**Arndt-Corden Department of Economics**
**Crawford School of Public Policy**
**ANU College of Asia and the Pacific**

Australian National University

# Philippine economic development, looking backwards and forward: An interpretative essay

Hal Hill

Arndt-Corden Department of Economics

Hal.Hill@anu.edu.au

Arsenio M. Balisacan

Competition Commission

The Philippines

Russel Matthew Dela Cruz

Competition Commission

The Philippines

October 2021

## Working Papers in Trade and Development

**No. 2021/24**

# Philippine economic development, looking backwards and forward: An interpretative essay[1]

Hal Hill, Arsenio M. Balisacan and Russel Matthew Dela Cruz

**Abstract**: Over the past decade, the Philippine development story has attracted international attention as it transformed from being the "Sick Man of Asia" to "Asia's Rising Tiger". However, the country's strong growth momentum was abruptly interrupted by the COVID-19 pandemic, which continues to cast a huge shadow over its development outlook. With the country now at the crossroads, this paper reflects on and draws lessons for economic development and policy by examining the country's three main economic episodes over the post-independence era: (a) the period of moderately strong growth from 1946 to the late 1970s, (b) the tumultuous crisis years from the late 1970s to the early 1990s, and (c) the period from the early 1990s to the 2019 when it rejoined the dynamic East Asian mainstream. Through comparative analysis, the paper also seeks to understand the country's development dynamics and political economy. We conclude by highlighting elements of a recovery and reform agenda in the post-pandemic era.

**Key Words**: Philippines, economic development, economic history, political economy, institutions, COVID-19, ASEAN, comparative analysis

JEL codes: E02, I0, N15, O10, O43, O53, P52

[1] This paper draws on the first two authors' collaborative research projects on the Philippine economy, in particular Balisacan and Hill (2003) and Clarete, Esguerra, and Hill (2018). In the case of the latter publication, Balisacan was the initiator of the project, and he also wrote the Foreword. The volume drew heavily on background papers prepared for the Philippine government's long-term development vision, *Ambisyon Natin 2040*, which was overseen by Balisacan in his capacity as Socio-Economic Planning Secretary.

**Philippine Economic Development, Looking Backwards and Forward: An Interpretative Essay**

Hal Hill, Arsenio M. Balisacan and Russel Matthew Dela Cruz

## 1 Introduction

The Philippine economy has often been characterized as a laggard, an "East Asian exception", and a "Latin American economy in East Asia". The forward-looking Asian Development Bank (ADB) publication, Asia 2050, (ADB 2011) classifies the country with the region's slower growing economies, including Afghanistan, Nepal, Myanmar and North Korea. But as the eminent Filipino economist Felipe Medalla has observed, the Philippines is an "average" economy, in the sense that its long-term economic performance is similar to the global average. Over the period 1960–2018, for example, the country's per capita gross domestic product (GDP) in real terms rose 2.9 times, exactly the same as that for the world as a whole. In other words, it is its deviation from the record of some very dynamic Asian economies that is distinctive; in global terms, its performance is not unusual.[2]

Importantly, these averages conceal a great deal of variation over time. Most countries have episodes of faster and slower growth, booms and busts. This is certainly the case for the post-independence Philippine economy. In fact, in this paper we argue that three more or less distinct periods are observable. Although the periods are not precise, they are approximately:

1. From independence (1946) to the late 1970s: high initial expectations, slowing growth
2. From the late 1970s to the early 1990s: growing into a deep and extended crisis
3. From the early 1990s to 2019: recovery, rejoining the East Asian economic mainstream

To these may now be added the current period, 2020–21, of the COVID-19 pandemic-induced health and economic crisis, which introduces a sharp discontinuity into our analysis.

There are therefore periods of both modest and quite strong economic growth, together with two major crisis episodes—the macroeconomic and political crisis of 1984–86 and its aftermath, and the COVID-19 pandemic of 2020–21. Note also that the three main economic episodes correspond loosely, but not exactly, to the country's political periods—that is, the democratic eras of 1946–72 and after 1986, and the authoritarian era of 1972–86, of Martial Law and its aftermath.[3]

---

[2] Over this period, the per capita GDP of developing Asia rose 14.9 times. Philippine GDP per capita actually rose more than the other major developing regions, Latin America and Caribbean (2.6 times) and Sub-Sahara Africa (1.5 times).

[3] According to the widely used Polity5 democracy scale, which ranges from 0 to 10 (least to most democratic), the Philippines scores 6 for the years 1950–68, 4 for 1969–71, 0 for 1972–85, and 8 from 1987 onwards. As comparators, Indonesia scores 0 during the Soeharto years (1966–98) and 8–9 from 2004 onwards. Over this period, the Malaysian score is in the 4–6 range.

It is instructive to examine these episodes and draw inferences from them. Economic development is rarely a smooth, continuous, linear process. Episodes help us understand a country's development dynamics and political economy. They also have implications for development economics in general. Of particular interest is the light they shed on the fundamental drivers of economic development, and how countries manage and respond to shocks, both internal and external. In addition, major crises are a special category deserving attention: their origins, the immediate domestic response, and the longer-term recovery trajectory.

We commence with a comparative survey of economic performance in section 2. We then provide an analytical summary of each of the three pre-COVID episodes, briefly as it is well-traversed territory (sections 3–5). Section 6 extends the discussion of the stronger growth momentum by examining the drivers of growth, in particular the rising importance of service exports, in contrast to the sluggish performance of export-oriented manufacturing. Section 7 examines the current COVID-19 pandemic, its socio-economic impacts and the government's response to it. This most recent episode, which is still unfolding as we write, also provides an opportunity to assess the country's resilience in the face of the most serious shock to the peacetime global economy in 90 years. Section 8 outlines elements of the post-COVID reform agenda, which, we argue, will need to be addressed if the strong development momentum of the past decade is to be regained. Section 9 sums up and draws out some broader implications for the country's growth dynamics and future trajectories. Wherever possible, we conduct the analysis in comparative context, using as the (high) benchmark the country's dynamic middle-income neighbours.

Although the Philippines' economic performance has lagged behind its neighbours for extended periods, our conclusions are nevertheless cautiously optimistic. We argue that policymakers—and the community at large—have learnt from earlier development missteps and reformed. To be sure, the reform process has been slow, incremental and partial. But at least until the COVID-19 crisis, we highlight several significant reform achievements. This crisis presents perhaps the biggest test yet of the ongoing validity of this proposition. Its impact has been very severe, and the authorities have struggled to develop a coherent and effective management strategy.

## 2 Philippine Economic Growth in Comparative Asian Perspective

Tables 1 and 2 provide comparative statistics on per capita incomes and growth rates over selected intervals during the independence era, and Figure 1 shows the Philippines' annual GDP growth and real per capita income since 1960.[4]

[4] We focus mainly on the period since 1960 because the national accounts are regarded as more reliable and because by then the country's immediate post-war rehabilitation had been completed and the institutions of an independent nation state were well established. The pioneering estimates of Hooley (1968) and others have extended the national accounts series back to 1902.
The data in Table 1 are from the Maddison data set, which provides very long-term series. For the Philippines, there are point estimates for 1820 and 1870, and then a continuous series from 1902 onwards, except for the war years of 1941–45. The data in Table 2 and Figure 1 are from World Development Indicators. Both series are sourced from Philippine data. The methodological differences are explained in the Maddison website (https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2013).

On the eve of the Pacific War and at the effective end of the colonial era, the Philippines had the third highest per capita income in Asia, behind only Japan (which was almost double the Philippine figure) and Singapore (Table 1). Philippine income was significantly higher than the five middle-income Asian comparators in the table. Apart from the brutal American takeover at the end of the nineteenth century, and unlike Indonesia and Vietnam, the Philippines did not experience a protracted struggle for independence. But it did suffer from extensive wartime destruction, especially in and around Manila. Thus, its estimated per capita income in 1950 had fallen to about two-thirds of the 1940 level, the sharpest decline among these six countries; by then, it had been overtaken by Malaysia.

---Table 1 about here---

The 1950s was a decade of strong growth, fuelled by reconstruction and import-substituting industrialization and building on earlier industrialization spurts (De Dios and Williamson 2015). By 1960, the Philippines was therefore well ahead of four of the comparators (and notably having more than double China's per capita income), and not far behind Malaysia. It maintained this relativity through the 1960s, although Thailand was then converging. Income continued to increase in the 1970s, but by 1980, Thailand had overtaken the Philippines, and Malaysia had pulled further ahead. (India meanwhile was still stuck in its "Hindu Equilibrium" growth rate.) The major divergence occurred in the 1980s, when the Philippines was the only country in the group to experience an economic crisis, an outcome it shared with many indebted developing country commodity exporters in Africa and Latin America. By 1990, Indonesia had overtaken the Philippines, while the per capita incomes of Malaysia and Thailand were more than double that of the Philippines. Philippine growth resumed in the 1990s and, although the country navigated the Asian financial crisis (AFC) more successfully than the other three ASEAN countries in the table, over the decade, it continued to lag behind them and also China, which was then growing extraordinarily fast. These relativities have broadly persisted into the twenty-first century.

Table 2 tells a similar story of the ASEAN Five economies (and Vietnam for the most recent period), together with China and India. Over the long period, 1960–2019, China's growth record has been without peer. Within the ASEAN, Singapore leads by a significant margin. India and Indonesia are comparable. Over the medium term, 1980–2019, the rankings are similar, except that India and Thailand have joined Singapore as the most dynamic economies after China. The most interesting (and reassuring) data from a Philippine perspective is for the twenty-first century: Philippine per capita income doubled from 2000 to 2019, an outcome that is slightly higher than Malaysia, Thailand and Singapore, but somewhat lower than Vietnam[5]—Southeast Asia's most dynamic economy over this period—and India. This is the essence of the proposition that the Philippines has rejoined the dynamic Asian mainstream in the twenty-first century.

---Table 2 and Figure 1 about here---

[5] The figures for Cambodia and Laos are similar to that of Vietnam, confirming the mild convergence of per capita incomes that has been evident within the ASEAN for much of this century.

## 3 The First Three Decades: High Expectations, Slowing Growth

In the early post-colonial period, the Philippines was widely considered to have among the best prospects in Asia for rapid economic development (Morawetz 1977; Golay 1961). It had relatively well-established political and legal institutions. It possessed a strong human capital base, including near universal adult literacy and widespread English-language fluency. It also had a special relationship with the dominant commercial power of that era, the United States, including preferential access to its market and, in the Cold War era, the security conferred by the presence of US military bases on its soil. As an indication of that confidence, in 1966 Manila was chosen as the headquarters of the region's premier development finance institution, the Asian Development Bank.

These expectations appeared to be validated initially. As noted, the country's economic growth compared quite favourably with neighbouring economies in the 1950s and 1960s. However, growth began to slow from around the late 1970s, at a time when Japan's very high growth was clearly established and the four newly industrialized economies (NIEs) were also following Japan's growth trajectory. The proximate explanations have been extensively analysed in the literature on Philippine economic development.[6] The country embarked on a comprehensive import substitution, accidentally in response to a balance of payments emergency. But the wide-ranging import controls quickly became embedded in the country's political economy. It led to a spurt in industrial growth, which slowed as soon as the limits to import substitution in a small domestic economy were reached. As Power and Sicat (1971, 33) observe:

> "The adoption of a strategy of encouraging manufacturing behind protection was more or less inadvertent … and what began as an emergency tactic in balance of payments policy became the principal instrument for promoting industrialization over the decade of the 1950s."

Moreover, unlike other countries that pursued a similar strategy (e.g., Korea and earlier Japan), the underlying inefficiencies of the new industries and the vested interests that sprang up around them meant that the country was unable to engineer a smooth transition to export orientation.

This industrial strategy had the familiar effects of discriminating against the agriculture sector (except for some favoured irrigated rice areas) and poorer regions (where most of the population resided) and having a weak formal sector employment growth. There was therefore little progress in addressing the country's high level of interpersonal and interregional inequalities. The influential ILO (1974) study, also known as the "Ranis Report", referred to the country's "narrow and unbalanced" growth. In addition, there were recurring macroeconomic crises, mostly caused by the monetization of fiscal deficits (hence, the rising inflation) in the context of a fixed exchange rate regime, resulting in an appreciating real exchange rate. This led to

[6] See for example ILO (1974), De Dios and Williamson (2015), Sicat (2014), the contributors to Balisacan and Hill (2003) and the decades of voluminous writings by members of the University of the Philippines School of Economics (UPSE).

periodic balance of payments crises, exchange rate realignments and partial liberalizations, before another episode of growing macroeconomic imbalance emerged (Baldwin 1975).

The fundamental reason for the slowing growth was that Philippine leadership did not possess the ruthless determination to elevate economic growth as the overriding development objective, unlike the leaders of Japan, South Korea, Taiwan, Singapore and (at least to some extent) some other ASEAN countries.[7]

## 4 Deep Crisis and Slow Recovery

The country's slide from slowing growth to deep crisis has also been extensively documented and analysed.[8] The 1970s was a decade of global economic turbulence dominated by OPEC-inspired rising oil prices. As an oil importer, the Philippines was adversely affected, but cushioned the negative terms of trade shock with aggressive international borrowings, a strategy sanctioned—in fact, encouraged—by international financial institutions concerned to recycle the Middle East's holdings of "petrodollars". In the eyes of these agencies, the Philippines appeared to be a good bet: its initial debt levels were modest, it was in a dynamic neighbourhood, the two Asian giants had effectively disengaged from the global economy, and President Marcos had appointed able technocrats to key portfolios in his administration. The country therefore recorded quite strong, albeit debt-driven, growth during most of the 1970s, averaging more than 6 per cent over the period 1975–80, further aided by some modest trade policy reforms.

By the early 1980s, however, its economic fortunes began to deteriorate quickly, as they did in many other developing countries, especially the indebted commodity exporters. A conjunction of four sets of factors generated a perfect storm that produced the country's biggest economic crisis in its four decades of independence. The first factor was US monetary policy. Global interest rates began to rise sharply as a result of the US Fed's determination to control inflation, the so-called "Volcker shock". Second, the prices of major Philippine commodity exports declined, especially coconut and sugar (although these negative effects were ameliorated by declining petroleum prices from around 1982). Third, a significant proportion of the international borrowings was invested in "prestige" projects, or on-lent to the politically well connected for projects of dubious commercial viability.[9] One infamous case, the mothballed Bataan Nuclear Power Plant, at one stage accounted for about 10 per cent of the total external debt. Fourth, the political legitimacy of the Marcos administration was eroding, accelerated by the blatant assassination of Benigno Aquino in August 1983, mounting political scandals, growing international opprobrium, and ultimately a fraudulent attempt to restore his electoral fortunes in early 1986.

---

[7] For a concise summary, see, e.g., De Dios and Hutchcroft (2003) and the references cited therein.
[8] See, e.g., Remolona, Mangahas, and Pante (1986), Dohner and Intal (1989), Sicat (1985) and several UPSE "white papers".
[9] Hence, the widespread use of terms such as "booty capitalism" (Hutchcroft 1998) and "crony capitalism", the latter gaining international attention on the basis of the writings about the Philippines in the late Marcos era.

The economy contracted by almost 15 per cent in the last two years of the Marcos administration (Figure 1).[10] The peaceful People's Power regime change of February 1986 signalled a change of political direction and the beginnings of a gradual economic revival. But the economy grew slowly during the Corazon Aquino presidency (1986–92), such that by the end of the 1980s, real per capita income was still 7 per cent lower than that at the beginning of the decade. The slow growth resulted from protracted (and sometimes acrimonious) negotiations surrounding the unpopular rescue programme of the International Monetary Fund (IMF); several very serious natural disasters;[11] episodes of political agitation, mainly from dissident military ranks; and the complex, protracted public and commercial debt workouts. Rising fiscal deficits also triggered a near balance of payments crisis in 1991. Internationally, the Philippines missed out on the major East Asian economic restructuring that got underway in the wake of the September 1985 Plaza Accord, which resulted in the appreciation of the Japanese Yen and subsequently the currencies of the NIEs, and triggered the massive relocation of Japanese industry to Southeast Asia, especially Indonesia, Malaysia and Thailand.[12]

## 5 Rejoining the East Asian Mainstream

Whereas the Corazon Aquino presidency focused on democratic consolidation, resolution of the economic crisis and a halting economic recovery, the Fidel Ramos presidency (1992–98) was characterized by (unexpectedly) vigorous reform and a resultant dividend of stronger economic growth. The newly established, recapitalized and professionally managed Bangko Sentral ng Pilipinas (BSP) quickly restored monetary policy credibility. Combined with effective fiscal consolidation, the country was on the path to graduating from the controversial IMF programme. Together with a more effective fiscal policy, for the first time in decades, the ever-present risk of a macroeconomic crisis receded. Meanwhile, microeconomic reform injected greater competition in telecommunications, transport, trade and other key sectors. Neglected infrastructure investments resumed. The partial trade liberalization opened up new export opportunities as well as increasing competitive pressures in the tradable sectors. By 1996, the economy was again growing by 6 per cent.

The first major economic test over this period was the 1997–98 AFC. By this time, the Philippines shared some similarities with the other crisis-affected economies: the peso was appreciating, the current account deficits were widening to over 5 per cent of GDP, and short-term external debt was rising (and was then equivalent to the country's gross overseas reserves). The capital flight and collapse of the Thai Baht in July 1997 also triggered a capital exodus from the Philippines, and the peso was

[10] In passing, there were similarities between the Philippine economic crisis of 1984–86 and the Indonesian crisis of 1997–99. Their economic contractions were of similar magnitudes; both crises resulted in the removal of long-established and by then unpopular authoritarian leaders, involved highly controversial IMF rescue programmes, and both led suddenly to the restoration of democracy and with a lag decentralization. The major differences were that the Indonesian crisis was unforeseen; it was growing considerably faster pre-crisis, and its economic recovery was faster (seven years to return to pre-crisis per capita income compared with almost 20 years for the Philippines).
[11] Especially the Mt. Pinatubo volcanic eruption in June 1991, the largest of its kind in the twentieth century to have occurred in a densely-populated region.
[12] Recall that in the mid-1980s China was in the very early stages of its economic reforms, while India and the Mekong economies were essentially closed to FDI.

allowed to float later that month. However, the country was able to avoid the deep economic crisis experienced by its three ASEAN neighbours and South Korea. Its GDP in 1998 fell by just 0.5 per cent,[13] compared with Indonesia's decline of 13.4 per cent. The financial sector remained largely intact, again unlike its neighbours. By the first quarter of 1999, the economy had returned to positive growth.

Why was the Philippines less affected by the AFC than some of its neighbours? Several factors were at work.[14] First, painful lessons were learnt from the mid-1980s crisis and, as noted, these translated into improved economic policy, particularly monetary and fiscal policy. Policymakers had recent, first-hand experience of how to manage a sudden economic shock, and this knowledge was quickly applied from mid-1997. Second, policymakers and investors alike were still cautious in the wake of that crisis, unlike the ASEAN neighbours that had enjoyed three decades of fast, mostly uninterrupted growth. Arguably, overconfidence had permeated both the policy and business worlds of these countries. Third, and related to the second factor, there was not such a major build-up of debt, particularly unhedged foreign-currency borrowings. No boom (or at least a modest boom) meant no bust. Finally, unlike the mid-1980s and also Soeharto's Indonesia, there was no problem with regime legitimacy. The well-regarded Ramos administration was nearing the end of its (mandatory single) term; elections were held during the crisis year, and they proceeded smoothly.

Economic development proceeded apace during the twenty-first century. In spite of some unenthusiastic international perceptions,[15] the economy generally remained buoyant, notwithstanding various political and economic shocks. Among the former was the extra-parliamentary overthrow of President Joseph Estrada in 2001 and periods of congressional logjams (including the blocking of budgetary laws) during the Macapagal-Arroyo presidency of 2001–10. The major economic shock was the global financial crisis (GFC) of 2008–9, which the economy weathered with little difficulty. From 2010, the economy was regularly achieving annual growth rates of at least 6 per cent, coinciding with another smooth transfer of power to the Noynoy Aquino presidency (2010–16). Through to the COVID-19 crisis, the Philippines had achieved almost 80 quarters of continuously positive economic growth, a record for the country.

Stronger economic growth was clearly lifting living standards. As would be expected, the Philippine poverty trajectory has more or less tracked economic growth, declining during buoyant economic times and stagnating when the economy was in the doldrums. For most of the past half century, poverty has declined more slowly in the Philippines than in some of its dynamic neighbours because of slower economic growth and because historically poverty was less responsive to growth (Balisacan 2015; Clarete 2018). Both Indonesia and especially Vietnam now have lower headcount poverty incidence. But the decade of strong growth pre-COVID resulted in an accelerated decline of poverty (Capuno 2020).

---

[13] In fact, the severe drought of that year depressed agricultural output by 6 per cent and contributed significantly to the downturn.
[14] See for example Noland (2000), Sicat (1999), and Rodlauer et al (2000). The latter reflects the IMF assessment of economic management over this period.
[15] Pritchett (2003) wonders whether the Philippines was a "democratic dud". The ADB typology that the country belongs to the slower growing economies has been referred to above.

For comparability, Figure 2 tracks these trends for the Philippines and four middle-income ASEAN countries during the twenty-first century using the World Bank's internationally comparable Povcal dataset and its US$3.20 "middle-income" poverty line. On this indicator, Philippine headcount poverty almost halved over the period 2000–2019, from 44 per cent to 23 percent. The gloomy literature that asserts that the poor have not benefited from the stronger growth overlooks this significant achievement. Of course, the data also highlight that the record could have been much better. The key to poverty alleviation is a combination of growth and various "growth plus" factors, including social assistance, education, health and the labour market—that is, the provision of social safety nets, the system of public education and health, and access to employment opportunities.[16] We return to this issue below in the context of the COVID-19 pandemic

---Figure 2 about here---

## 6 Drivers of Growth

Over this buoyant economic period, the Philippines' drivers of growth have differed from those of neighbouring economies and from the country's own growth path in earlier periods. The country has become a services-oriented economy while still in the lower middle-income group. Services now generate about 61 per cent of GDP, while agriculture's share has shrunk to just 9 per cent. The share of manufacturing, currently about 18 per cent, has been stagnant or declining since the early 1970s, whereas in the late import substitution era it peaked at 27 per cent.[17] Does this matter? In this section, we explore this issue with reference to two key dimensions of manufacturing and services.

First, manufacturing. The declining manufacturing share reflects the country's trade reforms, which lowered the incentives for the sector (and measured its value added at closer to international prices). It also tells us something about the competitiveness of tradable goods activities. A proxy indicator of international competitiveness in manufactures is the country's share of some key manufactures in global markets. To illustrate, we choose electronics parts and components, final electronic products, garments and footwear. These have been the backbone of the successful early-stage East Asian export-oriented industrialization drives, on the basis of a comparative advantage in the production of (unskilled and semi-skilled) labour-intensive activities. Table 3 reports these shares for the Philippines and four ASEAN comparators from 1990 to 2019.[18] Most countries have been losing their market share owing to the rise of China. However, the Philippines had performed quite strongly during the 1990s' decade of policy reform, with its share rising in electronics and garments. But in the twenty-first century, its shares have declined significantly, except for final electronics goods. By contrast, latecomer Vietnam has been the regional success story, with its shares rising dramatically in all three sectors.

[16] See, e.g., Clarete (2018) and Ravallion (2016). In addition, several other determining factors are relevant. These include changes in inequality (which has been relatively stable over this period), food prices, natural disasters, and ease of access to relevant global labour markets.
[17] In fact, the current share is even lower than that 60 years ago: in 1960 it was 25 per cent.
[18] We are grateful to Dr. Deasy Pane for kindly preparing these data.

Indonesia’s shares have also declined, while Malaysia and Thailand have remained competitive in electronics.

---Table 3 about here---

The declining electronics parts and components share of the Philippines is of some concern, as this is the dominant and fastest growing segment in the region’s global production networks (GPNs), accounting for more than half of intra-ASEAN and intra-East Asian merchandise trade. The attraction of this sector is that its production activities span the factor intensity spectrum, from labour intensive to highly R&D and capital intensive. It is also open to newcomers (like Vietnam and even Cambodia) that satisfy its particular requirements, including high-quality international logistics, open trade regime (at least in an export zone, if not economy wide), and liberal foreign investment and labour regimes.[19]

Does this indifferent industrial performance matter? It is beyond the scope of our paper to examine this intriguing question in any detail. Suffice it to note here that there are “yes”, “no” and “maybe” answers to the question. According to one influential school (e,g., Lin 2017), rapid industrialization is an indispensable characteristic of successful economic development for almost all developing countries, as it provides mass employment opportunities for a semi-skilled workforce and creates opportunities for technological acquisition and other externalities. An alternative argument posits that the sectoral sources of economic growth are unimportant; what matters is the aggregate rate of growth. The Philippine record of strong growth in recent decades lends at least some support to the latter proposition. Nevertheless, the failure to introduce the requisite (and relatively uncomplicated) reforms to facilitate a stronger manufactures export performance has meant that the country has been missing out on major investment and employment opportunities. Moreover, a plausible conjecture is that the comparatively low Philippine growth-poverty elasticity can be attributed in part to the stagnant manufacturing employment growth, at least prior to 2010.[20]

By contrast, the Philippines’ service exports have performed strongly, mainly because of the vibrant business processing outsourcing (BPO) operations. While traditional trade theory focuses on developing countries’ comparative advantage in labour-intensive activities, in reality a more nuanced approach distinguishes between manufactures and services, in part because the latter requires more direct person-to-person contact. And it is in services where the Philippines’ competitive strengths are clearly evident. Historically, this overwhelmingly took the form of overseas employment, seafarers, entertainment, nursing, domestic services and much else.[21] But an important, mainly twenty-first century, development has been the provision of international back-office services, in which the Philippines has become a major international player. The factors explaining this development, on both the supply and demand sides, are well known. The digital economy revolution has enabled the rapid international off-shoring of many office accounting and customer service activities.

[19] See Athukorala (2021) who explains all these issues and includes some illustrative Philippine material. He characterizes the Philippine record as one of “arrested growth”.
[20] See, e.g., Fabella (2018) and PHDR (2021).
[21] The one major exception is tourism, where the positive attraction of the legendary Philippine hospitality has been nullified by inadequate infrastructure and some lingering security concerns.

With its supply of well-educated, English-speaking college graduates, the Philippines was able to seize these opportunities, particularly in the US market, and is now the developing world's second largest supplier, behind India only.

A useful analytical framework for thinking about these internationally traded service exports is to view them in the context of the two mobile factors of production: capital and labour. When the Philippine economy was underperforming, there was little foreign investment; thus, workers were forced to seek employment abroad—that is, labour went in search of "capital". But thanks to the recent more conducive business environment, the country has been attracting capital, so the imperative to seek employment abroad has diminished. Figure 3 provides a simple illustration of this phenomenon by comparing remittances (i.e., the former flow) and BPO earnings, which is a proxy for capital entering the country in search of labour. The data clearly show that BPO earnings (which are almost entirely exports) have been closing the gap on remittances. In 2006, they were equivalent to 18 per cent of remittances; by 2018 they had increased to 73 per cent. Of course, the comparison is more complicated than this, in that the two activities tap into different labour market segments and international BPO flows have been rising faster than remittances. But the orders of magnitude are striking and indicative of the rising commercial attractiveness of the Philippines, in this sector at least.

---Figure 3 about here---

The Philippines has frequently been the fourth largest developing country recipient of remittances. Therefore, it has sometimes been labelled as a "remittance economy", implying that it no longer has the capacity to generate the requisite domestic employment opportunities, and that it will suffer a permanent loss of talent. Such characterization has always been an exaggeration; international labour mobility is simply another manifestation of globalization (and rising labour shortages in the ageing rich economies). But for periods, the Philippine brain drain had been arguably of some concern. The BPO story constitutes a reassuring rebuttal of this issue.

## 7 The COVID-19 Crisis

Had this paper been written in 2019 we would have ended on a cautiously optimistic note, concluding that there was every possibility that the strong economic momentum of the past decade would be maintained. However, the COVID-19 pandemic of 2020–21, and possibly beyond, has introduced a major discontinuity in our narrative. This is a perfect illustration of Kay and King's (2020) "radical uncertainty", an off-the-scale global event that was completely unforeseen (except perhaps in the realms of speculative epidemiology). It is the first major global pandemic in a century and the most serious setback to the peacetime global economy in 90 years. It has tested every aspect of government and society everywhere, from the frontline health system and macroeconomic management to the administrative apparatus and societal cohesion.

The Philippines has been particularly hit hard by the pandemic. By early September 2021, it has had an estimated 2.35 million COVID cases and almost 37,000 fatalities.

Both numbers are thought to be significant underestimates.[22] The economy has been plunged into a deep depression, with the GDP contracting by over 9 per cent in 2020. This is the most serious economic crisis in the country since independence, and first significant economic contraction in 34 years—itself an indicator of the country's stronger economic fundamentals in recent decades. It is also the country's largest growth collapse, from peak to trough of 15 per cent. Poverty and unemployment have risen significantly; there are major scarring effects in education and the labour market, and inequality is likely to have deteriorated. Large numbers of Philippine seafarers and other overseas Filipino workers (OFWs) have been left stranded, many experiencing dire conditions. The government has not undertaken the regular household expenditure surveys (i.e., Family Income and Expenditure Survey) at the time of this writing. In the interim, Table 4 presents a set of indicative estimates based on the growth rates for 2020 and forecast for 2021, assuming no change in inequality. Among the five countries, the poverty impacts are most severe in the Philippines, reflecting its larger GDP decline.

---Table 4 about here---

Moreover, the Philippines experienced the deepest economic recession among the seven middle-income Asian economies (Table 5), more severe even that the widely publicized Indian case. Its GDP decline was three times as large as the global figure. Its COVID fatality rate has also been high, although not as high as India and Indonesia. The contrast with the highly successful Vietnam case is notable (successful with control measures at least in 2020). Vietnam closed its borders quickly, has had effective and consistent official messaging, and prompt quarantine and contact-tracing responses to localized flare-ups.[23] In all three respects, the Philippines has struggled, exacerbated by weaknesses in the decentralized, under-funded public health system. This has been the case despite its stringent lockdown measures, comparable in intensity to those of China and India. The stop-go relaxation of lockdown measures has also aggravated the problems.

---Table 5 about here---

In other respects, the impacts and outcomes of the COVID-19 pandemic have been more or less as expected. The government embarked on fiscal stimulus measures, financed in large part through unconventional monetary policy. As in most developing countries, these were relatively modest in scale (Figure 4). In any case, lax monetary policy is a necessary but not sufficient condition for addressing a health pandemic (Monsod and Gochoco-Bautista 2021). The sectoral impacts were highly uneven: employment fell sharply in "high-contact" sectors, such as accommodation, food services, tourism and transportation, but much less in low-contact activities, most notably agriculture and internet-based services (Figure 5). Remittances held up relatively well, as in previous crisis episodes. The BPO sector was only mildly affected, again reflecting its low-contact nature. Viewed in the regional context, Indonesia is arguably the most relevant comparator, given the similar geographies and political systems. Yet, in spite of the latter's muddle-through response to the

[22] See, for example, the methodology and estimates prepared by *The Economist* (www.economist.com/ExcessDeaths).
[23] See, for example, https://asiafoundation.org/2021/05/26/covid-19-in-vietnam-holding-our-breath-in-wave-four.

pandemic (Hill 2021), its economic crisis in 2020 was much milder. Much therefore remains to be explained in the evolving Philippine situation.

---Figure 4 and Figure 5 about here---

## 8 Beyond COVID-19: Elements of a Reform Agenda

As the world transitions from the COVID-19 pandemic emergency to a likely era of recurring endemic conditions, Philippine policymakers will be in a position to focus on the economic recovery agenda. This necessarily encompasses a broad mix of factors, including both a return to the pre-COVID reform challenges and an additional set of underlying challenges that were accentuated by the pandemic. Figure 6 provides a useful indicative comparative schema that highlights not only the seriousness of the country's circumstances but also some major policy issues going forward. Among the countries, the Philippines has the largest economic decline, health-related scarring and economic-financial crisis legacies.[24]

In this section, we identify and briefly discuss seven interrelated areas of major public policy focus. This list is neither original nor definitive. But we do believe that the items in it will be central to determining whether, and how quickly, the Philippines can return to its pre-COVID economic dynamism

---Figure 6 about here---

### 8.1 Macroeconomic management

This has been a major policy success of the Philippines in the democratic era. A professional and independent central bank, the BSP, was established in 1991, enabling the country to navigate successive economic shocks, until the 2020 pandemic crisis. In contrast to the boom-and-bust growth patterns through to the mid-1980s, the country has not had a single balance of payments crisis for almost 30 years, despite two major external crises (the AFC and GFC), a decade of volatile global monetary conditions since the GFC, and periods of domestic political turbulence. It is no exaggeration to state that this is arguably the country's most important policy reform during the democratic era. The work of the BSP has also been supported by greater fiscal prudence for most of this period, and a better supervised financial system.

This greater macroeconomic prudence resulted in the Philippines having substantial economic buffers as the COVID-19 crisis hit.[25] It had more fiscal and monetary policy space than many developing economies, and it was able to embark on both a

---

[24] These estimates were prepared by Oxford Economics, as reported in *The Economist*, (15 December 2020). For further explanation of the assumptions and methodologies, see https://www.economist.com/graphic-detail/2020/12/15/which-economies-are-most-vulnerable-to-covid-19s-long-term-effects. The Nikkei COVID-19 Recovery Index reaches a similar conclusion, ranking the Philippines 106 (lowest) out of 120 countries (https://asia.nikkei.com/Spotlight/The-Big-Story/Nikkei-COVID-19-Recovery-Index).

[25] For example, according to one widely referred to set of pre-crisis macroeconomic vulnerability indicators, the Philippines ranked sixth lowest (that is least vulnerable) among 66 developing countries. (See the set of indicators in *The Economist*, 2 May 2020.)

substantial fiscal stimulus (at least by developing country standards) and lax monetary policy settings without unduly alarming international financial markets. The government's two major fiscal packages in 2020 were the equivalent of almost 5 per cent of GDP, while the BSP lowered interest rates progressively by two percentage points, as well as eased bank reserve requirements and did other monetary loosening measures (IMF 2021). The BSP also effectively navigated through the period of financial market volatility in March 2020. It followed international practice by resorting to unconventional monetary policy measures that involved the purchase of government securities on the secondary market.

As the pandemic is brought under control and economic recovery sets in, there will need to be a return to fiscal and monetary policy orthodoxy. Large fiscal deficits during emergency periods with exceptionally low global interest rates make sense, but it is important that these deficits do not become embedded in the Philippine political economy. In 2020, the government ran a fiscal deficit of 7.6 per cent of GDP, which is likely to rise further in the near future. As a result, public debt rose from a comfortable 37 per cent of GDP immediately prior to the pandemic to 52 per cent at the end of 2020, with further increases inevitable. Though hardly alarming, these large deficits will need to have a cap, before they become politically irresistible. Moreover, global interest rates will eventually normalize, possibly suddenly as in the 2013 "taper tantrum" episode. The political appetite for extravagant spending inevitably invites waste and corruption. In recent memory, the country's senior policymakers have experienced the trauma of capital flight, sharply rising country risk premiums and IMF rescue packages. It would be a tragedy to undermine the country's hard-won reputation for fiscal probity and the BSP's independence and professionalism.

### 8.2 Economic openness

More open economic policies have been gradually introduced since the late 1980s, overturning the earlier and prolonged period of comprehensive import substitution. The merchandise trade regime, in particular, has become more open, driven by the intensive and prolonged analytical work undertaken by many of the country's leading economists, which gradually penetrated the policy and business worlds and found political champions.[26] Even reform in the highly politicized rice sector is finally underway as the process of tariffication of trade barriers proceeds (Tolentino 2021).

Reform at the borders has been accompanied by reform behind borders. Major microeconomic reforms that dismantled long-established monopolies were introduced during the Ramos presidency, and these have been maintained. Fortunately, the traditionally closed telecommunications sector was liberalized just in time for the country to exploit opportunities in internationally traded services in that sector. Without them, the BPO success story would not have been possible.

More recently, competition reforms were reinforced with the passage of the Philippine Competition Act (PCA) in 2015 and the consequent establishment of the Philippine Competition Commission (PCC) the following year. This development is

[26] See Bautista and Tecson (2003) and Sicat (2014). Romeo Bautista and Gerardo Sicat have long been influential advocates of trade policy reform, both in their writings and being senior government officials.

significant considering that, while a comprehensive competition law and policy have been recognized as a key component of the country's economic reform agenda, it took Congress a quarter of a century to pass what would eventually become the PCA. The long delay reflects the political influence of the oligarchs and interest groups representing highly concentrated industries and markets with significant barriers to entry. Then President Benigno Aquino used his political capital to put in place this critical missing element of the reform agenda to promote a level playing in the marketplace, thereby sustaining the economic momentum and making growth more inclusive.

Nevertheless, reform of the trade and investment regimes remains incomplete. As Table 6 illustrates, the Philippines is a less open economy than several of its neighbours. Pockets of resistance to trade liberalization persist, mainly in agriculture and services. The foreign investment regime remains one of the most restrictive in developing Asia, according to the OECD's FDI policy index—as Gerardo Sicat has frequently noted, in part owing to constitutional restrictions on foreign ownership. As a result, realized FDI is considerably lower than most of its neighbours. This factor explains why, since around 2000, the country has been missing out on extensive commercial opportunities in the dominant global production networks of East Asia, as is evident in Table 3 above and is explained in great detail by Athukorala (2021).[27]

---Table 6 about here---

8.3 Institutions and governance

Building stronger and more resilient institutions is a long-term process. Here, too, the Philippines has made some progress, albeit with a substantial ongoing reform agenda. The most important achievement has, of course, been the introduction of democratic reforms, resulting in the establishment of reasonably open and competitive political processes at both the national and local levels, since 1986 and 1992, respectively. All six presidents in the post-Marcos era have enjoyed democratic legitimacy, with the controversial exception of President Macapagal-Arroyo's assumption of power in 2001. Since around 1990, the military has returned to the barracks, with every prospect forever. Relatively independent professional agencies in key policy areas, such as the BSP and the PCC, have been established.

To be sure, this is an evolutionary process, as the extensive Philippine literature has emphasized.[28] Dynastic politics remains a powerful force at all levels of government. Political patronage and corruption remain ever-present challenges. There has yet to be a sweeping reform of the civil service. Although the Philippines is in some respects a "weak state" (for example, as measured by its tax/GDP ratio), the power of popular presidents is such that they can introduce far-reaching policy decisions

[27] There is some tangential evidence that Philippine start-ups lag some neighbouring economies. The hypothesis is that the restrictive FDI regime and the alleged entrenched power of conglomerates have been stifling factors. This interesting avenue for future research is the subject of frequent commentary in the financial press. See, for example, https://www.ft.com/content/aa5a3394-f775-490b-b4ff-d8f7573138e0?desktop=true&segmentId=7c8f09b9-9b61-4fbb-9430-9208a9e233c8#myft:notification:daily-email:content.

[28] See for example De Dios and Williamson (2015), Capuno (2020), Fabella (2018), Mendoza and Olfindo (2018), and Mendoza et al. (2015).

unilaterally, with limited checks and balances. For example, as Deinla and Reyes (2021) put it, judicial politics appear to have been driven as much by decisions taken by powerful political interests as by the Supreme Court itself. Furthermore, whilst geographically localized, peace in the decades-long conflict zones of Mindanao appears to be as elusive as ever (Hutchcroft 2016). And while the media is comparatively open, it has been the subject of frequent political assaults. Various international media monitors—for instance, the RSF's (Reporters Without Borders) World Press Freedom Index—have regularly ranked the Philippines as a comparatively unsafe country for journalists.

Writing two decades ago, primarily with reference to the reformist Ramos presidency, De Dios and Hutchcroft (2003, 57–59) identified four areas of reform (our summary of their arguments in parentheses): economic liberalization (substantial); stronger institutional foundations for development (difficult, some progress); redistributive measures and transfers (some progress, albeit slow and uneven); and reform of political and democratic structures (limited, and where the president "consistently had to rely on old-style pork barrel politics in order to promote new-style economics", p. 58). With the exception of the third area, where the reforms appear to be durable, their characterization of the country's institutional development is broadly applicable to current-day Philippines.

Measuring institutional quality is an inherently hazardous, subjective and controversial exercise. The relationship between institutional development and economic development is obviously an interactive one with bidirectional causality (contrary to the "institutions rule" school of thought). With these caveats, among the extensive menu of offerings, the World Governance Indicators (WGI) are the most widely used indicators. They are comparative, comprehensive, available over a reasonably long period and accessible to public scrutiny. They also attempt to "unpack" institutions into diverse components: voice and accountability, political stability, government effectiveness, regulatory quality, control of corruption and rule of law. Figure 7 presents the results for the Philippines and four ASEAN neighbours over the period 1996–2019.

---Figure 7 about here---

The indicators for the Philippines are fairly stable, generally as expected and mostly accord with priors. The rankings for economic governance indicators are typically similar to other countries in this income group. Along with Indonesia, the Philippines ranks highest for political governance (the voice and accountability indicator, in particular), apart from the period of political turbulence early in the twenty-first century and the recent decline. The country ranks rather low on government effectiveness and rule of law, but somewhat higher on regulatory quality and control of corruption. An obvious limitation of these indicators during the pandemic is that they miss key vulnerabilities related to a specific crisis. As argued above, for example, the Philippine record of macroeconomic management has been competent, but weaknesses in the public health system have been very evident.

For what the data are worth, therefore, the major conclusion is that democracy has been sustained, but it has yet to deliver a significant improvement in overall institutional quality, particularly in economic governance. Reassuringly, this is consistent with the literature referred to in footnote 28.

8.4 Accelerating the transition to the digital economy

The COVID-19 pandemic has highlighted the crucial importance of the digital economy; it also greatly accelerated its use. Internet usage has a dominant presence in the Philippines, from the BPO sector to various forms of social media that bring together the vast international Filipino diaspora. The country is reportedly one of the world's highest users of Facebook on a per capita basis. During the crisis, the internet became indispensable everywhere for remotely running offices and households and enabling communities to stay in touch with each other while in lockdown. People have been able to work, school and shop from home. While the face-to-face contact will resume after the pandemic, many of these trends are now entrenched and will define much of the future economic and societal intercourse.

The challenge for the Philippines is to ensure that the benefits of the digital economy are available to everybody, regardless of socio-economic status, occupation and geographical location. Currently they are not. The pandemic has exposed and highlighted the country's large digital divide. Manila's middle-class households may have been able to work from home, have their children educated via the internet, avail of tele-health, and have food delivered to their doorstep, but poor households in Western Mindanao—and many other regions—have not been as fortunate. The adults have been forced to work outside the house, exposing them to heightened health risks, and the children have missed out on schooling, both because of weak or non-existent home internet (and electricity, in many cases) and because the public school they attend does not have the resources to quickly adapt to digital learning. In other words, the digital divide has exacerbated the country's pre-existing socio-economic and spatial inequalities.

The Philippine digital economy is unrecognizable from that of 30 years ago when Singapore Prime Minister Lee acerbically quipped that "98% of Filipinos are waiting for a telephone, and the other 2% are waiting for a dial tone." As noted, the country has been able to support one of the developing world's most vibrant and innovative BPO sectors. But it is underperforming on both efficiency and equity grounds. Table 7 provides some comparisons with other middle-income ASEAN countries. The Philippines has the lowest internet penetration, well below all but Indonesia. Its fixed broadband network has limited coverage, is costly and slow compared with all of its neighbours, except Indonesia. Its mobile network performs better, but still lags behind ASEAN middle-income best practice. Moreover, these figures do not draw out the inequality of internet provision, both between households and within the business sector and between the major corporates and small and medium-sized enterprises. For instance, the 2019 survey of the Philippine Statistics Authority found that internet access is 20 percentage points higher in urban than in rural areas. The difference is even larger—roughly 40 percentage points—between the National Capital Region (NCR) and the country's poorest region, the Bangsamoro Autonomous Region.

---Table 7 about here---

Central to the digital reform agenda is a policy framework that treats digital access analogously to universal public utilities and services. That is, the entire population should be entitled to quality internet services in the same way that it is entitled to at least basic literacy skills and access to a road and port network. The enabling technology is already available to meet such an objective. A first-best solution is arguably a competitive telecommunications service, overseen by a regulator that guards against anticompetitive behaviour. In this context, the entry of a third telecommunications supplier and the enactment of a “portability” law are a welcome start. This development needs to be complemented by a comprehensive open-access reform involving data transmission services, spectrum management, and rules on firms with substantial market power in the telecom industry. In addition, measures are needed to facilitate access for low-income and remote households, through direct subsidy, community service obligations or some other arrangements.

## 8.5 Transforming the health sector

The COVID-19 crisis has starkly illustrated the old adage that societies are “only as strong as their weakest link”. Strong, inclusive public health systems and universal access to at least basic healthcare are therefore central to the management of the pandemic, and future pandemics.

The crisis has highlighted well-known vulnerabilities in the Philippine health system. The strength of the country’s top-end medical education system is illustrated by the huge number of Philippine health professionals working abroad. The sizeable pockets of cost-effective, international-quality medical services have supported the country’s growing “medical tourism” industry. However, the bottom third of the urban population and the majority of the rural areas rely on a weak, underfunded, decentralized public health system. Not surprisingly, the public health system was quickly overwhelmed at the onset of the pandemic, even as the country, like the rest of the world, imposed lockdowns to contain the spread of infections. Evidently, short-term measures cannot address decades of underinvestment in the health system and governance issues. More than a year and a half after the initial lockdowns, the country continues to struggle with comparatively high rates of infections and deaths. The indications are that the country's capacity to test, trace and treat infections remains a huge challenge. Limited supply and local-national government and public-private sector coordination issues have also hampered a quick implementation of an effective vaccination programme.

In their comprehensive pre-pandemic survey of the Philippine health sector, Banzon and Ho (2018) recognize the gradual improvements in the country’s health indicators, but point to many challenges, some of which became evident during the pandemic. They argue that “what seems to be lacking is a clearly articulated, aspirational and unified vision for the system” (p. 204). They also document the spatial and socio-economic inequalities. For example, the top quintile of households and the wealthiest region (NCR) have infant mortality rates that are similar to those of much wealthier countries, while the lowest quintile and poorest regions have rates that resemble very low-income countries. Poor households also face out-of-pocket expenses that are frequently prohibitive.

Table 8 provides some comparative health indicators. The disability-adjusted life expectancy in the Philippines has been slowly improving for both males and females, while total health expenditure per capita and its share in total government expenditure are similar to comparable middle-income countries (but less than half that of Thailand). As a proportion of total health spending, the country's out-of-pocket health expenditures is one of the highest. This arises because PhilHealth is only able to cover a fraction of the cost of hospital care—about 35-40 per cent in government hospitals and lower in private hospitals—and poorer households have little or no top-up private health insurance.

---Table 8 about here---

The Philippine health system is therefore clearly in need of a major reform, recognizing also that there are no "quick fixes". As Banzon and Ho (2018) point out, it needs more resources, a clearer delineation of functions between the national and local governments and between the public and private sectors, and a special focus on high-burden diseases such as tuberculosis. Given the public-good nature of health conditions, there needs to be greater attention to equitable health outcomes to ensure universal access to essential health services. Health-service provision also needs to be more closely integrated with the national system of social protection.

8.6 Rebuilding the educational system and overcoming scarring

In a society with persistently high levels of wealth and income inequality, education has always been the key to social mobility in the Philippines. The country continues to have among the region's highest enrolment ratios at all levels. This educational strength, combined with widespread English-language proficiency, has underpinned the country's strength in internationally traded services, from BPOs to international employment. Compared with its middle-income neighbours, the Philippines continues to perform quite well on some education indicators, including expenditure levels and school completion rates (Table 9). However, it lags on quality indicators, in most cases by a significant margin. The OECD's Programme for International Student Assessment (PISA) test scores for maths, science and reading in Table 9[29] show that the Philippines ranks the lowest in all three areas; the gap between latecomer Vietnam is particularly pronounced.

---Table 9 about here---

The key contemporary challenge is to maintain what remains of the educational advantage, as other countries aspire to catch up. The authoritative analysis by Villamil (2018) identifies several areas where the country's educational advantage is eroding, and where "greater effort" is required: broadening educational access, especially for the poor; raising educational quality at all levels; improved pedagogic techniques, making the system more relevant to a rapidly changing, globalized economy; and greater emphasis on innovation. With regard to the first of these challenges, schooling cohort survival rates vary sharply across socio-economic classes, while tertiary education is typically beyond the reach of poor families. The

[29] The comparative rankings for TIMMS, the other major international testing programme, are broadly similar.

school system also needs to be fully integrated with the conditional cash transfer programme to address the problem of dropouts among poor families.

The pandemic has brought these underlying problems into sharp relief. As noted, unequal internet access has exacerbated pre-existing inequalities. Many children without effectively functioning home internet, or enrolled in a school that is unable to make provision for home schooling, have missed out on over a year's schooling. Given that only four of every ten Filipinos have access to the internet, the vast majority of children, especially in rural areas, have lost schooling opportunities. The loss is very likely to result in a permanent loss of lifetime human capital as these children will enter the labour market on a permanently lower skills trajectory. According to the ADB's estimates covering the period February 2020–April 2021, students from developing Asia stand to lose from the pandemic-induced school closure an average of US$180 per year, or about a 2.4 per cent decline in their future productivity and lifetime earnings.[30] [31] As widely reported in the media,[32] given that the Philippines has had one of the most prolonged and severe school closures, and that the lockdowns are likely to extend throughout 2021, this is likely to be an underestimate.

## 8.7 More effective social protection

The Philippine system of conditional cash transfers has been the country's major social policy innovation this century.[33] The Pantawid Pamilyang Pilipino Program (or 4Ps) is designed to overcome poverty by incentivizing poor households to keep their children in school and to avail of health services. As in its neighbours and most developing countries, these programmes are modest in scale and of relatively recent origin. Table 10 provides an approximate comparative picture. According to these estimates, the Philippines spends less than 1 per cent of GDP on social assistance programmes, as do its middle-income neighbours. However, the transfers are significant for the recipients, equivalent to more than one-tenth of their incomes. The country's targeting also appears to be among the most effective in the region.

---Table 10 about here---

These programmes were designed to achieve incremental social improvements in an era of steady economic growth and sound fiscal settings. They were never designed to be a crash welfare programme when many households beyond the bottom 40 per cent group fell on hard times. Hence, the emergency fiscal stimulus measures of 2020 and 2021 had to employ quick disbursements, without recourse to the targeting and conditionality that are cornerstones of the 4Ps. In the post-COVID environment, the major policy priority will be to revert to the pre-existing objectives and modalities, to develop a more comprehensive national identification system, and to continue to

---

[30] See ADB, "Learning and Earning Losses from COVID-19 School Closures in Developing Asia", a Special Topic of ADB (2021).
[31] In a similar vein, according to World Bank estimates for Latin America, the ten months of lost schooling will result in an average loss of lifetime earnings of US$24,000 in these countries. See "Latin America's silent tragedy", *The Economist* (19 June 2021).
[32] See, for example, "With Schools Closed, Covid-19 Deepens a Philippine Education Crisis", *The New York Times* (13 September 2021).
[33] See for example Orbeta and Paqueo (2016) and World Bank (2021), and references cited therein.

focus on improved targeting. Given the modest scale, expanded funding would also be desirable, while recognizing that the government's fiscal parameters will be constrained.

## 9 Summing Up

The 75 years of Philippine independence have witnessed incremental progress on the basis of some hard-learnt lessons of economic development and policy. Indeed, one of us has summarized the Philippine development imperative as follows: "We could not allow ourselves to be left behind, to remain a laggard in an otherwise highly dynamic, rapidly growing and prospering region. We needed to reshape our future …" (Balisacan 2018, *xx*) This is a positive story of the country's polity and officials learning from the past, selectively absorbing policy advice, and innovating when the political space facilitated policy reform.

Prior to the COVID-19 pandemic, the economy was reliably achieving annual GDP growth rates of 5–6 per cent, or approximately 3–4 per cent in per capita terms. This was putting the country on course to graduate to the ranks of the upper middle-income group of countries in the very near future, and for membership in the high-income group to no longer be a remote possibility. A simple numeric calculation illustrates these assertions. In the absence of the COVID-19 crisis and assuming plausible lower and upper bound per capita GDP growth rates of 2 per cent and 4 per cent, respectively, the Philippines would have joined the upper middle-income group sometime between 2021 and 2023, and the high-income group between 2049 and 2079. Consistently faster growth rates will obviously bring these estimates forward.[34]

Gazing into the future, the economics profession admittedly has a poor track record of forecasting beyond the very short-run. The early promises of the growth econometrics literature have not been realized (Pritchett 2018). Nevertheless, there is general agreement on growth-conducive factors: more open economies generally grow faster; economies with prudent macroeconomic management are less crisis-prone, thus, the growth process is less likely to be interrupted; inclusive growth is more likely to generate more stable polities; and stronger institutions are more likely to provide the basis for open, participatory governance and economic security for investors. These highly stylized propositions provide the basis for our concluding narrative. We have argued that the Philippines increasingly parted company from its high growth neighbours from the late 1970s owing to a combination of inward-looking economic policies, adventurous macroeconomic management, blatant cronyism and corruption, and a failure to address deep-seated inequalities. The economic revival starting in the 1990s has been achieved mainly because these obstacles to development have been at least partly addressed, especially the first two.

If we had completed this paper in 2019, we would have concluded on a cautiously optimistic note. Across the country's three major episodes over three-quarters of a century, there have been both continuities and changes. Change is obviously the key

[34] These calculations are based on gross national income (GNI) estimates using the World Bank Atlas method of computation. The 2019 (arbitrary) cut-off points for the upper middle- and high-income groups were US$4,125 and US$12,536, respectively.

message of this paper: not just in the highly variable development outcomes, but more importantly, in the major policy lessons absorbed and the reforms they triggered. “From Evidence to Policy” is how the authors who summarized the work of the country’s leading development policy research institute characterized the process (Llanto, Paqueo, and Orbeta 2018). To be sure, some of the continuities remain: deeply entrenched poverty, conflict, a relatively narrow economic base, sluggish formal sector employment growth and the complexities of bureaucratic reform, to name just a few. But these are not insuperable barriers, as the record of twenty-first century progress attests.

The challenge now is to overcome the COVID-19 pandemic as quickly as possible and to return to the pre-existing development trajectory. The pandemic has set the country back at least four years. That is, a 9 per cent decline in GDP (about 11% in per capita terms) is equivalent to three or four years of strong growth. So, the country is back to around 2016 income levels. It is unclear at the time of this writing how quickly the economy will recover. The relatively slow vaccination rollout and the serious global inequities between rich and poor countries in vaccine availability suggest that the recovery may be slow. Certainly, the country will have to deal with further “unknown unknowns”, whether in the form of really serious regional geo-strategic conflict or catastrophic climate events. But if a society can recover from the seemingly hopeless outlook that prevailed in the Philippines in the mid-1980s, these challenges could also be overcome.

## References


ADB (Asian Development Bank). 2011. *Asia 2050: Realizing the Asian Century*. Manila: ADB.

ADB (Asian Development Bank). (2021), Asian Development Outlook 2021. Manila: ADB.

Athukorala, P.C. 2021. “The Philippines in Global Manufacturing Value Chains: A Tale of Arrested Growth”. Unpublished paper, Australian National University.

Baldwin, R. E. 1975. *Foreign Trade Regimes and Economic Development: The Philippines*. New York: Oxford University Press for the NBER.

Balisacan, A. M. 2015. “The Growth-Poverty Nexus: Multidimensional Poverty in the Philippines”. In *Sustainable Economic Development: Resources, Environment and Institutions*, edited by A. M. Balisacan, U. Chakravorty, and M. L. V. Ravago, pp. 445–68. Amsterdam: Elsevier.

Balisacan, A. M. 2018. Foreword to *The Philippine Economy: No Longer the East Asian Exception?*, edited by R. L. Clarete, E. F. Esguerra, and H. Hill. Singapore: Institute of Southeast Asian Studies.

Balisacan, A. M., and H. Hill, eds. 2003. *The Philippine Economy: Development, Policies, and Challenges*. New York: Oxford University Press.

Banzon, E. and B.L. Ho (2018), "Universal Health Coverage, Health Security and Resilient Health Systems". In *The Philippine Economy: No Longer the East Asian Exception?*, edited by R. L. Clarete, E. F. Esguerra, and H. Hill, pp. 190-230. Singapore: Institute of Southeast Asian Studies.

Bautista, R., and G. Tecson. 2003. "International Dimensions". In *The Philippine Economy: Development, Policies, and Challenges*, edited by A. M. Balisacan and H. Hill, pp. 136–71. New York: Oxford University Press.

Capuno, J. J. 2020. "Dutertenomics: Populism, Progress, and Prospects". *Asian Economic Policy Review* 15, no. 2: 262–79.

Clarete, R. L. 2018. "Economic Growth and Poverty Reduction". In *The Philippine Economy: No Longer the East Asian Exception?*, edited by R. L. Clarete, E. F. Esguerra, and H. Hill, pp. 53–111. Singapore: Institute of Southeast Asian Studies.

Clarete, R. L., E. F. Esguerra, and H. Hill, eds. 2018. *The Philippine Economy: No Longer the East Asian Exception?* Singapore: Institute of Southeast Asian Studies.

De Dios, E. S., and P. D. Hutchcroft. 2003. "Political Economy". In *The Philippine Economy: Development, Policies, and Challenges*, edited by A. M. Balisacan and H. Hill, pp. 45–73. New York: Oxford University Press.

De Dios, E. S., and J. G. Williamson. 2015. "Deviant Behavior: A Century of Philippine Industrialization". In *Sustainable Economic Development: Resources, Environment and Institutions*, edited by A. M. Balisacan, U. Chakravorty, and M-L. V. Ravago, pp. 371–99. Amsterdam: Elsevier.

Deinla, I., and M. L. Reyes. 2021. "The Politics of Impeachment and Judicial Leadership in the Philippine Supreme Court". Unpublished paper.

Dohner, R. S., and P. Intal. 1989. "The Marcos Legacy: Economic Policy and Foreign Debt in the Philippines". In *Developing Country Debt and Economic Performance*, volume 3, edited by J. D. Sachs and S. M. Collins, pp. 371–614. Chicago: University of Chicago Press.

Fabella, R. V. 2018. *Capitalism and Inclusion under Weak Institutions*. Diliman, Quezon City: University of the Philippines Center for Integrative Studies.

Golay, F. H. 1961. *The Philippines: Public Policy and National Economic Development*. Ithaca, NY: Cornell University Press.

Hill, H. 2021. "Indonesia and the COVID-19 Crisis: A Light at the End of the Tunnel?". In *Economic Dimensions of COVID-19 in Indonesia. Responding to* *the Crisis*, edited by B. D. Lewis and F. Witoelar, pp. 5–23 Singapore: Institute of Southeast Asian Studies.

Hooley, R. 1968. “Long-Term Economic Growth of the Philippine Economy, 1902-1961”. *Philippine Economic Journal* 7, no. 1.

Hutchcroft, P. 1998. *Booty Capitalism: The Politics of Banking in the Philippines*. Ithaca, NY: Cornell University Press.

Hutchcroft, P., ed. 2016. *Mindanao: The Long Journey to Peace and Prosperity*. Manila: Anvil.

ILO (International Labour Office). 1974. *Sharing in Development: A Program of Employment, Equity and Growth for the Philippines*. Geneva: ILO.

IMF (International Monetary Fund). 2021. “Philippines”. Staff Report for the 2021 Article IV Consultation, IMF, Washington, DC.

Kay, J., and M. King. 2020. *Radical Uncertainty. Decision-making for an Unknowable Future*. London: Bridge Street Press.

Lin, J. Y. 2017. “Industrial Policies for Avoiding the Middle-Income Trap: A New Structural Economics Perspective”. *Journal of Chinese Economic and Business Studies* 15, no. 1: 5–18.

Llanto, G. M., V. B. Paqueo, and A. C Orbeta, eds. 2018. *From Evidence to Policy: Celebrating 40 Years of Policy Research*. Quezon City: Philippine Institute for Development Studies.

Mendoza, R. U., E. L. Beja, J. C. Teehankee, A. G. M. La Vina, and M. F. Vallamejor-Mendoza, eds. 2015. *Building Inclusive Democracies in ASEAN*. Manila: Anvil.

Mendoza, R. U., and R. Olfindo. 2018. “Governance and Institutions”. In *The Philippine Economy: No Longer the East Asian Exception?*, edited by R. L. Clarete, E. F. Esguerra, and H. Hill, pp. 375–417. Singapore: Institute of Southeast Asian Studies.

Monsod, T. C., and M. S. Gochoco-Bautista. 2021. “Rethinking ‘Economic Fundamentals’ in an Era of Global Physical Shocks: Insights from the Philippine Experience with COVID-19”. *Asian Economic Papers* 20, no. 1: 109–40.

Morawetz, D. 1977. *Twenty-Five Years of Economic Development, 1950 to 1975*. Washington, DC: World Bank.

Noland, M. 2000. “The Philippines in the Asian Financial Crisis: How the Sick Man Avoided Pneumonia”. *Asian Survey* 40, no. 3: 401–12.

Orbeta, A., and V. Paqueo. 2016. “Pantawid Pamilyang Pilipino Program: Boon or Bane?”. *Discussion Paper Series No. 2016-56*. Makati: Philippine Institute for Development Studies.

PHDR (Philippine Human Development Report). 2021. *Philippine Human Development Report 2020-21*. Quezon City: Human Development Network. https://www.hdn.org.ph/2020-2021-philippine-human-development-report/.

Power, J. H., and G. P. Sicat. 1971. *The Philippines: Industrialization and Trade Policies*. Oxford: Oxford University Press.

Pritchett, L. 2003. “A Toy Collection, a Socialist Star, and a Democratic Dud? Growth Theory, Vietnam, and the Philippines”. In *In Search of Prosperity: Analytical Narratives on Economic Growth*, edited by D. Rodrik, pp. 123–51. Princeton: Princeton University Press.

Pritchett, L. 2018. “Knowledge or Its Adoption?”. *CGD Note*. Washington, DC: _Center for Global Development.

Ravallion, M. 2016. *The Economics of Poverty: History, Measurement and Policy*. Oxford: Oxford University Press.

Remolona, E. M., M. Mangahas, and F. Pante. 1986. “Foreign Debt, Balance of Payments, and the Economic Crisis of the Philippines in 1983-84”. *World Development* 14, no. 8: 993–1018.

Rodlauer, M., P. Loungani, V. Arora, C. Christofides, E. G. de la Piedra, P. Kongsamut, K. Kostial, V. Summers, and A. Vamvakidis. 2000. “The Philippines: Towards Sustainable and Rapid Growth”. *IMF Occasional Paper 187*. Washington, DC: International Monetary Fund. https://www.imf.org/external/pubs/nft/op/187/.

Sicat, G. P. 1985. “A Historical and Current Perspective of Philippine Economic Problems”. *Philippine Economic Journal* 24, no. 1: 24–63.

Sicat, G. P. 1999. “The Philippine Economy in the Asian Crisis”. In *Southeast Asia’s Economic Crisis: Origins, Lessons, and the Way Forward*, edited by H. W. Arndt and H. Hill, pp. 41–50. Singapore: ISEAS.

Sicat, G. P. 2014. *Cesar Virata. Life and Times through Four Decades of Philippine Economic History*. Quezon City: University of the Philippines Press.

The Economist. 2020. “Which Economies are Most Vulnerable to COVID-19’s Long-Term Effects?”. *The Economist*, 15 December 2020. https://www.economist.com/graphic-detail/2020/12/15/which-economies-are-most-vulnerable-to-covid-19s-long-term-effects (accessed 1 September 2021).

Tolentino, V. B. J., and B. M. de la Pena. 2021. “The Long-Delayed Reform of Rice Policy in the Philippines”. Unpublished paper.

Villamil, W. 2018. “Education and Training”. In *The Philippine Economy: No Longer the East Asian Exception?*, edited by R. L. Clarete, E. F. Esguerra, and H. Hill, pp. 151–89. Singapore: Institute of Southeast Asian Studies.

World Bank. 2021. *Philippines Economic Update: Navigating a Challenging Recovery*. Manila: World Bank.

## Table 1. Comparative Asian economic performance (1940–2010)

GDP per capita (constant 2011$)

| Country | 1940 | 1950 | 1960 | 1970 | 1980 | 1990 | 2000 | 2010 |
|---|---|---|---|---|---|---|---|---|
| Philippines | 2,402 | 1,706 | 2,353 | 2,812 | 3,787 | 3,502 | 4,034 | 5,694 |
| | | | | | | | | |
| Indonesia | 1,766 | 1,280 | 1,613 | 1,882 | 2,981 | 4,007 | 5,384 | 8,386 |
| Malaysia | 2,037 | 2,485 | 2,439 | 3,314 | 5,829 | 8,179 | 13,475 | 18,574 |
| Thailand | *1,317 | 1,302 | 1,718 | 2,700 | 4,071 | 7,385 | 9,627 | 13,344 |
| Vietnam | n.a. | 1,049 | 1,274 | 1,172 | 1,207 | 1,634 | 2,773 | 4,572 |
| | | | | | | | | |
| China | *1,003 | 799 | 1,057 | 1,398 | 1,930 | 2,982 | 4,730 | 9,658 |
| India | 1,093 | 987 | 1,200 | 1,384 | 1,495 | 2,087 | 2,753 | 4,526 |

Note: Data are for 1938.
Source: Maddison Project Database, University of Groningen (https://www.rug.nl/ggdc/historicaldevelopment/maddison/releases/maddison-project-database-2020?lang=en, accessed 1 September 2021).

## Table 2. Comparative Asian growth rates (1960–2019)

Relative GDP per capita

| | 2019/2000 | 2019/1980 | 2019/1960 |
|---|---|---|---|
| Philippines | 2.0 | 1.9 | 3.0 |
| | | | |
| Indonesia | 2.1 | 3.6 | 6.5 |
| Malaysia | 1.8 | 3.8 | 9.2 |
| Thailand | 1.9 | 4.6 | 11.4 |
| Vietnam | 2.7 | n.a. | n.a |
| | | | |
| China | 4.7 | 23.8 | 43.0 |
| India | 2.6 | 5.1 | 6.5 |

Source: World Development Indicators, World Bank (https://databank.worldbank.org/source/world-development-indicators, accessed 1 September 2021).

**Table 3. Comparative ASEAN manufactured export performance (1990–2019)**

| Global market shares (%) | 1990 | 2000 | 2010 | 2019 |
|---|---|---|---|---|
| Electronics parts and components | | | | |
| Philippines | neg. | 3.20 | 1.38 | 1.13 |
| Indonesia | 0.04 | 0.89 | 0.58 | 0.40 |
| Malaysia | 2.37 | 4.91 | 4.26 | 2.42 |
| Thailand | 1.24 | 2.06 | 2.78 | 1.93 |
| Vietnam | neg. | 0.13 | 0.48 | 3.87 |
| Electronics final products | | | | |
| Philippines | neg. | 0.85 | 0.55 | 1.67 |
| Indonesia | 0.06 | 0.53 | 0.61 | 0.31 |
| Malaysia | 2.23 | 4.49 | 3.12 | 3.47 |
| Thailand | 0.78 | 1.74 | 1.77 | 1.24 |
| Vietnam | neg. | 0.01 | 0.33 | 3.01 |
| Garments | | | | |
| Philippines | 0.67 | 1.40 | 0.33 | 0.22 |
| Indonesia | 1.65 | 2.60 | 2.04 | 1.93 |
| Malaysia | 1.30 | 1.22 | 1.15 | 1.26 |
| Thailand | 2.79 | 2.06 | 1.29 | 0.87 |
| Vietnam | neg. | 0.99 | 3.09 | 6.87 |
| Footwear | | | | |
| Philippines | 0.29 | 0.22 | 0.01 | 0.09 |
| Indonesia | 2.08 | 4.60 | 3.08 | 3.34 |
| Malaysia | neg. | neg. | neg. | neg. |
| Thailand | 2.75 | 2.24 | 1.02 | 0.43 |
| Vietnam | neg. | 4.17 | 6.49 | 14.20 |

Note: "neg." denotes a non-zero but negligible share.
Source: UN Comtrade Database, United Nations (https://comtrade.un.org/, accessed 1 September 2021).

**Table 4. Comparative headcount poverty estimates (2019–21)**

| Poverty headcount ratio at 3.2 PPP$ per day (%) | | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Philippines | 23.06 | 29.96 | 27.86 |
| Indonesia | 19.95 | 23.89 | 22.44 |
| Vietnam | 5.69 | 5.53 | 4.64 |

Note: Poverty estimates for 2019 are directly taken from PovCalNet while those for 2020 and 2021 are computed using the same based on IMF July 2021 GDP forecasts and assuming that countries' Gini indices are unchanged.
Sources: Authors' estimates using PovCalNet and GDP projections from IMF; PovCalNet, World Bank (http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx, accessed 1 September 2021); World Economic Outlook Update July 2021, International Monetary Fund (https://www.imf.org/-/media/Files/Publications/WEO/2021/Update/July/English/data/WEOJuly2021update.ashx, accessed 1 September 2021).

**Table 5. Comparative impacts of the COVID-19 pandemic**

| Country | COVID-19 cases per million | COVID-19 deaths per million | Share of population vaccinated (%) | Average lockdown stringency | 2020 GDP growth estimate (%) | 2021 GDP growth forecast (%) |
|---|---|---|---|---|---|---|
| Philippines | 18,046.02 | 301.97 | 16.8 | 70.9 | -9.6 | 5.4 |
| Indonesia | 14,836.13 | 483.70 | 22.8 | 64.9 | -2.1 | 3.9 |
| Malaysia | 53,850.55 | 516.90 | 60.2 | 65.6 | -5.6 | 4.7 |
| Thailand | 17,354.39 | 169.28 | 33.5 | 56.0 | -6.1 | 2.1 |
| Vietnam | 4,823.63 | 120.89 | 17.7 | 64.8 | 2.9 | 6.5 |
| China | 65.77 | 3.21 | 74.3 | 72.6 | 2.3 | 8.1 |
| India | 23,547.17 | 315.07 | 35.7 | 71.9 | -7.3 | 9.5 |
| World | 27,731.36 | 576.85 | 39.6 | n.a. | -3.2 | 6.0 |

Note: "COVID-19 cases per million" and "COVID-19 deaths per million" only include confirmed cases and deaths, respectively. "Share of population vaccinated" denotes share of population who have received at least one dose of a COVID-19 vaccine. "Average lockdown stringency index" denotes average lockdown stringency index, as computed by Oxford University, from the time of first imposition of a movement restriction to 1 September 2021.
Sources: Our World in Data, Global Change Data Lab (https://ourworldindata.org/coronavirus, accessed 1 September 2021); World Economic Outlook Update July 2021, International Monetary Fund (https://www.imf.org/-/media/Files/Publications/WEO/2021/Update/July/English/data/WEOJuly2021update.ashx, accessed 1 September 2021).

**Table 6. Comparative economic openness (2019)**

| Country | Trade/ GDP (%) | Weighted ave. tariff rate (%) | | FDI stock/ GDP (inward, %) | FDI restrictiveness index (1=closed) |
|---|---|---|---|---|---|
| | | All products | Primary products | | |
| Philippines | 68.84 | 1.68 | 4.00 | 24.10 | 0.37 |
| | | | | | |
| Indonesia | 37.45 | 2.00 | 2.57 | 20.50 | 0.35 |
| Malaysia | 123.00 | 4.02 | 3.52 | 46.07 | 0.25 |
| Thailand | 109.63 | 3.52 | 5.72 | 46.94 | 0.27 |
| Vietnam | 210.40 | 1.66 | 2.71 | 60.98 | 0.13 |
| | | | | | |
| China | 35.84 | 2.53 | 1.64 | 12.44 | 0.24 |
| India | 39.39 | 6.59 | 5.72 | 13.95 | 0.21 |

Note: Tariff rate data for Thailand and Malaysia are from 2015 and 2016, respectively.
Sources: World Development Indicators, World Bank (https://databank.worldbank.org/source/world-development-indicators, accessed 1 September 2021); Organisation for Economic Co-operation and Development (https://data.oecd.org/fdi/fdi-restrictiveness.htm, accessed 1 September 2021).

## Table 7. Comparative ASEAN internet statistics

| | Total | Fixed broadband | | | Mobile broadband | | |
|---|---|---|---|---|---|---|---|
| Country | Population with internet access (%) | Subscribers per 100 people | Cost per GB (PPP$) | Global speed rank | Subscribers per 100 people | Cost per GB (PPP$) | Global speed rank |
| Philippines | 43.00 | 5.48 | 12.96 | 62nd | *68.44 | 7.48 | 75th |
| | | | | | | | |
| Indonesia | 47.70 | 3.80 | 19.93 | 116th | 81.21 | 8.09 | 104th |
| Malaysia | 84.20 | 9.28 | 9.96 | 47th | 126.55 | 13.87 | 89th |
| Thailand | 66.70 | 14.52 | 9.89 | 7th | 86.68 | 11.77 | 48th |
| Vietnam | 68.70 | 15.35 | 4.74 | 59th | 72.46 | 4.19 | 58th |

Note: "Global speed rank" denotes global ranking in terms of internet download speed as of June 2021, as determined by the Speedtest Global Index. The rest of data used are from the International Telecommunication Union (ITU) database 2019 update, except for "Mobile broadband subscribers per 100 people" for the Philippines, which is from 2017. Data on fixed broadband cost at 5GB and mobile broadband cost at 1.5GB were rebased at 1GB ("cost per GB") for comparison.
Sources: ICT Statistics, International Telecommunication Union (https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx, accessed 1 September 2021); Speedtest Global Index, Ookla (https://www.speedtest.net/global-index, accessed 1 September 2021).

**Table 8. Comparative ASEAN Health Indicators**

| Country | Health-adjusted life expectancy | | Total health spending per capita (PPP$) | Total health spending (% of GDP) | Out-of-pocket expenditure (% of total) |
|---|---|---|---|---|---|
| | Male | Female | | | |
| Philippines | 60.1 | 63.9 | 393.9 | 4.4 | 53.85 |
| Indonesia | 61.9 | 63.8 | 375.2 | 2.9 | 34.85 |
| Malaysia | 64.5 | 66.9 | 1,193.9 | 3.8 | 35.12 |
| Thailand | 65.9 | 70.6 | 722.7 | 3.8 | 11.01 |
| Vietnam | 62.4 | 68.3 | 440.2 | 5.9 | 44.90 |

Note: "Health-adjusted life expectancy" denotes the average number of years that a person can expect to live in "full health" by taking into account years lived in less than full health due to disease and/or injury. The reference year for "Health-adjusted life expectancy" is 2019 while the remaining statistics are from 2018.
Sources: Global Health Observatory, World Health Organization (https://www.who.int/data, accessed 1 September 2021); World Development Indicators, World Bank (https://databank.worldbank.org/source/world-development-indicators, accessed 1 September 2021).

**Table 9. Comparative ASEAN education indicators**

| Country | Basic education spending (% of GDP) | Basic education completion rate (%) | PISA mean performance | | |
|---|---|---|---|---|---|
| | | | Mathematics | Science | Reading |
| Philippines | 3.6 | 78.3 | 352.6 | 339.7 | 356.9 |
| Indonesia | 2.6 | 63.2 | 378.7 | 371.0 | 396.1 |
| Malaysia | 2.1 | n.a. | 440.2 | 415.0 | 437.6 |
| Thailand | 2.4 | 57.4 | 418.6 | 392.9 | 425.8 |
| Vietnam | 3.6 | 55.1 | 495.7 | 504.5 | 543.4 |

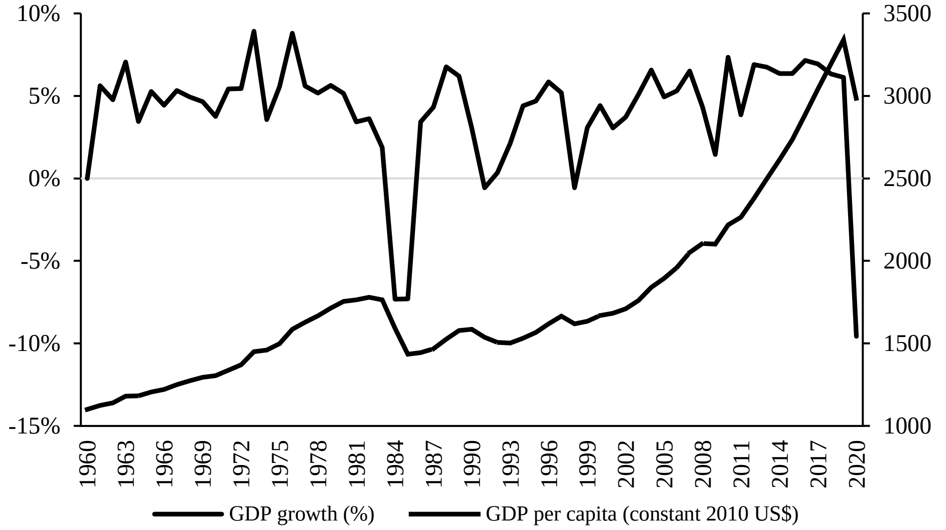
Note: "Basic Education Spending" refers to the total amount spent on primary and secondary education as a percentage of total GDP. "Basic Education Completion Rate" denotes the number of persons in the relevant age group who have completed the last grade of the given level of education and is expressed as a percentage of the total population (in the survey sample) of the same age group. Reference years for the Basic Education Completion Rate are as follows: Philippines (2018), Indonesia (2017), Thailand (2016) and Vietnam (2014), while all data points for Basic Education Spending and PISA Mean Performance are from 2018.
Source: EdStats, World Bank (https://databank.worldbank.org/source/education-statistics-%5E-all-indicators, accessed 1 September 2021).

**Table 10. Comparative social assistance—coverage, extent and targeting**

| Country | Total spending /GDP (%) | Coverage (%) | Extent of benefits (%) | Extent of benefits (1st quintile, %) | Beneficiary incidence (1st quintile, %) | Benefit incidence (1st quintile, %) |
|---|---|---|---|---|---|---|
| Philippines | 0.6 | 27.4 | 11.6 | 20.9 | 41.9 | 45.2 |
| Indonesia | 0.7 | 53.9 | n.a. | n.a. | 30.3 | n.a. |
| Malaysia | 0.7 | 82.8 | 1.7 | 6.5 | 22.7 | 20.8 |
| Thailand | 0.5 | 70.4 | 3.7 | 2.5 | 24.3 | 7.4 |
| Vietnam | 0.5 | 20.9 | 16.5 | 20.5 | 41.5 | 13.8 |
| Developing EA&P | 0.6 | 45.5 | 5.5 | 7.8 | 32.4 | 12.5 |

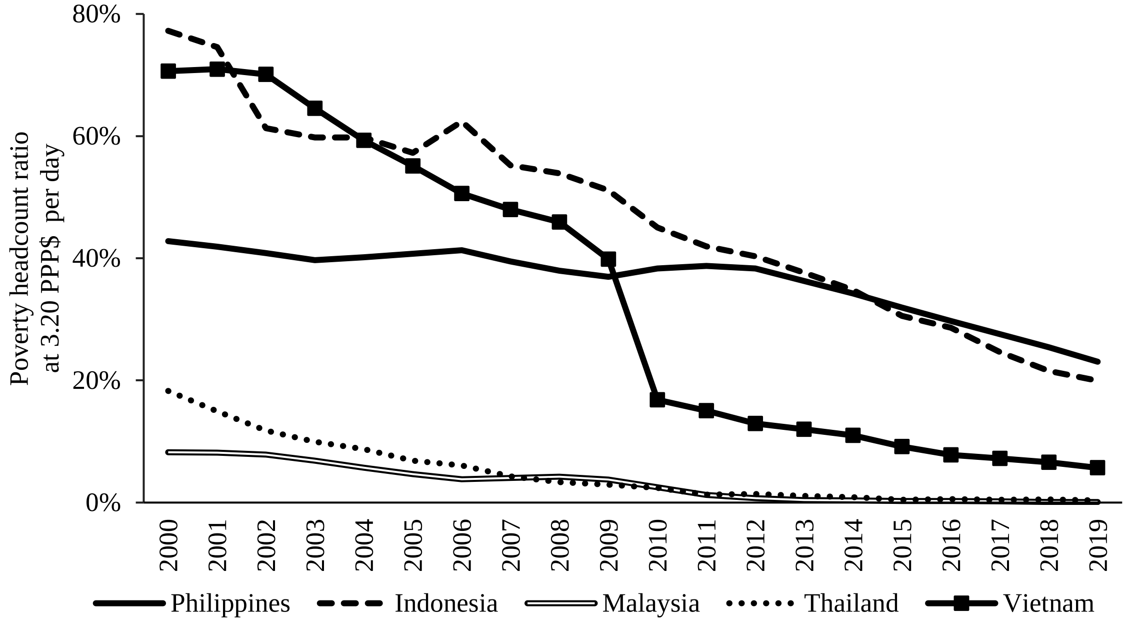
Note: "Coverage" denotes percentage of population participating in social assistance programmes (including direct and indirect beneficiaries). "Extent of benefits" denotes total transfer amount received, as a share of the total welfare of recipients. "Beneficiary incidence, poorest quintile" denotes percentage of programme beneficiaries belonging to the poorest quintile (of the post-transfer welfare distribution). "Benefit incidence, poorest quintile" denotes the percentage of total programme benefits received by the poorest quintile.
Source: ASPIRE Database, World Bank (https://databank.worldbank.org/source/1229, accessed 1 September 2021).

**Figure 1. Philippine economic growth and per capita GDP (1960–2020)**



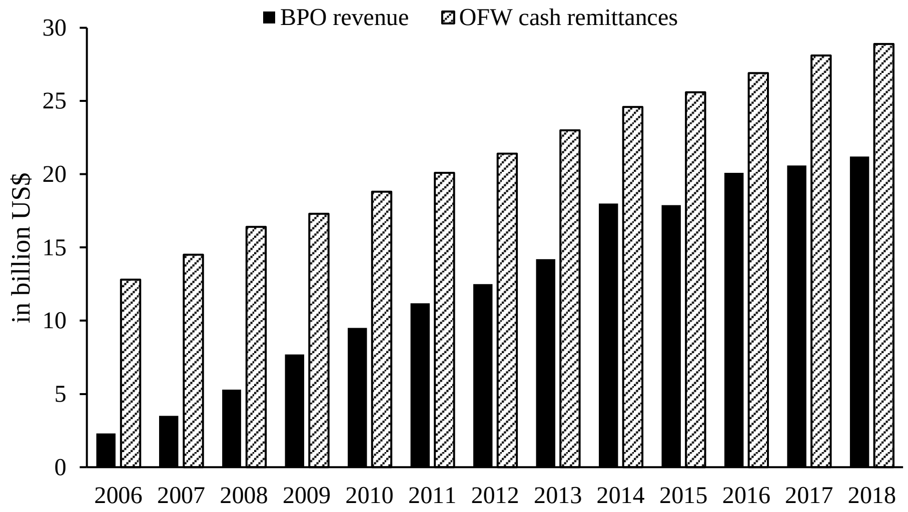

Source: World Development Indicators, World Bank (https://databank.worldbank.org/source/world-development-indicators, accessed 1 September 2021).

**Figure 2. Comparative headcount poverty estimates (2000–2019)**



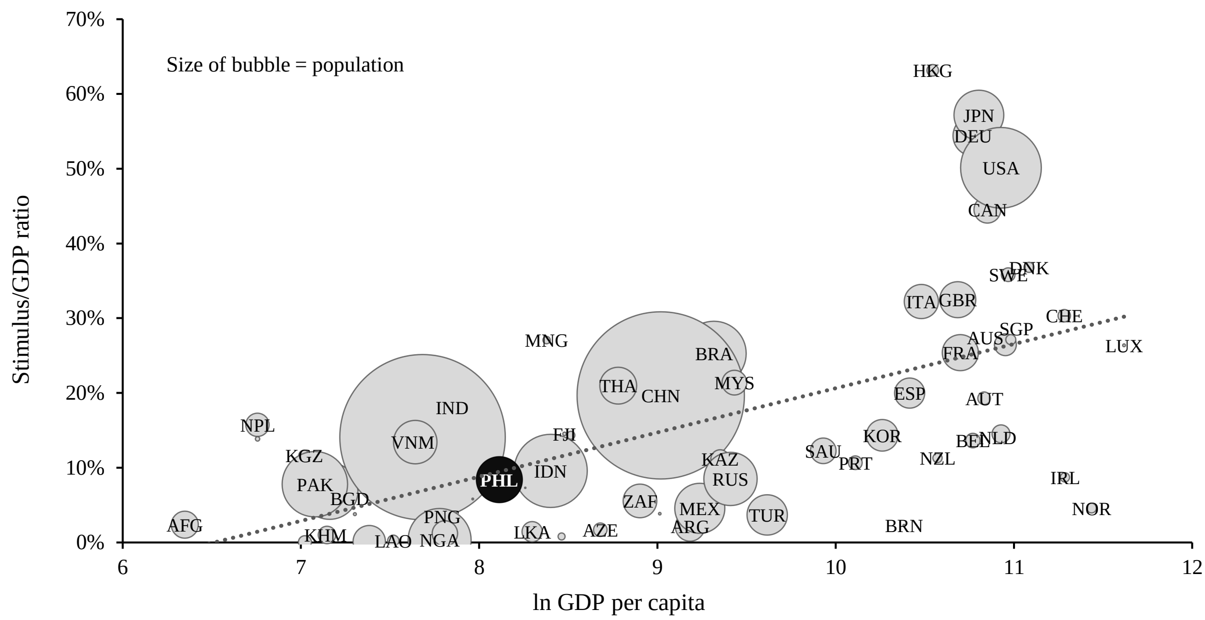

Notes: Poverty estimates for Malaysia are based on income while the rest are based on consumption. Estimates for 2000-2019 are directly taken from PovCalNet with gaps filled using the same.
Source: PovCalNet, World Bank (http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx, accessed 1 September 2021).

**Figure 3. Comparison of BPO revenues and OFW remittances (2006–18)**



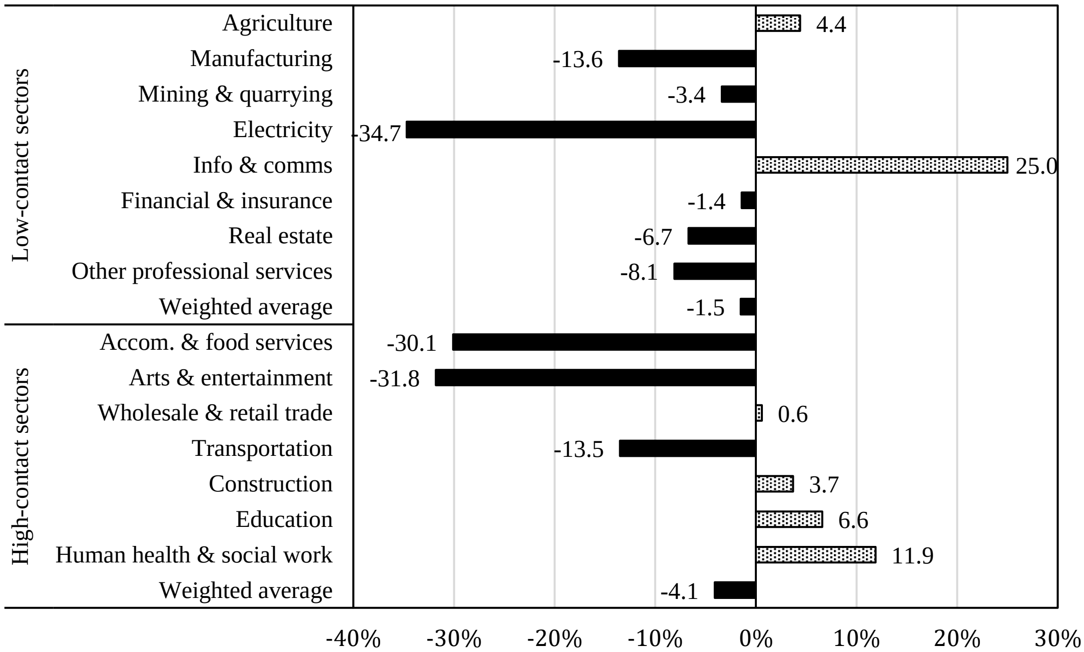

Source: External Accounts Statistics, Bangko Sentral ng Pilipinas (https://www.bsp.gov.ph/SitePages/Statistics/External.aspx?TabId=3, accessed 1 September 2021).

**Figure 4. Comparative COVID-19 stimulus spending**



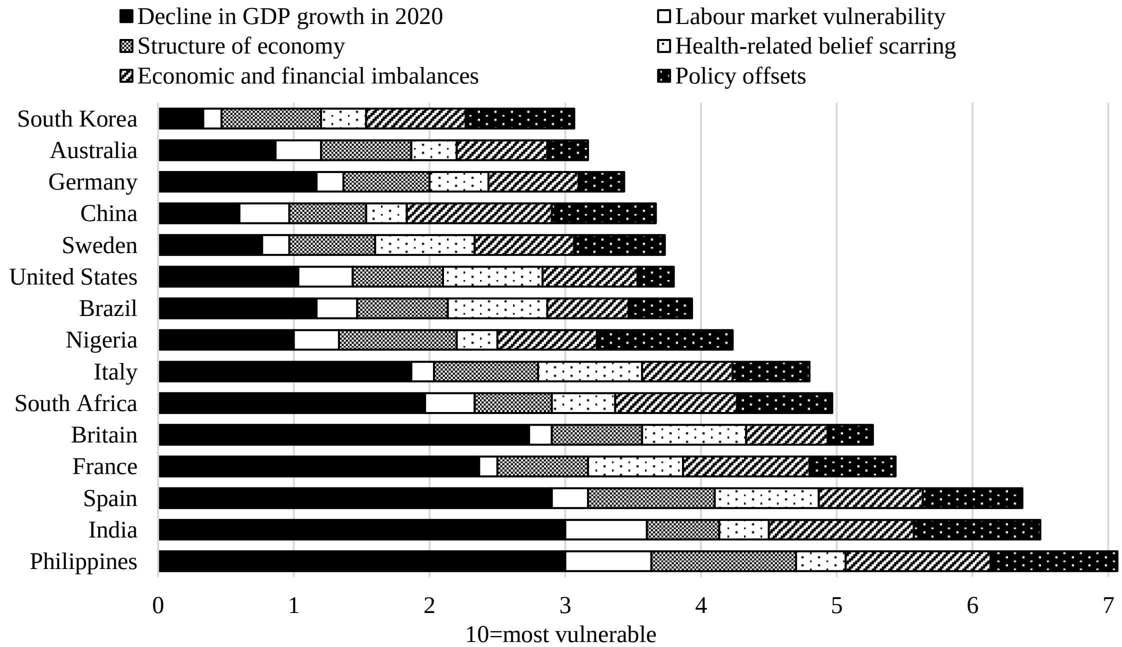

Note: "Stimulus-to-GDP ratio" denotes the total amount of liquidity support, credit creation, direct long-term lending, equity support, and health and income support provided by the government as of 15 June 2021 as a percentage of real GDP in 2019.
Sources: ADB COVID-19 Policy Database, Asian Development Bank (https://covid19policy.adb.org; accessed 15 June 2021); World Development Indicators, World Bank (https://databank.worldbank.org/source/world-development-indicators, accessed 15 June 2021).

**Figure 5. Change in employment in high-contact sectors vs. low-contact sectors (January 2020 and January 2021)**



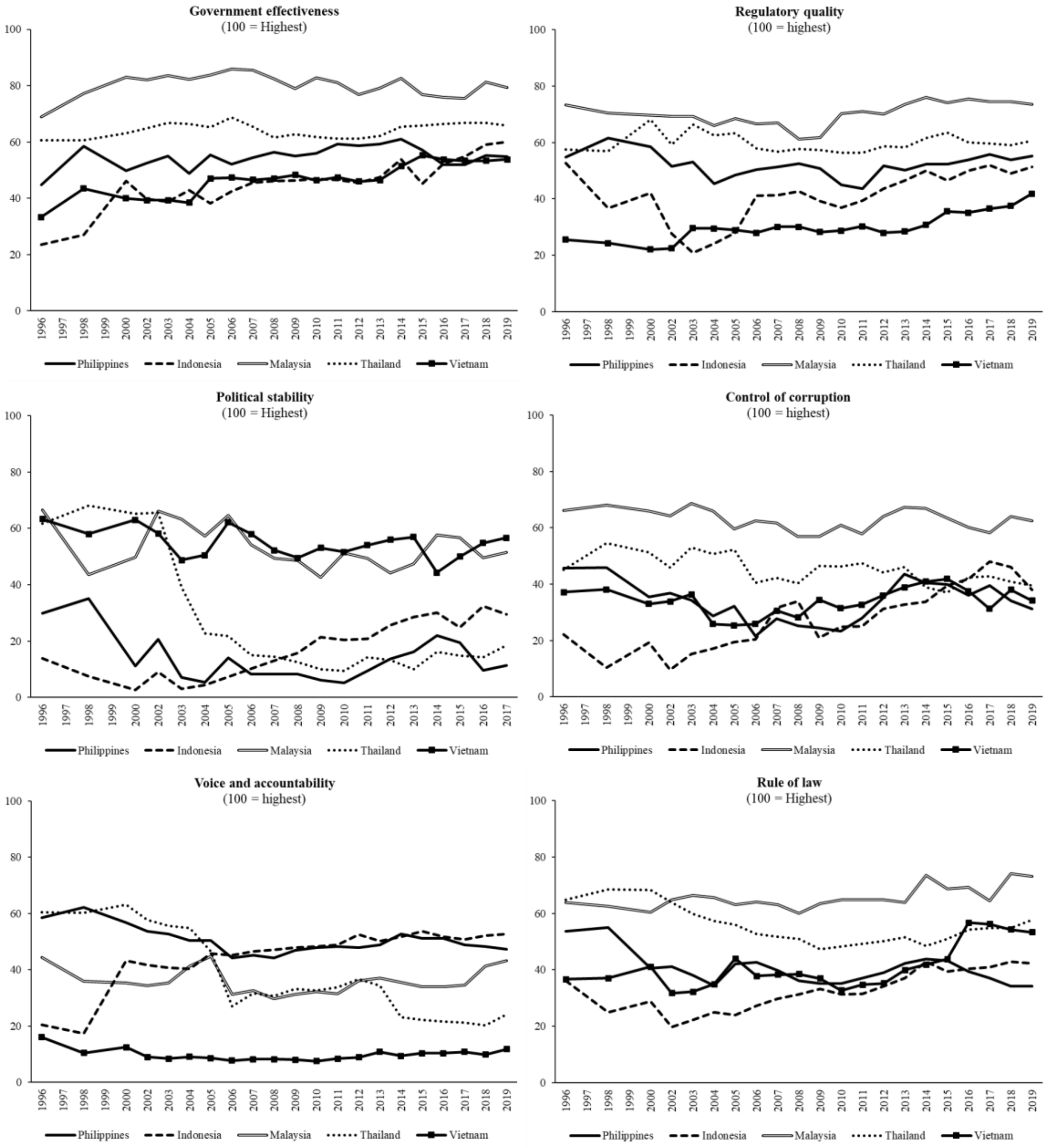

Source: Labor Force Surveys, Philippine Statistics Authority (https://psa.gov.ph/statistics/survey/labor-force/lfs-index, accessed 15 June 2021).

**Figure 6. Long-term COVID-19 vulnerability index**




Source: Oxford Economics (2020, as cited in The Economist 2020)

## Figure 7. Comparative ASEAN governance indicators (1996–2019)




Source: World Development Indicators, World Bank (https://databank.worldbank.org/source/world-development-indicators, accessed 1 September 2021).