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# THEME: INNOVATION & INCLUSION FOR A PROSPEROUS ASIA

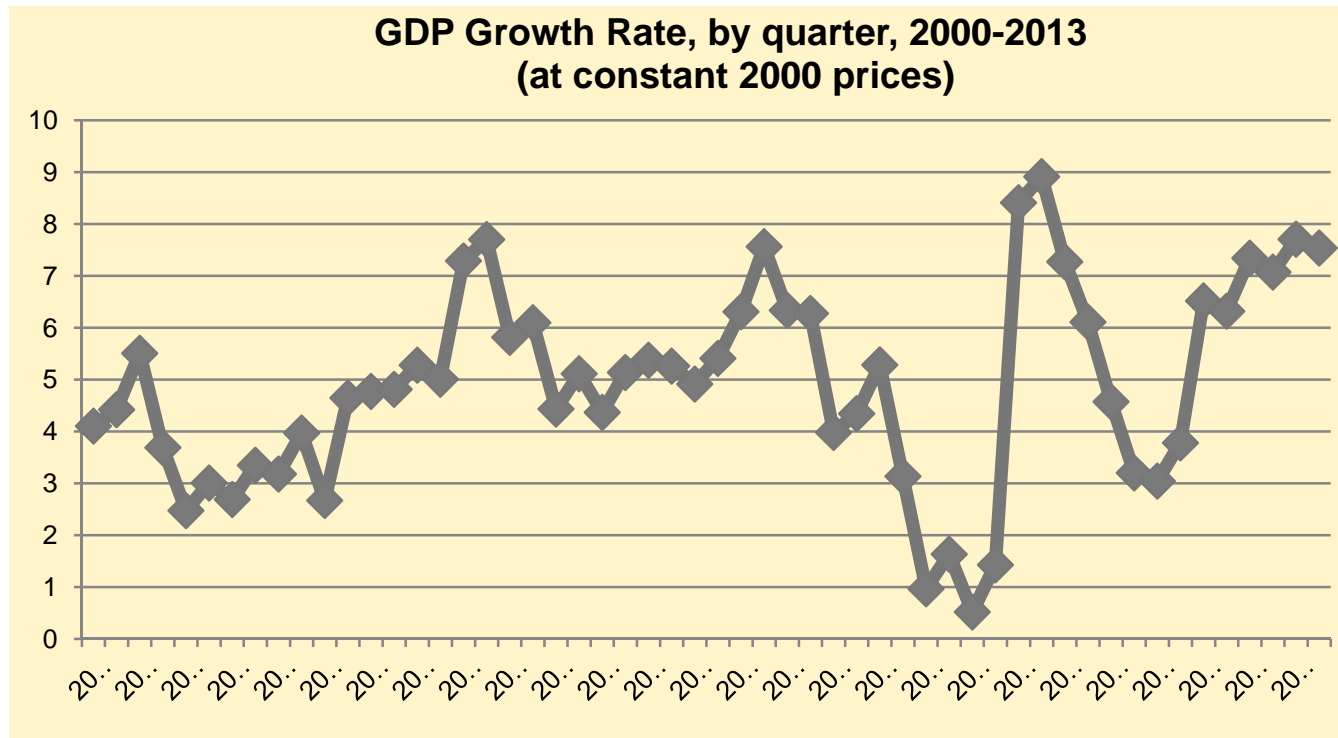
## COUNTRY PRESENTATION PHILIPPINES

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# GDP GROWTH TREND

RECENT GROWTH HAS BEEN REMARKABLE



- **Lower middle income country**
- **GDP (current US\$) \$250.2 B (2012); Population 96.71 M (2012)**
- **GDP per capita (2005 US\$): \$1,501 (2012); \$1,333 (2008)**
- **Philippine Development Plan (2011-2016) goal: 7 to 8%**
- **ADB Forecast: 7% 2013; 6.1% 2014**

# INDICATORS OF INCLUSION

## POVERTY HEADCOUNT RATES AT \$1.25/DAY (2005 PPP)

Year	Headcount (%)	Poverty Gap (%)	Squared Poverty Gap	Gini Index
1985	34.90	10.27	3.99	41.04
1988	30.48	8.15	2.87	40.63
1991	30.68	8.57	3.13	43.82
1994	28.11	7.6	2.7	42.89
1997	21.61	5.25	1.68	46.16
2000	22.45	5.48	1.76	46.09
2003	21.99	5.52	1.83	44.48
2006	22.62	5.48	1.74	44.04
2009	18.42	3.72	1	42.98

Source: PovcalNet Worldbank

- **Poverty incidence has declined but inequality hardly changed even worsened in 1997 and 2000**

# MDG INDICATORS: MIXED RECORD

Target	Base	Target	Recent	
Proportion of population below national poverty threshold	33.1 1991	16.6 2015	26.5 2009	Med
Poverty gap ratio	8.6	4.3	2.7	High
Prevalence of underweight children under 5 yrs of age using Child Growth Standards	26.5 1992	13.6 2015	20.2 2011	Med
% of HH with per capita energy less than 100% adequacy	74.2 1993	37.1 2015	66.9 2008	Low
Net enrolment ratio in primary education	84.6 1990	100 2015	91.21 2011	Med
Proportion of pupils starting gr 1 who reach gr 6	69.7 1990	100 2015	73.76 2011	Low
Literacy rate of 15 to 24 years old	96.6	100	97.8	Low
Ratio of girls to boys in primary education	1.0 1996	1.0 2015	1.1 2011	High
Share of women in wage employment in non-agri	40.1 1990	50 2015	41.4 2012	Med

■ Low probability (pace of progress less than 0.5)
 ■ Medium probability (bet. 0.5 & 0.9)
 ■ High probability (greater than 0.9)

Source: MDGWATCH National Statistical Coordination Board September 2013

# GOOD PROGRESS IN SOME BUT MUCH MORE NEEDS TO BE DONE

Target	Base	Target	Recent	
Under-5 mortality rate	80	26.7	30	High
Infant mortality rate	57	19	22	High
Proportion of 1 year old children immunized against measles	77.9 1990	100 2015	68.7 2011	Low
Maternal mortality	121-207	30.3-51.8	95-163	Low
Proportion of births attended by skilled health personnel	58.8 1990	100 2015	74.9 2011	Med
Contraceptive prevalence rate	40 1993	100 2015	48.9 2011	Low
Prevalence associated with malaria	118.7	0	7.1	High
Prevalence associated with tuberculosis	246	0	273.1	Low
Proportion of families with access to safe water supply	73 1990	86.5 2015	84.8 2010	Low
Proportion of families with sanitary toilet facility	67.6 1990	83.8 2015	92.5 2010	High

Low probability (pace of progress less than 0.5)
  Medium probability (bet. 0.5 & 0.9)
  High probability (greater than 0.9)

Source: MDGWATCH National Statistical Coordination Board September 2013

# KEY FACTORS THAT SHAPE INCLUSION

- **Boom-bust growth cycle, slow pace**
- **Jobless growth: unemployment 7.5% in 2006-2010; underemployment 18-20% in late 2000s**
- **Persistently high inequality**
- **Inadequate infrastructure: investment record poor**

country	PHILS		THAIL		INDON		VN	
	90s	20s	90s	20s	90s	20s	90s	20s
as % of GDP								
Gross domestic Investment	23	20	37	25	28	26	24	35
FDI as % of GDP	1.7	1.4	2.6	3.5	1.13	0.59	6.8	5.7

- **Poor governance: weak institutions & governance failures**
- **Stagnant manufacturing & failure to create jobs**
  - ❑ Manufacturing share: 26.3 ('80s), 24.3 ('90s), 23.7 ('20s)
  - ❑ Employment contribution: 9.9 ('80s), 10 ('90s), 9.1 ('20s)
- **Inadequate levels of human development**

Education, health, & social security & welfare expenditures as % of GDP	95-99	00-05	06-10	11-12
	4.7	4.0	3.6	4.5

# INCLUSIVE GROWTH INITIATIVES

- **PH Plan: address poverty & create massive employment to achieve inclusive growth with good governance & anti-corruption at its core**
- **Pres. Aquino's Daang Matuwid "Straight Path" Advocacy**
  - Anticorruption programs: Run After Tax Evaders, Run After Smugglers, Revenue Integrity Protection Service
  - Zero based budgeting: budgets of government agencies are scrutinized & justified from a zero base
  - Reform difficulties due to systematic corruption
- **Conditional Cash Transfer (CCT) Program**
  - Cash grants to poor households to to keep their children of age 0-14 in school & have regular health checks
  - Pregnant mothers to avail of proper medical care & their deliveries attended by health professionals
  - WB (2012): CCT is on track in achieving its goal of promoting investments in the health & education of children
  - PIDS (2013): enrollment & attendance in school & health care availment higher for beneficiaries than non-beneficiaries
  - Extension of assistance to high school education
  - Issues on targeting beneficiaries: leakage to non-poor, exclusion of very poor, no differentiation between chronic & transient poor

# INCLUSIVE GROWTH INITIATIVES (CONT'D)

- **Public Private Partnership (PPP) revived in 2010**
  - ❑ 2012 Operational Projects: power, transport & logistics, IT, property development, health facilities, water supply & sanitation
  - ❑ Implementation issues: only 1 project rolled-out in '11 due to slow project development activities
  - ❑ Rapid capacity building activities being conducted for PPP Center
- **Universal Health Care Program**
  - ❑ Provide every Filipino highest possible quality of health care that is accessible, efficient, equitably distributed, & adequately funded
  - ❑ Poorest 2 quintiles of the population
  - ❑ Expansion in enrollment & benefit delivery of the National Health Insurance Program, improved access to hospitals, attainment of MDG goals
  - ❑ Fragmented health financing & delivery arrangements led to inefficiencies, duplications & gaps
  - ❑ Institutional requirements are huge, sparse technical staff, need for capacity building & highly specialized skills in health financing & regulation
- **BESRA, K to 12**
  - ❑ Newly implemented, universal kindergarten & add 2 extra years to basic education system making it 12 instead of 10
  - ❑ Basic Education Sector Reform Agenda: delays & implementation issues



# MAJOR LESSONS LEARNED

- **Recent growth has laid the foundation for inclusiveness, but much more needs to be done**
  - ❑ Persistence of poverty & inequality: poverty rate 33.1% in '91 marginally declined to 28.6% in '09 & 27.9% in '12
  - ❑ The poor have lower educational attainment & mostly employed in lower productivity, lower paying jobs
  - ❑ Poverty incidence much higher in rural areas
  - ❑ Health inequity: unlikely to achieve maternal mortality ratio; MDG target for reduction of infectious diseases shaky (UN 2012)
  - ❑ Slow, inadequate progress in education: MDG universal primary education by 2015 also shaky
- **Inclusiveness requires high & sustained growth, poverty reduction & social protection programs, pro-active growth policies & industrial strategy to create jobs**
  - ❑ Promote growth in labor-intensive sectors & other sectors where new & high productivity jobs can be created
  - ❑ Increase skills of the poor thru greater access to higher levels of education to enable them to engage in quality & high paying jobs
  - ❑ Improve productivity in agriculture where half of the poor are

# OPPORTUNITIES & CHALLENGES

- **Window of opportunity for the Philippines**
  - ❑ good macro environment, political stability, young, English speaking workers, a new growth area
  - ❑ credit upgrade: capitalize on this to attract FDI
  - ❑ AEC 2015: 600+M people, trade & investment opportunities
- **Massive infrastructure spending**
- **Employment generation: 800,000 new entrants/year; 3M people unemployed; 7.3M underemployed**
- **High, sustained, inclusive growth would require broader & deeper sources employment**
  - ❑ Services cannot provide all the needed jobs, productivity lower than manufacturing; well-paid jobs need college degrees
  - ❑ Manufacturing can employ skilled, semi-skilled, unskilled
  - ❑ Structural transformation & technological catch-up: encourage efficient use of existing capacity & productive expansion
  - ❑ Improve investment climate, remove supply-side constraints

# FUTURE POLICY DIRECTIONS

## CREATE MORE & BETTER JOBS

- **Manufacturing upgrading & transformation**
  - ❑ New industrial policy: facilitation & coordination to address market failures & government failures, create proper policy framework to attract private sector development along our comparative advantage
  - ❑ Supply chain gaps, SME development, HRD, power & logistics
  - ❑ Improve competitiveness of manufacturing, increase probability of survival & take advantage of opportunities arising from FTAs
  - ❑ L-r globally competitive industries to serve as regional hubs in auto, electronics, food, & garments supported by strong backward & forward linkages & well-managed supply chains
  - ❑ Automotive, motorcycle, shipbuilding, chemicals, electronics, garments, textiles, copper, food, agri-business, pulp & paper, rubber, furniture, jewelry, iron & steel
- **Agriculture transformation**
  - ❑ Shift to high value crops, improve productivity, increase income
- **Services, tourism, construction**