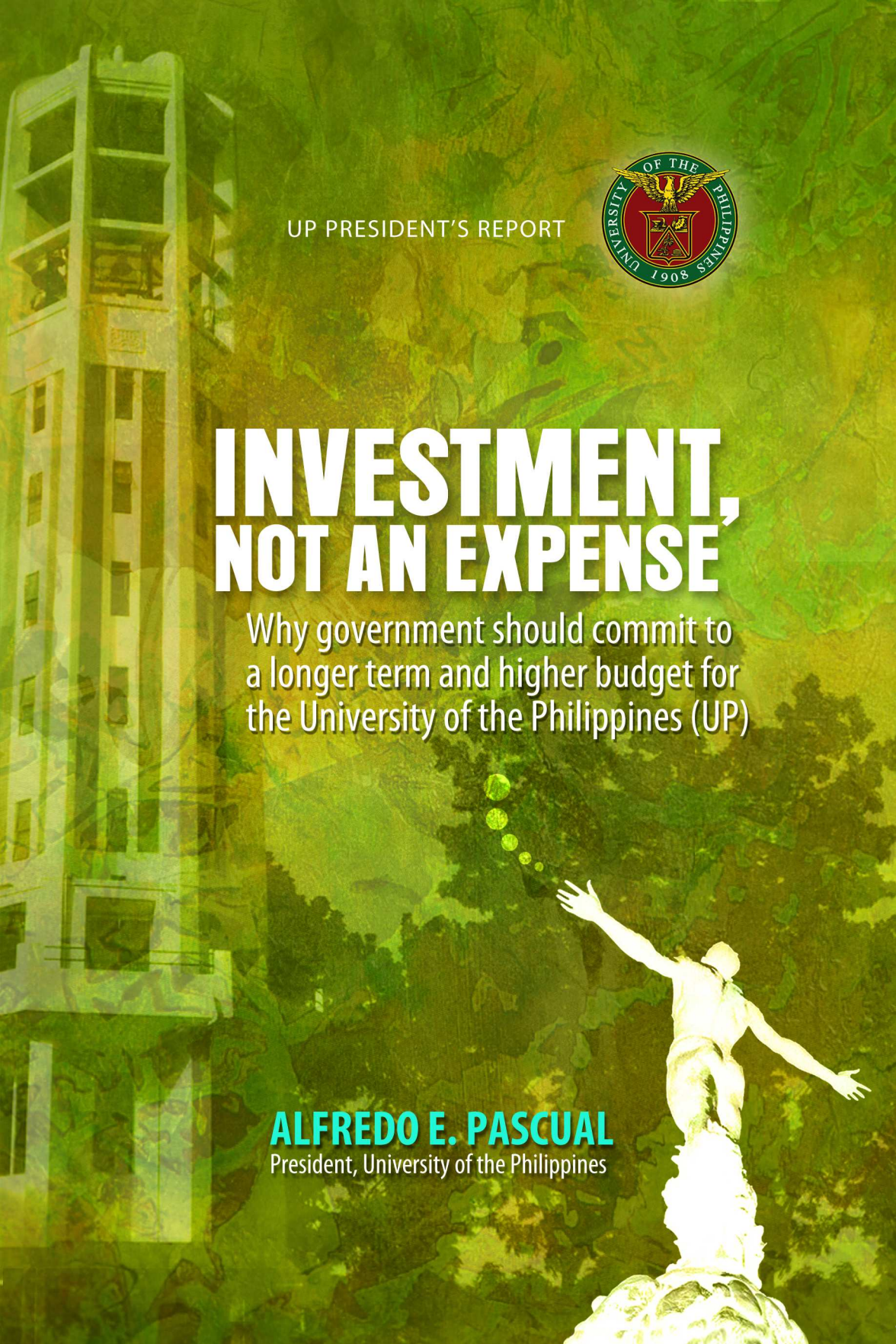




UP PRESIDENT'S REPORT



INVESTMENT, NOT AN EXPENSE

Why government should commit to
a longer term and higher budget for
the University of the Philippines (UP)

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FOREWORD

THE UNIVERSITY OF THE PHILIPPINES Center for Integrative and Development Studies (UP CIDS) features a special report of University President Alfredo E. Pascual to the House of Representatives entitled, “Investment, not an Expense: Why Government Should Commit to a Longer Term and Higher Budget for the University of the Philippines.”

The report is not only a briefing of the UP President to Congress on the national university but is also a message to general readers on why it is important to invest in higher education, particularly in the University of the Philippines. The report expounds on why UP is an asset to education, to the nation, and to global learning.

The UP CIDS acknowledges the editorial and technical assistance of Jeffrey Asuncion, Menchie Flores-Obanil, Jocelyn Dimayuga, and Ramon Fernan III who saw to the publication of this UP CIDS Special Report, 2014.

EDNA ESTIFANIA A. CO
Executive Director, University of the Philippines
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2014







INVESTMENT, NOT AN EXPENSE

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ALFREDO E. PASCUAL

UP President

EDUCATION IS THE GREAT EQUALIZER. It plays an important role in improving people's welfare and alleviating poverty. It facilitates social and economic mobility, and promotes equity and access to better employment opportunities, especially of the poor.

It is a basic factor in economic development as its benefits go beyond the educated individual and extends to the whole of the economy. In the 2001 World Bank Poverty Assessment it was clearly shown that in the Philippines "the single most important contributor to the observed variation in household welfare" was the educational attainment of the household head.

The emergence of the knowledge-based economy as a result of intensified globalization processes, continuing advances in science and technology, and the widespread use of information and communication technologies further underscore the increasingly important role of education in ensuring economic and social development. A knowledge-based economy is supported by four major pillars that include an educated workforce, scientific and technological innovations, adequate information and communication technology infrastructures, and a well-established policy and regulatory environment. In a global, knowledge-driven economy, public investment in education is key to achieving economic prosperity and social well-being.

But investment in education must not stop with merely providing more resources. Efforts should be made to improve the quality of education in order to fully capture the relationship between skills and economic growth. Educational expenditures linked to activities such as research and development, faculty development, and facilitation of linkages with global centers of excellence (particularly in the science and engineering fields) will greatly impact the level and quality of the human capital of university graduates (Pernia, Clarete, and Padilla Concepcion 2014).

It is not surprising therefore that in the Asian Development Bank (ADB) report on the growing problem of inequality in the Asian region, depriving the poor of access to education was one of the major reasons cited as contributing to this problem (Larkin 2013). Professor Peter Warr of the Australian National University, who was interviewed for the report, concluded that “access to education is the fundamental issue” with inequality (Larkin 2013, 11).

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Since government spending in education is designed to improve the human capital of the poor in the long run, its non-prioritization normally increases poverty. Government spending for education in the Philippines has been very low. Compared with its ASEAN and East Asian neighbours, which were spending an average of 5 to 6 percent of gross domestic product (GDP) on public education from the 1980s to 2000, the Philippines was only allocating 1.72 percent, rising to 2 to 3 percent, of GDP in the same period. This is way below the 2008 Oslo Declaration recommendation that a government should allocate at least 4 to 6 percent of its gross national product (GNP) or gross domestic product (GDP) for education. While there is an observable downtrend in spending among ASEAN countries, the level of spending for education in the Philippines remains significantly lower compared to its closest ASEAN competitors—Malaysia, Thailand, Vietnam, and Singapore (Pernia, Clarete, and Padilla Concepcion 2014).

At the same time, while government substantially invests in primary and secondary education, public investment in tertiary education remains low (Montalvo 2004), making access to higher education more difficult for the poor. The same ADB special report on inequality said, “In the Philippines, children of wealthier households were seven times more likely to attend college” (Larkin 2013, 11). This underscores the need to continue supporting higher education institutions, like state universities and colleges (SUCs), that normally cater to the poorer section of society.

In fact the Aquino administration’s Higher Education Reform Agenda (HERA) wants to address three fundamental and major weaknesses of Philippine higher education, namely: the lack of

overall vision, framework, and plan for higher education; the deteriorating quality of higher education; and the limited access to higher education by those who need it most and have the potential to maximize its possible benefits. The push to address these fundamental weaknesses stems from the belief that by enhancing public investments in higher education institutions, especially publicly funded state universities and colleges, high-level professions can be developed to meet the manpower needs of government, industry, and civil society. Since SUCs normally perform a triad of functions—research, instruction, and extension—they can help alleviate poverty, develop innovative solutions to urgent problems of the nation, create new knowledge and functional skills, and increase productivity and contribute to the dynamism of communities (Commission on Higher Education n.d.).

UP's Continuing Service to the Country

DESPITE UP'S DWINDLING BUDGET and the many other challenges it faces, the university has always performed its unique and distinctive role as the premier national university, upholding its tradition as the breeding and training ground of past and future leaders of the country.

True to its mandate under the 2008 Charter (Republic Act 9500), UP as the sole national university continues to perform its unique and distinctive leadership role in higher education and development. The University of the Philippines contributes to national development by supporting the national policy thrusts

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of the government. UP supports President Benigno Simeon Aquino III's Social Contract by providing leadership and expertise in pursuit of the Key Result areas of Poverty Reduction, Good Governance, Peace and the Rule of Law, Inclusive Growth, and Integrity of Environment.

UP provides access to quality higher education

As the country's premier university, the University of the Philippines plays an important role in poverty reduction and the empowerment of the poor by providing access to quality higher education. A UP education is recognized as the best the country has to offer. More importantly, UP is known for providing low-cost, high-quality academic degree programs which are accessible and affordable even to students from the poorest families.

As a state university financed by the people's taxes, it is the policy of UP to ensure that no qualified student is denied access to UP education due to financial incapacity. The main vehicle for this is UP's Socialized Tuition and Financial Assistance Program (STFAP), more popularly known as *the Iskolar ng Bayan* Program. Since the start of its implementation in 1989, it was aimed at democratizing undergraduate student admission, ensuring that poor applicants are not turned away. UP allocates a substantial portion of its budget to fund the program, with the new Socialized Tuition System (STS) to cost an estimated 300 million pesos in reduced income from tuition fees and in stipend payments for qualified students.

UP also facilitates access to health care, with the Philippine General Hospital (PGH) servicing as many as 600,000 indigent patients a year. Among the country's poor, UP is recognized as an affordable and quality alternative to expensive private hospitals. The UP Schools of Health Sciences produce doctors and other health professionals for the rural areas. UP Manila graduates health professionals who are bound to serve the country through a Return Service Agreement.

Rapid, Inclusive, and Sustained Economic Growth

UP supports Philippine development goals in a number of ways. Under the current Aquino administration's push for rapid, inclusive, and sustained economic growth, UP provides a continuous stream of researchers and graduates who provide valuable expertise in the fields of engineering, agriculture, health, environment, physical and natural sciences, and cultural development.

UP experts likewise support growth with their knowledge-based innovations to provide technology solutions to problems and develop new, high-value products and services. UP, for example, is working with the Philippine Coconut Authority to develop new, high-value products from coconut, one of the country's leading exports.

Recognizing that a growing economy will lead to greater demand for expertise in a variety of fields, UP is working to increase MS and PhD graduates for UP itself as well as for other SUCs, and even for private higher education institutions, government

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agencies, businesses, and industrial enterprises. These graduates are expected to lead in the fight to alleviate and eradicate poverty, hasten the pace of innovations, and create new knowledge and functional skills.

With the support of partners, UP has set up technology business incubators (TBIs) to support development of technologies for commercialization. These include the Technopark, Technology Incubators Core Facilities at the National Science Complex, and College of Engineering TBIs in UP Diliman as well as TBIs in UP Cebu and UP Los Baños.

UP's contribution to “*Matuwid na Daan*”

UP also contributes to Aquino's “*Matuwid na Daan*” through the promotion of good governance and anti-corruption practices. It has training programs that cater to national and local government executives; the programs are focused on providing best practices on good governance and are conducted through the UP National College of Public Administration and Governance (NCPAG) and UP School of Urban and Regional Planning (SURP). UP also conducts policy studies that help deepen discussions on good governance and corruption issues. Given its technical capabilities as well, UP provides assistance to local government units in preparing land use and zoning plans (UP SURP), and to government agencies in implementing computerized information systems that enhance accountability and transparency (UP Information Technology Development Center).

Leading by example, UP is in full compliance of the good accountability report card, including the Transparency Seal, Philippine Government Electronic Procurement System (PhilGEPS) Postings, Cash Advance Liquidation, Citizen's Charter, and the ePSIPOP.

UP's eUP, the integrated information system within and across campuses to facilitate administrative efficiency and accountability, is another UP contribution to the continuing call of the government for accountability and transparency.

UP at the Forefront of Disaster Risk Management and Climate Change Efforts

UP has been working hand in hand with various government agencies, such as the Climate Change Commission (CCC) and the Department of Science and Technology (DOST), in reducing and managing risks posed by extreme weather events as a result of climate change. UP is involved in the implementation of CCC programs. UP experts have been leading the development of Project NOAH, the Nationwide Operational Assessment of Hazards Project of DOST. UP's Disaster Risk Exposure and Assessment Mitigation (DREAM) Project, funded by the DOST, has produced 3D maps and flood models of 18 major river basins, an important input for national government agencies and local government units undertaking disaster risk reduction and management programs. Padayon UP provided both technical expertise and medical services after Typhoon Sendong, benefitting communities in Iligan.

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UP also undertakes researches and policy studies on climate change. Through Commission on Higher Education (CHED) funding, UP has a biodiversity and resilience research, policy study, and communication program that can inform plans on adaptation at the national and local levels. UP has also conducted researches on the impact of climate change on agriculture and food, and is planning to initiate a study on good water governance.

**UP helps protect the environment, especially
marine resources**

UP has several programs aimed at protecting the country's marine resources. The Marine Protected Areas (MPA) Program is the training program for fisherfolks, while the Coastal Resources Management Program is the program that promotes eco-governance. Two other projects that have been undertaken, the Coral Reef Restoration Project and the Harmful Algal Blooms Monitoring and Control Project, are also both geared at protecting marine resources. UP is likewise implementing an internal environment friendly program, Green UP, within its campuses as part of a larger effort to contribute to the preservation and maintenance of the environment.

**UP provides valuable inputs to the formulation
of national policies**

UP conducts important policy studies to support the crafting of proposed legislations (through UP School of Economics, UP College of Law, and Law Center), the building of resilient and

sustainable communities using an adaptive social protection framework (UP College of Social Work and Community Development), and the channeling of the contributions of S&T to inclusive growth and poverty reduction (UP NCPAG).

UP delivers technical assistance through collaboration with government agencies, such as the National Economic Development Authority (NEDA), to harness UP experts in national development planning. Meanwhile, UP also provides training programs on management and entrepreneurship through institutions like the Institute for Small Scale Industries (ISSI).

UP is at the forefront of our country's quest for a just and lasting peace. UP faculty and graduates have produced numerous policy studies and research on achieving peace in Muslim Mindanao (through the UP Institute of Islamic Studies). UP also leads the way in advocating for judicial reform, such as the use of DNA technology for forensics investigation (UP National Sciences Research Institute), the revision of the Rules of Court (UP College of Law), the reduction of the current backlog of cases in the courts, and the training of police officers on human rights and the rule of law.

UP is a major source of policy studies related to national security, particularly legal studies on maritime affairs and the law of the sea (UP Institute of Maritime Affairs and Law of the Sea), the strategic framework for management of the West Philippine Sea (UP Asian Center), the Philippine claim on Sabah, and the modernization program of the Armed Forces of the Philippines.

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UP Moving Forward

GUIDED BY THE VISION OF UP as a great university taking on the leadership role for the development of a globally competitive Philippines, UP crafted and is implementing its Strategic Plan 2011-2017.

Under the strategic plan, the university aspires to achieve both academic and operational excellence by implementing different programs and adopting more rigid standards. Its theory of change posits that achieving operational excellence through financial sustainability and administrative efficiency leads to attaining academic excellence. This in turn would produce more responsible and competent leaders, innovative technologies, creative work, and extension service benefitting different segments of society and contributing to a prosperous Philippines.

UP is working towards transforming itself into a research university by upgrading its research and creative work capabilities. UP recognizes that by upgrading its research and development capability, it can contribute to national development by finding innovative yet practical solutions to the country's problems on food, environment, energy, industrial development, and livelihood. UP can introduce technology-based products that can spur employment and job creation, contributing to the solution of a major problem that the country faces.

To promote higher learning, UP will aim to increase the number of its graduate students vis-à-vis its total student population. It will also aim to increase the number of PhDs in the faculty. UP plans to rationalize research programs, but establish new and stronger ones that can take on the task of producing a

critical mass of research outputs and creative work for the different stakeholders in the country. UP will continue to promote the International Publications Awards to ensure that its research and creative outputs are recognized internationally. UP will strive to promote international research collaboration and linking as it strengthens and expands its inter-disciplinary programs. It will work to protect the intellectual property rights (IPRs) of its researchers and faculty by promoting *Tatak UP*, but will continue to share these intellectual outputs, popularizing research outputs for the consumption of a broader audience.

As UP Chancellor Caesar Saloma (2013) put it,

The infusion of public funds that permitted the on-going completion of the National Science Complex and the Engineering Complex, and increased the available number of graduate scholarships in the basic and applied sciences, mathematics and the engineering sciences, has already resulted in meaningful human capital build-up in the form of more highly trained PhD and MS graduates. It has accelerated the generation of new scientific knowledge, and advanced the development of technical expertise in critical areas of national importance such as weather forecasting, disaster risk response and mitigation as well as terrestrial and marine resource management.

As part of its strategic thrust towards academic excellence, UP will continue to be the country's premier national university by implementing stronger, relevant, balanced, and internationally benchmarked academic programs.

In the 2014 Quacquarelli-Symonds (QS) ranking of Asian universities, UP is one of the 38 universities across Asia included in the top 250 universities around the world based on academic

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reputation, employer reputation, faculty-student ratio, papers of faculty, citations per paper, international faculty and students, and inbound and outbound exchanges. UP has been able to maintain its ranking despite the fact that UP is also one of the ten universities receiving the lowest government funding in Asia. With the ASEAN economic integration fully in place by 2015, UP plans to modernize its pedagogy by encouraging and developing multi-approaches to teaching and learning and formulating and using evaluation tools.

UP will implement a system-wide formal quality assurance plan that will further raise its international quality standing as a renowned and competitive university around the world. UP will also intensify its efforts on internationalization by making student and faculty more aware of the opportunities that can promote professional and interpersonal development. UP will work to achieve international accreditation for selected programs and centers of excellence. UP will also enhance sports development by implementing a system-wide sports development program, complemented by upgraded sports facilities. Hopefully these measures will not only serve Filipino students but will also attract more foreign students (including those from other ASEAN countries).

UP will continue to provide the best education to the best and brightest students from all over the country without sacrificing equitable access. It will further democratize admission by working with local government units and officials to prepare top high school graduates in the provinces in competing for UP admission. To ensure that UP students are competitive, curricular reviews will be undertaken to “develop the capacity for critical thinking, continued learning; and to effectively deal with

ambiguity, complexity and uncertainty.” It will also review its socialized tuition fee assistance program (STFAP) and explore the possibility of providing more assistance to students in need.

UP will strive to be more visible by providing effective public service. Padayon UP, which is UP’s effort to help move things forward and onward in different fields, will be continued. Again, fulfilling its mandate under RA 9500, Padayon UP is part of the various forms of community, public, and volunteer service as well as technical assistance provided by UP to the different sectors of Philippine society. A good example of an initiative under Padayon UP is a team of disaster risk reduction experts who provide technical service to communities affected by extreme weather events due to climate change. Pabatid-UP, Pabatid Bayan, UP’s comprehensive media and communication program, will be pursued to ensure that UP is reaching out not only to its students and faculty but to a broader audience that includes the media and other publics.

To achieve operational excellence, UP will continue to implement measures that promote administrative efficiency. eUP will be implemented to integrate, interconnect, and harmonize information and communications technology (ICT) systems in the university and help reduce its voluminous paperwork. The ICT systems would mean the implementation and maintenance of seamless processes that can promote greater productivity and efficiency. At the same time, real time data and information will be the basis for sound decision making around issues affecting UP. With real time data and information, UP can check wasteful expenditures and expedite administrative processes like procurement and hiring, resulting in more efficient use of the limited resources available to it.

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UP will promote Green UP to emphasize its commitment of making all UP campuses environment friendly. UP will strive to reduce its energy consumption, performing audits to promote efficiency and reduce costs. UP will also reduce its utilities consumption and waste production by promoting conservation of resources, segregation, recycling, and implementing other sustainable systems. New buildings will be designed to conserve resources and protect the environment, while old buildings will be retrofitted to conserve energy and reduce utilities consumption.

To ensure faster delivery of services, UP is implementing S-UP that will help revise and rationalize procurement and human resources processes in the UP system.

UP plans to enhance its budget and make it a planning tool that can easily be used to track how the strategic plan is being implemented. This is to ensure that annual budgets submitted to Congress correspond to the actual plans already being implemented and pursued system wide. UP has required its units to use the designed budget templates and financial calendar to ensure that annual budgets are on time and reflect the priorities of the different units. UP will also use the enhanced budget to ensure that the provisions, i.e., gender audit and integration of gender concerns in the budget under the Magna Carta for Women, are complied with.

To ensure that UP will not lose its valuable faculty and staff, UP plans to enhance its benefits and compensation package. It is necessary for UP to provide incentives and implement professional development programs to retain and attract the best and brightest. Though special emphasis is given to non-cash benefits, specifically housing and healthcare, performance-based

incentives will also be explored. The paper by Pernia and his colleagues (2014) showed that the basic monthly salary of a UP full professor in 2013 (US\$1,862) was equivalent to only 13 percent of a full professor's salary at the National University of Singapore (NUS) in 2010, which was estimated to be \$14,051. This UP salary is even lower than that of a lecturer (\$3,910) at National University of Singapore and an associate professor's (US\$2,016.3) at the University of Malaya.

A most important pillar in ensuring that UP can go forward is its financial sustainability. UP continues to campaign for a longer term budgetary commitment from the government, but is also formulating good and bankable projects and programs to attract donors, investors, and international institutions. UP has also initiated programs to encourage its alumni to support UP either by lending their research and expertise to UP, helping UP tap prospective donors within their spheres of expertise and influence, and by providing donations to UP programs and projects. Tatak UP, aside from protecting the IPRs of UP and its faculty, also explores the possibility of commercializing the IPs of UP to support its financial sustainability.

UP has also started the commercialization of its assets by developing idle lands in partnership with private business interests to generate extra revenues, with strict financial controls to ensure that these are used judiciously. The proceeds from these asset utilization initiatives, supplemented by income from tuition fees, have been used to bridge the gap between actual operations costs and insufficient allocation for maintenance and other operating expenses (MOOE) for UP. The offshoot, however, is that the rehabilitation and retrofitting of old buildings and the acquisition of modern equipment and facility had to be

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postponed, while the provision of more funds for vital student support programs had to be scaled down. Until 2012, the average UP budget was only PhP5.63 billion per year. In 2013, UP was given PhP10.09 billion, an increase of 55 percent from 2012. Even with this increase, funding is barely enough to cover the actual expenses of the UP system which is composed of fifteen campuses, seven universities, and one autonomous college. Saloma (2013) pointed out that the UP budget in the proposed 2014 National Expenditure Program (NEP) of PhP8.098 billion represented only 47.36 percent of PhP17.1 billion, the amount that was originally requested by UP. While the NEP allocation included an increased MOOE allocation that was 1.04 percent higher than in 2013, there was no explicit Capital Outlay (CO) budget allocation, despite specific requests for a budget that could cover the construction of the UP Sports Complex (PhP435 million), the College of Architecture Complex (PhP260.590 million), the College of Home Economics Complex (PhP425 million), and the Vinzons Hall Student Center (PhP100 million) in UP Diliman.

Despite being hobbled by budgetary and other challenges, expectations from UP remain high. UP as the national university is still expected to lead the way in enhancing and providing equitable access to higher education, while continuing to play a key role in social, political, and economic developmental discourse and practice. While UP was able to perform these functions in the past, the new challenges posed by the increasingly quick pace and scope of changes around the world will require even greater effort from UP to innovate and mobilize expertise. With the support of the country behind it, this is a challenge UP willingly accepts.

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