

Over the years, economic growth has paid rich dividends to the Philippines. Infant mortality rates have fallen, life expectancy has grown, and increasing numbers of Filipinos have access to education and diverse employment opportunities. However, such development has been accompanied with significant degradation of natural resources and declining environmental quality. Poor water-, land-, and air quality not only exact a toll on overall quality of life and human health, but also jeopardize future economic growth.

**Economy.** After growing very rapidly in the mid-1990s, the Philippine economy has been outperformed by its neighbors, especially in terms of annual economic growth rates and declining incidence of poverty (Table 1). It is also facing increasing competition from Vietnam, China, and India. In addition, in the 2002–2003 Global Competitiveness Report released by the World Economic Forum, the Philippines slipped 13 places, to number 61 (measured by growth and microeconomic competitiveness), out of 80 countries. Low ratings for public institutions, technology index, and quality of the national business environment contributed to its overall slide.

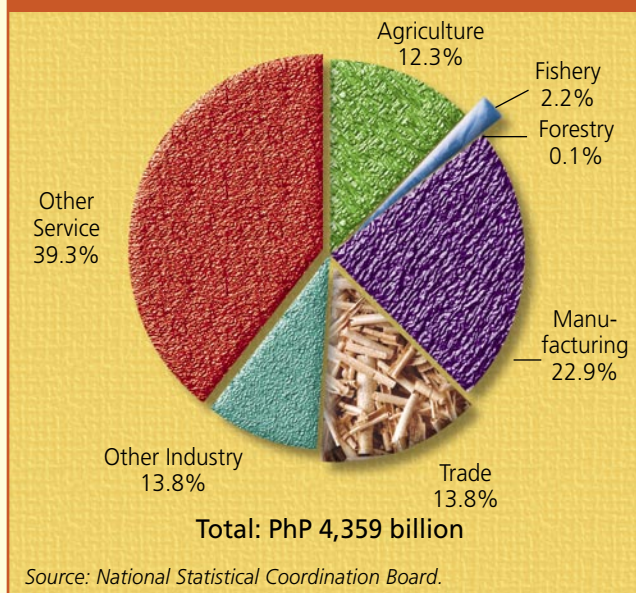
The Philippines economy remains acutely dependent on natural resources. The rural sector employs some 11.2 million people; and is a substantial contributor to national gross domestic product (GDP; Figure 1). In 2003, it generated 632 billion Philippines pesos (PhP) through agriculture, fisheries, and forestry-based industries. The rural sector grew at an average of two percent per year between 1988 and 2002; most of this increase was in agriculture (12.5 percent of GDP) and fisheries (2.2 percent of GDP). Tourism (foreign visitors and overseas Filipinos) has also been a significant contributor to GDP (nine percent in 2002), not only in terms of foreign exchange, but also of employment growth, and ecotourism. In 2003, the mining sector contributed 1.52 percent of GDP.

**Table 1. Growth and Poverty Reduction in Selected Asian Countries**

COUNTRY	Growth (% p.a.)		Poverty Reduction (headcount index, in %)			
	GDP Growth	Per Capita Growth	\$1/day		\$2/day	
	1999-2003	1999-2003	1998	2003	1998	2003
Philippines	3.9	1.7	12.1	11.1	45.2	44.1
Indonesia	3.4	2.1	12	6.2	65.1	50.1
Malaysia	4.8	2.5	< 0.5	< 0.5	12.9	8.7
Thailand	4.7	4.0	3.3	1.6	34.1	23.7
Korea	6.4	5.7	< 0.5	< 0.5	< 0.5	< 0.5
China	7.9	7.1	16.1	11.7	49.8	34.8
India	5.2	3.6				

Source: World Bank, Briefings for the Philippines, 2004.

**Figure 1. Gross Domestic Product by Sector, 2003**



While the country is richly endowed in mineral resources,<sup>1</sup> the role of mining has been declining over the last decade due to a soft international market with low world prices for principal metal products, limited capital for needed exploration work, strong

<sup>1</sup> The Philippines has an estimated endowment of 10.5 billion metric tons of metallic (mineral) resources, and 81.2 billion metric tons of nonmetallic ones.



anti-mining sentiments, and the constitutional challenge to the Philippine Mining Act of 1995.<sup>2</sup>

Forty-four percent of Filipinos still earn less than two dollars per day (Table 1), and about two-thirds of them are engaged in activities that rely heavily on environmental and natural resources. Approximately 20 million people reside in and around forests, and 60 million live within 100 km of the Philippine coastline. Evidence, mostly anecdotal, suggests that poor people, and those whose income and welfare are more tightly linked to environmental and natural resources, are disproportionately affected by the continuing declines in environmental quality.

Coastal and forest communities, and residents of poorer areas of municipalities and rural barangays,<sup>3</sup> which are under-served in the provision of urban environmental services, are worst off. They also bear the highest income losses due to sickness and medical expenses related to water and air pollution.

The annual economic losses caused by water pollution are estimated at PhP67 billion (US\$1.3 billion). These include PhP3 billion for health, PhP17 billion for fisheries production, and PhP47 billion for tourism. In 2001 alone, the health costs of particulate (PM10) pollution in the four largest cities were estimated to be more than US \$400 million. Losses due to environmental damage in terms of compensation and claims are also on the rise in the Philippines.<sup>4</sup> Surveys suggest that citizens sense official apathy toward their situation. For example, a perception survey on air pollution, conducted in 2001 by the Philippine Information Agency, revealed that more than 72 percent of Manila's residents were alarmed by air pollution and 73 percent said they were not aware that the government was taking any actions to control it (Figure 2).

<sup>2</sup> See also Brown Environment Section.

<sup>3</sup> A barangay is the smallest local government unit in the Philippines.

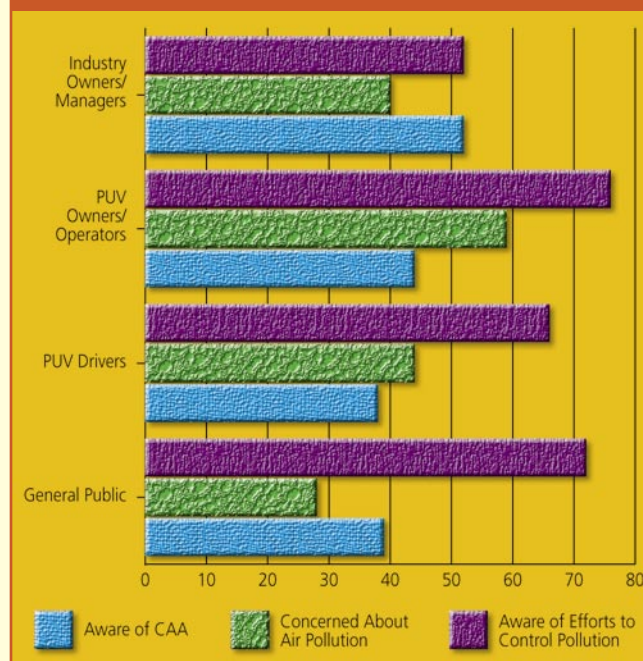
<sup>4</sup> See also Water Pollution Section.



Poor woman and child.

Source: Authors.

Figure 2. Public Perception of Air Pollution



Source: Knowledge, Awareness and Practice Survey in the Metro Manila Airshed, DENR and Philippine Information Agency, 2001.

**Legal and Institutional Framework.** The ecological, economic, and social importance of sound environmental management is no longer a matter of debate in the Philippines. Successive administrations, the private sector, and civic groups have collaborated



in enacting such important legislations as the Clean Air Act in 1999, Ecological Solid Waste Management Act in 2000, and Clean Water Act in 2004. The use of economic instruments such as user-fees, environmental taxes and levies is also on the rise. Numerous mechanisms have been put into place to strengthen stakeholder participation in decision-making, and the role of non-governmental organizations (NGOs) and local government units (LGUs) has been expanded.

Despite such legal and policy responses, environmental degradation continues and the government has yet to implement an effective system of environmental governance. Some of the reasons cited for ineffective environmental management in the last decade include: (1) unclear distinction between responsibilities of the Department of Environment and Natural Resources (DENR) and other government agencies and local governments, and the perception among local government officials that they are being required to fulfill unfunded mandates, despite limited resources and personnel; (2) lack of routine environmental monitoring, and poor use and dissemination of environmental information, when it is available; (3) weak enforcement of existing laws, owing to inadequate financial and human capital and conflicts of interest at the local level; (4) absence of land use planning and zoning, and unclear property rights; and, (5) lack of explicit environmental objectives/programs in many agencies, and inadequate leadership of sector agencies for sector-specific analysis of environmental policies and investment options.

While the contributions of the private sector and civic society groups have been recognized, there is still a general public perception that environmental management and protection are ultimately the responsibility of the Government, and that it is not doing enough to protect resources and reduce pollution. In this sense, while the past five years have

been marked by the passing of important legislation, environmental management continues to remain problematic, and the nature of the problems is largely unchanged.

### ***Public and Corporate Social Responsibility.***

In 1996, the Government of the Philippines (GoP) endorsed the Philippines' National Agenda for Sustainable Development for the 21st Century (Philippine Agenda 21). Since then DENR and the Department of Trade and Industry have stepped up their efforts to build awareness of the importance of sound environmental management practices within the business community. The incorporation of environmental provisions in the Magna Carta for Small Enterprises, known as Republic Act (RA) No. 6977, and the launch of two programs, gave an even stronger signal of the GoP's willingness to promote and support private sector participation in environmental management. Private Sector Participation in Managing the Environment Program, and the Environmental Management Programme for Industry Competitiveness, are two programs sponsored by the GoP and the United Nations Development Programme (UNDP).



*Reforestation of the La Mesa Dam Watershed under the Bantay Kalikasan Program of the ABS-CBN Foundation.*

*Source: Authors.*





Corporate employees in coastal clean-up.

Source: DENR.

The good practices of leading companies build a base for the behavioral change of others.<sup>5</sup> In the last decade, many companies have implemented measures to address pollution, trying to ensure that their operations do not compromise natural ecosystems. In addition, some of these companies have initiated and supported projects that contribute to wildlife conservation, watershed reforestation, coastal resources management, and river rehabilitation. Of particular importance and visibility are the activities of the Development Bank of the Philippines, and the Land Bank of the Philippines, which began granting preferential credit access to industrial enterprises seeking financing for environmentally-sound projects. The Philippine Environment Partnership Program promotes mandatory self-monitoring and compliance with environment standards, encourages self-regulation, and provides for grant of incentives and assistance to industries.

**Role of Civil Society and NGOs.** The Philippines is home to a vibrant community of environmental NGOs and civic groups. By 1995, the Securities and Exchange Commission had registered 60,000 non-stock, non-governmental institutions—50,000 NGOs

<sup>5</sup> International Finance Corporation, 2002.

and 10,000 Peoples' Organizations (POs). The number of development-oriented NGOs is probably closer to 3,000–5,000, and of these, a small percentage are devoted solely to the environment. These groups have been very active in establishing partnerships with businesses and the Government to raise awareness about environmental stewardship. Since 1992, The Philippines Business for the Environment (PBE) has been helping the Filipino industrial sector to address its environmental concerns and impacts. It has been successful in making environmental information available to industry. Most notable among PBE's activities include the Industry Waste Exchange Program, which matches companies generating wastes with companies that can re-use them; the program for Environmental Management with Public and Private Sector Ownership, which aims at improving industry access to integrated environmental information; Environmental Management Programme for Industry Competitiveness. Component on the institutionalization of the environmental management systems in small and medium enterprises; and, the preparation and adoption of Business Agenda 21 by 83 Industry Associations.

Driven by civic pressures for a better living environment, and the awareness that good environmental practices promote more cost-efficient business operations, the Philippine Business for Social Progress (PBSP), has become the nation's largest and most influential business-led foundation. The Foundation focuses on socially- and environmentally-conscious business development. Through the Corporate Social Responsibility Program and its strong advocacy and education agenda, PBSP encourages companies to take responsibility and assume accountability for any adverse impact their operations have on the environment.<sup>6</sup>

<sup>6</sup> Private sector involvement in the Green, Brown and Blue sectors is highlighted in subsequent sections.



**Environmental Information.** Reliable and regularly-updated environmental data are essential to good environmental policy. As civic groups and businesses gain access to timely and accurate information, they are able to stay better engaged in the policy process, and exert pressure on their local officials to implement laws and policies that are already on the books. The Government has taken steps to improve access to environmental information, and recognizes the importance of public disclosure programs. The DENR website contains links to important environmental laws, decrees and memoranda, as well as the latest environmental trends. While such efforts are important, until local governments themselves can produce, check and use reliable environmental information, there will be little improvement in enforcement.

The private sector has created information clearing houses that provide resources on environmental topics relevant to businesses. Organizations such as PBE, a local partner of the World Business Council

on Sustainable Development, and the Pollution Prevention Roundtable not only provide important environmental information but also help create links between different enterprises that are looking for or providing environmental services. Non-governmental organizations, as well as bilateral and multilateral aid agencies, also contribute to the development of the knowledge base on the environment.

**Environmental Champions.** Concerned individuals, governments and informal organizations have also relied on local resources and demonstrated a strong political will to become pioneering champions of environmental protection. Representing a cross-section of Philippine society, they have addressed environmental issues such as forest and biodiversity protection, coastal resource management, and air pollution. Some of these individuals and organizations have become widely known, while others have remained unrecognized outside their own communities.



*One of the many beaches in the country.*

Source: Authors.

