeper disadvantage (Sobritchea et al. 2021; Sibug et al. 2022). While childcare could be seen as a form of human capital investment, this could also entail losses in the form of women's contribution to economic growth in the current period and future period (given that they will face difficulties in returning to work after many years of being out of the labor market). Hence, policies and programs that support both women's economic participation and children's human capital accumulation, such as flexible work arrangements and day care, remain crucial, especially in the context of fully leveraging the demographic dividend.

60. The Philippines lags regional peers in terms of the utilization of human capital.

The utilization-adjusted human capital index (UHCI) considers the fraction of the working age population that are employed, or are in the types of jobs where they might be better able to use their skills and abilities to increase their productivity ("better employment"). For 2018, the basic UHCI stood at 31 percent for the Philippines, lower than that of Indonesia at 36 percent, Malaysia at 40 percent, Thailand at 45 percent, and Vietnam at 56 percent. In all these countries, women have higher HCIs but lower UHCIs than men, reflecting the relatively low labor force participation among women.

61. A large percentage of the working age population is employed abroad providing an additional source of income to the economy while simultaneously highlighting local labor market weaknesses. Employment abroad and Overseas Filipino Worker (OFW) remittances are major elements of the Philippine labor market. Remittances have continued despite pandemic-related disruptions to the global economy. While the unemployment rate is decreasing in the country, more and more Filipinos are opting to work overseas due to higher salaries and better benefits. As a result, this becomes an additional source of income for the country as migrant workers regularly send remittances, both in cash and in kind, to support their families' needs in the Philippines. Twelve percent of households in 2018 reported at least one family member is or was an OFW (PSA and UPPI 2019). Despite the repatriation of half a million OFWs during the COVID-19 pandemic, remittances as a share of GDP remained stable (close to 10 percent of GDP). Females make up the majority of OFWs, reflecting strong demand for household service, entertainment, and nursing care abroad. The Philippines has become a leading voice in the global migration dialogue, having instituted systems to educate, train, protect and repatriate Filipinos who work abroad (World Bank 2023c). Strong international demand for Filipino workers, however, can mean a shortage of workers at home, potentially threatening the availability and quality of services domestically. In the case of healthcare workers, the Philippine Overseas Employment Administration (POEA) implemented a deployment ceiling of 6,500. This then went up to 7,000 in June and December 2021, given the demand for health care during the COVID-19 pandemic and the shortage of healthcare workers in the country.²⁸ In addition, large numbers of OFWs may indicate weaknesses in the Philippine job market, including low pay and benefits, and a shortage of opportunities.

²⁸ POEA Advisories No. 79 (June 21, 2021) and No. 169 (December 13, 2021)

Aging and Elderly (65+)

—Aging with Dignity

62. For Filipinos in the aging and elderly life cycle stage, the provision of services involves ensuring that elderly individuals receive the necessary healthcare specific to their age, as well as opportunities for continued learning and employment that is financially beneficial. It also includes services such as pension plans and financial support for end-of-life care. Social protection and labor services are especially crucial because they not only provide financial security for older individuals, but additionally enables them to remain actively engaged in meaningful activities.

63. Old age beneficiaries from the two public agencies that manage contributory social insurance and pension schemes in the country (GSIS and SSS) make up only 25 percent (2,310,575) of the total elderly population over the age of 60 in 2021.²⁹ The government also leads the Social Pension for Indigent Senior Citizens program which delivers cash grants to eligible senior citizens who are indigent, sick, frail, and have no regular or permanent source of income, financial assistance, or pension from GSIS, SSS, or other institutions. The program covered around 3.5 million out of 5.8 million senior citizens in 2021.³⁰ To expand program coverage, the government lowered the age of eligibility from 77 years of age in 2011 to 60 years of age in 2017.³¹ High rates of informality in the Philippine labor market have limited participation in contributory pension schemes despite a legal requirement to do so (Razat 2016). Self-employed, temporary, and informal workers, who make their own contributions to SSS, may not have sufficient income to contribute on a regular basis. According to the Bangko Sentral ng Pilipinas (BSP) 2022 consumer survey, just one-third of households in 2022 reported having any savings at all (BSP 2022). Elderly persons without any personal savings or pensions place a burden on their extended families—many of whom lack their own personal savings—to support and care for them in their old age. Though the poverty rate among those over age 60 is low (10 percent in 2021) compared to an overall rate of 18.4 percent that same year (PSA 2023b), this may be due to elderly persons living in extended-family households with younger working persons and shared asset pools to support them. However, beyond compelling households to further dilute resources to accommodate an aging family member, this can place elderly persons in a particularly risky position if their households face unemployment, catastrophic health events, or other emergencies.

64. Despite the enactment of the UHC Act in 2019, primary health care services are not widely accessible, and many do not offer a full range of integrated services for aging and elderly persons, including risk screenings and treatments for NCDs. The elderly population requires more healthcare and financial protection due to the increased likelihood of experiencing

²⁹ Population data for elderly (60 years old and above) based on PSA's 2020 Census of Population and Housing, <https://psa.gov.ph/content/age-and-sex-distribution-philippine-population-2020-census-population-and-housing>; GSIS data on old age beneficiaries (371,210) based on Freedom of Information (FOI) data issued by GSIS to WB dated June 01, 2023; SSS data on retirement/old age beneficiaries (1,939,365) based on SSS Annual Report 2021

³⁰ Population data for senior citizens (65 years old and above) based on PSA's 2020 Census of Population and Housing, <https://psa.gov.ph/content/age-and-sex-distribution-philippine-population-2020-census-population-and-housing>

³¹ Data from 2017 shows that about 40 percent of Filipino seniors (or about 2.8 million out of 7 million) have no income security placing a heavy burden on families to cover care and living expenses. https://www.ilo.org/manila/public/pr/WCMS_606067/lang-en/index.html; <https://www.philstar.com/headlines/2017/11/18/1760349/popcom-worried-over-rising-population-elderly>

health issues. In the Philippines, there are challenges in the readiness of healthcare facilities at all levels. Moreover, accessing basic and specialist services can be difficult and costly. Additionally, as the population ages, there is a shift in the types of diseases prevalent, emphasizing the need for investments in prevention and early treatment of noncommunicable diseases.

65. Women—with longer life expectancies and lower rates of participation in the labor market—face substantial financial burdens as they age. Filipino women, on average, have longer life expectancies compared to men; they also face substantial financial burdens as they age due to lower rates of participation in the labor market. This means that fewer women are actively working and earning income. This makes them incapable for saving up for old age. Furthermore, because service delivery for the aging remains limited in the Philippines, households—often women in the household—bear the burden of caring for sick and aging family members.

Regional and Subnational Disparities in Human Capital

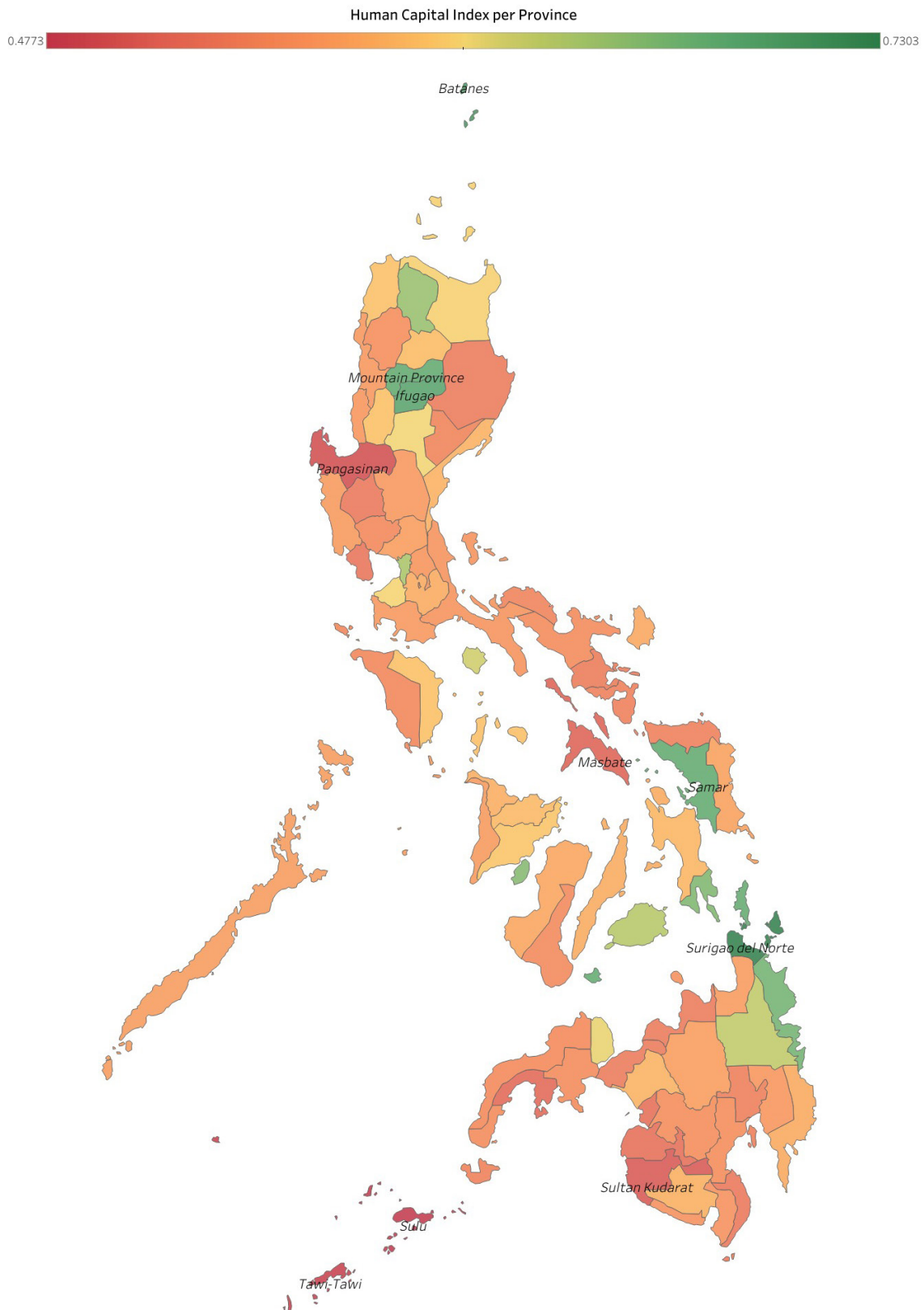
66. Understanding subnational variations is pivotal when analyzing human capital accumulation, protection, and utilization in the Philippines to allow for targeted policies and interventions. This is particularly important for the Philippines given its geographical diversity in economic development, infrastructure, and resource accessibility characteristics. For instance, regions with high poverty rates may require interventions focused on improving access to education and healthcare; regions with high unemployment rates, on the other hand, may require interventions focused on skills upgrading/development and job creation. Lastly, subnational variations analysis helps in identifying regions that are lagging in terms of human capital accumulation and utilization. This information can be used to prioritize resources and interventions in these regions, ensuring that no region is left behind in promoting equity and inclusivity in human capital development.

67. Subnational Human Capital Index (HCI) computations³² reveal significant disparities among provinces and cities in the Philippines. To better understand variations in human capital across the Philippines, the HCI was computed at the provincial level, including highly urbanized cities (HUCs), using the latest available national values for each component of the index (Annex 2).³³ The HCI is an international metric used to benchmark the key components of human capital. The findings highlight subnational inequities in human capital outcomes. Among all provinces and HUCs in the sample, the highest performing unit has an HCI of 74 percent, which is 26 percentage points higher than that of the lowest performing unit. Overall, half of the provinces and HUCs have HCIs that are higher or equal to the median HCI of 58.5 percent (Figure 2.7).

³² Computed by the World Bank team using the latest available national data.

³³ The annex provides details on the methodology used, data sources, limitations, and key assumptions made in the calculation of subnational HCI at the provincial level and at the level of highly urbanized cities.

Figure 2.7. Human Capital Index Computed at the Subnational Provincial and HUC Level



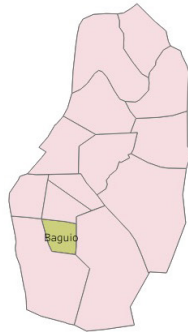
Human Capital Index in Highly Urbanized Cities



National Capital Region (NCR)



Cordillera Administrative Region (CAR)



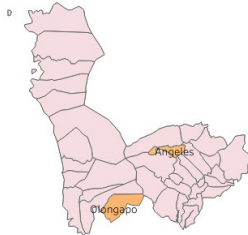
Ilocos Region (Region I)



Cagayan Valley (Region II)



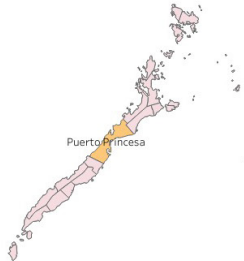
Central Luzon (Region III)



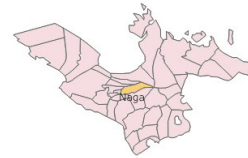
CALABARZON (Region IV-A)



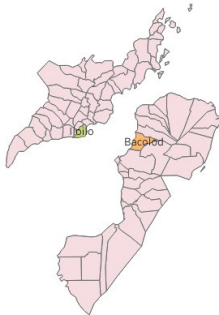
MIMAROPA (Region IV-B)



Bicol Region (Region V)



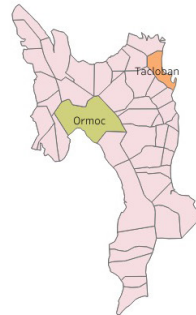
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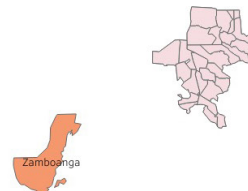
Central Visayas (Region VII)



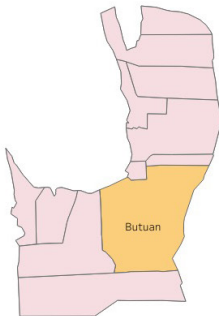
Eastern Visayas (Region VIII)



Zamboanga Peninsula (Region IX)



Caraga (Region XIII)



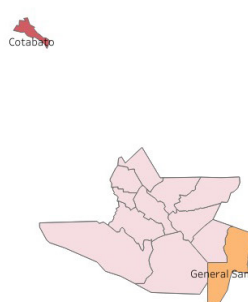
Northern Mindanao (Region X)



Davao Region (Region XI)



SOCCSKSARGEN (Region XII)



Provinces and cities with below-median HCIs are scattered across the regions, but the largest number of the lowest performing provinces and HUCs are in the regions of Bicol, Central Luzon, Davao, Soccsksargen, and Zamboanga Peninsula. HUCs show relatively higher HCIs but these are also disparate across the cities (Figure 2.7). The HUCs with the lowest HCI are in the regions of Zamboanga Peninsula and Soccsksargen in Mindanao while the city with the highest HCI is in the National Capital Region. Overall, 16 HUCs in 11 regions have HCIs lower than the median of 60 percent for all HUCs. The Philippines has provinces and HUCs with HCIs comparable to the HCIs of Bhutan and Honduras (48 percent in 2020), as well as provinces and HUCs with HCIs comparable to the HCIs of Italy, Spain, or Israel (73 percent in 2020). Looking at the subcomponents of the HCI, the disparities are starker among provinces and HUCs in terms of health, especially for stunting and under-five mortality rates than for education outcomes (Annex 3). The issues of child stunting and under-five mortality affect provinces and HUCs across the HCI distribution. Provinces and HUCs with low HCIs and those with HCIs higher than the average HCI plus one standard deviation (64 percent) may have stunting and under-five mortality rates lower than the average rates for all provinces and HUCs.

68. Human capital accumulation seems to drive poverty reduction among families at the level of provinces and HUCs in the Philippines. Nearly 60 percent of provinces and HUCs with HCIs lower than the median (58 percent) have poverty incidence that is higher than the national poverty rate of 18 percent.³⁴ In contrast, only 30 percent of these provinces and HUCs with HCIs higher than the median HCI have poverty incidences among families that are higher than the national poverty rate. The HUC with the highest HCI of 74.1 percent has a poverty incidence rate of 4 percent, the second lowest among the provinces and HUCs. In contrast, the HUC with the lowest HCI of 47.5 percent has a poverty incidence rate of 24 percent, which is six percentage points higher than the national rate. Moreover, provinces and HUCs that have HCIs higher than the median have under-five mortality rate of 21.1 percent, lower compared to the national rate of 26 percent; however, the average stunting rate of these provinces and HUCs is at 29.4 percent, only slightly lower than the national rate of 29.5 percent. Meanwhile, the HUC with the highest HCI has under-five mortality and stunting rates of 10 percent and 23 percent, lower than the national rates; the HUC with the lowest HCI has under-five mortality and stunting rates of 34 percent and 33 percent, much higher than the national rates. This descriptive assessment suggests HCI variations driven by disparities in key human capital indicators and that investing in human capital may correlate with poverty reduction among provinces and HUCs.

69. The large disparities in human capital outcomes across provinces and cities contribute to the overall lower performance of the Philippines relative to regional peers. Provinces and cities vary in terms of the challenges they face in delivering local level services given differences in economic, geographic, administrative, and political circumstances. Provinces and cities with lower capacity in implementing programs face more difficulties in improving their human capital outcomes and reducing inequities. Between 2017 and 2020, the HCI for the Philippines declined from 55 to 52 percent as LGUs suffered from the adverse impacts of COVID-19. Overall, the large disparities in human capital outcomes call for nuanced policies that particularly cater to the needs of lagging provinces and cities.

³⁴ Based on provinces and HUCs with available data on poverty incidence among families 2021

70. Qualitative analyses were conducted with selected LGUs to complement disaggregated HCI results and understand further how human capital development is pursued at the subnational level. The analyses, which relied on semi-structured interviews with LGUs, sought to understand how basic services are planned and delivered at the city and municipal level to determine key bottlenecks and enablers of human capital development. Provinces that show high and low HCI scores were identified based on computations by the World Bank team. From there, six cities and municipalities were purposely selected from the high-performing and low-performing provinces to showcase varying income classes and geographic contexts. Three provinces were also selected from Luzon, Visayas, and Mindanao to add contextual data to what would be gathered in the cities and municipalities. Valenzuela City was identified as a pilot site.

71. The qualitative analysis points to challenges that contribute to the wide variation in local government performance in human capital accumulation, protection, and utilization.

These include: a) inequitable access to services, where poorer and less capable LGUs struggle to provide even basic services such as safe water and functional sanitation, while richer and more capable ones can provide medicines beyond what the national formulary requires; b) internal rural-to-urban migration challenges resulting in aging agricultural communities and the unmitigated increase in urban-poor informal settlements; c) skewed concentration of competent human resource in development hubs, while marginalized areas that lack human resource suffer from poor management and inefficient operations; and d) political tensions in the prioritization and allocation of resources across sectors (health versus education) and between the more populated urban versus the higher-need but smaller rural areas. The HCI performance of LGUs may be attributed to their capacity to deliver social services as richer and highly urbanized cities (i.e., Pasig, San Juan, Mandaluyong, Makati, Manila) have higher HCIs compared with poorer provinces (i.e., Sulu, Tawi-Tawi, and Maguindanao in BARMM, Zamboanga Sibugay and Zamboanga del Norte in Zamboanga Peninsula). Some LGUs have initiated measures to enhance access of its citizens to health and education services. The Navotas City LGU, for example, made efforts to promote the National Health Insurance Program (NHIP); provide hospitalization subsidies; develop an electronic hospital referral system; and build more health centers (Box 2.4). The Valenzuela City LGU initiated the Education 360° Investment Program to support student learning. The findings from the HCI calculations and qualitative assessments could serve to influence policymaking in support of lagging LGUs.

Box 2.4 Enabling the Sustainability of Human Capital Programs

Along with shared commitment from the top-down to invest in the quality of basic service delivery, a holistic, targeted, and participatory approach enables the sustainability of human capital programs. The healthcare referral system in Navotas and the Education 360° Investment Program in Valenzuela illustrate these elements. These two programs have received recognition from the national government (e.g., Development Academy of the Philippines Center for Excellence) and the private sector (e.g., *Galing Pook*). They are successful because there are institutionalized systems in place to ensure that these programs are an integral part of service delivery.

As such, they are much easier to sustain and more difficult to undo. Participation and buy-in of communities enables commitment and recognition of the benefit of these programs. Targeted interventions address key issues in the community and make service delivery more equitable.

Commitment is seen through long-term investments and local legislation to institutionalize human capital programs. Navotas has taken out a loan from the Land Bank of the Philippines to continue to upgrade its health facilities. Meanwhile, Valenzuela institutionalized the Education 360° Program through Ordinance No. 324, series of 2016. Both these efforts imply an intention to sustain these initiatives in the long term.

A holistic approach to service delivery enables responsiveness and efficiency. The establishment of a hospital referral system within Navotas City allows coordination between the barangay health center and the Navotas City Hospital. In addition, as the hospital is PhilHealth-accredited and is a *Malasakit* Center (i.e., a center that provides medical and financial assistance to indigent and financially incapacitated patients within the facility), it enables access to the next level of care to low-income patients. This shows that the city recognizes that quality healthcare not only entails the presence of well-equipped facilities, but also access to these services by those who are most in need through various forms of social assistance. On the other hand, the Education 360° Investment Program of Valenzuela recognizes the multiple facets of child development. The program encompasses the social environment, nutrition, and academic aspects of learning to help address parental involvement, stunting, and literacy, among others. As such, it promotes the holistic development of children.

Identifying a target population and specifically prioritizing disadvantaged populations promote equity in service delivery. As mentioned earlier, social assistance provided through the Navotas City Hospital enables indigent patients to receive quality care. The Education 360° Investment Program uses data to identify non-readers (i.e., those who do not have the foundational skills to put together words) and frustrated readers (i.e., those who might recognize some words but have difficulty decoding or reading most words and have difficulty with comprehension), stunted children, and out-of-school youth for its various activities. The use of such data enables the government to design more impactful interventions that cater to those who are most in need.

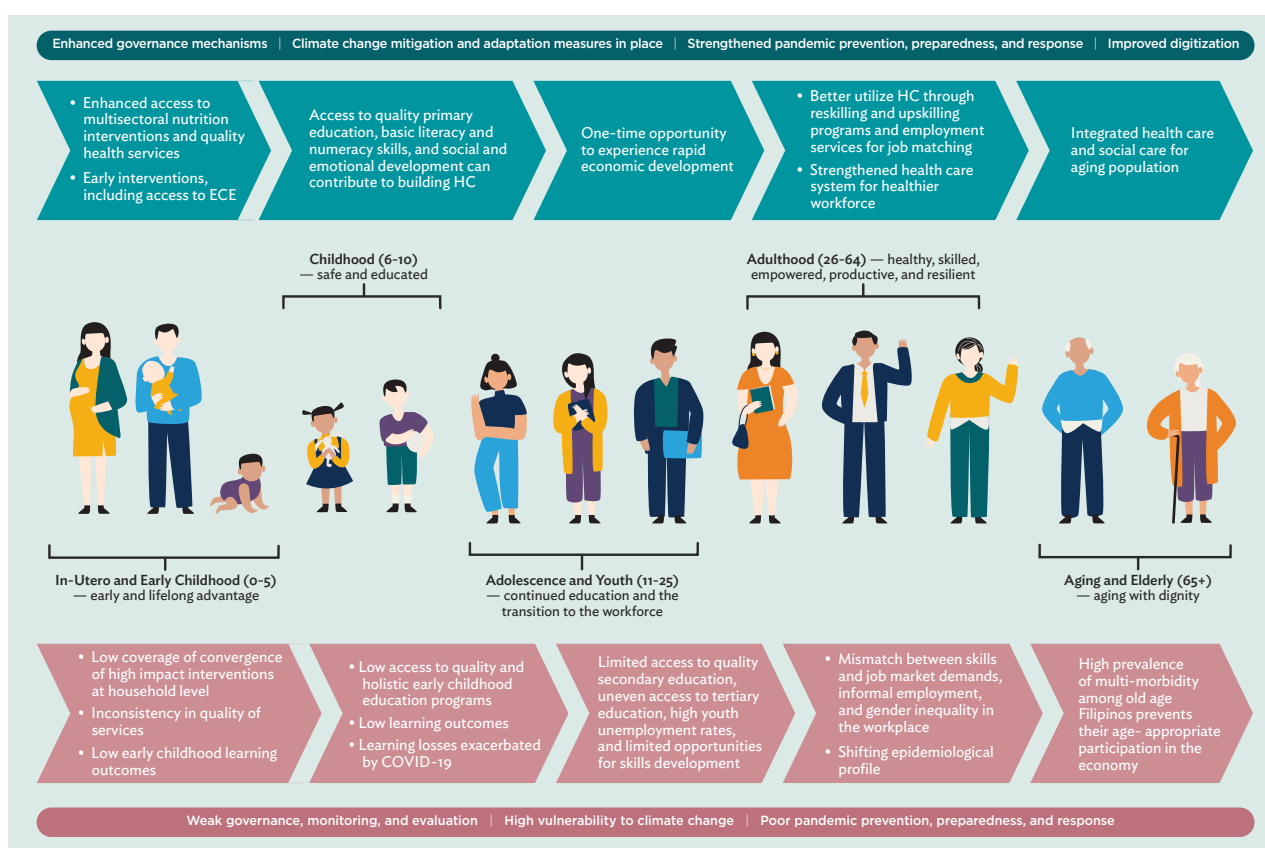
Finally, participation and buy-in of stakeholders help ensure the continuity of these programs. Since 2015, Navotas City has been encouraging citizens to enroll in the National Health Insurance Program (NHIP) to be able to avail of PhilHealth benefits that are currently available in eight out of 11 barangay health centers, as well as the Navotas City Hospital (PhilHealth 2023). Aside from this, nine out of 11 barangay health centers are already connected to the hospital information system, which means that about 82 percent of established primary care facilities can quickly refer patients to the city hospital.

On the other hand, the Education 360° Investment Program, which was first established in 2014, involves community participation. For example, the in-school feeding program is implemented in collaboration with a private education institution, with parents encouraged to volunteer to prepare meals for the program; the Parent Camp or capacity-building program for parents is offered across all public schools; and schools with students who show the greatest improvement after the reading camp are incentivized. Thus, the intentional effort to involve the whole community helps to ensure its city-wide implementation.

Challenges and Opportunities for Enhancing Human Capital

72. Based on the landscape analysis of human capital across different life cycle stages, key opportunities and challenges for each stage were identified (Figure 2.8). This section tries to determine the main factors that drive important human capital outcomes and provides an overview of sector-specific, as well as cross-sectoral opportunities to improve the accumulation, protection, and/or utilization of human capital.

Figure 2.8. Summary of Opportunities and Challenges Across the Life Cycle



73. In the *in-utero and early childhood* stage, pivotal constraints to human capital development in the Philippines center around limited access to quality healthcare, nutrition, and early childhood education. A low coverage of high impact interventions convergence at the household level, inconsistency in access and quality of health services, particularly in rural and marginalized areas, and insufficient funding for nutrition severely hinders development in the early childhood stage. Low early childhood educational outcomes, with deficiencies in cognitive and socioemotional development, are also crippling challenges of this life cycle stage. Simultaneous access to multisectoral nutrition interventions and healthcare, such as through various existing programs (First 1,000 Days Law, micronutrient supplementations, 4Ps, Food Stamp Program, etc.) can, however, address in-utero and early childhood challenges and lead to faster reduction in stunting. Early interventions, including access to ECE, can also help mitigate risks and promote healthy brain development.

74. In the *childhood* stage, core challenges relate to the provision of quality education. Inadequate infrastructure in schools and insufficient resources for education limit access to quality education for many Filipino children and lead to poor learning outcomes, including a very high rate of learning poverty, and gender disparities in academic performance. Shocks such as the COVID-19 pandemic result in lingering learning losses that prevent Filipino children from accumulating their full human capital potential. These underscore the need to improve access to quality basic education, foundational literacy and numeracy skills, and social and emotional development during childhood.

75. In the *adolescence and youth* stage, labor market bottlenecks, as exacerbated by the pandemic, disproportionately affect young Filipinos. During this stage, the primary opportunity lies in leveraging the Philippines' young population to accelerate economic growth. However, limited access to quality secondary and tertiary education, high youth unemployment rates, and limited opportunities for skills development hinder the ability of the country to capitalize on its demographic transition. Employment interventions for the largest cohort of the working-age population or soon-to-enter the working age population are, therefore, crucial for this stage.

76. In the *adulthood* stage, health and labor market challenges impede the optimal utilization of human capital. A shifting epidemiological profile characterized by an increased prevalence of NCDs threatens the optimal utilization and protection of human capital accumulated so far. Furthermore, a mismatch between skills and job market demands, informal employment, and gender inequality in the workplace create a sub-optimal labor environment where human capital is not utilized to its full potential. Yet these challenges also present opportunities to enhance the Philippines' utilization of its human capital. Stronger, primary care-centered health systems can lead to better management of diseases affecting this life cycle stage and a better protection of human capital. Additionally, to meet the demands of a changing labor market at the domestic and international levels, enhanced reskilling and upskilling programs complemented by stronger employment services for job matching for local and overseas workers can lead to better utilization of human capital. The collaborative efforts of the private sector and education institutions to address the skills mismatch could be further strengthened and monitored. A focus on the marginalized sectors – women, youth, and those from low-income households – remains crucial amid recent economic shocks (i.e., food and fuel price increases).

77. In the *aging and elderly* stage, health and social protection challenges hamper the ability of Filipinos to age with dignity and limit the transfer of a lifetime's worth of human capital. Addressing multi-morbidity among older Filipinos and promoting their participation in society can ensure that human capital accumulated through a lifetime is utilized to its full potential and transferred to the younger population. Various forms of social protection, including pension, medical insurance, and subsidies/discounts are means for ensuring that the elderly population are protected in times of personal and economic crises.

78. Spanning life cycle stages, bottlenecks in governance, monitoring and evaluation, pandemic preparedness, and climate change adaptation affect the Philippines' ability to build, protect, and utilize human capital. Bottlenecks in governance at the national and subnational level hinder the effective implementation of policies and programs that are crucial for human capital development. These include limited fiscal space which limits the allotment and spending on human capital interventions. Weak governance leads to inefficiency and lack of accountability, which undermines efforts to invest in education, healthcare, and other sectors that contribute to human capital development (*Chapter 3 of the HCR delves into more details on governance for human capital in the Philippines*). Furthermore, inadequate monitoring and evaluation systems make it difficult to assess the effectiveness of programs and policies. Without proper monitoring and evaluation, it becomes challenging to identify areas of improvement, allocate resources effectively, and make informed decisions to enhance human capital. Ensuring analytics capacity and the optimal use of monitoring data for course correction to improve quality of implementation is critical. For example, an integrated monitoring system to track programmatic progress and financing resources for nutrition can foster accountability and allow efficiency adjustments. Standardized learning outcomes assessments nationwide (i.e., to complement the NAT) help measure the quality of education. Timely updating and validation of *Listahanan* or a new targeting system can screen out those who may no longer need support and pave the way for new beneficiaries who need access to various social welfare programs and assistance during calamities. It should now be indelibly etched in the collective consciousness of societies that provisions for pandemics should be in place. During the COVID-19 pandemic, the Philippines' health system was overwhelmed, leading to a high number of illnesses and deaths. The pandemic also disrupted education, forced tens of millions into idleness, immobility, and isolation, and impacted the overall well-being of individuals. Extreme weather events, such as typhoons, flooding and heat, can damage substandard infrastructure, disrupt an educational system that has no recourse to alternative modes of delivery, and endanger health when people are exposed and unprotected. Climate change impacts can affect agriculture and livelihoods, cause businesses to become unviable and reduced opportunities for human capital development. Strengthening the Philippines primary health care system can yield benefits through early detection of diseases across the life cycle and ensure that the health of populations will be robust in the face of climate change and pandemic risks.

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PART 3.

**Enabling Environment for
Improved Service Delivery
and Public Financing
for Human Capital**

Enabling Environment for Improved Service Delivery and Public Financing for Human Capital

79. This chapter provides initial assessments of the adequacy and efficiency of government spending for sectors that are crucial for the development of human capital. The main objectives of this chapter are to a) assess the enabling environment, governance, institutions for service delivery that are crucial for the deployment of resources for human capital; b) gauge whether the government's commitment to accelerating human capital development is supported by sufficient financial resources; and c) provide an early assessment of the effectiveness of programs for human capital development. The chapter also considers macro-critical factors that affect service delivery and effectiveness of government spending on human capital development. These factors include coordination mechanisms, accountability and transparency measures, PFM practices, and resource management strategies.

Leadership, Oversight, and Coordination

80. The development of human capital has received sustained attention backed by strong leadership at the level of the national government (NG) over the past decades. Successive governments have prioritized investments to build, protect, and use the human capital of Filipinos as part of different PDPs. Both the PDP 2017-2022 and PDP 2023-2028 emphasize the need to accelerate human capital development and utilization. This is also a translation of the country's vision and ambition – the *AmBisyon Natin 2040*, which calls for people-centered development planning based on a forward-looking, whole-of-government and whole-of-society approach to addressing development challenges. Therefore, the country has a set of formalized national strategies that guide its interventions in the key sectors of health, nutrition, education including TVET, social protection and jobs.

81. In the same period, the different NGAs actively developed policies or legal frameworks that underpin the implementation of sectoral strategies to build, protect, and use human capital across the life cycle. These policies cover important areas such as early childhood care and development (ECCD), basic education, maternal, neonatal, child health and nutrition in the first 1000 days, universal health coverage (UHC), responsible parenthood and reproductive health (RPRH), early childhood and basic education, and social protection.³⁵ Additional sectoral plans exist for guiding investments in nutrition, health, and education.³⁶

82. Well-established NGAs coordinate the implementation of different human capital strategies, policies, and interventions; harnessing the synergies among these agencies could enhance human capital outcomes. The main human capital-focused NGAs, which are the DepEd, the Department of Health (DOH), and the DSWD, also have regional offices in the LGUs that support the execution of human capital interventions. The Department of the Interior and Local Government (DILG) oversees the LGUs while coordinating with other NGAs on these interventions. Thus, the DILG could play a crucial role in monitoring and guiding LGUs in the implementation of various human capital initiatives. Dedicated councils with varying levels of capacities and financial resources coordinate the design and implementation of programs in the areas of nutrition (the National Nutrition Council [NNC]), ECCD (the ECCD Council), children welfare (the Council for the Welfare of Children [CWC]), and the 4Ps' National Advisory Council (NAC). The Boards of these councils involve two or more of the main departments, hence, they offer the opportunity for enforcing a whole-of-government approach in tackling persistent human capital gaps, particularly in nutrition and early childhood education (ECE) outcomes. Moreover, TESDA is responsible for technical and vocational education, and tertiary education is under the responsibility of CHED.

83. Multiagency councils coordinate policies and programs but overlapping roles, fragmentation of efforts, and, in certain cases, limited authority to fully enforce service standards, hinder their effectiveness, especially at the LGUs level (Juco et al. 2023).³⁷ For example, a review of the implementation of the Philippine Plan of Action for Nutrition (PPAN) 2017-2022 finds that the governance of nutrition programs is siloed. The PPAN 2023-2028 stipulates several interventions for improving governance structures, including the "City Nutrition Governance Program Colloquium". It showcases best practices and lessons learned in nutrition governance. There are also Regional Plans of Action for Nutrition, LGU Mobilization for PPAN, and legal capacity of the NNC to enhance its position and function as to enable its effective technical assistance and coordination of multisectoral program. Nutrition programs can achieve greater impacts through multisectoral coordination involving the relevant national councils, which are the NNC, ECCD Council, NAC, and potentially the CWC.

³⁵ These include the Juvenile Justice and Welfare Act of 2006 (RA 9344); the Kindergarten Education Act of 2011 (RA 10157); the Enhanced Basic Education Act of 2013 (RA 10533); the Early Years Act of 2013 (RA 10410); the RPRH Act of 2012 (RA 10354); the universal health coverage (UHC) Act of 2018 (RA 11223); the *Kalusugan at Nutrisyon ng Mag-Nanay Act of 2018* for the first 1000 days of life (RA 11148); and the Act of 2019 institutionalizing the *Pantawid Pamilyang Pilipino Program* (4Ps) (RA 11310).

³⁶ For example, the Philippine Plan of Action for Nutrition Action (PPAN 2023-28), the National Human Resource for Health Master Plan (NHRHMP 2020-2040), and the *MATATAG* Curriculum initiative. The *MATATAG* Curriculum initiative sets the government agenda for addressing challenges in basic education to improve on access, equity, resilience and well-being. An "Early Years First" National Strategic Plan for Early Childhood Care and Development 2019-2030 has also been developed but is yet to be published.

³⁷ As of March 2023, LGUs are composed of 82 provinces, 148 cities, 1486 municipalities, and 42,027 barangays (villages). These LGUs are spread across the 17 regions of the country. Seven regions account more than 100 municipalities and 3,000 barangays each. In addition, some LGUs are isolated, that is the geographically isolated and disadvantaged areas or GIDAs.

Considering the lack of regional offices of the ECCD Council, for example, the different councils can strengthen their synergies at the LGU level to enable the delivery of all ECCD services. Importantly, there is a need to closely monitor the implementation of policies and programs from the national to the local levels.

84. LGUs often face challenges in translating national policies into local development plans and keeping these up to date. Despite the devolution of the functions of basic service delivery to LGUs since the enactment of the Local Government Code of 1991, LGUs still meaningfully depend on NGAs for the delivery of services decentralized and devolved under the Code. This situation may raise tensions due to the blurred roles and responsibilities between the NGAs and LGUs for the delivery of services, for example, in education, health, and social protection (Atienza and Go 2023). Hence, the NGAs continue to provide substantial support to LGUs for human capital development and utilization. They have increasingly developed tools, mechanisms and service standards to support the LGUs to elaborate context-specific and strategic policies. The key planning documents include the local comprehensive development plans (CDPs), local development investment program (LDIP), annual investment program (AIP), and annual budgets or the local expenditure program (LEP), along with a listing of programs, projects, and activities (PPAs) (Atienza and Go 2023). For human capital-related interventions, the LGUs are supposed to develop domain-specific investment plans. Many LGUs, however, lack some or all of the key planning documents that should be the bases for human-capital-related interventions, or they update these plans irregularly. Recent COA reports confirm the finding of a previous study that only 50 percent of LGUs had updated their CDPs in 2018 (Sicat et al. 2023; DOH 2022). A recent DOH report indicated that in 2021, 11 provinces (out of 81) and one city (out of 38) lacked a validated AIP; moreover, 194 municipalities lacked local investment plan for health (LIPHs) (Sicat et al. 2023; DOH 2022).

85. LGU workforce and financial capacities are uneven, but even where resources are not a problem, the priorities of local political authorities often do not support national human capital development goals. These explain disparities in human capital outcomes across LGUs. The COVID-19 pandemic exposed the large gaps in performance and capacities among LGUs (Atienza and Go 2023). The shortage of human resource and technical capacity to design effective local policies and programs, or to act as implementing partners of NGAs is starker for smaller and rural LGUs.³⁸ Many of these LGUs rely on the support of NGAs, and this is often a relationship of dependence when it should be one of mentorship (Atienza and Go 2023; World Bank 2021). Moreover, the impacts of the NGAs' interventions are limited by insufficient monitoring, evaluation, and by designs that fail to incentivize better LGU program service delivery. LGU devolution transition plans (DTP) have been formulated for the eventual full devolution of many service delivery functions.³⁹ Without national government to turn to, this could compel LGUs to finally assemble the financial and organizational resources to deliver services, including human capital development services, that their constituencies have come to expect. But low capacity LGUs will need time and substantial technical and/or financial support to be able to assume their devolved functions (DILG 2022; Philippine News Agency 2023).

³⁸ LGUs in the Philippines are classified into six classes based on their average income over a specified period of time and thresholds defined by the government.

³⁹ Executive Order No. 138, series of 2021. See details: <https://www.dbm.gov.ph/wp-content/uploads/Mandanas-Garcia-Case/IEC-Materials/BRIEFER-EO138-OCT8-2.pdf>

Performance Management and Community Engagement for Quality Service Delivery

86. The NGAs demonstrate ample capacities to design policies and programs along with guidelines and standards to address human capital challenges, but multiple constraints have led to a disparate performance of the LGUs in translating these national policies into greater human capital outcomes, especially for the vulnerable local populations. Low-performing LGUs face four major constraints: low human resource and technical capacity, insufficient financing, politically motivated budget prioritization, and fragmentation of the programs, tools, and implementing instruments provided by the NGAs (see Box 3.1). The low and uneven performance of LGUs contributes to the under-performance of the Philippines in terms of human capital outcomes as compared with its regional peers.⁴⁰

Box 3.1. Limiting Factors to Investments in Human Capital

Qualitative assessments in five cities in four regions – NCR, Caraga, Eastern Visayas, and BARMM – find that multiple factors limit investments in human capital by LGUs. These factors include geography, shortage of financial and human capacities, and issues with PFM and NG's regulations.

Barriers due to geography. Coastal LGUs and those with geographically isolated and disadvantaged areas (GIDAs) may face land scarcity and accessibility hurdles that limit their capacities to deliver adequate and quality education, health, nutrition, and social protection services to the local populations. A coastal city in Metro Manila with a high population density lacks land on which to build needed education and health facilities. Its limited land also limits business activities, and therefore revenues, too, that can finance more investments in human capital. Another city in the Visayas has eight percent of the population residing in five geographically isolated and disadvantaged areas (GIDAs); because of the isolation, out-of-pocket expenditures even just for regular preventive and primary healthcare is very high, and it is burdensome because of depressed economic conditions of the residents. Similarly, a coastal component city in Mindanao with 21 island barangays requires transportation by sea for accessing health facilities. These barangays and their residents are also more vulnerable to natural hazards that also often destroy education and health facilities. These service delivery contexts services require targeted support from the NG.

Shortage of financial capacities. Low-income LGUs and especially those with GIDAs and coastal places face higher costs and greater financial shortages that limit their investments for human capital development. For example, a fourth-class municipality in Samar could not come up with enough funds to implement the *Tatak Tangkad*,

⁴⁰ The Philippines' regional peers are Vietnam, Indonesia, Thailand, and Malaysia.

which was the *first 1,000 Days* program launched in 2021 to address the high prevalence of stunting in the province. Low-income LGUs that also have a large numbers of GIDAs could not afford the supplies and equipment for GIDA health facilities. They could not build the infrastructure each GIDA needs, including roads; and the cost of outreach and information campaigns so people even in remote sitios can seek out the health services and social protection services can also be prohibitive. Another coastal province in Mindanao had to allocate half of its budget to rebuild public schools destroyed by a typhoon. When primary and preventive health services are unavailable, gaps in human capital development outcomes can become greater because affected populations end up needing the more costly curative services.

Issues with PFM and NG's regulations. In many LGUs, plans are either non-existent or they are not binding. Investments in human capital development can be intermittent and erratic and are subject to the discretion of the Mayor, the Congressman or the Governor, who cannot but respond to the practicalities of political contests and alliances. Even transfers and grants from national government agencies can similarly become unpredictable. In that setting, NG-mandated allocation of budget shares to specific sectors such as the special education fund (SEF) and the Gender and Development (GAD), though frowned by some for being too constricting, can sometimes provide a measure of predictability that allows plans to be formulated and pursued consistently over time. So it can happen that the political leadership in LGU would prioritize the health sector by allocating up to 26 percent of its annual budget to health while another would prioritize education. But elsewhere, a new barangay captain is elected and trained child development workers are replaced, hampering early childhood education.

87. LGU knowledge and human resources in the key areas of ECE, nutrition, health, and social protection remain lacking, despite assistance from DILG and the other NGAs. A recent study by the Local Government Academy (LGA) of DILG evaluated LGUs' capacity and performance in "engaging, enabling, energizing, and evolving local development". It found that, out of the LGUs assessed, 51 percent ranked as high performers (878 out of 1,706 LGUs); 22.4 percent ranked as intermediate performers (382 LGUs); and 26.6 percent ranked as low performers (455 LGUs). In response, the DILG designed and implemented capacity development activities tailored to the LGUs' performance level (DILG 2022). The Local Government Academy (LGA) developed a toolkit that allows LGUs to assess their capacity gaps and identify appropriate interventions (LGA 2016). However, it is not known whether and to what extent LGUs effectively use these tools.

88. The DTPs offer an opportunity for LGUs to identify their capacity development needs to be able to fully assume the devolved functions, but a well-calibrated timeline is necessary for a smooth and sustainable full devolution of functions to the LGUs (Atienza and Go 2023). Through the DTPs, LGUs can leverage the additional fiscal resources resulting from the Mandanas-Garcia Ruling. A recent study, however, indicates that the LGUs still deem themselves unprepared for a full devolution by 2024 (Juco et al. 2023).

This suggests that the NG may need to adopt a progressive approach to the full devolution given the large extent and variability of capacity shortages across the LGUs.⁴¹ The study examines the DTPs of 76 provinces, 142 cities, and 300 municipalities. It finds that most LGUs emphasize the need for additional human resources, training and technical assistance, and further guidelines and orientation from the NGAs. The provinces and cities report needing assistance to improve competencies, organizational structures, enabling policies, and management systems for effective interventions in the health and social protection sectors (Figure 5.4 in Annex 4) (Juco et al. 2023).⁴² In addition to these, municipalities report needing reinforced leadership and management of knowledge and learning capacities in the health sector.

89. LGUs that prioritize investments in human capital in their budget seem to achieve greater outcomes, yet local political authorities in certain LGUs allocate minimal budget to important human capital areas such as ECE and nutrition. The devolution of service delivery functions to local authorities provides autonomy to these authorities, especially the local chief executives (LCEs). Therefore, political motives may sway decisions on budget priorities in favor of investments that would yield short-term results, such as infrastructure projects, more than human capital investments that yield results in the medium to long term. For example, local authorities may underinvest in ECCD programs because their impacts will manifest in multiple electoral cycles. This has resulted in large variations in access and service quality across LGUs (World Bank 2023d). Mabalacat City and Navotas City, however, are good examples of LGUs where political leaders prioritized investments in ECCD. These cities achieved successful results and received national recognition. This calls for designing mechanisms such as results-based financing (RBF) and additional measures including sensitization campaigns that would incentivize local political authorities to prioritize the allocation of adequate budget for human capital investments.

90. Incentive mechanisms exist for boosting LGUs' performance in service delivery. The NGAs have been introducing incentive mechanisms along with community engagement measures to enhance the commitment and accountability of local political authorities to deliver better human capital outcomes to the populations. The most prominent ones include the Seal of Good Local Governance (SGLG) awarded to all LGUs and the Seal of Good Local Governance for Barangays (SGLGB) awarded specifically to barangays. The selection criteria cover governance quality in 10 areas, which are all relevant to building, protecting, and using human capital (DILG 2021). In addition, the NNC, the ECCD Council and the DSWD also provide different awards to the LGUs.⁴³

91. In general, however, these incentive mechanisms and performance-based financing are very likely to benefit LGUs with human and financial capacities above the average (Diokno-Sicat, Adaro and Maddawin 2020). For example, the Republic Act (11292) that institutionalized the SGLG disqualifies low capacity LGUs while requiring the DILG to provide them with technical assistance for capacity building.⁴⁴ This could be amended to introduce a graduation approach where

⁴¹ The capacity shortage includes the lack of human resource to assume various functions including program and project management; the need for upskilling and reskilling of existing personnel for assuming additional roles; training and technical assistance in various domains including ICT, administration, production sectors, monitoring, evaluation and learning systems, information system, policy formulation; developing incentive mechanisms; and more broadly fiscal, political, and administrative capacities. See Juco et al. 2023 and https://ppdo.bohol.gov.ph/ppdofiles/DevtPlans/DTP_2022-2024.pdf

⁴² For interventions in the health and social protection sectors, 76 provinces reported needing capacity development mostly on competencies, structure, enabling policies, and management systems.

⁴³ For details, see: <https://www.nnc.gov.ph/about-us/frequently-asked-questions>.

⁴⁴ For details, see the Seal of Good Local Governance Act of 2019 (RA 11292): <https://www.officialgazette.gov.ph/downloads/2019/04apr/20190412-RA-11292-RRD.pdf>

gradual awards are provided to LGUs according to their capacity level—for example: high, medium, or low. In addition, LGUs, especially those with low capacities, would benefit from establishing or strengthening frameworks that provide peer-learning and incentives for the exchange of civil servants among LGUs. Good doctors in high-capacity LGUs could work in lagging LGUs, for example. In general, similar to RA 11292, incentive mechanisms and performance-based instruments would need to be integrated into the broader intergovernmental fiscal architecture to maximize their impacts and sustainability.

92. The NGAs are also supporting the LGUs to engage local communities to improve local government accountability in quality service delivery; these initiatives need to be rigorously monitored and evaluated. The DILG supports town hall meetings with civil society organizations (CSOs) and local governments to discuss national and local issues. This provides an opportunity to increase the uses and demand for quality of services such as education, health (including reproductive health), nutrition, and social protection. Additional initiatives include the Citizen Satisfaction Index System (CSIS) and the Barangay Assembly, which strengthen citizen participation and demand for accountability. Other NGAs including the ECCD Council implement community involvement, advocacy and social mobilization activities. The agencies increasingly harness technology and social media platforms to engage with local communities, yet the impact of these interventions on human capital outcomes is yet to be determined.

93. The tools that NGAs deploy at the LGU level to support the implementation and monitoring of human capital investments are fragmented, which further compound the capacity and commitment challenges discussed above. For example, despite the fact that both the ECCD Council and CWC address childhood development challenges, each council has a separate and disconnected monitoring and evaluation system. The LGUs are also supposed to use the Community-Based Monitoring System (CBMS) and the Monitoring and Evaluation of Local Level Plan Implementation (MELLPI) tools to monitor social protection and nutrition programs. Progressively integrating these systems could yield gains in efficiency and effectiveness. Also, both types of programs embrace a multisectoral convergence approach.

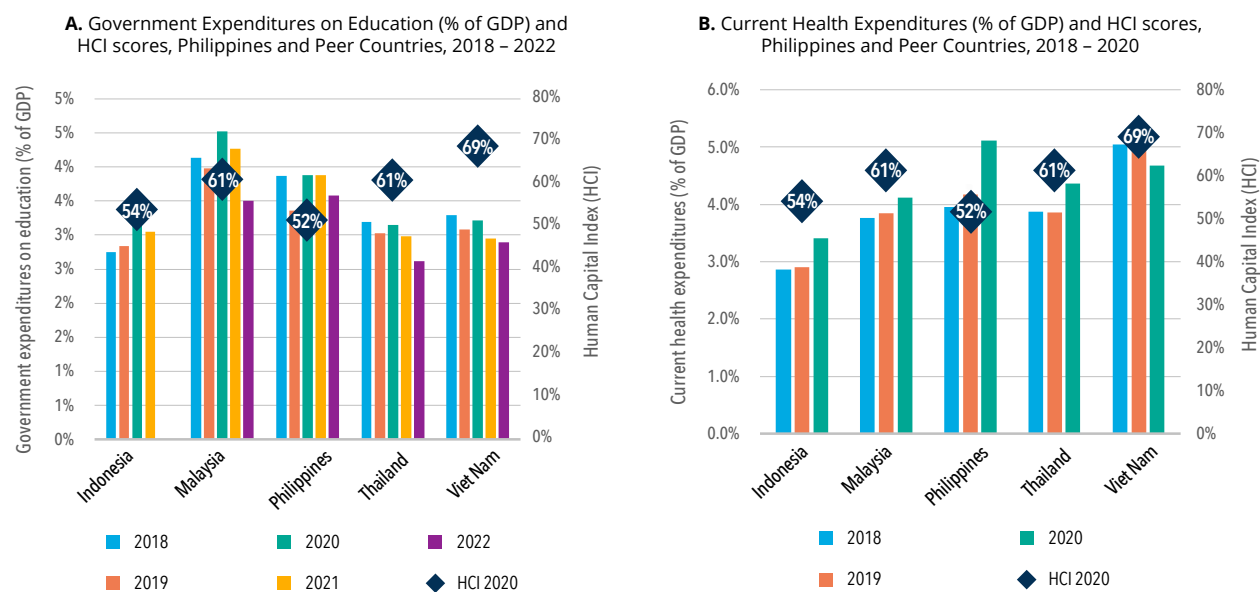
Financing and Public Financial Management

94. The ongoing medium-term fiscal consolidation will likely have a significant impact on public financing for human capital sectors. This will have to be managed carefully to ensure that long-term inclusive growth remains a priority for these sectors. Compared to its regional and aspirational peers, the Philippines' spending on human capital seems less efficient and effective in achieving the desired outcomes. There exists a knowledge gap on the adequacy, efficiency, and effectiveness of the Philippines' NG and LGUs spending on all human capital sectors (education, health, and social protection), which calls for further studies. Nonetheless, there are sector-specific studies showing that while the Philippines has significantly increased spending on education and health in the last decades, the quality of its spending on human capital remains low due mainly to low absorptive capacities (World Bank 2023e; Kimwell et al. 2022; Abrigo 2021; Cuenca 2020). This calls for an increased focus on the quality of public spending on human capital interventions.

In addition, they report the presence of allocative and technical efficiency challenges at the LGUs, schools and health programs, which affects the efficiency and effectiveness in transforming health and education inputs to outcomes. The challenges include low technical capacity and spending at the LGU level; PFM bottlenecks such as shortcomings in budget planning and reporting; delays in implementing PPAs; unclear expenditure assignments; and low budget execution rates. Other issues are related to mismatches between the LGUs' fiscal capacity and devolved functions, fragmentation of health systems, and existence of a two-track health delivery system. These challenges are further elaborated on in the subsection that discusses performance management and community engagement for quality service delivery.

95. Relative to regional peer countries, the Philippines is spending a larger share of its GDP on human capital. Initial analyses, however, suggest that spending seems less efficient and effective in achieving greater human capital outcomes. Between 2018 and 2021, the country's NG and LGUs spent, on average, 4 percent of its GDP on education, which is at par with that of Malaysia and one percentage point (pp) greater than that of Indonesia, Thailand, and Vietnam. This ratio of spending on education slightly reaches the lower bound of the 4 to 6 percent of GDP benchmark for education from the Education 2030 Incheon Declaration. And between 2018 and 2020, the Philippines spent, on average 4.4 percent of its GDP on health, which is 0.5 pps less than the spending in Vietnam, but 0.4 to 1.3 pps larger than the spending in Indonesia, Thailand, and Malaysia.⁴⁵ In per capita terms, the Philippines' spending on education and health is significantly lower than the spending by its regional peers, except for Indonesia that spends a little lower than the Philippines (Abrigo 2021). Despite the Philippines' relatively elevated public spending on human capital as a percent of its GDP, the country's HCI was 0.52 in 2020; this is 2.4 to 17.4 pps lower than each of its regional peers. Such a difference in HCI compared to public spending on human capital can point to structural bottlenecks that hinder spending efficiency and effectiveness in improving human capital outcomes (Figure 3.1).

Figure 3.1. Spending on Education and Health vis-à-vis HCI score, Philippines and Peer Countries



Source: World Bank's World Development Indicators, 2018-22.

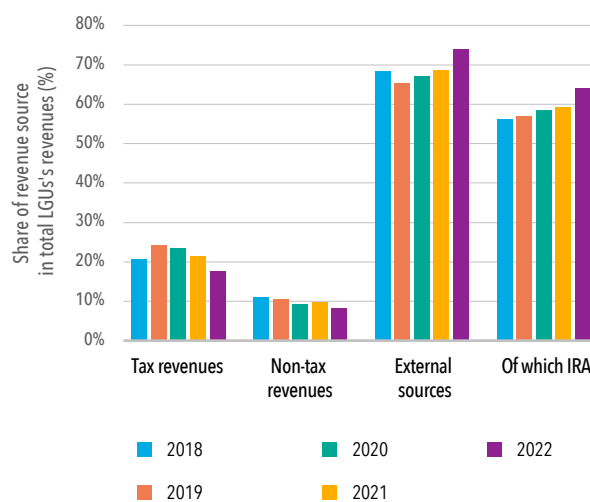
⁴⁵ Indonesia, Thailand, and Malaysia are all larger economies than the Philippines. As a result, while their % spending on HC relative to GDP is smaller than that of the Philippines, in absolute values, their spending on HC can be higher.

96. The Philippines seems to have also allocated a smaller share of its total government expenditures to the human capital sectors between 2018 and 2021.⁴⁶ On average, the country spent 5 percent of its total expenditures on health, 18 percent on education, 11 percent on social protection, hence 34 percent on the three sectors (Figure 5.5 in Annex 4). Relative to its regional peers, the share of Philippines’ spending on education in total government spending was higher than that of Indonesia, Thailand, and Vietnam, but lower than that of Malaysia. However, while the share of sector expenditures in total government expenditures was relatively unchanged for health, it decreased by two pps for education and social protection from 2018 to 2021. In particular, in response to the COVID-19 pandemic, spending on social protection surged by five pps between 2019 and 2020, but quickly declined by three pps between 2020 and 2021.

97. Within the education and health sectors, the Philippines spent a) more on hospital services compared to public health services; and b) more on pre-primary, primary and secondary education compared to tertiary education. In response to the COVID-19 pandemic, however, the country shifted its health priority spending from hospital services to public health services and health insurance (Figure 5.6 in Annex 4). A deeper analysis beyond the scope of the HCR is needed to inform the prioritization of public spending on hospital services vs. public health services. In addition, while the share of out-of-pocket (OOP) in total health spending has been decreasing, it is still high at around 40 percent, and the absolute value of OOP spending has been increasing. There are also variations in OOP spending across regions and socioeconomic status. Notably, the poorest groups do not have the highest OOP spending, as they may forgo care due to lack of access or financial constraints.⁴⁷ For education, the country prioritizes spending on pre-tertiary education, but spending on ECE remains low, which may compound the challenges of reducing learning poverty (Figure 5.6 in Annex 4).⁴⁸

98. At the LGUs level, the NG transfers remain the primary source of revenues relative to local tax and non-tax revenues (Diokno-Sicat et al. 2020). In the last five years, NG transfers represented, on average, 59 percent of the LGUs’ total revenues and receipts (Figure 3.2). Following the Mandanas-Garcia Supreme Court Ruling of 2021, which resulted in an increase in the NG transfers to the LGUs beginning in 2022, the transfers increased by 38 percent between 2021 and 2022; moreover, its share increased by 5 pps in total revenues. Between 2018 and 2022, the LGUs’ tax and non-tax revenues represented, on average, 22 and 10 percent of total revenues, respectively.

Figure 3.2. LGU Revenues by Source of Funding (%), 2021 – 2022



Source: Authors’ calculations using data from the COA’s annual financial reports for LGUs.

⁴⁶ Defined in this context as the health, education, and social protection sectors.
⁴⁷ See the Philippines HCR Policy Note on “Reducing out-of-pocket health spending for human capital development.”
⁴⁸ See the Philippines HCR Policy Note on “Young children are not too young to participate in ECE,” and the Policy Note on “Learning Recovery and Acceleration.”

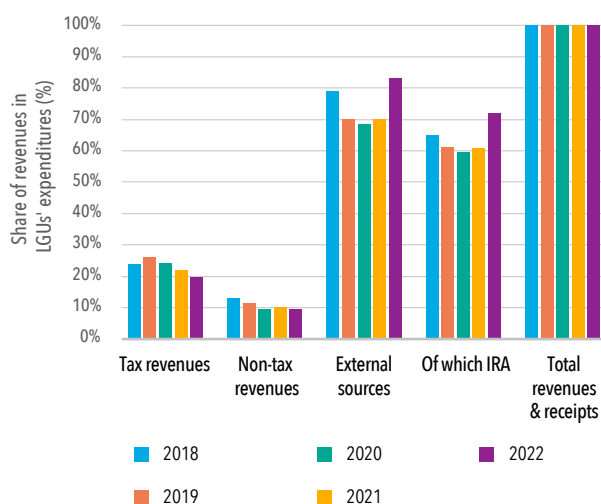
This shows that the LGUs' own revenues have remained modest, even as the NG has continuously encouraged them to increase these revenues.

99. The Local Government Code of 1991 gives LGUs the power to raise local revenues including taxes, fees, and charges, but different constraints keep them dependent on NG transfers. LGUs may raise their revenues from different taxes on, for instance, business, real estate, delivery vans and trucks, idle land, professionals and franchise. However, LGUs' own revenues account for about 40 percent of their total revenues. Generally, the capacity of an LGU to raise revenues depends on the dynamism of its local economy and its socio-demographic characteristics, but structural political economy factors also play a major role. For example, local politicians are wary about updating their local taxation schedules because they may lose in the next elections (Diokno-Sicat 2020; Atienza and Go 2023). Moreover, the Mandanas Ruling will increase the NG transfers to LGUs, which may further create disincentives for them to increase their own revenues.

100. Despite a substantial increase in NG transfers between 2021 and 2022, LGUs' spending on human capital declined. Most of the increase in LGU budgets was allocated to General Public Services – particularly Personnel Services and Maintenance spending – instead of human capital sectors. About 1.5 ppt of GDP went to General Public Services in 2022 out of the 1.8 ppt increase in LGU budgets. This resulted in a doubling in underspending. NG transfers covered, on average, almost two-thirds of the LGUs' total expenditures; it also covered about one-third of the LGUs' spending on human capital in the last five years. Yet, the transfers represented, on average, 64 percent of the LGUs' total expenditures between 2021 and 2022, which share reached 72 percent in 2022 following the Mandanas-Garcia Ruling (Figure 3.3).⁴⁹ Moreover, the LGUs spent, on average, 32 percent of the NG transfers on human capital or social sectors between 2018 and 2022

(Table 5.2 in Annex 4). The allocation of the transfers, however, to human capital sectors decreased by five percentage points between 2021 and 2022. The LGUs indeed allocated a smaller share of the transfers to the health, nutrition, and population control (HNP), and the social services and social welfare (SSSW) sectors between 2021 and 2022. But they increased the share allocated for the education sector by one pps in the same period. The relative decline in LGU spending on human capital, despite the increased transfers, may be surprising given that most LGUs, especially those from low-income cities/municipalities, identify financial constraints as limiting their capacity to deliver better services.

Figure 3.3. Financing of LGU Expenditures by Funding Source, 2021 – 2022



Source: Authors' calculations using data from the COA's annual financial reports for LGUs.

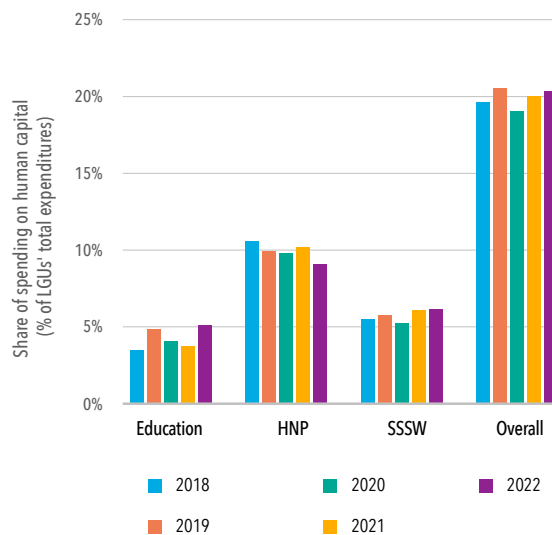
⁴⁹ The Mandanas Ruling indicates that the national government transfers to the LGUs should be based on all national taxes. This means taxes collected by the Bureau of Internal Revenue and collections (customs duties) by the Bureau of Customs and other collecting agencies.

Indeed, qualitative insights from the six LGUs interviewed indicate that budget limitations contribute, for example, to the shortage of human resources or low wages. This limits incentives and affects the ability of LGUs to deliver quality education, health, and social protection service to local populations. This assessment also indicates disparities in the LGUs’ prioritization of human capital in their budget allocation, as well as limited absorptive capacity and PFM bottlenecks.

101. Moreover, the Mandanas-Garcia Ruling and Executive Order 138⁵⁰ imply that the LGUs will be receiving reduced support from NG agencies. This will further compound the need of human resource and technical capacities as well as the timeline for addressing the LGUs’ absorptive capacities along with spending efficiencies and effectiveness (Atienza and Go, 2023). Despite this, the LGUs will rely on their DTPs to implement the full devolution of functions. The devolution approach may need to shift from being function-oriented to being service delivery-oriented.⁵¹ This shift will help integrate the existing subnational inequities in human capital outcomes discussed in Chapter 2 and the large variations in the LGUs’ capacities. This approach seeks to improve service delivery by systematically categorizing LGUs based on their actual needs, capacity, and performance. The approach also emphasizes a bottom-up approach in aligning responsibilities and expenditure assignments. Moreover, it fosters inter-LGU collaboration and an evidence-based or data-driven approach to service delivery.

102. In the last five years, the LGUs spent, on average, about one-fifth of their expenditures on human capital or social sectors, but there was a notable decrease in health sector spending. Between 2018 and 2022, LGUs spent, on average, 10 percent of their total expenditures on health; 6 percent on social protection; and 4 percent on education. However, the spending on health decreased by 3 pps; from 11 percent in 2018, it went down to 9 percent 2022 (Figure 3.4). This reduction might be because the government had to realign resources in response to the adverse effects of the COVID-19 pandemic. Given the gaps in nutrition, NCDs, and reproductive health, the relatively steady decrease in health expenditure shares could lower the overall human capital performance and the potential of demographic dividend of the country (Abrigo, Cruz and Tam 2021).

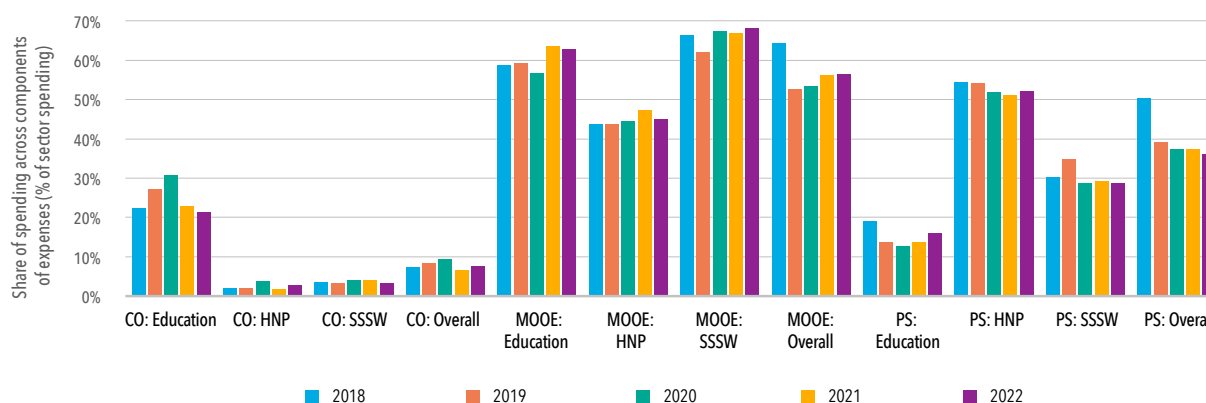
Figure 3.4. Share of Spending on Human Capital (% of LGUs’ Total Expenditures), 2018 – 2022



Source: Authors’ calculations using data from the COA’s annual financial reports for LGUs.

⁵⁰ Refer to the Mandanas-Garcia ruling: https://lawphil.net/judjuris/juri2019/apr2019/gr_199802_2019.html and Executive Order No. 138 – Full Devolution of Certain Functions of the Executive Branch to Local Governments, Creation of a Committee on Devolution, and for Other Purposes: <https://www.officialgazette.gov.ph/downloads/2021/06jun/20210601-EO-138-RRD.pdf>

⁵¹ This approach is being developed and considered for enactment as an Executive Order that will seek to address the challenges encountered through the implementation of EO 138. The main challenge was the difficulties in “aligning the scale and scope of identified devolved functions and services vis-a-vis the capacities of LGUs.” See also <https://ulap.net.ph/resources/press-release/703-cua-champions-service-delivery-oriented-approach-in-local-governance.html>

Figure 3.5. Share of Spending Across Components of Expenses (% of Sector Spending), 2018-2022

Source: Authors' calculations using data from the COA's annual financial reports for LGUs.

The qualitative assessment of the six LGUs also suggests that the presence of a large number of GIDAs or other geographic characteristics such as in coastal LGUs may compound their unit health spending and limit their ability to deliver quantity and quality health services, even if they prioritize spending on basic social services. These challenges further emphasize the relevance of inter-LGU collaboration and the importance of a multisectoral convergence approach for service delivery at the local level (Herrin et al. 2019).

103. Across expenditure components, LGUs allocated, on average, more than one-half of their expenditures to maintenance, and other operating expenses (MOOE), followed by personnel services, and little for capital outlays. In particular, spending on construction of new health facilities and on the personnel of primary healthcare services remain low. Yet, an impact assessment shows that hospitals and infirmaries that received support from the health facility enhancement program (HFEP) experienced increased skilled birth attendance, outpatient consultations and hospital inpatients (Picazo et al. 2016). In the last five years, LGU spending on personnel services remained high relative to spending on MOOE and capital outlay for the health sector, despite the shortage of primary healthcare facilities in the country (Figure 3.5). Figure 5.7 in Annex 4 shows that the NG's budget allocation for health facilities dipped by 75 percent between 2018 and 2021, even though it quickly recovered by more than tripling between 2021 and 2023. In particular, the budget allocation for the construction of new LGUs' health facilities decreased by 97 percent between 2018 and 2020.⁵² Insights drawn from the six LGUs indicate that the shortage of health facilities, medical supplies, and equipment inhibit the delivery of quality health services. This is especially true for LGUs with many GIDAs, and those facing land scarcity. The higher spending on personnel services in the health sector might have a lower impact on outcomes if very little spending goes to the workers of primary healthcare services. According to some LGUs that participated in the qualitative assessment, factors that inhibit the functioning of the health referral system include the lack of primary healthcare personnel such as nurses and midwives and difficulties in getting PhilHealth accreditation for primary care facilities.

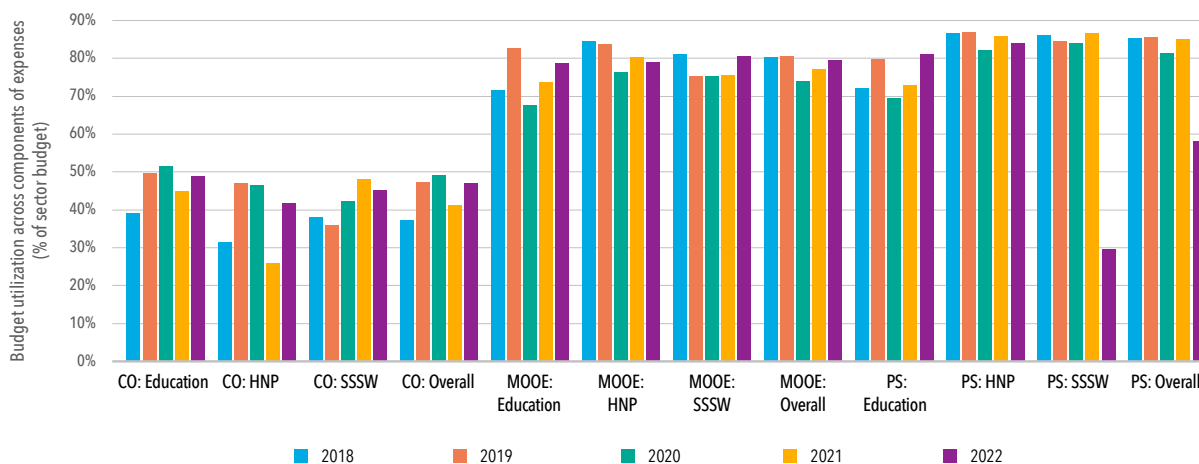
⁵² These concern barangay health stations (BHS), rural health units (RHUs), urban health centers (UHCs), and city health offices (CHOs). A performance audit by the Commission on Audit (COA) in 2017 shows that the flagship Health Facility Enhancement Program (HFEP) faces management (including procurement) challenges. This has led to delays and failures in the delivery of new facilities and useful equipment to the LGUs. The HFEP is under the DOH and it manages the construction and enhancement of these health stations and centers, including purchase of equipment of new and old health facilities.

In contrast, for the education sector, LGUs spent a larger share of their expenditures on MOOE and capital outlay than on personnel services. Yet, higher expenditure on personnel services for education is necessary to respond to the need for more and qualified daycare workers and to address learning poverty in the country.⁵³ For example, one LGU that participated in the qualitative assessment is committed to improving ECE outcomes but its low budget constrains its ability to provide incentives and compensations to daycare workers and reduce their high turnover due to political interferences in their assignments.

104. Besides capital outlay having a small share in LGUs’ budgets, the execution rate for capital outlay is also significantly lower than that of MOOE and personnel services. This suggests low absorptive capacity and potential inefficiencies in spending (World Bank 2021). The issue of low budget execution rates concerns all human capital sectors, even though the health sector shows even lower execution rates or spending inefficiency than the education and social protection sectors (Figure 3.6). In the last five years, the average budget execution rates for all expense components ranged from 39 to 85 percent for the human capital-related sectors, which corresponds to poor performance per PEFA standards. As the Mandanas-Garcia Ruling will substantially increase LGUs’ revenues, it may exacerbate the challenges in budget execution that LGUs are facing. The low budget execution rates suggest that a key binding constraint to better service delivery are low absorptive capacities and PFM bottlenecks. There is, however, a lack of evidence on the drivers of LGUs’ absorptive capacities, which could inform the agenda for a full devolution of service delivery functions (Diokno-Sicat, Castillo and Maddawin 2020).

105. In the last decade, the NG has steadily improved its PFM system by implementing major reforms that aim to enhance financial management processes and information systems (ADB 2020). The reforms include the adoption of performance-based budgeting, cash-based budgeting, climate-sensitive budgeting and climate change budget tagging, green public procurement,

Figure 3.6. Budget Execution Rate by Type of Expense (% of Sector Budget), 2018 – 2022



Source: Authors’ calculations using data from the COA’s annual financial reports for LGUs.

⁵³ See the Philippines HCR policy note discussing learning recovery and acceleration.

and an integrated financial management information system (IFMIS).⁵⁴ For example, the Cash Budgeting System (CBS) was adopted in the preparation of the 2019 Proposed National Budget. This change requires NGAs and LGUs to budget contracts annually and process all related payments for goods and services within the same fiscal year. This is expected to increase budget execution rates, promote faster delivery of services, and foster discipline among agencies through better planning and management of their programs and projects, including early procurement (ADB 2020).⁵⁵

106. Since 2015, the national oversight agencies have been supporting LGUs to operationalize PFM coordination mechanisms, processes and tools, but implementation challenges persist and compliance is low. Recent LGU PFM data that will allow for assessing PFM performance with respect to human capital outcomes are also lacking. The LGUs are implementing a PFM Reform Roadmap and Implementation Strategy adopted in 2015. The roadmap guides the LGUs in implementing their PFM manual including the use of the PFM Assessment Tool (PFMAT) for monitoring PFM performance annually and for preparing annual PFM improvement plans (PFMIPs). These were all established through a Joint Memorandum Circular (JMC) from the DBM, the DILG, the DOF, and NEDA. This JMC also established coordination mechanisms at the regional and LGU levels – the Regional Inter-Agency Teams (RIATs) for PFM and the LGU PFM Team.⁵⁶ These reforms, including the introduction of bottom-up budgeting since 2012, have enabled the LGUs to improve citizens’ participation in budget preparation through the local civil society organizations (CSOs) and other non-governmental representatives (Manasan, Adaro and Tolin 2017). The main NGAs supporting human capital development also participate in the LGUs’ budget preparation processes. This includes DepEd, DOH, and the DSWD. Overall budget preparation, however, heavily relies on workshops and consultations and less on evidence-based approach using tools provided by the DILG for prioritization of PPAs (Diokno-Sicat et al. 2019).

107. Given the lack of recent representative assessment of the state of LGUs’ PFM systems, the preparation of this report involved qualitative assessments conducted in five cities (see Box 3.1). This work finds that LGUs fully implement PFM processes and procedures mandated by the NGAs, but they face issues related to budget predictability, monitoring, and reporting. The latest assessment of the state of LGUs’ PFM systems dates back to 2013.⁵⁷ It had shown that LGUs had fully operational but incomplete elements of an open and orderly PFM system. The qualitative assessments undertaken for this HCR indicate that the LGUs interviewed were aware of and implemented the LGU PFM manual mandated by the NG. This has led to improvements in participatory budget planning through the involvement of all sectors, CSOs, and barangay captains in prioritizing the LGUs’ PPAs. These LGUs, however, pointed out delays in government transfers of the internal revenue allotment (IRA), which affects the ability to disburse their budgets in accordance with their activity timeline. Reports of the COA also show that the LGUs face deficiencies in monitoring and reporting financial information and inefficiencies in the collection of local taxes such as Real Property Tax (RPT). In addition, the devolution of additional functions such as the procurement of medicine adds financial and human resource burden on the LGUs, especially those with lower capacities.

⁵⁴ Executive Order 29 of June 2023 directs all government offices to adopt and implement the IFMIS in the processing of their transactions. <https://www.officialgazette.gov.ph/2023/06/01/executive-order-no-29-s-2023>.

⁵⁵ Ibid.

⁵⁶ DBM-DILG-DOF-NEDA Joint Memorandum Circular No. 2015 – 1, February 24, 2015.

⁵⁷ See presentation on “Reforming and Sustaining Local Government Unit Public Financial Management (LGU-PFM) Systems in the Philippines,” <https://www.pagba.com/wp-content/uploads/2019/05/Reforming-Sustaining-LGU-PFM-System.pdf>

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PART 4.

Recommendations

Recommendations

To effectively harness the potential of the Philippines' human capital, urgent investment in the early years is paramount, coupled with strategic interventions throughout all life stages and bolstering implementation capabilities. Drawing from an extensive analysis of human capital in the Philippines, including in-depth evaluations of public financing and an examination of the enabling environment, the HCR articulates three recommendations: a) The primary policy recommendation urges urgent investment in the early years to foster essential human capital, laying the groundwork for reaping the benefits of the demographic dividend. b) Nonetheless, the country also possesses an existing reservoir of human capital that can be harnessed, provided it is invested in and shielded from shocks. Across the life cycle, multiple policy options merit consideration. c) In the implementation of these policies, the analysis highlights key elements crucial for maximizing their impact on human capital outcomes, especially at the subnational level. These encompass fostering an enabling environment for service delivery, addressing issues such as regional inequality, bolstering the capacity of local governments, and enhancing public financial management.

Key Recommendation

The primary policy recommendation of the HCR urges immediate and holistic investment in the early years to foster essential human capital, laying the groundwork for reaping the benefits of the demographic dividend.

108. To ensure optimal start in life for every child as a foundation for boosting human capital, holistic services in the early years including on maternal and child health, nutrition, early education and stimulation, development of foundational skills, and social protection in the first 10 years are paramount. Extensive evidence underscores the positive impacts of investing in holistic approaches to young children's development on their health, education, future employment prospects, and broader economic growth (Bendini et al. 2022). Effective and streamlined governance, robust monitoring system, quality and sufficient workforce, adequate and efficient financing and incentives grounded on strong stewardship by local governments are critical to achieve results in early years' programs (Denboba et al. 2014).

109. A national strategy implemented and monitored by a well-organized bureaucracy and efficient resource mobilization are key interventions that will enhance existing multisectoral early years programs in the Philippines. A comprehensive national strategy is essential to enhance early years services across the country. This strategy involves clarifying and streamlining the roles

of key agencies, empowering LGU to tailor interventions, and fostering inter-agency collaboration to optimize resources. Establishing an integrated monitoring system and launching a nationwide awareness campaign to promote holistic early years services are also critical steps. Building on the PMNP, a multisectoral approach should scale up high-impact interventions to address stunting. It is also crucial to develop a skilled early years workforce through comprehensive training programs, to integrate primary healthcare into early childhood education, and to ensure ongoing professional development. To address the learning crisis, learning acceleration programs focused on foundational skills are needed. DepEd's recovery programs also needs to be revised to align with successful international models. To support holistic early years services, pregnant and lactating women and young children need to be prioritized in social protection programs. Adequate financing must be secured by mobilizing public and private funds and leveraging private sector partnerships. Implementation would be overseen by key agencies including the NNC, ECCD Council, and various relevant agencies, such as DOH, DA, DILG, DepEd, DSWD, DTI, DOLE, DOST, DBM, and NEDA. These efforts at recalibrating approaches and getting delivery mechanisms to come together and scaling-up need to be given first consideration. Table 4.1 provides more details for each policy recommendation, while Table 4.2 indicates further implementation considerations.

Table 4.1. Policy Recommendations for Immediate and Holistic Investment in the Early Years

Key Recommendation: Immediate and Holistic Investment in the Early Years

Policy Recommendation 1.1: Strengthen governance, monitoring, and awareness

Strengthening governance, monitoring, and awareness calls for a comprehensive national strategy and action plan to extend the reach and enhance the quality of integrated early years services across the Philippines. Recommendations include the following:

- ◆ Clarify and streamline the roles of key agencies like the National Nutrition Council and ECCD Council to mitigate redundancy, minimize bureaucracy, optimize resource allocation through inter-agency collaboration, and facilitate partnerships with stakeholders like civil society.
- ◆ Empower LGUs to tailor interventions and allocate resources in accordance with local priorities and realities, given the unique needs and contexts of local communities. This can be done through capacity building efforts that will equip LGU authorities with the requisite knowledge, skills, and competencies to play an active role in promoting early years program through proper planning, monitoring, evaluation, and regulation.
- ◆ Develop a robust and integrated monitoring system that will capture the holistic impact of multi-sectoral interventions like caregiving, education, nutrition, healthcare, and parenting sessions.
 - » Include specific indicators to measure convergence of services affecting early years outcomes, veering away from traditional monitoring systems that often operate within silos.
 - » Promote interoperability across data systems.
 - » Enhance data analytics capacity at all government levels for programmatic improvements.
- ◆ Design and conduct a nationwide awareness campaign to disseminate information and foster understanding among diverse stakeholders, ranging from parents and caregivers to policymakers and communities, on the importance of early years.
 - » Leverage a myriad of powerful communication channels, including social media platforms, traditional media outlets, community events, and educational workshops, to effectively reach a broad spectrum of audiences.
 - » Using the most cost-effective channels, craft tailored messages that will resonate with different audiences, considering that each demographic may have unique concerns, priorities, information needs. With appropriate messaging, the campaign can emphasize the critical role of healthcare in early childhood development and how integrating health services with early education can lead to better health and education outcomes, improved cognitive and emotional development, and long-term benefits for Filipinos.

Key Recommendation: Immediate and Holistic Investment in the Early Years

Policy Recommendation 1.2: Leverage successful programs to scale-up key nutrition-sensitive and nutrition-specific interventions to reduce stunting and ensure optimal child development

Building on the successful foundation of stunting reduction programs such as the PMNP, it is imperative to scale up a comprehensive package of high-impact interventions designed to reduce stunting and ensure optimal child development. This requires a coordinated, multisectoral approach targeting the most important actions to address stunting. More specific recommendations include the following:

- ◆ Strengthen primary health care to enhance maternal, child health, and nutrition (MCH-N) services such as micronutrient supplementation, immunization, quality antenatal care and postnatal care.
- ◆ Promote early childhood development through expanded access to care and promotion of early stimulation and parental education.
- ◆ Conduct counseling on infant and young child feeding practices.
- ◆ Enhance food diversification by increasing the availability of nutrient-rich foods and conducting nutrition education.
- ◆ Improve access to water, sanitation, and hygiene (WASH) to reduce infection risks and promote well-being.
- ◆ Implement or strengthen conditional cash transfers (CCT) to incentivize the utilization of essential services.
- ◆ For children ages three to five, implement supplementary feeding programs, early education initiatives, school health and nutrition, and routine health screenings.

Policy Recommendation 1.3: Develop enabling platforms for early childhood development and focus on foundational skills

Early childhood development efforts need to be supported by adequately equipped and accessible facilities and infrastructure, as well as skilled workforce that have the right resources for them to be effective. Recommended strategic interventions include the following:

- ◆ Realign the Philippines' health systems towards primary health care. PHC is paramount for early childhood development, catering to the holistic needs of children through preventive care, nutritional support, developmental monitoring, and early intervention when needed. While strides have been made in maternal and child health, chronic underfunding has resulted in infrastructure deficiencies and workforce shortages, particularly in rural and geographically isolated areas. This has affected both the readiness of services and patient perceptions of care quality. In this regard, it is important to make significant improvements by:
 - » Enhancing PHC supply-side readiness, including infrastructure and workforce support, with targeted assistance for regions that are both resource-poor and underserved.
 - » Improving care processes through evidence-based policies and community engagement to ensure that children access essential health services vital for their early development.
- ◆ Equip early childhood education professionals with the knowledge, skills, and competencies necessary to foster the holistic growth and development of children in their early years.
 - » Integrate primary healthcare into early childhood education by developing a comprehensive curriculum tailored to the unique needs and challenges of early year education and care. This curriculum, jointly developed by key agencies such as the NNC, ECCD Council, DSWD, DOH and DepEd, would reflect a collaborative effort to integrate diverse perspectives, expertise, and best practices into a cohesive framework, drawing upon international good practices and evidence-based approaches, to ensure alignment with global standards of excellence.
 - » Promote ongoing professional development and support mechanisms to enable early years professionals to thrive in their roles. This may include continued opportunities for training, mentorship/coaching, peer learning, and career advancement, as well as access to resources, materials, and tools to enhance their practice.

Key Recommendation: Immediate and Holistic Investment in the Early Years

- ◆ Address the alarmingly low learning outcomes as soon as possible. High priority should be given to reduce the extremely high rate of learning poverty (91 percent) in the Philippines.
 - » Develop and implement learning acceleration programs targeting the development of foundational skills at the early years. These are crucial, as evidenced by experiences from across the globe. Successful learning acceleration programs are characterized by (a) a condensed content with a focus on the development of basic literacy and numeracy, (b) tailored training of teachers in the delivery of such content, (c) utilization of specific teaching and learning resources, and (d) frequent assessments of learning outcomes.
 - » Promote teaching at the right level through programs that have similar features of learning acceleration programs which proved successful in recovering learning worldwide.
 - » Revise DepEd's existing learning recovery programs to reduce the learning poverty among 10-year-old Filipino students, which hinders their capacity to acquire advanced skills and to succeed in life and in the labor market later. Revisions are intended to (a) align them with the most successful international learning acceleration programs, (b) focus on the development of foundational skills, (c) ensure their implementation at scale, and (d) pay special attention to early years students.

Policy Recommendation 1.4: Prioritize social protection for vulnerable groups

Social protection is of critical importance for ensuring that vulnerable segments of the population have access to essential services and support during key life stages, particularly during pregnancy and early childhood. The following are recommended for more effective social protection in the Philippines:

- ◆ Enhance the targeting mechanism of key social welfare programs, such as the 4Ps and FSP. These programs serve as lifelines for many vulnerable families with young children, providing crucial assistance in the form of cash transfers, food diversification support, health services, and educational subsidies.
- ◆ Enable real-time updating of beneficiary information to facilitate the enrollment of pregnant women and young children (0-5) into appropriate social protection programs. Regular updating of beneficiary databases and incorporating relevant demographic information can ensure that eligible vulnerable populations receive timely access to essential services such as health care, nutrition support, and early childhood education.
- ◆ Ensure close coordination and information sharing among DSWD, DOH, and DepEd, at the national and local levels, for effective monitoring of service delivery and impacts. This would not only enhance accountability but also maximize the synergistic benefits of integrated service delivery across health, nutrition, and education sectors.

Policy Recommendation 1.5: Ensure adequate and efficient financing and incentives

Sufficient and effective financing mechanisms and appropriate incentives are needed to support the provision of holistic early years services in the Philippines. These involve mobilizing public and private funds, streamlining expenditures, improving budget tracking and evaluation system, and fostering partnerships to expand access to high-quality early years programs. Recommended actions include the following:

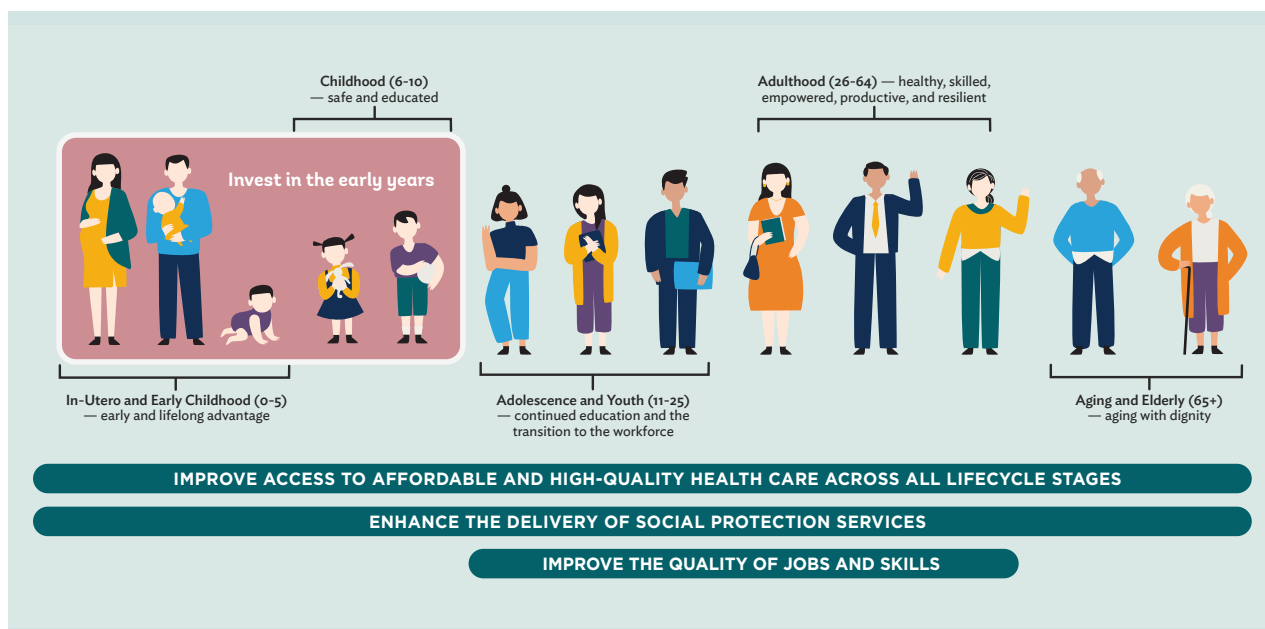
- ◆ Optimize existing budgetary allocations by eliminating redundancies, rationalizing expenditures, refining beneficiary targeting, and prioritizing investments in areas with the greatest impact on child development.
- ◆ Establish more robust budget tracking and performance review mechanisms to monitor and evaluate the flow of funds within early years programs. This can further incentivize accountability and results.
- ◆ Leverage partnerships with private sector stakeholders will complement government efforts in delivering comprehensive early years services. This can entail creating incentives to encourage private sector participation, such as tax incentives, subsidies, lease of existing and nonfunctional public infrastructure, or grants for establishing private early childhood education centers, family-based or community-based centers and daycares.

Complementary Recommendation 1

The Philippines possesses an existing reservoir of human capital that can be harnessed, provided it is invested in and shielded from shocks. Across the lifecycle, multiple policy options⁵⁸ merit consideration:

110. The Philippines' human capital needs to be developed and protected against potential shocks. The existing workforce will determine the rate and quality of growth in the short and medium terms. In the near term, improving job quality and alignment of the youth's and adults' skills with market demands are needed to increase productivity and income, and thereby help accelerate economic growth. It must also be noted that the existing workforce includes adults who bear and care for young children so their needs and challenges will have to be addressed as well. Policy options that cut across various life stages include those that will make quality healthcare affordable and accessible, bolster social protection services, and enhance the quality of jobs and skills. As discussed in the key recommendation, policies designed for the early years should aim to ensure that children are safe and educated and will have early and lifelong advantage. Complementary recommendation 1 suggests high quality healthcare for everyone; continued support for education and training for adolescents and the youth as they transition to the workforce; access to more and better jobs for adults; and the delivery of social protection services especially for vulnerable groups (Figure 4.1).

Figure 4.1. Complementary Recommendations for Continuous Human Capital Utilization and Protection



⁵⁸ The policy options presented will be further complemented by an HCR series of policy notes.

Complementary Recommendation 1.1: Improve access to affordable and high-quality health care across all life cycle stages by building a primary healthcare (PHC)-oriented health system and reducing out of pocket spending on health.

111. Building robust PHC systems is crucial for enhancing human capital development and achieving better health outcomes, as evidenced by its role in mitigating health care costs and reducing inequities. In the Philippines, PHC serves as the bedrock of UHC, ensuring the coordinated delivery of essential services across all levels of care. Despite progress, particularly in maternal and child health, there remain persistent inequalities in access, especially in rural and geographically isolated and disadvantaged areas (GIDAs). PHC in the Philippines is marked by suboptimal quality and patient-centered care, and a focus on acute infectious diseases over noncommunicable diseases (NCDs). Chronic underfunding has led to infrastructure weaknesses and workforce shortages, hampering both supply-side readiness and patient perceptions of quality.

112. To overcome these hurdles, the Philippines must reorient its health systems towards PHC, which is the cornerstone of achieving UHC. Options for consideration are on enhancing the structures and processes of PHC in the Philippines. Firstly, improving supply-side readiness is crucial, requiring strategies and investments to close infrastructure gaps and strengthen supply chain management. Secondly, building and supporting the primary care workforce is essential. This requires stronger and improved standards of training, performance, and compensation. Given the significant roles of private providers in the service delivery in the Philippines, engaging private providers through establishing Primary Care Provider Networks is important. Furthermore, processes of care need to be strengthened with a focus on evidence-based policy, performance assessments, and a research agenda on quality in PHC to inform policy and practice. Despite health service financing and delivery being the responsibility of local government units (LGUs) with varying technical and financial capacity, targeted support at the national level should be provided to lagging LGUs to reduce inequities in service provision.

113. Reducing out-of-pocket (OOP) health spending is critical for advancing the human capital agenda. High OOP expenses prevent or discourage people from availing health and medical services even when necessary, as these eat into their budget for their daily needs and other expenses. In the past decade, the government has undertaken measures to curb OOP spending, including increased government health expenditure, expanded primary care benefits, and the implementation of no balance billing (NBB) policies. Despite these efforts, OOP reduction goals are not being met. Three recommendations can be considered. The first is to enhance access to PHC through infrastructure upgrades, provider accreditation, and the implementation of a comprehensive primary care benefit package. The second is to ensure compliance with no balance billing (NBB) policy and align incentives, suggesting measures such as monitoring, beneficiary engagement, and healthcare cost accounting. The third is to ensure access to affordable essential medicines by aligning formularies with the more expansive global standards, improving supply chain management, and considering more payment modalities for medications within the PhilHealth benefit package. These recommendations collectively aim to address systemic challenges and reduce OOP health spending in the country.

Complementary Recommendation 1.2: Enhance the delivery of social protection services, ensuring coverage of the most vulnerable and disadvantaged sectors and convenient access to programs that cater to all life cycle stages.

114. Social protection programs help ensure the continuous accumulation and utilization of human capital even in times of crises or shocks. The Philippines implements various types of social protection programs, including conditional and unconditional cash transfers, feeding programs for children, social pension, emergency assistance, etc., often following global good practices. The components of these programs (i.e., targeting mechanisms, level of benefits, mode of delivery) need constant modifications to adapt to changing economic and social contexts and varying needs of beneficiaries. Leveraging technology in the era of digitalization could help improve business processes, bringing convenience to both program implementers and beneficiaries. Key recommendations for the two flagship social protection programs of the Philippines, led by DSWD, are further discussed below.

115. As 4Ps, the Philippines' flagship safety net program, reaches its 16th year of implementation, opportunities for continued enhancements arise. First, the program's targeting system, Listahanan, can be further improved to achieve intended outcomes. Some crucial recommendations for targeting include: a) expediting beneficiary revalidation to facilitate the entry of new households, especially those with pregnant women and young children, and exit of relatively better-off ones, b) continuing to collaborate with other agencies in shifting from a census-based static registry to a dynamic social registry that utilizes advances in digital technologies, and c) adopting and utilizing the national ID (PhilSys) across multiple databases and systems, facilitating their interoperability to enable accurate data updates and to generate inter-agency insights. Second, the level of benefits provided by the program may be adjusted based on inflation and other shocks, as provided by law. The value of 4Ps grants has eroded significantly over time. To address this, a mechanism can be introduced to adjust the benefit amount for inflation and other shocks and to assess the adequacy of benefits more frequently. Government may also consider the reallocation of benefits between different age groups of children, depending on their needs and the program objectives. Third, proactive and intensive measures withing the 4Ps case management support can ensure the program's effectiveness even within a shorter intervention period. To support families graduating from the 4Ps, stronger coordination with other agencies through a referral system will be helpful. Finally, while 4Ps made steady progress in digital payments, it could further invest in raising beneficiaries' awareness and financial literacy through the Family Development Sessions. It can also promote policies that allow beneficiaries to choose from multiple payment service providers. Such improvements in the design and delivery of 4Ps can help the program better achieve its poverty reduction and human development objectives.

116. The country's Food Stamp Program (FSP), which is currently in its pilot phase, can complement 4Ps and build on lessons from 4Ps implementation. The FSP can build on the 4Ps delivery systems and explore a convergence approach in providing supplemental assistance to 4Ps beneficiaries (aspiring, wait-listed or actual beneficiaries) that are in greater need. However, similar with 4Ps, the FSP will encounter implementation challenges, such as a static registry for targeting and lack of value adjustments to account for inflation or changes in household size and composition.

Supply side considerations for FSP, as opposed to cash transfer programs, include the selection of eligible retailers, equipping them with the point of sale (POS) machines, and other necessary infrastructure to accommodate the FSP vouchers. Requirements of certain food items and their quantity and value as well as conditions on employment and training participation have to be carefully designed to minimize unnecessary burdens and costs to administrative systems and beneficiaries. The program can also have flexibility to adjust the value of benefits and design according to the policy environment and lessons learned from the pilot.

Complementary Recommendation 1.3: Improve the quality of jobs and skills by ensuring a favorable business environment and investing in the human capital of workers.

117. To improve Filipino contributions to economic growth, a comprehensive approach encompassing both supply and demand side measures to support labor market participation is essential. Firstly, creating an enabling environment for job creation and investments is paramount. This entails prudent macroeconomic policies and stability, investment-friendly business environment for overall growth and private sector-led job creation, where firms pursue expansion through innovation and competitiveness and demand for more labor input. Secondly, enhancing services to support job matching and reskilling/upskilling will help ensure that human capital is utilized. University-industry linkages and government-led job matching services can help match qualified students and job seekers with the jobs they are equipped to perform. They can also provide industry insights to inform university and TVET programs. Reskilling/upskilling programs can be further enhanced to meet the current needs of the labor market. Such initiatives may particularly target the growing youth population and women to advance their labor force participation. Robust monitoring systems can help assess the effectiveness of job matching programs and inform skills gaps. Thirdly, managing support for international migration and protecting OFWs will play a pivotal role in sustaining economic growth. As the country benefits from international migration through OFW remittances, proactive steps that can help ensure the continuity of these benefits include identifying more countries or sectors that provide productive and safe opportunities, enhancing skills and employability of OFWs through various skills and career development programs, developing more sector-specific migrant protection measures, and enhancing reintegration programs for returnees. Lastly, exploring strategies to enhance the uptake of enterprise-based or apprenticeship programs can further bolster labor market participation. Enterprise-based trainings (EBT) have the highest job placement rates compared with institution-based or community-based trainings. Some key measures to promote EBT include enhancing the flexibility of program schedule and contents, strengthening career guidance for EBT takers, and providing appropriate certification and qualification equivalency to establish career pathways and progression for apprentices.

118. Additionally, addressing the impacts of global megatrends such as the transition to a green economy and digital work on the labor market requires a multifaceted approach. Skills training in green and digital jobs, including technical skills to navigate new technologies and soft skills can help workers meet the demands of a changing work environment. Active labor market programs and interventions in these green and digital areas can be useful. These may include reskilling, upskilling or apprenticeship programs to enhance workers' employability; support for firms through wage subsidies; and improvement in job matching and employment services through public-private sector linkages. The programs can focus on the growing youth population who suffered

disproportionately during the COVID-19 pandemic. Likewise, the programs need to be coordinated or synergized to achieve greater impact (World Bank 2023c). Notably, green and digital skills development also require foundational skills that can be built through quality basic education. Pathways for green jobs creation can be explored through incentives, economic zones, and public works. To propel green activities, the government could strengthen the provision of tax incentives to firms.⁵⁹ This should come with clear operational guidelines⁶⁰ and a plan for pilot testing in selected areas. Special economic zones may be built for green industries, similar to the existing economic zones for export-oriented manufacturing and IT-BPM. The government may provide financial support to the private sector in greening their processes and products or in creating green job opportunities, accompanied by relevant skilling programs. The operationalization of the Green Jobs Act can expedite the development and utilization of green skills, through training and certification of workers in relevant industries. An enabling environment is needed to entice workers to shift to green activities and develop the required skills. Lastly, ensuring social protection amidst the evolving nature of work, especially in the digital workforce, remains crucial. The country has already made efforts to enhance protection of the digital workforce through legislative measures (e.g., the bill for the freelance workers' protection act) combined with advisories and regulations based on a review of working conditions and issues of disputes. The next critical step is to implement these labor laws and regulations, while evaluating incentive compatibility and enforcement, in coordination with relevant stakeholders in the public and private sectors. Expanding the coverage of social insurance and providing skills development opportunities can help provide job security among gig workers.

Complementary Recommendation 2

Analyses from the HCR highlight key implementation elements crucial for maximizing intervention impact on human capital outcomes, especially at the subnational level.

Complementary Recommendation 2.1: Foster a national enabling environment for human capital.

119. To reinforce the institutionalization of human capital in the Philippines, it is imperative to amplify support for the Social Development Committee (SDC) and its member agencies. To strengthen support for the Social Development Committee (SDC) and its mandate to advance human capital development initiatives, a multi-pronged approach is recommended. First, improve coordination between the SDC, its regional counterparts (RSDCs), member agencies, and stakeholders through effective communication channels and administrative support. This will streamline collaborative efforts. Second, ensure proper budget allocation to implementing agencies that address priority human capital challenges identified by the SDC. Bolstering financial resources towards relevant sectors will enable impactful initiatives.

⁵⁹ The provision of tax incentives to firms is mandated in Section 5 of the Green Jobs Act (RA 10771).

⁶⁰ Including the eligibility criteria, application and verification process, certification process, benefit mechanism (e.g., deduction, refund), duration of tax benefits or certification, audit and monitoring requirements, and grievances and appeals mechanism.

Third, incorporate technology, data analytics, and knowledge management activities to monitor impacts, plan for evolving challenges, and empower members with relevant expertise. These include workshops, expert collaborations, and sharing best practices regionally. The goal is to enhance the SDC's capacity through improved coordination, adequate financing, and access to knowledge resources for effective planning and implementation of holistic human capital development programs nationwide.

Complementary Recommendation 2.2: Strengthen synergies and coordination among agencies supporting human capital development at both the national and LGU level.

120. The use of technology can facilitate coordination among agencies at the national and LGU levels and can greatly enhance the monitoring and evaluation of human capital development programs. By implementing integrated systems, agencies at both the national and LGU levels can efficiently track the progress and impact of their initiatives. This will enable them to identify areas for improvement, measure the effectiveness of interventions, and make data-driven decisions to enhance human capital development efforts. Integrated monitoring and evaluation systems can also facilitate information sharing and collaboration among agencies, allowing for synergy in their activities. However, the development of an integrated information system entails various considerations, not only on IT infrastructure but also on legal and regulatory frameworks.

121. Streamlining processes and removing fragmentations among agencies can enable LGUs to enforce guidelines, standards, and regulations from NGAs. Some examples of coordinating mechanisms already exist: The Philippine Development Forum (PDF) serves as a platform for dialogue and collaboration among national government agencies, LGUs, civil society organizations, and donor partners. Through the PDF, agencies can align their efforts, share best practices, and coordinate their activities to ensure a more coherent and effective approach to human capital development. Similarly, DOLE has established the National Skills Development Committee (NSDC) to facilitate coordination among various stakeholders involved in skills development. The NSDC brings together government agencies, industry representatives, and training institutions to identify skills gaps, develop training programs, and ensure that the skills being developed are aligned with the needs of the labor market.

Complementary Recommendation 2.3: Improve spending efficiency and effectiveness in human capital sectors.

122. Targeted interventions and well-designed incentives for LGUs, coupled with better performance management and monitoring, can improve spending efficiency and effectiveness in human capital sectors. First, targeted interventions should be developed to bolster the capacities of low-income LGUs. For example, training programs and workshops specifically designed for low-income LGUs can enhance their understanding of financial management and human capital development. These interventions may also include knowledge exchange programs where experienced LGUs can guide and support those with lower capacities. Second, existing incentive mechanisms can be revamped such that low-capacity LGUs may be rewarded for important incremental improvements.

For instance, the government can introduce performance-based grants or rewards for LGUs that demonstrate significant progress in areas such as education, healthcare, and skills development. These incentives may be tied to specific targets or indicators, including, for instance, increasing literacy rates or reducing infant mortality rates. Further, evaluating the effectiveness of current award and recognition-based programs, such as the Seal of Good Local Governance, will allow for determination of gaps in the provision of rewards and incentives, as well as improve the spending efficiency of reward implementers. Third, the government can establish a robust monitoring and evaluation system to track the performance of LGUs in terms of their financial management practices and use of PFM tools. This involves regular audits, inspections, and assessments to ensure compliance and identify areas for improvement. Additionally, the government can provide capacity-building programs to LGUs on the proper use of PFM tools and processes. This will enable LGUs to make informed decisions, effectively allocate resources, and improve spending efficiency in human capital sectors.

Complementary Recommendation 2.4: Leverage digital transformation to improve service delivery.

123. Embracing digital transformation to improve service delivery is key to improving the access to and quality of services impacting human capital. Digital transformation holds immense potential for revolutionizing and improving service delivery across multiple sectors. In education, online learning platforms and virtual classrooms provide quality resources and facilitate student-teacher interactions transcending geographical barriers. In healthcare, telemedicine enables remote consultations and mobile health apps enhance preventive care. For social protection, digital data governance, digital payments, and digital IDs streamline benefit distribution and prevent fraud. For employment, online job portals connect seekers with opportunities and enable acquiring digital skills for the job market. In finance, digital banking/lending expands access while budgeting tools aid personal finance management. Across sectors, digital data collection/analytics drive informed decisions, database integration improves data management for timely services, and digital infrastructure ensures widespread access to these transformative technologies, bridging gaps and enabling inclusive development.

Complementary Recommendation 2.5: Protect human capital against climate change by investing in resilient systems.

124. Effective human capital development requires the ongoing and uninterrupted provision of education, healthcare, nutrition, and social protection services. Essential services like education, healthcare, and social protection are disrupted during extreme weather events or emergencies when roads become impassable, infrastructure are damaged, and supply of water and power are cut off. To enhance resilience, the Philippines needs to a) rebuild and fortify school and health facility infrastructure by addressing backlogs of repairs/enhancements; b) engage public works, transportation, and private industry partners to promote service continuity; c) explore service delivery strategies used during COVID-19 like online instruction and telemedicine to maintain services during emergencies (Angrist et al.

2022; Baticulon et al. 2021; Noceda et al. 2023); and d) quickly expand cash/in-kind benefits and enhance targeting for social protection beneficiaries to support vulnerable populations. This multipronged approach of infrastructure improvements, public-private collaborations, alternative service delivery modes, and responsive social protection can bolster resilience and ensure continuity of essential services during crises (FAO, 2021).

125. Building resilience to the impacts of slow-onset climate change requires careful planning and coordination over the medium to long term. Food security is strengthened and livelihoods are protected by measures such as drip irrigation systems and enhanced water storage capacity to ensure consistent supply (World Bank 2023f). Additionally, the Philippines should identify geographic regions or communities most vulnerable to slow-onset events, for example those currently at or below sea-level, and take steps to ameliorate risks, including by rolling out early warning systems and monitoring anticipatory triggers (Costella et al. 2021). Taking proactive steps to relocate key buildings like schools, markets, and primary health clinics to higher or protected ground may also ensure more consistent services and food availability during an emergency.

Complementary Recommendation 2.6: Continue advancing social inclusion for maximizing human capital accumulation, protection, and utilization.

126. Improvement in social inclusion, particularly through gender equality and the inclusion of vulnerable populations, is integral to enhancing human capital in the Philippines. Social inclusion policies promoting equal access to education can increase enrollment and retention rates, fostering literacy and skills development towards a more educated and proficient workforce. Gender equality and social inclusion measures, such as equal opportunities in employment, entrepreneurship, and financial services, can dismantle barriers to the full participation of women and vulnerable groups in the economy, unlocking their potential and bolstering economic growth. Policy options for enhancing social inclusion in the Philippines encompass several key areas. First, strengthening legal frameworks through anti-discrimination laws and inclusive education policies⁶¹ can further protect the rights of vulnerable populations. Second, promoting gender equality across sectors through measures like gender quotas and equal pay policies⁶² ensures equal opportunities. Third, ensuring inclusive education systems that cater to diverse learner needs,⁶³ improving healthcare access for vulnerable populations, and strengthening social protection programs,⁶⁴ remain crucial. Finally, collecting and monitoring data on marginalized sectors and minorities allow for targeted interventions that address specific needs, thus fostering a more inclusive and equitable society in the Philippines.

⁶¹ Such as the Magna Carta for Disabled Persons and the Indigenous Peoples' Rights Act (IPRA).

⁶² As exemplified by the Gender and Development (GAD) Budget Policy and Magna Carta of Women

⁶³ Including children in the official school age who are not enrolled in elementary or secondary school due to economic, geographic, political, cultural, or social barriers; learners with disabilities or conditions; indigenous peoples; children in conflict with the law; learners in emergency situations; and other marginalized sectors in the Philippines. <https://www.deped.gov.ph/about-als/>

⁶⁴ Including the Assistance to Individuals in Crisis Situation (AICS) for various types of emergencies. <https://aics.dswd.gov.ph/aics-program/>

Table 4.2. Recommendations and Implementation Considerations

Recommendation	Life cycle stage	Focus area	Implementing agencies/ units	Timeline
Key Recommendation				
Immediate and holistic investment in the early years	In-utero, early childhood, and childhood	Building human capital	NNC Secretariat, ECCD Council, various relevant agencies, such as the DOH, CPD, DA, DILG, DepEd, DSWD, DTI, DOLE, DOST, DBM, and NEDA	Immediate term
Complementary Recommendation 1				
Complementary Recommendation 1.1: Improve access to affordable and high-quality health care across all life cycle stages by building a primary healthcare (PHC)-oriented health system and reducing out of pocket spending on health.	Spanning life cycle	Building and protecting human capital	DOH, DILG, LGUs	Short to medium term
Complementary Recommendation 1.2: Enhance the delivery of social protection services, ensuring coverage of most vulnerable and disadvantaged sectors and convenient access to programs that cater to all life cycle stages.	Spanning life cycle	Building and protecting human capital	DSWD, DepEd, DOH, LGUs	Short term
Complementary Recommendation 1.3: Improve the quality of jobs and skills by ensuring a favorable business environment and investing in the human capital of workers.	Adolescence, youth, and adulthood	Utilizing human capital	DOLE, TESDA, CHED, DMW, DTI, NEDA, ARTA	Short to medium term
Complementary Recommendation 2				
Complementary Recommendation 2.1: Foster a national enabling environment for human capital.	Spanning life cycle	Building, protecting, and utilizing human capital	NEDA, SDC Secretariat, regional SDCs, SDC member agencies, including DOH, DepEd, DSWD, DOLE, TESDA, CHED	Immediate term

Recommendation	Life cycle stage	Focus area	Implementing agencies/ units	Timeline
Complementary Recommendation 2.2: Strengthen synergies and coordination among agencies supporting human capital development at both the national and LGU level.	Spanning life cycle	Building, protecting, and utilizing human capital	Key NGAs (DILG, DBM, DOH, DepEd, DSWD, DOLE), LGUs	Immediate term
Complementary Recommendation 2.3: Improve spending efficiency and effectiveness in human capital sectors.	Spanning life cycle	Building, protecting, and utilizing human capital	Key NGAs (DBM, DILG, DOH, DepEd, DSWD, DOLE), LGUs	Immediate term
Complementary Recommendation 2.4: Leverage digital transformation to improve service delivery.	Spanning life cycle	Building, protecting, and utilizing human capital	Key NGAs (DICT, DILG, DBM, DOH, DepEd, DSWD, DOLE), LGUs	Immediate term
Complementary Recommendation 2.5: Protect human capital against climate change by investing in resilient systems.	Spanning life cycle	Building, protecting, and utilizing human capital	NDRRMC, DSWD, DILG, DPWH, LGUs	Immediate term
Complementary Recommendation 2.6: Continue advancing social inclusion for maximizing human capital accumulation, protection, and utilization.	Spanning life cycle	Building, protecting, and utilizing human capital	Key NGAs (DOH, DepEd, DSWD, DOLE, DILG), PCW, NCIP	Immediate term

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Annexes

Annex 1

Creating Conditions for a Demographic Dividend

The Philippines has one of the youngest populations among ASEAN member states, with 31 percent of its population under the age of 15 in 2020 and a median age of 25.3 (PSA, 2022f). Investing in the health and education of this sizable population of young people can reap substantial economic benefit. But the country is lagging in its support of young people. The HCI score of the Philippines was just 0.52 in 2020 (World Bank, 2022). This means the future earnings potential of Filipino children is about half of what it could be with full health and nutrition and complete education. In 2022, just over 70 percent of children between 12 and 23 months of age were fully vaccinated with basic antigens, while 11 percent received no vaccinations at all (PSA and ICF, 2023). During the same period, about 23.3 percent of Filipino children under five years old and 18.9 percent of children between five and ten years old were considered stunted, the result of chronic undernutrition (DOST-FNRI, 2022). Also, according to a 2022 World Bank report, more than 90 percent of primary school-aged children in the Philippines face learning poverty (World Bank, 2022).

Box A1.1. Demographic Dividends Trajectory

For a country to realize a “demographic dividend,” two conditions must be met: (1) a population age structure with a high proportion of workers relative to dependents, and (2) a history of government policies to build human capital. With better jobs and fewer dependents to support, per capita income grows rapidly, as do the country’s opportunities for economic development and growth; this is the first demographic dividend and it is inherently transitory in nature as it depends on the age distribution of a population. A second demographic dividend is also possible, which results from national income generated as working age adults accumulate assets and save for retirement. In addition, as described in the Global Monitoring Report 2015/16, *“the second dividend produces lasting benefits in the form of greater productivity growth and enhanced sustainable development”* (World Bank; International Monetary Fund. 2016. *Global Monitoring Report 2015/2016*, p. 14).

The Global Monitoring Report 2015/2016 groups countries into four categories based on their ability to capture and harness demographic dividends. The categories—pre-dividend, early dividend, late dividend, and post-dividend—are identified based on demographic characteristics and trends in fertility, child mortality, and life expectancy. The Report also lists policy priorities for countries in each category. It begins with building human capital to create conditions for the demographic dividend (pre-dividend countries), to laying the foundation to capture the dividend through job creation and training programs (early dividend countries). As they move through demographic transition, countries must maintain policy priorities from earlier phases.

Demographic change does not automatically lead to a demographic dividend. Instead, “[without] the right policy environment, countries will be too slow to adapt to their changing age structure and, at best, will miss an opportunity to secure high [economic] growth. At worst, where an increase in the working-age population is not matched by increased job opportunities, they will face costly penalties, such as rising unemployment and perhaps also higher crime rates and political instability. With no policies in place to provide for rising numbers of old people, many will face destitution in their final years” (Bloom, Canning & Sevilla, 2003, p. 36)

National trends in fertility as well as infant and child mortality suggest a demographic shift is underway in the Philippines. The Philippines’ national fertility rate has been declining for many years, while the working age share of the population has grown, suggesting the country is in the early dividend period of demographic change (GMR, 2015/16). Reductions in infant and child mortality are highly correlated with declines in fertility. According to the Philippines National Demographic and Health Survey (NDHS), the national under-five mortality rate fell to 26 deaths per 1,000 live births in 2022, while the infant mortality rate reached 22 deaths per 1,000 live births that same year (PSA and ICF, 2023). The Philippines’ TFR has been on a slow but steady decline for many years, recently falling below replacement level (2.1 births per woman), to 1.9 births per woman in 2022. As discussed later in this report, a TFR below replacement level indicates that a faster and more dramatic demographic shift is underway.

The share of the working age population has grown from a low of 49.8 percent in 1962, to almost 65 percent in 2022. According to the UN Department of Economic and Social Affairs (DESA) Population Division, the Philippine population in July 2023 was estimated to be a little over 117.3 million persons. Of this number, 35.2 million (30.6 percent) were under 15 years of age, 75.5 million (64.7 percent) were between 15 and 64 years old (working age), and more than 6.5 million (5.5 percent) were over age 65. The Philippines’ population growth rate of nearly 1.5 percent in 2021 and 2022 was among the highest in the ASEAN region, above the ASEAN average of 1.1 in 2021 (ASEAN Key Figures 2021). Population growth has been driven by a high national fertility rate which, though steadily declining, has stayed well above replacement level for many decades. It also driven by improved life expectancy. In 2020, prior to the COVID-19 pandemic, life expectancy was 74 years for women and 70 years for men.

Numerous sources show that the Philippines’ working age population will continue to grow until at least 2045 to 2050, suggesting the Philippines has approximately one generation (20 to 25 years) before the demographic dividend window closes. The PSA predicts an increase in the working age population until at least 2045, when that population share will reach nearly 68 percent (PSA, 2022b).⁶⁵ The UN DESA projects that the Philippines’ working age population will increase until 2050 under the medium fertility variant⁶⁶, reaching a high of 66.4 percent. The low fertility variant, on the other hand, projects a peak of 69 percent by 2045 (UN DESA, 2022). The current and emerging population of young people will play a crucial role in contributing to the country’s economic growth and expansion before the ratio of working persons to dependents begins to decline.

⁶⁵ Population predictions beyond 2045 are not available on the PSA website, so the trend beyond year 2045 cannot be stated.

⁶⁶ According to the Population Reference Bureau, the medium variant “assumes a growth in the use of family planning that will result in reductions in fertility in patterns similar to what occurred in other countries” (PRB, 2014). Total fertility under the low fertility variant is 0.5 births below the total fertility in the medium scenario.

Box A1.2. Why the Rate of Fertility Reduction Matters

How fast or slow fertility rates decline influences the degree to which a country can seize a demographic dividend from its changing population structure. Rapidly declining fertility rates lead to larger “bulges” of working age persons, heightening the conditions for a demographic dividend to be realized. Slowly declining fertility rates, however, risk missing the demographic dividend altogether and may be associated with increased poverty and poorer health and education outcomes overall (World Bank, Demographic Dividend Operational Tool for Pre-Dividend Countries).

In the Philippines, the TFR is approaching the replacement rate of 2.1 births per woman (or has already reached this point, depending on the source). The Philippines has brought down TFR more slowly than its peers in the ASEAN region. For example, Thailand halved its TFR from 4.2 births per woman to 2.1 over a 24-year period (1976-1990); Vietnam achieved the same reduction in just 14 years, from 1985 to 1999. The Philippines’ TFR fell to 4.2 in 1992; 29 years later, in 2021, the TFR was still 2.7 births per woman (World Bank Open Database). According to the UN, “the driving force of fertility decline is socioeconomic development, in particular, decline in mortality, [increased] female education and labor force participation, urbanization, and [greater access to comprehensive] family planning programs” (United Nations 2002). Many countries have seen quickly declining fertility rates resulting from improvements in socioeconomic factors as well as government policies that incentivize smaller family sizes. Strategies to speed up fertility declines will help create the conditions for high and broad-based economic growth.

Subnational Variation

Although the Philippines has seen sustained economic growth in the past decade (excluding 2020, when the COVID-19 pandemic severely impacted economies around the world), there are large pockets of inequality. Poorer families tend to pass through the demographic transition after families with more resources due to the strong association between income, fertility, education, and life expectancy (Global Monitoring Report, 2015/16). Indeed, in the past 20 years, fertility rates have been highest among those in the lowest wealth quintiles, while the fertility rate among those in the highest wealth quintile has stayed below replacement level (2.1). At the regional level, a brief analysis of NDHS data since 2003 shows consistently higher fertility rates in the poorest regions of the country⁶⁷ compared to the national average.

⁶⁷ Family Income and Expenditure Survey (FIES) data was analyzed for the data collection periods 2003, 2006, 2009, 2012, 2015, 2018 and 2021. This is to determine which regions were consistently ranked among the poorest in terms of average household income. ARMM/BARMM ranked among the poorest regions in all seven data collections; Region IX (Zamboanga Peninsula) in 6 out of 7 data collections; and Region XII (SOCCSKSARGEN) in 4 out of 7, more frequently than any other region.

Research on determinants of fertility identify both proximate (immediately preceding) and distal factors, many of which are highly associated with human capital. Proximate factors include age at first marriage, marriage rate, and access to and use of contraception or family planning measures. Distal factors, on the other hand, tend to be socioeconomic in nature and include mothers' educational attainment, female employment and labor force participation, child mortality rate, and urbanization (United Nations, 2002; Mohanty et al., 2016; Bongaarts & Hodson, 2022; El-Saharty et al., 2022). National trends in TFR and contraception show an expected inverse relationship: TFR rates decline with increasing contraception use. Contraception use and unmet need for contraception, however, do not appear to vary by income level, as both wealthier and poorer regions report access challenges. Women in poorer regions do tend to marry and begin childbearing at a younger age than women in wealthier regions; they also have lower levels of educational attainment on average.

Migration is another force that may influence regional fertility rates and human capital. The Philippines is a mobile country. More than 40 percent of Filipinos in 2018 reported that they have moved residence (migrated); some 15 percent reported recent migration between 2013 and 2018 (PSA and UPPI 2019). Among recent migrants who moved domestically to another part of the Philippines, the majority were between 20 and 29 years of age, unmarried, and seeking employment or following job opportunities. As Filipinos move, they bring language, culture and values to their new homes and communities, helping to shape attitudes about issues like fertility and female employment, for example. They also bring with them personal histories of health, nutrition and education—their human capital. It would be of benefit for local leaders to better understand the impact of migration on their communities and how programs and services might be tailored to better accommodate migrants.

Policy Priorities

As described previously, according to the World Bank Global Monitoring Report 2015/16, the Philippines can be categorized as an early dividend country. At this point in the demographic transition, the Philippines should *accelerate job creation* in order to create conditions for maximizing the first demographic dividend. Recommendations within this broad category include the following:

- ◆ Invest in human capital, including vocational and technical training;
- ◆ Enhance labor market mobility;
- ◆ Reduce barriers to female labor force participation; and
- ◆ Strengthen conditions conducive to saving and job creation (i.e., public services underpinning private sector activity, contract enforcement, financial inclusion, protection of labor rights).⁶⁸

Specific attention should be paid to disadvantaged regions, provinces and municipalities, especially those that have faced long-term disadvantage, as households there may require additional support to level the playing field when it comes to reaping the benefits of demographic change. Collaboration with local leaders to better understand the underlying factors will be important and help make strategies more impactful. This includes cultural norms and values, infrastructure-related or fiscal challenges, migration patterns and influences, etc.

⁶⁸ See Table O.2 of the World Bank's Global Monitoring Report 2015-2016

To fuel the momentum of demographic transition, policies on improving reproductive health services and access to family planning should be prioritized. The country itself has recognized this need. The PDP 2017-2022 acknowledged that access to contraception and family planning had been an ongoing concern, especially among poor families. This was in light of challenges in the implementation of the Responsible Parenthood and Reproductive Health (RPRH) Law (Philippines Development Plan 2017-2022). The implementation of the RPRH Law is no longer blocked at the federal level,⁶⁹ though access challenges remain. It would be beneficial to understand both supply and demand constraints in this regard.

Near-term human capital investments are essential to enhance the prospects of a demographic dividend in the Philippines. Human capital investments have a direct impact on young people through improvements in health, nutrition and education. This allows them to seize opportunities as they reach working age. Moreover, due to the association of health and education to fertility, human capital investments are also key to driving down future fertility levels. Falling fertility rates create the conditions for a demographic dividend to be realized, while human capital improvements fuel the growth. Without sizable reductions in fertility leading to an increase in the working age population, human capital investments alone may not be enough to generate substantial national economic growth.

⁶⁹ Though the Responsible Parenthood and Reproductive Health Act was signed into law in December 2012, it was not deemed constitutional by the Supreme Court until April 2014. The full implementation of the law was blocked by a temporary restraining order until 2017.

Annex 2

Subnational HCI – Methodology, Data Sources, and Key Assumptions

Methodology

The methodology of the World Bank HCI used in this study is based on the methodology delineated in Kraay (2018), adapted to the availability of data and the context of the Philippines. The HCI is measured in units of productivity relative to a benchmark of complete education and full health; it ranges from 0 to 1. A value of x on the HCI indicates that a child born today can expect to be only $x \times 100$ percent as productive as a future worker as she would be if she enjoyed complete education and full health. The HCI is the product of three components namely Survival, Health and Education:

$$HCI = Survival \times Health \times Education$$

The three components of the index are formally defined as:

$$Survival \equiv \frac{p}{p^*} = \frac{1 - Under\ 5\ Mortality\ Rate}{1}$$

$$Health \equiv e^{\gamma(z_{NG} - z^*)} = e^{(\gamma_{ASR} \times (Adult\ Survival\ Rate - 1) + \gamma_{Stunting} \times (Not\ Stunted\ Rate - 1)) / 2}$$

$$Education \equiv e^{\emptyset (Expected\ Years\ of\ School \times \frac{Harmonized\ Test\ Score}{5.55} - 15)}$$

where the returns to adult survival, γ_{ASR} is 0.65; the returns to nutrition at young ages (i.e., not being stunted), $\gamma_{STUNTING}$ is 0.35. These returns are based on findings from the literature elaborated in Kraay (2018). The returns to education e^{\emptyset} was adjusted from 0.08 (Kraay's 2018 figure) to 0.11 to align better with Philippines specific data.⁷⁰

Table 5.1. HCI Data Sources

HCI indicator	Data source
Under-five mortality rate	NDHS 2022
Adult survival rate	United Nations (UN) Population Division World Population Prospects, 2019 data release
Stunting rate	Expanded National Nutrition Survey (ENNS) 2018-2019, 2021

⁷⁰ This change allows computation to the HCI using 2020 HQ values to yield the exact same results as the HCI computed using the team's methodology with the latest national data. The change is in line with estimated returns on education investments in the Philippines which can amount to 0.15 according to some studies.

HCI indicator	Data source
Life expectancy at birth	2010 Census-based National, Regional, and Provincial Population Projections, PSA 2016
Harmonized test scores	NAT scores, DepEd 2018-2019
Expected years of schooling	Annual Poverty Indicators Survey (APIS) 2020
Enrollment rate	APIS 2020

Key Assumptions:

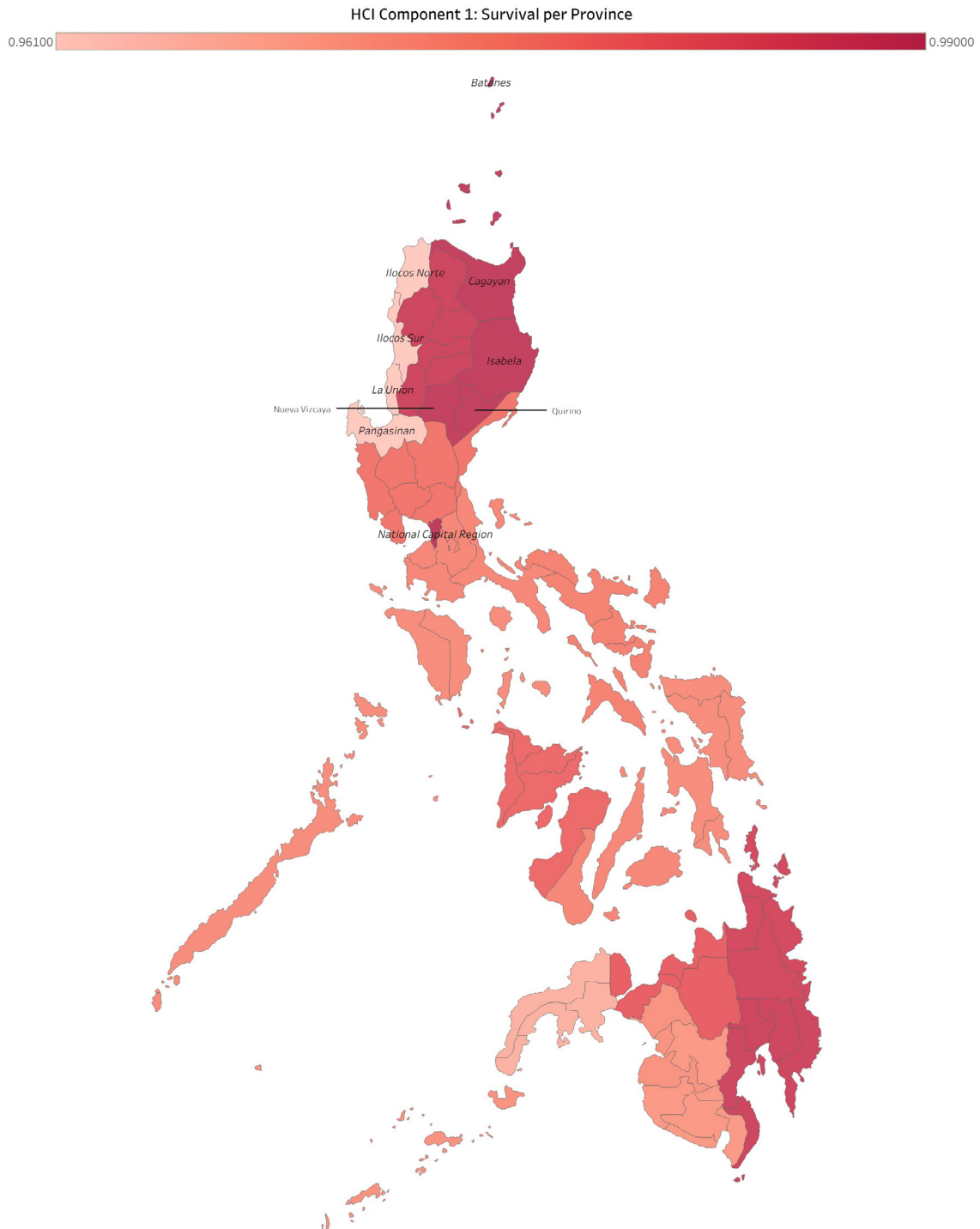
- ◇ **Under-five mortality rate** refers to the probability of dying between birth and the fifth birthday. Data on under-five mortality rate were gathered from the NDHS 2022. Only regional level data were available.
- ◇ **Adult survival rate** refers to the proportion of 15-year-olds who will survive until age 60. Due to data limitations, the provincial level adult survival rate was estimated based on the ratio of national and provincial level life expectancy at birth.
- ◇ **Stunting rate** is based on the prevalence of stunting among children under-five years old (0-59 months). The data were derived from the ENNS which consists of three roll-out surveys covering different sets of provinces from the pre-pandemic (2018-2019) to the post-pandemic (2021) period. The DOST-FNRI confirmed that the data on stunting are statistically comparable across periods. The national-level figure was used for Sulu since the province was not surveyed due to COVID-19 restrictions. Figures for Dagupan City, Santiago City, Naga City, and Ormoc City were taken from the corresponding provincial level figures (Pangasinan, Isabela, Camarines Sur, and Leyte) due to data unavailability.
- ◇ **Life expectancy at birth** for both sexes is computed as the weighted average of female life expectancy and male life expectancy. Values for cities geographically located within a province take the value of the province. Only Isabela City and Cotabato City have their own life expectancy values. This is because in 2010, they were under the administrative jurisdiction of regions different from the region that covered the province where they were geographically located (i.e., Isabela City is under Region IX but located in Basilan which is under BARMM; Cotabato City, at that time, was under Region XII, even if geographically located within the province of Maguindanao which was in ARMM). Davao Occidental was also then a part of Davao del Sur; hence, the value for Davao del Sur was used for Davao Occidental. Likewise, due to the lack of granular data, the value for NCR was used for all the cities in the region.
- ◇ **Harmonized test scores** are based on the overall mean percentage score (MPS) for the basic education exit assessment of Grade 12 students in School Year 2018-2019 (latest available data). Since the data provided by DepEd are at the division level, the average scores of some divisions were taken to estimate the scores at the provincial level (i.e., Pangasinan I and II; Cavite and Cavite City; Bislig City and Surigao del Sur; Lanao del Sur I, II, and Marawi City; Maguindanao I and II). Since Pateros and Taguig City were taken as one division, the same MPS was used for both (37.49).

- ◆ **The benchmark score** is based on the overall MPS of San Juan City in the National Capital Region (NCR), which is the third highest overall MPS for the basic education exit assessment of Grade 12 students for School Year 2018-2019 (latest available data). The city with the highest overall MPS is Bislig City in CARAGA (45.78), followed by Marawi City in BARMM (45.31), both of which are not included in the list of provinces/cities.
- ◆ **Expected years of school and enrollment rate** were estimated using the Annual Poverty Indicators Survey (APIS 2020) for the age group 4 to 17. The expected years of school refers to the number of years of education a child today is expected to complete, if prevailing trends of age-specific enrollment rates persist. The estimation involves taking the share of enrolled students for each year-group (i.e., 4, 5, 6, ..., 17), and then adding up those shares for each province. The enrollment rate is based on the number of enrolled, divided by the total number of children in the age group 4 to 17. Data for Dagupan City and Santiago City were unavailable in APIS 2020. Thus, these two cities took the value of their respective provinces (Pangasinan and Isabela).

Annex 3

Additional Visualization of Subnational HCI Results

Figure 5.1. HCI Component 1: Survival



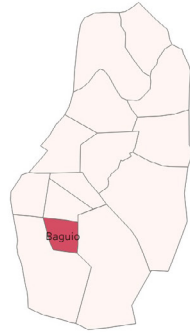
HCI Component 1: Survival in Highly Urbanized Cities



National Capital Region (NCR)



Cordillera Administrative Region (CAR)



Ilocos Region (Region I)



Cagayan Valley (Region II)



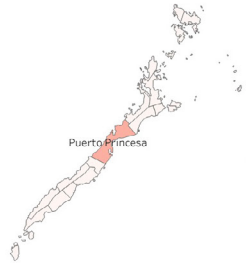
Central Luzon (Region III)



CALABARZON (Region IV-A)



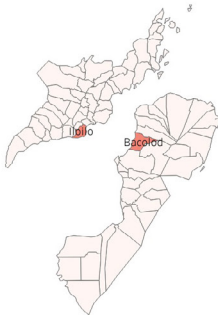
MIMAROPA (Region IV-B)



Bicol Region (Region V)



Western Visayas (Region VI)



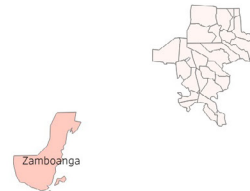
Central Visayas (Region VII)



Eastern Visayas (Region VIII)



Zamboanga Peninsula (Region IX)



Caraga (Region XIII)



Northern Mindanao (Region X)



Davao Region (Region XI)



SOCCKSARGEN (Region XII)

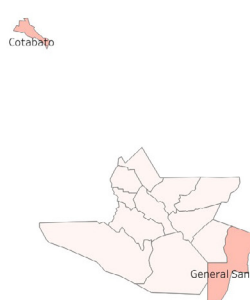
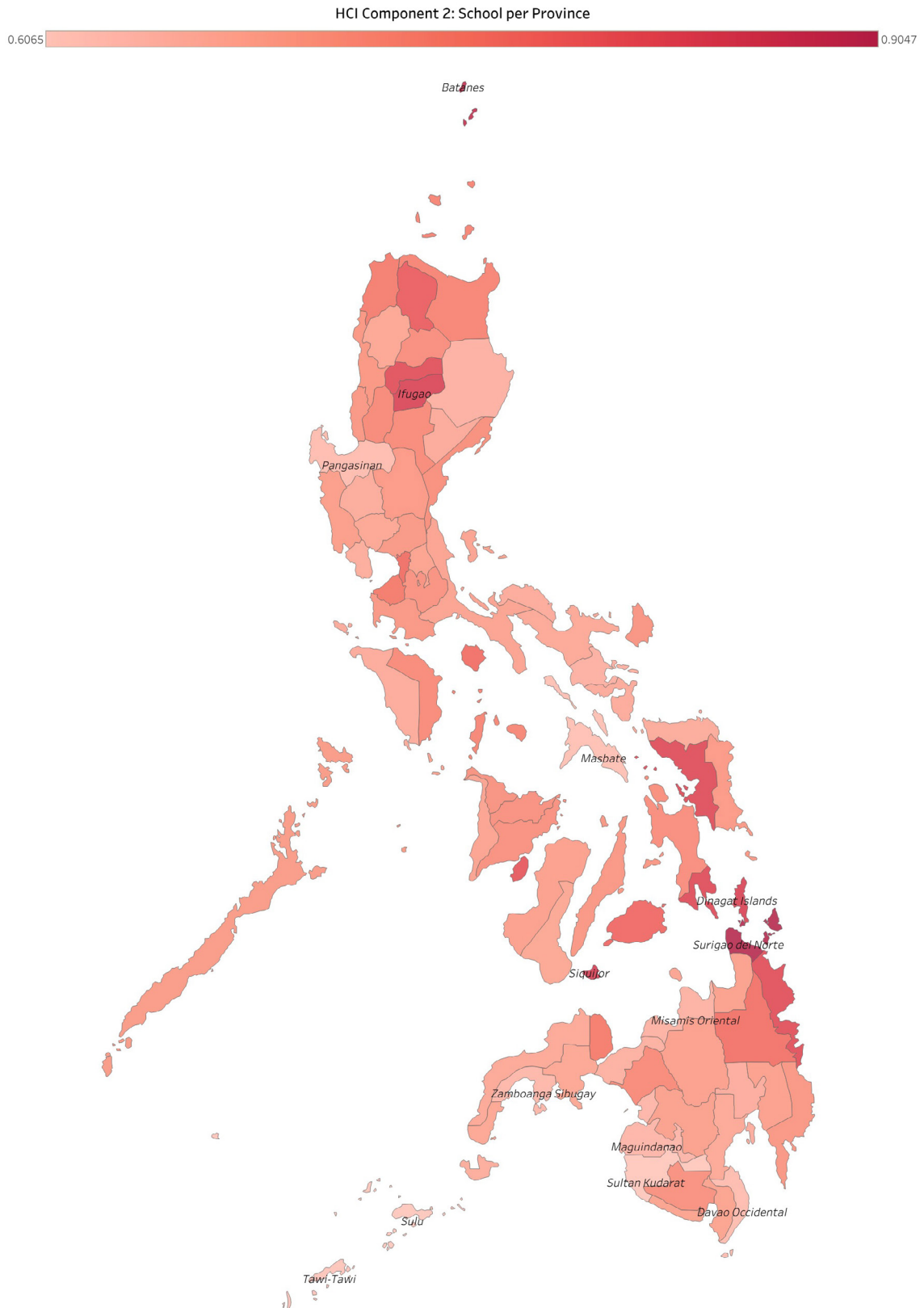


Figure 5.2. HCI Component 2: School



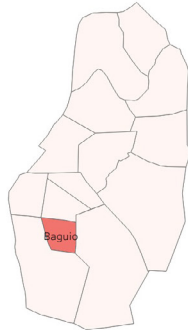
HCI Component 2: School in Highly Urbanized Cities



National Capital Region (NCR)



Cordillera Administrative Region (CAR)



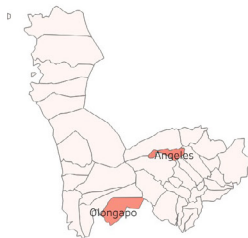
Ilocos Region (Region I)



Cagayan Valley (Region II)



Central Luzon (Region III)



CALABARZON (Region IV-A)



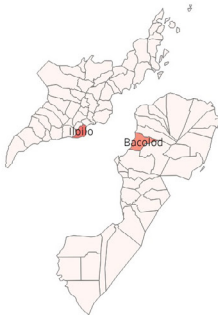
MIMAROPA (Region IV-B)



Bicol Region (Region V)



Western Visayas (Region VI)



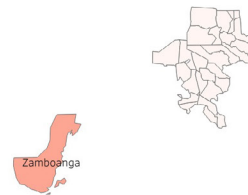
Central Visayas (Region VII)



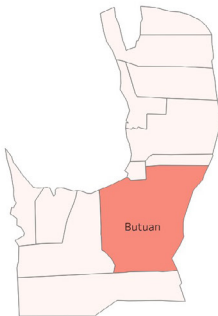
Eastern Visayas (Region VIII)



Zamboanga Peninsula (Region IX)



Caraga (Region XIII)



Northern Mindanao (Region X)



Davao Region (Region XI)



SOCCSKSARGEN (Region XII)

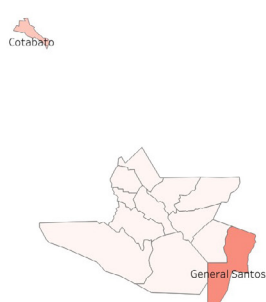
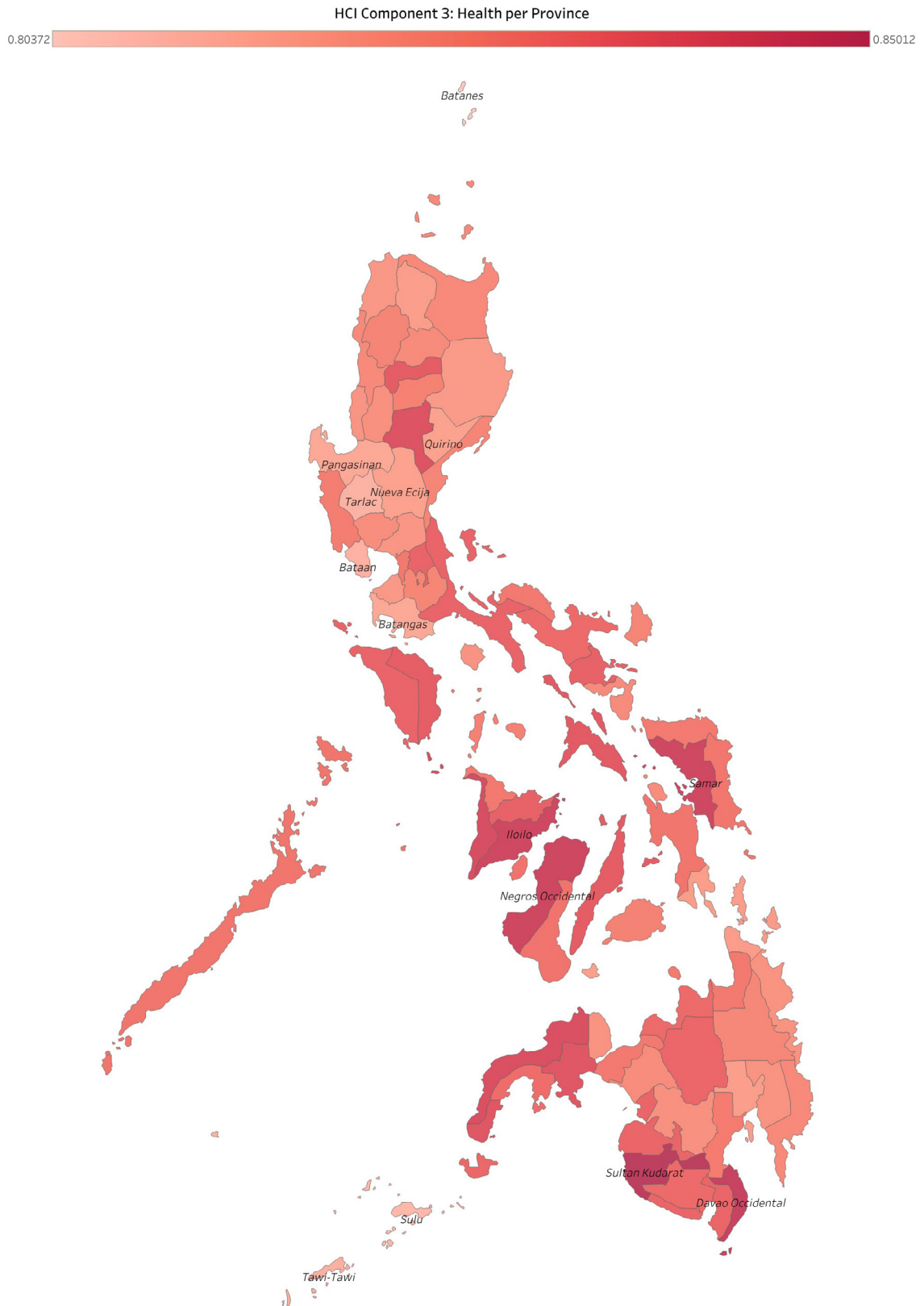


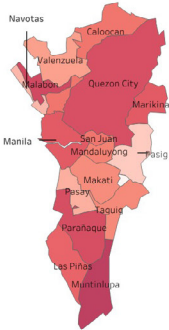
Figure 5.3. HCI Component 3: Health



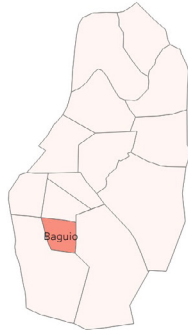
HCI Component 3: Health in Highly Urbanized Cities



National Capital Region (NCR)



Cordillera Administrative Region (CAR)



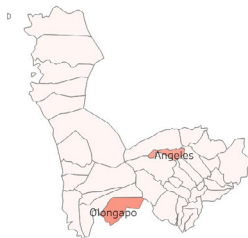
Ilocos Region (Region I)



Cagayan Valley (Region II)



Central Luzon (Region III)



CALABARZON (Region IV-A)



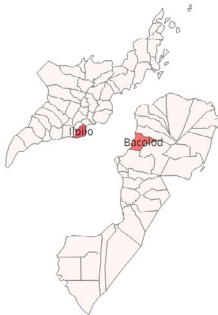
MIMAROPA (Region IV-B)



Bicol Region (Region V)



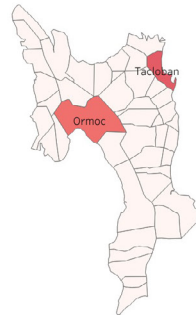
Western Visayas (Region VI)



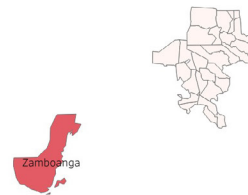
Central Visayas (Region VII)



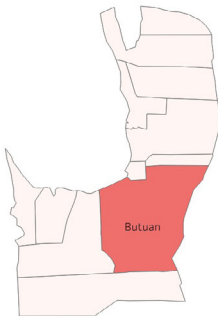
Eastern Visayas (Region VIII)



Zamboanga Peninsula (Region IX)



Caraga (Region XIII)



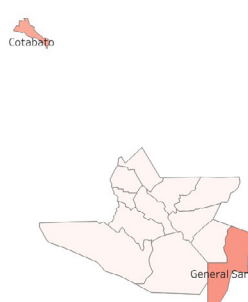
Northern Mindanao (Region X)



Davao Region (Region XI)



SOCCKSARGEN (Region XII)

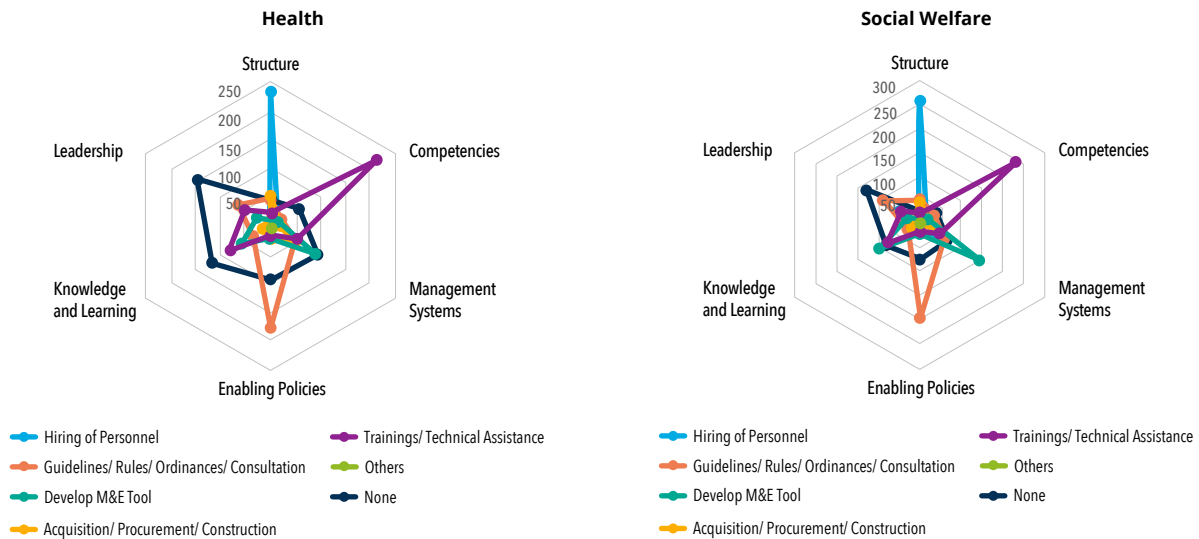


Annex 4

Financing and Public Financial Management— Additional Figures

For interventions in the health and social protection sectors, 142 cities reported needing capacity development mostly on competencies, structure, enabling policies, and management systems; the health sector also needed leadership and knowledge and learning.

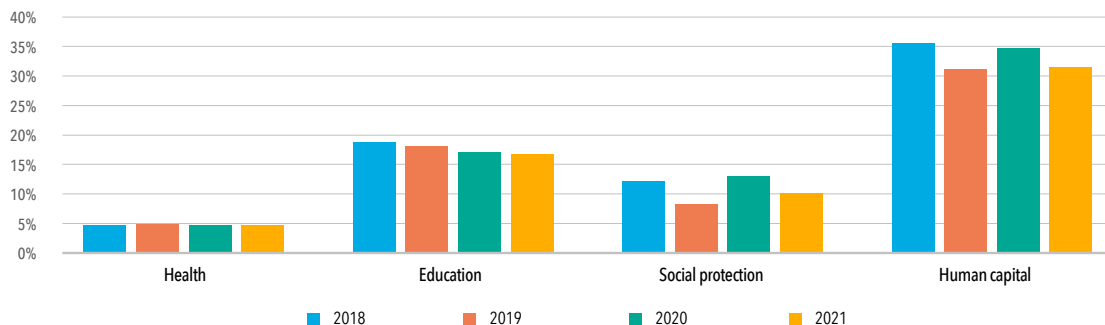
Figure 5.4. Reported Needs from Cities from the Baseline Study on the State of Devolution in the (Pre-Mandanas) Philippines



Source: Juco, M., Maddawin, R., Palomar, R.H., Ruiz, M.G., and Diokno-Sicat, C.J. 2023. Baseline Study on the State of Devolution in the (Pre-Mandanas) Philippines. PIDS Discussion Paper Series No. 2023-09. Manila.

Between 2018 and 2021, the government’s share of total expenditures was, on average, 5 percent for health, 11 percent for social protection, and 15 percent for education.

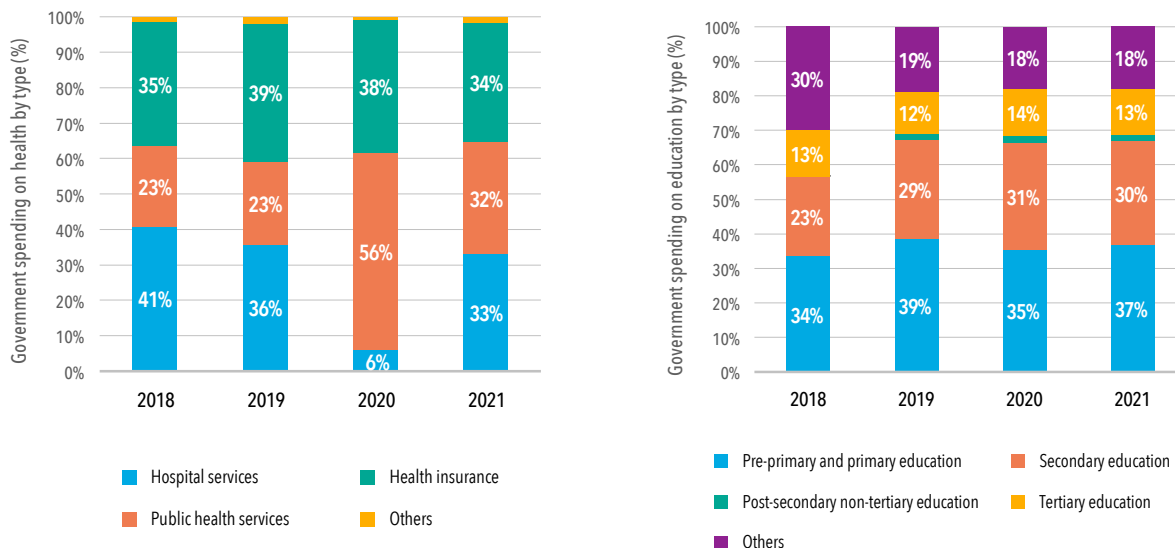
Figure 5.5. Government’s Share of Total Expenditures by Sector, 2018–2021



Source: DBM’s budget expenditures and financial statement (BEFS)

In response to the COVID-19 pandemic, the Government’s priority spending on health shifted from hospital services to public health services and health insurance. Additionally, Between 2018 and 2021, the Government prioritized spending on pre-primary and primary education, and secondary education respectively.

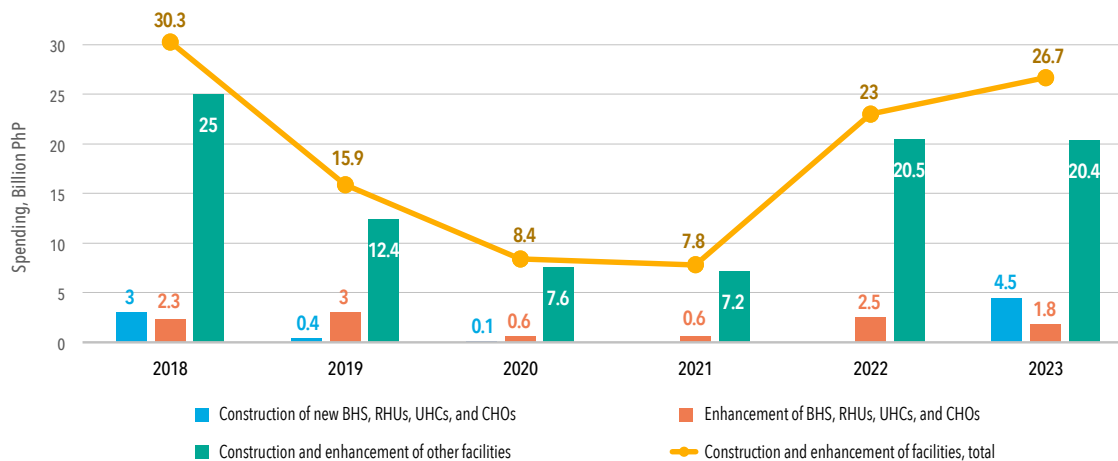
Figure 5.6. Government’s Allocation of Health and Education Expenditures Across Subsectors, 2018–2021



Source: DBM’s budget expenditures and financial statement (BEFS)

The Philippines’ spending on public health facilities dipped by 75 percent between 2018 and 2021, but quickly recovered by more than tripling between 2021 and 2023.

Figure 5.7. Spending on Public Health Facilities, Billion PHP, 2018–2023



Source: DBM’s general appropriation act (GAA) 2018-23

LGUs spent, on average, 32 percent of the NG transfers on human capital or social sectors between 2018 and 2022. But while the transfers increased by 34 percent between 2021 and 2022, the allocation of the transfers to human capital sectors decreased by five percentage points.

Table 5.2. LGU Spending of NG Transfers on Human Capital or Social Sectors, 2018 - 2022

Recommendation	2018	2019	2020	2021	2022	Average share, 2018-2022	Allocation change 2021-2022
IRA annual growth rate		19%	12%	18%	34%	20%	16%
Share of LGUs spending on human capital in NG IRA	25%	34%	32%	33%	28%	32%	-5%
Education	5%	8%	7%	6%	7%	7%	1%
Health, Nutrition, and Population Control	16%	16%	16%	17%	13%	16%	-4%
Social services and social welfare	9%	9%	9%	10%	9%	9%	-1%

Source: Authors' calculations using data from the COA's annual financial reports for LGUs

Annex 5

Qualitative Research Methodology

Case Selection

This study conducted qualitative research to understand how human capital development is pursued at the subnational level. It sought to understand how basic services are planned and delivered at the city and municipal level to determine key bottlenecks and enablers of human capital development. Provinces that show high and low human capital index (HCI) scores were identified based on computations by the researchers. From there, six cities and municipalities were purposely selected from the high-performing and low-performing provinces to showcase varying income classes and geographic contexts of LGUs. Three provinces were also selected from Luzon, Visayas, and Mindanao to add additional context to data gathered in the cities and municipalities. Valenzuela City was identified as a pilot site for convenience.

Data Collection

An interview guide was developed to gather data for the case studies. This was piloted onsite in Valenzuela City. Semi-structured key informant interviews were primarily used to gather data. The study team visited local healthcare facilities, schools, and daycare centers in the LGU. Respondents include a local chief executive, city councilors, a city administrator, and representatives from the following offices: 1) city/municipal/provincial health office; 2) city/municipal/provincial development planning office; 3) city/municipal/provincial social welfare and development office; 4) city/provincial public employment services office; and 5) basic education schools division office; and 6) staff present at the facilities visited onsite (e.g., hospital medical director, primary care physicians, principal). Secondary data from desk reviews were also used to provide additional context.

Interview questions were guided by the following topics: 1) Key challenges in the human capital sectors; 2) Prioritization; 3) Support for programs; 4) Policies and programs; 5) Budget and public financial management for human capital development; 6) Cross-sectoral collaboration; 7) Quality standards, 8) The impact of recent crises; 9) Good practices; and 10) Current issues.

Of the six selected cities and municipalities, the team was able to conduct one face-to face interview (i.e., Navotas) and three online interviews (i.e., Villareal, Western Samar; Surigao City, Surigao del Norte; and Cotabato City, Maguindanao in the Bangsamoro Autonomous Region of Muslim Mindanao [BARMM]). Of the three provinces selected, only Surigao del Norte participated. Manila, Mobo, Catarman, the Province of Northern Samar, and the Province of Western Samar were unable to participate due to scheduling conflicts in connection with the barangay elections, and other LGU preparations and unforeseen circumstances such as an earthquake and severe flooding (Table 5.3).

Table 5.3. Summary of LGUs Interviewed

LGU	Province	Region	Income classification	Mode	Date of interview
Valenzuela (Pilot)	Metro Manila	NCR	Highly-urbanized city	On-site	Thursday, October 12, 2023
Navotas	Metro Manila	NCR	Highly-urbanized city	On-site	Tuesday, October 24, 2023
Surigao City	Surigao del Norte	CARAGA	Component city	Online	Friday, November 17, 2023
Villareal	Western Samar	Easter Visayas	4th class municipality	Online	Tuesday, November 21, 2023
Cotabato City	Maguindanao	BARMM	Component city	Online	Friday, November 24, 2023 and Thursday, November 30, 2023
-	Surigao del Norte	CARAGA	2nd class	Online	Thursday, December 7, 2023

Data Analysis

Data gathered from interviews were grouped into the following key themes: 1) Context, 2) Governance, 3) Service delivery, 4) Key challenges and bottlenecks, 5) Key enablers and good practices.

Limitations

- ◆ LGUs interviewed only represent a small number of cities and municipalities in the country. They are not generally representative of the experience of other LGUs in their province.
- ◆ Due to scheduling constraints and unforeseen circumstances, it was mostly the fourth-class municipalities that were unable to participate in the interviews.

Annex 6

LGU Case Study: Valenzuela City, Metro Manila

Context

Valenzuela is a highly urbanized city in NCR. The city has a land area of 47.02 square kilometers or 18.15 square miles. It has 33 barangays divided into two districts.⁷¹ The city has a population of 714,978, comprising 5.3 percent of NCR's total population.⁷²

The poverty incidence in the city decreased by 5.4 percentage points between 2018 and 2021. In the first semester of 2021, Valenzuela recorded a poverty incidence of 3.5 percent (PSA 2021). This is a significant decrease from 8.9 percent in 2018.

Key Challenges

The impact of temporary migrants on service delivery

Temporary migration to Valenzuela is a unique challenge faced by the city. This was cited by representatives from both the health and education sectors. As part of its mandate to ensure universal access, the city has provided services even to non-residents of Valenzuela. As a result, “crossover patients” or patients from neighboring cities seeking medical care affect the supply of resources, particularly commodities such as medicines. They also place an additional strain on health centers that are already understaffed. In addition, temporary migrants create a challenge in monitoring tuberculosis (TB) cases in the city in that there are occasions when the city is no longer able to track them because they are not registered residents. A similar challenge was observed in the education sector because of its “admit all” policy; the city takes in students from neighboring cities which impacts the reporting of student outcomes. According to an interview with the LGU, the assessment results of non-residents sometimes bring down the overall results of the city and so it has to ensure that it is able to monitor outcomes for residents and non-residents separately to ensure accuracy.

Coordination with national government

Cascading information and support from the national government down to the subnational level sometimes creates a bottleneck in the efficiency of program implementation. During the height of strict COVID-19 lockdown protocols in the country, the city encountered bottlenecks in coordinating its social amelioration program (SAP) with the responsible national government agency (NGA). It was shared that although the city had already prepared a list of

⁷¹ City Government of Valenzuela. 2011. Barangays, https://valenzuela.gov.ph/the_city/barangays.

⁷² Philippine Statistics Authority. 2020. City of Valenzuela. <https://psa.gov.ph/classification/psgc/barangays/1381600000>.

beneficiaries for the SAP, the guidelines from the national agency were inconsistent. This, in turn, delayed the distribution of aid. To address this bottleneck, Valenzuela developed its own database for social protection programs and safety nets. The in-house system is used by the city to monitor and manage all social protection services. It is also used to ensure that listed individuals are validated per barangay. In an interview, city officials also mentioned that securing inputs from the city would help the NGA better understand context and help in the implementation of the national programs.

Service Delivery

Budget for programs

The approved annual budget of Valenzuela for 2023 was PHP 5.5 billion, with at least one-fifth intended to support the health sector. Of this budget, PHP 725,223,176 or 13.2 percent was intended to support the City Health Office. An amount of PHP 258,962,520 or 4.7 percent was allocated to Valenzuela City Emergency Hospital, while PHP 280,346,976 or 5.1 percent was allocated to the Public Sanitation and Cleanliness Office. Altogether, investment in health through its support for these purposes made up 23 percent of the city's annual budget. Meanwhile, about four percent went to the education sector through support for the City Kindergarten, the Valenzuela Polytechnic College, and the Pamantasan ng Lungsod ng Valenzuela (PLV). Among these, PLV received the largest share (PHP 164,823,432 or three percent of the annual budget); followed by the Valenzuela Polytechnic College (PHP 55,369,272 or one percent); and the City Kindergarten (PHP 2,888,631 or less than one percent).⁷³

A big portion of spending on education was said to be taken from the Special Education Fund (SEF) of the city, which enabled the city to provide universal access to education and to provide compensation for daycare teachers. According to an interview with the LGU, another PHP 800 million was allocated to education through funding from the local school board (LSB), 62 percent of which was allocated to maintenance and operational expenses. Because of the large allocation for education, the City took pride in its ability to provide universal access to education and to enforce a "no collection" policy from preschool to basic education. It was also able to provide affordable education through its city-funded institutions (i.e., PLV and the Valenzuela Polytechnic College). Notably, of the budget allocated to personnel services, 10.7 percent was dedicated to expenses for daycare teachers including salaries and wages, personal economic relief allowance (PERA), clothing and uniform allowance, a year-end bonus, a cash gift, as well as retirement, insurance, and health benefits.

The private sector also provides funding support for programs. The City of Valenzuela establishes partnerships with non-government organizations (NGO) and private companies to enable the implementation of programs in various sectors. Examples include private sector support for the Education 360° Program and the Disiplina Village project.

⁷³ City of Valenzuela Sangguniang Panlungsod. 2022. Ordinance No. 1063, series of 2022, <https://valenzuela.gov.ph/mcas.ms/files/budget/eb16fe2b178392933dd8b10d3a579dc1.pdf?McasCtx=4&McasTsid=15600>.

Key Programs

Valenzuela City has institutionalized several programs to deliver health, education, and social services to its population.

3S: One-stop shop for basic services

The city has established 3S or “Sentro ng Sama-samang Serbisyo” (i.e., one-stop shop) centers in its barangays that deliver government services in one place. 3S centers abide by Valenzuela City’s anti-graft and corruption platform to guarantee transparency and good governance that is, “Simple Processes, Speed in Delivery, and Service Excellence.”⁷⁴ The first 3S center was inaugurated in Barangay Poblacion in 2014.⁷⁵ These centers are also known as “little city halls” and serve as a “one-stop shop” for basic services such as health, education, and social assistance in barangays. In 2022, the city reportedly opened its 24th 3S center in Barangay Tagalag, providing residents access to the barangay hall, barangay health station, daycare center, ALS center, *Sangguniang Kabataan* (SK) office, and a multi-purpose hall all in one place.⁷⁶ These were also described to be the “peripheral nerves” of the City Government during disasters and emergencies.⁷⁷ The 3S center in Barangay Karuhatan also features a fire station, a 4Ps coordinator, and a licensing office. With the 24th 3S center, at least 73 percent of barangays in Valenzuela City now have a 3S center.

Health

Barangay health stations serve as the first point of contact for patients. Hospital referral is said to be enabled by the city’s central data system. Barangay health stations in Valenzuela City keep written and digital records of their patients for documentation and monitoring. For example, the barangay health station in Barangay Karuhatan keeps a written record of each patient, as well as a record of patients categorized by need (e.g., maternal services, child immunization, nutrition services, and senior citizen medication). Then, the barangay health station encodes patient records into the city’s centralized electronic data system for easy referral to the Valenzuela Medical Center when the next level of care is needed.

Education

The Education 360° Investment Program is an institutionalized program to promote the holistic development of children. This is an ongoing program of the city that seeks to improve learning outcomes of children through a holistic and participatory approach. Institutionalized through City Ordinance No. 324, series of 2016, components of the program include learning recovery interventions for students (e.g. reading camp for non-readers and frustrated readers⁷⁸;

⁷⁴ ValenzuelaWorks.PH. 2015. Valenzuela City’s 3S Plus in Public Service Program, <https://valenzuela.gov.ph/valenzuelaworks/?page=3splus>.

⁷⁵ Journal Online. 2022. Valenzuela launches 3S Center, <https://journalnews.com.ph/valenzuela-launches-3s-center/>.

⁷⁶ Journal Online. 2022. Valenzuela launches 3S center, <https://journalnews.com.ph/valenzuela-launches-3s-center/>.

⁷⁷ Metro News Central. 2020. Valenzuela opens 3S Center Dulong Tangke extension, <https://metronewscentral.net/valenzuela/metro-cities/valenzuela-opens-3s-center-dulong-tangke-extension>.

⁷⁸ Non-readers are described as those who do not have even the foundational skills to put together words; frustrated readers, on the other hand, are those who might recognize some words but have difficulty decoding or reading most words and have difficulty with comprehension. <https://valenzuela.gov.ph/article/news/10242>.

Project TokBuk or advocacy campaigns to encourage out-of-school youth to participate in the ALS; capacity-building programs to increase parental involvement; teacher training; and in-school feeding. The program is a city-wide initiative that involves all public schools, parent volunteers, and support from the private sector to contribute to its implementation. As a result, the city has seen improvements in reading outcomes and nutrition status of participating students.

Public schools in the city enable access to free and affordable early childhood to tertiary education, especially to underprivileged students. To deliver early childhood education, the city has established daycare centers or child development centers in every barangay. Valenzuela City reportedly established its 84th and 85th daycare centers in 2019.⁷⁹ This means that it has exceeded the national mandate to establish at least one daycare in every barangay as prescribed by RA 6972. It is estimated that these centers can cater to 9,444 children or about 14 percent of the 0 to 4 population in the city.⁸⁰ In addition, according to an interview with the LGU, these daycare centers implement a “no collection” or tuition-free policy, which enables participation in preschool education for all.

Aside from its other public schools under DepEd, the city has established the Valenzuela City School of Mathematics and Science (VALMASCI) as its local public science high school. VALMASCI is said to cater to 1,080 students and to provide a PHP 15,000 annual allowance to 200 high-performing, underprivileged students. Along with funding of about PHP 1.5 million from DepEd, the city provides another PHP 5 million for the maintenance and operation of this school, as well as for the salaries of its non-teaching personnel.⁸¹ A 4Ps focal person is said to monitor learners in connection with the financial aid provided to underprivileged students. VALMASCI prides itself with its science, technology, engineering, and mathematics (STEM) program. It has reportedly produced 56 Department of Science and Technology (DOST) scholars, and one Massachusetts Institute of Technology enrollee.

The Pamantasan ng Lungsod ng Valenzuela (PLV) and the Valenzuela Polytechnic College are the city’s public colleges. PLV is a city-funded higher education institution that offers undergraduate and graduate degree programs to “the less fortunate but deserving students of the city.”⁸² It is said to offer the Dr. Pio Valenzuela Scholarship Program for qualified indigent Valenzuela residents in Grade 12.⁸³ Meanwhile, the Valenzuela Polytechnic College, also known as “Val Poly” and formerly known as Valenzuela Manpower, is a public technical college that is said to provide a four-year ladderized degree program in Technical Teacher Education; a two-year course in Computer Technology; and short-term technical courses in Electrical Installation Maintenance, Dressmaking, Bread and Pastry Production, Shielded Metal Arc Welding (SMAW) and Consumer Electronics Servicing. Val Poly also offers a senior high school program featuring various Technical-Vocational-Livelihood (TVL) specializations.⁸⁴

⁷⁹ City Government of Valenzuela. 2019. Valenzuela City Opens 84th, 85th Daycare Centers, <https://valenzuela.gov.ph/article/news/12909>.

⁸⁰ This estimate is based on the reported figure of 8,000 children enrolled in 72 daycare centers in 2011, <https://valenzuela.gov.ph/article/news/745>.

⁸¹ Based on an interview with a representative from Valenzuela City School of Mathematics and Science

⁸² City Government of Valenzuela. n.d. Pamantasan ng Lungsod ng Valenzuela, <https://valenzuela.gov.ph/government/article/38>.

⁸³ Edukasyon.ph. 2023. Pamantasan ng Lungsod ng Valenzuela, <https://www.edukasyon.ph/schools/pamantasan-ng-lungsod-ng-valenzuela>.

⁸⁴ Edukasyon.ph. 2023. Valenzuela City Polytechnic College, <https://www.edukasyon.ph/schools/valenzuela-city-polytechnic-college>.

Social protection

In collaboration with the private sector and the national government, Valenzuela established the **Disiplina Village as its flagship socialized housing program to provide safer and more sustainable housing for informal settler families living in danger zones**. What originally began as a response to communities affected by Typhoon Ketsana (i.e., Tropical storm Ondoy) that inundated many parts of Metro Manila in 2009, Disiplina Village is now the largest in-city resettlement site in the Philippines for informal settler families (ISF). There are two Disiplina Villages in Valenzuela – one in Barangay Ugong and another in Barangay Bignay. Together, they house more than 4,500 families. In 2022, another site in Barangay Bignay was established and was expected to serve an additional 1,200 families.⁸⁵ Partnerships with private companies enabled the construction, electrification, and water supply of these communities. An NGO also aids in running values formation programs, in implementing the community development plan, and in mentoring community leaders on self-governance. Basic services and facilities are provided by the local government, such as a daycare center, a 3S center, schools, and health facilities, within the community or within walking distance. Residents of these communities have a “Home Space Agreement” which lists some of their conditions for staying. They must maintain the condition of their houses, cultivate good relationships with their neighbors, render services to the community, and participate in community-building activities. In 2011, the *Sangguniang Panlungsod* (i.e., City Council) institutionalized the program through City Ordinance No. 36, series of 2011 or the “Ordinance Establishing Disiplina Village as the Flagship Socialized Housing Program of Valenzuela City”. This is to ensure that the local government provides basic services and funding to the community and sustains a rental cost of only PHP 300 a month.⁸⁶ Following the completion of the new site in Barangay Bignay in 2022, the city is looking to establish two more Disiplina Villages in Barangay Arkong Bato and another one in Barangay Ugong.⁸⁷

Valenzuela is named as the executive model for the “Integrated Community Food Production Program (ICFP)”. In coordination with the National Anti-Poverty Commission (NAPC), Valenzuela advocates sustainable food sources and livelihood in the city. Through the ICFP, the produce of farmers will be purchased directly by the city; thus, cutting costs in its feeding program while providing sustainable livelihood to its partner farmers. Considering ICFP’s success in Valenzuela, NAPC will roll out the program nationwide in various relocation sites and communities in the country.

Governance

Prioritization

The city’s top priorities include: 1) health; 2) education; 3) peace and order; 4) infrastructure; and 5) environmental projects. These priorities are determined through consultations on the ground during the campaign period and based on available data on existing problems in the city.

⁸⁵ City Government of Valenzuela. 2022. Bagong Bahay, Bagong Buhay: Valenzuela City Wraps up Disiplina Village Bignay, <https://valenzuela.gov.ph/article/news/14433>.

⁸⁶ Galing Pook. 2017. Disiplina Village: Bagong bahay, bagong buhay, <https://galingpook.org/what-we-do/awards/awardees/disiplina-village-bagong-bahay-bagong-buhay/>.

⁸⁷ National Housing Authority. 2022. NHA and Valenzuela City officially conclude the Disiplina Village project, <https://nha.gov.ph/nha-and-valenzuela-city-officially-conclude-the-disiplina-village-project/>.

Shared priorities across branches of local government enable the efficiency of enacting ordinances for the implementation of projects in Valenzuela. According to an interview with the LGU, the process of obtaining approval for proposed PPAs is efficient. City ordinances are said to be quickly reviewed, enacted, and executed because of the membership of LGU officials. The local chief executive down to the barangay captains belong to the same political party. On average, the City Council can enact one city ordinance per month. And, in the case of ordinances tagged as “urgent” by the local chief executive, the City Council is able to enact these within two weeks.

Open communication with barangays also contributes to the efficiency of enacting ordinances. As members of the same political party, it is said that barangay officials can openly raise issues and concerns to the executive and legislative branches. On the other hand, it is said that the City Council also consults with barangay officials as part of its pre-work for enacting ordinances. With open communication, the city is able to swiftly enact and execute ordinances.

Meritocratic system

All projects funded by Valenzuela must have an enacted city ordinance or resolution to facilitate its funding and execution. PPAs cannot be implemented without an approved ordinance. This practice is in compliance with the Local Government Code (RA 7160). According to an interview with the LGU, the city’s annual budget is the most important ordinance that needs to be approved by the City Council, following its AIP. To enact its annual budget, the city follows the budget process mandated for all LGUs.

Citizen feedback and data collection

Valenzuela has an in-house database system to monitor and manage its social protection programs and safety nets. This system is used by the city to track its social protection services and ensure that listed individuals are validated per barangay. Data cleansing is conducted twice a year with the help of city volunteers and barangays.

Key Enablers and Good Practices

3S Principle

The 3S in Public Service Program is a systematic and holistic approach to service delivery that stands for “simple processes, speed in delivery, service excellence.” Originally intended to streamline government transactions and enable ease of doing business through the digitalization of processes (Nacionales et al. 2022), this principle continues to evolve and to serve as a foundation for efficient public service delivery in Valenzuela City. Further upgraded as the “3S Plus” Program, the city is continually expanding the use of technology to aid in government transactions and link the information and communication technology (ICT) systems of its finance offices. This initiative is said to result in an average annual income growth of 12 percent; it also enables the city to derive 57 percent of its income from local resources.⁸⁸

⁸⁸ ValenzuelaWorks.PH. 2015. Valenzuela City’s 3S Plus in Public Service Program, <https://valenzuela.gov.ph/valenzuelaworks/?page=3splus>.

In addition, 3S Plus has led to the creation of 3S centers or physical establishments that enable residents not only to conduct government transactions with ease, but also to access health, education, and social services in one place. Overall, the practice of systematizing processes and digitalizing systems for efficiency is evident in other ways in Valenzuela. Some examples are the establishment of an in-house database for social protection programs and its central data system for hospital referral.

Institutionalization of key programs

The enactment of ordinances to institutionalize good local programs and enables their continuity. For example, the institutionalization of the Education 360° Investment Program through Ordinance No. 324, series of 2016 mandates the city to continue to allocate a portion of its Special Education Fund (SEF) and its General Fund for the implementation of the program. In addition, specifying its components allows the city to allocate funds for these purposes. Another example is the Disiplina Village institutionalized through Ordinance No. 36, series of 2011 that allocates funds for this housing program and establishes mechanisms that inform its expansion or replication. Meanwhile, support for underprivileged and deserving students is guaranteed through Ordinance No. 317, series of 2016. This enables them to attend the Valenzuela City Math and Science High School. The initiative of the local government to systematize and institutionalize local programs that work allows it to sustain these initiatives.

Collaboration with other sectors

A participatory approach enables Valenzuela City to leverage and mobilize the resources of the community to successfully implement city-wide programs. Though there are ordinances that mandate the local government to support its key programs, collaboration with other sectors enhances the success of these initiatives; it also helps ensure that there is sufficient funding to implement various components of key programs. For example, Valenzuela is able to sustain its in-school feeding program with the support of ACED. In addition, it encourages parents to provide human resource support to operate the central kitchen where food is prepared for the program. On the other hand, the construction of several Disiplina Villages with electricity and water supply is made possible with the help of San Miguel Foundation Inc., One Meralco Foundation, Maynilad, and the National Housing Authority.

All in all, these elements enable Valenzuela to respond to the needs of its constituents and create a community that is generally self-sufficient. First, as the 3S in Public Service Program results in the generation of more revenue, it increases the city's financial capacity to invest in its local programs. Second, because it ensures that good programs are institutionalized through the enactment of ordinances, Valenzuela City can systematically expand and continue these programs and allocate a budget for such. Third, leveraging cross-sectoral partnerships and proactively seeking support outside of its own capacity allows the city to pool together resources to sustain its local programs, especially those intended for its low-income population. The sustainability of programs is especially helpful during times of need. This was true during the COVID-19 pandemic when the Central Kitchen used for in-school feeding programs was converted to a kitchen that served frontline workers. Finally, because the city has sufficient resources to implement basic services and programs, it enables access to education, housing, and health services that are either free or affordable.

Annex 7

LGU Case Study: Navotas City, Metro Manila

Context

Navotas is a highly urbanized city along the coast of Metro Manila that is known to be one of the densest cities in the Philippines. Dubbed as the fishing capital of the country, Navotas is home to 250,000 residents, many of whom are indigent fisherfolk and manual laborers in the piers. Because of its geography, only 60 percent of its land is deemed habitable.

Prioritization of Human Capital Sectors

The city has several programs to enable access to healthcare and education for its low-income population.

Promoting good health and preventing the spread of diseases are seen as a priority investment for the future productivity of its citizens. First, Navotas has been making efforts to ensure that all residents are enrolled in PhilHealth so that they can avail themselves of financial and medical assistance benefits. Second, it is working towards ensuring that its health centers are PhilHealth-accredited so that PhilHealth members can use their health insurance benefits in the city's primary care facilities. Third, one of its notable achievements is the establishment of the Navotas City Hospital in 2015, which now serves as an end-referral hospital in the city that provides free and affordable medical care to its residents. This hospital is PhilHealth-accredited and is also a *Malasakit* Center. This means that indigent residents, of which the city has many, can avail themselves of financial and medical assistance from national government agencies within the city hospital. In addition, the hospital implements a no-balance billing policy for qualified patients; this allows poor patients to avail of medical care for free. Finally, as it has established a digital hospital referral system within the city, most barangay health centers are able to efficiently refer patients in need of next-level care to the city hospital.⁸⁹

Investment in education is also a priority as the city regards its citizens as its primary resource. First, it provides tuition-free early childhood education to children under five. Second, it offers a Kindergarten catch-up program to help children who are not in school. This is especially useful to those who may be out of school due to special cases such as family problems and indigency or transitioning into the basic education system of the DepEd. Third, it provides scholarships to incoming first year students in high school and college, as well as to teachers intending to pursue further studies. In addition, it has a scholarship program particularly intended to aid students from fisherfolk families. Finally, though it has yet to expand its classrooms and course offerings, the establishment of the Navotas Polytechnic College demonstrates its commitment to providing affordable education to its residents.

⁸⁹ Around 9 out of its 11 health centers use BizBox, the city's hospital information system.

Key Challenges to Human Capital Development

Geography is a major barrier to the improvement of services and the quality of life in Navotas.

As a coastal city, flooding used to be a major problem that disrupted daily life 200 days a year. It has, however, addressed this issue through the installation of 60 pumping stations around the city. Now, it faces the challenge of limited land. It is currently unable to build new infrastructure to expand its schools, build more housing, and establish new businesses to generate more revenue. The lack of space for additional housing projects also results in an informal settlement problem that leads to issues in water, sanitation, and hygiene. The city is said to be working towards expropriating land to address this limitation.

Respiratory diseases such as TB and non-communicable diseases such as hypertension are common health issues in Navotas.

First, odd work hours⁹⁰ for fishermen and manual laborers at the port put them at risk for weakened immune systems. This results in susceptibility to respiratory diseases such as TB, which is prevalent in the community. To address this, the City provides free medicines to treat this disease. A PHP 3,000 per patient incentive is additionally offered for completing TB medications. Second, since *patis* or fish sauce is the city's primary product and is commonly used in meals, there is a high incidence of hypertension among its residents. Third, the presence of 36 cold storage units used to store fresh fish produce has caused an ammonia leak problem; this is known to pose a risk of lung damage or death.

Malnutrition was described as a silent pandemic in Navotas.

Undernutrition was seen to worsen for children under five during the pandemic as the provision of nutrition interventions, such as micronutrient supplementation, were hampered during this time. Aside from this, a slight increase in the incidence of overweight/obesity in children under five was also observed. To address this, the City Government has taken to social media to conduct webinars that promote proper nutrition.

Learning poverty is a key challenge in education.

There is a 44 percent learning poverty rate in the City of Navotas. Though this is below the national average, it continues to limit the educational attainment of the people of Navotas. Due to the limited availability of classrooms and courses in its public college, most Navoteños are unable to complete tertiary education, which limits their options for work and ultimately perpetuates the cycle of poverty in the city. At present, the City is trying to address illiteracy through programs that focus on building foundational reading and literacy skills between Kindergarten to Grade 6. Navo Reads or *Basa Navoteño* is one of these programs.

Key Enablers and Good Practices

A clear mandate from the local chief executive and shared commitment across sectors and branches of government enable the pursuit of human capital development.

This is evident in the city's investments in its programs, especially to support vulnerable populations; it is also present in its ability to gain the support of sectors and barangays for its programs.

⁹⁰ It is said that a part of the city wakes up in the evening because 6 pm to 3 am is the common work shift of laborers in the piers. In fact, some banks that are close to the piers have a special night shift to cater to this population.

The City Government's initiative to find ways to address its limitations shows that it is committed to improving the quality of life of its residents (e.g., implementing a flood control program, establishing a city hospital, taking out a loan to upgrade its healthcare facilities, expropriating land, allocating a budget for the procurement of medicines for non-communicable diseases).

Institutionalized and digitalized systems enable the pursuit of a holistic approach to the delivery and improvement of basic services. According to respondents, more is accomplished when the whole city is involved rather than when it operates in silos. For example, in the health sector, its hospital referral system enables coordination between barangays and the Navotas City Hospital. Another example is the Text JRT system, which enables citizen feedback and participation. This system was especially useful during the pandemic as a channel for queries, information dissemination, and citizen involvement in the selection of vaccines for procurement. The city is also said to be developing an ICT system that will serve as a unified repository of data to monitor outcomes that can inform future investments.

Annex 8

LGU Case Study: Surigao City, Surigao del Norte

Context

Surigao City is a coastal component city in the Caraga region that serves as the provincial capital of Surigao del Norte. It is geographically located along the northeastern coast of Mindanao. It has 54 barangays, of which 21 are island barangays. Known for its agriculture, fishing, and mining industries, the City of Surigao is the center of economic activity for the province of Surigao del Norte ([Japan International Cooperation Agency n.d.](#)). Tourism is also known to be a main economic driver of the Caraga region, of which Surigao City is part ([Philippine News Agency 2023](#)). Surigao City has a population of 169,853, comprising 32 percent of the total population of Surigao del Norte (Philippine Statistics Authority 2020). It is the only city in the Province of Surigao del Norte, which is comprised mostly of fourth and fifth class municipalities.

Key Challenges and Bottlenecks

Geography

Two fifths of its 54 barangays are island communities that require special transportation for the delivery of services. Sea transport is needed to travel to and from the 21 island barangays of Surigao City. This is particularly challenging for CHO because it does not have official sea vehicles at its disposal to visit these communities. As an alternative, the CHO borrows vehicles from DepEd or from the barangays themselves. Sometimes, it also uses the personal vehicle of the local chief executive or borrows transportation from the Philippine Navy or Coast Guard. Although the CHO has an allocated budget for fuel expenses, borrowing vehicles can be costly and prematurely exhaust their budget for the year; the Navy or Coast Guard vehicles require a large fuel consumption. To address this constraint, the CHO has already requested a pump boat for each of its 21 island barangays that can carry 10 to 15 people so that it can more readily deliver services to these areas.

Surrounded by water, Surigao City was one of the areas badly hit by Typhoon Rai (locally known as Super Typhoon Odette) in 2021, resulting in the destruction of almost all of its barangay health stations. Typhoon Rai is known to be one of the second costliest typhoons that has hit the Philippines since Typhoon Haiyan (also known as Yolanda) in 2013, which brought about torrential rains, violent winds, landslides, and storm surges in one portion of Luzon and several provinces in the Visayas and Mindanao. Among those badly hit was Surigao City. As a result, almost all the city's barangay health stations were destroyed, with island barangays most affected and two to five out of the 54 barangay health stations in the city still in tents due to ongoing reconstruction. Financial support for repairs and reconstruction is said to be provided through the HFEP of the Department of Health (DOH). Aside from the physical destruction of facilities, the typhoon also negatively impacted the accomplishment of the city's immunization program; the CHO could no longer track some children who were displaced by the typhoon.

Shortage of financial and resource capacity

A small budget is a challenge across sectors. In the health sector, this limits the supply of medicines in its primary care facilities, such as antibiotics and cold and cough medicines; it also limits medical supplies and equipment for its birthing facilities, such as oxytocin, gloves, and IV fluids. The small budget for medicines is said to particularly hamper available treatment for HIV/AIDS. Due to medicine shortages, there are patients who are left with no choice but to buy the medicines they need. To address this, the city is working towards the PhilHealth accreditation of its main facilities and facilities in its four health districts. This way, patients can avail themselves of insurance benefits and alleviate the burden on the LGU to shoulder expenses that can be covered by PhilHealth. In terms of education, child development centers (CDCs) are not given sufficient attention, leading to a small budget to operate these. As a result, child development workers themselves would sometimes bring things from their home to classrooms. Nonetheless, the LGU provides resource augmentation (e.g., provision of gasoline tanks and burner stoves) to help operate the CDCs. This way, they can continue to implement the supplementary feeding program (SFP). It also provides financial support to pay for the salaries of child development workers who are generally given low compensation. Meanwhile, the City Social Welfare and Development Office (CSWDO) shared that, because of the many programs it implements, it is sometimes unable to provide social assistance to all and instead refers constituents directly to the DSWD satellite office and to *Malasakit Centers*.⁹¹ The CSWDO also shared that assistance for solo parents, especially those who need to find employment, is still lacking. Finally, according to the PESO, the shortage of funds limits its ability to implement local programs and is thus only able to implement programs initiated and funded by the DOLE. In addition, a lack of funds limits the PESO's ability to expand its data gathering activities for labor market analysis.

Human resource constraints are also a key challenge. According to the CHO, it relies heavily on the Human Resources for Health (HRH) program of the DOH to deploy nurses and midwives to its barangay health stations, especially those located in island barangays. With its plan to establish two more birthing facilities to have one in each of its four health districts, the CHO anticipates that the current number of nurses and midwives employed by the city will not be sufficient to provide staff to these facilities. If the number of staff deployed through the HRH is lessened, there will be a shortage of health staff in its primary care facilities. For the CSWDO, the lack of regularly employed staff, particularly licensed social workers, impacts the implementation of social services and leads to heavy workload for its regular employees. Currently, there are only eight regularly employed social workers serving the city's 54 barangays. Although there are six contractual workers to assist, there are tasks such as social case study preparation that require the review and approval of the regularly employed social workers. These include case reports on social assistance, court-related cases, the implementation of information education campaigns on suicide awareness, as well as duty hours to implement a curfew for minors. And with no available relievers, these employees sometimes suffer from a 10am to 4am work shift. Moreover, in the early childhood education sector, politicized appointments lead to a quick turnover of child development workers. This sometimes makes it difficult for the CSWDO to find new CDWs who are dedicated and passionate, and to retain those who have been serving for a long time. Meanwhile, the lean staff of the PESO limits its ability to expand its data gathering activities for labor market analysis.

⁹¹ Malasakit Centers are centers that provide medical and financial assistance to indigent patients in one place with the support of various national government agencies. For example, a hospital that is a Malasakit Center also has a station where patients can avail themselves of financial assistance from the DSWD, Philippine Charity Sweepstakes Office (PCSO), and Philippine Health Insurance Corporation (PhilHealth) without leaving the hospital. In addition, these facilities can implement a no balance billing (NBB) scheme so that qualified patients need not spend out of pocket.

Unique challenge: The Listahanan

The *Listahanan* could be more responsive and dynamic so that it includes those who are most in need of social assistance. To receive social assistance through the *Pantawid Pamilyang Pilipino Program* (4Ps) of the DSWD, beneficiaries are required to be identified through the *Listahanan* or the National Household Targeting System for Poverty Reduction (NHTS-PR). In Surigao City, however, some otherwise qualified individuals seeking assistance are not able to receive aid because they are not listed in the *Listahanan*. The *Listahanan* is intended to objectively and systematically target the poor population to enable equity, inclusion, and budget efficiency in the implementation of 4Ps, but it can be too restrictive. First, walk-in enrollment to 4Ps is not allowed and so potential beneficiaries may be turned away by the CSWDO because they are not included in the *Listahanan*. Second, the *Listahanan* is supposed to be updated every four years but it saw delays in implementation and adoption due to the pandemic, several rounds of revalidation, and other administrative challenges. As a result, the system was unable to serve a number poor families with an immediate need, such as those with children who will be attending school. In these instances, families must wait until the next targeting round to be identified as beneficiaries. This delays the provision of aid relative to schooling. As a solution, the respondent suggested that it would be helpful to implement a mechanism where the LGUs can enroll or identify deserving beneficiaries, especially those in sitios or hamlets and in island barangays, who are hard to reach and are not always captured in the *Listahanan*. This is more responsive since it is the LGU, through the CSWDO, that is more knowledgeable about the context and situation of families in their city.

Key Enabler: Cross-sectoral Collaboration

Collaboration with the national government, at the subnational and local level, and across sectors enables the City of Surigao to augment its resources and deliver basic services at some level despite its limitations. Throughout the interview, representatives from all three sectors mentioned support from the national government and the private sector to implement their programs. For example, assistance provided by national government agencies who have more resources is especially helpful to the city in reaching their GIDAs. Partnership with the DOH enables the CHO to deliver health services to island barangays, while borrowing transportation from national government agencies helps all three offices (the CHO, CSWDO, and PESO) travel to these communities even without their own vehicles. With limited capacity to implement programs, support from other sectors is necessary to ensure that the people of Surigao City can access basic services. For example, the help of the DSWD satellite office and the presence of *Malasakit Centers* enable individuals in need to access social assistance despite the CSWDO's lack of financial resources. On the other hand, the involvement of UNICEF allows the CHO to continue the Prevention, Early Identification, Referral and Interventions for Delays, Disorders, and Disabilities in Early Childhood (PEIRIDDDEC) program even if it is a special program that does not have a mandated allocation. In addition, it was mentioned during an interview with the Province of Surigao del Norte that it sometimes provides support for the CSWDO and PESO through human resource support. Acknowledging its limitations, the Surigao City has established partnerships with other sectors and is able to leverage support from those with more resources to provide some level of basic service to its constituents. Furthermore, its effort is notable to reach its GIDAs despite its very limited capacity.

Annex 9

LGU Case Study: Villareal, Western Samar

Context

The Municipality of Villareal is a fourth-class municipality in the Province of Samar. It has a total population of 27,394⁹² and is politically subdivided into 38 barangays. Villareal is a coastal town with a land area of 98.54 square kilometers or 38.05 square miles, constituting 1.63 percent of Samar's total area. The population of Villareal represents 3.45 percent of the total population of Samar province or 0.60 percent of the total population of the Eastern Visayas region.

The poverty incidence in the municipality level decreased by 10.17 percentage points from 2012 to 2018. As of 2018, Villareal had a poverty incidence of 32.64 percent⁹³. This was a decrease of 10.17 percentage points from its poverty incidence of 42.81 percent in 2012⁹⁴.

Key Challenges

Geographically isolated and disadvantaged areas (GIDA)

The accessibility of basic services is a main challenge in the municipality, especially for its GIDA. In Villareal, five out of its 38 barangays (13.2 percent) are classified as GIDA.⁹⁵ These communities are situated in far-flung upland and island areas within the LGU. As such, delivery of services is a major concern of the municipality. These hard-to-reach communities are considered physically and socio-economically marginalized due to their distance, weather conditions, unfinished roads, and transportation difficulties. A GIDA population of 2,111⁹⁶ means that about 7.7 percent of the municipality's total population has limited access to basic services, particularly primary care. To seek medical attention, GIDA residents need to travel to the *poblacion* or central barangay to access the nearest health center. Not only does this require time, but also a budget for travel expenses. As a long-term solution, the LGU plans to construct roads to better reach GIDA communities.

⁹² Philippine Statistics Authority. 2023. Municipality of Villareal. <https://psa.gov.ph/classification/psgc/barangays/0806021000>.

⁹³ Philippine Statistics Authority: 2018 Municipal and City Level Poverty Estimates. <https://psa.gov.ph/content/psa-releases-2018-municipal-and-city-level-poverty-estimates>

⁹⁴ Philippine Statistics Authority: 2012 Municipal and City Level Poverty Estimates. <https://psa.gov.ph/content/psa-releases-2012-municipal-and-city-level-poverty-estimates>

⁹⁵ Department of Health: 2022 Geographically Isolated and Disadvantaged Areas (GIDA) List. <https://gidais.doh.gov.ph/downloads/gidalist2022.pdf>

⁹⁶ Philippine Statistics Authority: 2023 Municipality of Villareal. <https://psa.gov.ph/classification/psgc/barangays/0806021000>.

Budget and Prioritization

The municipality has limited financial resources even for its basic services. While the executive direction is to implement all the provincial priority programs in Villareal, the municipality can allocate resources only for a limited number of programs. Even the budget for priority basic services. This could be the reason for the municipality's low performance in terms of economic dynamism. In 2023, the municipality was ranked 532nd out of 660 third- and fourth-class municipalities in terms of economic dynamism, falling 21 places from its ranking in 2022. This suggests that its programs have not resulted in economic development in the municipality.

The priorities of the municipality are: 1) Agriculture, 2) Health and Nutrition, 3) Infrastructure, and 4) Social Protection. The LGU is highly reliant on support from the province and region to fund its programs. It also receives aid and fosters partnerships with party lists, NGOs, and the private sector. These organizations assist the municipality in coordinating and reaching out to GIDA barangays.

Health and Nutrition

Primary care facilities are incomplete. Without its own pharmacy and laboratory equipment such as ultrasound and x-ray, the municipality relies on its LGU network to provide these services to its residents. People with emergency cases needing major surgery or are in a critical condition need to travel from rural areas to the mainland health centers. Thus, aside from the budget for medical supplies and healthcare facilities, the municipality allocates budget for transportation to assist the people traveling from rural communities to the mainland health centers.

Education

Child development workers are not well-compensated; moreover, their appointments are sometimes politicized. Villareal has an allocated budget for building more child development and learning centers in rural communities. But the challenge of fair compensation for child development workers has yet to be addressed. In 2022, infrastructure projects⁹⁷ were accomplished by the municipality to improve its central elementary school and construct new day care centers in the municipality. To address the need for better compensation and benefits of child development workers, Villareal plans to pass an ordinance to increase the monthly remuneration of child development workers to at least PHP 3,000 a month. In the meantime, however, they receive a low compensation of PHP 1,000 a month through the city's funds, with augmentation from the barangay.

Residents have limited access to tertiary education. The absence of a higher education institution within Villareal is a barrier to the pursuit of higher education among its residents. Those interested in pursuing tertiary education need to travel to neighboring cities to enroll in a college or university. This places an additional financial burden on students to allocate a budget for transportation. In addition, weather disturbances sometimes prevent them from going to neighboring cities to study. As a long-term plan, the municipality hopes to establish within Villareal a satellite campus of one of the state universities in the province. It hopes to provide night classes for residents

⁹⁷ 2022 Commission on Audit Report, Municipality of Villareal. https://www.coa.gov.ph/wpfd_file/villareal-annual-audit-report-2022/

who need to work during daytime. Respondents expressed that this would help elevate their constituents' socioeconomic status. But this plan is still under negotiation and the municipality currently lacks the financial resources to pursue it.

Social Protection

There is a high prevalence of teenage pregnancies and rape in the municipality. The 2022 PSA National Demographic and Health Survey (NDHS)⁹⁸ shows that in Region 8 or Eastern Visayas, where Villareal is, 4.9 percent of women ages 15 to 19 years reported having been pregnant at least once. In addition, 4.7 percent of women ages 15 to 19 years in the region have been victims of sexual violence. In the province of Samar, Villareal has had the highest number of reported cases of teenage pregnancies and rape since the pandemic. Respondents attribute this to the “curiosity” of teenagers and the information from social media about sex. The Philippine National Police (PNP) is said to conduct information campaigns in schools as an effort to create awareness about these issues. However, these have not helped reduce cases of teen pregnancy and rape, which suggests that the municipality has yet to address these issues effectively.

Service Delivery

Budget Sources and Planning

The AIP and supplementary support from Party Lists, NGOs, and the private sector are sources of fund in the municipality. With prior coordination with the Provincial Governor, the Office of the Mayor sets the direction on the budget prioritization in Villareal. This is then forwarded to the Council to pass the ordinances in the municipality.

Public Financial Management

In compliance with the memoranda issued by the national agencies⁹⁹, the municipality adopts the enhanced PFMAT, and adheres to the PFM process mandated to all LGUs. As part of the mandated PFM assessment process, the municipality conducts an assessment led by the PFM Team, prepares the PFM assessment report, and furnishes the PFMIP. The PFMAT and PFMIP are used by the municipality in their budget planning. It is also updated regularly as needed by the Office of the Mayor and/or the Provincial Governor, and in preparation for internal and external audit.

Governance - Meritocratic System

The officials of Villareal and the Province of Samar are under one political party; thus, there is an efficient legislation in the municipality. Most of the elected officials in the municipality and the

⁹⁸ Philippine Statistics Authority: 2022. Philippines National Demographic and Health Survey. <https://www.dhsprogram.com/pubs/pdf/FR381/FR381.pdf>

⁹⁹ DBM-DILG-DOF-NEDA Joint Memorandum Circular No. 2015-1. Adoption of the Local Government Units Public Financial Management Reform Roadmap and Implementation Strategy, February 24, 2015. Adoption of the Enhanced Public Financial Management Assessment Tool (PFMAT) for Local Government Units (LGUs) and its electronic version, July 29, 2022. <https://www.dbm.gov.ph/wp-content/uploads/Issuances/2022/Local-Budget-Circular/LOCAL-BUDGET-CIRCULAR-NO-147-DATED-JULY-29-2022.pdf>

province are from the *Nacionalista* Party. The overall direction comes from the Governor; this is then endorsed to the Mayor and cascaded to the Council and barangay officials. Since the leadership is under one political party, Villareal can pass and implement ordinances within two sessions or within one month.

National Level Coordination and Collaboration

As a result of working closely with the national agencies, the municipality significantly increased its service delivery. Since the pandemic, there has been a significant increase in the service delivery in health and nutrition, school services, generating local resources, and social protection in the municipality.

The cascade of national programs provides limited information on how to execute them in the rural communities; therefore, the municipality has to draft separate guidelines before implementing the national programs in Villareal. The details of national programs provided to the municipality are mostly generic information. It excludes implementation guidelines for areas in GIDA. To address the gaps, Villareal drafts its own guidelines before executing the programs in the municipality.

Citizen Feedback, and Data Collection

Currently, manual gathering of feedback and data collection through barangay officials is implemented in the municipality. Villareal has yet to invest in a digital system in gathering, monitoring, validating, and managing feedback and reports of its programs in the municipality. Since there are GIDA communities and they have yet to automate the data collection, the municipality provides travel allowance to all the assigned personnel. As a long-term solution, the Council plans to pass an ordinance to digitalize the municipality's data collection, management, and validation.

Key Enablers and Good Practices

As additional financial aid and support in its service delivery to GIDA communities, the municipality fosters partnerships with Party Lists, NGOs, and the private sector. Villareal receives aid and fosters partnerships with Party Lists, NGOs, and the private sector (e.g., pharmacies and medical equipment providers). These organizations have their system in place to reach out to GIDA communities in the municipality.

For social protection, the municipality works closely with the national agencies to alleviate poverty and increase accessibility of its services to rural communities. The municipality highlighted the benefits of working closely with the national agencies in implementing programs in Villareal. For instance, the DSWD's *Kapit-Bisig Laban sa Kahirapan*—Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) helped in poverty alleviation. It also reached out to GIDA communities.

Annex 10

LGU Case Study: Cotabato City, Bangsamoro Autonomous Region in Muslim Mindanao

Context

Cotabato City is a 3rd class independent component¹⁰⁰ city in BARMM. It is composed of 37 barangays with a total population of 325,709¹⁰¹. Of these barangays, 32 are classified urban while the remaining five are rural. Prior to its transfer under the jurisdiction of BARMM in December of 2020, the City was part of Region 12 SoCkSarGen (formerly Central Mindanao). According to 2021 Poverty Statistics published by the Philippine Statistics Authority (PSA), 39.7 percent of the City's population lived below the annual per capita poverty threshold. This is an improvement from 2015 estimates of 48.7 percent and from 2018 at 42.0 percent.

Key Challenges and Bottlenecks

In health, there is limited access to public facilities and medical personnel. In Cotabato City, the ratio of public physicians to residents is 1:103,166, while for barangay health workers (BHW), it is 1:1,111¹⁰². This is significantly above the national average ratio at 1: 32,460 and 1:112 for public physicians and BHWs respectively. While there are several other private hospitals available to the public, the lack of government medical practitioners and corresponding facilities often leads to the overcrowding of rooms in the Cotabato Regional and Medical Center (CRMC)¹⁰³. This is further supported by the data on treatment-seeking behavior in BARMM in 2022 which showed that out of the population who visited a health facility or sought advice or treatment, 86.4 percent used public facilities and services, and only 13.6 percent opted for private.¹⁰⁴

Access to quality education is limited by the shortage in school buildings and other education facilities. The classroom-student ratio in BARMM for the school year 2019-2020 among public schools was at 1:40 in elementary school, 1:54 in junior high school, and 1:48 in senior high school. These ratios were higher than the national average of 1:29 in elementary school, 1:39 in junior high school, and 1:31 in senior high school. BARMM's ratios were second to NCR in elementary, and highest across all regions in junior and senior high schools. BARMM's higher ratio was attributed to having more geographically dispersed schools with some located in remote areas like in communities of indigenous peoples.

¹⁰⁰ An independent component city is independent from the province where it is located. Its charter prohibits its voters from voting for elective provincial officials. There are only 5 cities with said classification: Dagupan in Pangasinan, Naga in Camarines Sur, Ormoc in Leyte, Santiago in Isabela, and Cotabato City.

¹⁰¹ Population Census, 2020

¹⁰² According to the 2021 data from the Field Health Information System (FHIS) of the Department of Health (DOH).

¹⁰³ Japan International Cooperation Agency (2022 February) Data Collection Survey on Urban Infrastructure in Greater Cotabato City Volume 1. https://openjicareport.jica.go.jp/pdf/12369138_01.pdf

¹⁰⁴ 2022 Philippine National Demographic and Health Survey

This is unlike NCR which is highly populated, with a high enrollment growth that outpaced its capacity to build new structures (Navarro 2022).

In Cotabato City, this issue on access does not only concern the lack of school buildings and classrooms but more so for other educational facilities such as libraries and laboratories. While majority of the 37 barangays have schools in their respective areas, many of them have not benefitted from the use of educational technologies (i.e., internet, computers) to improve teaching methodologies.

Both health and social services have experienced a fast turnover of staff and volunteers. This poses a challenge in maintaining quality, efficiency, and continuity in program implementation. In all three sub-sectors, program implementation rests on a significant number of employees who are hired on a job order¹⁰⁵ (JO), contract-of-service¹⁰⁶ (COS), or “volunteer” basis. For these employees, there is no stability and security in their positions, much less, opportunities for promotion, career options, and growth. Their contracts need renewal every six months. The Office of Health Services (OHS) recently noted the fast turnover of volunteers; the same is experienced and anticipated by CSWDO. For education, volunteer teachers are recruited to handle non-formal teaching to out-of-school youth under the ALS¹⁰⁷.

While hiring plantilla¹⁰⁸ positions strictly adhere to the qualification standards (QS) set by the Civil Service Commission (CSC) at the national level, for JOs, COS, and volunteers, the hiring process does not follow the same rigor and standard. Without the QS, there is no objective measure for determining one’s fitness to a job. This leaves room for less qualified people to enter into the roster of program staff.

In BARMM, there is a disproportionate number of women who have experienced sexual and/or physical violence and sought help. Only 9 percent sought help; 11.7 percent did not seek help but told someone; and the majority—79.4 percent—never sought help and never told someone. There is a stark difference in the BARMM situation when compared with the other regions in the country. This situation may be because many women who face violence do not know where to seek help. Of the places that offer help, barangay violence against women’s desk (77 percent) was most common, followed by PNP Women and Children’s Protection Desk (64.9 percent), DSWD Regional Center for women or girls (58.8 percent), Women and Children’s Protection Unit (46.4 percent). At the bottom are Public Attorney’s Office (37.8 percent), Civil Society Organizations (32.5 percent), and temporary or permanent protection desk (35.6 percent).

In service delivery, Cotabato City’s competitiveness ranking showed a decline in health and social protection, and an improvement in education. According to the Cities and Municipalities Competitiveness Index¹⁰⁹ for 2023, Cotabato City’s rank in the past five years is declining,

¹⁰⁵ Per Civil Service Commission, this refers to the hiring of a worker for piece work or intermittent job of short duration not exceeding six months.

¹⁰⁶ Per Civil Service Commission, this is the engagement of a service provider or a technical expert to undertake a special project or job within a specific period.

¹⁰⁷ ALS Non-formal Education happens outside the classroom, is community-based, and usually conducted at community learning centers, barangay multi-purpose hall, libraries or at home. It is managed by ALS learning facilitators, such as mobile teachers, district ALS Coordinators, instructional managers at an agreed schedule and venue between the learners and facilitators. <https://www.deped.gov.ph/k-to-12/inclusive-education/about-alternative-learning-system/>

¹⁰⁸ Regular position items approved by the Department of Budget Management, or by the Ministry of Finance and Budget Management in BARMM.

¹⁰⁹ The Competitiveness Index rates in each city, municipality, and province are in five areas: economic dynamism; government efficiency; infrastructure; resiliency; and innovation.

from being 18th in 2019 to its current rank at 31st. Selected competitiveness sub-indicators showed significant decline for health services and social protection, while school services have improved. This improvement may have been influenced by the ranking in Infrastructure for education, from 24th to 2nd. Infrastructure for health has shown fluctuation, too, and is currently at its lowest rank at 19th.

The OHS is the local government's primary implementing arm of its health programs for its constituents. It manages programs designed by the DOH and cascaded to regional offices and LGUs for implementation. In the city of Cotabato, these programs cover nutrition, immunization, safe motherhood and family planning, tuberculosis, non-communicable diseases, mental health, anti-smoking, and drug rehabilitation. They also have programs specifically catering to adolescents, persons with disabilities, and senior citizens. This unit is supported by more than 300 staff comprised of medical and non-medical personnel. Of this number, 56 occupy plantilla positions, while more than 240 staff are non-permanent. Additional support is provided by 40 BHW and 40 barangay nutrition scholars (BNS) who are deployed in 40 health stations located in the city's 37 barangays. A barangay health station has three to four staff composed of a nurse and/or midwife, a BHW, and a BNS. The OHS also maintains the operation of its sole primary care facility (PCF) that offers medical, dental and laboratory services for outpatients and employs five doctors, two dentists, a pharmacist, and nurses.

For social services, the CSWDO is responsible for programs and services on social protection, survival, and crisis intervention. It is divided into five sections: (1) welfare and development, (2) child welfare, (3) crisis intervention and relief operation, (4) population, and (5) special service. Its staffing complement is composed of 114 program staff, and community-based workers, including 13 CBWs for supervised neighborhood play, 37 for daycare, 37 for community-based rehabilitation, and 37 street educators who monitor street children. Among the programs being managed by the sections are livelihood and welfare support for solo parents, monitoring and case management of abused children, medical assistance, temporary shelter and transportation assistance for stranded individuals, social pension for senior citizens, financial assistance, assistive devices for persons with disability, monitoring of population with special attention to children, women, and IPs. It is also managing the operation of 33 daycare centers located in different barangays of the city and is assisting the Ministry of Social Services and Development (MSSD) in the distribution of assistance to persons with disabilities under the *Kalinga*¹¹⁰ Program.

The city passed the Child-Friendly Local Governance Audit (CFLGA) and is proud to have a responsive crisis intervention service. It operates an incident command post (ICP) in cases of emergencies and has the capability to provide immediate relief operation. This ICP is guided by policies and standards set at the national level.

Basic education programs, services and schools in Cotabato City are managed by the Schools Divisions under the jurisdiction of the Ministry of Basic, Higher and Tertiary Education (MBHTE) of the BARMM government. The national government's Department of Education officially turned over the supervision of Schools Division Office (SDO) of Cotabato City to MBHTE in 2022.

¹¹⁰ Kalinga para sa may Kapansanan is MSSD's social pension program for persons with disability. It provides monthly financial subsidies to help meet their daily subsistence and medical requirements.

The city has 43 public schools and 39 private schools. A local school board¹¹¹ was constituted by the LGU and is responsible for allocating the SEF to address the supplementary needs of local public schools. For Cotabato City, the funds supported the schools' program and activities and paid part of the daycare teachers' honorarium. The SEF was also used to increase the salary of 40 volunteer teachers under the ALS for out-of-school youth. The city, through a local ordinance, also increased the budget for scholarships and ensured all 37 barangays would have equal access to the program.

Key Enablers and Good Practices

Cotabato City enjoys strong support from the regional government in implementing its health programs and social services and in beefing up its overall capacity. The funding for the implementation of health programs in Cotabato City comes from four streams: from the national government, in the form of health supplies and commodities; from the regional government, through the MOH, for the salary of more than 120 non-plantilla personnel and additional honorarium for BHWs and BNS, and for the training of health workers; and from the City LGU for the salaries of all 56 plantilla and 120 non-plantilla personnel¹¹², and the MOOE of OHS and barangay health stations (BHS). At the barangay level, it is expected that a portion of BHS' MOOE should be funded from the barangay budget but not all are able to comply. The MOH and City LGU are in partnership to build additional health facilities including (1) 10 barangay health stations, (2) a "super health center" with a capacity similar to the existing primary care facility operated by the LGU, and (3) a tertiary hospital with an initial 50-bed capacity to be expanded later to 300 beds. While the MOH will fund the building of the facilities, the City LGU will provide the land where the facilities will be constructed.

For social services, the program that provides medical assistance to residents in need is complemented by MSSD's own program called AMBaG (Ayudang Medikal mula sa Bangsamoro Government). The City Government has a complementary program for medical assistance, with increased funding of up to PHP 50 million.

Partnership with various organizations strengthens the City's capacity for program implementation. The City has forged various partnerships with government and non-government, and public and private organizations. For health services, it is assisted by the Schools Division in implementing nutrition and immunization programs. It works with the DILG in designing a drug rehabilitation program. For social services, technical assistance was extended to CSWDO and social workers through partnerships with UNICEF, World Vision, Oxfam and Australian Aid. For education, a partnership with ABC+, a USAID-supported program, was formally adopted by the city through a local ordinance supporting the capacity building for teachers on improving teaching methodologies for early childhood education. Most of these developmental partners have physical office within the City, which not only facilitates coordination but also allows for regular and joint monitoring of program implementation.

¹¹¹ Composition of a local school board is defined under Section 98 of Republic Act 7160 or the Local Government Code of 1991.

¹¹² A plantilla is a government-approved listing of positions in any governmental institution. <https://mb.com.ph/2021/7/11/pcoo-eyes-plantilla-positions-for-contractual-employees>.

Cotabato City's Planning and Prioritization actively engages various stakeholders. The City's planning and budgeting process, managed by the Office of the City Planning and Development Coordinator (OCPDC), is guided by national policies and standards such as the DBM-DILG-DOF-NEDA Joint Memorandum Circular No. 1 series of 2015.

The City's priorities are contained in two long-term plans: the 10-year comprehensive land use plan (CLUP) for 2020-2030¹¹³, and the 6-year City Development Plan. Prior to the transfer of the City's jurisdiction under BARMM, the City's CLUP and CDP were anchored in Region 12's Regional Development Plans. For each PPA to be included in the annual plan and funded, the implementing unit concerned prepares a project proposal that provides a rationale for its need and the breakdown of the proposed budget. The proposal is subjected to a validation process during a community level consultation before it is submitted to the City Development Council (CDC). The Council is composed of the Mayor, the chairman of Committee on Finance and Appropriation, "*Liga ng mga Barangay*" President, Congressman, 37 barangay captains, and representatives from 18 civil society organizations. The PPAs recommended by the CDC undergo another level of evaluation, through the Local Finance Committee; the second evaluation focuses on the cost breakdown indicated in the proposal.

The Cotabato City Government adopts the national policies and standards in implementing and monitoring programs. Programs for health and social services cascaded from the national offices and implemented by the City follow the implementation policies and standards set nationwide. This adoption is considered a mechanism for ensuring quality in the implementation.

Cotabato City consistently employs the prescribed PFMAT in its budgeting process. PFMAT guides the LGUs budgeting process and practices against the *Seven Pillars* of a good PFM system, which are (1) policy-based budgeting; (2) comprehensiveness and transparency; (3) credibility of the budget; (4) predictability and control in the budget; (5) accounting, recording, and reporting; (6) internal and external audit; and (7) citizen's participation.

For OCPDC, the PFMAT is also helpful in verifying how the CDP, LDIP, and the AIP are complementing each other. According to OCPDC unit head, the use of PFMAT tools will not only teach them to make their plans with budget more implementable but also help them to come up with alternatives to address untoward circumstances that will hinder them from achieving their objective.

¹¹³ The time horizon for CLUP after the completion of 2011-2020 plan was originally set to 8 years (2020-2028). But this went back to 10-years.

Annex 11

Provincial LGU Case Study: Surigao del Norte

Context

Surigao del Norte is a coastal city in Mindanao that is comprised mostly of low-income municipalities. Agriculture and mining are its main industries. Low-income municipalities comprise about 90 percent of the LGUs in the province. Nineteen out of 21 LGUs are fourth to sixth class municipalities. Of the 19 low-income municipalities, nine or around 47 percent are located in District 1 or the islands of Siargao and Bucas Grande; the rest are located in the mainland along with its capital. These 19 low-income LGUs comprise 60 percent of the total population of the province. In 2021, the poverty incidence among families in the province was estimated at 21.2 percent. Except for Surigao City, data suggests that the income class of LGUs has not changed since 2015.

Role in Service Delivery

In general, the province provides support to cities and municipalities in its jurisdiction through the augmentation of supplies and the provision of financial support. It also provides technical assistance, implements and coordinates national programs, and directly provides services to marginalized populations, including GIDA and low-income families. In 2022, the total annual budget of Surigao del Norte Province was allocated towards supporting the delivery of health services in its cities and municipalities. Once the Universal Healthcare Act, however, is fully implemented, it is said that the fund for health services will go directly to the Special Health Fund of the cities and municipalities.

Key Challenges

Limited funding for program implementation at the LGU level

The small budget of most municipalities in the province of Surigao del Norte, mostly fourth- and fifth-income class LGUs, is seen as a key challenge across sectors. In health, this particularly impacts the purchase of commodities such as medicines and vaccines. This can become an even greater challenge once the responsibility to purchase these commodities is fully devolved to the LGUs. In education, this is seen in the low compensation provided to child development workers. Moreover, across sectors, limited funding leads to a lack of human resource. For example, on average, municipalities have only one to two licensed municipal social workers in charge of multiple tasks, including drafting social case study reports for indigent patients seeking medical assistance at the district hospitals. Another example is that because of the lack of PESO managers, other government employees, such as human resource officers or budget officers, play the role of PESO manager in their spare time even when they are not trained for the role. This negatively impacts the quality and consistency of service.

Geography

Many schools are still under repair due to Typhoon Rai (i.e., Super Typhoon Odette) that severely affected the province of Surigao del Norte. Susceptibility to natural phenomena such as typhoons disrupts continuity of learning. And in the case of the Province of Surigao del Norte, the magnitude of destruction from natural phenomena required half of a PHP 130 million LSB budget for rehabilitation.

Isolation hampers the well-being of women and children in GIDAs. According to an interview with the province, there is a high prevalence of maternal and neonatal mortality due to limited accessibility to basic services. This is something that the province is actively trying to address. However, aside from this, the isolation of one GIDA community in an island of the province has led to malnutrition, learning loss, and child rights violations. Its distance from the mainland has given a radical religious group an opportunity to ban its members from seeking basic services outside of its community. As a result, children have been forced to do manual labor and to engage in involuntary marriages. It has also hindered children from receiving a proper education, with some 791 children considered left-behind learners. At present, the province is working towards deploying basic education teachers and establishing temporary learning spaces in the community to help children catch up academically. Furthermore, a press release by the Department of Justice (DOJ) states that legal action has been taken against the perpetrators, but the case is still pending.¹¹⁴

Influence of politics on the turnover of personnel

A change in barangay administration affects the sustainability of employment of child development workers and employees. According to an LGU interviewee, barangay elections affect the employment of barangay-level staff when newly elected barangay captains choose to replace barangay staff with relatives or close allies. This was said to be especially true for child development workers and staff assigned at the barangay employment assistance desk. This meant having to train new workers all over again.

Coordination of national government agencies in the implementation of programs

According to a respondent from the LGU, poor coordination at the national level sometimes hampers the implementation of programs. This was particularly evident in the health sector. Obtaining a license to operate is a challenge for birthing facilities because of the conflicting requirements of the infrastructure and licensing arms of the DOH. The respondent shared that although it is the DOH that oversees the renovation of some birthing facilities, they still do not comply with the requirements of the licensing office. As a result, only eight out of the 24 birthing facilities in the province have a license to operate. This places an additional burden on hospitals that facilitate normal deliveries when they can be referred to local birthing facilities instead.

¹¹⁴ Department of Justice. 2023. Investigation reveals serious violations in Sitio Kapihan, Socorro, Surigao del Norte, https://www.doj.gov.ph/news_article.html?newsid=797.

Key Enablers and Good Practices: Responsiveness to Disadvantaged Communities

The province proactively mobilizes support to its GIDA communities to address prevalent issues here. For example, **to address high rates of maternal mortality**, the Provincial Health Office (PHO) provides prenatal care to GIDA communities through the provision of multivitamins, “*buntis*” or pregnancy kits, and prenatal check-ups as enabled by a portable ultrasound. Meanwhile, **to address learning loss**, the province has allotted budget to bring teachers closer to a small island community where children do not benefit from the basic education system because of a radical religious group that keeps them isolated. Through the initiative of the provincial governor, in collaboration with the national government, it is also looking to establish temporary learning spaces to serve 791 left-behind learners.

Cognizant of the limited resources of its mostly poor municipalities, the province provides resources and financial support to aid these municipalities in the delivery of basic services. **To support the health sector**, for example, it augments compensation provided to barangay health workers and barangay nutrition scholars. It also has an allocation of PHP 5 million that is intended to cover the expenses of patients referred to its apex hospitals. **To support education**, the province augments the compensation given to child development workers. It has also allocated half of its budget from the local school board to repair and reconstruct schools destroyed by Typhoon Rai. **To support programs for children**, one percent of the national tax allocation (NTA) of the province is also allocated to support projects, programs, and PPAs for children, as mandated by the Juvenile Justice and Welfare Act of 2006 (RA 9344). **To support social services**, the Provincial Social Welfare and Development Office (PSWDO) provides human resource support, especially when licensed social workers are needed, such as in court-related cases for abused children and children in conflict with the law. **To support employment programs**, the province shoulders a portion (60 percent) of the salary given to students working under the Special Program for the Employment of Students (SPES). It also helps deliver programs (e.g. career development support program) when there is a lack of human resource at the municipal level. Finally, worth noting is the support that the province plans to provide to municipalities for the purchase of health commodities during **the transition to full devolution**. According to an interview with the province, a health needs assessment revealed that most municipalities will not have sufficient funds to purchase sufficient health commodities for their constituents. To address this, it has already included augmentation for public health commodities in municipalities in its 2024 annual budget.

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