

2014 STATE OF THE REGION ADDRESS¹

Good morning!

Firstly, let me thank all of you for your steadfast support to the Regional Development Council (RDC-X). It was not too long ago when we renewed our commitment to bring about more inclusive growth by updating our development roadmap – the Regional Development Plan (RDP) 2011-2016. Time after time, we met in several venues where we had meaningful idea exchanges, revalidated our targets, and recalibrated some strategies. I witnessed the spirit of cooperation, and solid resolution to pitch-in to realize our vision of being *the leading industrial and trade center* in this part of the country.

Today, I would like to share some sense about three things:

- First, the state of the national and regional economy;
- Second, our key accomplishments in 2013;
- And finally, my sense of the path forward.

A. Philippines: More hits than misses

Last year, the country had notable economic milestones amidst uncertainties in the global economy, and witnessed serious disaster episodes in the Visayas. Fortunately, we endured these challenges, and even recorded more hits than misses in the economic front.

By now, you are aware that our economy is already considered one of the bright spots in the Asian region. What was once an economic laggard now abounds with energy. In 2013, our economy expanded by 7.2 percent, up from 6.8 percent in 2012. This is higher than our previous forecast growth of 6.5-7.0 percent, highest among our peers in the ASEAN, and 2nd highest in Asia next only to China.

What sets the Philippines apart from other economies in Asia is its strong macroeconomic fundamentals and improving political climate. Our economy's notable performance is attributed to several factors: low and stable inflation regime, a stable financial sector, and manageable fiscal and external positions. Truly, the President's mantra - *Good Governance is Good Economics*, has already paid dividends.

These reforms are even recognized by the international community as evidenced by optimistic outlooks for the Philippines over the short- to medium-term. These also earned the country three (3) investment grades in 2013 from the top three credit-rating firms. And here's even better news; just recently (this month) Standard and Poor's upgraded further our rating to two notches above the investment grade. Certainly, this will mean lower interest rates of our foreign loans, savings from which can finance more infrastructure and social projects.

Not everything is a bed of roses though since there is still a large number of Filipinos who have no work, no gainful employment, and are poor. This means, much has to be done to make growth more inclusive.

¹ Delivered by RDC-10 Acting Chairperson and NEDA-10 Regional Director Leon M. Dacanay, Jr. during the 101st RDC-X Full Council Meeting on 22 May 2014 at the Grand Caprice Restaurant and Convention Center, Cagayan de Oro City.

While we have these shortfalls, we also see some initial gains in reducing poverty. Just two weeks ago, the Philippine Statistics Authority released the First Semester 2013 Official Poverty Statistics.

The estimates revealed that the high economic growth in the first half of 2013 of 7.7 percent was translated to a significant 3-point reduction in poverty incidence among Filipinos, from 27.9 percent in the first half of 2012 to 24.9 percent in the first half of 2013. Poverty incidence among families also improved by 3.2 percentage points from 22.3 percent to 19.1 percent over the same reference years. We hope that this is a start of a new regime where significant reduction in poverty incidence will persist in the long-run, and every Juan and Juana will benefit from a high and sustained growth.

B. Northern Mindanao: Among PHI's Growth Drivers

Now I'll discuss about our contribution to the country's quest for inclusive growth, our economic gains and challenges, and go through some of the high as well as the low points 2013 has brought us to.

Let me start by saying that we continue to be one of the growth contributors of the Philippine economy in recent years. Between 2010 and 2012, our growth was well within our target and higher than the country average. Over the same period, our contribution to the country's total output and growth has steadily increased.

Talking big, we are the largest producer of pineapple in the country, second largest producer of banana and corn, third largest producer of coconut and chicken, and among the biggest producers of many other crops.

In 2012, the regional economy expanded by 7.4 percent, a hefty improvement from 5.8 percent in 2011. The economic expansion was driven by growth in the Industry and Services sectors at 9.2 percent and 9.0 percent, respectively. Most notable is the growth in manufacturing as it expanded by 10.8 percent and provided more than two-thirds of the industry's growth. This kind of growth augurs well in further opening employment opportunities.

We also see interesting developments in the demand side: a vibrant consumer and government spending, and the resurgence of exports. Discounting relative declines in prices, the volume of exports increased by over 500 percent in 2012.

Speaking of prices of basic commodities, it has remained stable in the last two years with inflation rates of 4.2 percent in 2012 and 4.4 percent in 2013. This is well within the target set by the Bangko Sentral ng Pilipinas (BSP) which is 3-5 percent.

In spite of these economic achievements, we acknowledge that we still need to do more in effecting a growth that is inclusive. The challenge for us is to keep growth at a high rate and rally our economy's capacity to create decent jobs.

Speaking of jobs, official data reveals that while employment rate has been kept between 94 to 95 percent, the quality of employment remains to be unwanted with one out of four workers being underemployed. The high underemployment rate is partly attributed to the high incidence of workers in the informal sector, including those in rural and/or agricultural areas. Further, there remains a large proportion of the employed sector who are unpaid family workers, or self-employed who are likely part of the informal sector.

The problem of quality employment is tied with stubborn poverty. While the region has shown economic growth over the past 10 years, this growth regime has not translated into an inclusive growth. Poverty persists with one-third of families still considered poor amid a decade-long growth.

The brighter side is that both poverty gap and poverty severity have declined, which means that the income of the poor has increased towards the poverty threshold. On the average, family income has grown 5 percent annually between 2009 and 2012 – on track of our target, and above our headline inflation rate. This means that the average income of a Filipino family in the region has actually increased in terms of real value. Further, with the country's marked reduction in poverty incidence in the first half of 2013, I am certain that the region shall mirror the same feat.

We all know about poverty's multidimensional features, and significant reduction cannot be achieved in a year or even until the President's term ends. But we also know that small gains, when nurtured will yield generous positive changes down the road.

C. Northern Mindanao: The GATEWAY

Now let's talk about our gains and how we successfully navigated that road we call the GATEWAYS. Let me share with you our key accomplishments in 2013, following the plan's thematic strategies.

G - Good Governance, and Peace and Order

We witnessed a generally peaceful general election last May 2013. One of the highest in the country, the high voters' turnout of 82 percent reflects the greater appreciation of the public in the electoral process. The high turn-out was also attributed to the growing trust of the public in the automated elections, increased youth participation in the exercise, and advocacy of civil society organizations (CSOs).

On income generation, we see firmer moves by the concerned government agencies to plug revenue leaks and increase collections. The proof is in the data: In 2013, revenue collection bureaus posted double-digit growth in tax and customs receipts amounting to PHP 8.16 billion and PHP 6.70 billion, respectively. We attribute this to increased economic activities in the region, and the agencies' aggressive implementation of programs against tax cheats and smugglers.

Finally, we are optimistic that the recent peace accord between the government and the MILF will bear lasting peace in Mindanao.

A – Access, Logistics and Other Infrastructure Services

Big infrastructure and allied projects are taking place as we position to be an important transshipment hub in the South.

Middle of last year, the new international standard Laguindingan Airport began its operations from sunrise to sunset under visual flight rule. The Air Navigation System and Support Facilities (ANSSF) Project component of the Laguindingan Airport Development Project is ongoing and is expected to be completed in 20 November 2014. With this

development, the Laguindingan Airport will now be able to cater night time flights and also eliminate flight cancellations in time of harsh weather. A PHP 1.32 billion road widening project from Opol to Laguindingan is underway to improve airport access, and as of December 2013, 10 out of 24 kilometers have already been widened. The Laguindingan to Iligan section costing PHP1.7 billion is expected to commence next year.

A major allied project to further improve intermodal transportation system for the convenient access of the Laguindingan Airport is the Panguil Bay Bridge Project. DPWH has prioritized implementation of the project for Official Development Assistance. The project will be presented to the Investment Coordinating Committee (ICC) for approval in June 2014 and hopefully the implementation of the project will commence in 2015.

Other key infrastructure projects implemented by DPWH in 2013 include: (1) infrastructure support to disaster rehabilitation projects due to TS Sendong and Typhoon Pablo, particularly road access to various relocation sites, (2) the Cagayan de Oro City Coastal Bypass Road, (3) Mindanao East-West Lateral Road (Bukidnon-Iligan Road), (4) Rehabilitation/ Reconstruction/ Upgrading of the Sayre Highway, (5) Iligan City Circumferential Road (C-3), (6) Ozamiz City Coastal Bypass Road, (7) roads leading to tourist destinations, and (8) various disaster mitigation projects such flood control and drainage projects implemented in Cagayan de Oro and Iligan cities.

And just very recently, the PHP 8.6 billion Flood Risk Management Project for Cagayan de Oro River (FRIMP-CDOR) was endorsed by the Investment Coordinating Committee-Technical Board (ICC-TB) on May 7, 2014 to the Investment Coordinating Committee-Cabinet Committee. Once implemented, the project should improve the resiliency of communities along the river to flooding hazards.

Along sea transport, berthing and seaport facilities are being improved such as the construction of passenger terminal building and RoRo berth in Cagayan de Oro, Iligan, Ozamiz and Camiguin ports.

In 2013, the RDC-10, in coordination with the DPWH, has already initiated the conduct of a study for the proposed alternate transport solutions for Region 10. The study aims to reveal strategies: 1) when transport systems are hampered due to disasters, and 2) linking more efficiently the region's economy to other parts of the country through appropriate and adequate transport systems.

T – Trade, Industry, and Tourism

Certainly, improvement in transport-related infrastructure benefited our trade position. Volume of exports in 2013 expanded by more than 200 percent with industrial goods and coconut-based products being our top exports.

And we are adding more export winners in our trade list. In mid-December last year, we made our first shipment of chicken cut-ups to Japan, and two weeks later another shipment of whole Peking ducks, all from Bukidnon.

Investments as monitored by DTI-10 hit PHP 13.3 billion in 2013, higher than our RDP target for the year of PHP 11.3 billion. Trading, infrastructure services, and servicing are our top three performing sectors. While total investments were marginally lower by 3.6 percent than the previous year, we are expecting a recovery this year with big ticket

investments like the electric power project in Villanueva, Misamis Oriental and other investments in other parts of the region.

Meanwhile, we were not so lucky in inviting more tourists last year partly due to some peace spoilers. The tourism department, however, is optimistic about the industry in 2014 as peace situation is back to normal. Enhanced quality accreditation system for tourism establishments is also being implemented to improve their services and facilities.

E – Environment and Sustainable Development

Now, let's talk green.

Our forest resource rehabilitation efforts under the National Greening Program (NGP), the government's banner program on forest management, resulted to the planting of various tree species in 26,522 hectares of various public lands in the region in 2013. Started in 2011, the NGP implementation in the region has planted a total of 46,453 hectares, representing 67 percent of the NGP regional target of 69,718 hectares for the period 2011-2016.

The year 2013 also marks the recognition of efforts for the management and conservation of Mt. Kitanglad Range Natural Park during the 4th Association of Southeast Asian Nations (ASEAN) Heritage Parks Conference. It should be noted that the Mt. Kitanglad Range Natural Park has been accorded ASEAN Heritage Park status in 2009.

We also take pride in the completion of the Disaster Risk Reduction – Climate Change Adaptation (DRR-CCA) Enhanced Regional Physical Framework Plan (RPFP), 2013-2040, the DRR-CCA Enhanced Provincial Development and Physical Framework Plans (PDPFP) of the five provinces, and the Comprehensive Land Use Plans of the three cities affected by typhoon Sendong. This is our contribution to risk reduction efforts by mainstreaming DRR-CCA in development and physical planning.

We also launched in December 2013 the Climate Change and Risk Information System for Planning (CRISP). The CRISP, an allied project of the Project Climate Twin Phoenix (PCTP), supports enhanced climate and risk assessments by improved sharing and access to geospatial information.

Our heartfelt gratitude to all who supported these DRR-CCA initiatives especially our funding partners, the UNDP, NZAP, AusAid and the Climate Change Commission.

W – Well-being and Social Services

Our implementation of 4Ps in the region has gone a long way with 100 percent geographic coverage except for the remaining less than percent of the target barangays in Iligan City and Cagayan de Oro City which remain to be saturated.

As of April 2014, there are more than 280 thousand household beneficiaries, up by 21.7 percent compared to 2012. These households enjoy the Conditional Cash Transfer (CCT) grant for health, education and Family Development Sessions (FDS). Total cash grants released since the program inception in 2008 already reached PHP 7.34 billion.

Preliminary research findings of its impact reveal favorable news: more children have returned to school; more mothers are going to health center for check-ups; and children are vaccinated from preventable diseases.

Health insurance membership increased by 7 percent to 2.74 million with enrolment coverage now at 89 percent. The challenge now is to achieve sustainable means to fast-track enrollment and attain universal coverage.

The region has made progress in: reducing maternal mortality, increasing coverage of pre-natal care, facility-based deliveries, births attended by skilled health personnel, immunization among infants and children, and providing access to safe water and sanitary toilets. However, we need to address critical targets in reducing infant and child deaths, and combating major diseases such as tuberculosis.

Given these challenges, major health programs with fund support from the USAID commenced in 2013. To achieve Universal Health Care high impact interventions were scaled-up in the areas of maternal and child health (MCH), family planning (FP) and tuberculosis control.

Moving on to housing, there were 7,225 new housing units built in 2013 valued at PHP1.48 Billion, or 13 percent of the target number of housing units by 2016. Close to 5,500 units are for TS Sendong survivors, of which 1,663 were either donated or financed by the private sector.

Other Sendong survivors availed of the Express Lane Community Mortgage Program (CMP) of the Social Housing Finance Corporation (SHFC). A total of 1,750 families were extended loan through the CMP.

For all of this, we commend anew the private sector, and the concerned government agencies in keeping alive that *bayanihan* spirit.

A – Agriculture, Fishery and Forestry

When we speak about development, agriculture is a top priority. It does not only feed the economy and its people, but is also a strategic entry point to reach most of the poor.

Currently, it is estimated that roughly 43 out of 100 workers are in the agriculture sector. A large number of farmers and farm workers still depend on subsistence agriculture; most of them live in poverty mainly because of seasonal income and low wages.

Last year, performance of the sector drew mixed results: an improvement in the production of palay, poultry and meat, fish; a virtually unchanged nut production; and output decline in corn and other major crops.

In 2013, palay production increased by 6 percent while productivity, expressed in yield per hectare, increased from 4.12 metric tons in 2012 to 4.26 in metric tons in 2013. Also, average annual rice sufficiency for 2013 improved by 2.7 percentage points to 72.8 percent.

The catch is – palay productivity is still short of the set RDP target, and way below the potential productivity based on ASEAN performance of 5 metric tons per hectare. Thus,

we have to enhance our interventions to raise productivity to such level, including irrigation development.

Our coconut production is steady, and coco-based products remained as one of our top exports. Last year, total export volume increased by 11 percent to more than 450 thousand metric tons. We expect increased demand for our products specially so now that the country's base has decreased mainly due to TS Pablo and Yolanda which leveled coconut farms in Davao Region and Eastern Visayas.

Production of poultry and livestock has also increased for the past two years, more so in swine and chicken. And as said earlier, we now see great potential in our poultry and livestock products as export champions.

Duty-bearers of the agriculture sector continue to provide production support services to enhance productivity and sustainability of agriculture production.

On increasing competitiveness of the sector, the Makina Saka or the Agri-Machinery Road Show was conducted in the later part of 2013 in support to the agriculture department's initiative in promoting modern and cost-efficient technologies, methodologies, machinery and farm equipment.

Under the MRDP's rural infrastructure component, seven (7) farm-to-market roads (FMRs) were either built, rehabilitated or upgraded in Lanao del Norte, Misamis Oriental and Bukidnon amounting to PHP 36 million. The project covers more than 6,200 hectares of farm areas.

The major players of the Regional Convergence Initiative (RCI) program undertook several activities specifically in assisting the local convergence agro-enterprise clusters (LCAECs) in the provinces of Misamis Oriental and Lanao del Norte. Since 2011, the RCI team was able to pour out assistance amounting to more than P 1.6 billion, ranging from production support, infrastructure, post-harvest facilities and processing, capability building, market development services, among others.

We hope that we will continue to sow initiatives which will bear more fruits for our farmers and their families.

Y – Education and Youth Empowerment

Our education scorecard was rather mixed.

As of school year 2013-2014, enrolment in elementary and secondary education increased year-on-year by 15 percent and 3 percent, respectively. However, participation and cohort survival rates in both levels manifest difficulty in meeting the plan targets.

Improvement in the classroom to pupil ratio is evident in the elementary level at 1:34, surpassing the plan target of 1:39 in SY 2013-2014. However, at the secondary level, ratio remains high at 1:49 as compared to the plan target of 1:45.

One of the government's responses to these challenges is the ambitious K-12 program, which stretches basic education to 12 years, and mainstreams early childhood education into the system.

Formulation of appropriate strategies and mechanisms to ensure the smooth transition from 10 to K-12 cycle is on-going. Last year, the “Enhanced Basic Education Act of 2013” (known as Republic Act 10533) was enacted and ushered the modelling of senior high school in selected schools to simulate the transition process.

Meanwhile, we have good numbers in the techvoc sector.

- About 92 thousand skilled workers were trained and employed in 2013, an increase by 15 percent than the previous year and 5 percent higher than the plan target.
- Enterprise-based training (EBT) produced 3,133 graduates, 10 percent and 6 percent higher than the previous year and plan target, respectively
- 4,666 graduates benefitted under the Training for Work Scholarship Program (TWSP) while the PESFA programs churned out 1,657 graduates
- Scholarship provision under the Cash for Training Program (C4TP) benefitted a total of 4,570 marginalized youth.

In higher education, a total of 3,154 beneficiaries were awarded with scholarships and grants in 2013 which is almost 7 times higher than the previous year. These, among others, contribute to our goal of providing better employment opportunities to the poor but deserving youth by equipping them with the skills demanded domestically and internationally.

S – Science, Technology and Innovation

The STI sector continues to enhance critical mass of STI human resources via college scholarships. As of December 2013, 569 on-going scholars were enrolled in DOST-accredited universities in Region 10.

On increasing productivity and enhancing competitiveness of regional products, close to PHP 25 million were invested on programs and projects for MSMEs, LGUs and institutions to increase their productivity and enhance competitiveness of the products and services through the SETUP (Small Enterprise Technology Upgrading Program) and GIA (Grant-in Aids) programs. These programs assisted 58 new enterprises and institutions.

Reducing disaster risks was further improved with the installation of 23 automatic rain gauges (ARGs), and 10 water level monitoring sensors (WLMS) in strategic areas across the region.

D. Our Path Forward

I have just told you about our key accomplishments in 2013. Are these enough? All of us know they aren't. For there are still challenges, foremost is achieving - perhaps the most repeated two-word phrase in this speech: INCLUSIVE GROWTH.

Thus, we should set the bar higher to achieve even bigger accomplishments. Our game plan does just that. We are setting not just realistic but challenging targets.

This brings me to my last point – what is our path forward? Let me briefly share two things.

First, we want a rapid and sustained economic growth – one that generates not simply employment, but rather decent jobs especially for the non-skilled and the low-skilled

workers in situations of high unemployment and underemployment, and one that hopefully will benefit everyone, increase incomes, and ultimately reduce poverty.

Second, you may ask how we will do it. The answers are in our plan. We have laid down our strategies and priorities in our roadmap, and committed to attain the annual targets set therein. Let these targets serve as our lamp posts as we inch closer to our goals.

In the next SORA, we will be measured by the people we serve not only by the programs and projects we have implemented, but more importantly on how we are successful in delivering results.

In conclusion, let me again thank all our development partners: the private sector, civil society, national government agencies, and local government units for your support to the RDC-10.

Daghang salamat and Mabuhay!