

Structural Reform and Services: *Developing Economy Perspective*

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Ramonette B. Serafica, Senior Research Fellow

Philippine Institute for Development Studies

Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

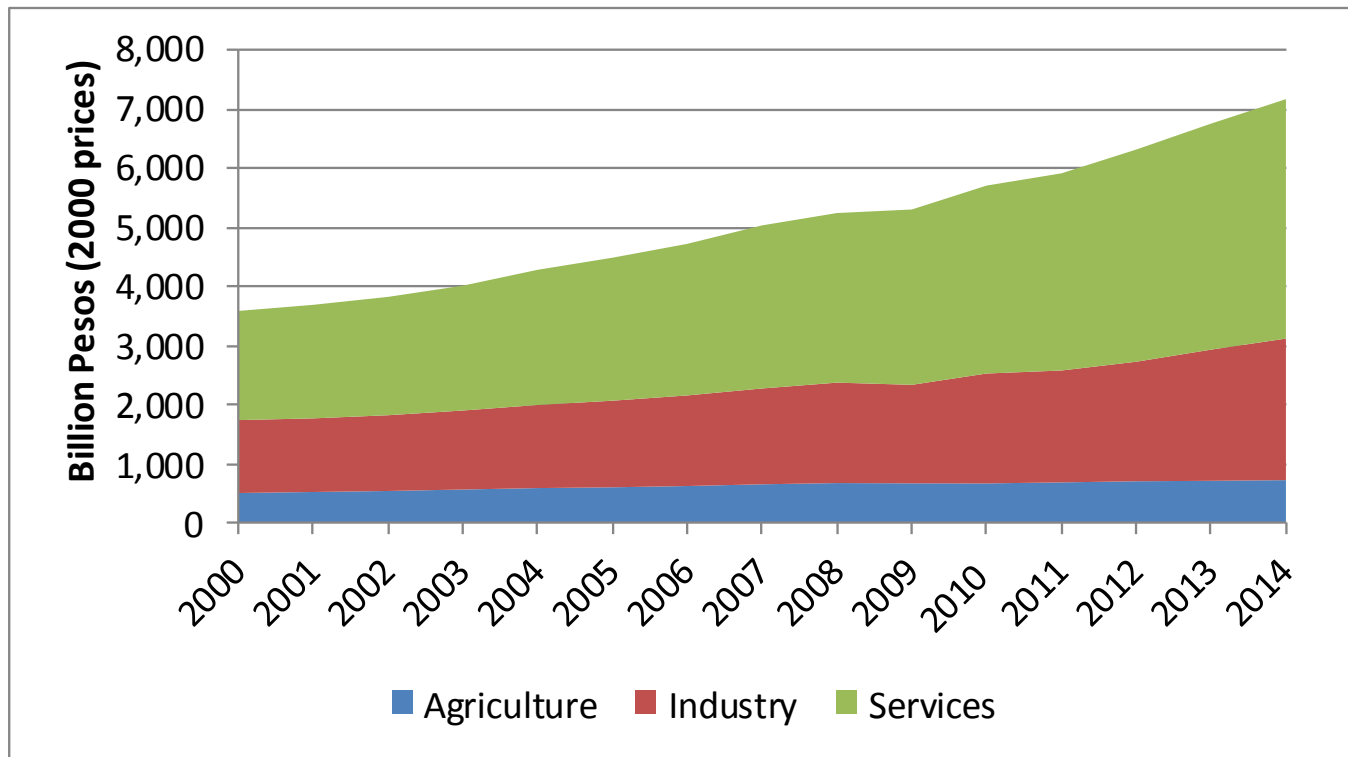
RECALL:

Key issues identified in SRMM

- **Prioritizing services in the development agenda**
- **Addressing services and investment restrictions**
- Achieving balance in regulatory reform
- Dealing with regulatory heterogeneity
- Mitigating regulatory externalities

OVERVIEW

GDP BY INDUSTRIAL ORIGIN



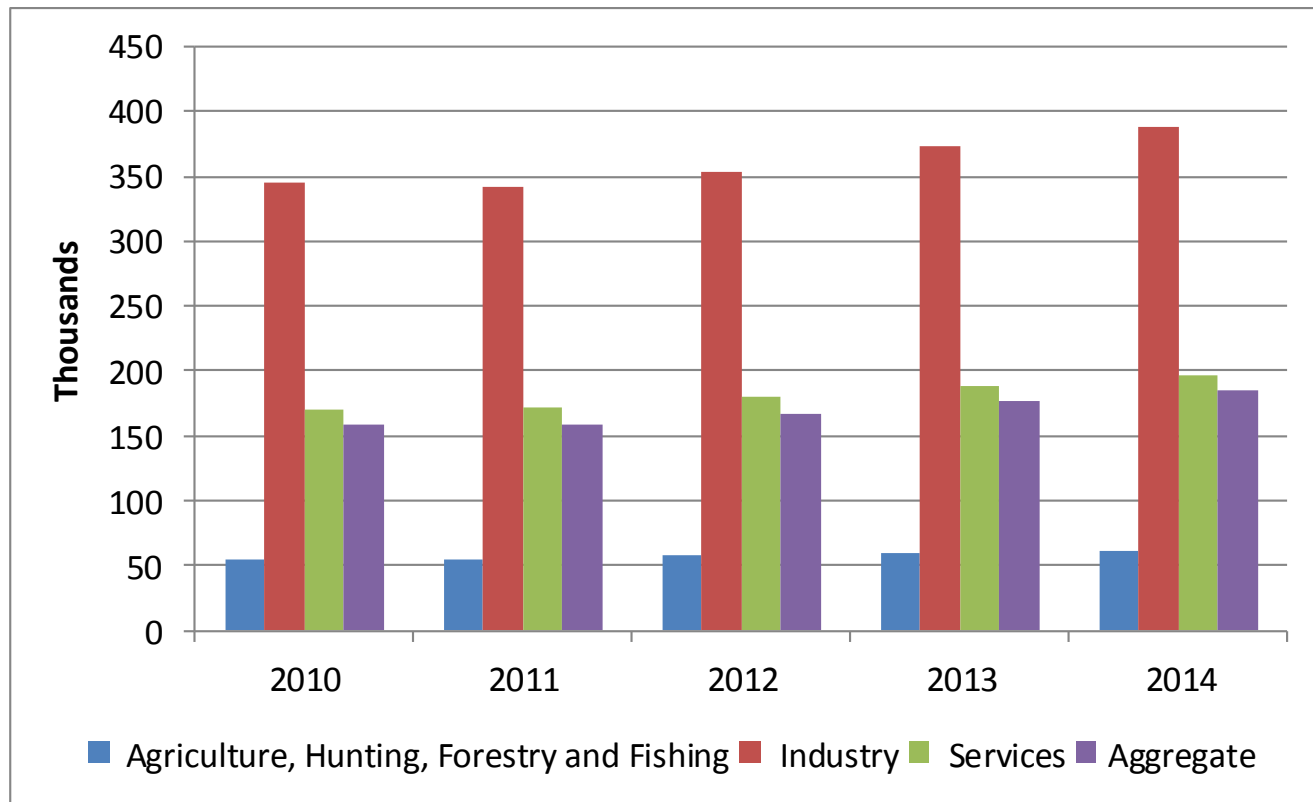
Source of data: <http://nap.psa.gov.ph/> accessed on 14 January 2016

Employment in the Services Sector(2014)

Economic Activity	Thou	% of Total Employ	Male (%)	Female (%)
Wholesale and retail trade; repair of motor vehicles and motorcycles	7248	18.75	40.09	59.92
Transportation and storage	2686	6.95	96.50	3.50
Accommodation and food service activities	1694	4.38	42.44	57.62
Information and communication	352	0.91	62.22	37.78
Financial and insurance activities	491	1.27	43.18	56.82
Real estate activities	168	0.43	44.05	55.95
Professional, scientific and technical activities	209	0.54	52.63	46.89
Administrative and support service activities	1085	2.81	64.79	35.21
Public administration and defense; compulsory social security	1964	5.08	57.43	42.57
Education	1254	3.24	27.11	72.97
Human health and social work activities	480	1.24	33.13	66.88
Arts, entertainment and recreation	349	0.90	61.89	38.11
Other service activities	2187	5.66	28.53	71.47
Total Services	20167	52.18	49.60	50.41

Note: Based on ISIC Rev. 4 classification
 Source: ILOstat <http://www.ilo.org/> accessed on 12 January 2016

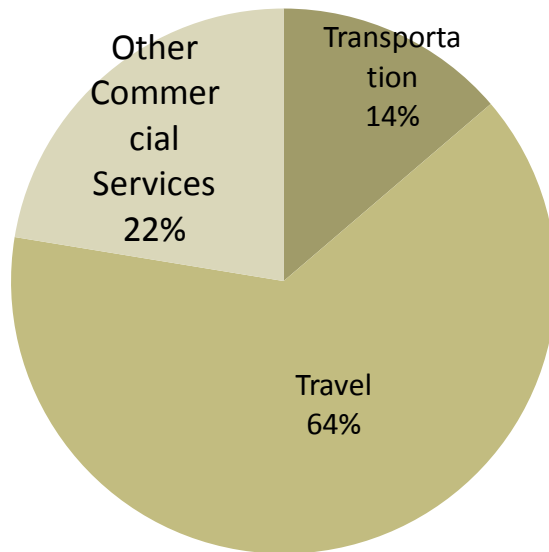
Labor Productivity (at Constant 2000 Prices)



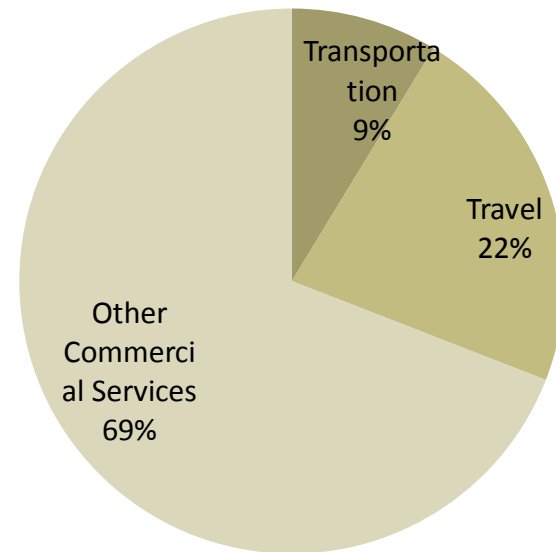
Notes: Labor productivity data for 2014 were computed using employment data which excluded that of Leyte.
Source: TABLE 31 - Labor Productivity and Growth Rates by Sector, Philippines: 2010 – 2014 (Current Labor Statistics January 2016 <http://labstat.psa.gov.ph/> accessed on January 13, 2016)

Services exports

2000













2012



Source of data: Bangko Sentral ng Pilipinas (BPM5, accessed on 10 July, 2013)

WORLD RANKING IN SERVICES EXPORTS (2013)

Rank	Country	Value (USD Billion)	Compared to 2010
31	Brazil	37.46	
32	Greece	37.13	
33	Israel	33.71	
34	Portugal	28.84	
35	Finland	27.56	
36	Czech Republic	24.39	
37	Philippines	23.32	 ('10 - #39);('05-#44)
38	Indonesia	22.33	
39	Hungary	22.21	
40	Ukraine	21.85	

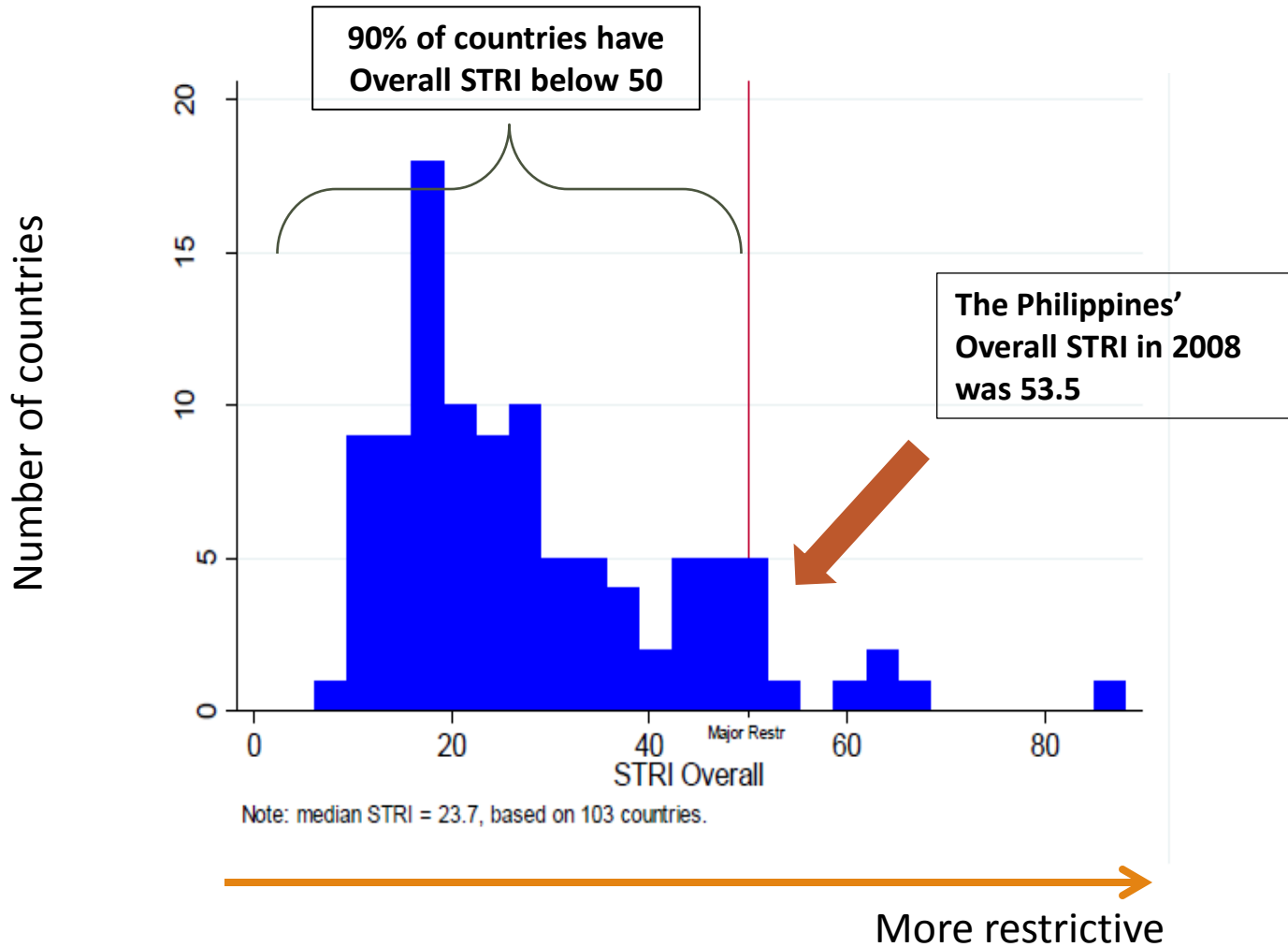
Source of data: World Trade Organization <http://stat.wto.org/>, Accessed on 24 March 2016

CHALLENGES

Weaknesses

- Low to negative labor productivity growth in several service industries (2008 to 2011):
 - Low (i.e. below total industry) – Postal and Telecommunications; Real estate activities; Hotels and restaurants; Retail trade; Education services
 - Negative - Wholesale trade, Water transport, Land transport, Nonbank financial; Other service activities
- Poor quality and/or lack of access to essential services:
 - e.g. broadband internet services; transport services
- Services exports not diversified:
 - 89 percent of total services exports in 2015 from “Other business services” (59%), “Travel” (19%), and “Computer services” (11%).

WB Services Trade Restrictiveness Index (STRI)



STRI by Sector and Region

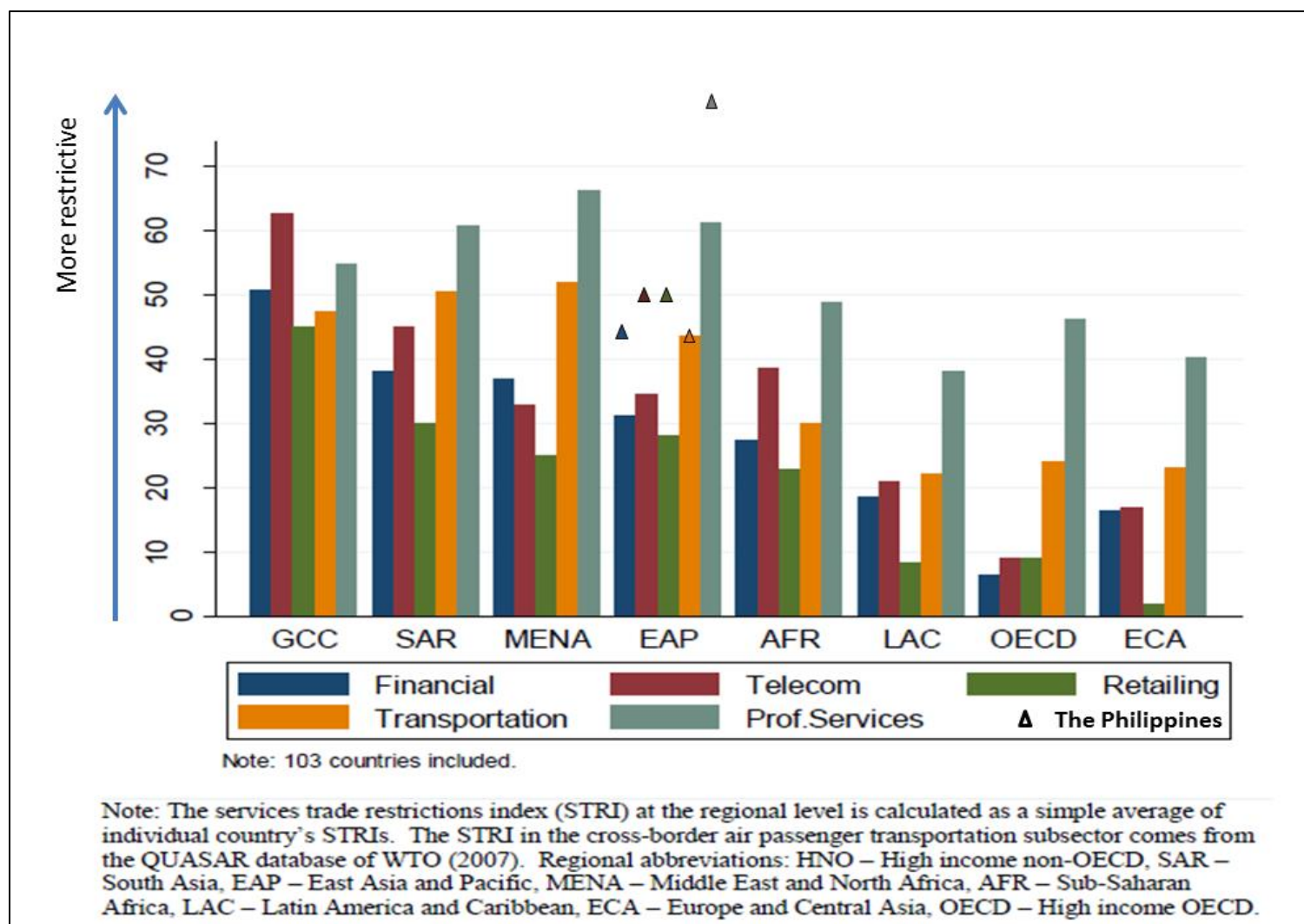
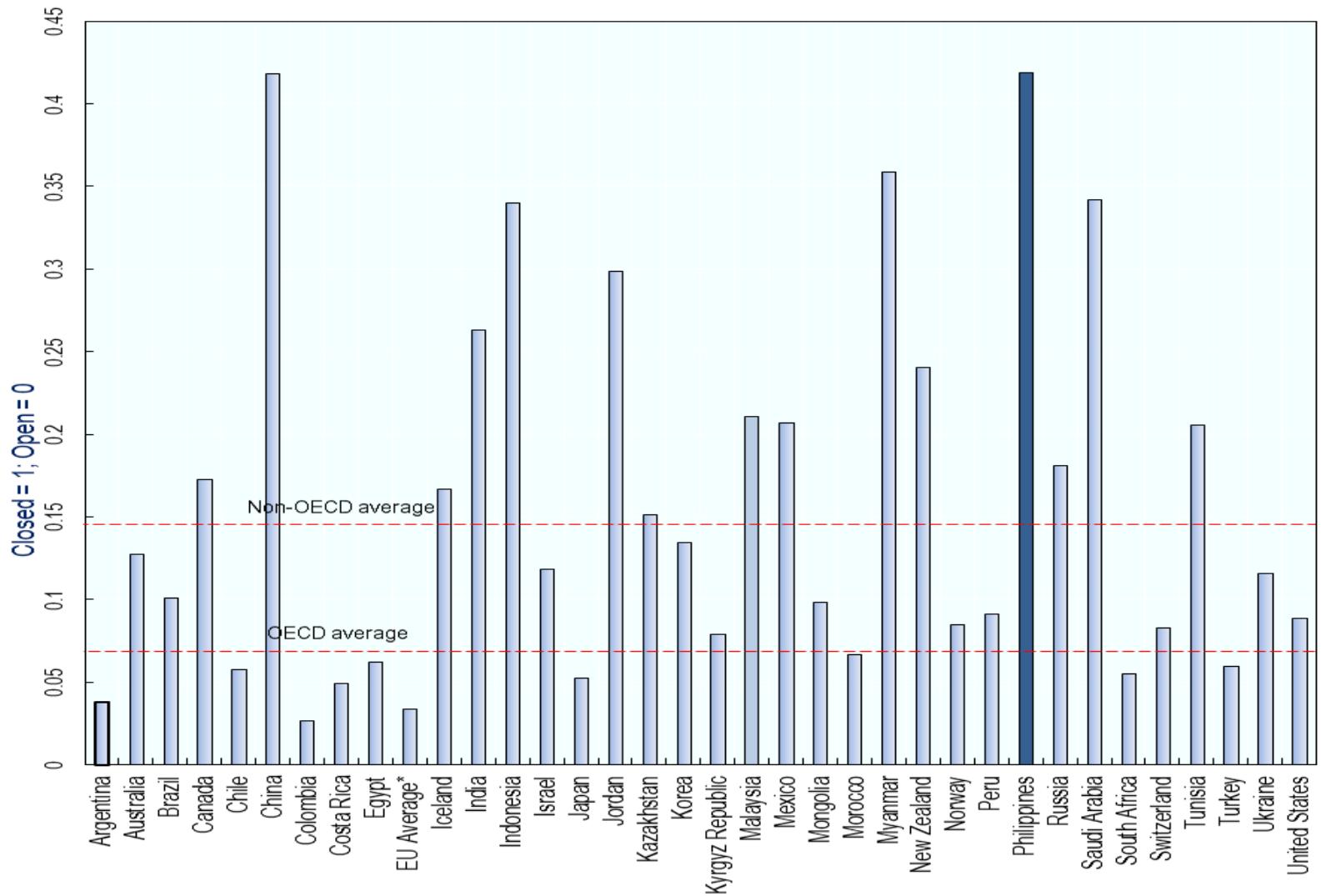


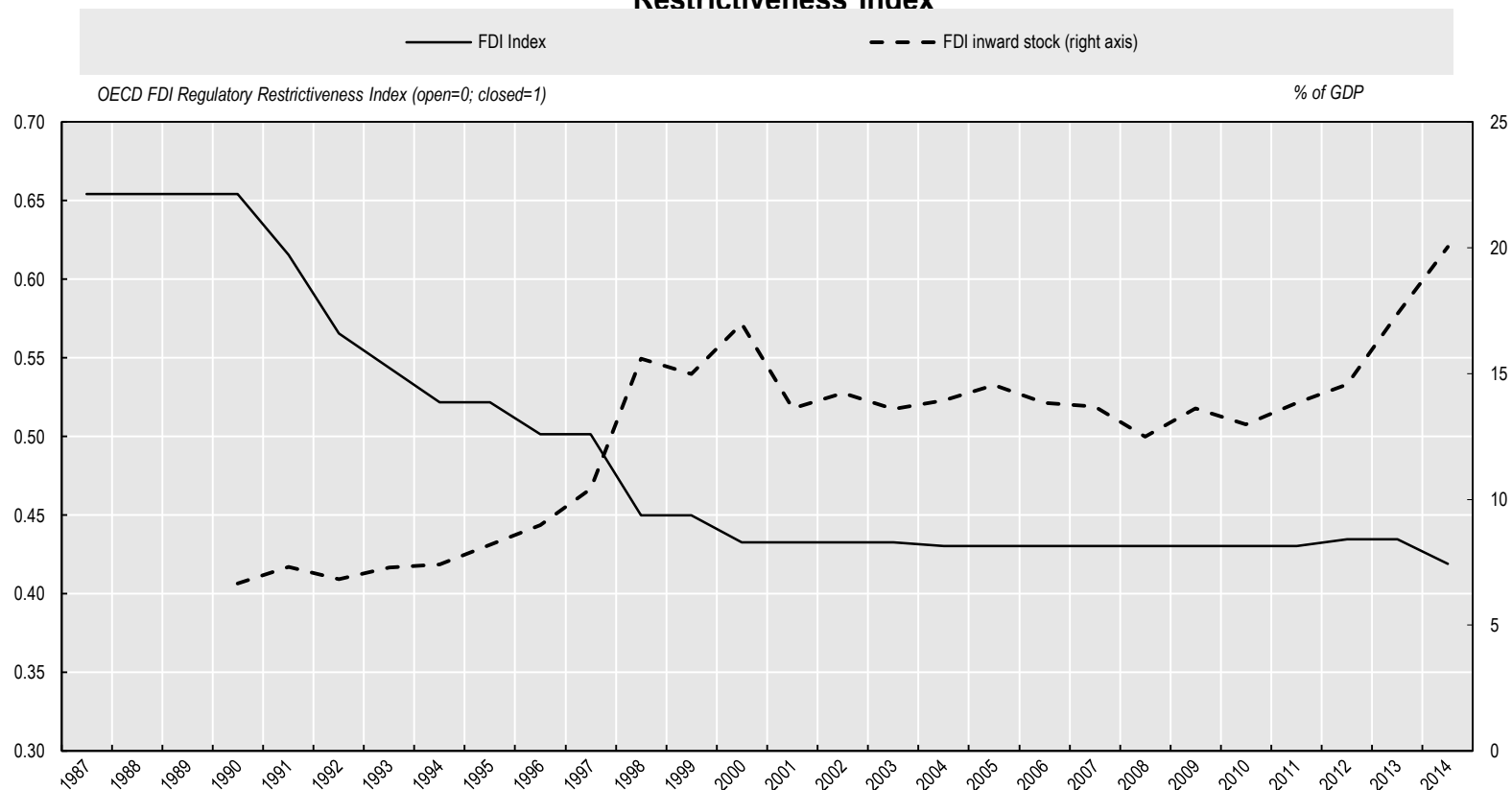
Figure 1.14. OECD FDI Regulatory Restrictiveness Index, 2014



OECD Investment Policy Reviews: Philippines 2016 - © OECD 2016, page 76

Figure 1.18. Philippine FDI restrictions are decreasing over time

Philippines' FDI restrictions overtime as measured by the OECD FDI Regulatory Restrictiveness Index



OECD Investment Policy Reviews: Philippines 2016 - © OECD 2016, page 81

Affected services	Foreign equity restriction (maximum % allowed)	% of GDP (2014)	Labor productivity growth (2008 to 2011)
Postal & Telecommunications	40	2.64	Low
Transport services	40	Land – 2.03 Water – 0.2 Air – 0.52	Land - Negative Water - Negative Air - High
Advertising	30	N/A	N/A
Mass media	0	N/A	N/A
Education	40	3.59	Low
Retail sector	Less than US\$2.5 million paid-up capital – 0 At least US\$2.5 million paid-up capital and other reqts – 100	Retail trade – 13.83 Hotels and restaurants – 1.68	Retail trade – Low Hotels and restaurants – Low
Non-bank financial intermediation	Lending companies – 49 Financing companies – 60 Investment houses – 60	2.55	Negative

1987 Philippine Constitution restricts the practice of all professions to Filipino citizens, except in cases prescribed by law.

PROSPECTS

Recent reforms

- Executive Order 29 issued in 2011 opened up secondary gateways to international flights. The year 2016 is also significant for air services with the ratification of ASEAN Open Skies Agreement.
- In banking, Republic Act No. 10641 was signed in 2014, which allows the full entry of foreign banks in the Philippines.
- The Foreign Ships Co-Loading Act of 2015 (Republic Act No. 10668) liberalized shipping services by allowing foreign ships to transport cargo for import or export directly to and from any local port other than the Port of Manila.

Other significant reforms

- Republic Act 10533 or the Enhanced Basic Education Act of 2013 (K to 12)
- RA 10372 enacted in 2013 introduced amendments to the Intellectual Property Code of the Philippines (RA 8293), which among other things institutionalized copyright protection by creating a Bureau of Copyright and Other Related Rights in the Intellectual Property Office (IPO Phil).
- The Data Privacy Act of the Philippines (Republic Act 10173) was signed in 2012. In 2016, the members of National Privacy Commission, which is tasked to implement the law, were finally appointed.
- The passage of the Philippine Competition Act (Republic Act No. 10667) in 2015
- Creation of the Department of Information and Communication Technology (DICT Act of 2015/RA 10844)

How services fit in overall development strategy (1)

Comprehensive National Industrial Strategy –a blueprint for the overall industrial development strategy that integrates the country’s agriculture, manufacturing, and services sectors.

- *Initially focus on manufacturing, infrastructure and logistics, tourism, Information Technology and Business Process Management (IT-BPM), and agribusiness.*
- *Industry Roadmaps Project (IRP) and the Manufacturing Resurgence Program (MRP) to address the most binding constraints to industry development and to revitalize the industrial sector of the economy.*

How services fit in overall development strategy (2)

Under the 8-point economic agenda of the incoming administration:

- *Pursue a genuine agricultural development strategy by providing support services to the small farmers to increase their productivity, improve their market access, and develop the agricultural value chain by forging partnership with agribusiness firms.*
- *Ensure attractiveness of the Philippines to foreign direct investments by addressing restrictive economic provisions in the Constitution and our laws, and enhancing competitiveness of the economy.*



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EMAIL: rserafica@mail.pids.gov.ph