



CHALLENGES & OPPORTUNITIES FOR GROWTH IN MIDDLE INCOME COUNTRIES

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DISCUSSION

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Amidst Global Economic Slowdown:

Good News: PH growing faster than most, with improving inclusiveness – **How/Why?**

- **Government spending**-led growth
- Brisk **consumer spending**, lately dampened by high inflation
- Opportunistic **export** growth (esp services exports?)

Bad News: **Private investment spending** growth has been slower than recent historical – **Why?**

- Hurdles to ease of doing business
- Weak reliability and/or higher cost of electric power, telecoms, logistics
- High interest rates (easing underway?)

Imperatives to Overcome the Middle Income Trap

(Vagliasindi's Prescriptions)

- **Enhance the efficiency of public investment**
- **Boost human capital**
- **Strengthen resilience and inclusion**

Enhance Efficiency of Public Investment

Challenges:

- Absorption/burn rate by infra agencies woefully low
- Questionable priorities and allocation
- Large leakages

Imperatives:

- More PPP, but strengthen infrastructure plan and improve solicited bid mechanism
- Enhance infrastructure quality including higher energy efficiency; public housing expansion & improvement to fill unmet needs and fill unutilized/unoccupied housing units

Boost Human Capital

Challenges:

- Malnutrition & child stunting (“demographic time bomb”)
- Weak public health system
- Education crisis: 91% Learning poverty; bottom PISA rankings

Imperatives:

- First 1000 days focus; fix universal health care system
- Education reforms – decentralization & devolution; attention to soft skills (EDCOM II)
- Accelerate shift to innovation and adoption/infusion of modern technologies (NIC, NIASD)

Strengthen Resilience and Inclusion

Challenges:

- Highest vulnerability to climate change & extreme weather
- Unsustainable/irresponsible production & consumption
- Skewed economic growth (falling share of labor income in GDP?); lack of MSME contribution; NCR/Luzon-centric

Imperatives:

- Support MSMEs & small farms with public goods (including financial inclusion)
- Reconfigure economic governance for greater economic freedom (rational regulation, mindset change), economic and political contestability
- Strengthen social mobility (educ, MSME devt, agri devt)