European Association of Development Agencies

Regional Development Agencies in the Philippines
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INTRODUCTION

Institutional context

The current Philippine administration is in the process of proposing a new constitution wherein the country’s form of government will be transformed to federalism. Under this form of governance, more power will be granted to the regions to raise their own revenues, determine their own legislation, and choose their economic development models. However, until the proposal is reviewed, finalized, and unanimously approved by the electorate, the current government system remains in place.

Having a unitary, centralized form of government means that the country follows the traditional top-down model of hierarchy. The regional policy and funding of the country is coordinated and controlled by a national body. This task is carried out by the National Economic and Development Authority (NEDA). The Philippines is divided in a way that provinces, composed of cities and municipalities, are grouped under specific regions. Figure 1 shows the 17 administrative regions where the National Capital Region (NCR) and the Autonomous Region of Muslim Mindanao (ARMM), have special status. The NEDA manages regional policies for all administrative regions through the Regional Development Council (RDC) of each region while the NCR and ARMM are recognized as special development regions with their own administrative power legally defined by law (Republic Act 9054).
From a public-private standpoint, the Philippines receives development aid from several private international organizations and countries. In 2016, the Asian Development Bank was the country’s top development aid donor followed by the World Bank and Japan. Although the NEDA is the country’s main body in-charge of regional policy and development, organizations can still directly contact the Local Government Unit (LGU) of a region they would like to work with. However, the proposals of organizations wanting to work with a specific region will still have to be approved and supervised (if deemed necessary) by the NEDA in order to make certain that the program or project complies with national policy.

Once the foundation of knowing the development agencies in the country is established, this makes it easier to navigate how the processes work when it comes to starting a partnership or collaboration with the local authorities. These opportunities will be discussed further toward the end of the paper.

The National Economic Development Authority (NEDA)

Created as the government’s central planning body, the NEDA leads the planning, programming, and creation of projects related to the economic and social development of the Philippines. The role of the NEDA has evolved since its creation and today it is the main body in charge of formulating national and regional planning policies in the country.

Powers and Functions of the NEDA

The NEDA is referred to as the Authority and is composed of the board and secretariat. The main powers and duties of the Authority are held by the board while additional support in planning and research comes from the secretariat. Major socio-economic policies, plans, programs, and projects of different government agencies must be coordinated with the Authority at both national and regional levels prior to their adoption. This is to ensure their consistency with established national priorities and coordination with other policies, plans, programs, and projects of the government.

The Authority consults directly with 16 private sector community organisations and beneficiaries, local government units, and appropriate public agencies before coordinating the formulation of continuing and integrated socio-economic development plans, policies, and programs.

The NEDA Board

The board aims to achieve the goals and objectives set forth by the state through guaranteeing the maximum participation and consultation with concerned private sector groups, community organizations and beneficiaries and local government units. This is done to ensure that national policies, plans, programs, and projects are a culmination of priority needs in the regional and local sectors.
The board is headed by the Philippine President and in order to fulfil its duties, the board is assisted by cabinet-level interagency committees assigned to specific areas of responsibility. These committees are as follows:

- Development Budget Coordination Committee (DBCC)
- Investment Coordination Committee (ICC)
- Committee on Social Development (SDC)
- Committee on Infrastructure (INFRACOM)
- Committee on Tariff and Related Matters (CTRM)
- Regional Development Committee (RDCom)
- National Land Use Committee (NLUC)

Not to be confused with the RDC, RDCom is in-charge of formulating and monitoring the implementation of policies that reduce regional growth disparities and promoting rational allocation of resources among regions. They also serve as clearing house for key regional development policy/programs proposals which impact two or more regions. Furthermore, they formulate and monitor the implementation of the framework for regional development of the Philippine Development Plan, they direct the formulation and review guidelines for the regional allocation of agency budgetary resources, and they periodically review the viability of the regional configuration of the country and recommend to the President the re-delineation of regions, as may be necessary. Finally, they periodically review the composition, structure and operating mechanism of the RDCs and recommend to the President changes as may be necessary.

Each interagency committee submits all their recommendations to the President for approval on matters involving their respective areas.

**The NEDA Secretariat**

The functions of the secretariat revolve around research, technical assistance, and providing high-level advice to the Congress and Executive Branch. The secretariat conducts studies and reviews, among other things, on the development of policy measures and other recommendations, on the various aspects of the substantive functions of development planning and policy formulation, as well as the coordination, evaluation, and monitoring of plan implementation.

**Regional Development Council (RDC)**

At the sub-national level, the Regional Development Council is the primary institution that coordinates and sets the direction of all economic and social development efforts in the region. It serves as the NEDA’s counterpart on a regional level. The RDC was developed through the implementation of the Integrated Reorganization Plan of 1972, the year when the country was divided into administrative regions.
Organization of the RDC

The RDC is composed of the Local Government Unit (LGU) of the region along with regional directors of line agencies represented in the NEDA board. Representatives of the private sector which includes the Non-Government Organizations (NGOs) based in the region are also involved. Executive Order (EO) no. 384 prescribes that there shall be at least one private sector representative from the labour sector. The presence of the Local Government Unit is important in determining the needs and monitoring the progress of projects in the region. The LGUs are represented by:

- all provincial governors and city mayors,
- mayors of municipalities designated as provincial capitals,
- presidents of the provincial leagues of mayors in the region
- mayors of municipalities designated as regional centre

These bodies work to fulfil the functions of the RDC.

Functions of the RDC

The RDC has the following functions:

- Coordinate the preparation, implementation, monitoring and evaluation of short and long-term regional development plans and investment programs, regional physical framework plan and special development plans, including the formulation of policy recommendations;

- Integrate approved development plans of provinces and cities, line agencies, state universities and colleges, government owned and controlled corporations and special development authorities in the region;

- Review, prioritize, and endorse to the national government the annual and multi-year sectoral investment programs of the region for funding and implementation;

- Review and endorse to the national government the annual budgets of agency regional offices, state colleges and universities and special development authorities;

- Promote and direct the inflow and allocation of private investments in the region to support regional development objectives, polices and strategies;

- Review and endorse national plans, programs and projects proposed for implementation in the regions;

- As required by the Investment Coordination Committee, review and endorse projects of national government agencies that have impact on the region and projects of LGUs in the region.

- Initiate and coordinate the development, funding and implementation of regional and special development projects such as those involving several agencies of LGUs.

- Coordinate the monitoring and evaluation of development projects undertaken by government agencies, LGUs, state colleges and universities, government owned and/or controlled corporations and special development authorities in the region; and
• Perform other related functions and activities as may be necessary to promote and sustain the socioeconomic development in the region.

The NCR and ARMM do not have their own RDC as NEDA’s counterpart. Rather, they have their own authorities responsible for regional development planning. It is important to note that although they have their separate regional authority, they still integrate NEDA’s national policy in their own policy formation.

The Metropolitan Manila Development Authority (MMDA)

Description

Metro Manila is recognized as a special development and administrative region due to the presence the National Government Offices and its status as a centre for private business. It is the only region that isn’t composed of provinces but rather it is subdivided into 17 LGUs comprising of 16 cities and one municipality as shown in Figure 2. Each cities and municipalities is governed by a mayor. Its status led to the need and creation of its own development authority to make sure that the region develops as a liveable, dynamic urban centre. The MMDA was created in 1995 and is mandated as the responsible body in directing the region’s development. The Metro Manila Council (MMC) created under Republic Act 7924 serves as the governing board and policy making body of the MMDA.

![Figure 2. Map of the National Capital Region](image)

Scope of MMDA Services

The MMDA offers a wide range of services which have a metro-wide impact and transcend local political boundaries or require huge expenditures which would not be viable for individual LGUs to provide. Specifically, the MMDA is involved in Development Planning,

An area of interest that is covered by the MMDA is development planning which includes the preparation of medium and long-term development plans; the development evaluation and packaging of projects; investment programming and coordination and monitoring of plan, program, and project implementation.

Functions and powers of the MMDA

Relevant functions and powers of the MMDA related to regional development are as follows:

- Formulate, coordinate and regulate the implementation of medium and long-term plans and programs for the delivery of metro-wide services, land use and physical development within Metropolitan Manila, consistent with national development objectives and priorities;

- Prepare, coordinate and regulate the implementation of medium-term investment programs for metro-wide services which shall indicate sources and uses of funds for priority programs and projects, and which shall include the packaging of projects and presentation to funding institutions;

- Undertake and manage on its own metro-wide programs and projects for the delivery of specific services under its jurisdiction subject to the approval of the Council. For this purpose, MMDA can create appropriate project management offices;

- Coordinate and monitor the implementation of such plans, programs and projects in Metro Manila, identity bottlenecks and adopt solutions to problems of implementation;

- Perform other related functions required to achieve the objective of the MMDA, including the undertaking of delivery of basic services to the local government units, when deemed necessary subject to prior coordination with and consent of the local government unit concerned.

Plans and programs of the MMDA are subject to the policies and approval of the MMC given that this is their governing body.

Process Flow for Formulating the Regional Development Plan of the NCR

The procedures followed in preparing the 2017-2022 Regional Development Plan involved data gathering and coordination with Regional Legislative Agencies (RLAs). Bilateral consultations which included workshops with concerned RLAs and private sector were then conducted. Approval from the MMC was secured before the plan was forwarded to the appropriate NEDA body for final review and layout. A detailed step-by-step process taken from the MMDA archive is demonstrated in Figure 3.

The figure shows that the development plan formulation of the MMDA does not really vary
from other RDCs in the sense that the plan will still be forwarded to the NEDA. Although NCR has its own legally defined administrative power and has the MMDA to look over the region’s development, the MMDA’s functions and powers in terms of socioeconomic development does not vary from that of RDCs.

Regional Planning and Development Office (RPDO) of the ARMM

Description

The creation of the ARMM was a result of a political compromise between the national government and the Moro National Liberation Front (MNLF), a military group who waged war for sovereignty in the late 1960s. Despite this compromise, the region still struggles with poverty and underdevelopment. This is mainly due to the continuous armed conflict in the area, neglect of the central government, local government incompetence, and corruption (Co, et al., 2013, p. 14). The geographic landscape of the region partnered with inefficient means of transportation and insufficient infrastructure adds in the difficulties of reaching interior areas of the regions which contributes to its underdevelopment.

The region is composed of 5 provinces which are Maguindanao, Lanao, Basilan, Sulu, and Tawi-Tawi as shown in Figure 4. The RDC equivalent in the ARMM is the RPDO which was established with Republic Act 6734. The management and responsibility of the RPDO in
matters pertaining to Official Development Assistance and locally funded projects are outlined in Executive Order 125-A. The Regional Economic and Development Planning Board (REDPB) Resolution no. 6 Series of 2007 requests that all Development Assistance and Service Providers operating in the region should coordinate with the RPDO because it functions as its technical arm in the region. This means that the RPDO is mandated as the responsible body when it comes to accessing foreign block grants, donations, endowments and other forms of socio-economic aid from Official Development Assistance (ODA).

![Map of the Autonomous Region of Muslim Mindanao](image)

Figure 4. Map of the Autonomous Region of Muslim Mindanao

**Functions of the RPDO**

Aside from functioning as the technical secretariat of the REDPB, the RPDO has similar functions to the RDC. Of notable difference is that the functions of the RPDO are divided among two line-services: the Policy, Planning, Programming, and Development Services, and the ODA Services.

Specifically, the Policy, Planning, Programming, and Development services deal with the following:

- Evaluate and review proposed programs and projects for consideration by the Regional Economic and Development Planning Board
- Monitor and assess the programs and project implementation in the Autonomous Region in Muslim Mindanao
- Serve as the Technical Secretariat of the Regional Economic and Development Planning Board in the Autonomous Region in Muslim Mindanao
- Provide technical assistance to implementing agencies in the Autonomous Region in identifying and developing regional programs and projects
- Coordinate and provide technical assistance to the regional office of other departments and agencies in planning, implementation, monitoring and evaluation of programs and projects
- Provide technical assistance to the local government units in areas of development planning and project cycle management
- Coordinate, monitor and evaluate all local and foreign assisted projects in the region
- Coordinate local and foreign scholarships in the region
- Manage and administer special ODA and locally funded programs and projects of the ARG

On the other hand, the ODA Services are in charge of:

- Formulating and undertaking approved strategies to access ODA programs and projects
- Establishing and maintaining a database of existing and pipeline ODA-accessed projects
- Monitoring the status and progress of implementation of the ODA-accessed projects based on the terms and conditions in the agreements
- Recommending appropriate action to resolve or mitigate problems, if any, in the implementation of programs and projects based on the terms and conditions in the agreements and/or agreed plans as the case may be, in coordination with concerned regional and national government agencies and other project implementers and stakeholders
- Submitting regular reports on the accessed Development Assistance to the Office of the Regional Governor; and
- Performing such other functions as may be provided by law

The RPDO also works closely with the Department of Budget Management, NEDA, and other national and regional agencies in accessing ODA resources intended for ARMM.

**Collaborative Opportunities in the Philippines**

The Philippines currently ranks as the 13th most populous country in the world amounting to 1.4% of the total world population. The median age in the country is 24.3 years old which means the country is enjoying a demographic sweet spot due to a young workforce experiencing higher incomes. Current employment opportunities which lead to development lie in labour-intensive industries. In its latest annual report, the Philippine Institute for Developmental Studies (PIDS) released its research findings on several categories for the timeframe 2015-2019 (2017). Of interest for our field are the results for the following categories:

- Philippine Industrial Strategy and Trade
- Modernization of Agriculture
- Social Enterprises and Community Development
- Impact of Foreign Linkages on Innovation Activity of Manufacturing Firms in CALABARZON Region.
**Philippine Industrial Strategy and Trade**

The EU is the largest investor in the world which is why it comes as no surprise that it is also the largest investor in the Philippines. The country is considered as one of the fastest growing economies in Asia and after a long time of lagging behind neighbouring countries, it is now being called as a new Asian “tiger”. For instance, it had an estimated GDP growth of 6.5% in 2018 and is forecasted to remain steady in 2019. Estimated inflation of 4.9% in 2018 is forecasted to decrease to 3.9% in 2019. An overview of this is seen in Table 1. The World Bank also estimates the continuity of this growth momentum with a forecast of 6.5% in 2020 and 2021.

### MAJOR MACRO ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018(e)</th>
<th>2019(f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (%)</td>
<td>6.9</td>
<td>6.7</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Inflation (yearly average, %)</td>
<td>1.3</td>
<td>2.9</td>
<td>4.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Budget balance (% GDP)</td>
<td>-2.4</td>
<td>-2.2</td>
<td>-2.8</td>
<td>-3.2</td>
</tr>
<tr>
<td>Current account balance (% GDP)</td>
<td>-0.4</td>
<td>-0.8</td>
<td>-1.5</td>
<td>-1.5</td>
</tr>
<tr>
<td>Public debt (% GDP)</td>
<td>39.0</td>
<td>39.9</td>
<td>39.5</td>
<td>38.9</td>
</tr>
</tbody>
</table>

(e): Estimate, (f): Forecast

Table 1. Economic Indicators of Growth (COFACE for Trade, 2019)

The industry sector contributes 30.45% of GDP and employs 17.84% of the population. Industrial food processing is one of the Philippines’ main manufacturing activities. The big industries are dominated by production of cement, glass, chemicals products and fertilisers, iron, steel and refined oil products (Nordea, 2019).

The improving business climate plus the strategy adopted in order to maintain the growth of industries contributing to the increase of economic indicators through building globally competitive industries and strong domestic and global linkages increases the country’s attractiveness for Foreign Direct Investments (FDIs). This opens an opportunity for cooperation in terms of exchange of knowledge in best practices to do so. Additionally, the government has increased opportunities for foreign investors to participate in Public-Private Partnerships (PPP). Specifically, projects on the transportation sector such as new highways, subway systems, and development of airports are examples of the government’s ambition to collaborate with the private sector.
Modernization of Agriculture

Due to its mostly mountainous islands with an abundance of natural resources, the Philippines can easily be identified as an agricultural country. The country has a land area of 30 million hectares, 47% of which is agricultural land. The total area devoted to agricultural crops is 13 million hectares. This is distributed among food grains, food crops, and non-food crops. Figure 1 illustrates the breakdown among these categories:

![Agricultural Distribution](image)

The agricultural sector employs 25.31% of the labour force but unfortunately contributes only 9.66% of GDP. The agricultural sector suffers from low productivity, weak economies of scale and inadequate infrastructure (Nordea, 2019).

The PIDS recommends an increase in farm productivity and support through capacity building activities along with access to legal advice to modernize the agricultural sector. An important government program to support this is the “One Town, One Product (OTOP)” program originating from Japan’s One Village, One Product. This program aims to drive inclusive local economic growth through empowering and highlighting Micro and Small and Medium-Scale Enterprises (MSMEs).

Main products covered in the program include food, home, fashion, and agri-based items. This program is an opportunity to establish cooperation and exchange of ideas between specific EU and Philippine regions as each Philippine region has products in these categories that they aim to sell and promote. Table 2 shows specific model/priority OTOPs chosen by the Department of Trade and Industry.
Table 2. Priority OTOP Products (Department of Trade and Industry).

The program has been in existence since 2002. LGUs, National Government agencies, and the private sector all work together to assist in the program’s continued success.

Social Enterprises and Community Development

The Philippines has a social and cultural environment conducive to the framework of social entrepreneurship due precisely to the essence of what a social enterprise is. Unfortunately, the challenge lies with the current policy environment as it still views social enterprises as traditional MSMEs; simply a business. This perception contributes to the unresponsive growth of social enterprises in the country but the opportunity to change the situation is still open.

Impact of Foreign Linkages on Innovation activity of Manufacturing Firms in CALABARZON Region

A study was conducted by the PIDS on whether foreign linkages are beneficial to induce knowledge transfer and innovation. The results showed that having foreign linkages and participating in the global value chain impact both process and product innovations positively. This is because a firm is likely to undertake product innovation including new product development if they use new technology that the firm has never used before. These results demonstrate the inclination of firms to new knowledge and technology.
Summary

In terms of development agencies, the Philippines follows a centralized form of management where the NEDA is the main agency in charge of creating a national policy by which Regional Development Councils must pattern their plans, programs, and projects for the region. The regions of NCR and ARMM, whilst having their own administrative power, must still coordinate and comply with the national policies laid out by the NEDA. Additionally, although there are several offices assigned in each region to carry out development plans and policies, their roles and functions remain the same.

In a nutshell, the profile of Philippine development agencies are as follows:

<table>
<thead>
<tr>
<th>Governance</th>
<th>Public Authorities (national and regional)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Responsibilities</td>
<td>Major socio-economic policies, plans, programs, and projects are created by the national office which will be used by regional councils in designing local plans and projects.</td>
</tr>
<tr>
<td>Source of Funds</td>
<td>National Government; Foreign Aid</td>
</tr>
<tr>
<td>National Coordination</td>
<td>Centralized through the NEDA</td>
</tr>
</tbody>
</table>

The areas of opportunity presented come with their own strengths and weaknesses but can be a good start to establish connections and cooperation in the Philippines. Additionally, the areas shown are just a few examples of possible fields for collaboration chosen specifically because of the variable and more specific options within them.
REFERENCES


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