REFORMING PHILIPPINE ANTI-POVERTY POLICY

NAPC SECRETARIAT
Reforming Philippine Anti-Poverty Policy

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2017
Poverty is the single greatest challenge facing our country today – and our entire society, including government and all of our citizens, should act on it accordingly.

This book attempts to answer the question that has eluded our nation for decades: how can poverty be finally eliminated? Not, it turns out, by having centerpiece anti-poverty programs, but by making poverty eradication the centerpiece of economic, social, and environmental policies. The book argues for a pro-poor development policy anchored on four main elements: 1) a human rights-based and social development approach to poverty reduction; 2) structural transformation of the economy, built on rural development and national industrialization; 3) a comprehensive, universal, and transformative social policy; and 4) democratic governance based on people’s democratic participation. It is a comprehensive and integrated approach requiring the unity of macroeconomic and all other policies as well as the meaningful coordination of all government agencies and instrumentalities, and, indeed, of all sectors of society.

This book is the result of over a year’s worth of work by the NAPC Secretariat, in fulfillment of the agency’s mandate to recommend anti-poverty policies and ensure the active participation of the basic sectors in governance. It is the product of countless engagements with other government agencies, civil society partners, and basic sectors both within and outside of the NAPC, including the 2016 National Anti-Poverty Sectoral Summit. It was put together from and through the excellent work of our research and writing team, including Mr. Jose Enrique Africa, who served as lead author and established the framework for macroeconomic policy reform; Dr. Ma. Victoria Raquiza, who shaped the discussion on transformative and universal social policy; Atty. Evalyn Ursua, who elucidated the human rights-based approach to poverty reduction; and Ms. Evita Jimenez, who contributed the sections on political participation.

We are hopeful that this book inspires discussion and debate among anti-poverty advocates in our country, and ultimately serves to influence policymaking in pursuit of the Duterte Administration’s long-term vision of a nation free from poverty, as stated in AmBisyon Natin 2040.

LIZA L. MAZA
Secretary/Lead Convenor
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The clamor for change in the country is growing. While perhaps expressed in varied ways, the clamor is most of all driven by unresolved poverty and worsening social, economic, and political inequity. It is also becoming more and more urgent to respond: public frustration is growing and divisions are widening, and the volatile global economy threatens the external sources of growth that the country depends on.

Today, many Filipinos pin their hopes on the Duterte administration for the kind of changes in governance and direction that will result in palpable improvements in their standards of living, and allow them to live a life of dignity and well-being. It is a dream for themselves and their families that has long eluded them. Many Filipinos share this hope and await its fulfillment, not in a distant future but now. While they know that real change cannot happen overnight, they are looking for concrete steps towards this.

The economy has been growing rapidly in recent years but this has not translated into inclusive and equitable development. Real development entails not just rapid growth per se, but correspondingly rapid improvements in their standards of living, and allow them to live a life of dignity and well-being. It is a dream for themselves and their families that has long eluded them. Many Filipinos share this hope and await its fulfillment, not in a distant future but now. While they know that real change cannot happen overnight, they are looking for concrete steps towards this.

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Despite rapid growth, tens of millions of Filipinos remain poor and the economy is still far from the advanced industrial economy that it needs to be in order to improve the welfare of the majority and to have the economic basis for real independence and sovereignty. The last four decades of increasingly market-oriented economic policies have been unable to transform and develop the economy. There are even signs that the greater openness and integration in the world economy is premature and makes independent and self-reliant progress even more difficult.

Conventional area-based, sectoral, and targeted ‘anti-poverty’ measures have not been enough to make a significant dent in the fight against poverty. Far-reaching reforms are needed in the country’s anti-poverty policies to respond to the clamor and urgency for change. The most basic modification is to shift from having a centerpiece anti-poverty program to making poverty eradication the centerpiece of social, economic and environmental policies.

A rigorously pro-poor development strategy can be built around a few key elements. The human rights-based and social development approach enables a comprehensive understanding of poverty, acknowledges the primacy of State obligations to the people over market forces, and upholds greater participation of the poor in decision-making. There is strong moral basis as well as sufficient legal basis to uphold social justice and human rights.

Far-reaching reforms are needed in the country’s anti-poverty policies to respond to the clamor and urgency for change. The most basic modification is to shift from having a centerpiece anti-poverty program to making poverty eradication the centerpiece of social, economic, and environmental policies.

This approach compels reforms in two major areas of socioeconomic policy: building on rural development to achieve national industrialization to create jobs and improve incomes for the majority of Filipinos in a sustainable manner; and a comprehensive, universal, and transformative social policy ensuring social services and social protection for all Filipinos. The extent to which these will be achieved crucially depends on the extent of democratic governance with participation by the people in the decision-making that affects their lives.

This is a comprehensive and integrated approach to eradicate poverty and to combat structural obstacles in the inequitable national economic and political order. The whole-of-government approach requires unity of macroeconomic, social services, and social protection policies as well as meaningful coordination of all its agencies and instrumentalities. It is particularly crucial to reform macroeconomic policies because these have the farthest-reaching and longest-lasting impact on poverty in the country. They constitute the foundation of the country’s development strategy.
The challenge of Philippine poverty

Tens of millions of Filipinos remain poor with various degrees of vulnerability

Despite rapid economic growth in recent years, tens of millions of Filipinos remain poor. Some 21.9 million Filipinos or 3.8 million families are officially considered income-poor, corresponding to 21.6% of the population and 16.5% of families. However, as much as 50-60 million Filipinos may be considered poor when other dimensions of poverty are considered.

These dimensions include: low and insecure incomes; lack of decent work; lack of education; insufficient nutrition and poor health; poor housing (including lack of access to clean water, sanitation, and electricity); lack of assets and inadequate livelihood opportunities; vulnerability; exploitation; and even violence. A broader consideration of poverty will send a strong signal of the government's commitment to eradicate poverty and to improve the well-being of Filipinos, beyond incremental reductions in poverty statistics.

Inequality is severe and undermines development

Inequality still remains severe. Compared to the situation in the mid-1980s, there has been some progress in redistributing household income from the highest two income deciles to the lower deciles. The disparity between the richest and poorest households, however, remains vast. This has worsened recently as increases in corporate profits and in the wealth of the country's richest families have outpaced changes in real wages and incomes of the poorest households. Income and asset inequalities need to be remedied, not only from a social justice perspective, but because they hinder growth and development by repressing aggregate demand, skewing policymaking in favor of big business interests, and causing social conflict.

Different groups of poor have specific vulnerabilities that need to be addressed

Poor Filipinos are found in different contexts with specific vulnerabilities. In rural areas, the main issue is backward rural production and persistent monopolies on land and other rural assets. This situation compels landless and smallholder farmers, farm workers, and fisherfolk to sell their labor and produce at exploitative prices and seek various non-agricultural odd jobs. Indigenous peoples and Moro people in addition face dispossession from their ancestral lands and territories as well as stereotyping, prejudice, and cultural discrimination.

Wage and salary workers face low wages, poor benefits, precarious flexible work arrangements especially through contractualization, hazardous working conditions, and constraints on the right to organize and strike. The poor in the heterogeneous informal sector meanwhile grapple with poor employment prospects and lack of access to productive resources. They are also generally engaged in low-productivity economic activities, have low and insecure incomes, and are legally unprotected. Urbanization and the growing concentration of the population in a few urban centers makes these concerns more urgent.

The economic empowerment of women continues to be limited by lesser involvement in paid work, less access to resources and work opportunities, and discrimination in wages and work conditions. This is in addition to the unpaid domestic labor by women in households. Women also continue to face sexual harassment in the workplace and elsewhere.

The domestic jobs crisis forces millions of Filipinos overseas to earn for themselves and their families. In many cases, they receive low wages, suffer abuses by their foreign employers, and work in difficult or hazardous conditions. There are also serious social costs for their families.

The roots of Philippine poverty and underdevelopment

The economy remains trapped in a cycle of underdevelopment

The economy is trapped in a cycle of underdevelopment. Backward agriculture and industrial production results in weak employment generation and low incomes, which in turn lead to weak aggregate demand and surplus generation. These conditions inhibit the expansion of domestic
production and keep agriculture and industry backward. Poor employment generation with low incomes is the biggest factor in the country’s inability to significantly reduce poverty, and the increasing service-orientation of the economy is making it more ill-equipped to address this problem.

**Agricultural backwardness and non-industrialization have not been overcome**

The development of domestic agriculture and industry are the material conditions for long-term growth, more broad-based development, and overcoming chronic poverty. These production sectors are the essential foundations for national economic development and the most important sectors for job creation, income generation, capital formation, and technological progress.

Yet manufacturing’s share of the economy has fallen over the last four decades. It is also largely at the low value-added end of the scale, while the few higher value-added activities are mainly foreign-dominated and in closed global value chains. Filipino manufacturing consists largely of basic consumer items – mostly food and beverage – at the low end of value-adding and technology. Foreign manufacturers, on the other hand, account for virtually all relatively high-end manufacturing-cum-assembly of electronics, machinery, equipment, and other capital goods.

The share of agriculture in the economy has meanwhile been in continuous decline. Employment has been shifting from agriculture to services as the manufacturing sector has been unable to absorb more work. The economy has also become a service economy more than a producing economy, and is disproportionately consumption-driven. Dynamic linkages between sectors and across the regions of the country are limited.

In effect, the economy has moved from low-productivity agriculture activities to similarly low-productivity services, with an overreliance on overseas work and remittances. These weak economic foundations are the biggest strategic barrier to poverty eradication.

**Poor development performance is due to liberalization and market-oriented reforms since the 1980s**

Persistent poverty, inequality, and economic underdevelopment point to how nearly four decades of economic liberalization and market-oriented structural reforms since the 1980s have not created the conditions for more rapid and extensive progress. Relying on market signals did not encourage investment in domestic production. Agricultural and manufacturing have declined rapidly and the availability of decent work has, correspondingly, greatly decreased. The less market-oriented approach of other countries in the region is a key factor in explaining their better socioeconomic performance.

Liberalization has resulted in a weaker service-oriented economy with a limited ability to get maximum benefits from the country’s rich natural and human resources. The economy has deindustrialized despite large foreign investments in manufacturing and extensive manufacturing exports.

Liberalization has also eroded the government’s ability to meet national development goals. The government’s capacity to invest in education, health, housing, and infrastructure has been weakened by foregone revenues from tariff cuts and excessive fiscal incentives. The capacity to regulate and directly intervene in the economy when required has been eroded by the bias against the government engaging in economic activity.

**Policy-making overly prioritizes foreign investors and organized domestic business interests**

Robust ties between political and business elites inhibit more aggressive policies for poverty reduction, equity, and development. Elites still exert a powerful influence on the electoral system and governance structures, which, as a result, become guided by privileged interests rather than broader social and public concerns. Short-term profits also tend to prevail over strategic long-term economic development. Clientelism and elite capture of economic policy-making hinder policies that remove imbalances in power relationships, democratize the distribution of resources, and make governance more inclusive.

The tendency is for policies and laws to favor oligarchs or foreign capital in general and, often, specific business interests at the expense of
the poor majority, domestic capital and smaller enterprises, and national development. The over-determination of the country’s economic agenda by an elite of rationally self-interested stakeholders further concentrates wealth and entrenches inequality.

**Market-oriented social policy and social protection are insufficient or ineffective**

The provision of social services and social protection are possible and necessary at every level of development. However, relatively low levels of public spending have resulted in an inadequate public health and education system. The drive to commercialize and privatize social service provisioning undermines laws affirming the constitutional right of all Filipinos to quality health care and education at all levels.

The country has a long experience with social protection measures spanning social welfare programs and safety nets targeted at the poor and vulnerable, active labor market programs, and the major contributory social insurance programs. These are seen as important ‘anti-poverty’ measures. Notable among these measures is the Pantawid Pamilyang Pilipino Program conditional cash transfer scheme, which is the largest social welfare program in the country’s history. The main limitation of these measures is being ‘residual,’ in the sense of simply mitigating some of the worst impacts of macroeconomic policies without addressing the main development strategy that lead to job scarcity and poverty in the first place.

**The poor are worst affected by environmental distress**

The poor are in greater proximity to hazards than higher-income groups and the most vulnerable to the impacts of environmental degradation. Farmers, fisherfolk and indigenous communities are the ones most dependent on the natural environment and ecosystems for their homes and livelihoods.

**Recent rapid growth points to unsound development fundamentals**

The recent episode of rapid economic growth has been stimulated by easy credit, growing debt, overseas remittances, a real estate boom and infrastructure spending. Local agricultural and industrial activity, domestic job generation, and decent work are notably lagging behind visibly rising corporate profits and growing oligarch wealth.

**Current anti-poverty programs**

Anti-poverty programs are narrowly focused and disconnected from macroeconomic policymaking

Far-reaching reforms are needed in the country’s anti-poverty policies. The most basic modification is to shift from having a centerpiece anti-poverty program to making poverty eradication the centerpiece of social, economic, and environmental policies. It is particularly crucial to reform macroeconomic policies because these have the farthest-reaching and longest-lasting impact on the livelihoods, incomes, and welfare of the greatest number of Filipinos.

As it is, ‘anti-poverty’ efforts are conventionally conceived as ‘social reform’ programs dichotomized from macroeconomic policymaking, and, furthermore, are distantly secondary to this. They are narrowly focused and micro, individualistic, or targeted in nature. They are in addition commonly fragmented and dispersed. Government anti-poverty agencies and instrumentalities are moreover detached from macroeconomic policy-making and, in effect, perennially relegated to dealing with the effects of poverty rather than its causes.

**Development ‘plans’ defer to market forces more than plan strategic economic development**

Since the 1980s, the general thrust of development ‘planning’ has been to apply ‘free market’ principles across the whole range of socioeconomic policy-making. This has resulted in the economy transforming according to market signals and short-sighted profit considerations rather than the demands of inclusive and sustainable development.

Comprehensive social and economic progress, however, requires strategic thinking about the requirements for agricultural development and national industrialization beyond the narrow and short-term concerns of markets and private profits. As the experience of virtually every developed economy has shown, it is essential to actively use foreign trade and investment, monetary, exchange rate, financial, fiscal, regulatory, and
even social policies to achieve specific goals that market forces would not on their own result in.

**Pro-poor development policy and the way forward**

A rights-based and social development approach enables a broad understanding of poverty

Adopting a human rights-based and social development approach allows for a broader understanding of the poverty problem and of the correspondingly broad solutions necessary for poverty eradication. Poverty may be conceived, as the United Nations Committee on Economic, Social, and Cultural Rights suggests, as “a human condition characterized by sustained or chronic deprivation of resources, capabilities, choices, security, and power necessary for the enjoyment of an adequate standard of living and other civil, political, economic, social, and cultural rights.”

Such a multidimensional view of poverty entails addressing structural inequalities, upholding people’s participation, and establishing the State’s obligations to act on poverty in all the processes of governing. The rights-based approach can be the basis for a package of macroeconomic and social policies that are coherent, mutually reinforcing, and aligned with short- and long-term national development goals. The 1987 Constitution already provides a framework on addressing poverty consistent with the rights-based approach.

**Agrarian reform and national industrialization are necessary for poverty eradication**

The long-term basis of Philippine development lies not just in growth but in the structural transformation of the economy, including agriculture but especially industrial production, where the country: 1) uses its natural resources to create decent work and increase incomes for the majority of Filipinos in a sustainable manner; 2) generates an economic surplus for the public sector’s needs, including the provision of social and economic services, and for reinvestment in the economy; and 3) distributes the benefits of growth under more equitable economic relations.

The share of domestic agriculture and Filipino industry in the economy needs to increase, and the economy has to move from largely low value-added and low productivity activities to mainly high value-added and high productivity activities. This entails deliberate and explicit industrial policy aimed at achieving national industrialization, or the phased development of Filipino industry towards high labor productivity and large-scale production of goods and services with high technological content. This also entails agrarian reform and rural development to release the productive forces in the countryside, expand the domestic market, and generate financial resources for reinvestment.

**Macroeconomic policies need to be more balanced, reducing excessive reliance on market forces**

Nearly four decades of neoliberal market-oriented policies have not brought about broad-based development even as wealth has been generated for a minority. The options of greater State intervention in the market and greater attention to the domestic economy, rather than foreign markets, need to be revisited. This will require a sustained conscious effort to depart from current neoliberal policy practice and its corresponding legal and institutional infrastructures.

There is a need to recover policy space and assert independent foreign economic policy. International trade and investment agreements may be reviewed if they limit the country’s policy space and inhibit agricultural development and industrialization. Foreign investment needs to be better regulated to play its role in developing domestic industrial, agricultural, and even service capacities. A large number of developed and developing countries, including trading partners or neighbors in the region, have already started to roll back from aggressive liberalization in previous decades.

Other important domestic measures may also be considered, including greater state regulation and control of finance; more progressive taxation; greater investments in physical infrastructure; and more far-reaching income, wealth, and asset reforms.

**Comprehensive, universal, and transformative social policy is needed, including the establishment of a social protection floor**

Developing the productive economy, however, is not enough, and a comprehensive, universal, and transformative social policy also has to be
enacted. Ensuring social services and social protection for all Filipinos needs to be intrinsic to the strategy for development. These are important to directly and immediately ensure improvements in the welfare of the people. The improved physical and mental well-being of people also has the beneficial effect of improving the workforce’s productivity and further boosting the economy.

Measures that may be considered include: significantly raising the budgetary allocations for education and health, including providing policy support for innovation to resolve the technical issues and challenges facing these sectors; reviewing the policy of increasing reliance on the private sector, which makes social services less accessible to the poorest segments of society without necessarily improving quality; and ensuring the universal character of social protection grounded on the notion that access to social protection is a right, not charity.

It is also important to gradually and progressively establish a social protection floor as a step to achieving universal social protection. This set of basic social security guarantees comprises access to essential health care and basic income security for children, persons of working age in vulnerable circumstances, and older persons. It may also include child and family benefits, sickness and health care benefits, maternity benefits, disability benefits, old-age benefits, unemployment benefits and the like.

**Reforms are possible with improved governance and greater people’s participation to build constituency for change**

The autonomy of the State from corporate and particularistic influences to forge, implement, and enforce a national development strategy should be strengthened. Areas for reform in governance include: reforming the political party system and election process; reforming the justice system and its institutions; and strengthening transparency and accountability.

Building consensus on reforming the direction of social and economic policy-making will not be easy but the human cost of continued underdevelopment is simply too high. Corporate and business elites promote policies in their favor but which may have perverse social and development outcomes. More active citizenship is an important countervailing force that can be promoted by further developing mechanisms for people’s participation; strengthening local government capacity to undertake development initiatives; and protecting the rights of civil society groups and other non-state organizations.
Recent improvement in the growth of gross domestic product (GDP) and GDP per capita fuels the perception that the Philippines is developing. GDP estimates the general level of economic activity in the country, while GDP per capita, by dividing total national output by the growing population, gives an approximation of this activity relative to the expanding population.

The Philippine economy has been generally expanding over its entire post-war history, albeit slowly, with GDP per capita growing at an average rate of 1.9% since 1950 (see charts 1 and 2). This economic expansion became noticeably more volatile since the 1980s, with the country’s initial episodes of extended recession and stagnation only happening in 1983-1985 and 1991-1993. The period since 2010 has meanwhile seen the fastest growth in the country’s history. By 2016 the economy was already 19 times bigger and GDP per capita nearly three-and-a-half times larger than in 1950.

Still, it is alarming that the country’s average of just 1.4% growth in GDP per capita from 1981 to 2016 is less than half the 3.3% average rate over the same period for the East Asia and Pacific Region. As a result, GDP per capita has not only been much lower than the regional average, but also falling further behind with time (see chart 3). This is notwithstanding the apparent improvement in the period 2001-2016 where Philippine GDP per capita grew at 4.4% versus 3.7% for the region.

Yet while giving an indication of the economy as a whole, GDP and GDP per capita say little about the extent of poverty in the country. A better picture is formed by looking at household incomes, conditions according to key social and non-economic indicators, and the specific issues faced by major groupings of poor or otherwise vulnerable Filipinos.

Looking at these shows that the Philippines still exhibits many of the symptoms of poverty and underdevelopment: low and insecure incomes; lack of decent work; lack of education; insufficient nutrition and poor health; poor housing (including lack of access to clean water, sanitation, and electricity); lack of assets and inadequate livelihood opportunities; exploitation; and even violence. Improvements have been incremental, disproportionate to the increasingly rapid growth in the last decade, and historically even weaker than in other countries of the region. The accumulation of wealth by an elite few amid these conditions only highlights the development failure and structural nature of the problem.

The Philippine Statistics Authority (PSA) estimates the country’s...
It can be reasonably argued that over one-fifth of the population is in extreme poverty – or some 22 million, corresponding to official poverty estimates – and perhaps half to three-fifths (some 50-60 million) in varying conditions of deprivation and vulnerability.

Income poverty

The number of Filipinos that the PSA counts as officially poor using income measures is a convenient starting point for estimating poverty. Income measures are incomplete and unidimensional but are nonetheless a practical first approximation of poverty and initial indicator of families’ economic life. Income is strongly correlated with the satisfaction of basic material needs, patterns of participation in the sphere of production and exchange, and political weight. It can also be cross-referenced with other meaningful categories such as gender, class, location, and the like for further analysis.

Official poverty. The PSA’s latest 2015 Family Income and Expenditure Survey (FIES) officially reports 16.5% of Filipino families or 21.6% of the population as poor – corresponding to 3.8 million poor families or 21.9 million Filipinos who do not have enough income for their basic food and non-food needs. Official poverty incidence has declined from 1991 when it was estimated at 29.7% of families and 34.4% of the population. The magnitude of poor, however, is slightly higher today than the 3.6 million poor families and 21.7 million poor population reported in 1991.

Official poverty incidence was generally falling between 1985 and 1997, increased between 1997 and 2000, stayed stagnant between 2000 and 2006, and was falling incrementally between 2006 and 2015 (see chart 4). Poverty incidence is estimated using an official poverty line corresponding to the minimum amount needed to meet basic food and non-food needs in any given year. In 2015, the national

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2 The PSA estimated 101.0 million Filipinos and 22.7 million families in its 2015 Census of Population and then computed the 104.9 million population in 2017 for the macroeconomic parameters of the Department of Budget and Management’s (DBM) 2018 Budget of Expenditures and Sources of Financing (BESF).

3 This is already usefully articulated in Republic Act No. 8425 or the ‘Social Reform and Poverty Alleviation Act’. The law enumerates the dimensions of poverty as the social (i.e., access to basic quality services), economic (i.e., asset reform and access to economic opportunities), ecological (i.e., sustainable development of productive resources) and governance (democratizing the decision-making and management processes). Income can be understood as one among many means of achieving progress along these different aspects.

4 Among recognized social and economic rights in international treaties and national legal systems are the rights to self-determination, work, just and favorable work conditions, unionize, social security, of families to protection and assistance, adequate standard of living, food, housing, health, and education.

5 Official poverty figures are still infrequent – the PSA’s benchmark Family Income and Expenditure Survey (FIES) is done only every three years while the Annual Poverty Indicators Survey (APIS) has not been conducted annually. There is also a lag of as much as a year before initial FIES results are released.

6 The 2015 FIES results are very unusual in how the number of Filipinos that the PSA counts as officially poor using income measures is a convenient starting point for estimating poverty. Income measures are incomplete and unidimensional but are nonetheless a practical first approximation of poverty and initial indicator of families’ economic life. Income is strongly correlated with the satisfaction of basic material needs, patterns of participation in the sphere of production and exchange, and political weight. It can also be cross-referenced with other meaningful categories such as gender, class, location, and the like for further analysis.

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poverty threshold was estimated at Php59.60 per person per day or Php21,753 per capita annually, corresponding to Php9,064 monthly for a family of five (see table 1). 7

The PSA estimates regional poverty lines ranging from the lowest at Php55.40 in Region IV-B-MIMAROPA to the highest at Php68.50 in the National Capital Region (NCR). The regions with the highest poverty incidence are ARMM (53.7%), Caraga (39.1%), Region VIII-Eastern Visayas (38.7%), while the regions with the highest poor population are Region V-Bicol (2.2 million), Region VII-Central Visayas (2.1 million) and ARMM (2.0 million). Curiously, only 3.9% of the population of NCR (494,630) are officially considered poor.

The PSA also provides poverty incidence estimates for basic sectors or sub-groups (see chart 5). By occupation, poverty incidence is highest among farmers (34.3%; the PSA does not provide magnitudes) and fishermen (34.0%), followed by self-employed and unpaid family workers (25.0%) and migrant and formal sector workers (13.4%). It is also high among children (31.4%), women (22.5%), youth (19.4%), and senior citizens (13.2%). Interestingly, only 18.0% of the employed, 16.4% of unemployed, and 11.5% of urban residents are considered poor. Sectoral poverty incidence has generally been falling.

It has been pointed out that the standard of living allowed by the official poverty line is too low and underestimates poverty (IBON, 2011a; Tan, 2015). Among the reasons cited for this are unrealistically low estimates of the subsistence food basket (from using ‘least cost’ and ‘revealed preference’ approaches) and the use of an outdated multiplier to calculate the cost of the minimum required non-food items (instead of calculating a budget with updated pricing), resulting in a poverty line that does not meet decent minimum standards for food, shelter, transportation, utilities, health care, and education. Among others, this means that the official poverty line does not sufficiently factor in and underestimates the rising costs of housing, public transport, water, electricity, health, and schooling.

With a very low poverty threshold, it is not unreasonable to consider official poverty incidence as referring only to those in extreme poverty. In any case, it has been found that around nine out of 10 of these extremely poor households are chronically or persistently poor (Bayuden-Dacuycuy and Baje, 2017a).

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7 The national poverty threshold is an average and the PSA’s actual computations use poverty (and food) thresholds down to the provincial level.
The PSA also provides estimates on the ‘subsistence poor’, or those whose incomes are not enough to meet basic food needs – who can then be considered the poorest of those in extreme poverty. The PSA reports that 5.7% of families and 8.1% of the population, corresponding to 1.3 million families and 8.2 million Filipinos, are food-poor. The subsistence threshold was set at an average of Php41.60 per person per day or Php6,329 monthly for a family of five (see table 1).

**Distribution.** The latest FIES reports the monthly income of the country’s 22.7 million families (see table 2). The average monthly incomes of families within the first to sixth deciles (poorest 60%) fall between Php7,189 and Php18,167, while for families within the seventh to tenth deciles (richest 40%), between Php21,583 and Php55,500. However, the FIES survey method and this presentation by deciles do not capture the very small and very large incomes at either end of the scale. Elsewhere, and still using FIES household data, it has been estimated that the richest 1% of families can have monthly incomes of around Php161,319 or more, which is about two-and-a-half times the mean monthly income of the tenth decile (Viriola et al, 2016). Yet this is still only a partial indication of the extremely wide variation in income at the uppermost decile, which does not have the bounded range that the lower deciles do. Household survey data for instance do not reflect the handful of Filipino families with monthly incomes of up to Php7-8 million, or over a hundred times the mean monthly income at the already highest tenth decile.

**Alternative measure.** From a policy-making perspective, the determination of how many poor Filipinos there are is a political choice – not in the sense of arbitrariness or lack of objective basis, but in the sense of expressing the government’s target group for poverty eradication. Looked at in this way, the ‘poor’ can be considered as that portion of the population who are assessed to be either below, or vulnerable to easily falling below, the minimum standards along one or more of the various core dimensions of well-being.

### Table 1. Poverty indicators by region, 2015

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<th>Region</th>
<th>Poverty</th>
<th>Subsistence</th>
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<td>Annual per capita poverty threshold (Php)</td>
<td>Annual per capita food threshold (Php)</td>
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<td></td>
<td>Families</td>
<td>Population</td>
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<td></td>
<td>Poverty incidence (in %)</td>
<td>Magnitude</td>
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<td>Region IV-A</td>
<td>20,224</td>
<td>6.7</td>
</tr>
<tr>
<td>Region IV-B</td>
<td>21,476</td>
<td>17.4</td>
</tr>
<tr>
<td>Region V</td>
<td>21,070</td>
<td>27.5</td>
</tr>
<tr>
<td>Region VI</td>
<td>21,914</td>
<td>16.6</td>
</tr>
<tr>
<td>Region VII</td>
<td>21,304</td>
<td>23.6</td>
</tr>
<tr>
<td>Region VIII</td>
<td>20,925</td>
<td>30.7</td>
</tr>
<tr>
<td>Region IX</td>
<td>22,345</td>
<td>26</td>
</tr>
<tr>
<td>Region X</td>
<td>22,754</td>
<td>30.3</td>
</tr>
<tr>
<td>Region XI</td>
<td>21,025</td>
<td>16.6</td>
</tr>
<tr>
<td>Region XII</td>
<td>22,570</td>
<td>30.5</td>
</tr>
<tr>
<td>Caraga</td>
<td>21,563</td>
<td>30.8</td>
</tr>
<tr>
<td>ARMM</td>
<td>21,753</td>
<td>48.2</td>
</tr>
</tbody>
</table>

*Source: Philippine Statistics Authority Official Poverty Statistics of the Philippines*
The official poverty incidence estimate can be used as an initial calculation of those without even the minimal income needed to attain the most basic material needs – this yields a figure of some 22% of the population as a starting point. As will be taken up later, many families still live in poor housing conditions in terms of size, unsafe water sources, and unsanitary waste disposal – covering around 36-49% of families. This is consistent with self-rated poverty results from the Social Weather Stations (SWS), which show an average 50% of families rating themselves as poor in 2015 (an estimated 11.0 million families) (SWS, 2017).  

From a policy-making perspective, the determination of how many poor Filipinos there are is a political choice – not in the sense of arbitrariness or lack of objective basis, but in the sense of expressing the government’s target group for poverty eradication. 

Building on this, it is not unreasonable to consider the first five or even six income deciles as an initial approximation of low income and, in effect, comprise poor households who need to be raised to more decent levels of income and welfare. In 2015, the poorest 50% of families (11.4 million families) are those with monthly incomes of no more than Php15,000 (less than Php180,000 annually) (see chart 6). The poorest 60% of families (13.6 million families) meanwhile are those with monthly incomes of no more than Php18,333 (less than Php220,000 annually) – this cut-off level is only a little over double the official monthly poverty threshold for a family of five (Php9,064), and still just allows for a low standard of living with continued insecurity and vulnerability. 

Households in the seventh and eighth deciles with monthly incomes between Php18,334-30,833 can be considered the lower-middle income group, constituting 21% of families (4.7 million). Households in the ninth decile and most of the tenth decile with monthly incomes between Php30,834-83,333 can be considered the upper-middle income group, constituting 17% of families (3.9 million). This ‘middle class’ of some 8.6 million families, however, still encompasses a wide range of family incomes and does not necessarily imply that all within it have the conveniences and luxuries conventionally associated with being ‘middle class’, especially those within the seventh and eighth deciles. 

The remaining uppermost fraction with monthly incomes over Php83,334 (Php1,000,000 and above annually) can be considered the high-income group – constituting just 2.4% of families (546,000). This includes the richest 0.12% or 27,000 families with monthly incomes over Php250,000 (Php3,000,000 and above annually). The handful of super-rich in the country with monthly incomes reaching as high as Php7-8 million or even higher are not captured by the household-based FIES but should be considered among this high-income group. 

<table>
<thead>
<tr>
<th>Monthly income</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>22,250</td>
<td>15,000</td>
</tr>
<tr>
<td>First decile</td>
<td>7,167</td>
<td>6,917</td>
</tr>
<tr>
<td>Second decile</td>
<td>9,500</td>
<td>9,250</td>
</tr>
<tr>
<td>Third decile</td>
<td>11,083</td>
<td>10,583</td>
</tr>
<tr>
<td>Fourth decile</td>
<td>13,000</td>
<td>12,417</td>
</tr>
<tr>
<td>Fifth decile</td>
<td>15,167</td>
<td>14,250</td>
</tr>
<tr>
<td>Sixth decile</td>
<td>18,167</td>
<td>17,000</td>
</tr>
<tr>
<td>Seventh decile</td>
<td>21,583</td>
<td>20,417</td>
</tr>
<tr>
<td>Eighth decile</td>
<td>26,667</td>
<td>25,417</td>
</tr>
<tr>
<td>Ninth decile</td>
<td>34,583</td>
<td>32,417</td>
</tr>
<tr>
<td>Tenth decile</td>
<td>65,500</td>
<td>54,333</td>
</tr>
</tbody>
</table>

Source: PSA

**Inequality**

The unequal distribution of income among the population is an important aspect of the country’s underdevelopment that cannot be dismissed as natural or inevitable. Income is distributed among the population according to economic structures and practices that result from an existing set of policy choices, and policy choices can always be changed.
For instance, those working in agriculture, fishing, and in household work will be among the lowest groups, while those working in finance, insurance, and other professional sectors will likely be among the higher-income groups. By occupation, farmers, fishermen, laborers, and unskilled workers will be among the low-income groups, versus corporate executives and government officials who will be in high-income groups.

There is also a specific pattern within sectors or industries. A rice farmer will likely be low-income, rice traders in the middle class, and owners of the big retailers and wholesalers among the rich. Most employees of any telecommunications or power firm – which cannot but be very large – will be in the lower or middle income groups, while their CEOs will likely be among the super-rich. Income disparities here indicate room for redistribution within sectors or industries.

The unequal distribution of income among the population is an important aspect of the country’s underdevelopment that cannot be dismissed as natural or inevitable.

The Gini coefficient (or Gini ratio) is the most commonly used summary measure of income inequality, expressed as a value between zero and 1 where a higher ratio indicates higher inequality. The Philippines’ Gini ratio increased within the period 1985 to 1997 and then fell until 2015 to a ratio slightly lower than in 1995, which indicates a marginal improvement (see chart 7). This, however, needs to be interpreted carefully. As a measure of relative income inequality, the Gini ratio does not reflect how a large portion of the population has low or insufficient absolute levels of income (i.e., are at similarly low levels of income). It is based on household surveys that under-represent the very

Household surveys. Chart 6, which divides the population by annual household income in increments of mostly Php10,000, underscores the extremely uneven distribution of income in the country. The majority of the population (some 50-60%) are concentrated at very low income levels. There is in effect a rapid narrowing of opportunities around the lower-middle income group, and especially around the upper-middle-income group, with markedly less and less households able to attain higher increments of incomes. The narrowing is particularly pronounced at the Php1-1.5 million annual income brackets which seems to indicate entry into a distinct upper class in the country (which was called the high-income group above).

The low, middle, and high income groups overlap with the economy’s different sectors, occupations, value chains within and across industries, and even specific firms. There are however specific patterns that point to how seeking inclusivity means preferring certain sorts of sectors or industries more than others as well as being conscious to distribute gains among linked economic activities and within enterprises.
richest and very poorest, and reflects only income and not wealth or assets, the accumulated unequal distribution of which over time likely means much greater inequality.

The changes in income distribution summarized by the Gini coefficient can also be seen in the distribution between income deciles (see chart 8). Between 1985 and 2015, the share of income of the poorest half of the population increased slightly from 20.3% to 25.2% or by 4.9 percentage points, with a corresponding decline in the share of the richest half. The share of the poorest 60%, meanwhile, increased from 27.6% to 33.3% or by 5.7 percentage points. The ratio of the income of the richest half to the poorest half also decreased from being almost four times (3.9 times) larger in 1985 to only three times larger in 2015.

This can be interpreted as a slight redistribution of income from households in the higher deciles to those in the lower – specifically from the highest two deciles, whose share in income decreased by 7.1 percentage points between 1985 and 2015, to the lowest eight deciles. Nonetheless, in 2015, the top 20% of families still accounted for 45.0% of total income while the bottom 20% only accounted for 7.5%.

Other indicators. This household survey-based data can be supplemented with more specific observations from other sources. The mean monthly incomes of Php65,500 of the top 10% and Php161,319 of the top 1% mentioned above, for instance, pales beside the estimated average monthly equivalent pay of a top executive of Metro Pacific Investment Corporation (Php7.9 million), Meralco (Php7.8 million), Ayala Corporation (Php6.9 million), and San Miguel Corporation (Php5.9 million) (Entrepreneur Philippines, 2017).

This situation of a very wealthy few contrasts starkly to that of the rest of the country’s 104.9 million population. The Php7.9 million monthly pay of a single top executive, for instance, is over 1,100 times as large as the lowest monthly median income of Php6,900 reported by the FIES – which, in effect, is the same as saying that a single top executive earns as much as 1,100 of the country’s poorest families.
combined or as much in a month as a poor family does over three years.

The dramatic inequality in the country can also be seen in other ways. Although not strictly comparable, it is striking that in 2015 the combined net worth of just the 15 richest Filipinos, amounting to US$57 billion, is equivalent to the combined income in that same year of the poorest 76 million Filipinos (Php2.6 trillion).10

The magnitudes of net worth of the richest Filipinos are in fact comparable in value to the output in an entire year of the country’s administrative and economic regions. In 2016, if the five richest Filipinos were compared to regions and their net worth to regional GDP, Henry Sy (net worth Php643 billion) would be the fifth biggest region, John Gokongwei (Php319 billion) the 11th biggest, and then the Aboitiz family (Php235 billion), Lucio Tan (Php230 billion) and George Ty (Php216 billion) the 17th to 19th biggest regions.11 Their respective individual net worths are even larger than the regional GDP of Region IV-B-MIMAROPA (Php211 billion), Region XIII-Caraga (Php168 billion) and ARMM (Php104 billion).

The current tendency appears to be of worsening inequality. In the rapid growth years between 2010 and 2015, the total net income of the country’s top 100 corporations grew by 103%, the top 1000 corporations by 41%, and all 269 stock exchange-listed firms by 33%. In contrast, the real value of the average daily basic pay grew by only 5.3%, and the real minimum wage in NCR by only 6.5% (IBON, 2016b).

In any case, income-based measures paint an incomplete picture of inequality in the country. The ownership of household assets and especially the distribution of productive assets are very relevant. These are direct indicators of current welfare or material security as well as key indicators of the availability of opportunities and of income-generating capacity. Unfortunately, asset-related data from household-based and other official surveys remains sketchy.

Nonetheless, it is very likely that inequities in asset distribution are even much starker than in incomes. Assets are accumulated from purchases and from savings of unspent income. The values of financial and tangible assets can however also passively increase from market movements unconnected to any work-related activity of their owners, and only the highest income groups benefit from this.

Social indicators

There are other aspects to consider aside from income when assessing the extent of poverty. Many of them are correlated with incomes and wealth but deserve specific attention because they are by themselves important indicators of welfare. Government spending on health and education has been increasing and its social protection program has greatly expanded in recent years; results, however, have been uneven, and gaps still remain.

Education. Increasing government spending on education aims to increase access to and improve the quality of education. There is steady improvement in standard education indicators. The mean years of schooling have improved noticeably from 8.2 years in 2010 to almost 9.4 years in 2015 (UNDP, 2016). Elementary and secondary achievement rates however stayed low – indicating the low quality of education – from lack of teacher competencies, high student-teacher ratios, lack of basic educational facilities, and poor quality of classrooms (NEDA, 2017).

Cohort survival rates improved significantly between school year (SY) 2011-2012 and SY 2016-2017: from 73.5% to 94.2% at the elementary level, and from 78.8% to 84.6% at the secondary level (see chart 9). Dropout rates likewise improved: from 6.4% to just 1.4% at the elementary level, and from 7.8% to 5.6% at the secondary level (DepEd, 2017).

Unfortunately, the Philippines has generally been able to spend only the equivalent of less than 3% of GDP on education since the 2000s, compared to regional neighbors which spent the equivalent of between 3-8% of GDP.

Household economic conditions are a strong determinant of school attendance. Nevertheless, public spending on education seems to help in improving school attendance, with trends in the net enrolment rate at the primary level historically following trends in the share of public expenditure in the education sector (Albert and Raymundo, 2016). Unfortunately, the Philippines has generally been
Current Situation: The Challenge of Philippine Poverty

also illustrate the social determinants of nutrition outcomes, where household poverty is a major factor behind poor nutrition that, say, feeding programs only mitigate rather than resolve.

A 2015 Food and Nutrition Research Institute (FNRI) survey reports that child stunting remains prevalent in the Philippines. In 2015, three of every 10 Filipino children under age five, or about 3.8 million children, have stunted growth due to suboptimal health and nutritional conditions. The income dimension is also stark where almost half of the children (49.2%) in the lowest wealth quintile are stunted compared to 14.8% in the highest wealth quintile (see chart 10). Stunting is higher in rural areas (38%) as compared to urban areas (28%) while virtually the same between males (34%) and females (33%).

Recent trends also show that more children and their families are poorly nourished (NEDA, 2017). The prevalence of underweight children under five increased from 19.9% in 2013 to 21.5% in 2015. The proportion of households with per capita intake below 100% of their daily requirement also increased from 66.9% in 2008 to 68.3% in 2013. These underpin the high prevalence of stunting and wasting in all regions of the country.

Infant mortality and neonatal deaths have been slowly but steadily dropping since the mid-1990s.

**Health.** Some child and maternal health indicators were steadily improving until plateauing in the 2000s and worsening slightly in 2013-2015 (see chart 10). That this decline occurred during the years that the Pantawid Pamilyang Pilipino Program (4Ps) was greatly expanded, of which the conditionalities included child and maternal health, invites investigation. The severe inequities between lower and higher income groups able to spend only the equivalent of less than 3% of GDP on education since the 2000s, compared to regional neighbors Malaysia, Singapore, Thailand, and Indonesia which each spent the equivalent of at least 3-8% of GDP on education.

Low family income is a driver of poor conditions among children, especially among working class and rural households. The PSA estimates 3.8 million children and youth considered as out-of-school, consisting of 190,756 aged 6-11, 293,753 aged 12-15, and 3.3 million aged 16-24. The most common reasons given for not attending school were marriage or family matters (42%), high cost of education or financial concerns (20%), and lack of personal interest (20%). Among females, marriage or family matters was the main reason for not attending school (59%), while males cited lack of personal interest (37%). These likely include many of the 1.5 million children working to augment insufficient family incomes as estimated by the PSA, from ages 5-9 years old (84,000), 10-14 years old (394,000), and 15-17 years old (1.03 million) (PSA, 2017a). They often work in hazardous conditions and are vulnerable to abuse.

**Chart 9. Primary and Secondary Education Indicators, SY 2007-2008 to SY 2015-2016 (%)**

![Chart 9](image)

*Note: Data for Secondary level beginning SY 2012-2013 refers to Junior High School. Source: Department of Education*


![Chart 10](image)

*Source: Food and Nutrition Research Institute*
Maternal mortality however has remained high and has actually been worsening since the mid-2000s, from 63.0 (rate per 100,000 live births) in 2006 to 73.7 in 2015. (DOH, 2006 and 2015).

Access to health services has potentially increased with the reported expansion of Philippine Health Insurance Corporation (PhilHealth) coverage to 95% of the population in 2015, especially for the poor enrolled in its indigent program, and with the construction and upgrade of public health facilities. The expansion of benefit packages especially under the case payment scheme and no-balance billing also aims to reduce out-of-pocket expenses.

**Housing.** Housing is an important aspect of human development which includes shelter as well as amenities such as water and sanitation, electricity, and even access to various social and economic infrastructure. The Housing and Urban Development Coordinating Council (HUDCC) estimates a housing backlog of 2,017,909 units as of December 2016, due to unacceptable housing (799,780 units), doubled-up households (493,427), and for future/recurrent needs (724,702). Total housing needs are projected at 6,796,910 units over the 2017-2022 period (NEDA, 2017).

The PSA’s 2010 Census of Population and Housing (CPH) finds 4.9 million or one-fourth of total housing units (25.0%) constructed out of light/mixed or predominantly light materials – light materials include wood, sawali, bamboo, nipa, cogon and the like – or makeshift and salvaged materials (Esquivias, 2016). Further, 5,599 households were found to be living in caves, kariton (pushcarts), abandoned buses, and buildings not intended for habitation.

The 2010 CPH also finds that 35.9% of households obtained their drinking water, and 39.4% of households their water for cooking, from deep wells, shallow wells, dug wells, and natural sources (e.g. spring, lake, river, rain, etc.) (Esquivias, 2016). Although 82% of households had water-sealed toilet facilities, this still leaves 2.5 million households (12.5%) using closed/open pits and other facilities (e.g. pails), and 1.1 million households with no toilet facility (5.6%). Also, 9.8 million households (48.8% of total households) were still disposing of garbage in environmentally unhealthy ways (e.g. dumping in pits, burning, feeding to animals).

These figures are not far from more recent survey data. Access to safe water supply and sanitary toilets has been continuously improving since the 2000s, albeit with large regional disparities (NEDA, 2017). Still, 14.5% of families do not have access to a safe water supply, according to the latest 2014 Annual Poverty Indicators Survey (APIS). Some 5.9% of households do not have access to a basic sanitary toilet facility, and only 4.4% of households are served by sewerage systems, according to the latest 2013 National Demographic and Health Survey (NDHS). This means some 1.2 million households with no access to safe water and 1.8 million households with no access to sanitary toilet facilities.

### Table 3. Housing Units by Floor Area in square meters, 2010

<table>
<thead>
<tr>
<th>Area</th>
<th>Total</th>
<th>&lt;5</th>
<th>5-9</th>
<th>10-19</th>
<th>20-29</th>
<th>30-49</th>
<th>50-69</th>
<th>70-89</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Philippines</strong></td>
<td>19,715.7</td>
<td>1,225.5</td>
<td>2,537.6</td>
<td>3,757.9</td>
<td>3,376.6</td>
<td>3,450.4</td>
<td>2,157.7</td>
<td>1,075.6</td>
</tr>
<tr>
<td>Number of occupants</td>
<td>4.7</td>
<td>4.3</td>
<td>4.4</td>
<td>4.6</td>
<td>4.6</td>
<td>4.7</td>
<td>4.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Percent of total housing units</td>
<td>6.2</td>
<td>12.9</td>
<td>19.1</td>
<td>17.1</td>
<td>17.5</td>
<td>10.9</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td><strong>Of which, in NCR</strong></td>
<td>2,634.4</td>
<td>157.0</td>
<td>215.5</td>
<td>390.9</td>
<td>492.8</td>
<td>535.5</td>
<td>318.9</td>
<td>1,322.0</td>
</tr>
<tr>
<td>Number of occupants</td>
<td>4.5</td>
<td>4.2</td>
<td>4.2</td>
<td>4.3</td>
<td>4.4</td>
<td>4.6</td>
<td>4.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Percent of total housing units</td>
<td>6.0</td>
<td>8.2</td>
<td>14.8</td>
<td>18.7</td>
<td>20.3</td>
<td>12.1</td>
<td>50.2</td>
<td></td>
</tr>
</tbody>
</table>

Source: Tan, 2015 citing Philippine Census of Population and Housing, 2010
The availability of electricity has been improving since the 2000s although, similarly, with large regional disparities and a large number of households remain without access. As of July 2016, the Department of Energy (DOE) reports 89.6% of households with electricity which still leaves some 2.4 million households without electricity, of which 1.3 million are in Mindanao, 714,823 in Luzon and 308,919 in the Visayas (NEDA, 2017).

Rural issues

Over half (56%) of the Philippine population is still considered as rural (World Bank, 2017). Rural areas are associated with agriculture or resource extractive activities rather than industrial production or its related services. Access to basic social services and infrastructure in the rural areas also tend to be more difficult. Of a 105 million total population, the rural population in the Philippines can then be estimated to be up to 57 million, including farmers, farm workers, fisherfolk, rural odd-jobbers, and indigenous peoples with insecure livelihoods or otherwise low incomes.

The major economic issue in rural areas is the backwardness of rural production and the resulting low productivity (outside the hundreds of thousands of hectares of corporate plantations). The greatest pressure on this stems from the finite agricultural land – with the rural population doubling from 30 million in 1980 to around 57 million today, on the same 9.7 million hectares of agricultural land – and persistent monopolies on land and other rural assets.12 There are also still considerable landholdings in haciendas, corporate plantations, estates, and real estate land banking.

This is despite decades of consecutive land and agrarian reform programs since the 1950s. Land distribution accomplishments are tempered by anomalous exemptions, administrative over-reporting, and beneficiaries losing land from land-grabbing, land conversion, agribusiness venture arrangements (AVAs), and similar schemes. The conduct of a land inventory, as stressed in the current Philippine Development Plan (PDP) 2017-2022, will be extremely helpful to verify the real extent of land reform. In any case, the government has historically given only a low priority to agriculture as a whole, and to the majority small farmers in particular who have scant means to become more productive.

This situation forces landless and smallholder farmers, farm workers, and fisherfolk to sell their labor and produce at exploitative prices. Landlords, rural traders, and capitalists monopolize not just land but also capital, marketing, infrastructure, and other opportunities in the countryside. This leaves the rural poor with few options than buying overpriced goods and services. They also become vulnerable to usurious terms on production loans, high cost of inputs, land rents, and irrigation fees.

The rural poor have also become more and more prone to economic and physical displacement. Agricultural trade liberalization has pressed down farm-gate prices for their produce. Insufficient support for agriculture has led to the use of agricultural lands for more privately profitable purposes – such as real estate developments, tourism, renewable power, mining, and other commercial projects – and the displacement of tillers and their families. Large areas of land and water resources have become controlled by foreign agribusiness corporations producing crops and other commodities for export. Some farmers groups have criticized government infrastructure projects for bringing about land-use conversion.

Incidents associated with armed conflict disrupt agricultural production, can result in lost livestock and crops, and can damage already scarce rural social and economic infrastructure. Rural communities can also suffer losses of painstakingly built social capital in family support networks and, especially, in community-based organizations that are suspected of supporting insurgents and become targets of attack or harassment.

Ethnic groups

The country’s indigenous peoples (IP) and Moro people include some 157 ethnic groups that cumulatively accounted for 14% of the population in 2010, or around 12.8 million people consisting of 7.8 million IPs (8.6%) and 5.0 million Moro (5.5%) (Reyes, 2017). Their special concern is the dispossession from their ancestral lands and territories – with long histories of land grabbing and displacement – and long-standing stereotyping, prejudice, and cultural discrimination. Poor IP and Moro people

12 Data on rural population and agricultural land from PSA.
suffer these conditions on top of the other issues they face as part of the country’s poor majority.

The IP and Moro people confront foreign and corporate exploitation of natural resources in their communities through mining, logging, corporate plantations, mega-dams and the like. The resulting environmental degradation affects their livelihoods and welfare, as well as, in some cases, their socio-political and cultural life. Physical displacement in the course of armed conflict also often threatens their indigenous social organizations, culture, and traditions.

They are also victims of cultural discrimination, Christian chauvinism, and Islamophobia in the national consciousness. Especially in the last decades, Moro people are vilified as terrorists or supporters of terrorism. The establishment of autonomous regions and certain measures to recognize ancestral lands and territories have apparently not been enough to resolve the problems.

The long history of oppression and discrimination has resulted in IP and Moro people suffering among the harshest conditions of poverty, marginalization, and exclusion in the country. There are significant differences in terms of access to education, electricity, safe water, and sanitation even among ethnic groups, with Moro communities apparently worst-off (ibid.).

**Worker concerns**

Workers can be understood in the broad sense of people who sell their labor for a living for a given wage or salary, whether in agriculture, industry, or services. This is more expansive than the stereotypical notion of workers as referring to people who do manual labor for a living such as in manufacturing establishments.

Understood in that broad sense, there are some 25.2 million wage and salary workers according to the PSA’s Labor Force Survey (LFS) for 2016 – consisting of 21.9 million in the private sector and 3.3 million in the public sector. This estimate includes workers in both the formal and informal sectors. A further refinement that can be made is to exclude the 2.1 million household domestic workers and other informal sector workers in private establishments, whose situation can be very different from being in informal arrangements.

All these workers share essentially common concerns, albeit to different degrees and with those in the lowest income groups being the most vulnerable: low wages, poor benefits, precarious flexible work arrangements especially through contractualization, hazardous working conditions, and constraints on the right to organize and strike.

The real wage of the average Filipino worker is virtually unchanged from 2001 despite accelerating growth in the succeeding 16 years. The average daily basic pay (ADBP) of wage and salary workers, computed by deflating the nominal daily basic pay by the consumer price index (CPI), was Php275 in 2001 and Php278 in 2016 (see chart 11). The ADBP in every year was lower than in 2001 over the entire period from 2002 until 2015, and only in 2016 was it marginally higher.

**Workers share essentially common concerns, albeit to different degrees:** low wages, poor benefits, precarious flexible work arrangements especially through contractualization, hazardous working conditions, and constraints on the right to organize and strike.

Wage increases have generally been seen as necessary to be minimized in order to avert inflation and job losses, and so as not to discourage foreign investors. Although the mandated minimum wage is periodically increased, it is still persistently less than half of the family living wage; the NCR minimum wage of Php491 in June 2017 is just 43% of the estimated family living wage of Php1,130 for a family of six (the family wage is computed for six members to allow for generally larger family sizes at lower income levels) (IBON, 2017).

There are concerns that real wages will become even lower with further implementation of the new two-tier wage system. This seeks to establish the first tier of a mandatory ‘floor wage’, eventually as close to the poverty threshold as possible, and a second tier ‘productivity wage’ that is voluntary on the part of the employer. In any case, nearly half of workers (46%) already earn below the minimum wage and just one-fourth (25%) receive the minimum; less than three out of ten workers (29%) earn above the minimum (CPBRD, 2013).

A major worker issue that has become prominent over the last three decades is the phenomenon of labor flexibilization, where employers opt for short-term and unprotected work arrangements to give the firm flexibility in hiring, firing, and
compensating workers. These arrangements have been promoted especially with the use of third-party job or service contracting agencies. The most controversial form is contractualization or casualization, but they also include the abuse of project-based, probationary, casual, seasonal, and apprentice/learner/trainee workers. The widespread flexibilization has also had the effect of making union organizing more difficult.

The PSA reports on non-regular workers using establishment data that, being dependent on employers’ disclosures, are likely underestimated. Nonetheless, the data shows the share of non-regular workers increasing from around 10% of rank and file workers in the early 1990s to 35% in 2014, the latest year for which the data is available. Sectors having the largest shares of non-regular work are construction (over 59%), agriculture (42%), and support services (40%).

**Informal sector**

Anywhere from 39% (15.8 million) to as much as 77% (31.6 million) of total employed persons in the Philippines in 2016 can be considered as part of the informal sector – understood for current purposes as being in precarious, irregular, or vulnerable employment.13 This is a heterogeneous group found across sectors (agriculture, industry and services); in rural and urban areas; working in enterprises, households, or on an individual basis; and across different classes of workers (wage and salary, own account, and unpaid work). In particular, it also includes wage and salary workers without written contracts, which is presumed to imply vulnerable employment.

The poor in the informal sector are a heterogeneous group but face the same core issues. They are driven into informal sector work due to poor employment prospects and lack of access to productive resources. Informal sector work generally means low productivity economic activities, low and insecure incomes, weak legal protection, and vulnerability to abuse and exploitation.

A large portion of the informal sector poor consists of the landless and smallholder farmers, farm workers, and fisherfolk. Informal work in their case includes both the actual farming and fishing activities as well as various part-time or seasonal off-farm non-agricultural work.

The remaining (and likewise substantial) portion of the informal sector consists of individuals in greatly varied work in urban and semi-urban settings: small traders, domestic helpers, street vendors, jeepney and tricycle drivers, construction workers, carpenters, plumbers, repairmen, street cleaners, junk collectors, and recyclers, among many others; also workers in small-scale mining and manufacturing. The informal sector can also include sections of the formal sector who were laid off, or whose businesses failed, or who were driven to informality by personal or catastrophic circumstances, and the like.

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13 Estimated using the PSA’s labor force survey results for 2016 where informal employment can be taken as consisting of: own-account workers (12.5 million) and unpaid family workers (3.3 million) for a total of 15.8 million; or own-account workers (12.5 million), unpaid family workers (3.3 million), and 62.7% of the 25.2 million wage and salary workers (15.6 million) for a total of 31.6 million. This “62.7%” represents the portion of wage and salary workers with no formal contract or only a verbal contract, as reported in the NSCB’s latest 2008 Informal Sector Survey (ISS).
Informal sector concerns gain particular relevance with urbanization and the growing concentration of the population in a few urban centers. The PSA’s latest estimate is that 45.3% of the country’s population is urban, as of 2010. The PSA also reports 33 highly urbanized cities in the Philippines as of 2015 – 16 of which are in NCR, including Manila which is already the most densely populated city in the world – that cumulatively account for some 22 million of the country’s total population. Just four metropolitan areas account for 19.6 million or nearly one-fifth of the entire population: Metro Manila (12.9 million), Metro Cebu (2.9 million), Metro Davao (2.5 million), Metro Cagayan de Oro (1.4 million).

These are millions of urban poor and near-poor looking for livelihoods and needing social services, as well as confronting the environmental and social stresses of congested urban sites.

**Women**

Forty-nine percent (49%) of the country’s population is female (PSA, 2016). The country has a long history of instituting formal measures to address gender discrimination in the economy and other aspects of the country’s social and political life. Discrimination against women, in any case, remains a somewhat invisible part of the country’s growth story.

Fewer women are part of the labor force than men, which is an immediate limitation on the economic opportunities available to them. In 2015, only half of women (50%) aged 15 years and over were in the labor force, compared to almost four out of five men (77%) (Albert and Vizmanos 2017). Unemployment rates are also higher among women aged 15-24 than among men. A slightly larger share of employed women are in vulnerable employment lacking decent working conditions, especially in the informal sector.

There is the direct greater exploitation of women when they are paid less for similar work by their male counterparts. For instance, the wage rate of women agricultural workers is persistently lower than that of men, with women paid Php189 compared to men paid Php201 in 2011 (PSA, 2016). The gross average monthly wage of men is higher than that of women in the following occupation groups: service, shop and market sales workers; trades and related workers; laborers and unskilled workers; technicians and associate professionals; professionals; plant and machine operators; clerks; and special occupations.

This is in addition to the unpaid domestic labor by women in households, in which they take the primary responsibility for the social reproduction of the workforce, male and female, that generates the economic surplus and profits in the economy. This is a huge implicit subsidy to the ‘productive economy’ and especially to the profits of those most benefiting from it. There is also their key role in ensuring that their working-class families and communities are able to cope with the inevitable episodes of economic distress. Domestic work is a major factor in the lower labor force participation rates of women (50% in 2015) as compared to men (77%) (ibid.).

Women also often do not have the same access as men to resources and similar work opportunities. Among agrarian reform beneficiaries, for instance, over the period 2000-2015, only 14% of recipients of emancipation patents and 33% of certificate of land ownership awards were women, compared to 86% and 67%, respectively, who were men (ibid.).

Some key findings of the PSA regarding women and the economy include: female-headed households have higher average incomes than male-headed households; poverty incidence of women-headed households is lower than male-headed households; literacy rate among women is consistently higher than among men; elementary school completion rates are higher for girls than boys; and high school completion rates are the same for women and men, but more women attained a college-level education (ibid.).

The economic empowerment of women is limited by lesser involvement in paid work – in much smaller numbers than men – and by discrimination in terms of wages and work conditions.

Women are discriminated and sexually harassed in the workplace and elsewhere. One out of five women (20%) reported experiencing physical violence since they were age 15, including 5.6% reporting its occurrence as “sometimes or often” in the past 12 months, and 4.2% having experienced physical violence during pregnancy (ibid.). Violence against women is worst in cases of their commodification and trafficking – reported
victims of trafficking and involuntary prostitution served by the Department of Social Welfare and Development (DSWD) have markedly increased over the period 2006-2014.

The economic empowerment of women is limited by lesser involvement in paid work – in much smaller numbers than men – and by discrimination in terms of wages and work conditions. They also face greater difficulty than men in having to address multiple burdens. This has yet to be fully addressed within the household nor by the availability of services to ease domestic tasks, such as day care centers and laundry services, or otherwise obliging private firms to provide these for their workers.

**Overseas Filipinos**

Setting aside important methodological concerns about under- and over-estimation, official data indicates anywhere from 2.2 million to as much as 5.4 million overseas Filipino workers (OFWs), aside from 4.9 million permanent migrants and their families. Correspondingly, anywhere from 2.2 million to as much as 5.8 million families in the country (around 10-27% of total families) depend on overseas remittances as their main or supplementary source of income.\(^{14}\)

This establishes OFWs and their families as a significant portion of Philippine society, and overseas remittances as a major determinant of household welfare and a major source of household consumption spending at the aggregate level of the economy. The economy’s dependence on overseas work is even more pronounced when permanent Filipino migrants are also considered.

The PSA’s 2015 Census of Population reported 2.2 million persons, or 3.2% of the household population 15 years old and over, as overseas workers. The PSA’s Survey of Overseas Filipinos (SOF), using household survey data, similarly reports 2.2 million overseas Filipino workers in 2016, of which a little over half (54%) are female.

The latest administrative data from the Department of Foreign Affairs (DFA) meanwhile estimates the stock of overseas Filipinos at 10.2 million in 2013. This number is divided into 4.9 million permanent migrants, 4.2 million temporary workers, and 1.2 million irregular workers – where the latter two categories are those usually referred to as OFWs. The stock of overseas Filipinos has grown more or less continuously since 1997 except for slight declines in 2005, 2008, and 2013, while noticeably increasing after 2010. This presumably helps to ease pressure on domestic unemployment which nonetheless remains high and increasing (see chart 12).

The domestic jobs crisis forces millions of Filipinos overseas to earn for themselves and their families. Filipino migrants comprise a huge part of the global migrant labor force which has greatly expanded in the last three decades. In many cases, they receive low wages (relative to locals), suffer abuses by their foreign employers, and work in difficult or hazardous conditions. The situation is worse for the millions of undocumented workers. There are also serious social costs for families when one or both parents are forced abroad to find work for extended periods of time.

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\(^{14}\) Data on magnitude of OFWs from Department of Foreign Affairs–Commission on Overseas Filipinos (DFA-COF) and data on remittances as source of income from PSA.
The SOF reports that Asian countries account for 85% of OFWs’ place of work – mainly the Middle Eastern nations of Saudi Arabia (24%), United Arab Emirates (16%), Kuwait (6.4%), and Qatar (6.2%). The largest group of OFWs worked in elementary occupations (35%), followed by service and sales workers (19%), plant and machine operators and assemblers (13%), and craft and related trades workers (12%) – cumulatively accounting for 78% of OFWs. The balance is taken up mainly by professionals (9.1%), technicians and associate professionals (6.6%), clerical support workers (4.8%), and managers (1.5%).

The SOF also reports the average cash remittance by OFWs of about Php12,490 monthly. The average cash remittance of the largest group in elementary occupations (by unskilled workers) was Php15,250. The lowest average cash remittance was from craft and related trades workers, who were able to send back just Php5,710 monthly, while professionals sent back the most at an average of Php18,860. The 2012 FIES meanwhile reported that 5.8 million out of 21.4 million families in 2012 received cash receipts and support from abroad as their main or supplementary source of income.
The economy has generally expanded with the growing population, yet millions of Filipinos still remain poor. This is typically attributed to growth as being too slow or, because it has been relatively rapid in the last few years, to growth needing to be sustained for longer. The persistence of widespread poverty, however, amid prosperity for a few and worsening inequality points to deeper defects in the nature of growth and in how the economy distributes the benefits of this growth.

Poverty persists because of: 1) economic backwardness, more specifically the underdevelopment of agriculture and industry; 2) inequitably distributed income, assets, and opportunities; and 3) inadequate social services and limited social protection. These result from long-standing unreformed approaches to economic policy-making and from weak people’s participation in governance. Moreover, ecological distress already causes serious immediate problems, and, if unsustainable patterns of growth are not changed, will also have adverse long-term consequences.

These issues deserve elaboration to stress the gravity of the development problem and to underscore the need for far-reaching reforms beyond conventional ‘anti-poverty’ measures. It is important to see how trade and investment liberalization increased international trade in the economy and increased foreign investment, but did not develop the national economy of which the fundamentals continue to deteriorate.

It is also important to underscore how jobs (and joblessness) are most of all created by macroeconomic policies. Jobs on a wide scale are not created by community or livelihood projects nor determined by skills training or education levels, and neither are jobs lost primarily by their absence. The success or failure of community and livelihood projects ultimately depends on the overall economic environment created by macroeconomic policies. Similarly, while skills training and education at best determine fitness for available jobs and competition between job-seekers, the availability of jobs in the first instance depends on macroeconomic policies.

Production

The material conditions for overcoming chronic poverty lie in developing domestic agriculture and industry, the production sectors of the economy and the essential foundations for national economic development. They are the most important sectors for job creation, income generation, capital formation, and technological progress. While such economic development is not and should not be made a precondition for taking measures to achieve progress along the various dimensions of poverty, underdevelopment limits what can be achieved over the long-term, in the same way that higher levels of economic development will expand what is possible.

Unfortunately, overly market-oriented Philippine economic policy has not developed these vital sectors, and instead made the economy prematurely service-oriented with an overreliance on overseas remittances and foreign investment. Filipino agriculture and national industry have neither expanded their share of the economy nor moved from largely low value-added and low productivity activities, to high value-added and high productivity activities.

Yet such a transformation from economic backwardness is necessary to put the country on the path of real and sustainable economic development.

15 ‘Industry’ in the government statistical system includes: manufacturing; construction; mining and quarrying; and electricity, gas, and water (commonly summarized as ‘utilities’).
development. The production sectors are the most important fundamentals that need to be developed.

**Growing economy.** The economy has been growing but it has not been developing in its most important and essential aspects. Measured by GDP, it has grown over most of its entire history with the exception of brief episodes of contraction in 1984-85, 1991 and 1998 (see chart 13). Economic growth has also been faster than population growth resulting in a growing GDP per capita (see charts 1 and 2).

Economic activity, however, has been expanding only by just enough to keep the majority on the margins of subsistence or with just enough to get by. The decades of growth have not resulted in the high-value production activities needed to create full employment, raise incomes, and deliver rapid economic progress. On the contrary, an inordinate amount of income now comes from intrinsically low value-added services or artificially from abroad, rather than generated domestically.

**Cycle of underdevelopment.** Low value-added and low productivity agricultural and industrial production results in weak employment generation and low incomes. This backward production misses out on market opportunities and cannot grow, while the low economic surplus created limits reinvestment and potential remuneration for its workforce.

Weak employment generation and low incomes entail correspondingly weak household purchasing power, which in turn leads to weak domestic demand for goods and services. Weak domestic demand means that domestic producers face a constricted market which inhibits their expansion, and which only becomes tighter with trade liberalization and competition from imported products.

If domestic producers cannot expand, then domestic production in general also cannot expand. Thus, it remains backward with low value-added and low productivity – completing the vicious cycle of underdevelopment.

This cycle is reinforced by parallel dynamics at play. Low productivity and low economic surpluses do not just mean enterprise- or firm-level limits on reinvestment and remuneration. They also mean low amounts of savings for productive reinvestment elsewhere in the economy, which further inhibits the expansion of domestic production. They also limit the amount of resources that the government can tap and mobilize for social and economic spending – which means scarce financing for social services and infrastructure that, again, inhibits the expansion of domestic production.

Overseas work and remittances have been a partial countervailing factor to this cycle, to the extent that they increase household purchasing power and boost domestic demand. But they are only a very partial positive influence because their contribution is mainly to household income and material welfare – and even then only to a minority portion of the population – and not to domestic production.

Remittances come wholly from work done in other economies and thus do not correspond to any expansion in domestic production or capacity. Indeed, because domestic production is backward, it is also likely that a large part of remittances is eventually spent on imported products, which further limits their potentially stimulative effect on the local economy. Overseas work is essentially an external and unsustainable source of income that cannot substitute for real domestic production.

Backward domestic agricultural and industrial
Decades of growth have not resulted in the high-value production activities needed to create full employment, raise incomes, and deliver rapid economic progress. On the contrary, an inordinate amount of income now comes from intrinsically low value-added services or artificially from abroad, rather than generated domestically.

Production has further undesirable implications beyond keeping the country trapped in a cycle of underdevelopment. The first is that underdeveloped domestic industry results in a disproportionate amount of the country’s natural resources being used by foreign economies, rather than developed by Filipino producers. This includes food commodities, agricultural raw materials, and raw metallic minerals exported for industrial use, as well as natural gas and oil exploited by foreign firms locating in the country.

The second is that a disproportionate amount of the labor force is likewise used by foreign capital and economies rather than mobilized for Filipino-owned production. Labor is exported literally in the case of OFWs and migrants, but also virtually in the case of workers for foreign firms located in enclave export-oriented special economic zones (SEZs).

Domestic natural resource and labor potential is in effect exploited by foreign economic actors either abroad or locating in the country. The global experience, however, is that domestic producers – meaning, in the case of the Philippines, Filipino enterprises and capital – have always served as the base of developed economies and have had the greatest long-term contributions to national progress.

The third implication is that a pattern of production is created where a narrow segment of enterprises is able to grow and prosper but is disconnected from the rest of the economy. This segment is composed of domestic big business exporting agricultural and mineral resources, partnering with foreign firms in manufacturing enclaves or in providing utilities and services there, and benefiting from overseas remittance flows.

These, however, are activities which are intrinsically low value-added, have little connections to the domestic economy, and are less dynamic than potentially much higher value-added and more domestically-grounded Filipino agricultural and manufacturing enterprises.

Backward production, high unemployment. The operation of this cycle is evident in economic trends since the country’s flag independence in 1946. While the structure of production and employment of the economy has changed over the last 70 years, the essential transformation necessary to break free from the vicious cycle of underdevelopment and chronic poverty has yet to occur.

The cycle has persisted even with changing economic policies. Economic protectionism and import-substitution policies were dominant from the 1950s until the early 1970s. Greater economic openness and liberalization started slowly in the early 1970s, greatly accelerated at the beginning of the 1980s, and has been more and more widely implemented from the 1990s until the present.

Abstracting from specific administrations, there are two distinct periods in the country’s economic history each spanning more or less 35 years: the first is the period from 1946 to 1980 and the second is from 1981 to the present. This periodization coincides with the pronounced shift to more market-oriented policies in the 1980s and the resulting marked decline in the share of agriculture and industry upon the implementation of these policies.

The Philippines seemed to have been on the traditional path of economic development and structural change after post-war recovery from the late 1940s until around 1980. Measured as a share of the economy, production was shifting from agriculture to manufacturing while the share of utilities and services remained stable (see chart 14). This period correspondingly saw generally decreasing unemployment rates – from the 1950s to the mid-1970s astride the shift to manufacturing, which peaked in 1974, and despite the continuously declining share of agriculture in the economy (see chart 15).

This trajectory started to change by the mid-1970s and the onset of early globalization policies. Manufacturing started to decline while agriculture continued to fall; services remained stable while the share of utilities started to grow steadily. Unemployment rates noticeably stopped improving and the period also saw the first major deployments of overseas Filipino workers.
workers (although remittances were still very small and dwarfed by large inflows of recycled petro-dollar loans). A short infrastructure boom took place in the late 1970s until the early 1980s but did nothing to improve unemployment, which, after flattening out for a few years in the mid-1970s, soared after 1980.

The year 1981 was an inflection point. The economy’s structural problems intensified as globalization policies were more systematically implemented; the decline in manufacturing which started in the mid-1970s continued, as did the fall in agriculture.

The marked shift in the economy from manufacturing and agriculture towards utilities and services was clearly accompanied by a marked increase in unemployment.

This suddenly and dramatically changed after 1981 when production started to drop steadily, and services, conversely, started to rise. The economy reached a historic turning point in the mid-1990s when services became a larger share of the economy than all of production combined. In 1981 these production sectors had a combined share in GDP of 62.3% versus the balance of services at 37.7%. By 2016, the share of the production sectors in GDP had drastically fallen to

The shares in the economy of the production sectors combined and the varied services combined were each remarkably stable over the period 1946-1980, averaging 61.4% and 38.6% respectively (see chart 16). The major changes that occurred over this period were within the production sectors and the aforementioned shift from agriculture to manufacturing.
to 40.1% while that of services correspondingly rose to 59.9%, an almost complete reversal.

The secular long-term decline in production transcends particular administrations and the usual analysis of boom-and-bust growth cycles corresponding to presidential terms. The only consistent explanatory factor over these decades is the steady and accumulating implementation of market-oriented globalization policies, now conventionally referred to as neoliberalism. The Marcos administration stands out not so much as causing the economy to deviate from an imagined development path with its corruption and cronyism but, rather, as the initiator of globalization policies that all subsequent administrations have followed and deepened – resulting in greater and greater decline.

The marked shift in the economy from manufacturing and agriculture towards utilities and services was clearly accompanied by a marked increase in unemployment. The unemployment rate climbed rapidly beginning 1980 until the mid-1980s, during the global debt crisis and in the politically turbulent final years of the Marcos administration (see chart 15). Unemployment did improve slightly afterwards and was improving until 1996. Even at its best, however, the unemployment rate was still more than double the rates prevailing in the mid-1970s, when the manufacturing sector was at its peak.

The apparent correlation between falling production and unemployment is also clear when the two trends are shown together (see chart 17). The unemployment rate was generally falling as production grew (albeit only slightly) in the early 1970s, was generally rising as production started to fall since the 1980s, and stayed high

Note: Author’s calculations for alternative estimates of unemployed from 2008 onwards.
Source: Philippine Statistics Authority Labor Force Survey

Chart 15. Number of Unemployed Persons and Unemployment Rate, 1956-2016 (rate in %, magnitude in ’000)

Note: Data for 1946-1997 are at constant 1985 prices and for 1998-2016 at constant 2000 prices.
Source: Philippine Statistics Authority National Accounts of the Philippines

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as production continued to decline from the late 1980s until today. This last period was when services became a much larger share of the economy and also when overseas work started to grow rapidly.

The number of Filipinos going overseas for work started to grow significantly in the late 1980s, which also resulted in overseas remittances starting to have a much more significant impact on the economy (see chart 18). These income flows from abroad started in the 1970s, accelerated in the late 1980s, and became very substantial by the late 1990s and 2000s. This is also reflected in how the equivalent share of remittances in GDP rapidly increased since the 1990s, although it has apparently plateaued in the 2010s (see chart 19).

In short, overseas work and remittances have substantially compensated for weak domestic job generation and incomes since the 1990s.

Unemployment started rising again at the outset of the 1997 Asian financial crisis until 2005 (see chart 15). Unemployment has improved slightly over the course of the succeeding decade, but, as mentioned, unemployment by 2016 was still worse than in 1996 and more than double that in the mid-1970s. It is notable and indicative of deep structural problems that unemployment remains high despite the hailed rapid economic growth in the period 2010-2016.

High unemployment, chronic poverty. The conditions of employment, livelihoods, and work have considerable impact on poverty levels. The official definitions for unemployment and income poverty can be further analyzed as likely underestimating the true extent of unemployment and poverty in the country. Nonetheless, the close correlation between these figures supports how any anti-poverty strategy has to give central emphasis to ensuring that macroeconomic policies create decent work.

Official poverty incidence and unemployment rates have historically more or less tracked each other. Unemployment was generally falling between 1985 and 1996, and poverty incidence was likewise falling between 1985 and 1997 (see charts 4 and 15). Unemployment, however, started rising after the 1997 Asian financial crisis until plateauing between 2000 and 2007; poverty incidence, in turn, also increased between 1997 and 2000, and then stayed stagnant between 2000 and 2006. When unemployment was falling incrementally between 2007 until 2016, poverty incidence was likewise falling incrementally between 2006 and 2015.

To give a sense of scale, unemployment within this entire period ranged from around 8% to 12%, and poverty incidence from around 22% to 50%. The magnitude of unemployment ranged from 2 million to 4.5 million Filipinos, while official poverty magnitude from 22 to 31 million.

The main issue here is whether conventional area-based, sectoral, and focused anti-poverty programs are the most viable and effective measures for addressing such magnitudes over the long term. These programs have historically been very scattered and reach just a few hundreds of thousands of beneficiaries at a time. This only changed with the recent massive Pantawid Pamilyang Pilipino Program (4Ps) conditional cash transfer (CCT) program aimed at reaching over four million precisely identified poor households. This was the first time that an ‘anti-poverty’ program was ambitious enough to try and target all the officially identified ‘poor’ households, even if at considerable administrative expense.

Yet all these programs, including the 4Ps, still address only the immediate, individual short-term symptoms of poverty, and
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not its systemic roots which result in so many millions of poor and unemployed to begin with.

The close correlation between unemployment and poverty supports how any anti-poverty strategy has to give central emphasis to ensuring that macroeconomic policies create decent work.

The massive 4Ps/CCT program is far and away the largest anti-poverty measure in the country’s history, involving hundreds of billions of pesos. The supposed improvements in welfare from marginally higher household incomes and from improved education and health outcomes may appear welcome in themselves. These, however, do not create jobs at the aggregate level which raises the concern about their real overall impact as well their sustainability. Other concerns raised on the 4Ps include needless administrative expenses, overstated gains, and constraints due to insufficient public education and health infrastructure.

The 4Ps most of all is limited in its proclaimed ‘anti-poverty’ objectives by in effect being a short-term welfare relief component of an overall neoliberal economic strategy that, to begin with, cannot create sufficient decent work in the country and maintains the conditions for chronic poverty.

Structural decline. To summarize, economic growth has not developed industry or agriculture resulting in weak employment generation, and, moreover, employment that is largely informal and poor quality work. The formal organized sector of the economy, which has always been a minority share, has been eroded by the growing informalization of labor markets. These domestic conditions push millions of Filipinos overseas for work.

The production sectors which accounted for more or less a constant share of the economy from the post-war years until the 1970s have been in continuous decline since the 1980s. The structural problem manifests in low productivity agriculture and industry and their largely diminishing share in the national economy.

Sources: OF stock data from Department of Foreign Affairs Commission on Overseas Filipinos and OFW deployment data from Philippine Overseas Employment Administration

Sources: Remittance data from Banko Sentral ng Pilipinas and GDP data from Philippine Statistics Authority
These weak economic foundations are the biggest strategic barrier to substantial poverty reduction. The economy does not create enough jobs, incomes, and economic surplus, and there are no dynamic linkages between sectors and across the country. These are not the conditions for long-term growth and more broad-based development.

Within the production sectors, the share of manufacturing in the economy grew between 1946 and 1974, fell between 1974 and 2010, then started rising slightly between 2010 and 2016. The 23% share of manufacturing to GDP in 2016, however, is still smaller than its historical peak of 29% in 1974 and even the 25% share in 1960 nearly six decades ago. The sector’s share in employment has actually fallen more than proportionately from 12% in 1960, the earliest year for which data is available, to 8.3% in 2016.

The share of manufacturing in the economy has basically fallen over the last four decades. It is also largely at the low value-added end of the scale, with the few higher value-added activities mainly foreign-dominated and in closed global value chains. Filipino manufacturing consists largely of basic consumer items – mostly food and beverage – at the low end of value-adding and technology. Foreign manufacturers on the other hand account for virtually all relatively high-end manufacturing-cum-assembly of electronics, machinery, equipment, and other capital goods.

The converse of these declines is the hugely increasing service-orientedness of the economy. The service sector increased from 46% of GDP in 1960 to 57% in 2016, with its share in the workforce more than proportionately increasing from 23% of total employment in 1960 to 56% in 2016.

These trends imply that employment has been shifting from agriculture to services, with the stagnant and even declining manufacturing sector basically unable to absorb more work (see chart 20). The workforce – and by extension the economy – has basically moved from low productivity agriculture activities to similarly low productivity services. In the absence of dynamic manufacturing and agriculture, the majority of employment is found in low value-added services.

The Philippine economy is a service economy rather than a producing economy (see chart 21). Services account for a bloated 57% of GDP and utilities for 3.3%, while the production sectors take up the minority balance of just 39% (i.e., manufacturing at 23%, agriculture 8.7%, construction 6.4%, and mining 1.0%).

The economy is also disproportionately consumption-driven (see chart 22). Household consumption boosted by overseas remittances accounts for 69% of GDP and government consumption for 11%, while capital formation (investments) – which should theoretically drive increased productivity – stood at just 27% despite the recent infrastructure drive. Meanwhile, net exports (exports less imports) are a negative 7.6%, which is consistent with the country’s low production capacity and hence chronic reliance on imported consumption, intermediate, and producer goods.

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<th>Table 4. GDP by industry, 1960, 1980 and 2016</th>
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Source: Philippines Statistics Authority National Accounts of the Philippines
Continuous growth, high unemployment. Economic growth has not produced sufficient employment for the growing population and labor force.

The workforce – and by extension the economy – has basically moved from low productivity agriculture activities to similarly low productivity services.

Measured by GDP, the economy grew at an annual average of 5.8% between 1951 and 1980, including an annual average of 6.4% in 1951-1960, 4.9% in 1961-1970, and 5.9% in 1971-1980. This excludes the exceptional 17.6% average annual growth in the post-war recovery years 1947-1950 (see table 5).

In the second long globalization period identified, between 1981 and 2016, the economy grew at a lower annual average of 3.6%, including an annual average of 1.8% in 1981-1990, 2.9% in 1991-2000, 4.8% in 2001-2010, and 6.1% in 2011-2016.

The annual average GDP growth between 1951 and 2016 is 4.6%, versus annual average population growth of about 2.5% over the same period. Since the economy has been expanding at a rate almost twice as fast as the population, this in principle means potentially rising incomes for the whole population. There are however two important qualifiers to this.

The first is that the economic growth is actually not that rapid, considering the very low level of development, incomes, and welfare that the country started from, and the correspondingly huge expansion in the economy needed to improve the conditions of the large poor population. This is where the sources of growth matter because such an expansion can only happen with high value-added and high productivity agricultural and industrial production. Low value-added and low productivity agriculture, industry, and services cannot deliver the rapid economic growth needed for this.

The second is how the income generated by economic growth is not distributed equally and instead concentrated in a small minority of the population. Again, here, the sources of growth matter because agricultural and industrial production that is domestically-grounded and interlinked has the potential to distribute gains to more sectors than enclave production and low value-added, low productivity services ever can. But this is also where the various institutional structures for distributing the gains of growth come into play, such as the division of farm produce, wages paid, taxes charged, social services delivered, social protection provided, and the like.
With these qualifiers in mind, it is important to assess how far growth has created quality employment. Decent work is a fundamental – and arguably the most essential – mechanism for growth to translate into poverty reduction.

The last decades of more or less continuous growth, including the exceptionally rapid growth since 2010, have still not resulted in a domestic economy creating enough decent work for its expanding population. This poor employment generation with low incomes is the biggest factor in the country’s inability to eradicate poverty.

The number of unemployed and underemployed Filipinos has been increasing in absolute and in relative terms (see chart 23). The rapid increase in magnitudes since the 1980s is clear. In relative terms or as a share of the labor force, the number of unemployed and underemployed rose steeply between the early 1970s and the mid-1980s, started to moderate until the early 1990s, and then more or less plateaued until today.

The disconnect between growth and employment became particularly stark upon the accelerating economic growth since 2001, and especially with the acclaimed rapid growth since 2010. The economy grew at an annual average of 5.3% over the period 2001-2016 but employment creation was only at a little over 2% annually over the same period. A generous interpretation would be that productivity is increasing with greater economic output per employed Filipino. More importantly, however, it means that employment is lagging and that one of the main channels for productivity increases to be shared among the population is not functioning.

The last decades of more or less continuous growth, including the exceptionally rapid growth since 2010, have still not resulted in a domestic economy creating enough decent work for its expanding population.

This weak employment creation results in the chronically high unemployment which is currently manifesting as the long crisis of joblessness that started after 1997. The official reported unemployment rate in 2016 is 5.4%, which is unfortunately not comparable with figures before 2005 due to a change in the unemployment methodology made before the April 2005 round of the LFS.

It is however possible to generate an approximate unemployment rate for purposes of comparison by recalculating official reported figures – doing this produces an unemployment rate of around 9.0% in 2016 (see chart 15). This is at the low end of the 8.8-11.4% range of unemployment in the period 1997-2016. It is an improvement from the peak of 11.0% in...
2009 after the onset of the global financial crisis, and also below the average annual rate of 10.7% over the period. Even so, it is still higher than the 8.8% unemployment in 1997 at the time of the Asian financial crisis and still more than double the country’s lowest historical unemployment rate of 3.9% in 1975.

The last two decades have been the longest period of such high unemployment in the country’s history. This is plausibly already long enough to change labor market behavior. The now-ingrained orientation to seek work abroad is one example. Another is perhaps how the difficulty of finding work year after year may be increasing the number of discouraged workers, or those who stop looking for work out of the belief that no work is available. Even if they are out of work, such discouraged workers are however no longer counted as unemployed – they are considered, rather, as ‘not in the labor force’ – according to current statistical methodologies which result in underestimated unemployment figures.

The weak ability of the economy to create employment is underscored by the significant numbers of Filipinos forced to find work overseas, whether on a temporary or permanent basis, for lack of viable opportunities in the country. In the 22 years from 1981 to 2002, there were 12 years when the domestic employment generation exceeded the number of OFWs reported as deployed, and 10 years when it was the other way around (see chart 24). The pattern was erratic with a wide variation in the discrepancy between the two. However, in the 14 years since, the number of OFWs reported deployed consistently outpaced domestic job generation between 2003 and 2015; there was a slight reversal in 2016.

This adverse trend still holds even if the data from 2014 to 2016 are treated with caution because of a number of factors. The data from 2014 excluded the January round, and the data for 2015 excluded Leyte, because of disruptions in the wake of Typhoon Yolanda. Meanwhile, the LFS since April 2015 adopted a new master sample design and new population projections.

The quality of work also has to be considered for a fuller picture of the employment situation. In this regard, there are signs that the quality of work has been worsening at least since the country’s high growth period for which data is readily available.

The real ADBP (2006=100) in the Philippines has actually fallen between 2001 and 2015 from Php275 to less than Php268 (see chart 11) (PSA, 2017d). While ADBP was more or less stagnant at low levels in agriculture (Php137), it fell significantly in industry (Php276 to Php251) and services (Php316 to Php305).

Informality is another indicator of poor quality work, and, depending on the methodology used,
The informal sector of low pay, no benefits, and insecure work still accounts for some 39% to as much as 77% of employment in the country.

These patterns of rapid growth with high unemployment and poor quality work show how growth can be exclusionary, so great care has to be taken in interpreting growth to also imply development. Conversely, they also underscore how important it is to ensure that growth creates jobs and raises incomes rather than just increases production and profits.

These patterns of rapid growth with high unemployment and poor quality work show how growth can be exclusionary, so great care has to be taken in interpreting growth to also imply development.

The large and growing stock of Filipinos unemployed or employed but in poor quality work are the stock of core poor in the country. These millions of Filipinos and their families constitute the bottom majority of the population who are below reasonable income standards to overcome poverty; they also include substantial numbers of the poorest of the poor who have seen scant improvement over the decades. They are the millions of Filipinos left behind by the country’s so-called economic progress.

**Liberalization and underdevelopment.** The country’s poor economic performance is directly attributable to the economic liberalization and market-oriented structural reforms implemented aggressively since the 1980s. It was argued – and continues to be argued – that foreign trade and investment liberalization drives competitiveness, efficiency and development. The economy has become more integrated into global import-export chains over three-and-a-half decades but has not developed and arguably even regressed. This is not to argue for closing the economy off but, rather, for a much more calibrated approach in international trade and investment relations according to mutual benefit and the evolving capacity of the economy.

The economy’s experience since the 1980s is clear. Trade liberalization lowered average nominal tariffs for all products from 41% in 1980 to 28% in 1990, 8% in 2000, 7% in 2010 and about 7% today (see chart 25). The most drastic lowering occurred between 1980 and 2000, particularly during the 1990s. The long-term impact of tariff cuts in the absence of the economy’s capacity to respond is straightforward – production fell and economic activity shifted to services (see chart 26).

Investment liberalization meanwhile began in earnest with the Foreign Investment Act of 1991 and other subsequent legislation that allowed greater foreign equity participation in erstwhile closed sectors. Foreign investors were given liberal privileges and generous incentives including income tax holidays, tax exemptions and credits, duty-free imports, tax-free exports, simplified customs procedures, exemptions from local government charges, and other inducements.

Trade liberalization markedly increased the share in the economy of trade – or combined imports and exports – from around 36% of GDP in 1980 to 50% in 2016 (see chart 27). This includes the rapid expansion of exports and especially of manufactured exports, which took up 86% of the total value of commodity exports over 2005-2016 (particularly electronics).
It is significant that the generally negative net primary income since the 1940s turned positive in 1990 and then steadily and rapidly increased to become a significant share of gross national income — a shift from capital flight, in effect, to overreliance on overseas work and incomes from abroad.

Investment liberalization meanwhile markedly increased the share of foreign investment in the economy. The inward flow of foreign direct investment (FDI) in the Philippines has increased many times over from US$114.0 million in 1980 to US$7.9 billion in 2016, and from an annual average of just US$185.0 million in the period 1981-1985 to US$4.7 billion in 2012-2016 (see table 6) (UNCTADStat, 2017). The inward stock of FDI has correspondingly increased many times over from US$1.3 billion in 1980 to US$64.3 billion in 2016, with its share in GDP increasing six-fold from just 3.6% in 1980 to 21.2% in 2016.

The greatly increased presence of FDI after 1980 is clear (see chart 28). The inward stock of FDI steadily increased from the equivalent of less than 4% of GDP in 1980 to a peak of 17% in 2000, then moderated to less than 13% in 2008. It recovered rapidly after this and is at a historic high of over 21% as of 2016.

The country’s poor economic performance is directly attributable to the economic liberalization and market-oriented structural reforms implemented aggressively since the 1980s.

The manufacturing sector is historically among the single biggest recipients of foreign investment, accounting for almost a third (29%) of annual foreign investment flows with identifiable sectors in the period 1999-2016, according to Bangko Sentral ng Pilipinas (BSP) data. As it is, Php1.39 trillion or over half (53%) of all approved foreign investment in the country in 2000-2015 was in manufacturing, according to data from the Board of Investments (BOI) and the Philippine Economic Zone Authority (PEZA). This resulted in foreign investors accounting for 70% of all approved manufacturing investment in the country over that period, far outstripping local investment.

Yet despite such large manufacturing exports and foreign investments in the sector, there has been deindustrialization with the manufacturing sector actually becoming a smaller share of the economy, from 27% of GDP in 1980 to 23% in 2016, as discussed earlier. There has been a virtual contraction in manufacturing capacity vis-à-vis the expanding economy and population. There has also not been any real upgrading of the domestic industrial base even if, for instance, the share of capital goods in manufacturing has grown markedly from 1980 to 2016.

Yet this seems to be because the seemingly increased domestic production was largely due to foreign investors producing electronics and transport equipment for export in manufacturing enclaves.\footnote{Computation on PSA data show that the cumulative share of basic metal, metal, machinery, electrical machinery, and transport equipment (i.e., understood as capital goods) rose from 15.2% of the total value of manufacturing output in 1985 to 45.0% in 2010.}
The trade deficit is also more or less chronic with surpluses in only 22 of the past 71 years, 12 years of which were in or around major economic crises in the mid-1980s and late 2000s (PIDS, 2017). These deficits are the inevitable result of trade openness amid weak domestic production. The country is a chronic importer of manufactures for consumption, for production for the local market, and as inputs by foreign locators for eventual export.

The large foreign capital flows, especially upon waves of financial and investment liberalization in the 1990s, also do not seem to have stimulated investment. Domestic investment measured by gross domestic capital formation has not grown – and indeed has even marginally fallen – since liberalization in the 1990s and the greatest inflows of foreign investment into the country in its history (see table 7).

The market-oriented reforms since the 1980s have changed the structure of incentives in the country in favor of continued natural resource-based exports, expansion of labor-intensive assembly operations in manufacturing enclaves for export, and eventually even labor export. Liberalization has seen the economy change in accordance with static comparative advantage but without developing Filipino industry that is dynamic in terms of investments, production, and export. Despite such large manufacturing exports and foreign investments in the sector, there has been deindustrialization with the manufacturing sector actually becoming a smaller share of the economy.

This is because at the time of liberalization there were no industries mature or developed enough to withstand competitive pressures and become more efficient, much less develop interlinkages into a national industrial ecosystem. Market signals did not encourage investment in domestic production sectors whether agriculture or especially manufacturing.

With weak government support, underdeveloped local manufacturers could not compete against imports, new industries could not emerge, and even agriculture could not expand significantly. On the other hand, the utilities and services sectors grew from being far less exposed to foreign competition.

Non-industrialization. This dynamic reflects in the profile of the country’s oligarchs and biggest capitalists as well as its micro, small, and medium enterprises (MSMEs). Philippine capital, big and
small, reacted rationally to the risks and returns from the market-biased liberalized environment that neoliberal economic policies created.

Liberalization has seen the economy change in accordance with static comparative advantage but without developing Filipino industry that is dynamic in terms of investments, production, and export.

The Philippines’ 50 richest tycoons in 2016 are disproportionately concentrated in non-production service sectors: real estate (27 tycoons); food and beverage, including retailing, restaurants, and manufacturing (21); utilities, especially power and water (20); financial services (19); leisure and hospitality (17); and retail (16) (Subido, 2017). While a few are involved in manufacturing, this is still mainly of food and beverage with none substantially engaged in more advanced consumer, intermediate, and capital goods production; a few are into infrastructure (10).

The lack of substantial engagement or investment in Filipino agriculture and manufacturing is conspicuous. The country’s biggest oligarchs and capitalists went into utilities and services sectors – where they could be profitable – while avoiding liberalized and hence riskier production sectors. The profitable sectors, however, are weak job generators and have relatively low dynamism and linkages, compared to the production sectors with greater job generation and potential to create value, increase productivity, and link up diverse sectors and regions of the economy. The result is that capital has made profits – enough for a few tycoons to be among the richest in the world – but the economy has not developed.

The situation is basically the same at the other end of the scale with MSMEs. In 2015, according to the PSA, 86% of MSMEs accounting for 80% of employment were in services consisting of wholesale and retail trade, repair of motor vehicles and motorcycle, accommodation and food service, information and communication, finance and insurance, and other service activities. On the other hand, manufacturing accounted for only 13% of establishments and 16% of employment; agriculture for 0.9% and 2.2%, respectively; and construction and mining combined for 0.4% and 2.0%, respectively.

The supposedly high-technology manufacturing export sector is conventionally hailed as the leading edge of the modern Philippine economy. The country’s biggest manufacturers, however, are not Filipino and the biggest exports by value are not actually exports by Filipino enterprises. While strictly speaking counted as part of domestic manufacturing, these foreign firms are given so many incentives as to be privileged over domestic firms despite being enclave operations that are disconnected from the economy.

The supposedly high-technology manufacturing export sector is conventionally hailed as the leading edge of the modern Philippine economy. The country’s biggest manufacturers, however, are not Filipino and the biggest exports by value are not actually exports by Filipino enterprises.
food commodities which are potentially more grounded in the domestic economy are a small minority of exports.

The experience with foreign investors engaged in export-oriented manufacturing in SEZs is illustrative. Foreign investors in SEZs appear to be major contributors to employment and revenues for the national government. Foreign and domestic firms in SEZs employ around 1.4-1.5 million workers, according to data from PEZA. The national government also receives around PhP1-1.5 billion for corporate income taxes and other payments.

However the majority of their inputs are imported which means that there is little stimulus given to local producers. They are given a wide range of fiscal and other incentives which means reduced contributions to government revenues. They are not compelled to share production technologies and retain their technology-based monopolies, which means no contribution to Filipino science and technology. Nor are they obliged to invest in the local economy, which means no contribution to domestic financial flows or building domestic capacity.

In the absence of a sound industrial policy, the Philippines has not gained any long-term benefits from decades of foreign investment, while foreign investors have been able to take advantage of, among others, relatively cheap skilled Filipino labor and direct access to mineral resources.

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These are all important elements of sound industrial policy. In the absence of this, the Philippines has not gained any long-term benefits from decades of foreign investment while foreign investors, on the other hand, have been able to take advantage of relatively cheap skilled Filipino labor, direct access to mineral resources, and the country’s geographical proximity to major Asian markets or other regional segments of their production chains.

Philippine enterprises meanwhile are locked into exporting primary commodities or simple manufactured products such as food, clothing, and furniture. Foreign locators export more complex manufactures like electronics but even these are in simple assembly, processing, and other labor-intensive operations with barely any upgrading over decades. Such upgrading by foreign locators in the country, however, would still not necessarily contribute to national economic development if the technologies used remain monopolized, and protected by overly deferential foreign investment policies and by restrictive international economic agreements.

The Philippine experience is consistent with the critical insight from the experience of other countries, where the import and foreign investment liberalization has guaranteed neither strong export performance nor even that strong exports result in industrialization and growth (Akyuz, 2005). There is likewise really no conclusive evidence to support the conventional generalization that FDI makes a major contribution to economic growth, capital formation, technological progress, and structural change (Akyuz, 2015).

The last and lost decades of poor development performance underscores how the enthusiasm for market-oriented openness is misplaced.

The last and lost decades of poor development performance underscores how the enthusiasm for market-oriented openness is misplaced. Liberalization should have been done not recklessly out of faith in the free market but gradually and selectively as part of a strategic policy of national industrialization. Filipino enterprises need to have reached a level of efficiency and productivity for Filipino industry in general to develop according to dynamic, rather than static, comparative advantage.

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20 Data from the National Statistical Coordination Board (NSCB, now the PSA) for instance estimates the import content of among the country’s top exports in 2010: electronic data processing (85.7% import content), semiconductors (79.7%), and ignition wiring sets (74.0%).

Table 7. Capital formation, 1946-2015

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</thead>
<tbody>
<tr>
<td>Capital formation (as % of GDP)</td>
<td>25.7</td>
<td>19.3</td>
<td>21.8</td>
<td>26.1</td>
<td>22.1</td>
<td>22.5</td>
<td>20.2</td>
<td>21.4</td>
</tr>
</tbody>
</table>

Source: PIDS
Recent growth episode. Recent favorable macroeconomic indicators have been interpreted as indicating a major structural shift in the economy. These however are only due to the convergence of a number of recent favorable conditions, rather than signs of the start of real structural transformation (IBON, 2016b).

Globally, these conditions include the exceptionally low global interest rates upon the rounds of post-crisis quantitative easing in the advanced capitalist countries after the 2008-09 global financial crisis. These pressed benchmark interest rates down as well as drove capital to emerging markets around the world, including to the Philippines. Rapidly rising labor costs in China especially since 2009 prodded manufacturing firms to seek lower-cost locations in the region, with a number of transnational corporations (TNCs) setting up in or relocating to the Philippines.

Domestically, record-low interest rates financed consumption and business expansion. The country was favorably poised to exploit these given the stable foreign exchange and household purchasing power from massive overseas Filipino remittances. There was also the large stock of young, unemployed, college-educated, and English-speaking Filipinos with the skills, energy, and interest to work at globally low rates in business process outsourcing (BPO) firms. The Benigno Aquino administration was also able to create a degree of political stability by effectively projecting an image of good governance and anti-corruption.

These conditions combined to spur a domestic economic boom. This was led by Filipino retail and real-estate firms which expanded malls, stores, restaurants, and auto sales while building homes and BPO offices to meet demand. Associated industries were stimulated: power, water, telecommunications, construction, and construction-related manufacturing. Growing manufacturing investment provided an additional boost. These first- and second-order effects stimulated further economic activity and further breakout economy hype in a limited sort of virtuous circle.

The hailed indicators of a breakout economy and continued underdevelopment are not inconsistent. The major sources of growth are externally driven – they consist prominently of overseas remittances and BPO operations which are dependent on demand and economic activity abroad. Low global interest rates are also a transitory factor that, moreover, may even cause long-term problems if they result in undue accumulation of unpayable debt.

The internal sources of growth, meanwhile, are still very weak. Unemployment and poverty are high and household incomes low because of a persistently backward and inequitable domestic economy; this restricts domestic demand. Agriculture remains largely of low productivity aside from pockets of capitalist farms; manufacturing is still a small share of the economy aside from being overly foreign-dominated and mere segments in one-sided global value chains. This inhibits domestic production.

Remittances and BPOs have consequently been major drivers of service sector growth. Yet the shift to services of the Philippine economy is premature.

Inequality

Inequality is another cause of poverty in the country. This is not only from a social justice perspective but because inequality itself hinders growth and development by repressing demand,
skewing policy-making, causing social conflict, and others (Ravallion, 1997; Easterly, 2007; Birdsall, 2008; UNRISD, 2010; UNICEF, 2013). The low productivity of Filipino producers with low levels of domestic science and technology is already a problem of an underdeveloped economy that inequality only makes worse. As with economic backwardness, inequality is a direct result of the country’s market-oriented economic policies and resulting patterns of growth.

Inequality appears at the level of the economy and overall economic structures. Economic activity has become over-concentrated in a few regional centers. Inter-regional distribution of economic activity and national income is a useful first approximation of inequality in the country. Of the country’s 17 regions, economic activity is heavily concentrated in just three regions – NCR, Region III-Central Luzon and Region IV (Calabarzon and Mimaropa) which together accounted for nearly two-thirds (64.5%) of GDP in 2016 while home to 40.3% of the population (see chart 29). This includes the highest-value industry and services in the country.

These regions correspondingly have the lowest official poverty incidence in the country: 3.9% in NCR, 9.1% in Region IV-A-CALABARAZON, and 11.2% in Region III-Central Luzon; it is 24.4% in the small Region IV-B-MIMAROPA (see table 1). Poverty incidence in the other 13 regions of the country ranges from 13.1% (Region I-Ilocos) to 53.7% (ARMM). These regional disparities point to how government resources especially public investment has to be spread more equitably so that lagging regions and their populations can catch up.

Inequality is another cause of poverty in the country, not only from a social justice perspective but because inequality itself hinders growth and development by, among others, repressing demand, skewing policy-making, and causing social conflict.

Undue concentrations of income, assets, and wealth imply undue economic and political power for a few that could adversely affect development policy-making and cause growth to be exclusionary. The United Nations Research Institute for Social Development (UNRISD) for instance observes:

Powerful ties between political and business elites often ensure that states prioritize the preferences of organized business interests. In developing countries, media and international attention have focused to a large extent on corruption and crony capitalism. In practice, business power and influence come in many guises. The so-called structural power of capital is a crucial dimension of business influence.

From the perspective of social development, four major constraints follow from these relations. First, they favor patterns of resource allocation guided by particular as opposed to public interests. Second, they can reinforce macroeconomic policies [that] can have perverse social and developmental implications. Third, they often impose major limits on the scope for redistributive policy. And fourth, social policy may be designed and rights-based laws enacted, but implementation and enforcement lag far behind (UNRISD, 2010).

The growing corporate concentration in a few conglomerates and of wealth in a few families is then a matter of development concern. The private sector-focused economic policy regime has strengthened the dominance of large corporations, and especially of large foreign corporations and a few families, in the economy.

The equivalent share of Top 1000 corporate revenues and of the net worth of the richest 40 Filipinos to GDP, while not strictly comparable, can be used as proxies of economic power to track trends (see chart 30). The gross revenues of the top 50 conglomerates and corporations increased from being equivalent to 61% of GDP in 2006 to 66% in 2015 – even peaking earlier at 76% of GDP in 2014 – which gives some indication of the growing concentration of economic activity in a few corporations.21

Foreign TNCs account for a disproportionately large portion of domestic activity. Foreign firms accounted for 37% of total Top 1000 revenues and 63% of manufacturing revenues in 2015. These ownership-based figures do not capture non-ownership means of control by foreign firms through their control of production technologies, sources of inputs and users of outputs, branding, and other key aspects of the global production and value chain.

21 Computations on corporate revenue data from BusinessWorld Top 1000 reports and GDP data from PSA.
The PSA reports that foreign investors accounted for 43% of total approved investments – including 70% of approved manufacturing investment – over the long 2000-2015 period. In the recent period 2011-2015, foreign investors accounted for the majority of approved investments in many sectors: manufacturing (69%); agriculture, forestry, and fishing (61%); transport and storage (51%); information and communication (53%); financial and insurance activities (75%); administrative and support service activities (86%); professional, scientific and technical activities (74%); education (53%); and arts, entertainment and recreation (51%) (see table 8). These are only approved and not yet actual investments.

The net worth of the 40 richest Filipinos meanwhile doubled their equivalent share of GDP from 13% in 2006 to 26% in 2016 (see chart 30). This increase in wealth is not captured by household income surveys and Gini coefficients, which are not able to cover the very richest households nor designed to measure the financial assets that make up a large part of these estimates of net worth. It is however a key part of the country’s growth story because it is such aggregate wealth – not just narrow measures of household income – that determines family well-being, opportunities, political influence, and many other social phenomena with real development implications.

Inequality also appears at the level of individuals and households. The biggest factor is how market-oriented policies displaced breadwinners from sectors in decline without creating alternative or better sources of livelihood. This is manifested in the country’s jobs crisis of high unemployment and underemployment.

The jobs crisis is aggravated by other neoliberal policies. The de jure and de facto deregulation of labor markets has kept real wages down, increased contractualization, and increased informality in work. More flexible labor markets touted as improving the jobs situation have ironically resulted in greater economic insecurity for the labor force.

There is also the tendency of tax system to become more regressive, with greater reliance on consumption taxes and reductions in direct personal and corporate income taxes. Consumption taxes are however a disproportionate burden on low-income families, while cuts in income taxes forego potentially considerable revenues from high-income families who can afford to give much more. Even social services are starting to develop on two tracks, with relatively better quality but expensive private provision astride chronically underfunded public services.

### Social policy

Social policy refers to a range of public services geared towards promoting citizens’ welfare and uplifting their quality of life. It generally consists of two broad and oftentimes overlapping areas: the provision of social services such as education, health, water, and sanitation; and the provision of social protection. Social policy is inextricably

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22 Computation on approved investment data from PSA.
23 Computations on net worth data from Forbes.com Philippine billionaires list and GDP data from PSA.
The Roots of Philippine Poverty and Underdevelopment

linked with economic development by covering necessary social services, from the influence on livelihoods and incomes, and in being key mechanisms for redistribution, protection, and economic transformation.

Education and health have historically taken up significant shares of the national budget especially as the population grows. The national government has been allocating bigger education and health budgets especially since 2010 to try and address perceived backlogs. These allocations, however, remain low when measured as their equivalent shares of GDP. In 2016, education spending was just 3.1% and health spending 0.86% of GDP. These are low compared to the East Asia and Pacific average (excluding high-income countries) of 4.1% and 2.9%, respectively.

The relatively low levels of public spending are among the most important factors determining the overall character of the country’s health and education system and the quality of public health care and schooling, on top of the equally important questions of how efficiently the resources are used. The wages, benefits, and welfare of educators, teachers, and non-academic personnel and of health workers also need continuous attention.

Reduced levels of funding for social services such as education and health can be traced to the International Monetary Fund (IMF) stabilization programs and World Bank structural adjustment programs (SAPs) imposed in the 1980s. They directed the Philippine government to implement austerity programs which led to significant cuts in social spending, wage freezes, and rationalization or streamlining of the government bureaucracy, which affected the frontline delivery of services (IBON, 2015). The partial retreat of government from the provision of social services paved the way for the private sector filling in the vacuum upon privatization and deregulation, for instance, in the realm of education and health.

Note: Details may not add up to total due to rounding off.
Sources of basic data: Authority of the Freeport Area of Bataan (AFAB), Board of Investments (BOI), Board of Investments ARMM (BOI ARMM), Clark Development Corporation (CDC), Philippine Economic Zone Authority (PEZA) and Subic Bay Metropolitan Authority (SBMA) as cited by PSA.

Table 8. Total Approved Investments by Industry, 2011-2015 (Php million)

<table>
<thead>
<tr>
<th>Industry</th>
<th>2011-2015</th>
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<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Total</td>
<td>Local</td>
<td>FDI % Share</td>
</tr>
<tr>
<td></td>
<td>Approved</td>
<td>Approved</td>
<td>Approved</td>
<td>to Total</td>
</tr>
<tr>
<td></td>
<td>Investments</td>
<td>FDI</td>
<td>Investments</td>
<td>Approved</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>28,750</td>
<td>17,502</td>
<td>11,248</td>
<td>60.9</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>79,986</td>
<td>2,751</td>
<td>77,235</td>
<td>3.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>924,086</td>
<td>634,054</td>
<td>290,032</td>
<td>68.6</td>
</tr>
<tr>
<td>Electricity, gas, steam, and air conditioning supply</td>
<td>1,138,212</td>
<td>163,350</td>
<td>974,862</td>
<td>14.4</td>
</tr>
<tr>
<td>Water supply; sewerage, waste management and remediation activities</td>
<td>10,649</td>
<td>1,806</td>
<td>8,843</td>
<td>17.0</td>
</tr>
<tr>
<td>Construction</td>
<td>111,831</td>
<td>15,372</td>
<td>96,459</td>
<td>13.7</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>12,189</td>
<td>2,777</td>
<td>9,412</td>
<td>22.8</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>232,563</td>
<td>118,490</td>
<td>114,073</td>
<td>50.9</td>
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<tr>
<td>Accommodation and food service activities</td>
<td>160,085</td>
<td>45,616</td>
<td>114,469</td>
<td>28.5</td>
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<tr>
<td>Information and communication</td>
<td>58,062</td>
<td>30,464</td>
<td>27,598</td>
<td>52.5</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>718</td>
<td>539</td>
<td>180</td>
<td>75.0</td>
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<tr>
<td>Real estate activities</td>
<td>735,972</td>
<td>103,591</td>
<td>632,382</td>
<td>14.1</td>
</tr>
<tr>
<td>Professional, scientific and technical activities</td>
<td>4,594</td>
<td>3,395</td>
<td>1,199</td>
<td>73.9</td>
</tr>
<tr>
<td>Administrative and support service activities</td>
<td>124,052</td>
<td>106,588</td>
<td>17,464</td>
<td>85.9</td>
</tr>
<tr>
<td>Public administration and defense; compulsory social security</td>
<td>410</td>
<td>410</td>
<td>...</td>
<td>99.9</td>
</tr>
<tr>
<td>Education</td>
<td>1,663</td>
<td>886</td>
<td>777</td>
<td>53.3</td>
</tr>
<tr>
<td>Human health and social work activities</td>
<td>6,547</td>
<td>177</td>
<td>6,371</td>
<td>2.7</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>11,068</td>
<td>5,604</td>
<td>5,464</td>
<td>50.6</td>
</tr>
<tr>
<td>Others service activities</td>
<td>761</td>
<td>593</td>
<td>168</td>
<td>78.0</td>
</tr>
<tr>
<td>Not classified</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>...</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,642,199</td>
<td>1,263,965</td>
<td>2,388,233</td>
<td>34.7</td>
</tr>
</tbody>
</table>

Note: Details may not add up to total due to rounding off.
Sources of basic data: Authority of the Freeport Area of Bataan (AFAB), Board of Investments (BOI), Board of Investments ARMM (BOI ARMM), Clark Development Corporation (CDC), Philippine Economic Zone Authority (PEZA) and Subic Bay Metropolitan Authority (SBMA) as cited by PSA.

24 Computations on budget data from DBM’s BESF 2016 and 2018 and GDP data from PSA.
The drive to commercialize and privatize social service provisioning has undermined laws affirming the constitutional right of all Filipino citizens to quality health care and education at all levels. This has led to a stark lack of policy coherence; more substantively, it has signified that many of the laws and treaties which the Philippine government has pledged to uphold in the area of social service provision remain significantly unfulfilled.

Public versus private. In SY 2016-17, enrollment in preschool is divided between 88% public (1.8 million enrollees) and 12% private (216,997); in elementary school, between 92% public (12.9 million) and 8.5% private (1.2 million); and in secondary school, between 82% public (6.2 million) and 18% private (1.3 million) (see table 9) (PSA, 2017f). There are 38,803 public kindergarten/elementary schools versus 11,680 private schools, and 8,282 public secondary schools versus 5,935 private schools. In higher education institutions (HEIs), the Commission on Higher Education and Development (CHED) reports the distribution as between 46% public (1.6 million enrolled) in 233 HEIs and 54% private (1.9 million) in 1,710 HEIs.

The distribution between public and private providers is more even in the country’s hospital system but still skewed in favor of private provisioning. In 2014, bed capacity was divided between 49% (48,384 beds) in 452 government hospitals and 51% (50,045) in 770 private hospitals (see table 9) (PSA, 2017f). While bed capacity has improved to 9.9 per 10,000 population in 2014 from 14.4 in 1990, this happened mainly in the 1990s and has been more or less stagnant since 2000. The number of barangay health stations meanwhile has almost doubled from 10,683 in 1991 to 19,622 in 2015.

Education. The school system from kinder up to secondary level is rightly public sector-dominated given widespread poverty and low incomes. The

| Table 9. Selected Indicators of Education and Health System |
|---|---|---|
| | Total | Public | Private |
| **SY 2016-17** | | | |
| **Enrolment** | | | |
| Pre-school | 1,813,751 | 1,596,754 | 216,997 |
| Elementary | 14,091,046 | 12,891,477 | 1,199,569 |
| Secondary | 7,519,035 | 6,177,876 | 1,341,159 |
| **Number of schools** | | | |
| Kinder/Elementary | 50,483 | 38,803 | 11,680 |
| Secondary | 14,217 | 8,282 | 5,935 |
| **2014** | | | |
| Number of hospitals | 1,222 | 452 | 770 |
| Bed capacity | 98,429 | 48,384 | 50,045 |

Source: PSA, 2017

Sources: Forbes’ List of Philippines’ Richest and Philippine Statistics Authority National Accounts of the Philippines
government, however, still remains conservative in increasing its education budget to fully address backlogs in teachers, materials, facilities, and school buildings and in improving the quality of teaching in general. There is on the other hand a steady increase in the budget for Education Service Contracting (ESC) where students are subsidized to attend private high schools. While it is possible that this started out as a mitigating measure for public school congestion, its continuous expansion especially in the last 20 years may be de facto loosening the commitment to direct provision of public education whose services have lagged through the decades. A new senior high school (SHS) system has also been introduced upon the K to 12 curriculum shift which compels additional investment by schools in teachers and infrastructure. The marked skewing towards the private sector at the higher education level is striking – it tends to limit access to higher education by students from lower income families. The amount of attention and substantial budget allocation for private schools should be reviewed to ensure that lower income families are not discriminated against. The recent passage of the law on free tuition in state universities and colleges (SUCs) is a potential game-changer and can serve to increase momentum for a stronger and larger public higher education system. It can go far in relieving the pressure on SUCs to generate income from higher fees and charges and donations from corporate sponsors. It is important to ensure sufficient funding for implementation. It also needs to be spent mainly on SUCs with little or no diversion as indirect subsidies to private institutions, in the manner of the ESC for high schools.

The government should strengthen its public education system both in basic and tertiary education. This includes increasing the budget for primary and secondary education with a view to improving access to and the quality of primary and secondary education for all, without hidden costs, and particularly for children of low income families and children living in the rural areas.

**Health.** In the health sector, the government’s strategy to ensure that Filipinos have access to the hospital system is to approach this from a financing perspective. The national health insurance system, PhilHealth, pools member contributions and government subsidies which are then dispensed to patients who use them to pay public and private health service providers of their choice; government subsidies are mainly for indigents. In practice, this has meant increased budgetary allocations from the national government to PhilHealth to expand its ‘universal health care coverage’, which reportedly already stands at 92% of the population as of 2015 (NEDA, 2017). The increased financing for this is mainly from the incremental revenues generated by the tobacco and alcohol excise tax earmarked for health as a result of the passage of the Sin Tax Law in 2012.

The adopted financing approach seeks to leverage private sector health service providers and, implicitly, shift health care provision from the public sector to the private sector. This also explains why the largest portion of health budget increases go to PhilHealth rather than to significantly expanding and upgrading the public hospital and health care system, which, moreover, is expected to increasingly adopt ‘user pays’ schemes and more efficient corporate practices.

The private and public health systems are quite distinct in cost as well as in perceived quality. Health care in private facilities is substantially more expensive than in public facilities. The average cost of treatment of a visit to a private health facility (Php2,268) is almost five times the cost of a visit to a public health facility (Php455); the average cost of in-patient care at private facilities (Php25,471) is meanwhile almost three times that of confinement at a public facility (Php8,640) (PSA, 2014).

The way that policy choice has played out is reflected in the PSA’s Philippine National Health Accounts (PHNA) (see table 10). In 2014, the latest available year, there was total health spending of Php585.3 billion divided into Php502.3 billion for personal health care, Php41.4 billion for public health care, and Php41.7 billion for others (general administration, research, etc.). Only personal health care is the direct concern for the average Filipino, and this remains overwhelmingly borne by individuals with private out-of-pocket spending accounting for Php326.8 billion or a huge 65%, with the balance taken up by PhilHealth (16%), national government (6.5%), local government (2.2%),
health maintenance organizations (HMOs) (6.4%), private establishments (2.6%), private schools (1.0%), and private insurance (0.7%).

Out-of-pocket spending is still four times that paid by PhilHealth (Php83.3 billion) in 2014. Published PHNA figures unfortunately do not distinguish the distribution of health expenditure by income level nor for what particular purpose.

Despite health insurance expansion, a PSA report on current health expenditure by financing scheme shows that general hospitals and pharmacies are the main recipients of out-of-pocket payments followed by providers of preventive care (PSA, 2017e). This is an indication that most of the resources for health go to catastrophic, curative, and tertiary level health interventions. For example, in 2012, health expenditures mainly went to the following: curative/rehabilitative care (52.3%), medical goods that were directly purchased by households (30.4%), and preventive health care (9.4%) (Picazo, et.al., 2015).

In addition, an analysis of the 2012 FIES showed that out-of-pocket spending of Filipino households can have two adverse effects: 1) it can impoverish the non-poor (health spending pushed more than 1.5 million people into poverty); and 2) it can deepen poverty among the already-poor, with drugs and medicines paid in cash as the main drivers of out-of-pocket spending, with a share of around 62% (of total out-of-pocket costs) (Bredenkamp and Bruisman, 2016). The share of expenditures in medicines in total reported health spending is even higher among the poor, with a spending share of 76% (or Php823) in the poorest quintile compared to 58% (or Php15,070) among the wealthiest quintile (ibid.).

In any case, it has been reported that less than half of the average hospital bill is paid by PhilHealth, partly attributed to not everyone being covered (PSA, 2014). This is consistent with a survey of PhilHealth beneficiaries confined in a hospital where only 15% estimated that PhilHealth covered/will cover 100% of their hospital bills, while seven out of 10 (71%) said that their bills would only be partially covered; around four out of 10 (37%) of sponsored patients said that PhilHealth covered/will cover between 26-50% of their bills (IBON, 2015).

There is an absence of a clear mechanism for coordination in a decentralized health system, which causes great challenges for public health management.

Trends in the education and health system are not inconsistent with the observation that:

Increasing evidence … points to ways in which commercialization can undermine effective social service provision. In many cases, accessibility, affordability and the quality of services – particularly those available to low-income or marginalized groups – has fallen, while systems of provision and financing have become fragmented among multiple providers. Often, commercialization has eroded public commitment to service provision for all, in the interests of private actors and profit (UNRISD, 2010).
Indeed, it is possible that another observation is also valid with regard to the country’s effort to expand social services: “trends towards commercialization in the context of high income inequalities and a large informal sector have resulted in polarized service provision segmented between a high-cost private sector and lower quality public services” (ibid.). As it is, at least three large business groups are investing in medical facilities – Manny Pangilinan’s Metro Pacific Investments Corp. (MPIC), Ayala Land and its partner White-Knight Holdings, and Manny Villar’s Vista Land & Lifescapes (Villar, 2015). This will speed up the commercialization of health as hospitals and clinics nationwide are bought or built and run as business ventures.

The Coalition for Primary Care and the Universal Health Care Study Group (2014) cited three health system challenges leading to health inequity: 1) workforce shortage; 2) administrative fragmentation; and 3) health policy fragmentation.

The poorest seek medical care from public facilities (public facility use is 89.6%). Unfortunately, for every 20,000 population there are only 10 health care workers, which is already extremely inadequate to address issues related to maternal and child health alone, not to mention the need to address the high level of incidence of both infectious and non-communicable diseases.

There is furthermore an absence of a clear mechanism for coordination in a decentralized health system, which causes great challenges for public health management. It has also been observed that local spending for critical health inputs – such as health human resource – is not just insufficient but has also become politicized. This results in great discrepancies between national programs and local capacity to deliver, especially in underserved areas.

The Department of Health (DOH) currently has several distinct health care programs addressing various health problems. It has been observed, however, that these are typically donor-driven and motivated by commitments to the global community, and are developed and implemented in a context of ever-changing health priorities. These programs have utilized different facilities, financial resources, and human resources despite the similarities or interrelatedness of their objectives. This approach to health care delivery has resulted in narrowly focused health programs rather than integrated solutions, disintegrated and cost-inefficient health care rather than a holistic one, and to program fragmentation which contributes to worsening inequities in health care and overburdening of health care workers.

In response to many of the chronic problems that plague the country’s health care delivery system, there is now a growing clamor from various health advocacy groups for the public health care system to prioritize universal primary health care, with improving access to health care regardless of ability to pay as its central focus.

**Social protection.** The Social Development Committee (SDC) of the National Economic and Development Authority (NEDA) defines social protection as “policies and programs that seek to reduce poverty and vulnerability to risks and enhance the social status and rights of the marginalized by promoting and protecting livelihood and employment, protecting against hazards and sudden loss of income, and improving people’s capacity to manage risks.”

Understood in this way, the country has a long experience with social protection measures with many having been seen as important ‘anti-poverty’ measures (Manasan, 2011). There is the range of social welfare programs and safety nets targeted at the poor and vulnerable. In the past these have included direct in-kind assistance, rice price or electricity subsidies, nutrition and school feeding programs, assistance to the elderly, and various care services. Safety nets are urgent stop-gap measures in response to sudden shocks from disasters, calamities, economic crisis, personal crisis situations, and the like and include relief assistance, food-for-work programs, livelihood support, and crisis intervention.

In the last decade the biggest social welfare program is by far the 4Ps CCT scheme. This was piloted in 2007 for some 4,600 families at a cost of around half a billion pesos. The DSWD reports this as greatly expanding from 337,000 household beneficiaries with a budget of Php1.3 billion in 2008, to a projected 4.4 million household beneficiaries with a budget of Php78.2 billion in 2017 (see table 11).

There are also active labor market programs including training, apprenticeships, job search assistance, job placements, livelihood and self-employment support, and the like. The most institutionalized social protection schemes are the major contributory social insurance programs covering pensions, sickness, disability, and death: the Social Security System (SSS), Government Service Insurance System (GSIS), and PhilHealth.
The SSS covered 34.9 million workers and 935,000 employers as of 2016 and GSIS had 1.5 million members in 2015 (PSA, 2017).

Still, many of the country’s vulnerable population remain in difficult circumstances. Despite needing better health care and having limited income opportunities, for instance, the elderly face an expensive and inadequate health care system. Yet, the majority of elderly Filipinos are beyond the purview of the country’s limited pension system. Almost 97% of the elderly, or around 7.5 million, are either not covered or receive pensions that are small and below a reasonable poverty threshold (IBON, 2016). The average monthly SSS pension, for instance, ranged from just Php3,689 to Php4,820 in 2015 (PSA, 2017b). Also, four out of five (80%) of the population aged 60 and above, or some 5.4 million elderly, do not benefit from any retirement or old age pension from SSS or GSIS, as of 2015 (ibid.). In any case, active lobbying by organizations of senior citizens has already resulted in some gains in the expansion of indigent pensions for the elderly poor. These remain incremental but are nonetheless a productive start for further reforms.

The main limitation of these social protection measures is that many of them are ‘residual’, in the sense that they simply serve to mitigate some of the worst impacts of macroeconomic policies, without inviting interrogation of the main development strategy that led to increased poverty in the first place. There is also often the underlying assumption that widespread poverty is the result of individual failings rather than the outcome of societal structural processes, as is oftentimes the case. Apart from these, there are also widespread concerns about inefficient implementation, exclusion and inclusion errors, leakages, vulnerability to clientelistic politics, and others. Finally, it is widely observed that social protection programs are fragmented, and that there is a need to build the technical and administrative capacities of agencies in the frontline of social protection service delivery.

Democracy

The Philippines is a multi-party electoral democracy with the government organized into the executive headed by the President, a bicameral legislature, and an independent judiciary. The country has at the same time since the 1980s developed a reputation for having a broad and vibrant civil society. The undemocratic economic outcomes, however, draw attention to undemocratic governance from dysfunctional politics and institutions resulting in, among others, the inability to ensure the social and economic rights of the majority of Filipinos. Controversially, governance is also inconsistent in upholding the civil and political rights of all Filipinos.

The basic problem is the continuing lack of meaningful participation in political life by the majority of Filipinos because of elite-dominated political and legal structures that marginalize the poor. The vast majority of Filipinos, especially the...
poor, have long had a limited voice in governance whether in lawmaking or policy planning and implementation. The resulting adverse effects on the poor are expansive and far-reaching. There are two aspects of governance that are immediately relevant.

Clientilism. The first is the clientilism used by elites to determine the nation’s political leaders and to conduct political life according to the terms set by their network of allies, business partners, financial supporters, and relatives. Elites use institutionalized systems of political patronage to manufacture electoral support and retain their hold on political power, including by systematically exploiting the poverty of the majority during and after elections. The result is a system of dynastic or oligarchic politics where political power and governance rests in the grips of a few elite families who monopolize elective and appointive positions from national to the local levels.

A few political families remain dominant: More than 90% of the country’s provinces are dominated by an average of two families in each province, which translates to political influence and clientelism in municipal/city governments as well as barangays where parochial political families also thrive. At least 70-80% of the seats in both houses of Congress are in the hands of political families. In the House of Representatives, the party-list system which was envisioned to be reserved to the marginalized sectors is virtually in the hands of the elite who occupy nearly half of the party-list seats. The all-powerful presidency has been a stronghold of old and new political dynasties since the late 1940s.

Corruption and the use of public resources for private and personal gain is closely linked to this. The government’s already limited resources are diminished further by disadvantageous contracts, loan agreements, kickbacks, diversion of resources from the poor and underserved, and the like. A culture of impunity, opaqueness, lack of accountability, distorted ethics, and general mistrust of government has set in. This erodes the institution of government – which is so necessary and indispensable for national development – and to some degree even civil institutions including the business sector, mass media, church, and civil society when they are complicit in corruption. These gravely undermine democratic values.

Elite policy-making. The second is how economic elites capture and influence policy-making. Policies are made and laws passed to favor oligarchs or foreign capital in general and, often, specific business interests in particular at the expense of the poor majority and national development. The over-determination of Philippine economic policies by an elite of rationally self-interested stakeholders further concentrates wealth and entrenches inequality.

This is a problem that has existed since the birth of the Republic. For instance, the United States (US) was overwhelmingly dominant in domestic economic policy-making in the immediate post-colonial period from the late 1940s onwards, especially after ensuring that pro-American trade and investment policies were in place upon flag independence in 1946 that would be in effect until the early 1970s. The US was foremost among those influencing economic policy to advance the commercial interests of American transnational corporations, as well as promote the free market-based economic model. The open market policy regime both created opportunities for American firms and gave rise to domestic economic elites, who benefited from these policies and so became political stakeholders in maintaining them. Japanese, and to a lesser degree, European commercial relations deepened from the 1980s onwards which was accompanied by similar interventions in domestic economic policy-making.

The pro-market ideology and strategy of the Philippine government since the 1980s has, if anything, increased the influence of foreign and domestic big business actors on national economic policy and on governance in general. This mirrors a trend observed in other developing countries since the onset of the neoliberal era (UNRISD, 2010). Globalization and liberalization greatly expanded the commercial opportunities for large capital, which greatly increased their economic and political leverage vis-à-vis the state. Regulatory mechanisms were loosened to give way to market forces – further expanding commercial opportunities – at the same time as large capital became even more involved in economic policy-making, social programs, and poverty reduction. This is a major reason for the neoliberal and pro-business character of major government economic policies.
Corporate interests have become increasingly prominent even in erstwhile development concerns. The most prominent is the increased use of public-private partnerships (PPPs) with corresponding changes in legal, regulatory, and fiscal structures. Business interests have been active in the society-wide privatization of social and welfare services in the sense of directly providing, on a profit-seeking basis, these traditionally state-provided functions. The number of private schools and hospitals has continued to grow. Even various disaster, livelihood, and other welfare services have come to be provided through corporate social responsibility (CSR) schemes.

These trends worsen undemocratic governance by eroding the autonomy and capacity of the State to form and implement national development strategies according to the broader public welfare and using long-term or broad-based metrics of social and economic development. Profitability, returns on investments, and returns to capital are given excessive consideration far beyond the legitimate concerns of efficiency of resource use and quality of goods and services.

This clientilism and the elite capture of economic policy-making subvert real political participation, which entails removing imbalances in power relationships, democratizing the distribution of resources, and making governance inclusive and primarily an instrument of public service. Among others this has resulted in extremely incremental progress in terms of progressive legislation and programs. Only those that are least disruptive of the inequitable economic status quo move forward and, even then, only after considerable effort from within government and from mass-based advocacy movements outside government. Implementation is moreover not necessarily certain.

This also points to how important the impetus for changing the system will necessarily come from the outside, which is where greater people’s participation in governance becomes relevant.

There is, for instance, the problem of how unionism, which is among the most potent organizational forms for democracy in the workplace and wider political struggles, is in decline. This is presumably a factor in why basic labor rights are widely violated. The union density rate, or the proportion of union membership to total employees in establishments employing 20 or more workers, has fallen sharply from 31% in 1995 (692,000 members) to just 7.7% in 2014 (340,000 members) (PSA, 2017c). The percentage share of women union members to total union membership rose slightly from 32% in 1995 to 35% in 2014. With union density in decline, the collective bargaining coverage rate, or the number of total employees covered by collective bargaining agreements (CBAs) as a percentage share of total employees, has also been falling from 20% in 2003 to 8.1%, or 359,745 workers, in 2014. The number of strikes and lockouts has also fallen from 94 reported cases in 1995 to only five (5) in 2015.

**Ecology**

There are two interrelated concerns on the country’s ecological crisis. The first is how the adverse effects of environmental distress through pollution, disasters, and calamities bear down most heavily on the poor. The second is how current patterns of growth and economic activity will not only cause more environmental distress in the future, but will also set environmental limits to economic expansion and human development.

**Impact on the poor.** The poor are the most vulnerable to the impacts of environmental
degradation and also the main victims, because they are in greater proximity to hazards than higher-income groups. Farmers, fisherfolk, and indigenous communities are the ones most dependent on the natural environment and ecosystems for their homes and livelihoods. Hence, they are most affected by overuse of chemical farm inputs, conversion of prime agricultural lands, siltation, mine tailings, and other toxic wastes. Urban poor communities bear the brunt of industrial waste, household waste, and air pollution. The precarious circumstance of the rural and urban poor also makes them the worst affected by calamities and disasters, including those aggravated by climate change. The health, livelihoods, and security of the poor are at stake in all of this.

**Natural resources.** Although under stress, the Philippines still has among the most biodiverse environments in the world in terms of ecosystems, species, and genetic resources (DENR, 2017). There are some 52,200 described species of flora and fauna, more than half of which are endemic to the country, which makes the Philippines a contender for harboring the most diversity of life on a per-unit basis. The existing forest cover includes over 3,000 native tree species, and the forests contain vast animal and plant species including 96 medicinal trees and 70 bamboo species.

The 9.7 million hectares of agricultural land in the country produces nearly 90 million metric tons of rice, corn, coconut, sugar, and various fruits and vegetables annually, and the country is among the world’s biggest producers of many of these crops. Farms produce some 4.2 million metric tons of livestock and poultry per year. The country has 26,000 square kilometers of coral reef and some 680,000 square kilometers of territorial sea that, along with inland waters and aquaculture areas, produce almost five million metric tons of fish annually.

There are also large mineral reserves that, at 14.9 billion metric tons of metallic mineral deposits and some 51 billion metric tons of non-metallic minerals, make the Philippines among the most mineral-rich countries in the world. The Philippines is fifth in the world in terms of mineral intensity, including third in gold, fourth in copper, and fifth in nickel. The country also has considerable renewable and non-renewable energy resources.

**Environmental stress.** The intensity of resource use in the Philippines is lower than in developed countries corresponding to its lower level of economic development in terms of urbanization, infrastructure development, and material living standards (Chiu, et al, 2017). This is likely to have increased in recent years along with the rapid infrastructure-driven economic growth, and will only surge more with future development.

The immediate and long-term ecological threats to the country and the people are stark – greatly diminished forest cover, degraded coasts, increasingly unsafe water systems, pollution, and congested urban areas. Watersheds, lakes, and rivers are heavily polluted and underground water sources contaminated. Soil quality is deteriorating. Large-scale corporate mining activities are rapidly depleting and exporting the country’s minerals, leaving toxic mine tailings and entire mountains carved out and destroyed.

**National and local economic policy is biased towards short-term profit that is concentrated in the hands of a few, with insufficient attention to the environmental implications of economic activity.**

The Environmental Performance Index (EPI) ranks how well a country performs on priority environmental issues regarding the protection of human health from environmental harm and the protection of ecosystems. The Philippines ranked 114th out of 178 countries in 2014, meaning that only 36% of countries are ranked below the Philippines (Sta. Romana, 2017).

Large-scale logging, mining, and quarrying continues to thin the forest cover which endangers biological reserves, causes landslides and the loss of arable land, and results in flooding of low-lying plains. The Philippines’ forest cover is now at just 17% (5.4 million hectares), with a per capita forest area of just 0.081 hectares which is

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27 Data from Department of Environment and Natural Resources (DENR) Mines and Geosciences Bureau (MGB).

28 The EPI is a joint project of the Yale University Center for Environmental Law and Policy and the Columbia University Center for International Earth Science Information Network. Country performance is scored according to 20 indicators in nine issue areas: health impacts, air quality, water and sanitation, fisheries, water resources, agriculture, forests, biodiversity and habitat, and climate and energy.
far below the 0.6 hectares global average in 2010 (Chiu, et al, 2017). Over 40% of the country’s coral reefs are in poor condition, with only some 1% remaining in good condition due to sedimentation, pollution, over-fishing, coral mining, reclamation of foreshore areas for business establishments, tourism, ports, and other factors.

Metro Manila and the country’s other major urban centers have their own specific urban-related problems. The World Health Organization’s (WHO) Ambient Air Pollution Database Update 2014 found the level of pollution in Manila, Cebu and Baguio to be 2.5 times higher than the WHO air quality guideline values (Sta. Romana, 2017). In Metro Manila, only 70% of the 8,000 tons of garbage generated each day is collected, with the rest ending up on the streets or in local rivers; nationwide, only half of 30,000 tons of garbage is collected. Urban air and water pollution is at dangerous levels resulting in serious health problems, especially among the urban poor. Solid waste in open dumps and polluted waterways in urban centers are health hazards to urban poor residents.

The interaction of severe poverty and climate change has already made the country among the most natural hazard-prone in the world, despite being a minor emitter of greenhouse gases (Sta. Romana, 2017). According to the latest World Risk Index, the Philippines is the second most at-risk country in the world from natural hazards (i.e., earthquakes, storms, floods, droughts, and sea level rise), including the adverse effects of climate change. According to the Coasts@Risk Index, the Philippines is among the top 10 countries in the world with the highest risk from coastal hazards (i.e., storms, floods, surges, tsunamis, and sea-level rise). Four cities – Manila, San Jose, Roxas, and Cotabato – are even among the top 10 cities in the East Asia/Pacific region most vulnerable to climate-intensified storm surges and sea-level rise.

There are many factors driving this situation. The main environmental pressure is fundamentally due to existing patterns of domestic production and of global consumption, especially by the large capitalist countries and by the fraction of higher income groups in the country. National and local economic policy is biased towards short-term profit that is concentrated in the hands of a few, with insufficient attention to the environmental implications of economic activity. There is also a deeply-ingrained consumerist lifestyle that is reinforced through various cultural and ideological channels.

The Philippines has a rich potential for development and rapid improvement in the lives of the majority. This potential, however, is chronically unrealized because of the development policies—covering both macroeconomic and social policies—that have so far been implemented. The effect of conventional anti-poverty measures has varied, but, measured against the scale of the country’s underdevelopment, they have largely been limited and often merely palliative.

Anti-poverty programs

The Philippine government’s anti-poverty programs have historically included the same basic set of measures (Reyes, 2004; Gregorio-Medel, 2013; Bayunden-Dacuycuy and Baje, 2017b). Since at least the 1960s and 1970s, these measures cover agricultural and fisheries development; food subsidies and nutrition programs; livelihood and employment assistance; community water and sanitation; education and health services; and socialized housing. In the 1980s and 1990s, added to these were protection of workers; institution-building and people’s participation in governance; and recognition of ancestral domains. From the 2000s until today, the major innovations are a more comprehensive disaster response; CCTs; and the framework of social protection.

Every administration has had its own flagship anti-poverty program with different combinations of these measures. Over 1965-1986, the Marcos administration had Presidential Decree (PD) 27, Samahang Nayon, Masagana 99, feeding programs, and BLISS mass housing. The 1986-1992 Aquino administration had the Comprehensive Agrarian Reform Program (CARP), community-based resource management, the National Livelihood Program (NLP), and Tulongs sa Tao Program. The 1992-1998 Ramos administration had the expansive Social Reform Agenda (SRA) with the minimum basic needs (MBN) approach, prioritizing beneficiaries of the country’s 20 poorest provinces. It was also during this time that local governments and civil society were more aggressively brought in as avowed stakeholders.

The short-lived 1998-2001 Estrada administration’s flagship anti-poverty effort was the Lingap Para sa Mahirap (LINGAP), which aimed to provide a broad package of interventions to the 100 poorest families in every city and province. This was implemented by the National Anti-Poverty Commission (NAPC), created by the previous Ramos government, and local governments.

The 2001-2010 Arroyo administration’s centrepiece effort was the Kapit-Bisig Laban sa Kahirapan-Comprehensive Integrated Delivery of Social Services (KALAH-CIDSS), for the delivery of basic services with inclusive community-driven planning and budgeting, and the Self-Employment Assistance-Kabuhayan (SEA-K). The sponsored program for poor families under the health insurance program PhilHealth was also greatly expanded to cover the 4.8 million poorest families nationwide. The 4Ps CCT program was piloted in 2007 and formally started in 2008. The 2010-2016 Aquino administration greatly expanded the 4Ps to become its flagship anti-poverty program. The SEA-K was continued astride the new Payapa at Masaganang Pamayanan Program (PAMANA), which focused on 218 largely armed conflict-affected municipalities in 43 provinces of the country.

What is common among these decades of ‘anti-poverty’ efforts is that they are consistently conceived as ‘social reform’ programs dichotomized from macroeconomic policy-making, and, furthermore, are distantly secondary to this.

There are various permutations around the aforementioned basic measures: identifying and focusing on special sectors or specific geographic areas; refinements in targeting, monitoring, and evaluation; expanding their scope; various technical program innovations; combining them into integrated programs; involving different actors and mobilizing financing from diverse sources; and periodic reorganization of government agencies concerned. Not coincidentally, anti-poverty programs became more complex and expansive as the economy’s jobs crisis and household incomes worsened in the 2000s.

What is common, however, among these decades of ‘anti-poverty’ efforts is that they are consistently
Conceived as ‘social reform’ programs, anti-poverty programs have been dichotomized from macroeconomic policy-making and, furthermore, are distantly secondary to this. The government’s macroeconomic policies meanwhile proceed separately with at best tokenistic attention paid to the impacts of these policies on poverty, despite their having the most far-reaching impact on the livelihoods, incomes, and welfare of the greatest number of Filipinos. Government anti-poverty agencies and instrumentalities are moreover persistently marginalized from macroeconomic policy-making, and, in effect, perennially relegated to dealing with the effects of poverty rather than its causes. This has been the case especially since the 1980s and the onset of the neoliberal era in the Philippines and around the world. Conventional anti-poverty measures have always had limited impact from being micro, individualistic, and targeted rather than structural in their approach. The success, failure, effect, and impact of such micro efforts are however ultimately circumscribed by the macro forces at play in the economy.

Anti-poverty measures are commonly fragmented and dispersed. The fragmentation does not stem merely from lack of coordination of projects in specific areas or target groups, or lack of coordination by agencies involved, nor even by being of such small scales that they do not overlap with each other. The most important sense of their fragmentation is in their being disparate efforts that are not anchored on a coherent overall macroeconomic strategy. Thus, fragmentation is resolved most of all by ensuring that all the conventional anti-poverty measures support, advance, and complement larger macroeconomic goals, aside from providing immediate welfare gains.

If anything, anti-poverty measures have been further undermined by increasingly being organized along market-based lines. In recent decades, they have functioned only to mitigate the worst impacts of economic backwardness and crisis, and, paradoxically, have had the effect of making poverty-inducing policies more politically feasible.

**Development plans**

The government’s main economic policies cover foreign trade and investment, monetary and financial, fiscal, and various regulatory policies. These policies interact and cumulatively define the parameters of economic activity in the country. Government decisions shape the economy by promoting certain activities more than others, and by determining how the benefits from production, exchange, and distribution are allocated. The state is historically and currently the foremost institution of economic governance, including in the era of neoliberal globalization where it has operated to further the interests of capital (Radice, 2008).

Economic policies have generally been market-driven and in support of private sector interests, rather than wielded by the State to support public sector enterprises.

Philippine economic policy has always declared the intent to address mass poverty and unemployment afflicting the majority of Filipinos. The economy has also always been private sector-driven and essentially market-based; private firms have always been the most numerous economic actors, and the State has never exerted substantial command control over macroeconomic processes. Economic policies have generally been market-driven and in support of private sector interests, rather than wielded by the State to support public sector enterprises.

This was the case even during the protectionist 1950s, and even with the so-called crony capitalism under the Marcos administration in the 1970s and early 1980s (Lim, 2007; Ballester, et al., 2013; Ofreneo, 2015). The Magsaysay-era Five-Year Economic and Social Development Program 1957-1961, for instance, was clear that the private sector had the leading role in developing the economy and government had a subordinate and supportive role at best (Jurado, 2003).

But Marcos-era development plans in the 1970s were the first promoters of economic liberalization. The Four-Year Development Plan 1972-1975 explicitly argued to move away from protectionism towards liberalization, and its measures included wage flexibility, tariff cuts, and greater openness to foreign investment (Jurado, 2003). This was followed by two Five-Year Development Plans

The change in development policy and strategy in the 1980s was not actually a fundamental change but rather a deepening of market-oriented policies, now widely termed as neoliberal ‘free market’ policies of globalization. These have been more and more applied across the whole range of socioeconomic policy-making: foreign trade and investment, monetary and exchange rate policy, financial policy, fiscal policy, regulatory policy, and even social policy.

The Corazon Aquino administration’s Medium-Term Philippine Development Plan (MTPDP) 1987-1992 explicitly called for liberalization of the economic regime and a thoroughgoing free market-oriented economy to alleviate poverty – supposedly in response to the crony capitalism of the Marcos years. Agriculture and industry were to be exposed to foreign competition in order to force these sectors to be efficient and to improve their competitiveness.

The increased emphasis on market-oriented policies was implemented systematically and progressively over the medium-term plans of the succeeding administrations: Fidel Ramos’ 1993-1998 MTPDP to spur global competitiveness; Joseph Estrada’s 1999-2004 MTPDP to make the economy internationally competitive; Gloria Macapagal-Arroyo’s 2004-2010 MTPDP for equitable growth based on free enterprise; and Benigno Aquino III’s 2011-2016 PDP to raise the competitiveness of industry, services, and agriculture. Each plan has been continuous from and built on those that came before it.

Globalization policies were given political impetus in the 1990s by the collapse of the Soviet Union. In the Philippines, this meant major economic reforms intended to reduce market distortions, open the economy further, and give greater play to the private sector and foreign capital (IBON, 2005). Foreign investments were liberalized starting in 1991, with 100% foreign ownership allowed in most sectors and complete freedom to repatriate capital. Foreign exchange controls were dropped in 1993.

Water transport was liberalized and deregulated in 1992, telecommunications in 1993, banking and shipping in 1994, airlines in 1995, oil in 1996, retail trade in 2000, and the power industry in 2001. Over US$3.5 billion worth of government assets were privatized in the 1990s, including prime oil and water assets. Erstwhile public infrastructure projects were opened up to the private sector with the build-operate-transfer (BOT) law in 1993. Hospitals began the process of “corporatization” around 1999. PPPs were aggressively pursued across a wide range of public transport, water, telecommunications, social services, and other projects in the 2010s.

The 1990s also saw international economic deals not just pressing for greater liberalization but also becoming more expansive and covering even more areas of domestic economic policy, most notably upon the Philippines joining the World Trade Organization (WTO) in 1995. Average nominal tariffs were drastically slashed between 1990 and 2004: agricultural tariffs were cut by 85% to an average level of just 9%, and industrial tariffs cut by 92% to an average level of just 3 percent. Import restrictions were removed. WTO agreements came on top of Association of Southeast Asian Nations (ASEAN) free trade agreements (FTAs), which continued to advance, along with bilateral deals such as the Japan-Philippines Economic Partnership Agreement (JPEPA) of 2008.

Consecutive administrations all stressed market reforms albeit framing them according to various development themes: social reform, sustainable development, growth with equity, and inclusive growth. Yet beneath these themes the Philippines has arguably been the biggest implementer of economic liberalization in the globalization era among its Southeast Asian neighbours, with the possible exception of city-state Singapore.

The less market-oriented approach of other countries in the region is a key factor in explaining the poorer socioeconomic performance of the Philippines. Growth has been slower than in other Asian countries and many have overtaken the country over the last three to four decades. The acceleration since 2010 is notable but it remains to be seen if this can be sustained, aside from whether meaningful development outcomes
will be achieved. The generally lagging growth is also reflected in how improvements in the country’s official poverty rates are slower than in the country’s neighbors (see chart 31).

**Markets and poverty**

The country’s development plans, especially since the 1980s, are misnamed in being overly market-oriented rather than ‘plans’. The most important character of a development plan is its ability to guide the vast economy and economic forces along a particular strategic path. The single most important entity for this task is the government, which has the unique authority to establish the legal, regulatory, and administrative parameters for all economic actors, aside from being an important economic agent in its own right.

The core premise of the country’s development plans, however, is that market-based outcomes – meaning the result of profit-seeking economic behavior as unimpeded by government as possible – will more or less lead to desired development outcomes. The ‘plans’ therefore are not about ensuring that the many and disparate parts of the economy operate together in an organized and harmonious manner, but rather about listing policy measures for each area of the economy to approach the free market ideal.

Trade and investment policies need only be market-oriented, infrastructure development need only be market-oriented, education, health, and housing need only be market-oriented, and likewise with monetary and financial policy, fiscal policy, social protection policy, and others. Coordination will, by this neoliberal line of reasoning, spontaneously happen as each area of the economy is driven to converge and attain efficiency by the price mechanism and market forces.

The end result is policy-making of which the de facto orientation is to ensure market-based mechanisms and give primacy to profit-seeking in as many areas of socioeconomic life as possible, including even in public goods and social services.

This is problematic and the faith in markets is misplaced. There is already a rich body of analysis refuting the development efficacy of markets assumed by the neoliberal development policy model (Chang and Grabel, 2014). Surveying 70 years of development policies, the UN highlights how countries with active developmental states showed stronger growth, economic diversification, and large-scale poverty reduction compared to countries following the “market-centred policy direction of the Washington Consensus” (UNDESA, 2017).

These prescriptions – so-named because they are promoted by the Washington, D.C.-based IMF and World Bank – open up the economy and expand market forces within the domestic economy. They are very familiar and have defined Philippine economic policy-making from the 1980s until today: trade liberalization; foreign investment liberalization; privatization; deregulation; avoiding large fiscal deficits; broadening the tax base and adopting moderate marginal tax rates; shifting public spending from subsidies to infrastructure, education, and health care; market-determined interest rates; competitive exchange rates; and securing property rights (Williamson, 1989).

Unfortunately, that erroneous judgment has taken root and implanted deeply among policy-makers. As a result, the government’s economic credentials are seen to be

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Source: World Bank World Development Indicators Database
determined more by the extent to which neoliberal policy changes are implemented rather than by concrete development outcomes. Failure to achieve meaningful social and economic outcomes is routinely dismissed as being due to market forces still not being given full play – which is perversely used to justify even more market-oriented policies.

The end result is policy-making of which the de facto orientation is to ensure market-based mechanisms and give primacy to profit-seeking in as many areas of socioeconomic life as possible, including even in public goods and social services, ostensibly for the sake of improved quality and greater efficiency. This is in effect an orientation that responds to the demands of capital for conditions of maximum profitability.

The neoliberal policy shifts since the 1980s spread the view that rapid economic growth over a relatively long period of time is more or less sufficient to reduce poverty, an erroneous notion that persists until today.

This neoliberal premise is the critical binding constraint to more equitably distributing the benefits of growth, to long-term job generation from developed agriculture and industry, to providing necessary social services, and generally to more systematically responding to the needs of the majority. Perceived impingements on the profitability of capital, the inability of socially-desirable activities to generate incomes and profits, or violations of textbook neoclassical economics, have commonly been enough to derail otherwise sensible social and economic measures that were successfully used by other countries (Chang and Grabel, 2014).

Anti-poverty interventions meanwhile are reduced to add-ons generally designed 1) to mitigate or moderate socially undesirable outcomes among the lowest income groups (i.e., safety nets); or 2) to selectively provide social and welfare services especially to the poorest of the poor (i.e., targeted social provisioning).

The neoliberal policy shifts since the 1980s spread the view that rapid economic growth over a relatively long period of time is more or less sufficient to reduce poverty, with the metaphor of a rising tide lifting all boats being particularly intuitive and convincing. This erroneous notion persists until today. In effect, this justifies giving primary attention to achieving high growth especially by inviting foreign investment and creating the most business-friendly environment possible.

Recent years have seen a particular intensification in the private sector- and profit-driven approach to development. On the pretext of leveraging private capital and expertise, PPPs are being expanded to an ever wider range of public utilities and even into social services. Measures are being taken to assure returns of private investors, increase tax and other fiscal incentives, restrict the regulatory authority of the government and courts, reduce transparency, and expand the range of possible projects. The tendency of PPPs and the pressure for ‘commercial viability’, however, is to increase the cost of public services whether through higher fees, rates, and charges from the public, or from direct and indirect subsidies to private investors.

The only modification to the basic neoliberal view is the minor one of elaborating specific ‘anti-poverty’ policies and programs to supplement the high-growth approach. Yet it is already well-established that poverty reduction generally does not result from such targeted anti-poverty policies per se, but rather from an overall strategy with wider social, economic and political objectives (UNRISD, 2010; UNRISD, 2016). This has been succinctly pointed out by, among others, the UN Secretary-General:

Poverty and inequality cannot be addressed by narrow approaches to social protection, or faith in the by-now-discredited notion that the benefits of economic growth will sufficiently trickle down to the poor. The analysis points instead to the need for new directions in macroeconomic policy and structural change to generate decent employment. It also stresses that processes of policy and institutional change should be democratically anchored and shaped by active citizenship (Foreword of UNRISD, 2010).

Capacity

Philippine economic policy especially since the 1980s has been mainly about widening the scope for market forces to operate. This has meant steadily removing barriers to trade and investment, letting social services be increasingly provided by private profit-seeking actors or by public entities operating on private sector terms, a generalized reduction in regulations on business
operations, and the like. The country has seen steady improvement in narrow business-oriented metrics of economic performance, but progress in social indicators for the majority and notably the very poorest is still very much lagging.

Less obvious but nonetheless a serious point of concern is how the structure of the economy – particularly in terms of weakening domestic production – makes achieving development more difficult. An underdeveloped economy does not create the conditions for generalized poverty eradication. This is aggravated by legal and economic policy regimes that have become increasingly and systematically market-oriented over the last decades.

The capacity of the State to build the foundations of the national economy and to undertake active social policy has also been weakened by globalization. Fiscal resources, technical expertise, and development-oriented bureaucracies are needed for strategic social and economic interventions, as well as the effective provision of social services and public utilities.

Market- and business-friendly policies, however, have eroded revenue sources for development interventions. The disparaging view of state intervention has also prevented the public sector from getting the experience needed for the complex economic governance that poverty eradication demands. The expansion of PPPs in recent years is a particular point of concern in this regard.

The human resource aspect of capacity also needs attention, with improved salaries, job security, and skills development for the bureaucracy. These limitations exist at the national level but are even more stark at the level of local governments, which are underrated but extremely valuable centers for local development linked up to national development strategies and objectives. Indeed, it is debatable if these are favorable conditions for further decentralization.

While an important short-term limitation, this situation can immediately start to be reversed once appropriate corrections in fiscal and other areas of policy are made. Adjustments in foreign trade and investment, monetary, financial, and other regulatory policies can be done in a phased and gradual manner. The challenge is to improve the State’s capacity and mechanisms for development interventions, instead of abandoning them altogether and relying on markets which cannot on their account deliver development.

In any case, the private sector is not inherently and always better at delivering services, especially if ‘better’ is construed as being more efficient, affordable, and accessible. With the correct orientation and mechanisms for performance, transparency, and accountability, there is no reason for the public sector to not build its technical capacity on the widest range of essential utilities and social services.

All told, it is clear that add-on or merely supplementary ‘anti-poverty’ programs are insufficient to resolve Philippine poverty. The very design and directions of macroeconomic policy have to fully incorporate the development dimension – encompassing both social development and long-term economic development. The elements of a pro-poor development strategy can be outlined, according to which the specifics of policies and implementation can be worked out.
The Philippine government rightly declares and emphasizes seeking inclusive growth and development – meaning growth that improves the conditions of all Filipinos especially those on the margins of existence. However, this cannot be attained without reforms in the government’s anti-poverty response.

Overly market-oriented economic policies have not developed the economy and instead resulted in unsound fundamentals. Agricultural production has not kept pace with the growing population. The country has been hindered from developing an advanced industrial sector. Particularly critical is how the share of manufacturing in GDP and in employment have declined while becoming disproportionately foreign-dependent. The economy and the workforce have been pushed to consumption-driven services which are poor drivers of economic development. This situation is the fundamental reason for high unemployment, for the overwhelming majority of jobs in the disorganized informal economy with poor quality work, and for the extreme dependence on overseas work.

The proposed elements of a pro-poor development strategy and the critical areas for reform in current anti-poverty policy are: 1) a firm grounding in a human rights-based and social development approach; 2) structural transformation of the national economy; 3) ensuring a just and progressive social policy; and 4) real people’s participation. This is a comprehensive and integrated approach to reducing poverty as well as for combating structural obstacles in the inequitable national economic order.

Developing the productive economy, however, is not enough, and a comprehensive, universal, and transformative social policy also has to be enacted. Ensuring social services and social protection for all Filipinos needs to be intrinsic to the strategy for development. These are important to directly and immediately ensure improvements in the welfare of the people. The improved physical and mental well-being of people also has the beneficial effect of improving the workforce’s productivity and further boosting the economy.

The long-term basis of Philippine development lies not just in growth but in the structural transformation of the economy, including agriculture but especially industrial production, where the country: 1) uses its natural resources to create decent work and increase incomes for the majority of Filipinos in a sustainable manner; 2) generates an economic surplus for the public sector’s needs, including the provision of social and economic services, and for reinvestment in the economy; and 3) distributes the benefits of growth under more equitable economic relations.

Without such a transformation, jobs and incomes will be insufficient and the majority of Filipinos will remain in conditions of poverty that targeted anti-poverty interventions and social welfare programs will ever only be able to partially alleviate. Without such a transformation, there will never be enough resources for the growing needs of an expanding population. Macroeconomic policies thus need to be radically shifted, away from reckless trade and investment liberalization and towards active government support for Filipino enterprises and the workforce.

This is a comprehensive and integrated approach to reducing poverty as well as for combating structural obstacles in the inequitable national economic order.

The goals of the national economy are a more equitable distribution of opportunities, income, and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity...
as the key to raising the quality of life for all, especially the underprivileged.

The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets. However, the State shall protect Filipino enterprises against unfair foreign competition and trade practices.

In the pursuit of these goals, all sectors of the economy and all regions of the country shall be given optimum opportunity to develop. Private enterprises, including corporations, cooperatives, and similar collective organizations, shall be encouraged to broaden the base of their ownership.

These measures will not be effectively implemented without democratic governance, where the people genuinely participate in the political processes and decision-making that affect their rights, interests, and welfare.

Rights-based and social development framework

The human rights-based approach starts with and is defined by its multidimensional definition of poverty. According to the United Nations Committee on Economic, Social and Cultural Rights, poverty is:

a human condition characterized by sustained or chronic deprivation of resources, capabilities, choices, security, and power necessary for the enjoyment of an adequate standard of living and other civil, political, economic, social, and cultural rights.

Broadly, poverty is about the lack of basic capabilities to live in dignity. This goes far beyond its traditional understanding as the lack of income to buy a minimum basket of goods and services.

Understood in this way, low income certainly remains a prominent characteristic of poverty, but alongside other features including hunger, poor education, discrimination, vulnerability, and social exclusion. The orientational character of the definition compels greater sensitivity to the specific factors that hinder improved standards of living and the attainment of rights in different contexts, thus avoiding a mechanical listing of stock interventions and allowing priorities to be set according to specific contexts. Such contexts include the particularities of the different major groupings of poor or otherwise vulnerable Filipinos, as discussed earlier. It also demands that attention be given to the structures and systems that bring about widespread poverty.

Understood in this way, low income certainly remains a prominent characteristic of poverty, but alongside other features including hunger, poor education, discrimination, vulnerability, and social exclusion.

The decidedly broad definition moreover underscores the gravity of the poverty problem. This draws attention to how the wide-ranging processes, functions, and authority of the State will be needed to address poverty, and therefore becomes an imperative and obligation for it. This includes ensuring people’s participation in relevant decision-making processes as a matter of right, and also as a means to claim their rights to development. All of this has significant policy implications.

Legal basis

The 1987 Constitution recognizes poverty as a social problem and in this regard declares the following State principles and policies:

The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all.\(^{31}\)

The State shall promote social justice in all phases of national development.\(^{32}\)

\(^{31}\) Const., Art. II, Sec. 9. Emphasis supplied.

\(^{32}\) bid Sec. 10. Emphasis supplied.
The Constitution also declares as State policies and principles: valuing human dignity and full respect for human rights;\(^{33}\) the fundamental equality before the law of women and men;\(^{34}\) the protection and promotion of the people’s right to health;\(^{35}\) the protection and advancement of the people’s right to a balanced and healthful ecology;\(^{36}\) the prioritization of education, science and technology, arts, culture, and sports to promote total human liberation and development;\(^{37}\) the protection and promotion of workers’ rights and welfare;\(^{38}\) the development of a self-reliant and independent national economy effectively controlled by Filipinos;\(^{39}\) the promotion of a comprehensive rural development and agrarian reform;\(^{40}\) the recognition and promotion of the rights of indigenous cultural communities;\(^{41}\) the prohibition of political dynasties as may be defined by law, and encouragement of nongovernmental, community-based, or sectoral organizations that promote the welfare of the nation.\(^{42}\) These State policies and principles constitute a comprehensive sweep of elements needed in promoting a just and dynamic social order.

In addition, the Constitution devotes a long article of 19 sections to social justice and human rights (Article XIII), and another article, also of 19 sections, to education, science and technology, culture, and sports (Article XIV).\(^{43}\) Such treatment of these areas shows their importance in the entire constitutional framework of the State.\(^{44}\) Article XIII recognizes structural inequalities and prescribes structural reforms, and covers the areas of labor, agrarian and natural resources reform, urban land reform and housing, health, women, and human rights.\(^{45}\) It has sections on the role and rights of people’s organizations. The Article opens with the following provisions:

**SECTION 1. The Congress shall give highest priority to the enactment of measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good.**

To this end, the State shall regulate the acquisition, ownership, use, and disposition of property and its increments.\(^{46}\)

**SECTION 2. The promotion of social justice shall include the commitment to create economic opportunities based on freedom of initiative and self-reliance.**

Reading all of these Articles together, it is clear that the Constitution views poverty as an issue of social justice, human dignity, and human rights. The State policy is the promotion of “a just and dynamic social order” to “free the people from poverty”, not only alleviating poverty. “Social justice” is the defining goal “in all phases of national development”. Social justice requires measures that protect and enhance the right of all the people to human dignity, reduce social, economic, and political inequalities, and remove cultural inequities by equitably diffusing wealth and political power for the common good. The enactment of these measures shall be given the “highest priority” by Congress.

The resulting constitutional framework on poverty is consistent with the rights-based approach.

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On the other hand, Republic Act No. 8425 or the ‘Social Reform and Poverty Alleviation Act’, which provides the legislative framework for the government’s anti-poverty program, has positive aspects but can still be improved in places. Modifications to improve consistency with the rights-based approach include: amending its objective from merely alleviating poverty to eradicating poverty; explicitly mentioning human rights and social justice as its philosophical and political foundation; and adopting the constitutional policy of protecting and enhancing...
the right of all the people to human dignity, the reduction of social, economic, and political inequalities, and the removal of cultural inequities.

Reference must also be made to international human rights law. The Philippines is a party to almost all international human rights treaties, including the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), the Convention on the Rights of the Child (CRC), the International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (ICRMW), and the Convention on the Rights of Persons with Disabilities (CRPD). The Philippines also recognizes the Universal Declaration of Human Rights (UDHR) as providing a universal set of minimum standards in human rights protection and promotion. All these provide an international human rights framework in addressing poverty.

The rights-based approach engenders the State responsibility to consider processes as well as outcomes, to give special attention to addressing exclusion, disparities, and injustice, and to address the basic causes of poverty.

The ICESCR is particularly relevant, though not exclusively so, for having a direct bearing on poverty reduction. Under the ICESCR, the Philippines is obliged to undertake steps, on its own and through international assistance and cooperation, especially economic and technical, “to the maximum of its available resources,” with a view to “achieving progressively the full realization” of the rights recognized in the present Covenant by all appropriate means, including in particular the adoption of legislative measures. The rights mentioned in the Covenant include the right to work and other work-related rights; the right to social security; to an adequate standard of living for oneself and one’s family, including adequate food, clothing, and housing, and to the continuous improvement of living conditions; to be free from hunger; to the enjoyment of the highest attainable standard of physical and mental health; to education; and to cultural life, among others.

Having been codified in international human rights law and incorporated into domestic law, they now constitute a set of standards against which duty-bearers can be held accountable.

The State in particular has the obligation to respect, protect, fulfill, and promote human rights. The rights-based approach engenders the responsibility to consider processes as well as outcomes, to give special attention to addressing exclusion, disparities, and injustice, and to address the basic causes of poverty. It also usefully establishes a framework for promoting the rule of law – against impunity and corruption, for promoting transparency and accountability, and ensuring access to justice – as well as challenging inequality and power imbalances.

Economic development

The leading edge of the anti-poverty effort, in terms of creating the material conditions to overcome poverty, has to be the structural transformation of the national economy. In the concrete conditions of the country, with its rich natural resources, relatively large population, and current levels of agricultural and industrial capacity, this means rural development and initiating the process of national industrialization.

Especially amid current adverse global conditions, this also means a domestic demand- and domestic income-driven approach. International economic relations need to be recalibrated towards developing internal sources of growth, which are also the most sustainable sources of growth.

The leading edge of the anti-poverty effort, in terms of creating the material conditions to overcome poverty, has to be the structural transformation of the national economy.

Starting conditions. This strategy can in the first instance build on what exists, and then as the development process gets underway, build on new outcomes to bring the process forward in an accelerating manner. The natural and human resource potential of the Philippines is sufficient for the country and all Filipinos to achieve development.

The Philippines has a sufficiently well-developed bureaucracy to start the country on the path to development. The basic institutions are in place and operating, even if sometimes imperfectly. There is a million-and-a-half strong governmental bureaucracy at the national and local levels performing the administrative and security functions of the State. This structure already
provides a significant degree of public services – spanning transport, water, power, and other economic infrastructure, as well as education, health, housing, disaster response, and other social and welfare services – even if at levels still insufficient for the country’s needs. The legal system is functioning.

Consecutive six-year MTPDPs can be used to articulate and phase a strategy consisting of agrarian reform and rural development, national industrialization policy, supportive trade and investment policies, financial policies, and social policies. These are all essential elements that need to be coordinated well to have a combined effect of economic development greater than the sum of their individual impacts. This is in contrast to the long-standing approach of each plan in effect mainly about attending to market reforms remaining undone from previous plans.

None of which is to overlook the many areas needing improvement. Most fundamental is the need to build the orientation of a developmental state devoted to public service. This is the necessary starting point of developing the State’s capacity to responsibly intervene in the economy and to deliver social services and public utilities properly. There is also certainly much to be done to address corruption and regulatory capture. All these require more democratic decision-making, greater public transparency, and much more social accountability than at present – especially through the much greater involvement of citizens and people’s organizations.

The Philippines also has sufficient economic conditions for development despite secular economic decline. Much untapped agricultural potential remains from existing land resources and the still-vast rural workforce. Though depleted, the country still has stocks of natural resources and raw materials for industrial use. The country has a very large skilled workforce – including active and potential workers – especially if those who sought opportunities overseas are included. The country also already has considerable foreign exchange earnings to finance needed imports.

There are existing manufacturing enterprises in the country. Many are foreign-owned or otherwise foreign-controlled, especially in the most relatively high-technology and capital-intensive products. Still, there are substantial numbers of Filipino micro, small, medium, and large firms. While many remain low-technology and labor-intensive, there are already a few that have been able to procure relatively higher-end technologies from abroad.

Certain difficulties need to be acknowledged and addressed. Domestic capacity has to be developed amid: 1) diminished domestic agricultural and industrial capacity over the last decades; 2) a more open economy; and 3) poor global growth prospects. Economic and financial conditions in the world’s largest economies – US, the European Union (EU), Japan, and China – prevent them from being engines of growth in the foreseeable future. The prospects of China and developing Asia to compensate for this is also somewhat overstated, given how these economies are ultimately affected by export-dependence on the US, EU, and Japan.

The already market-oriented legal and policy regime is also a matter of concern and will need to be adjusted for any real reorientation to take place. This does not mean closing the economy. As a survey of industrialization experiences in the Asia Pacific region observed, “development through strategic, as opposed to passive, integration into the external economy is possible,” and, indeed, that “industrial policy, defined as State intervention to support new production activities and to build domestic capabilities in specific areas, is even more indispensable for countries seeking to pursue their development by integrating internationally” (Memiş and Montes, 2008).

Build Filipino industry with a program of national industrialization. National industrialization needs to be adopted as the central strategy for Philippine economic development. The long-term drive for industrialization – with manufacturing as the most important subsector – needs to be the overall framework of economic planning, according to which all relevant aspects of the macroeconomy will be oriented.
rich natural resources, including raw materials for industry – cannot be underestimated. A review of three decades of development experience, covering the few countries larger than the Philippines and also a number of much smaller countries, pointed out that “establishing a broad and robust domestic industrial base holds the key to successful development because of its potential for strong productivity and income growth” (UNCTAD, 2012). It has also been observed that no country has moved from widespread rural poverty to industrial, and, for that matter, post-industrial development without determined industrial policy to achieve industrialization (ILO, 2014).

It has also been stated directly that “nations that have risen out of poverty have done so through the process of industrialization” and “the only proven path out of underdevelopment at the time of this writing... has been through industrialization,” which was described as involving the following elements:

i. a qualitative increase in the use of capital and machinery in the production of goods and services and consequent increase in the productivity of labor; and

ii. the large-scale production of goods of high technological content, and consequently falling costs, and the attainment of international competitiveness (Memiş and Montes, 2008).

Hence, “when development is redefined as the reduction of poverty, effective industrial policy occurs when the ongoing relationship of firms and production units to the State results in risk-taking, technical upgrading, investment, and growth that reduces poverty” (ibid.).

This does not mean that other important areas of the economy such as agriculture, services, social policy, and workers’ welfare will be subordinated, much less sacrificed. Rather, it means that these areas will be developed to deliver their immediate expected outcomes, and at the same time make the necessary contributions to the drive for industrialization. It is moreover expected that the gains from industrialization will go back to supporting the delivery of these outcomes.

This is in contrast to the current situation where whatever contribution these other areas may have to industrialization – or indeed whether industrialization will happen or not at all – depends on what market forces yield. From a policy perspective, it also means real planning where all pertinent machinery of government are oriented and coordinated to achieve industrialization. As it is, the neoliberal bias for decentralized behavior and coordination of the nation’s economic activity through the market engenders compartmentalized planning by government agencies.

Deliberate and explicit industrial policy should be able to draw, as needed and as is practical, from the whole menu of policy options for supporting Filipino industry. These include subsidies, tax exemptions, import duty exemptions, credit and investment incentives, government procurement contracts, tariffs, quotas, import and foreign exchange controls, support to domestic research and development, and similar measures. Their use should be determined by the need for revitalizing domestic industry, rather than foregone to follow market precepts. They are necessary to achieve higher value-added economic activity of greater processing of local raw materials, more domestically-produced goods and services with greater local content, and higher levels of Filipino science and technology.

Nationality, moreover, matters – hence the full term is national industrialization. It has been pointed out that “a strong and sustained investment drive by national elites [has been] a defining feature of successful development episodes” and the creation of a domestic industrial base (UNCTAD, 2012). Late industrializers, it was observed, were distinguished from other developing countries that did not industrialize by the “high animal spirits of their business class, reflected in exceptionally high rates of saving and investments from profits.”

Implement real agrarian reform and agricultural development. The smaller share of the agricultural sector from decades ago has not diminished its importance for long-term national development. Indeed, part of the reason for this continuing decline in relative importance is precisely its underdeveloped character, which makes immediately addressing its problems more urgent than ever. Real agrarian reform along with rural development is needed to release the productive forces in the countryside and to create...
Proposed Response: Pro-Poor Development Policy

Real agrarian reform along with rural development is needed to release the productive forces in the countryside and to create a solid base for national industrialization. They also expand the domestic market and generate financial resources for reinvestment.

It is already widely acknowledged that the market-oriented international rules and agreements of recent decades unduly restrict the policy space of underdeveloped countries like the Philippines to leverage any potential benefits and mitigate many of the costs of international trade and investment (UNCTAD, 2016 and 2017). At the same time, active management by the State of how the domestic economy integrates into the global economy has been pointed out as “indispensable for modern industrialization and development”; trade and investment liberalization are not ends in their own right, but rather instruments for development as part of a broader development and growth strategy (UNCTAD, 2012).

The government needs to develop a new foreign trade and investment framework supportive of its anti-poverty thrust, and which allows for alternative deals with more progressive countries. This is necessary to reclaim natural resources and strategic portions of national economy. This framework can then be used to review provisions in existing deals. Specific attention can be given to objectionable terms in the scope and definition of ‘investments’ and ‘expropriation’, ‘most favoured nation’ (MFN) treatment, ‘national treatment’, ‘fair and equitable treatment’, and investor-state dispute settlement (ISDS).

The de facto bias against Filipino firms needs to be remedied. The country has to be able to choose from among the widest possible range of pro-Filipino measures including equity limits, technology transfer, local content requirements, tariff and non-tariff protection, subsidized credit, tax breaks, government procurement, state enterprises, and public control.

Existing agreements can be treated on a case-to-case basis. It may be possible to merely renegotiate and amend some deals. If this is not possible, or if the other country or countries concerned are not amenable, the process of suspending or even terminating agreements can be started. This can be calibrated such as starting with deals that are relatively inconsequential.
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already up for review, or due to expire. Agreed-upon mechanisms can be followed and the terms of effectivity renegotiated. It is also possible, however, that deals may be so objectionable or be with countries so hostile as to warrant unilateral and immediate termination.

The Philippines can consult with other countries that have already taken steps to rectify their international economic deals. Major underdeveloped countries such as Indonesia, India, and South Africa are amending or terminating perceived foreign-biased economic agreements (South Centre, 2016).47 India already has a new Model for Bilateral Investment Treaties asserting greater regulation over foreign investments, and Indonesia has reportedly also finalized its own.

The Philippines can also explore closer relations with non-traditional partners. The newly-formed Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB, formerly referred to as the BRICS Development Bank) give opportunities for development finance, technical assistance, and infrastructure projects outside the neoliberal-driven World Bank, IMF, and Asian Development Bank (ADB).

A new national development strategy can also take advantage of emerging opportunities in the global economy despite the protracted economic stagnation. This includes the rise of the BRICS (Brazil, Russia, India, China and South Africa) as alternatives to the traditional economic powers. There is also potentially wide room for bilaterally negotiated support outside the country’s accustomed partners US, Japan, and EU.

Regulate foreign investment. Foreign investment can play an important role in developing domestic industrial, agricultural, and even service capacities. They are potential sources of technology and innovation and can facilitate access to export markets. Important goods and services may also be provided such as infrastructure, utilities, and inputs for local manufacturing to spur development. Incremental jobs are generated at least in and around the enterprises concerned.

But their contributions to domestic economic development cannot occur under a too liberal or too open investment environment as results from a ‘race-to-the-bottom’ with other countries to attract foreign investors. There must be caution against placing too much emphasis on foreign investors in the country’s national development strategy. Foreign investment is exclusionary by nature. It closely guards its technologies, looks unfavorably on domestic competitors, and is focused on its profitability targets – hence any potential contribution to domestic development will not emerge spontaneously. The possibility that foreign capital illicitly sends resources abroad through transfer pricing and other financial mechanisms can also be investigated.

Investment regulation and control are needed. The actual benefits from foreign investment depend on how well the profit-seeking of TNCs is reconciled with the public interest of national economic development.

Investment regulation and control are needed. The actual benefits from foreign investment depend on how well the profit-seeking of TNCs is reconciled with the public interest of national economic development. To be beneficial, FDI needs to “contribute to creating employment, raising domestic value-added and export earnings, and broadly supporting domestic industrialization through the transfer of technology and organizational skills” (UNCTAD, 2012).

The instruments for this include regulating foreign investor entry, establishment, and their right to operate through equity and ownership restrictions, joint ventures, requiring local content and domestic reinvestment, requiring technology transfer, and other performance requirements as deemed necessary. These are all vital policy tools used by the successful developed countries in their respective periods of development to create meaningful linkages and benefits for the domestic economy.

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47 These include: Indonesia which has served notices of termination or actually terminated treaties with over 20 countries including Bulgaria, Cambodia, China, France, Hungary, India, Italy, Laos, Malaysia, Netherlands, Romania, Slovakia, Spain, Turkey, Vietnam, and others; India which has served notices of termination of bilateral investment treaties with as many as 57 countries including the UK, France, Germany, Spain and Sweden; South Africa which has reviewed and terminated investment deals with Austria, Belgium, Denmark, France, Germany, Luxembourg, the Netherlands, Spain, and Switzerland; and Ecuador, Venezuela and Bolivia in Latin America which have exited dozens of treaties.
Anti-poverty macroeconomic development. The main strategy against poverty should be creating decent jobs and raising incomes through equitable and development-oriented macroeconomic policies. This needs to be complemented, not supplanted, by providing genuinely universal social services and social protection through effective government programs. Macroeconomic and related policies also need to be developmentally proactive and reoriented in three ways.

First, the government needs to more actively guide the process of building domestic agriculture and Filipino industry as the foundations of a buoyant national economy. Developing domestic productive capacity, especially Filipino-owned and -controlled productive capacity, is essential.

Second, growth must take place in an inclusive manner where the benefits of growth are spread between factors of production – with special emphasis on the working people getting their fair share from economic activity – as well as across the country and the different sectors of the economy.

Third, the government needs to squarely address how to raise the considerable financing necessary for all the required investments in social policy, physical infrastructure, agricultural modernization, and industrial development.

This reorientation has a number of implications.

Greater State regulation and control of finance. It is difficult to imagine a country that has industrialized without consciously directing credit towards industrialization. Internal and external financial liberalization since the 1990s has heightened how finance flows mainly according to the exigencies of short-term profit maximization, in the absence of strategic industrial policy or a credible rural development program. A revival of public or development banking will be important to remedy this.

More progressive taxation. There is already a considerable stock of wealth and capital in the country, albeit concentrated in the hands of a few. Since they are in private hands they are mobilized primarily for profit according to prevailing market circumstances, and go mainly to services, speculation, or as stored wealth abroad. More or otherwise higher direct taxes on the wealthy (e.g. personal and corporate income, property, assets) will generate revenues for greater public spending and more extensive provision of social and economic services. This also creates the space to reduce indirect consumption taxes that unduly burden the majority poor. Tax collections should also be increased through better tax administration, especially by reducing corruption, stopping corporate abuse of tax exemptions and loopholes, and plugging other such sources of revenue leakages.

Greater investments in physical infrastructure. Growth and development will eventually be constrained by inadequate rail, shipping, and air transport capacity, poor roads, electricity shortages, and insufficient communication infrastructure. Flood control and drainage are also necessary to manage the physical environment to preempt disruptions and disasters. Yet there needs to be balanced attention towards, and greater emphasis made, on other sorts of infrastructure needed at the current state of development but are persistently neglected. This includes rural roads and free irrigation to support small farmers, and social infrastructure for free or affordable public education, health, housing, water and sanitation, and electricity.

Far-reaching income, wealth, and asset reforms. These reforms create important enabling conditions for positive structural change in many ways. They create a large mass market and expand domestic demand as the driver of growth and anchor of the domestic economy. By creating more equitable social relations, they lessen social divisions and foster greater national unity. Aside from progressive taxation, other mechanisms include meaningful wage hikes and greater benefits for workers, land distribution, fisheries and aquatic reform, and the wide range of social protection measures.

Sustainable consumption and production

The drive for economic progress through rural development and national industrialization must ensure the balanced use, conservation, and development of the environment. The overly foreign market-oriented and foreign capital-dependent use of the nation’s natural resources must be shifted in favor of national economic
development and the benefit of the people. But the use of the environment must also be strictly regulated to protect the people and ensure resources for future generations.

There is already growing policy attention to addressing the effect of environmental distress on the poor. The various efforts to manage the problem through greater social protection can be developed further. However, the efforts to modify current patterns of growth and economic activity are much less developed. These efforts have largely been around pollution control and environmental protection and rehabilitation, with minimal attention paid to the premises of the production process and patterns of consumption, especially by higher income groups (including those in the country’s export markets).

The UN system has since 1992 recognized sustainable consumption and production (SCP) as an overarching theme to link environmental and development challenges (UNEP, 2010). The UN provides a working definition of SCP:

the use of services and related products, which respond to basic needs and bring a better quality of life while minimizing the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardize the needs of future generations.

The government can be more active in ensuring greater resource efficiency and environment-friendliness in agricultural and industrial production; energy production; water use; mass transport systems; climate-smart buildings and other infrastructure; and developing domestic science and technology.

Institutional reforms

Putting the anti-poverty thrust at the heart of economic policy-making – and not taking this up as a residual concern after major economic decisions are made – entails major reforms. The overall strategic framework of poverty eradication through national industrialization and rural development, with a just and progressive social policy, will need to be expressed in the government’s policies, programs, laws, bureaucracy, monitoring and evaluation systems, and orientation.

An immediately doable yet symbolically important and practically necessary measure is a concise but formal policy statement by the government of its adjusted priorities. This will go far in initiating the process of adjustment towards all relevant government agencies and bodies becoming focused on implementing anti-poverty development policy in a comprehensive, cohesive, and coordinated manner. Priority areas can for instance be explicitly defined as:
• **National Industrialization and Poverty Eradication** – covering industrial and agricultural policy and ensuring supportive foreign trade and investment, financial, monetary and fiscal policies.

• **Social Policy and Human Development** – covering social services and social protection, including disaster response.

• **Sustainable Development** – covering environmental protection and rehabilitation but also ensuring sustainable production and consumption.

• **Participatory Governance** – covering political reforms especially towards increasing people’s participation in governance.

• **Security, Justice, and Peace** – covering the protection and promotion of civil and political human rights, ensuring access to justice for the poor, and assertion of national sovereignty.

The government already essentially organizes its work around a few priority areas around which relevant executive departments and other government instrumentalties are expected to coordinate, harmonize, and complement their efforts, chiefly through the Cabinet Cluster system which can be reorganized along these lines. The proposal is for greater prominence to be given to national industrialization, as the leading factor in the country’s economic development, and to ensure that poverty eradication is the core concept in each priority area that defines their respective frameworks and goals.

**Social services**

The PDP 2017-2022 is categorical about the importance of “equalizing opportunities for human development”:

[The] PDP recognizes human development not just as a means to an end (i.e., human capital as a factor of production) but also an end in itself. Thus, in the next six years, individuals and groups will have more options to develop their full potential. Better human development outcomes will be attained by reducing inequalities in the Filipinos’ ability to stay healthy, be well-nourished, and continue learning throughout their lives. Inclusive strategies and other interventions will be directed at ensuring that all Filipinos, especially the poor and underserved, will have long, healthy and productive lives, lifelong learning opportunities; and improved income-earning ability. (NEDA, 2017)

This is a strong starting point towards promoting well-being across various human development dimensions. Social service delivery is among the most direct means for upholding rights to the highest attainable standard of health, education, adequate housing, and water and sanitation. To this may be added the potentially significant contribution to redistribution and social justice, promoting social solidarity among classes and sectors, and building and strengthening society’s social fabric – a contribution it shares with social protection measures and social policy in general.

Individuals and families have the right of access to quality social services to help them expand their capabilities (Sen, 1989), which in turn affords them a level of freedom to live lives with meaning and dignity (Laderchi et al., 2003). In more developmental terms, social service provisioning improves well-being, enhances productivity.
and earnings, and reduces inequalities across income, class, gender, ethnicity and location (UNRISD, 2010).

A universal approach to social services is emphasized because “if the poor are provided with access to the same kinds of services enjoyed by the rich, universalism may act as an instrument for redistribution and social mobility” and “foster social cohesion and build coalitions across classes, groups and generations”. (UNRISD, 2010)

The overview of social services earlier – in particular of education and health – points to important areas for improvement towards ensuring human development.

Social service delivery is among the most direct means for upholding rights to the highest attainable standard of health, education, adequate housing, and water and sanitation, to which may be added the potentially significant contribution to redistribution and social justice.

Significantly raise the budgetary allocations for education and health. International benchmarks only provide a general sense of what is possible and have been attained in other countries; budgets according to the country’s needs and capacities will still have to be drawn up. Nonetheless, the country’s falling far short of these benchmarks already points to a major area for improvement even if only in general terms. The government is primarily responsible for ensuring that enough resources go to providing essential social services. This also means providing policy support for innovation to adequately resolve many of the technical issues and challenges facing these sectors.

For instance, compulsory public mechanisms obliging healthy upper-income groups to cross-subsidize the sicker poor are socially just and also economically rational. Foremost among such mechanisms is a progressive tax system and correspondingly tax-financed public health infrastructure and programs. Taxes should be used to finance the public health system rather than, for instance, private profit-seeking health care providers. The social and economic gains from additional health spending on the sicker poor are much greater than from additional consumption spending by the rich or keeping capital idle.

Review the policy thrust of increasing reliance on the private sector. The privatization and commercialization of social services is usually justified on the basis of promoting efficiency, competition, and providing a choice to consumers. The Philippines’ experience, however, demonstrates that this has made social services less accessible to the poorest segments of society without necessarily improving the quality of the service. Moreover, PhilHealth and ESC have underscored how public funds go to private educational institutions while public hospitals and schools remain under-resourced, which only reinforces their substandard character. This is validated by a study which observes that efficiency gains of PPPs in the delivery of services in hospitals and schools is less likely given that:

Service quality is mainly determined by human capital investment, and demand evolves quickly over time. For instance, Joseph (2014) concludes that PPPs in the health sector, especially involving philanthropies and donors, can be characterized as ‘a double-edged sword. Although they are able to provide large amounts of money, they do not allow for a holistic view of the health care concerns faced by a country’ (Kwame Sundaram, et al, 2016).

As it is, the global experience has already given rise to various relevant policy recommendations: “cost-recovery schemes that result in unequal financing of schools and health services and uneven quality should be removed”; “adequate public funding should minimize private sector involvement which also should be regulated to ensure that premiums do not restrict access”; and “in situations of commercialization of services, ensure effective regulation by defining and enforcing the form and limits of commercialization appropriate to health and education objectives at different levels of development and in diverse political contexts” (UNRISD, 2010).

Comprehensive, universal, and transformative social protection

Social protection overlaps with but extends well beyond social services. The underlying development objective is to ensure that every Filipino attains a minimum standard of
It is recommended to design, consolidate, and coordinate the disparate efforts on social protection in order to promote, as stated in the PDP 2017-2022, “a universal and transformative social protection program for all Filipinos.”

well-being on a daily basis and, especially, in emerging situations of vulnerability or crisis due to low incomes, ill health, old age, disabilities, calamities, economic dislocation, and the like. The specific concern of social protection is “preventing, managing and overcoming situations that adversely affect people’s well-being” and “[helping] individuals maintain their living standards when confronted by contingencies” (UNRISD 2010).

The government already implements a wide range of essentially social protection measures at different scales, with different areas of focus, in different areas, and at different levels. It is recommended to design, consolidate, and coordinate these disparate efforts in order to promote, as stated in the PDP 2017-2022, “a universal and transformative social protection program for all Filipinos” (NEDA, 2017).

Ensure the universal character of social protection. This is grounded on the notion that access to social protection is a right, not charity. Universalism also heightens social protection’s redistributive character and by emphasizing collective responsibility for individual well-being, also promotes social solidarity and social cohesion.

It is acknowledged in many social policy circles and broad-based citizens groups that the Philippine poverty threshold is quite low and has the effect of reducing the magnitude of poverty in the country (Raquiza, 2012). In this context, it is argued that the incidence of poverty is actually more pervasive than is captured by official data. Furthermore, it has been observed that a wide swath of the population comprising low-income earners are likewise extremely vulnerable to shocks and adverse conditions, and yet are oftentimes rendered ineligible to avail of social assistance programs because they do not belong to the category of ‘the poorest of the poor’.

Furthermore, while the poorer segments of the Filipino population bear the brunt of risks and shocks that can take place at an individual, group, or societal level, even the relatively better-off are not spared from many natural and human-made calamities and therefore also need some public support. It is in this context that universal social protection is critical in promoting and protecting dignified living standards for all, thereby affirming the rights-based approach. Furthermore, this has the effect of enhancing social solidarity across sectors and classes and serves as an effective policy tool for redistribution and social justice.

Finally, providing universal social protection helps to avoid the inherent difficulties and limitations associated with the more narrow targeting approach. However, it is noted that targeting can also be complementary to more universal types of approaches, especially in relation to making sure that those ‘not reached’ by universal measures – for instance due to identity-based discrimination and social exclusion based on gender, sexual orientation, age, disability, ethnicity, and the like – are included.

Universalism is also especially appropriate in the Philippine context of widespread poverty – whether by official or independent reports – which oftentimes results in multiple dimensions of deprivation. This compels comprehensive social protection measures to protect living standards and provide for the basic consumption of the poor and marginalized. While the needs and welfare of the very poorest need attention, so do that of the less poor but no less deprived and vulnerable. Affirmative action for the socially excluded based on gender, sexual orientation, age, disability, ethnicity and other identity-based forms of discrimination highlights the transformative character of social protection.

Ensure the transformative character of social protection. Countries that have successfully reduced income poverty and promoted equitable development did so with comprehensive social protection programs embedded within a broader developmental strategy for structural change, where, for instance, building and strengthening decent work and sustainable livelihoods play a central role. Furthermore, social protection measures can be synergistically linked to employment-generating programs according to broader rural development and industrialization goals rather than, as is often the case, implemented as localized stop-gap measures.

Review the use of market-oriented mechanisms in social protection. There is already wide global experience with social protection programs and its varied measures. Countries that have adopted
social protection approaches emphasizing market-oriented instruments and employing complex mechanisms such as targeting and conditionality have tended to be less effective in reducing poverty (UNRISD, 2010).

A universal social protection floor defines the threshold of social security that Filipinos require in order to ensure their dignity and rights throughout their life cycle.

Establish a social protection floor. The PDP 2017-2022 states that an important step to achieving universal social protection is to “adopt and institutionalize the social protection floor. This guide will be anchored on the country’s official definition of social protection, and will consequently guide the identification and prioritization of relevant programs for vulnerable sectors (NEDA, 2017).

Social Protection Floors (SPFs) are a set of basic social security guarantees to prevent or alleviate poverty, vulnerability, and social exclusion. It comprises the following:

i. Access to essential health care, including maternity care;

ii. A basic income security for children that covers the minimum level for their nutrition, education, care, and other goods and services;

iii. A basic income security that covers the minimum level for persons of working age who are unable to earn sufficient income, particularly in case of sickness, unemployment, maturity, and disability; and

iv. A basic income security that addresses the minimum needs of older persons.

These guarantees may take the form of child and family benefits, sickness and health care benefits, maternity benefits, disability benefits, old-age benefits, unemployment benefits and the like, some of which are already part of the country’s social security system. These social protection guarantees can be realized gradually and progressively, making sure it is coherent with national policies and reflects the country’s economic and fiscal capacities.

A universal social protection floor (USPF) defines the threshold of social security that Filipinos require in order to ensure their dignity and rights throughout their life cycle. It must be clear that ‘the floor is not the ceiling’; rather, it should be viewed as a foundation for the expansion of social security guarantees so that individuals are able to realize their full human development and potential.

Working on a USPF catalyzes a systematic process for building a more comprehensive, universal, and transformative social protection system in the country. This must be deliberately initiated and followed through as it will not happen overnight nor on its own, naturally. The Benigno Aquino administration conducted an Assessment-Based National Dialogue to identify gaps in design, policies, coverage, and implementation issues of existing social protection programs that can be updated and even enriched. This can be spearheaded by the relevant government agencies in close collaboration with people's organizations, civil society organizations (CSOs), and other important stakeholders such as the International Labor Organization (ILO).

Democratic governance

The main challenge is to make the Philippine State and its instrumentalities more democratic so that they are more responsive to people’s needs, and support the needed whole-of-government approach to reforming anti-poverty policy and implementing a pro-people development strategy. The concentration of economic power reinforces the concentration of elite-oriented political power, combining into structurally inequitable political and economic governance. This points to the need to break the vicious cycle of concentrated economic power and undemocratic politics.

The Philippine experience affirms that strategic socioeconomic decisions cannot be left to politicians, narrow vested interests, technocrats, or the market. The scope of democratic decision-making should be expanded such that the most vital policy questions affecting the greatest number of Filipinos is subject to real democratic discussion, debate, and choice. The broadest range of subject matter needs to be covered – such as what industries to develop or transition from, the basic principles of agrarian reform, the distribution of resources between the country’s regions, the system for ensuring that the people have the social and economic services they need, how to protect society’s most vulnerable especially in times of crisis, and the like.
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The State, domestic big business, and foreign capital are well-established and entrenched decision-makers. The people, who are the majority in society, are in contrast largely marginalized and their participation in terms of policy-making, monitoring, and supervision needs to be improved and institutionalized. It is also clear that greater State involvement in economic activity is crucial for national economic development, which makes it all the more imperative to ensure that it is democratic, transparent, and accountable.

It is clear that greater State involvement in economic activity is crucial for national economic development, which makes it all the more imperative to ensure that it is democratic, transparent, and accountable.

There are six main areas for greater people’s political participation and more democratic governance:

Reform the political party system and election process. In the short term, this can be done by strengthening the party-list system through, among others, the strict implementation of the accreditation process against groups and nominees belonging to or representing political dynasties or economic elites. An effective anti-dynasty law needs to be enacted. Measures also need to be taken to ensure that the Commission on Elections (Comelec) is insulated from partisanship, including reorganizing it to make it independent from influential politicians and other vested interests. Campaign finance reforms are also needed to reduce the excessive influence of money in political campaigns and careers.

Reform the justice system and its institutions. The judiciary, police, and correctional centers exist to protect the rights of the people, especially the poor, women, and minors. Measures need to be taken to remove the influence of elite political and economic interests, weed out corruption, guarantee fair and just treatment, and infuse professionalism, meritocracy, and competence. The Public Attorney’s Office (PAO) needs to be strengthened to ensure that the poor, oppressed, and marginalized are treated fairly and justly in the courts system.

Strengthen transparency and accountability. Current laws on the transparency, accountability, and answerability at all levels of public administration needs to be strictly enforced, particularly in ensuring consistency with the rights of citizens and constituencies to governance, public services, and the like.

Accountability and monitoring mechanisms are needed to ensure that the State is fulfilling its human rights obligations through legislation and in practice. A mechanism is needed to ensure that Congress complies with the mandates of the Constitution regarding the enactment of measures that implement constitutional policies and principles, particularly with respect to economic, social, and cultural rights. A mechanism is also needed to ensure that the Executive is doing likewise with the policies and programs it implements.

The Judiciary is a potential mechanism for this albeit currently hindered by the doctrine of political question with respect to Congress, and by the highly technical and complex nature of trade, investment, fiscal, and other economic issues. Reforms are needed to make human rights domestically justiciable.

Further develop mechanisms for people’s participation. Existing partnership and collaborative mechanisms for people’s engagement with government agencies and representation in governance can be developed, and new mechanisms built. People’s organizations and civil society need to more fully participate in drawing up, implementing, and monitoring pro-poor development policy. This upholds democracy in the economy as well as ensures transparency and accountability.

There are already a wide range of non-state groups working on various issues, ranging from human rights, environment, anti-corruption, socio-economic reforms, budget, procurement, election, health, indigenous people’s rights, and the like. A high-level consultative mechanism where people’s representatives can have a more systematic and active role in defining legislation and policy priorities, similar or parallel to the Legislative-Executive Development Advisory Council (LEDAC), would greatly increase their positive contribution to good governance.

Strengthen local government capacity to undertake development initiatives. The Local Government Code should be comprehensively reviewed, particularly its provisions on making local governance the center of community development and poverty reduction with active people’s participation. The review should be participatory with proposals to revise or overhaul
the code if deemed necessary. A law also needs to be enacted to implement the Code’s mandate to have sectoral representatives in the local legislative councils (Holmes, 2016).

The formation and activation of local development councils as mandated by law will strengthen government and civil society partnerships in reforming anti-poverty policy and implementing pro-people development programs, and also facilitate working alongside the business sector including small and medium enterprises in key industries. Greater local government engagement builds capacity as well as creates opportunities to develop area- and community-specific strategies for development. These may also be coordinated with and linked up with other local and national anti-poverty and development efforts.

**Protect the rights of civil society groups and other non-state organizations.** Civil society groups including non-government organizations, people’s organizations, media, and other non-state organizations perform critical roles in modern democracies. To function effectively, they should at all times be protected by the State under relevant national and international laws particularly, but not exclusively, those engaged in community development and poverty reduction.
The current social compact governing Philippine politics and society can be improved to more systematically uphold the interests of the majority of Filipinos. It can be modified with the government more actively exercising its power to ensure the right to development for all.

The 1987 Philippine Constitution already establishes a framework for poverty eradication based on human rights and social justice. Adopting a human rights-based and social development approach can be the basis for pursuing structural transformation of the national economy to create jobs and improve incomes for the majority of Filipinos in a sustainable manner. There is compelling evidence that this means building on rural development to achieve national industrialization. It is also the basis for a comprehensive social policy ensuring social services and universal social protection for all Filipinos. The opportunities for doing this will expand with more democratic governance and greater people’s participation.

Building the constituency for change

Reforming anti-poverty policies and implementing a pro-people development strategy will face opposition. The short- and long-term interests of the poor and marginalized will in many ways conflict with that of existing economic and political elites seeking to preserve their privileged positions. In this regard, the most fundamental element for the successful reform of anti-poverty policies will be constant pressure from a continuously expanding progressive sector, distinct from but engaging established inequitable structures of governance.

The extent of resistance to progressive advocacies already draws attention to the sectors who form the likely opposition. Although numerically a very small minority of the population, they wield considerable economic power and, often by virtue of this, political power. This includes landlords, agri-business corporations, domestic monopolies and oligopolies, and transnational corporations as well their subsidiaries and subcontractors. These groups have very strong influence over key policy-makers, elected officials, and bureaucrats, as well as, importantly, over the armed and coercive power of the State in the military and the police. They are also well-supported by a corps of pro-market economists and intellectuals in the academe and private sector.

The undue influence of foreign governments with privileged economic interests in the Philippines also cannot be underestimated, especially with how they can exert influence on the government directly as well as through the major international financial institutions and even the mass media. This points to how it is also important to work with progressive social groups abroad, especially in countries with governments that can potentially be supportive of Philippine economic sovereignty and national development.

Achieving change is urgent. Social conflict persists because millions of Filipinos remain deprived of the conditions for basic and decent living. Neoliberal policies have worsened living conditions and material insecurity, increased economic and political inequities, and drive anger, dissatisfaction, and resentment. These are also the conditions for criminality and general social and political instability.

Attaining development

Opposition to positive change is well-entrenched but there is already much to build on. The proposed pro-poor approach to development is consistent with long-held standards of social justice and, significantly, with the expressed aspirations and daily economic and political struggles of organized social movements in the country (Chavez, et. al., 2015; National People’s Summit, 2016; NDFP, 2017). They are already wholly or partially advocated by major political forces for progressive change. These movements and their networks include, or otherwise directly and indirectly influence, tens of millions of Filipinos in their communities and work places, including in policy-making institutions and across all branches and levels of government. This is a potent force to mobilize on a national development project of radical and genuinely pro-people change.

The extent of potential public support for reforms in the country’s anti-poverty strategy was recently
Pro-reform elements objectively constitute the overwhelming majority of the population. They include tens of millions of farmers, fisherfolk, workers, urban poor, low-salaried employees, women, youth and students, indigenous peoples, overseas Filipinos, persons with disabilities, and calamity victims.

confirmed at the National Anti-Poverty Sectoral Summit 2016, which convened some 600 basic sector leaders and anti-poverty advocates in the spirit of meaningful representation and active participation in the government’s programs. The Summit discussions and workshops articulated the clamor for State-subsidized social services, agrarian reform and rural development, national industrialization, addressing inequality, and participatory governance (NAPC, 2016).

Pro-reform elements objectively constitute the overwhelming majority of the population. They include tens of millions of farmers, fisherfolk, workers, urban poor, low-salaried employees, women, youth and students, indigenous peoples, overseas Filipinos, persons with disabilities, and calamity victims. Despite more difficult economic circumstances, there also remains a substantial number of potential Filipino industrialists. The last decades have also seen increasing numbers of progressive policy-makers and elected officials, aside from many government employees in the bureaucracy.

There is a potentially wide opportunity for active people’s participation in governance through the vast array of civil society and other non-state organizations in the country. Estimates vary due to the lack of generally accepted definitions and weak monitoring, but non-government organization (NGO) networks and multilateral agencies report up to 68,000 NGOs and up to 500,000 civil society groups in the country (Africa, 2012). These are considerable numbers even if many are presently more inclined towards conventional anti-poverty schemes -- welfare projects and income-generation, especially at local and community levels -- rather than engaged in policy advocacies or other active political engagement (ibid.). Still, there is no doubt that these non-state actors have been at the forefront of demanding accountability and answerability from the government since at least the end of the Marcos administration (Brillantes and Fernandez, 2011).

Eradicating poverty is both a whole-of-government and indeed a whole-of-nation effort. The country's social and mass movements cumulatively represent significant levels of organization and of practice with social mobilization spanning decades and covering millions of Filipinos. This is a vast and invaluable stock of praxis in people-centered political engagement, reform advocacies, organizing, and community development.

People’s participation in governance is already expressed through engagement with government, even as the government has been taking incremental steps to broaden the scope of this participation. Anti-poverty policy is in effect already being reformed from the ground up, and social mobilizations and continuous public education, advocacy, and building of social movements will only keep strengthening the constituency and movement for change.

Eradicating poverty is both a whole-of-government and indeed a whole-of-nation effort.

Corresponding policy reforms by government for greater economic and political democracy will greatly accelerate this process of change towards real economic progress and lasting social and political stability in the country.
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<td>ADBP</td>
<td>Average daily basic pay</td>
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<td>ARMM</td>
<td>Autonomous Region in Muslim Mindanao</td>
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<td>BPO</td>
<td>Business process outsourcing</td>
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<td>CCT</td>
<td>Conditional cash transfer</td>
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<td>CPH</td>
<td>Census on Population and Housing</td>
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<td>DSWD</td>
<td>Department of Social Welfare and Development</td>
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<td>EU</td>
<td>European Union</td>
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<td>FDI</td>
<td>Foreign direct investment</td>
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<td>Government Service Insurance System</td>
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<td>Medium-Term Philippine Development Plan</td>
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<td>PDP</td>
<td>Philippine Development Plan</td>
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<td>PEZA</td>
<td>Philippine Economic Zone Authority</td>
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<td>PhilHealth</td>
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<td>PIDS</td>
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<td>SOF</td>
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<td>SSS</td>
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<td>SUCs</td>
<td>State universities and colleges</td>
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