

What does it
take to
eliminate
poverty in
25 years?



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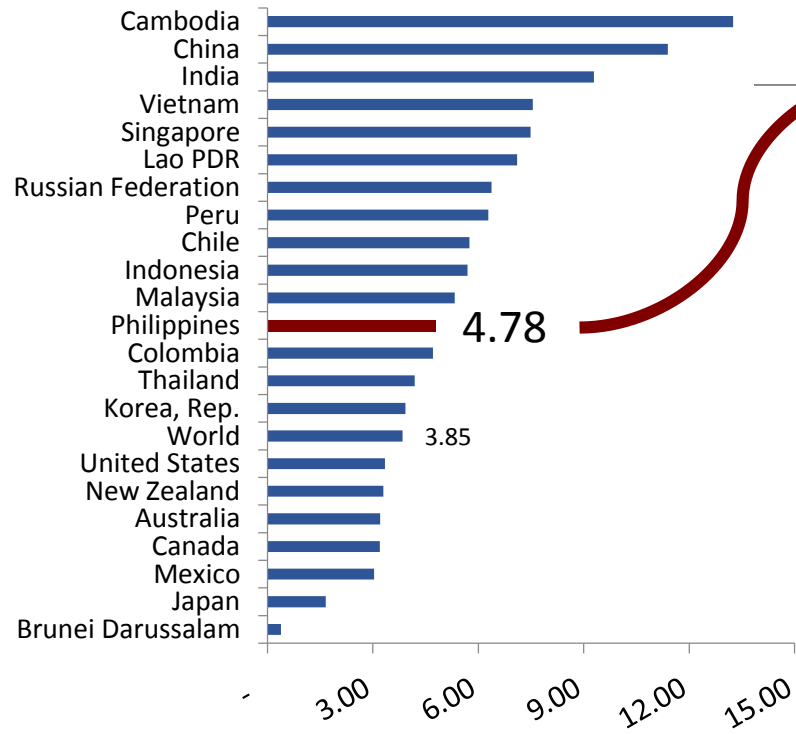


No longer the 'sick man of Asia'?

The Philippines jumped from being the 12th highest in GDP growth among 22 East Asian countries in 2005 to third after India and Lao PDR.

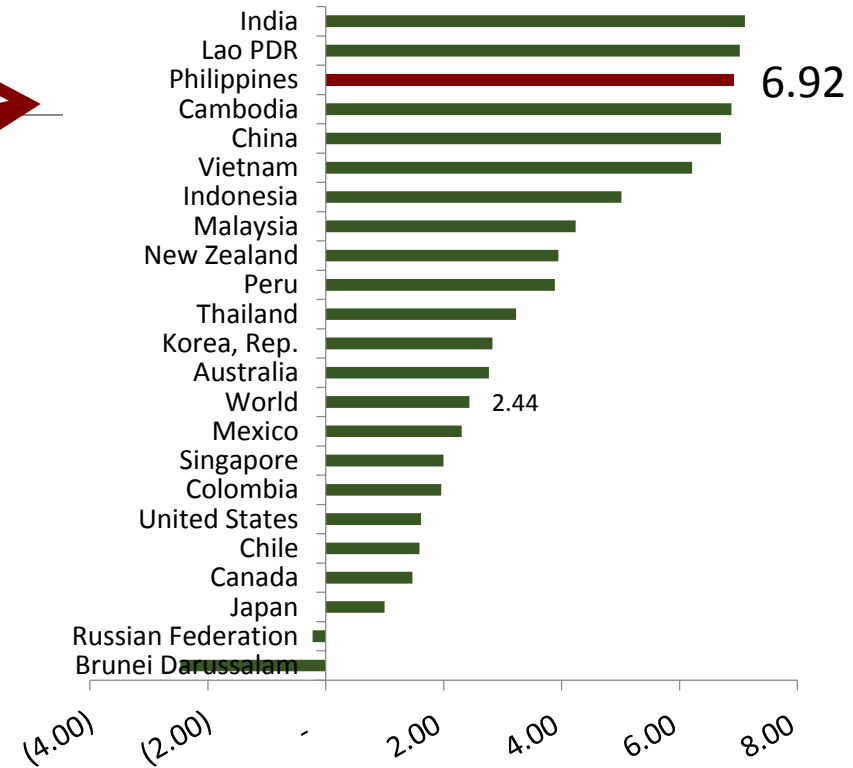
Source: WDI

2005

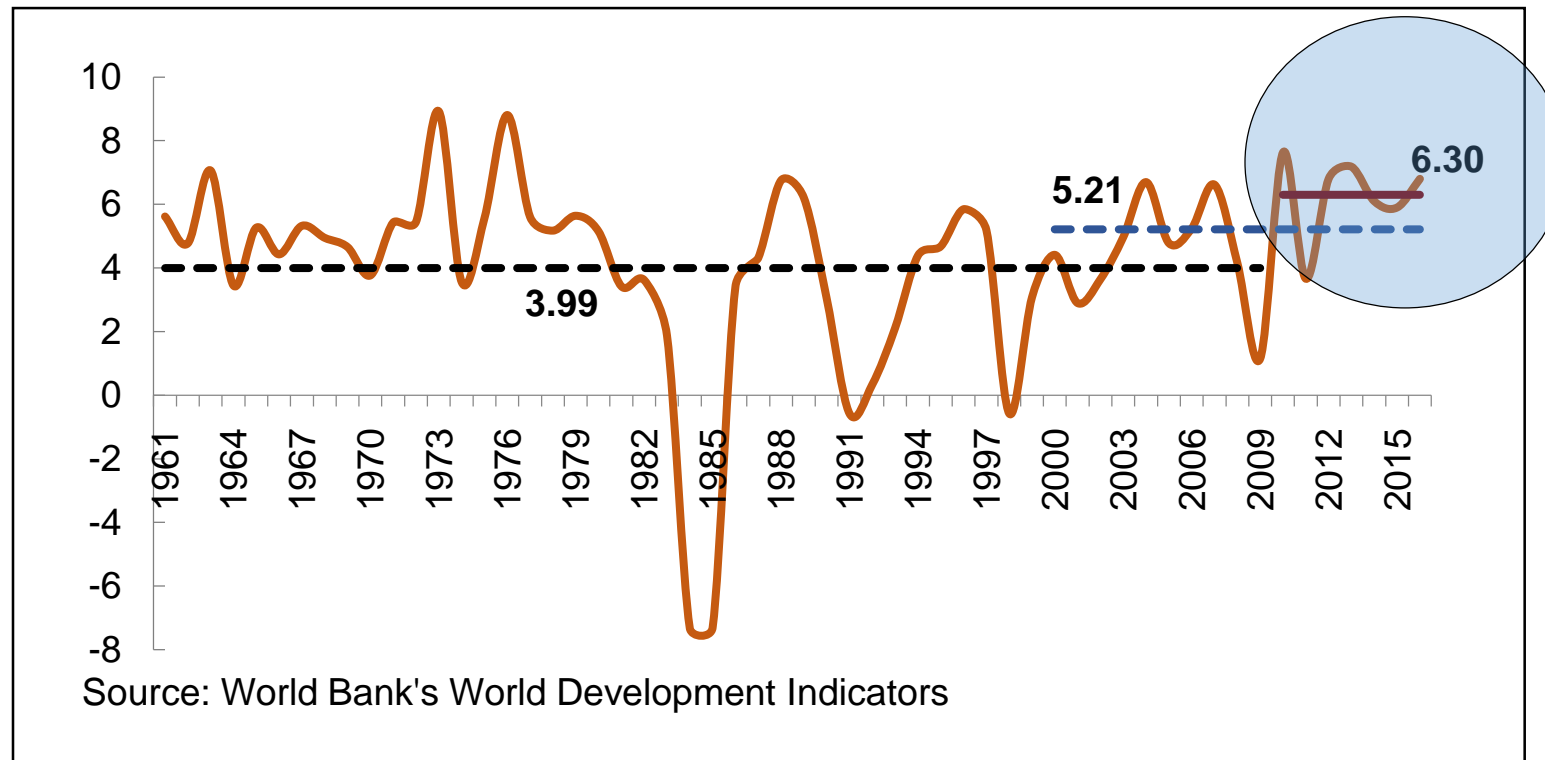


Source: WDI

2016



Since 2010, GDP growth was 6.3%.
And since 2000, 5.2%.



Factors of recent performance

- Prudent macroeconomic management
- Political stability
- Momentum on governance and institutional reforms
- Strengthened resource mobilization in the public and private sectors
- Greater openness to the regional and global economies
- Increased investment in infrastructure
- Pro-poor social policies, access to services by low income groups

Development challenge

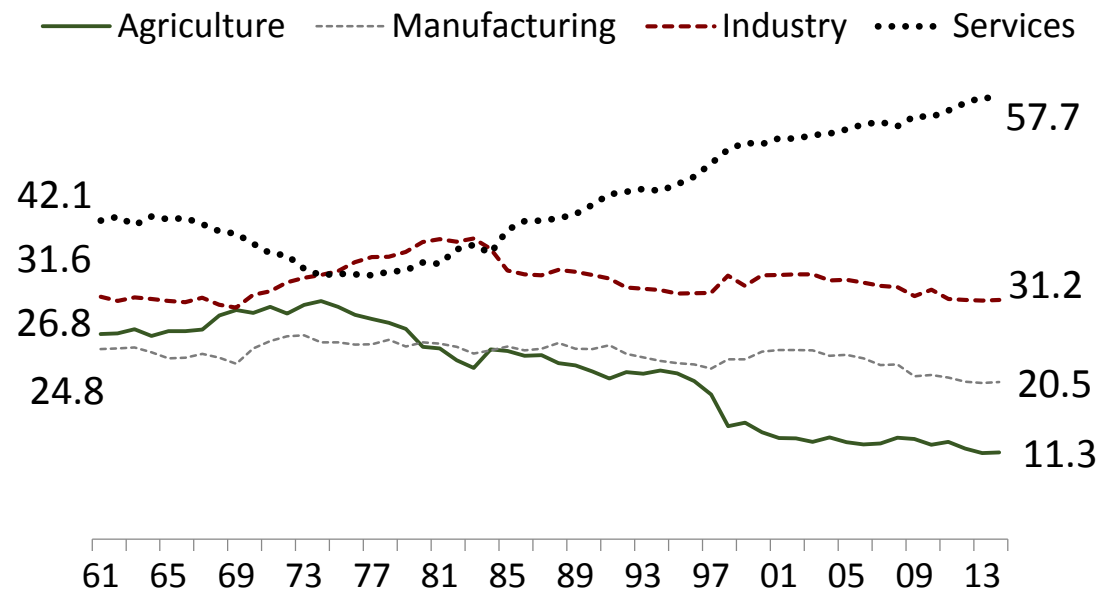
- Sustaining income growth at above 6%.
- Per-capita income growing at above 5%.
- Poverty eradicated.



Hurdles of sustained growth

Sector composition of GDP

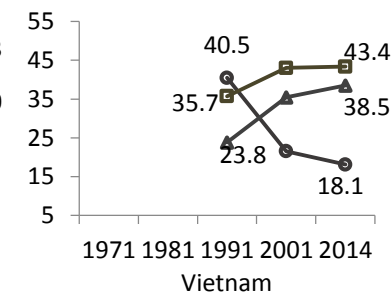
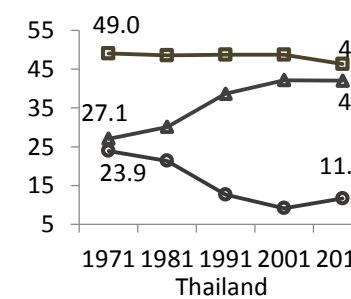
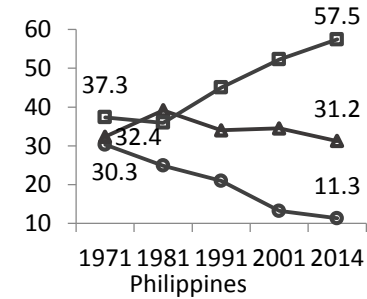
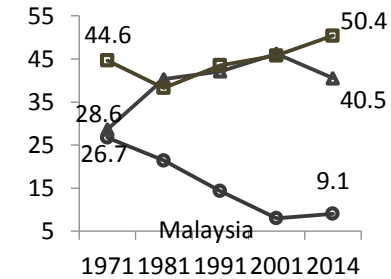
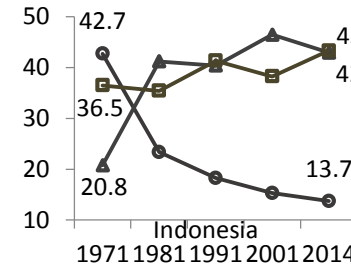
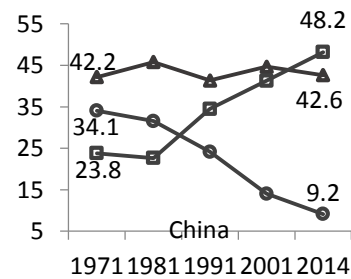
Services claims nearly 58% of GDP.



Source of Data: World Development Indicators

Structural transformation in EA countries: How Philippines' is so different?

Pre-mature
"development"

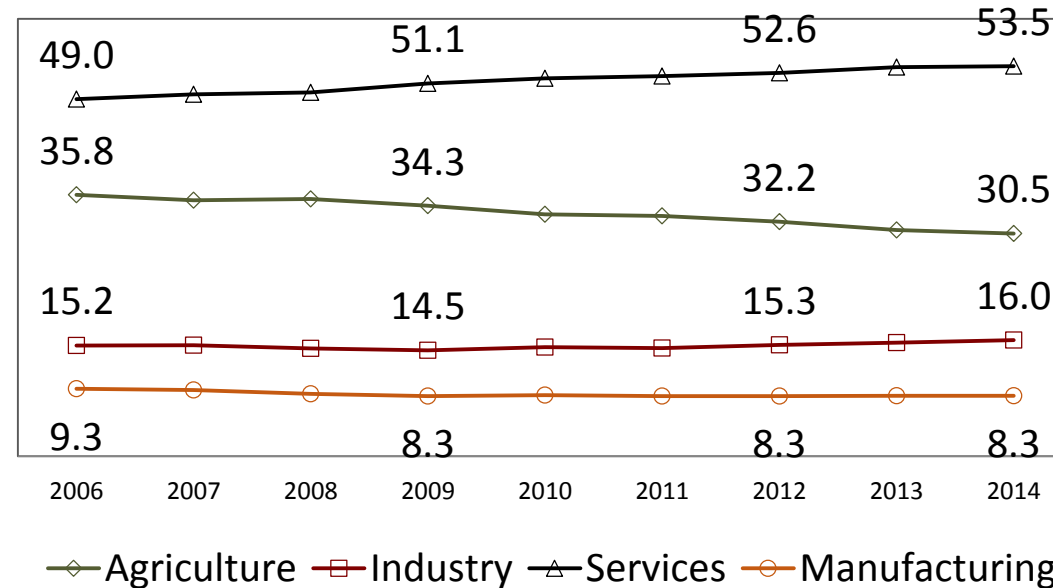


—○— Agriculture —△— Industry —■— Services

Source of Data: World Development Indicators

Where are the jobs in the economy?

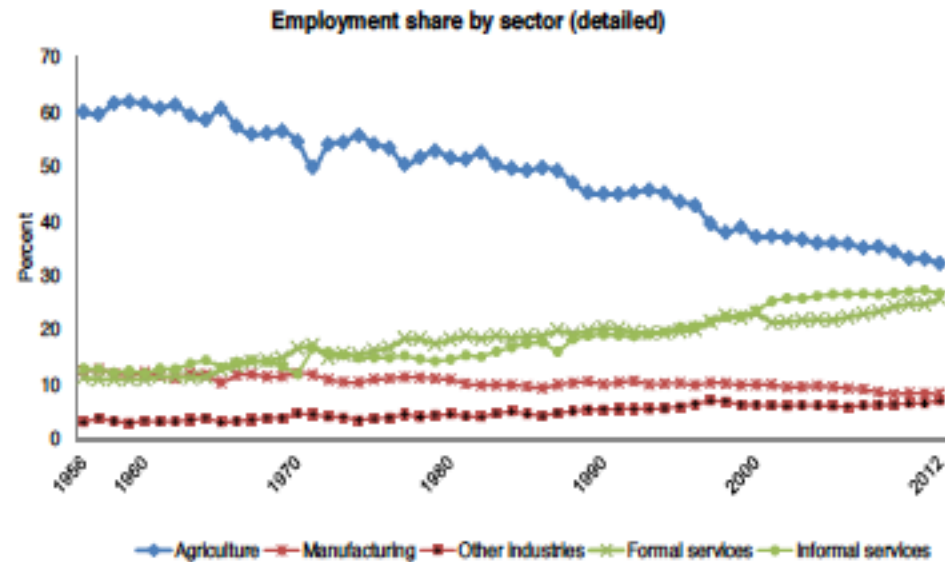
- 84% of labor force employed by services and agriculture



Source: Labor Force Survey

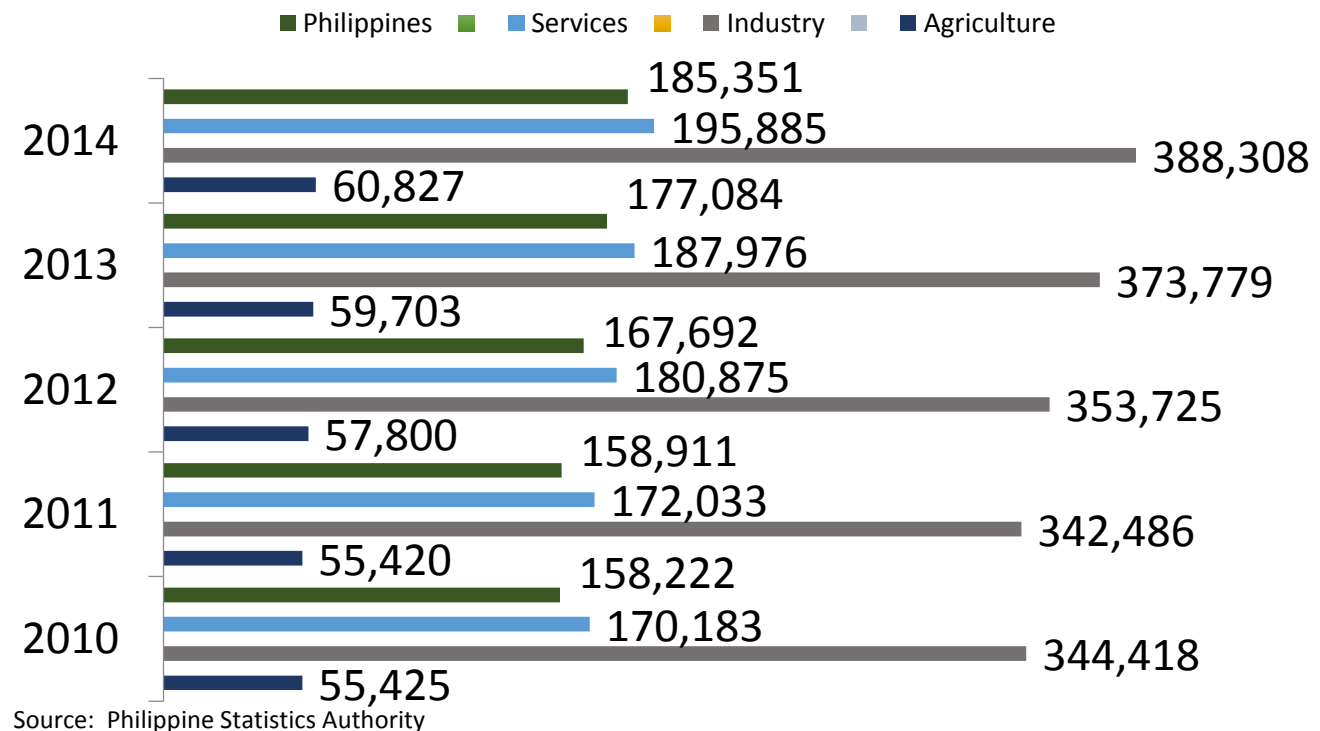
Where are the jobs in the economy?

- Manufacturing generates few jobs.
- Services offer jobs for low-skilled workers, low value.



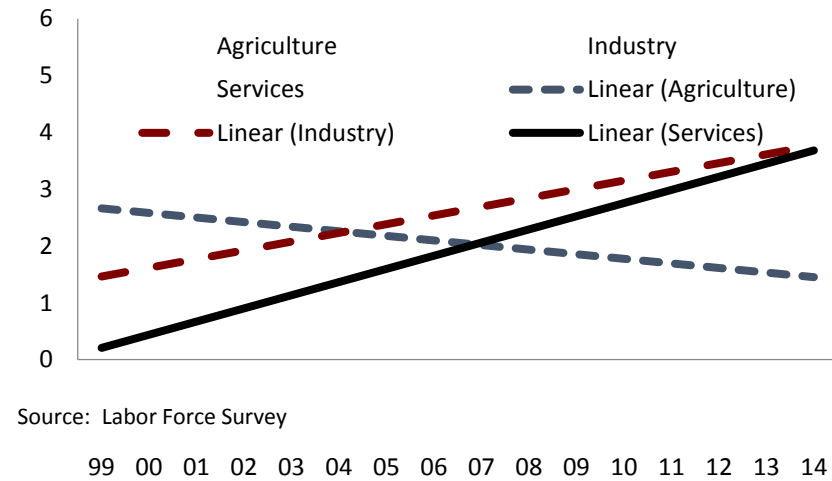
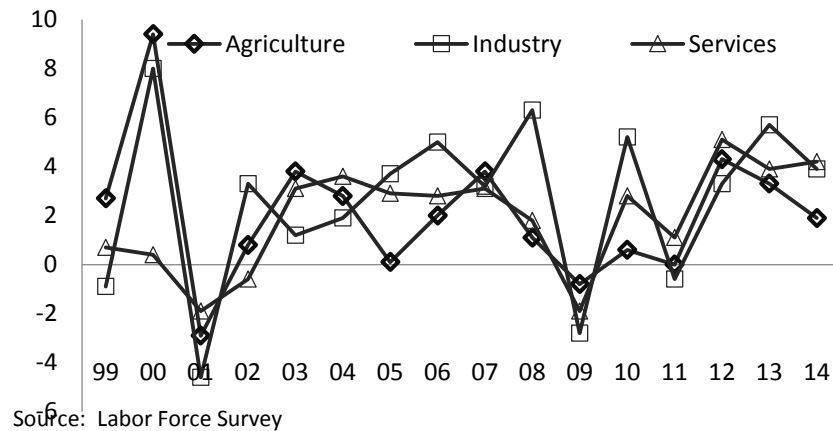
Source: LFS

Labor productivity, by sector



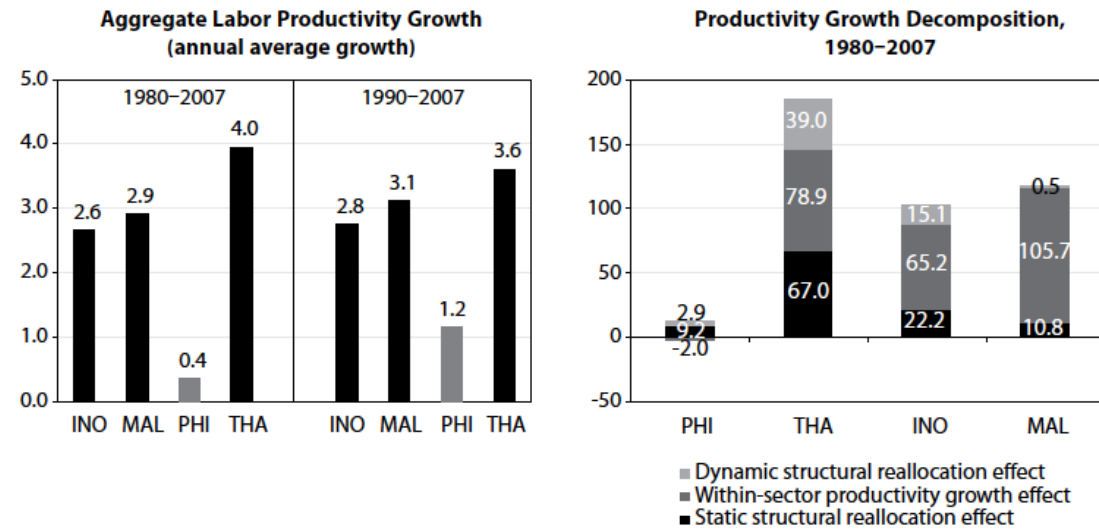
Source: Philippine Statistics Authority

Labor productivity growth by sector



- Industry has the highest but had generally low demands for labor.

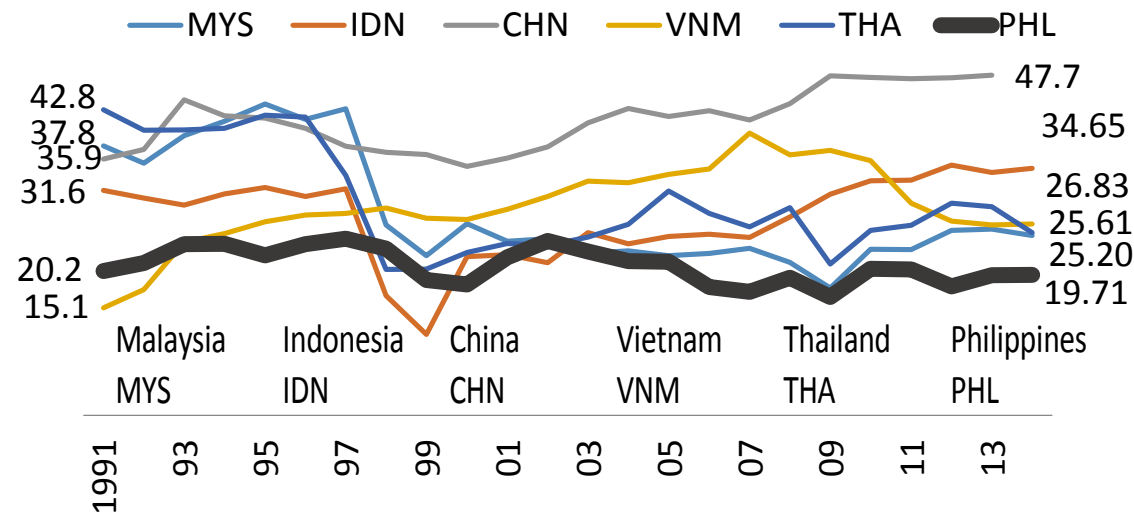
Labor Productivity growth in EA countries



INO = Indonesia, MAL = Malaysia, PHI = Philippines, THA = Thailand.

- Philippines has not performed very well in labor productivity growth.

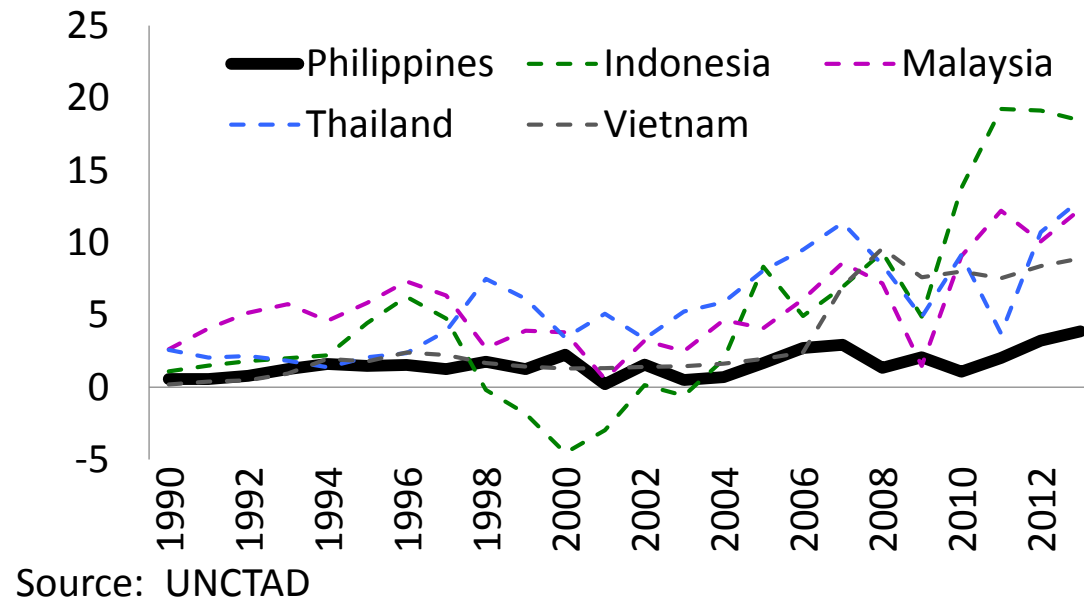
Low capital formation of EA countries (in % of GDP)



Source: World Development Indicators

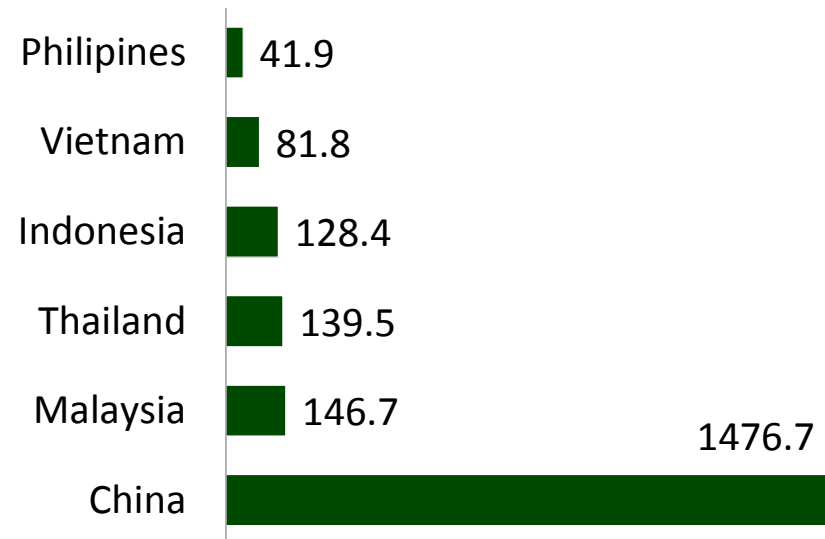
- Philippines has the lowest growth in capital formation.

FDI inflows to Philippines is lowest (in bln. \$)



- While lately FDI annual inflow rose, Ph still having the lowest in SEA.

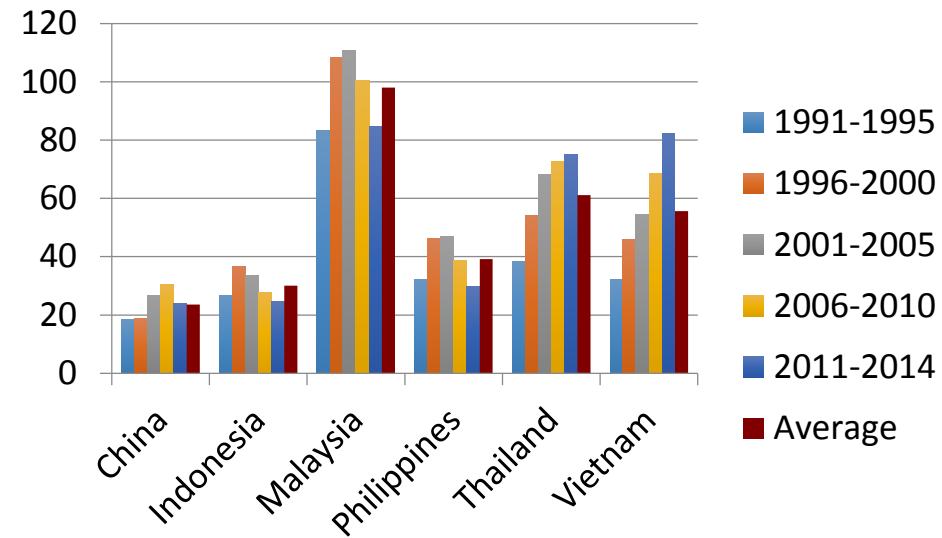
Cumulative FDI (in bln. \$) 1970 to 2013



Source: UNCTAD

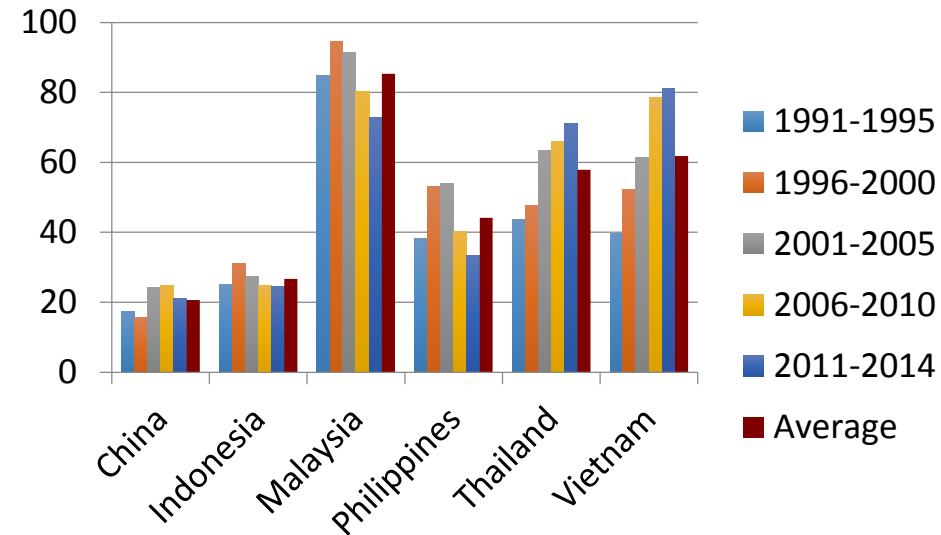
- Philippines has hosted the lowest stock of foreign direct investments.

Exports (in % of GDP)



- Economy remains less competitive in export markets.

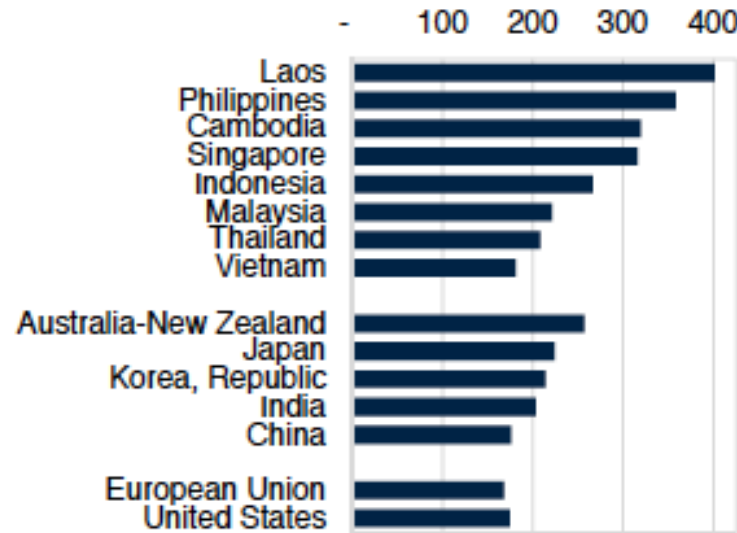
Imports (in % of GDP)



- Economy remains less open to imports.

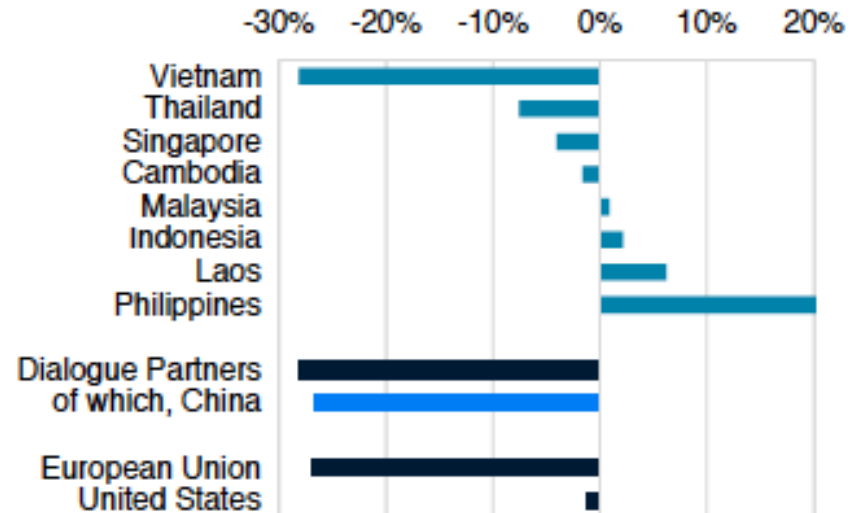
Trade costs are high.

High trade costs (ad-valorem tariff equivalents)



Source: EAP Economic Update, April 2014

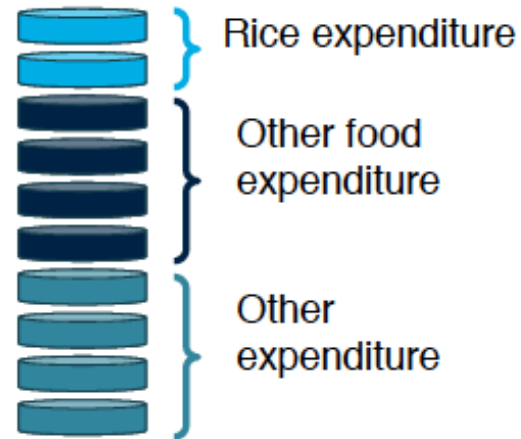
Change in trade costs (ad-valorem tariff equivalents)
2010-11 versus 2000-01



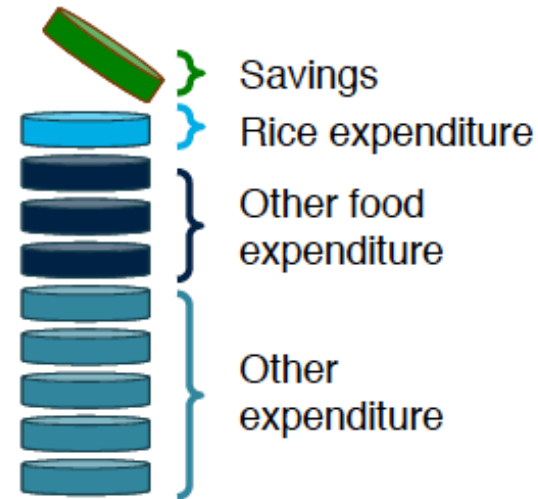
Source: EAP Economic Update, April 2014

Rice is expensive!

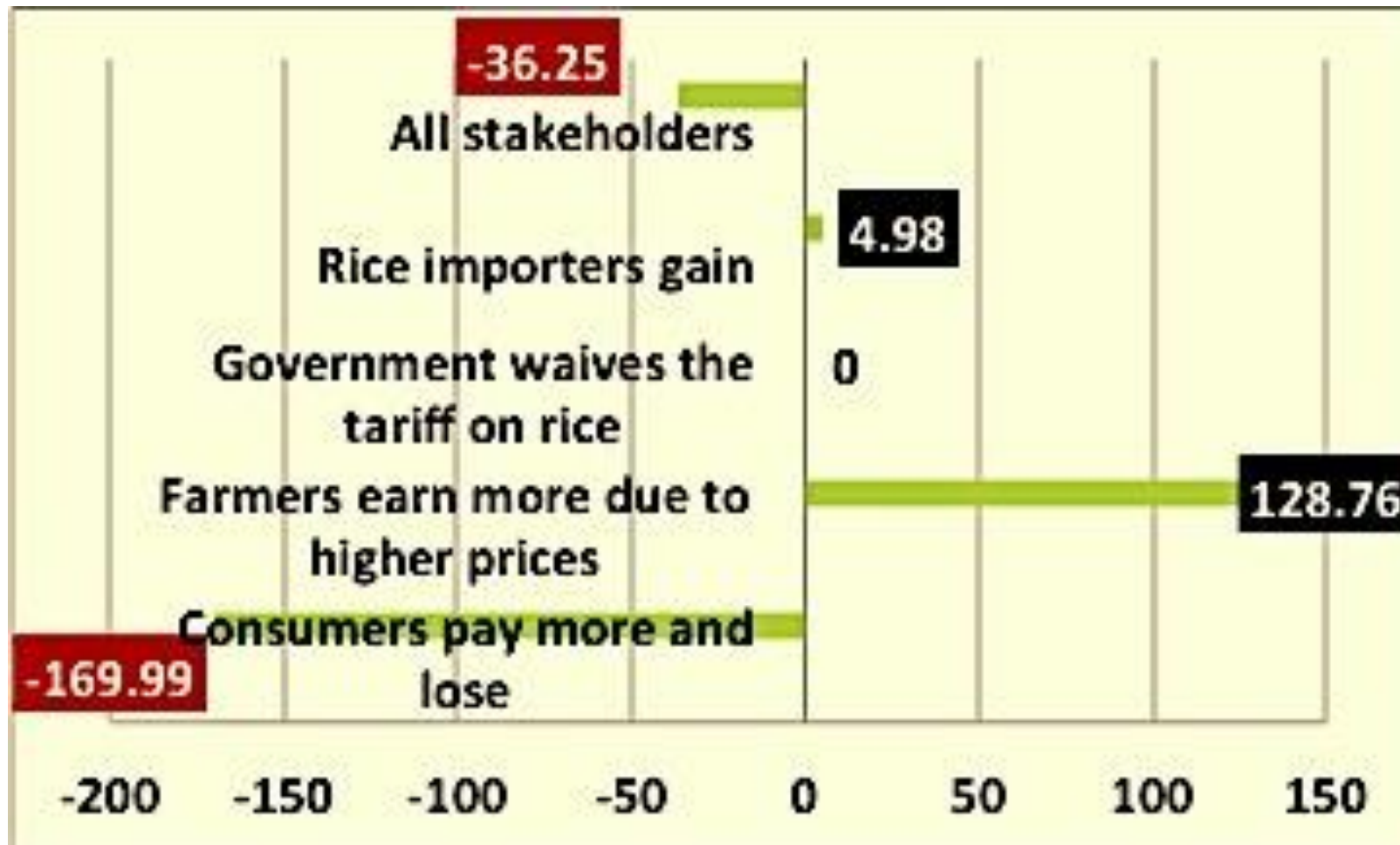
**Expenditure breakdown of
the poor, Philippines
(2012)**



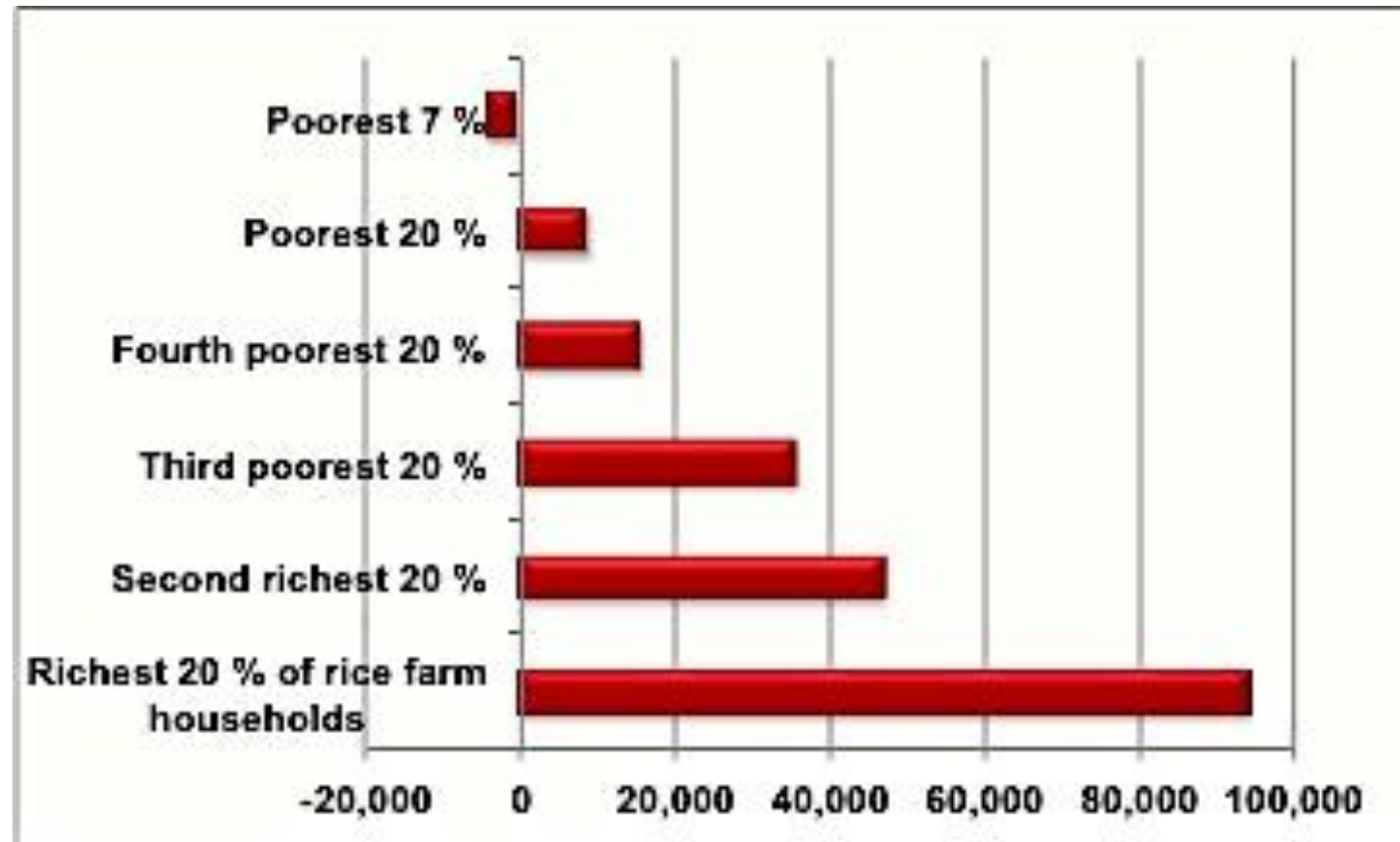
**If the price of rice fell to
the world price...**



Efficiency cost of import controls



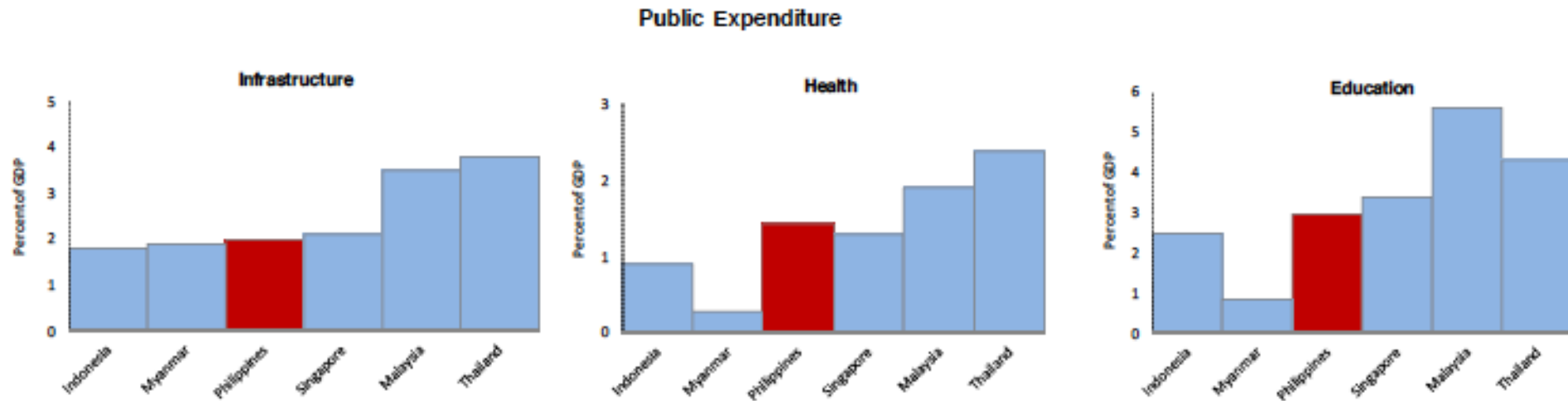
Poorest farmers are penalized too!



Agricultural Land markets are restricted!

- Limitations on land ownership.
- Uncertainty from land reform prevents investments in agriculture.

Public spending on social protection is low.

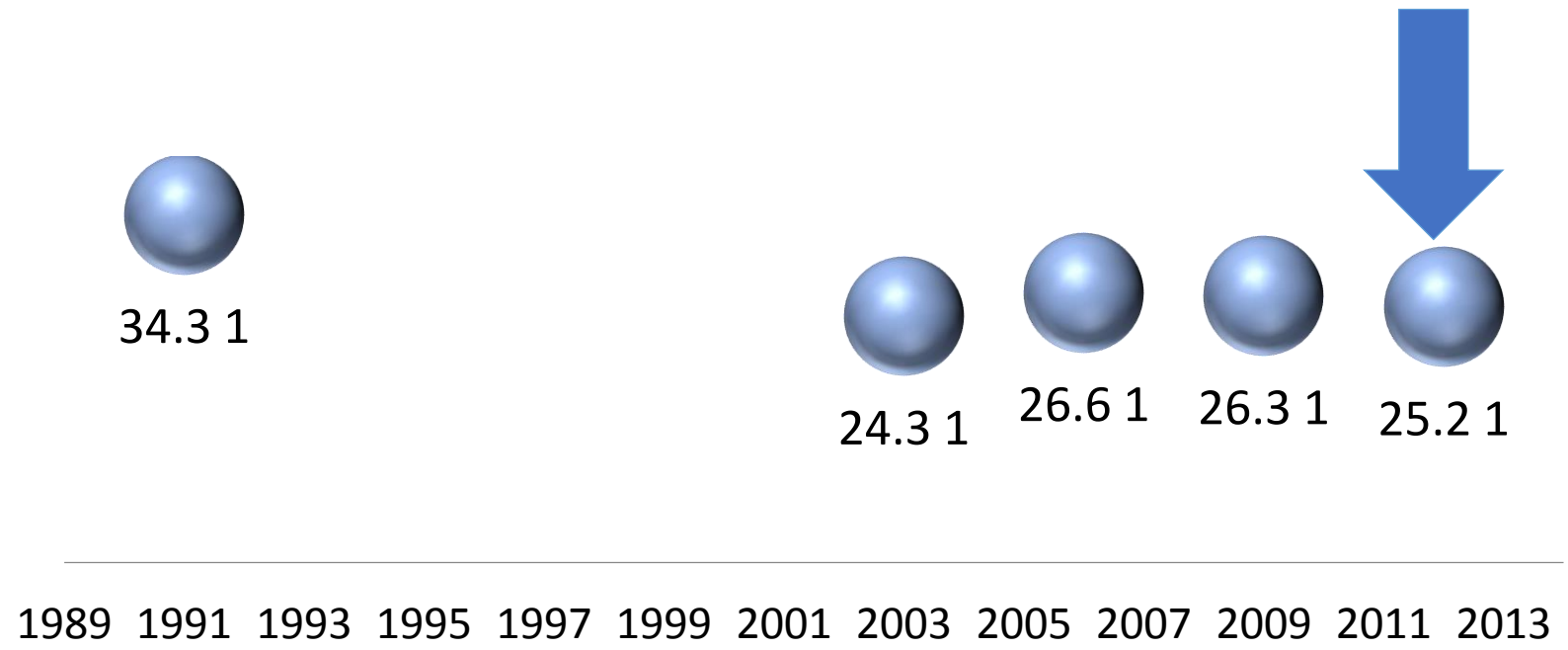


Source: WDI and ADB estimates

Notes: Education and health figures are from 1995 to 2012 (Some countries have missing values for certain years.). Infrastructure data is from 2008 to 2012.

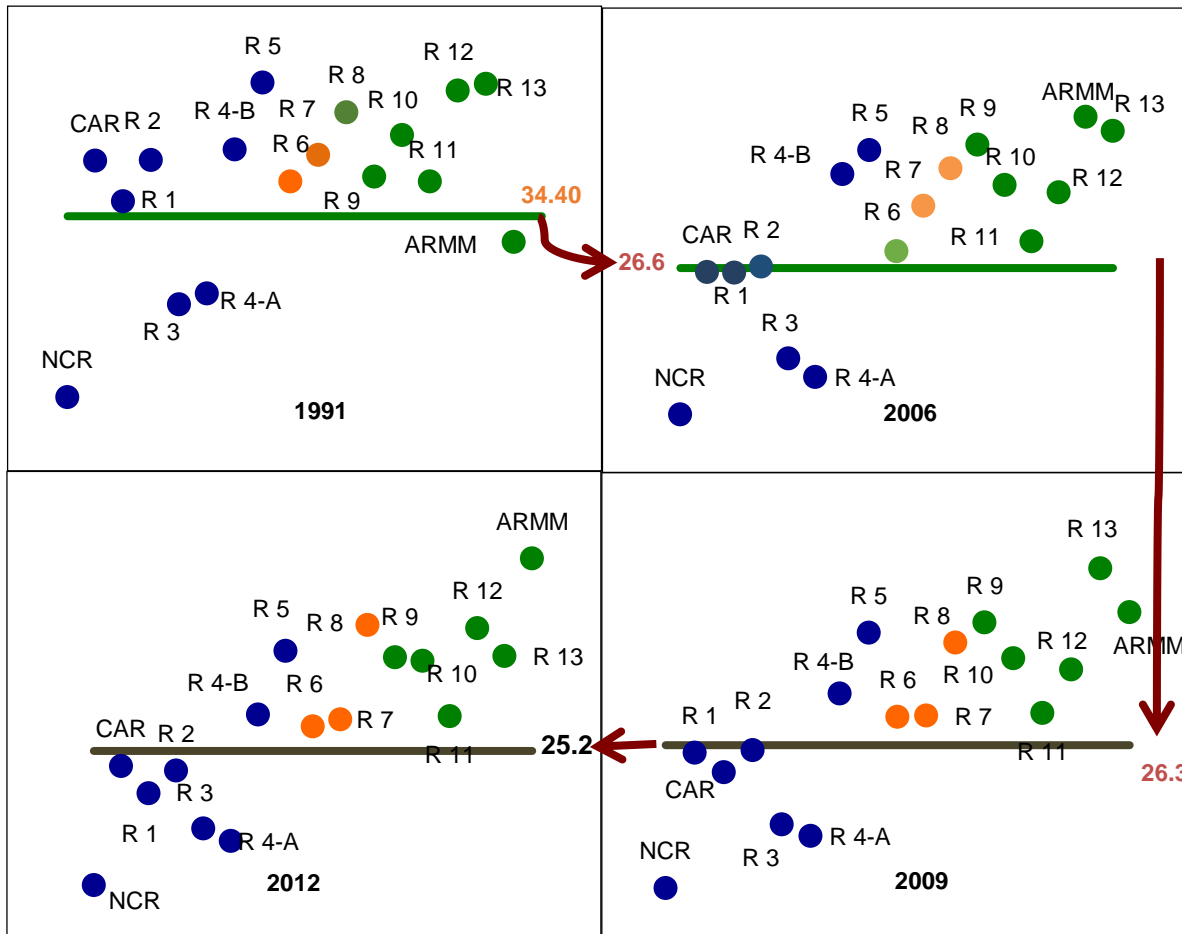


Development challenge: Sustained
Inclusive Growth



Source: World Development Indicators

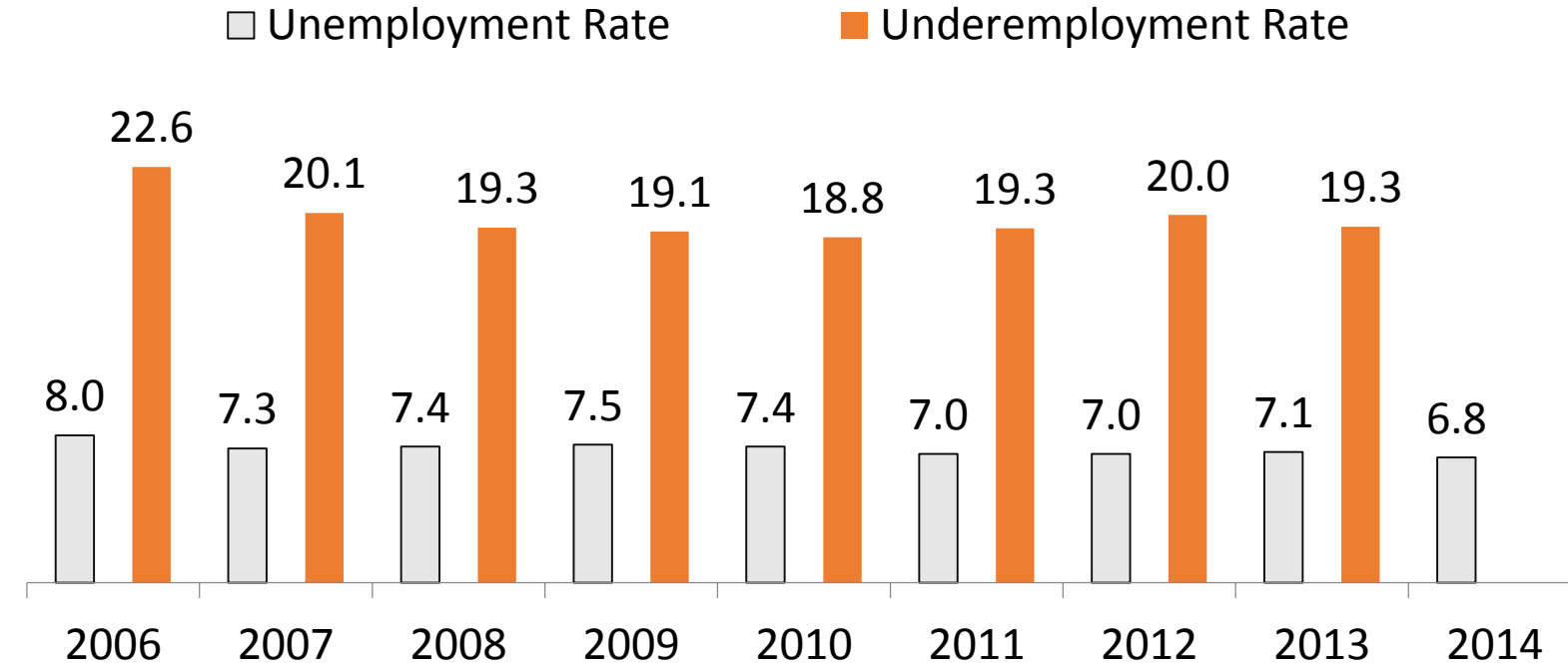
Poverty generally less responsive to economic growth than neighbors.



Above average
poverty for most of
the country

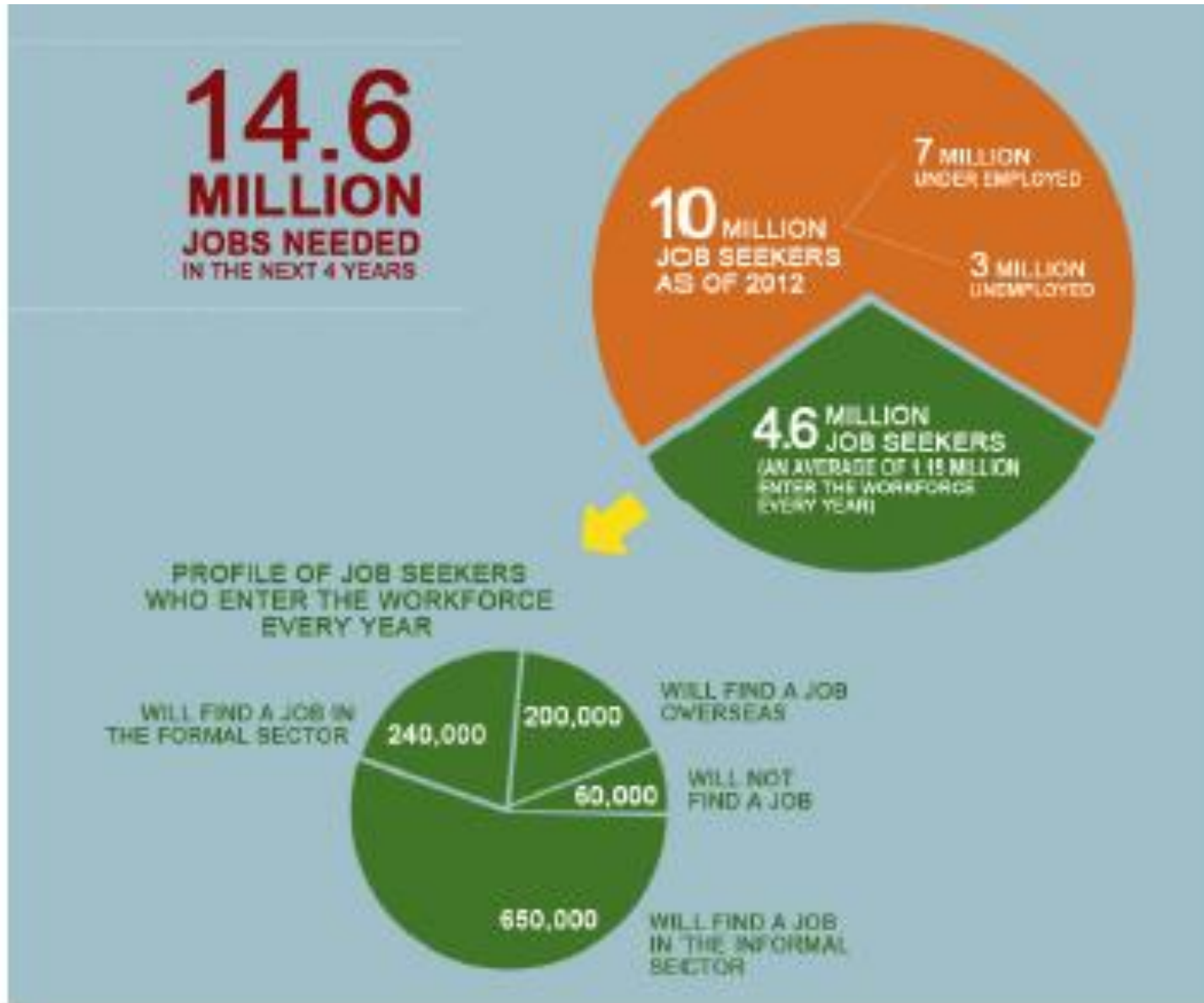
Source: Philippine Statistics Authority.

NCR: National capital region; CAR: Cordillera Autonomous Region; R 1: Region I - Ilocos; R 2: Region II - Cagayan Valley; R 3: Region III - Central Luzon; R 4-A: Region IVA - CALABARZON; R 4-B: Region IVB - MIMAROPA; R 5: Region V - Bicol; R 6: Region VI - Western Visayas; R 7: Region VII - Central Visayas; R 8: Region VIII - Eastern Visayas; R 9: Region IX - Zamboanga Peninsula; R 10: Region X - Northern Mindanao; R 11: Region XI - Davao; R 12: Region XII - SOCCSKSARGEN; R 13: Region XIII - Caraga; ARMM: Autonomous Region in Muslim Mindanao;



Source: Labor Force Survey

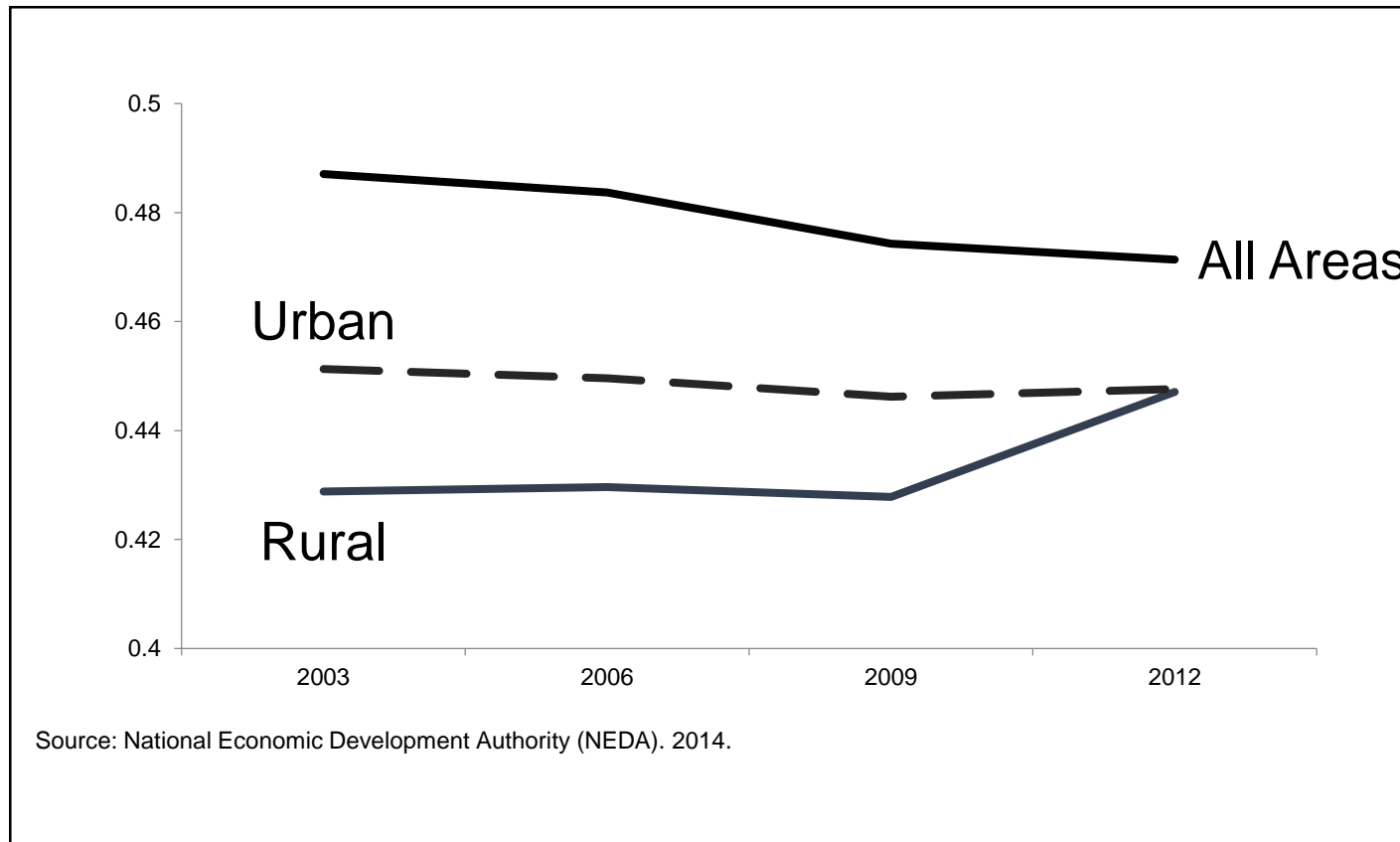
Jobs are needed!



Quality jobs needed!

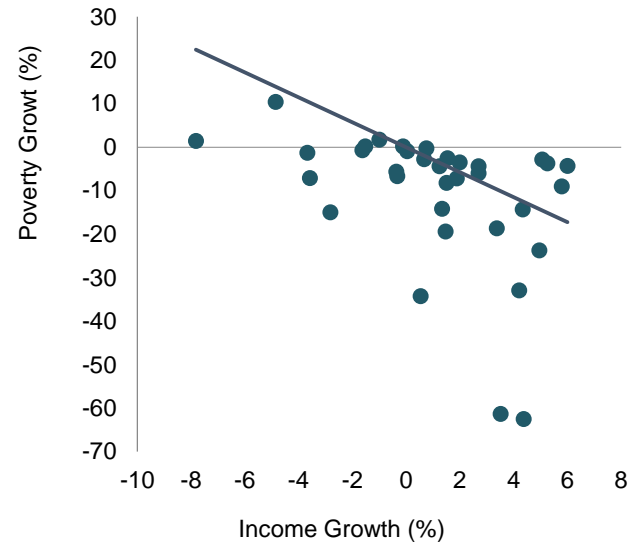
Source: World Bank

Income inequality is high!

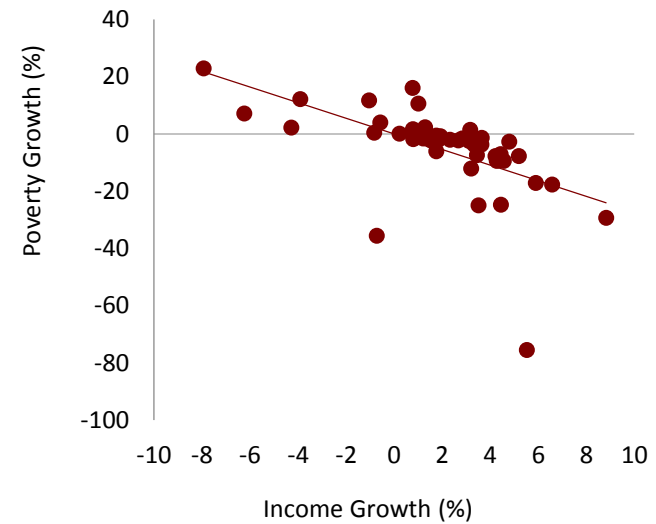


Lower inequality helps translate growth to reduced poverty .

Panel A: 34 countries that reduced inequality



Panel B: 47 countries that increased inequality



Source of Basic Data: Fosu, A. K. (2010)

What may we expect

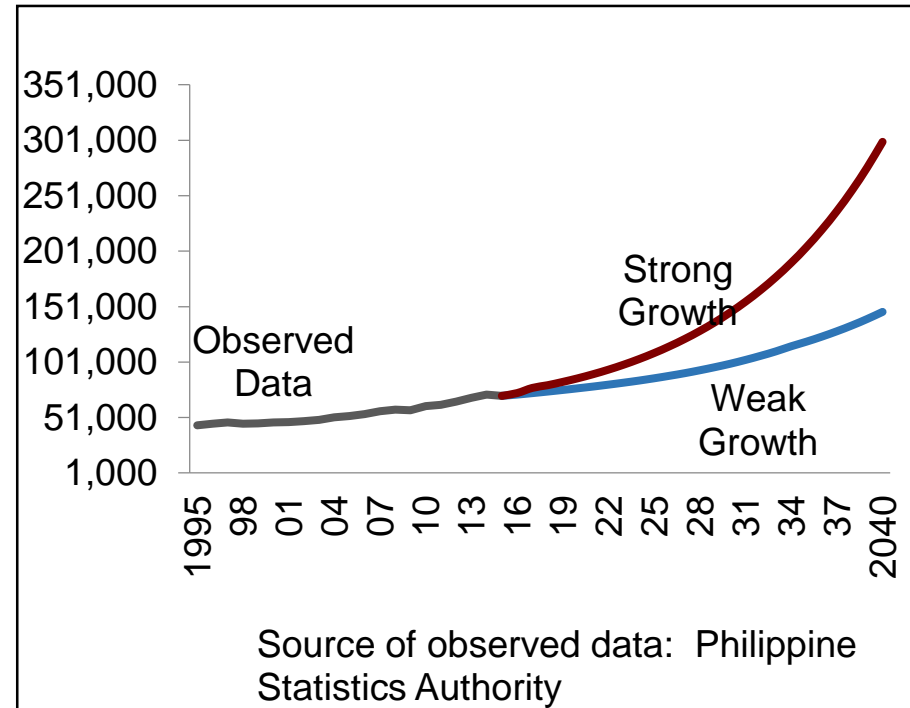
What may we expect?

With sustained and well sequenced reforms, higher investments, and improved public services would result in high capital growth and labor productivity.

- Capital and labor productivity growth will be higher
 - Investments would grow at an annual rate of up to 10 percent (from 4.64%).
 - Labor productivity annual growth would accelerate up to 3.71 percent (from 0.32%), comparable with its ASEAN neighbors.

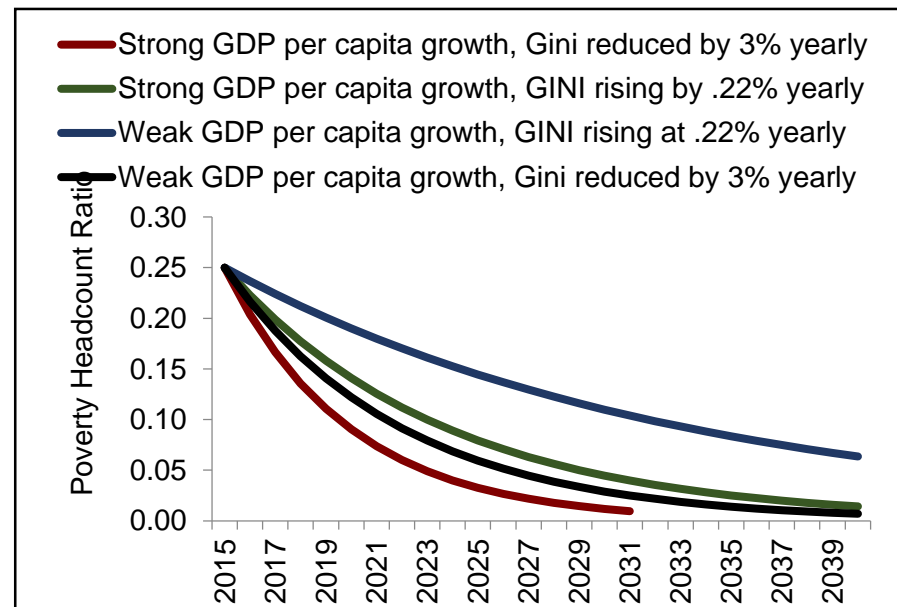
Per capita income

- GNI may increase by a multiple of 4.5 by 2040, which translates into per capita income of \$11,000 (from the current \$3,500 and \$5,000 without reforms), bringing PH to close to a high-income economy status



- The impact of growth on poverty will depend on its robustness and how it is distributed.
- If strong growth is accompanied by reductions in inequality, we could eradicate poverty well before 2040.

Scenarios of Eradicating Poverty, Philippines, 2015 – 2040 (%)



Concluding remarks

- The Filipino people's vision can be realized by transforming the Philippine economy into one that is responsive, adaptable, and resilient
 - Driven by competitive and highly productive enterprises and healthy, highly educated and agile workforce
 - Sustained by efficiently managed natural resource and environment
 - Facilitated by credible public institutions that are citizen-centered, responsive, and accountable
- With a vibrant economy and an efficient and responsive government, by 2040, Filipinos can afford the kind of life they want to live.

Thank you.



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