

CAGAYAN VALLEY REGION
Annual Regional Economic Situationer (ARES)
2006

AN ASSESSMENT OF ECONOMIC PERFORMANCE

EXECUTIVE SUMMARY

Cagayan Valley's economic performance was generally robust for the year as it bounced from its setbacks in 2005. Notable increases were observed along palay and corn production, fishery production, total investments, tourist arrivals, communication and the total number of registered motor vehicles.

The total Investments generated took a significant leap by 45.55 percent after the Cagayan Robina Sugar Milling Corporation and Universal Robina Corporation infused a total of P3.2 Billion in its bid to expand its food processing and sugarcane buying and milling businesses in the region during the first quarter of the year. This year, the bulk of the region's total investment came from the services sector with a spectacular increase by 49.42 percent or an equivalent monetary share amounting to P2.8 Billion.

Contributory to the region's stirring investment, lending institutions continued to provide financial support to prospect investors coming in the region. Collectively, the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines, being the government's major lending institutions in the region have extended financial assistance amounting to P4.165 Billion for both agricultural and non-agricultural projects. With the government's initiative to tap the potential of the region, lower interest rates have been given to prospective borrowers, which include national agencies, local government units and private entrepreneurs.

The increase in investments trickled at the household level as shown in the increasing employment rate from 95.27 percent in 2005 to 96.75 percent in 2006. This underscores the capacity of the region to absorb jobs particularly in the agriculture and services sectors. The result of the three Labor Force Survey (LFS) conducted in January, April and July 2006, showed that on the average, the number of persons employed increased by 3.88 percent or an addition of 50,000 new jobs from 1,288,000 employed persons last year. Agriculture sector still remains the major provider of jobs in the region as it continues to expand the development of the marginalized land for productive use.



Meanwhile, the quality of workers have improved as indicated in the 10.23 percent reduction in the number of unpaid family workers and the corresponding growth in the number of own account workers by 0.20 percent and for the wage and salary workers by 4.64 percent.

On the average, the region's inflation rate slightly declined from 6.9 percent last year to 6.24 percent. Prices of food items slowed down as the private sector implemented counter inflationary measures such as the importation of meat, eggs, fruits and vegetables from other regions to augment the domestic supply. Likewise, the rise in the crude oil prices and the implementation of E-VAT and R-VAT, led to price increases in non-food commodities such as housing and repair materials; and fuel, light and water sub-sectors.

In agriculture, the region's palay and corn production bounced back from their underperformance in 2005 as they posted a significant growth of 5.67 percent and 58.46 percent, respectively. This strong feat underscored the sector's resiliency despite the flash flood that occurred in January particularly in the provinces of Cagayan and Isabela. Likewise, fishery production stepped up by 16.46 percent owing to the improvements in municipal and commercial fishing, and remarkable gains in aquaculture, which pegged a 31.73 percent increase against last year.



Tourism industry also performed well this year. The strong partnership between the Local Government Units, the Department of Tourism and the private sector boosted tourism industry that highlighted the celebration of cultural festivities and exhibits of the indigenous products of the region. Tourist arrivals rose by 1.81 percent. Domestic tourist arrivals grabbed 96 percent of total arrivals, but foreign arrivals reached 24,456 or 4.67 percent higher than last year's reported tourists, dominated by those coming from the United States, followed by Japan, China and Korea.

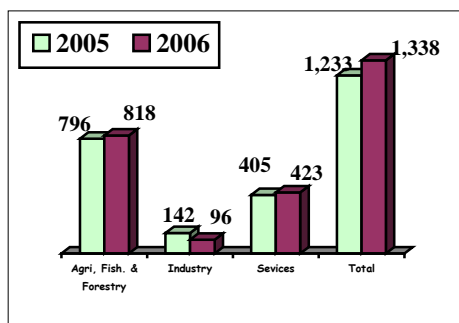
Despite the increase in tourist arrivals, air transport was not fully patronized due to the suspension of the operation of the Asian Spirit in Tuguegarao City which started in the third quarter of the year. As a result, air transport passengers declined by 6.73 percent.

On land transportation, the opening of the second hand auctioned vehicles at CEZA led to a minimal increase in the registered motor vehicles by 0.59 percent. The slow growth could be attributed to the increasing cost of crude oil.

The strong demand for communication services likewise propped up the region's economy. Communication services prospered as additional 38 new cellular base stations were built by the two major wireless service providers in the region, namely: Smart and Globe Mobile Companies. This now brings a total of 390 cell sites operating in the region. The increase in cell sites indicated the large market for handy phones, which reached even in the remote areas in the region. Although Sun Cellular, did not put up new cell site this year, it concentrated on the widening of its area networks. It must be underscored that communication is a necessity in business operations.

I. MACRO-ECONOMIC PERFORMANCE

A. Labor Force and Employment

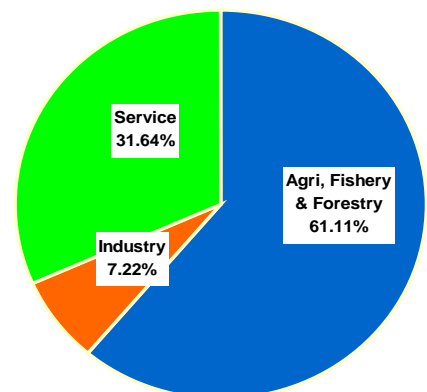


Based on the result of the three Labor Force Survey (LFS) of the National Statistics Office (NSO), the total labor force was estimated at an average 2.048 Million or an increased of 2.14 percent over last year's record of 2.005 Million.

The number of workers joining the labor force slightly increased by 0.16 percentage points. Of the region's total labor force, 96.75 percent were employed reflecting an increase of 1.55 percentage points compared to last year's record. (Table 1)

As more jobs were created during the period, the regional economy absorbed about 1,338,000 workers, higher by 50,000 jobs over the 2005 level. Likewise, total number of unemployed persons declined by 29.69 percent or a total of 19,000.

The Agriculture Sector continued to be the major provider of jobs as it employed a total of 818,000, an increase of 22,000 new jobs this year. The substantial increases in the production of rice, corn and fisheries and the expansion of farm activities resulted to more jobs, which posted 61.11 percent share across all sectors. Likewise, employed persons in the Services Sector, which represents 31.64 percent of total employment, rose by 18,000 or 4.44 percentage points. Growth in employment level in the communication sector was attributed to the establishment of new cell sites and increased in the total investment in this sector. (Table 2)



Likewise, jobs in the Industry Sector increased by 10,000 or 11.49 percent, which accounted for 7.22 percent of total employment. This is mainly attributed to the increase in the number of employed persons in manufacturing sector, which was the result of the expansion on food and cottage industries, as consumers tend to spend more on basic needs.

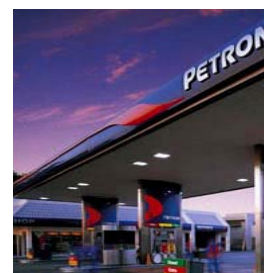
As employment in the agricultural sector expanded, the number of unpaid family workers remarkably increased by 10.23 percent. The corresponding increase in agricultural activities required labor from other household members as well. However, there were still 233,000 employed persons wanting additional hours of work, this number increased from 14.6 percent to 17.4 percent. (Table 3 and 4)

Meanwhile, petitions for wage increases were approved during the third quarter of the year. The wage orders allowed for a P10.00 increase in the minimum-daily wage or in the cost of living allowance for those workers earning the P231.00 daily wage and below. According to the Regional Tripartite Wages and Productivity Board – Region 02, the factors considered in wage adjustment include the recent increases in oil prices and the possible effects of the R-VAT. This benefits the minimum wage earners employed by the private sectors. The increase in wage hike however did not impinge an adverse effect in the employment sector.

B. Inflation

The regional inflation rate slowed down from its 6.90 percent rate in 2005 to 6.24 percent. This means that the prices of commodities and services this year were 8.77 percent higher than their prices last year.

Inflation rate was highest in the month of February at 7.6 percent rate but lowest in December at 4.5 percent rate. Business establishments usually lower their prices and treat their products as “sale” during the last quarter of the year since supply during this period was adequate to meet the demand. (Table 5)

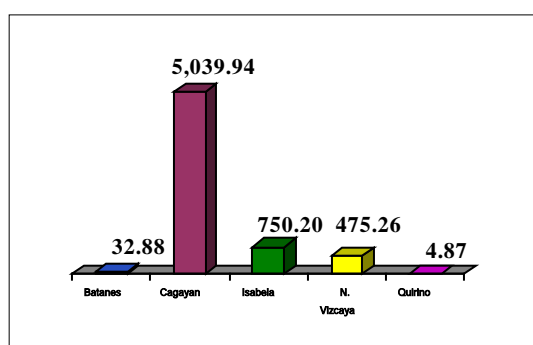


Food items registered an average inflation rate of 5.35 percent, lower than the previous year’s rate of 7.00 percent. Price increases in other food items such as meat, fruits and vegetable and eggs, likewise slowed down as the private sector implemented counter inflationary measures by importing commodities from other regions to augment domestic supply. In addition, the Department of Agriculture’s program on the production of goat, sheep and cattle that were supplementary to the traditional hogs and other livestock as alternative sources of meat, resulted to a sufficient supply of meat commodities in the market. The growth in fish production this year likewise resulted to the stabilization of the price of fish commodity in the market.

By commodity group, Fuel, Light and Water registered the highest inflation rate at 16.08 percent. This was brought about by the increase in prices of petroleum products and by-products and the imposition of expanded value added tax (E-VAT) and rationalized value added tax (R-VAT) on fuel, water and electricity. Specifically, the Metro Tuguegarao Water District (MTWD) increased its water rate during the first quarter of the year from 65 pesos flat rate of 10 cubic meters initial monthly consumption to 96 pesos. The MTWD pointed out that the recent imposition of the municipal franchise tax on the water district as well as the enforcement of the R-VAT on the electric power have influenced the water rate increase. The said R-VAT also affected the prices of other non-food items such as clothing, and housing and repairs by as much as 3.01 and 4.75 percentage points, respectively. Only the Medical Services index under the Services item registered an increase from 4.61 percent last year to 5.17 percent. This was the result of the increase in professional fees of doctors and other medical professions, which was an aftermath of the new R-VAT policy. (Table 6)

Inflation rate for Communication Services declined, particularly in the cost of communication. Telecommunication commodities that are now dominated by short messaging system (SMS) and multimedia messaging services (MMS). This cost reduction is further attributed to the growing market competition among the telecommunication companies and the fast technological development in the sector.

C. Investment



With reforms aimed at improving the business environment being pursued aggressively coupled with stable peace and order situation, investments performance of the region improved immensely as it grew by 45.55 percent. This year, investment growth was fueled by the 850.64 percent and 49.42 percent expansions in the Manufacturing and Services Sector, respectively.

Based on the data on “Investment Thru Business Name Registration” submitted by the Department of Trade and

Industry (DTI)– Region 02, there were new investments generated in Food Processing and Services during the first quarter of the year amounting to P3.2 Billion. The main contributors are the Universal Robina Corporation and Cagayan Robina Sugar Milling Corporation (CARSUMCO), which gradually transferred its food processing (snack foods and confectionaries) and sugarcane buying and milling businesses from Manila to the CARSUMCO which is operating in the Cagayan. The release of P8 Million fund assistance by the Department of Labor (DOLE)- Region 02 for livelihood projects to cooperatives and associations such as San Pablo Livestock Dairy Development Association, Rural Improvement Club in Roxas town, and youth associations of Tumauni and Benito Soliven, also pumped up investments in Food Processing. The San Pablo Livestock Dairy Development Association is into the production of dairy products like pasteurized milk, chocolate flavored milk, reconstituted milk, pastilles de leche and milk bars, while the youth associations are into the production of native cakes and other baked products.

Total investment in manufacturing industry remarkably increased by 850.64 percent or a total of P1,773.9 Million compared to the 2005 investment of P186.6 Million. Specifically, investment on Food Processing has increased significantly by 3,525 percent. This was brought about by the infusion of P1.69 Billion on snacks foods and confectioneries by Robina Corporation in Piat, Cagayan. Moreover, new investment

under this sector was brought by the intensified promotion and development of “One Town, One Product” projects under the OTOP program of the government where 52 municipalities of the region were identified for food processing. On the other hand, investment on wood processing declined by 59.93 percent in 2006 or a total of P24.21 Million against P60.43 Million in 2005. This was attributed to the promulgation of the total log ban in the early part of this year.

Investments in Agri-Production, Trading and Construction dropped by 38.77 percent, 33.39 percent and 15.53 percent, respectively. The decline in these industries was caused by the increasing cost of farm inputs, crude oil and construction materials. (Table 7)

Among the five provinces of the region, Cagayan contributed 5,039.94 Million investments, grabbing the biggest share of 79.96 percent. The new investments infused by the Cagayan Robina Sugar Milling Corporation and the increasing locators in the Cagayan Economic Zone in Sta. Ana have powered the record high investment performance of the province. This was followed by Isabela which has a share of 11.90 percent for a total investment of P750.199 Million while Nueva Vizcaya, Quirino and Batanes contributed a combined share of 8.14 percent. (Table 8)

D. Credit Availment



Financing activities, as sources of strength of the region’s economy posted a continuous growth. Total amount of loans granted by the two major government banks in the region namely, Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) was recorded at P4.165 Billion this year. (Table 9 and 10)

The LBP granted a total of P3.647 Billion Loan to the Agri-Agra Projects. Small Farmers and Fisherfolk got the highest share of 39.76 percent followed by Small and Medium Enterprises (SMEs) with a share of 32.24 percent. Small scale businessmen and local farmers, grabbed the opportunity to avail of lower interest rates offered by this bank – 11.5 percent last year to 11.42 percent this year. Loans availed by various local government units also pegged a share of 19.83 percent. Majority of these investments were poured for social infrastructure projects such as municipal water services and communal sanitations. (Table 9)

II. SECTORAL PERFORMANCE

A. Agriculture

1. Palay Production



After a slow performance of 1,848,849 metric tons in 2005, region 02’s palay production performance bounced by 5.67 percent or 1,953,755 metric tons in 2006. The increase in output was largely due to the expansion in areas harvested as a result of the Department of Agriculture’s (DA) timely provision of hybrid and certified seeds and yield boosting interventions such as muriate of potash zinc sulfate and Bio-N. As early as January of this year, the agency distributed 60,787 bags of hybrid and inbred certified seeds and 252,902 kilograms of zinc sulfate to the qualified farmers in the region.

The intensified campaign on “singit crops” or “quick-turn-around” by the DA especially in irrigated areas likewise contributed in the positive palay performance in the region. In the “singit crops” program, the DA distributed seed subsidies with a 50 percent discount on costs to farmers who are willing to plant their farms during idle season. This program was implemented in coordination with the National Irrigation Administration (NIA) which supplied sufficient water to this “singit crops” areas especially in the province of Isabela. As such, instead of having only two cropping seasons, farmers who availed of this program were able to use their farms for three croppings. The program was conceived to cope with the huge losses experienced in 2005 due to successive calamities (drought and typhoon) that pummeled the region.

However, productivity in the irrigated areas in the region, which comprise 89.99 percent of the total area harvested, experienced a slight decline from 4.12 metric tons per hectare in 2005 to 4.08 metric tons per hectare in 2006 or by 0.04 percentage point. This is mainly attributed to the “tungro” infestation that was experienced by the region in the early part of the year. On the other hand, productivity of the rainfed areas posted a significant increase from 1.98 metric tons per hectare to 2.65 metric tons per hectare or by

34.04 percentage points within the same period under review, which compensated for the losses in the irrigated areas.

In terms of total area harvested, the region covered a total of 503,593 hectares, thus posted a 6.25 percent increase over the 473,972 hectares in 2005. This was brought about by the remarkable expansion in the rainfed areas by 41.07 percent. (Table 11)

Meanwhile, the province of Cagayan recorded an increase in palay production by 197,113 metric tons or 40.08 percent compared to last year. This remarkable feat could be attributed to the sufficient irrigation water and favorable weather condition, which allowed the farmers to replant in the typhoon damaged and flooded areas in the early part of the year. The sufficient rainfall likewise enabled the farmers to increase their planting activities in rainfed areas.

On the other hand, palay production in the province of Isabela decelerated by 9.33 percent or a decrease of 101,621 metric tons from last year's production level of 1,089,381 metric tons. The decrease was due to the "tungro" which infected both the hybrid and inbred palay of about 25 out of 35 municipalities in the province during the third quarter of the year. Nevertheless, the effect of the said calamity was contained because of the support of the local officials who embarked on massive spraying of carbamate base insecticides of the affected areas.

Amidst the tungro experience of Isabela, the province still manifested its dominance in palay production by contributing 50.56 percent to the total palay production of the region. The province of Cagayan supplied 35.26 percent, followed by the province of Nueva Vizcaya with 11.33 percent and Quirino with 2.85 percent. Region 2 remains as the third highest rice-producing region in the country. (Table 12)

2. Corn Production

Corn production also continued its upswing as it grew by 56.48 percent or 449,876 metric tons from a total of 769,506 metric tons last year. With this, the region consistently holds its post as the number one corn producer in the country. These sustained gains are attributed to the GMA-Corn Program interventions of the government and the increase in the hectarage of New Agribusiness Lands for Corn. Government interventions include: (a) distribution of 5,363 bags of subsidized hybrid corn seeds during the 2nd quarter of the year, (b) provision of lime in acidic corn areas, (c) massive distribution of Bio-N, (d) technical assistance on modern and mechanized corn farming from land preparation to post-harvest, and (e) tapping advance farmers as Farmer Leader Extensionists.



Environmental causes such as sufficient rainfall and lesser calamities also contributed to the positive performance of the crop.

Because of the above interventions, the total area harvested increased by 103,599 hectares or 40.13 percent growth. The region's production in both yellow and white corn varieties likewise signaled increases by 11.74 and 12.11 percentage points, respectively. Area planted to yellow corn, which comprises 92.25 percent of the total area planted in the region this year, substantially grew by 44.95 percent with the province of Isabela recording the biggest upsurge (146.79%).

In addition to the increase in area harvested, the average yield per hectare improved from 2.98 metric tons per hectare to 3.39 metric tons per hectare and posted a significant increase by 13.09 percentage points. Yield per hectare for yellow corn, which comprised about 95 percent of the total corn production, grew by 3.47 metric tons per hectare or 11.74 percentage points, while white corn increased by 2.19 metric tons per hectare or 11.74 percentage points compared last year. (Table 13)

On a spatial scale, the province of Isabela sustained its lead in the region by contributing 867,031 metric tons for a production share of 71.10 percent. The replanting done on the flooded areas with the financial support from the government during the first quarter of the year amplified the rise in the production of the province. The province of Cagayan also contributed 16.74 percent while the provinces of Nueva Vizcaya and Quirino shared 4.78 percent and 7.38 percent, respectively. (Table 14)

3. Fishery Production

The region's fishery industry likewise reflected a better performance this year with its regional production, which grew by 16.28 percent.

Municipal and commercial fish production went up by 8.30 percent and 19.29 percent respectively. The intensified efforts of the municipal and commercial fishermen coupled with favorable weather conditions in the second and third quarter of the year, have increased the volume of catch specifically on fish species like acetes, anchovies, round scad, big eyes and yellow fin tuna, frigate tuna, mackerel, and the like. The abundant catch of tilapia and carp in the various small water impounding projects (SWIPs) and communal bodies of water also boosted the municipal fish production in the region.

Aquaculture production likewise yielded a total of 11,625.18 metric tons, a significant increase of 31.73 percent compared to 8,825.20 metric tons produced in 2005 (Table 15). This impressive performance is attributed to the various fishery and livelihood projects as well as the intervention of the Bureau of Fisheries and Aquatic Resources (BFAR) in the region with the LGUs, such as: (a) the intensified interest-free "Dig Now Pay Later" program, (b) "Feed Now, Pay Later" program, (c) regular dispersal of quality broodstocks and fingerlings, and (d) technical assistance on the application of improved method of pond preparation and management. On top of this, the booming operation of fishcages in the Magat reservoir located in Ramon, Isabela. Record shows that the reservoir has been producing 3,000 to 4,000 kilograms of fish per day, thus sufficiency level in the region improved from 41.32 percent in 2005 to 46.99 percent in 2006. Given the long stretch of its coastal areas, the province of Cagayan led the fishery production. In addition, the capture of foreign pouchers such as the Taiwanese nationals in the down stream of the province has lessened the competition faced by the local commercial fisherfolk operators in the region. The province of Isabela followed next due to its existing fish cages and aquaculture in the Magat River.



On spatial scale, a total of 6,257.89 hectares or an increased by 31.67 percent over last year's record was utilized for fishery production. The total area cultivated for aquaculture reached 3,198.24 hectares or a 49.99 percent share to the total area for fishery production. Cagayan still lead by 52.50 percent share followed by Isabela with 33.82 percent share, while Nueva Vizcaya and Quirino posted a total share of 13.68 percent.

B. Tourism



Tourist arrivals in 2006 continued to record a steady growth. A total of 635,160 tourists were recorded reflecting 1.81 percent increase over last year. Domestic arrivals increased by 1.70 percent while foreign visitors rose by 4.57 percent. (Table 16)

Many of these arrivals were domestic tourists who accounted for 96.15 percent or a total of 610,704 individuals while foreign visitors shared 3.85 percent or 24,456 tourists.

This year's positive performance can be attributed to the aggressive marketing efforts of the Department of Tourism (DOT) and the stronger support of the local government units in creating local festivities to attract more domestic and foreign visitors. Cultural activities such as: Pattaradday Festival of the LGU of Santiago City from May 1 to May 5, 2006; the 150th Founding Anniversary celebration of the province of Isabela held from May 6 to May 10, 2006; the "Sambali Cagayana Festival" by the province of Cagayan from June 24 to June 29, 2006; the celebration of the 411th year Founding Anniversary of the Municipality of Lallo and its 6th "Cabibi Festival" from July 31 to August 4, 2006; and, the "Pav-vurulun Festival" of the City of Tuguegarao from August 10 to August 17, 2006, have infused a multitude of visitors not only from the neighboring regions but from neighboring countries as well.

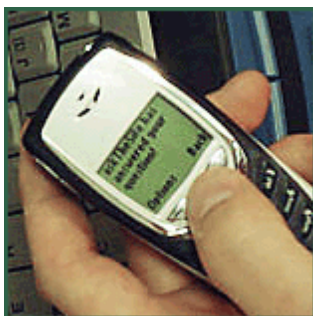
Another contributory factor to the growth of tourism industry this year was the launching of the “Paddayaw na Turismo” by the DOT. This was an award program launched to recognize individuals and entities whose creativity, professionalism and quality service have contributed to the development of tourism industry in the region. This program led to the intensified participation of the key players in the tourism industry such as hotel, resort and restaurant operators; tour guides; tricycle drivers; among others. In addition, peace and order in the region have equally broadened the tourism industry.

The Department of Tourism also participated in the 13th Travel Tour Expo at the SM Megamall from February 10 to February 12, 2006 and the Tourism and Related Industries Convention at the Manila Pavilion on March 1, 2006. These two events opened the opportunity for the DOT to showcase and highlight the tourism attractions and destinations in the region.

In terms of the region’s foreign visitors, most of these came from USA, Japan, China, Korea, Taiwan and Hongkong, ranked accordingly. During the previous year, USA produced the highest number of visitors in the region by 17.77 percent of the total foreign arrivals. This data proves the International Visitor Arrival statistics from the ASEAN Secretariat that among the Asian countries in 2005, Philippines was the second favorite destination of the travelers from the United States of America.

Although foreign arrivals for this year slightly increased, the structure of the region’s tourist market remained unchanged. This indicates the region’s apparent weakness in tourism promotions. For this, pursuit of more aggressive, refocused marketing and promotion activities to other countries has to be intensified. (Table 17)

C. Communication



The continued rise in the demand for mobile communication in the region was reflected in the increase in the number of cellular base stations built during the year. Additional 38 cellular base stations were installed in the region thus bringing to a total cell sites of 390. Globe installed 22 new cell sites while Smart contributed 16. These new cell sites were built mostly in the highly urbanizing municipalities of the region, including Basco, Batanes. Meanwhile, Sun Cellular did not put up new cell sites as it concentrated in the expansion of its network area. The strong performance of these mobile companies manifested the strong consumer demand for wireless communication services where wireless communication is a necessity in business operations. (Table 18)

D. Transportation

1. Land Transport

The consecutive increases in fuel prices this year relatively took its toll on the transportation industry especially in the public utility segment of the market, thus, the region experienced a minimal growth in terms of motor vehicle registration. A total of 179,558 vehicles were registered this year, up by only 0.59 percent over last year. Among the types of vehicles, only the Trucks and Buses recorded decreases by 1.52 percent and 11.82 percent, respectively.



The motorcycles and tricycles still held the biggest share at 58.55 percent of all motor vehicles registered during the year. This confirms that tricycle is still the major mode of conveyances within the major cities and municipalities in the region. Utility vehicles accounted next by 24.38 percent. Private vehicles, which ended up as “for hire”, contributed in the increase in the total number of utility vehicles in the region. (Table 19)

Meanwhile, the registration of both public utility and sports utility vehicles recorded continuous increases as better financial schemes were offered by car dealers in the region aside from the accessibility of imported slightly used vehicles for sale at the Cagayan Economic Zone Authority (CEZA). The volume of registered utility vehicles likewise increased, as passengers preferred this type of transport than the public utility jeep and buses.

Among the fifteen (15) district/extension offices of the Land Transportation Office, Roxas posted the highest number of registered motor vehicles at 3,906 reflecting a 43.09 percent increase over the

previous year. On the other hand, vehicle registration in the LTO Santiago district office went down from 21,231 vehicles in 2005 to 16,853 in 2006 reflecting a 20.62 percent decline. (Table 20)

2. Air Transport

Air transport is undoubtedly a significant contributor to the region's economic development as it makes possible the rapid movement of hundreds of people to various destinations as well as transporting millions worth of goods and services to the market regionwide. It is an essential instrument for generating trade, investments and tourism. Air transport passenger totaling 34,956 in 2005 dropped to 2,354 or 6.73 percent. Although domestic tourist arrivals increased during the year, majority of these tourists especially domestic travelers preferred land transportation more than air transportation due to the high cost of plane fare. This led the Asian Spirit Corporation to suspend its operation in the region in the month of May this year. (Table 21)

E. Power Consumption

Based on the latest available data of the National Electric Administration (NEA), the total power consumption in the region for the past eight months this year reached 355,501,860 kilowatt – hour, which registers a 96 percent of the total 369,053,518 kilowatt – hour consumed as of the third quarter last year.

The province of Isabela had the highest consumption with about 50 percent share of the total regional consumption figure. The presence of industrial activities, in addition to its highest number of municipalities and population should accounted for this huge consumption. The province of Cagayan, as the region's government center followed next with a share of about 34 percent of the total power consumption in the region. (Table 22)



The Philippine Energy Plan 2005-2014, projects power demand will grow strongly. The expected surge in power demand is caused by various factors such as population growth, increased agro-industrial activity, growth in telecommunications, and government and private construction. The region responded to this demand as stipulated in the Regional Development Plan 2004-2010 by tapping indigenous energy sources, which include solar, wind, water and biogas.

F. METALLIC AND NON-METALLIC PRODUCTION

Gravel and Sand remains to be the primary commodity in quarrying as it contributed 98.53 percent share to the overall metallic and non-metallic production of the region. Identified commodities include gravel and sand, pebbles, earth material, boulders and manganese. This year, total production of gravel and sand reached 633,497.94 metric tons or 21.16 percent higher than last year's record. The increased is mainly attributed to the completion and rehabilitation of major infrastructure projects in the region such as roads and bridges. Other factor includes the building of private business establishments and construction of the individual housing projects.

The province of Nueva Vizcaya lead in the gravel and sand production this year as it contributed a 35.76 percent share to the total production, followed by Cagayan with 34.60 percent share while Isabela and Quirino posted a share of 24.82 percent and 4.83 percent, respectively. (Table 23)

PROSPECTS FOR CY 2007

For the year 2007, the following developments/activities are perceived to strengthen the region's economy by pursuing various government programs and projects to increase opportunities for employment and job generation; increase agricultural production and productivity; infrastructure development and more focused and well-targeted basic social services in the region.

- ❖ With the main thrust of the government on modernization, expansion of the agriculture sector and construction of flood mitigation projects such as SWIPs, together with better weather condition, it is expected that Agriculture and Fisheries will continue to show positive gains in terms of production and productivity, which will eventually generate more jobs.
- ❖ The establishment and operation of the private fresh water prawn hatchery in Abulug, Cagayan and Cauayan City are seen to boost fresh water prawn production in Region 02 and further fuel

the growing interest of investors on fresh water prawn culture in the region as the result of the several successful techno-demos established by the Bureau of Fisheries and Aquatic Resources – Region 02. Likewise, the establishment of the Municipal Bangus Satellite Hatchery in barangay Taggat in Claveria, Cagayan is expected to boost aquaculture production as this facility is expected to increase the yearly production of bangus by as much as 1,896 metric tons by 2010.

- ❖ More employment will be generated as the government agencies show intervention to alleviate poverty. The Department of Labor and Employment (DOLE) Region 02, in particular, intensifies its program of rural employment through Self-employment and Entrepreneurship Development (PRESEED) and the “Poverty Free Zone” program with an initial allocation of P3.739 Million, while the DSWD continues to provide livelihood assistance through the Self-Employed Assistance sa “Kaunlaran” (SEA-K) program. Under the said program, beneficiaries undertake social preparation and entrepreneurship development seminar and skills training on top of the capital fund given to them for their livelihood projects. The programs aim to create job especially for rural women thus alleviating the incidence of poverty in the countryside.
- ❖ Local investments will likely to grow with the intensified promotion and development of OTOP projects in the region and the infusion of P2.5 Million for product development by the Department of Trade and Industry (DTI) Region 2. The project aims to enhance the competitiveness of local products by improving on packaging and labeling, pricing and costing, observance of Good Manufacturing Practices and Hazard Analysis Critical Control and technology, among others.
- ❖ The proposed construction of the five-hectare Megamall and recreation center by the SM Prime Holdings, Inc. in Santiago City is seen to boost investments and employment in the region as this facility will encourage investors to locate in the said shopping mall. The mall will also entice consumers/shoppers from the neighboring areas thus, leading to the growth in domestic tourism of the region.
- ❖ The continuous efforts of the region towards accelerating and strengthening infrastructure support such as the enhancement of the region’s transportation network will also provide a favorable investment climate in the region. The expected completion of the Baguio-Aritao road within the year will enhance connectivity between Region 02 and Cordillera Administrative Region. Likewise, the completed projects in Namanparan bridges in Diadi, Nueva Vizcaya, and Casili bridge in Mallig, Isabela; and the expected completion within the quarter of the Madaby bridge in Nagtipunan Quirino, and Nagtimog bridge and Dumbato bridge, both in Maddela, Quirino, will also hasten the flow of traffic. In addition, the Austrian government has granted fund support for the construction of nine bridges and approaches projects for the four provinces of the region amounting to about P377 Million, which is being implemented by the Department of Public Works and Highways. With these developments taking place in the region, accessibility in the rural areas will hasten the flow of farm inputs to the farms as well as the harvests of the farmers to the various market outlets.
- ❖ Owing to the development of three (3) more sources of potable water by the Metro Tuguegarao Water District (MTWD), the current water charges will likely be sustained despite the increasing cost for fuel and the disinfection materials such as chlorine.
- ❖ Improvements in the performance along industry and services are likely to happen with the conduct of local festivals. These local celebrations and events are expected to bring in more tourists and investors in the region. Substantial increase in tourist arrivals especially foreigners will likewise increase as a result of the various Sales Mission participated in by the employees of the DOT Regional Office II in China, Korea and Malaysia.