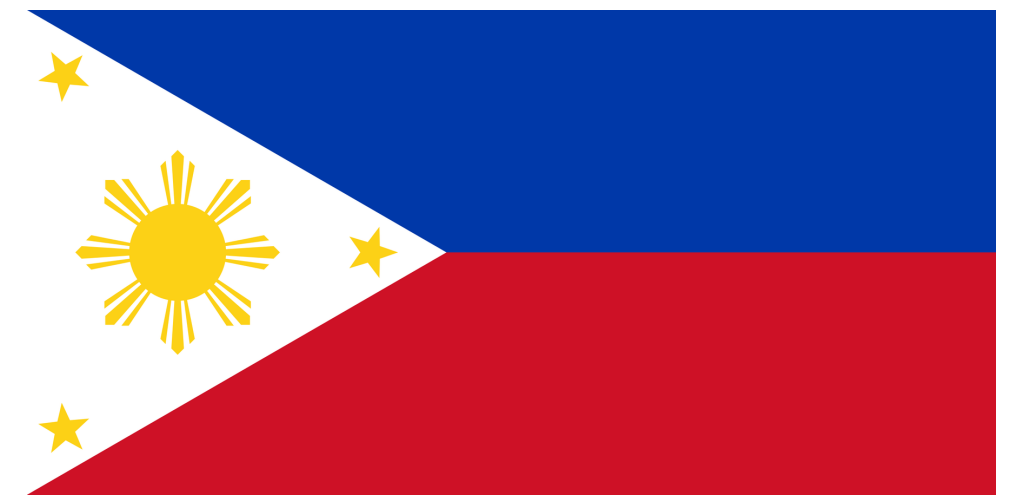


PHILIPPINES COUNTRY REPORT



BY JOSÉ MANUEL CUEVAS, DANIEL DOLS, IVÁN KIM, AND DAVID SOLER

NAVARRA CENTER
FOR INTERNATIONAL
DEVELOPMENT

UPDATED: MAY 2020

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1. COUNTRY OVERVIEW



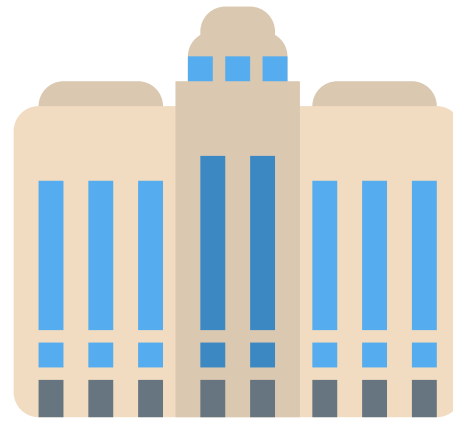
LARGE POPULATION

Over 110 million people. 13th largest country in the world by population and second in Southeast Asia.



MANILA (METRO MANILA)

Ranked as the fourth largest urban area of the world by Demographia World Urban Areas.



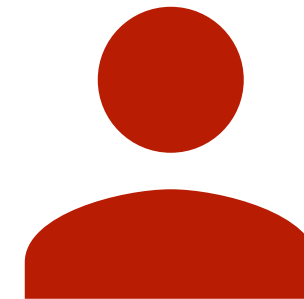
POLITICAL SYSTEM

Presidential republic



RODRIGO DUTERTE

President (2016-2022)



HUMAN DEVELOPMENT INDEX

RANKING: 106/189 SCORE: 0.72/1

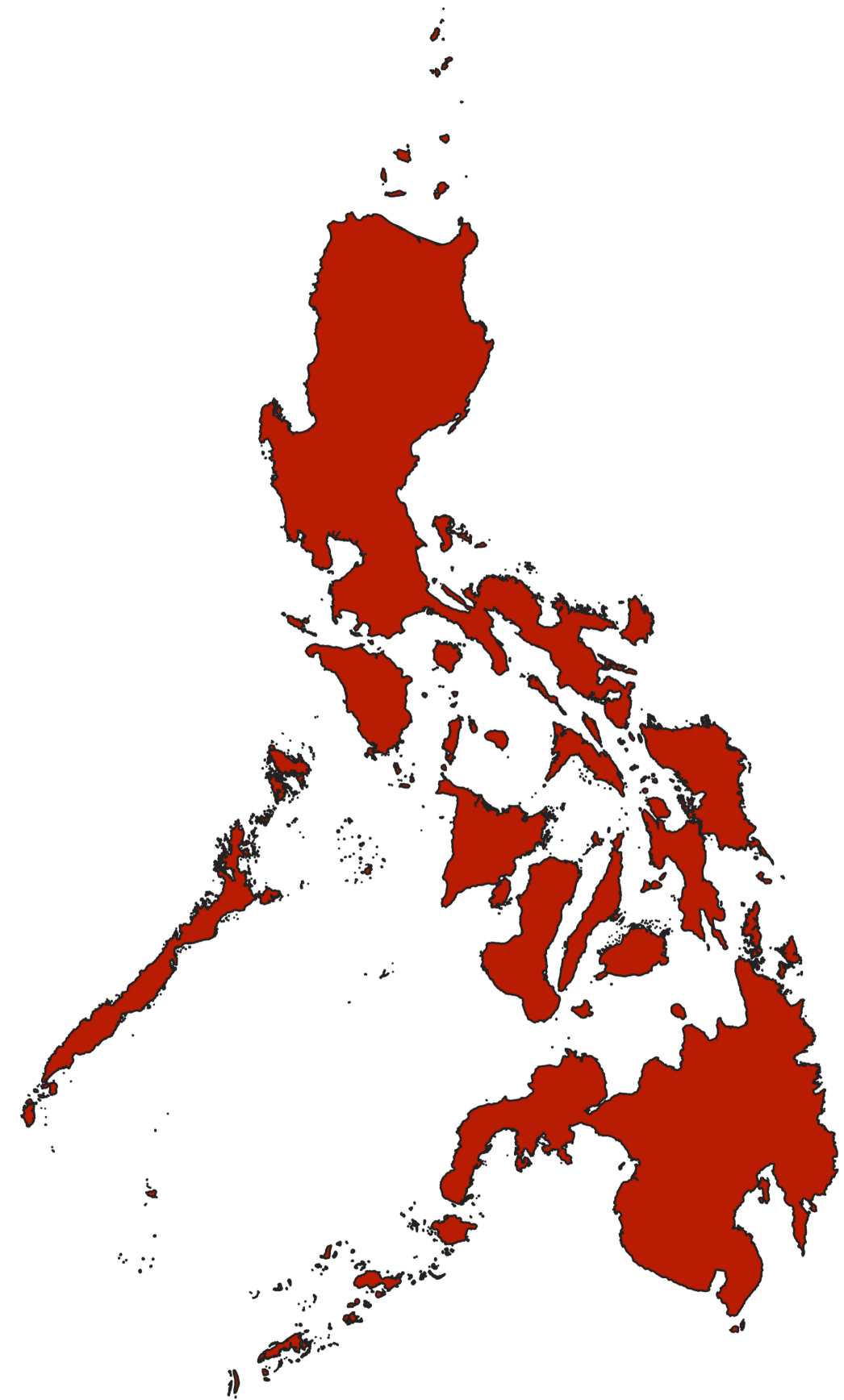
Since 1990, the Philippines' score on the HDI has increased every year.

(SOURCES: HUMAN DEVELOPMENT INDEX, 2019, AND DEMOGRAPHIA WORLD URBAN AREAS, 2019).

1. COUNTRY OVERVIEW

ADMINISTRATIVE DIVISIONS

Divided into 81 provinces and 38 chartered cities. These are grouped into 17 regions distributed in three large island groups: Luzon, Visayas and Mindanao.



(SOURCE: THE WORLD FACTBOOK, CENTRAL INTELLIGENCE AGENCY).

1. COUNTRY OVERVIEW

TIMELINE OF KEY EVENTS

1521-1946 - Colonization period.

1896-98 - Civil and armed campaign for independence from Spanish rule begins, failed attempt to achieve independence and new American dominance.

1899-1902 - Philippine-American War.

1902-35 - U.S. occupation.

1941-45 - World War II and Japanese occupation.

1946 - Official independence

1965 - Ferdinand Marcos becomes president.

1967 - The Association of Southeast Asian Nation (ASEAN) establishment.

1969-present - Internal armed conflicts.

1972-86 - Martial law and dictatorship.

1987 - Current constitution.

2. DEMOGRAPHICS

TOTAL POPULATION:

100,979,303 (2015 census)

106,651,922 est. (2018)

POPULATION GROWTH:

13.5% between 2010 and 2018

DENSITY:

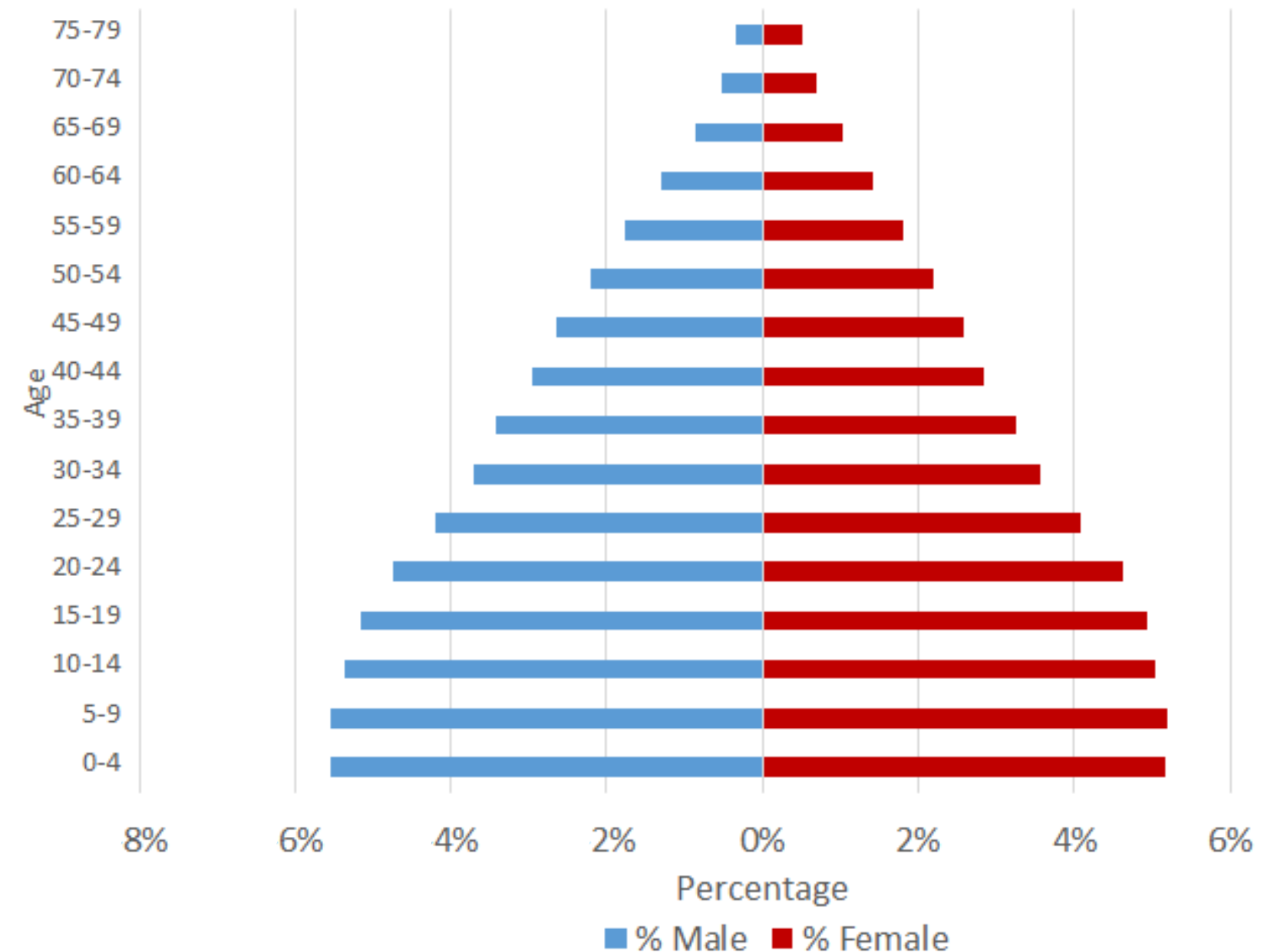
358 people per km², 2nd in South East Asia, just behind Singapore

(SOURCES: 2015 STATISTICS CENSUS OF POPULATION, PHILIPPINE STATISTICS AUTHORITY, AND WORLD BANK DEVELOPMENT INDICATORS).

PHILIPPINES COUNTRY REPORT

NAVARRA CENTER FOR INTERNATIONAL DEVELOPMENT

POPULATION PYRAMID (%)



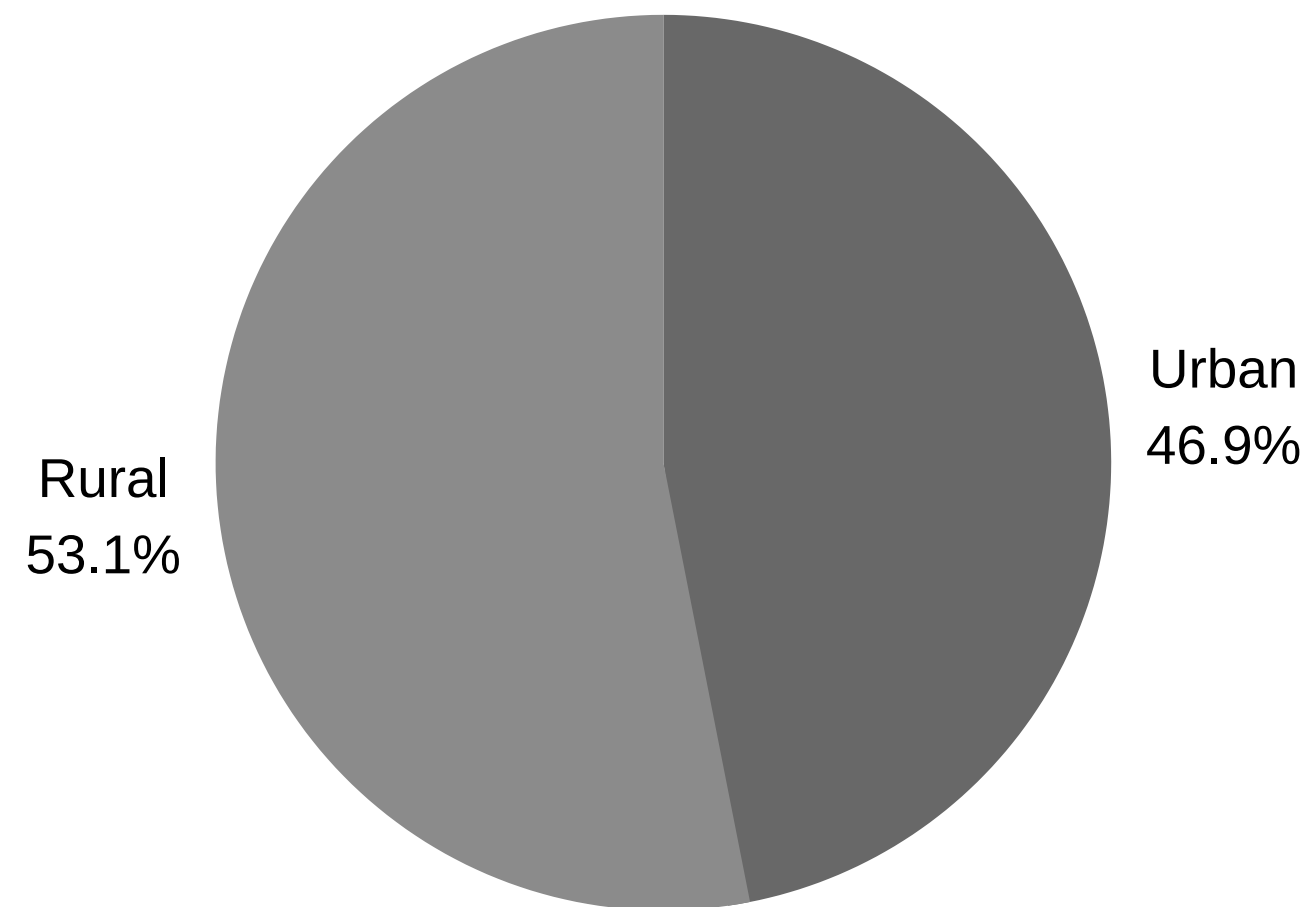
TAKEAWAYS:

49.4% of the population is **male**. **50.6%** of the population is **female**

51.3% of the population is **under 25 years old**

2. DEMOGRAPHICS

URBAN/RURAL

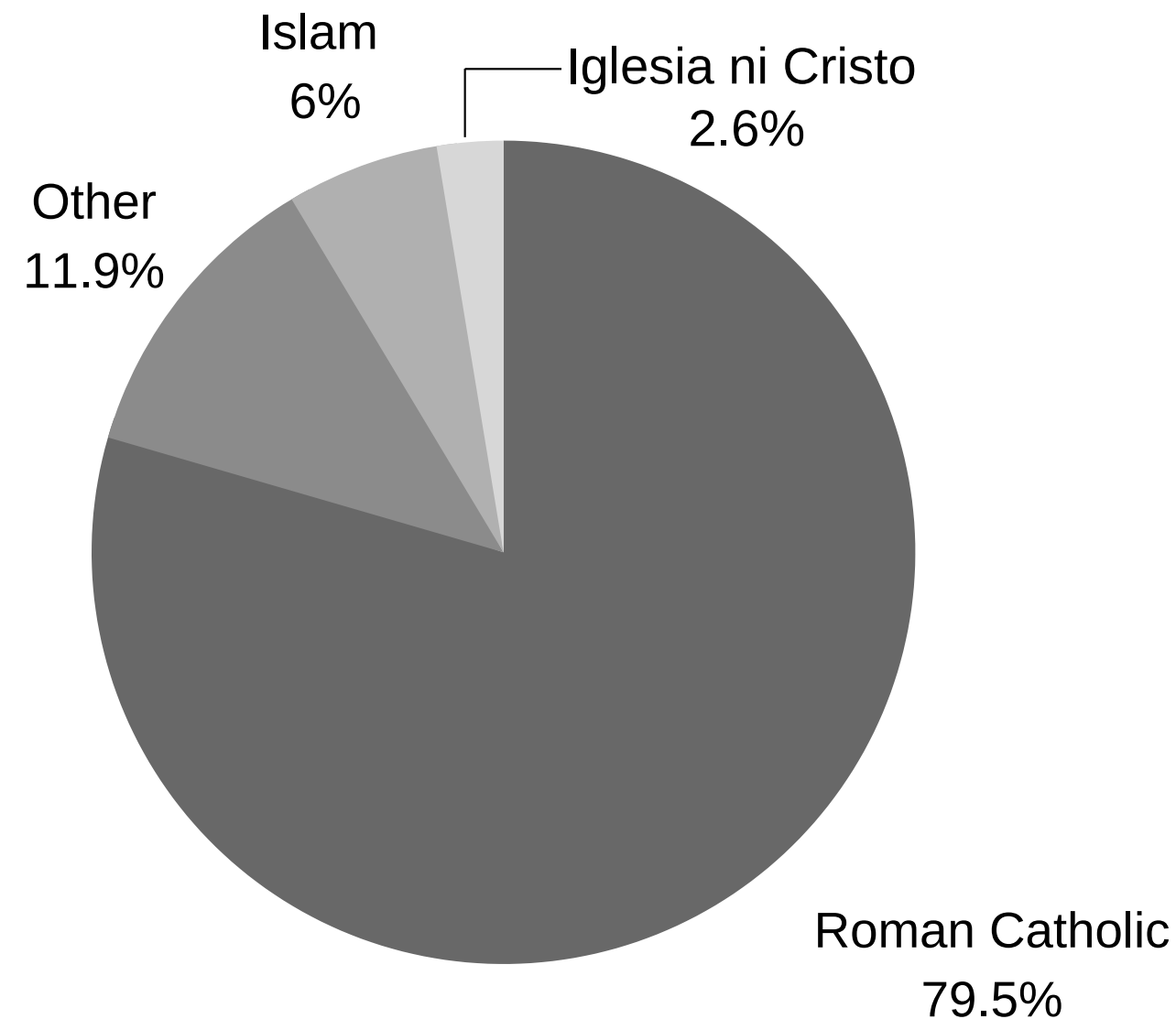


Proportions have remained **stable since 1990**, after at least three decades of urbanization.

(SOURCE: WORLD BANK DEVELOPMENT INDICATORS).

2. DEMOGRAPHICS

RELIGIOUS AFFILIATION



80.3 million people (almost 80% of the population) reported **Roman Catholic** as their religion.

Muslims are mostly in the island of **Mindanao**.

(SOURCE: 2015 STATISTICS CENSUS OF POPULATION, PHILIPPINE STATISTICS AUTHORITY).

2. DEMOGRAPHICS

POVERTY

POPULATION (IN)...

Multidimensional poverty (M.P): 5.8%

Severe multidimensional poverty: 1.3%

Below national poverty line: 21.6%

Below \$1.90 a day: 7.8%

On **November 2018**, the Philippine Statistics Authority (PSA) released its **own MPI**.

According to its **initial methodology**, **17.3%** of the Filipinos were multidimensionally poor in 2017.

PSA's methodology considers four dimensions:

- Education
- Health and Nutrition
- Housing, Water and Sanitation
- Employment

CONTRIBUTION OF DEPRIVATION REGARDING OVERALL M.P:

Health: 20.3% Education: 31% Standard of living: 48.7%

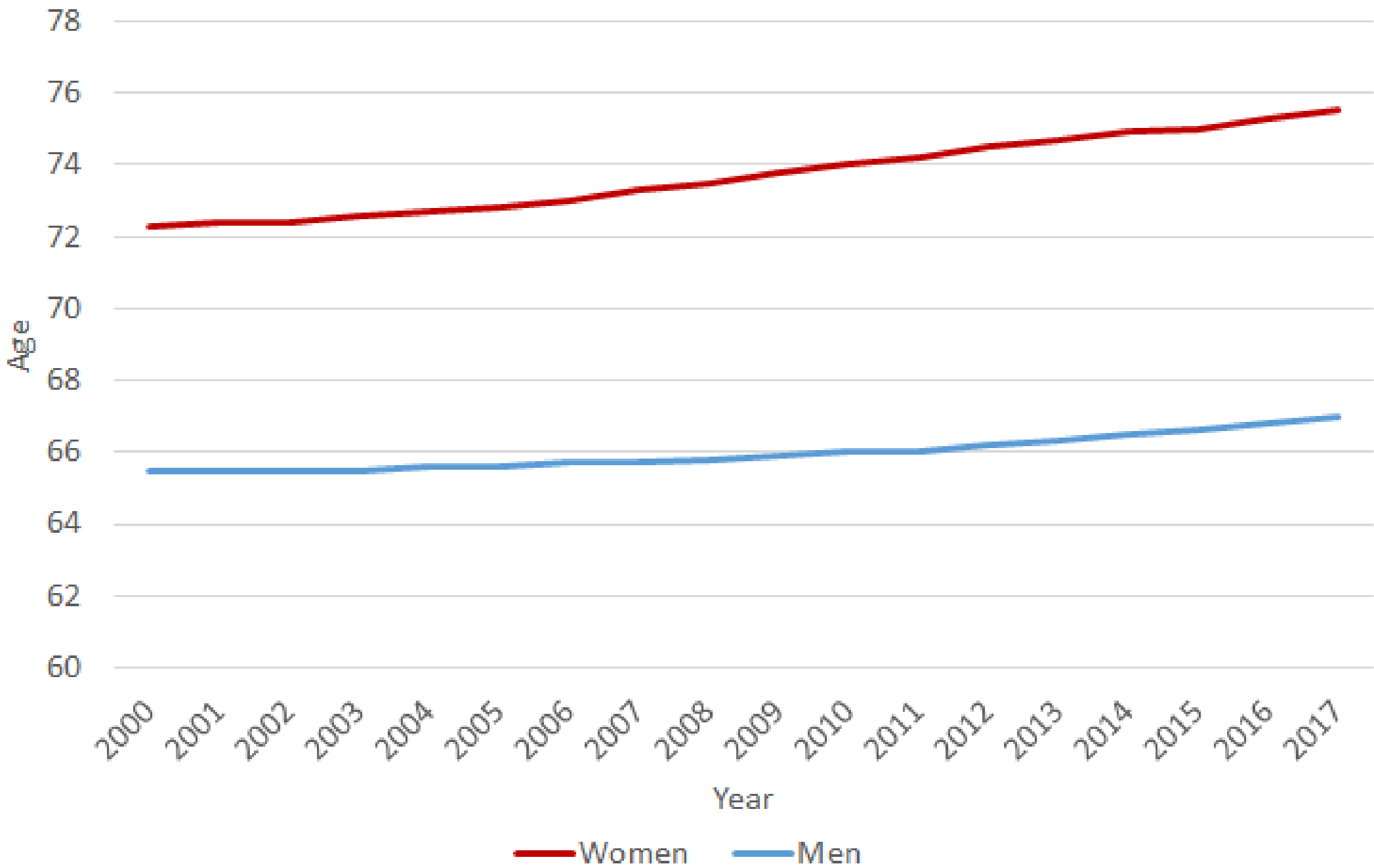
(SOURCE: GLOBAL MULTIDIMENSIONAL POVERTY INDEX 2019, OPHI & UNDP).

(SOURCE: MULTIDIMENSIONAL POVERTY PEER NETWORK).

2. DEMOGRAPHICS

2017:
Women: 75.3
Men: 67

LIFE EXPECTANCY



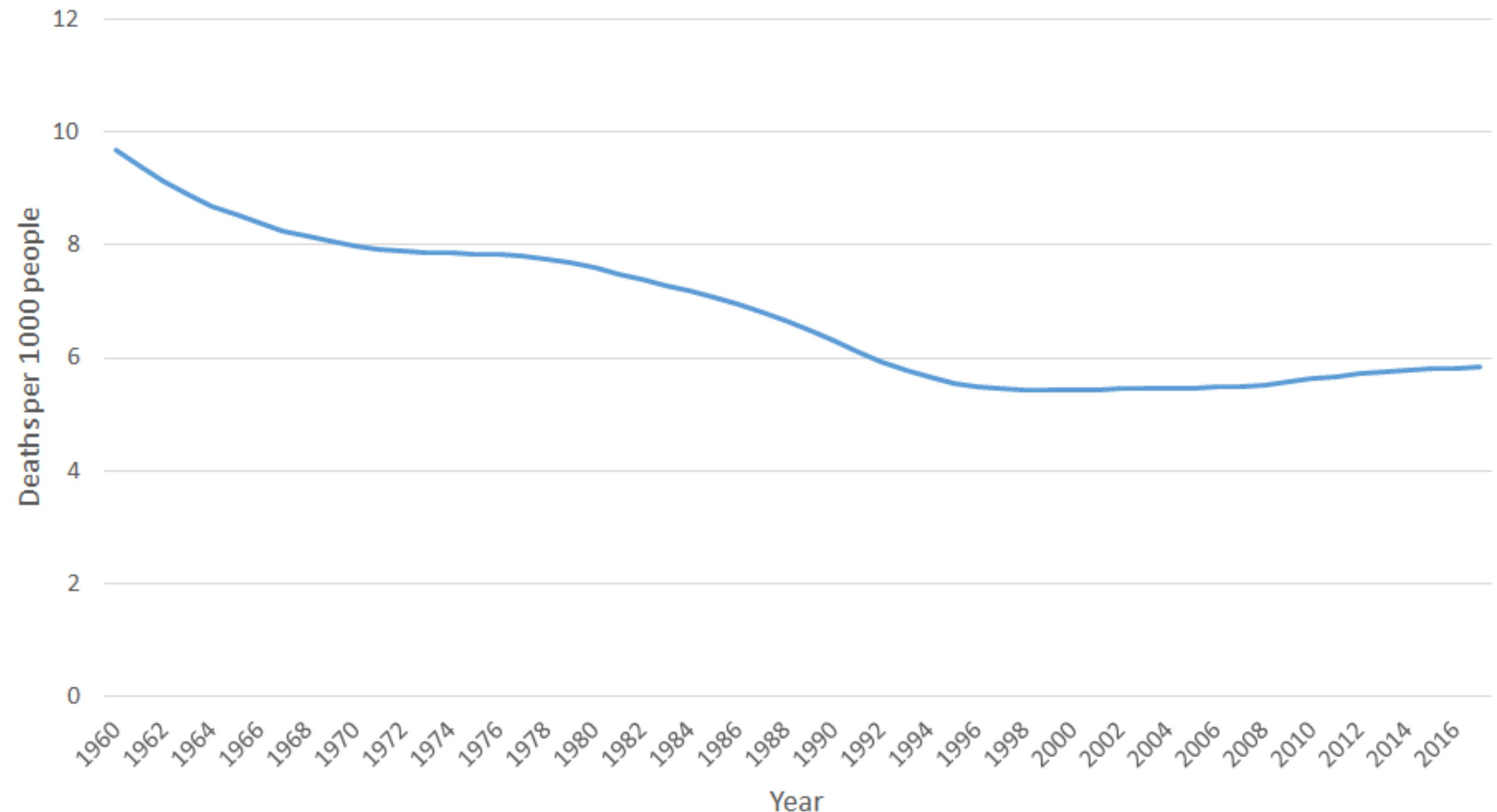
(SOURCE: WORLD BANK DEVELOPMENT INDICATORS)

2. DEMOGRAPHICS

2017:
5.8 per 1000 people

From 1960 to 2017, the gross mortality rate decreased from **9.7** to **5.8**.

GROSS MORTALITY RATE



(SOURCE: WORLD BANK DEVELOPMENT INDICATORS).

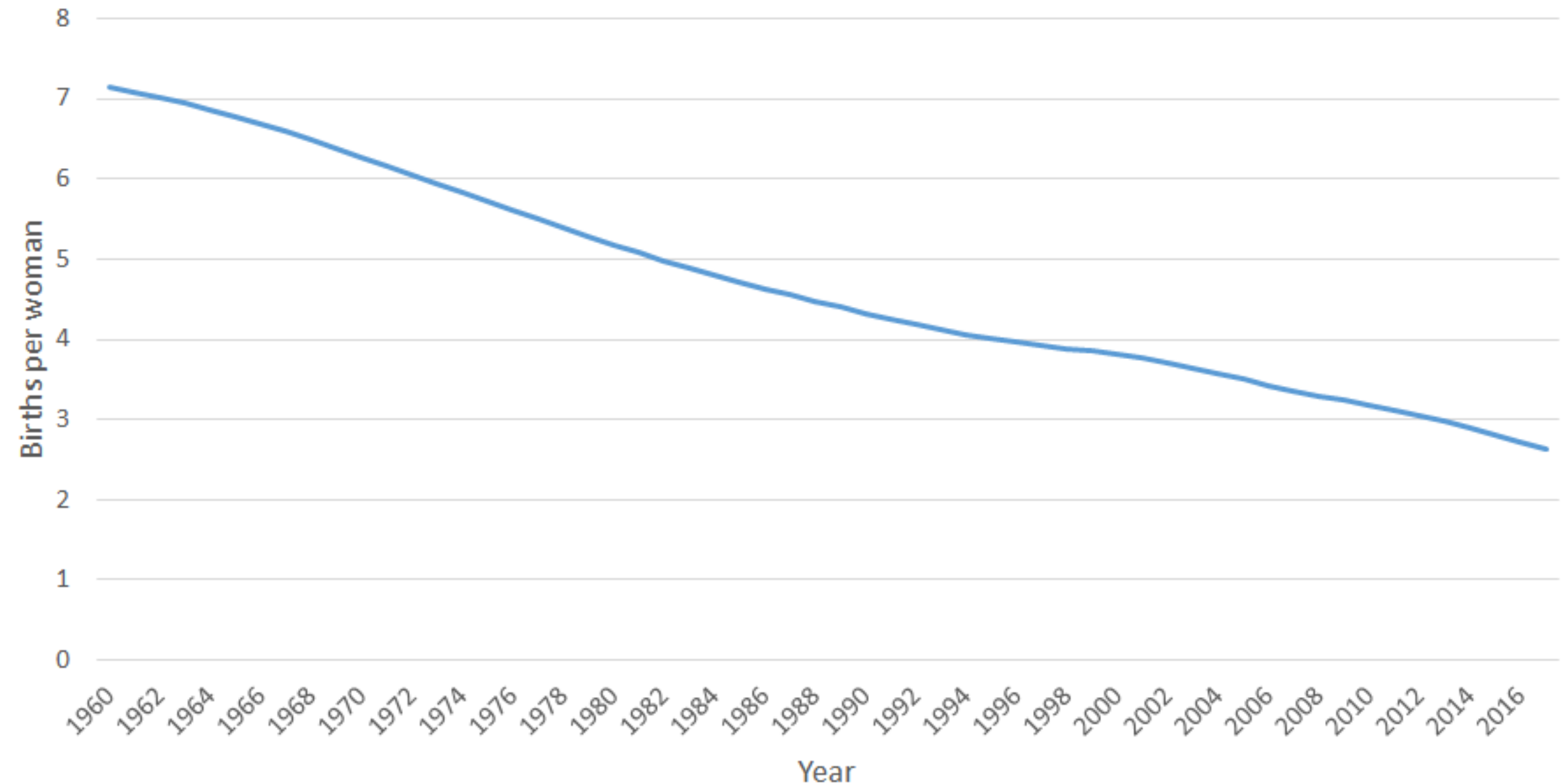
2. DEMOGRAPHICS

2017

2.6 births per woman

The total fertility rate for the year **1960** was **7.1**, decreasing to **2.6** in **2017**.

TOTAL FERTILITY RATE



(SOURCE: WORLD BANK DEVELOPMENT INDICATORS)

2. DEMOGRAPHICS

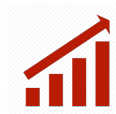
HEALTH SNAPSHOT

HEALTH EXPENDITURE IN 2016 AS % OF THE GDP		4.4%		
BIRTHS ASSISTED BY A SKILLED PROVIDER		54%	LAST-BORN CHILDREN BORN IN THE LAST 2 YEARS EVER BREASTFED	93%
NEONATAL MORTALITY	14%	STUNTED CHILDREN <2 YEARS OLD 25.5%		
INFANT MORTALITY	21%	STUNTED CHILDREN <5 YEARS OLD 30.3%		
UNDER 5 MORTALITY	27%	STUNTED ADOLESCENTS, 10-19 YEARS OLD 26.3%		

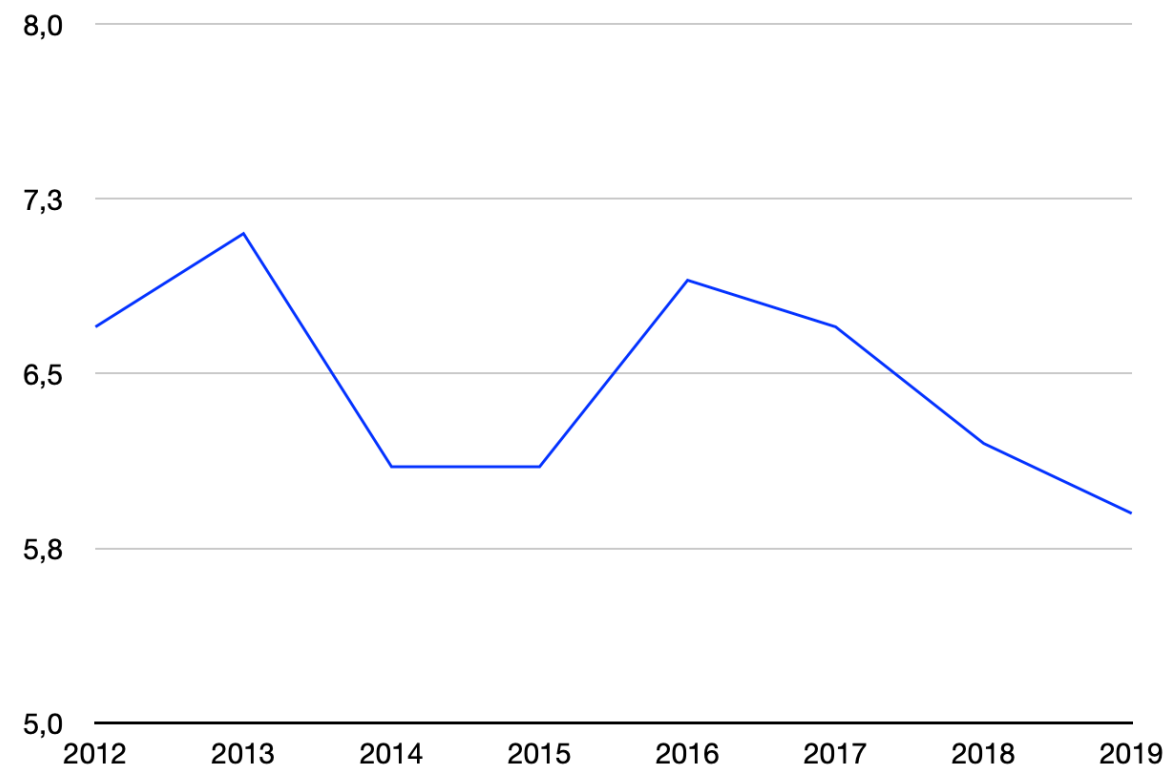
(SOURCES: 2017 NATIONAL DEMOGRAPHIC AND HEALTH SURVEY, PHILIPPINE STAISTICS AUTHORITY; EXPANDED NATIONAL NUTRITION SURVEY, FOOD AND NUTRITION RESEARCH INSTITUTE, AND WORLD BANK DEVELOPMENT INDICATORS)

3. MACROECONOMICS

GROSS DOMESTIC PRODUCT



GROWTH RATE

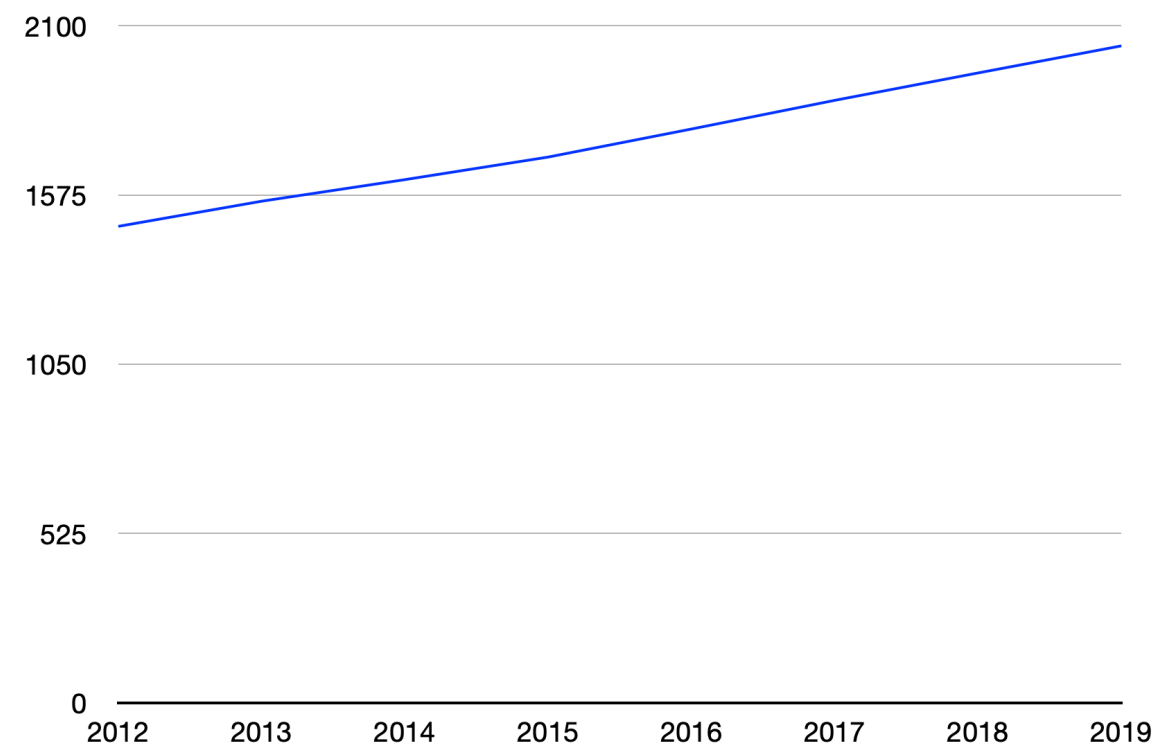


Averaged **6.5%** between 2012-2019.

IMF projects growth to be **0.6%** in 2020 and a recovery in 2021 with 7.6% growth. Before the coronavirus outbreak, the World Bank projected a 6.1% growth for 2020.



PER CAPITA (US\$)



GDP per capita is **US 3,103\$**. It is in the middle of the table of ASEAN countries's GDP per capita, which vary a lot from Myanmar (1,279\$) up to Singapore (64,579\$). In that sense, the closest country in GDP per capita in the region is Indonesia (3,871\$).

The World Bank's goal for The Philippines is for it to become a middle-class society **free of poverty** by 2040.



GDP BY SECTOR (% OF GDP)

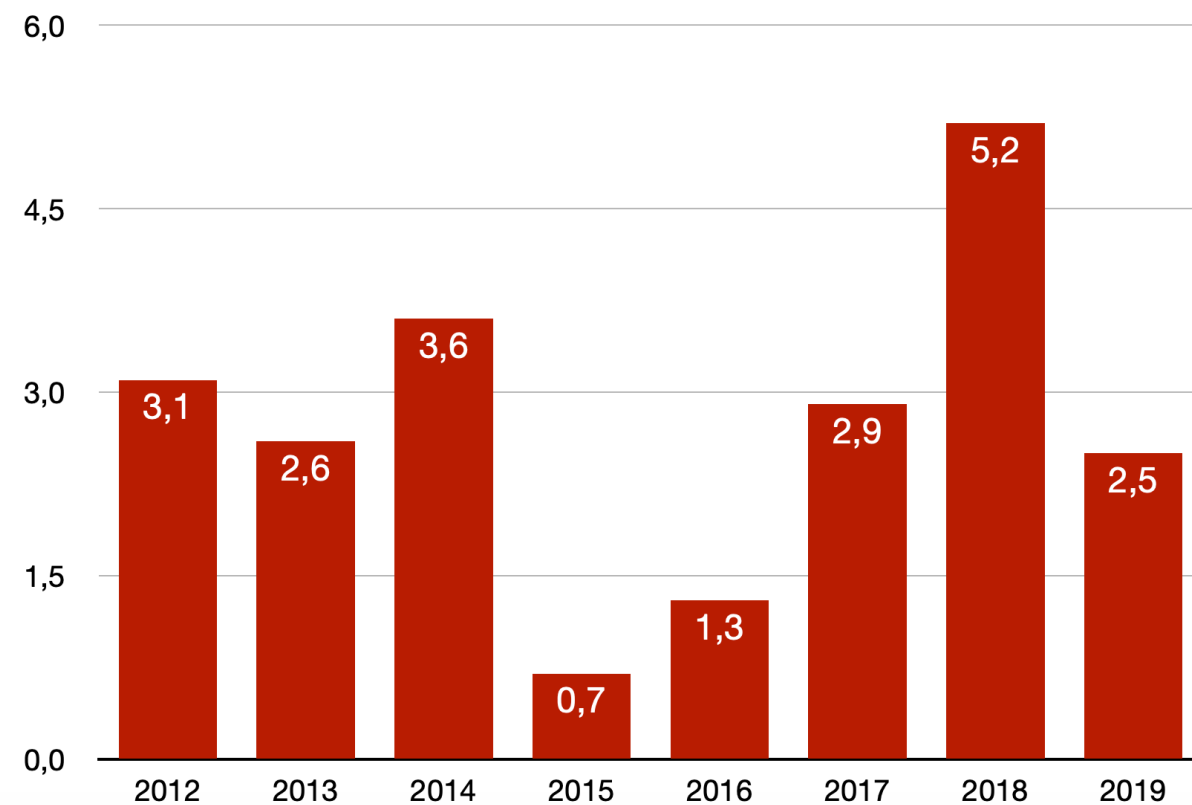
	2017	2018	2019
Service Sector	57.5	57.8	58.4
Industrial Sector	34.0	34.1	33.8
Agriculture, Hunting, Forestry & Fisheries	8.5	8.1	7.8

(SOURCES: BANGKO SENTRAL NG PILIPINAS, 2020; WORLD ECONOMIC OUTLOOK APRIL 2020, IMF; WORLD BANK PHILIPPINES OVERVIEW, 2020, AND ASEAN, COUNTRY ECONOMY)

3. MACROECONOMICS



(%) INFLATION RATE



The Philippines' monetary policy strategy is **to promote a low and stable rate of inflation.**

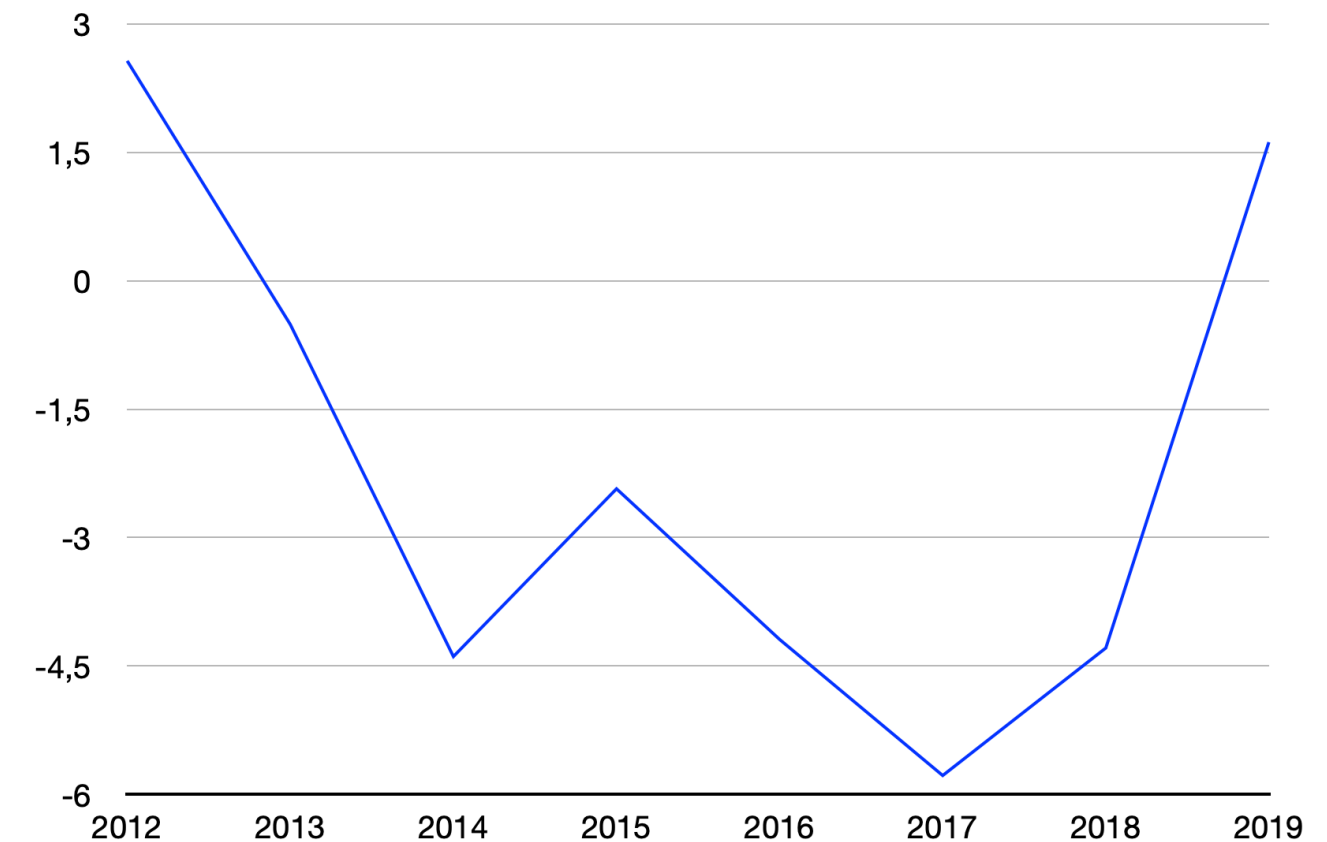
Its target for 2019-2022 is **3.0%** with a tolerance band of **+/- 1 pp.**

(SOURCES: BANGKO SENTRAL NG PILIPINAS, 2020; CNBC, 2020, AND BANGKO SENTRAL NG PILIPINAS INFLATION REPORT 4Q, 2019).

PHILIPPINES COUNTRY REPORT

NAVARRA CENTER FOR INTERNATIONAL DEVELOPMENT

PESO EXCHANGE RATE PER DOLLAR GROWTH



The Nominal Effective Exchange Rate Index (NEERI) has fluctuated between 13.29 and 15.68.

Reasons for recent gain:

1. **Narrowing** trade deficit
2. Over aggressive hike to **battle slow inflation** .
3. Policy rates relatively high in the region, fostering foreign money flow into The Philippines.

3. MACROECONOMICS



CASH REMITTANCES

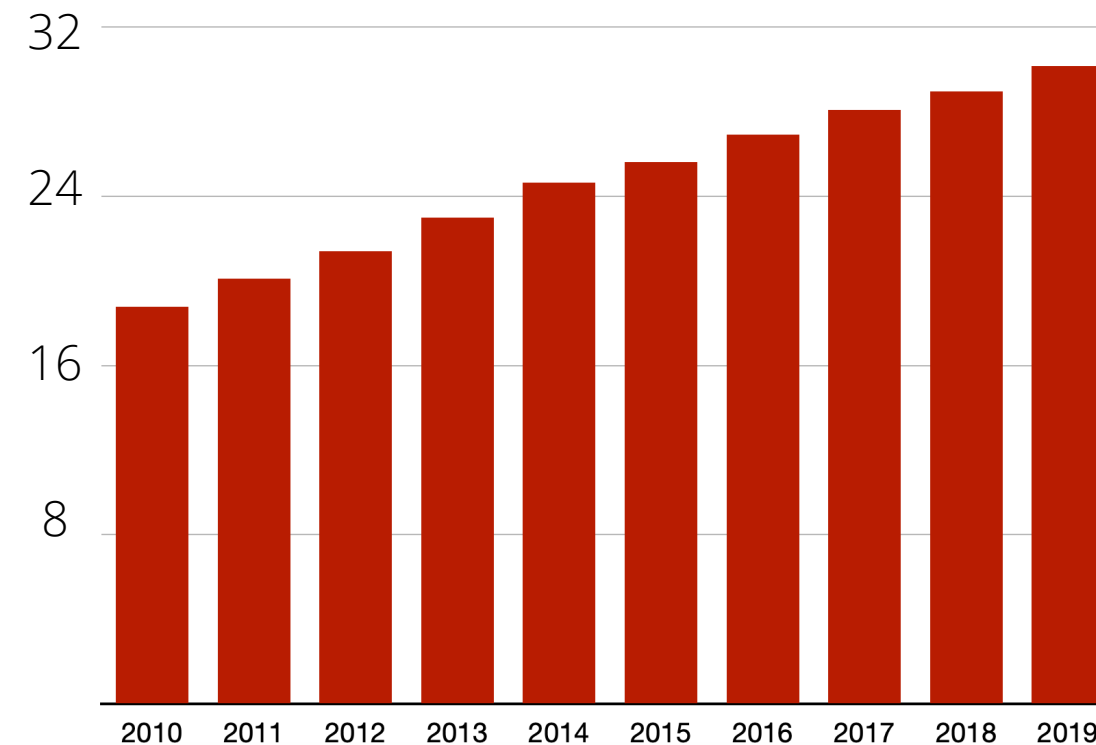
There are officially 2.3 million Filipinos working abroad. The Philippines is the **fourth** biggest remittance receiver in the world.

From 2010 to 2019, the amount has more than doubled from **18.8** to **30.1** billion USD.

The **United States** is, by far, the country **from which most remittances are sent** to The Philippines with a total of **11.3** billion USD in 2019. It is followed by Saudi Arabia (2,098,287) and Singapore (1,906,494).

(SOURCES: PHILIPPINE STATISTICS AUTHORITY, 2019; WORLD BANK, 2019; ABS-CBN, AND OWWA)

OVERSEAS CASH REMITTANCES (BILLIONS OF USD)



(SOURCE: BANGKO SENTRAL NG PILIPINAS, 2020)



OVERSEAS FILIPINO WORKERS (OFW)

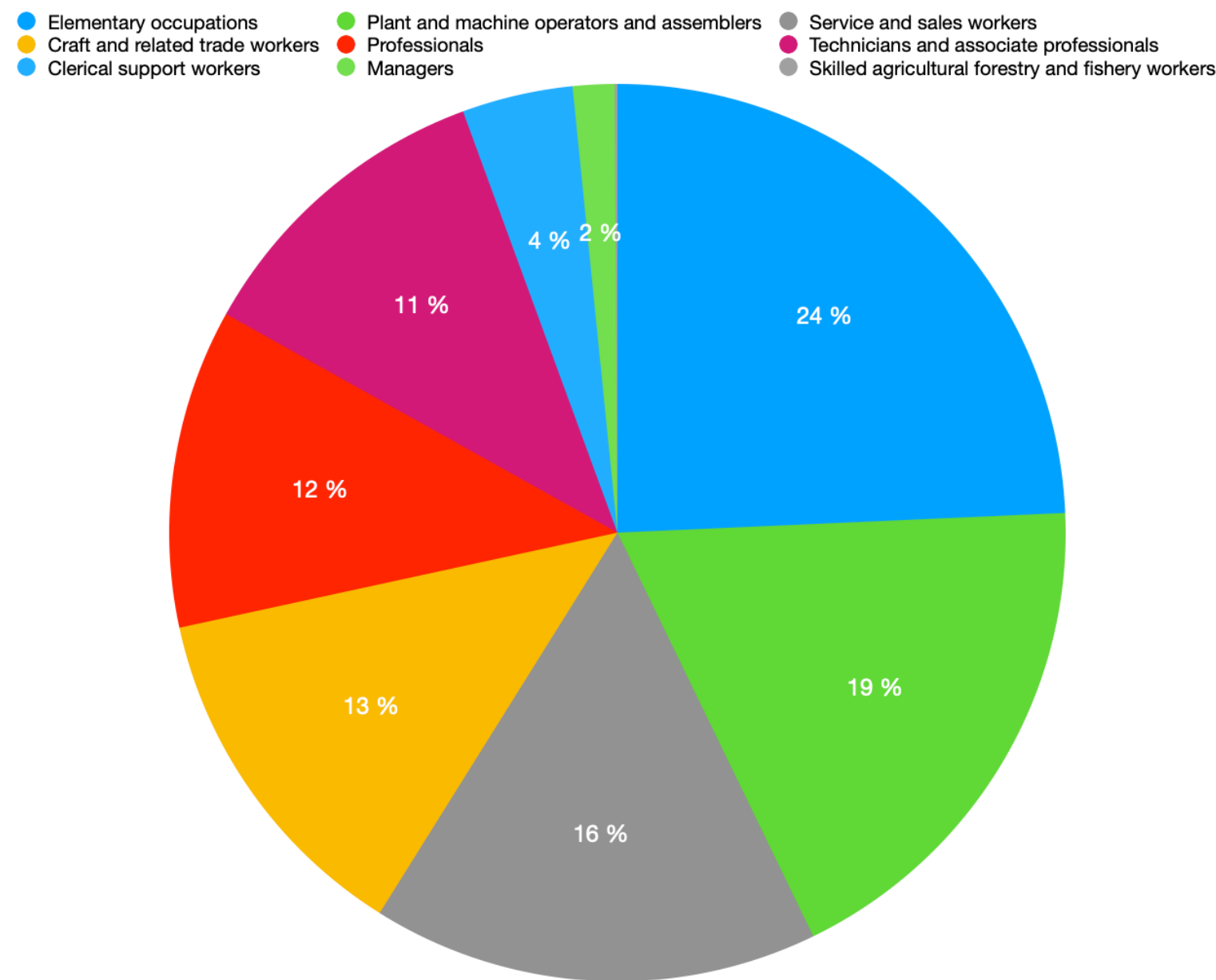
Those nationals living abroad are commonly referred as **Overseas Filipino Workers (OFW)**.

OFW's have a **special status**.

- They have a unique entry at the Ninoy Aquino International Airport in Manila
- They are exempt from travel tax and airport terminal fees when traveling out of the Philippines from within the country
- They can walk-in to renew their passports without an online appointment.
- The Department of Labor and Employment has a special Overseas Workers Welfare Administration office.

3. MACROECONOMICS

TOP OCCUPATION SECTORS OF OFW'S

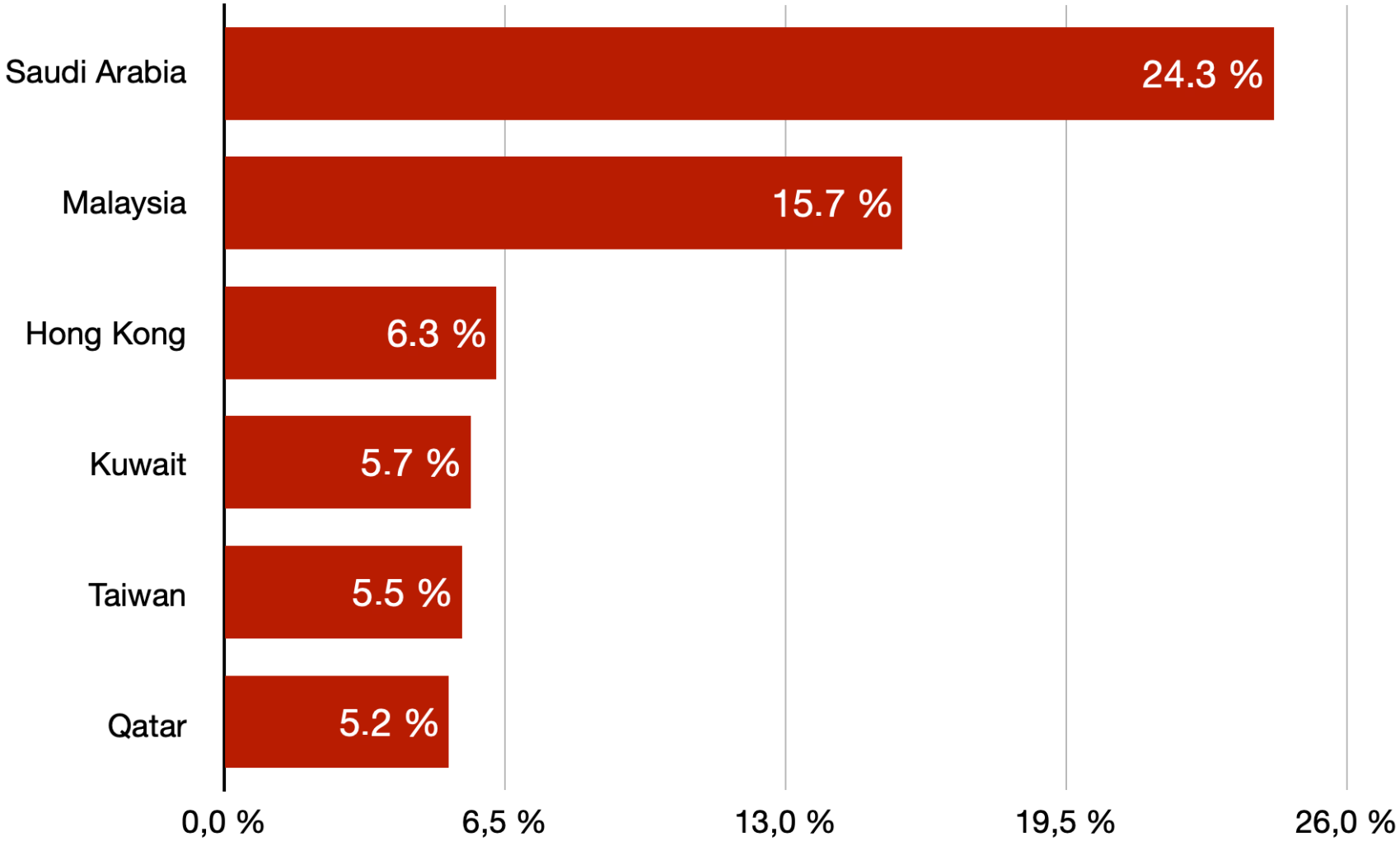


The majority of OFW are on elementary occupations, industry or sales and service jobs.

(SOURCES: PHILIPPINE STATISTICS AUTHORITY, 2019).

TOP DESTINATION OF OFW'S

Although the United States is the main place of origin by amount of cash remittances, both North and South America account only for a 6.6% of OFW. A 54.9% of them are located in the Middle East.



Only Saudi Arabia holds one quarter of all OFW.

(SOURCE: BANGKO SENTRAL NG PILIPINAS, 2020)

3. MACROECONOMICS

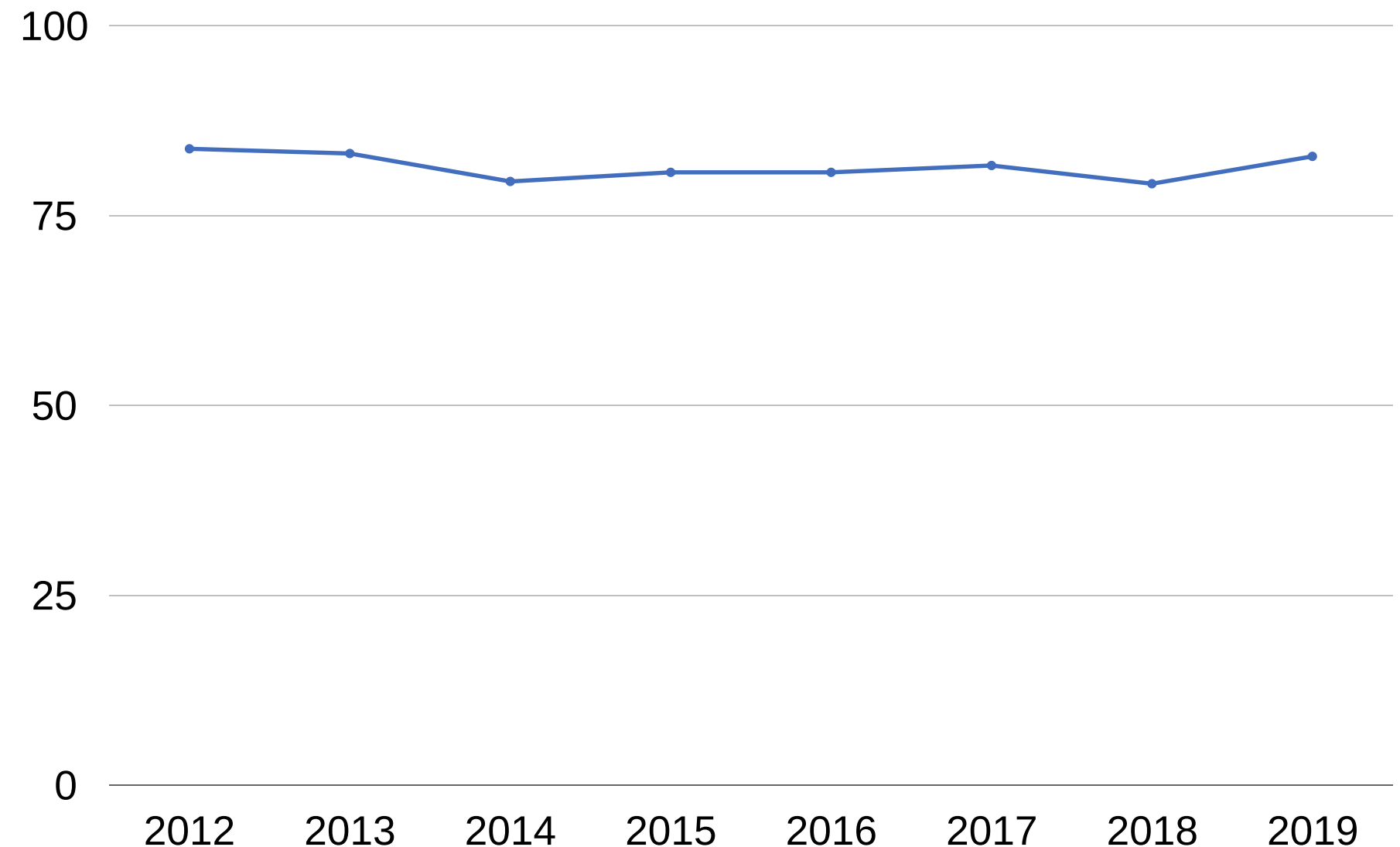


2019
82.8 billion USD

Stable during the last decade.

Every year between **79** and **83** billion USD.

NET INTERNATIONAL MONETARY RESERVES (BILLIONS OF USD)



(SOURCE: BANGKO SENTRAL NG PILIPINAS, 2020)

3. MACROECONOMICS

DEBT AND CREDIT RISK



GROSS NATIONAL INVESTMENT AS % OF THE GDP

Sustained increase throughout the years. Rose from 18.2% in 2012 to 27.2% in 2019. Predicted to continue growing up to 33.1% in 2024.

Below average in Southeast Asia which was **31.3% in 2019**.



GROSS NATIONAL SAVINGS AS % OF THE GDP

Third highest in the region after Singapore and Myanmar.

Gradually increasing since 2012 from 20.9% up to 25.2% in 2019. It is expected to continue rising up to 31.2% in 2024.



CENTRAL GOVERNMENT BUDGET REVENUE AS % OF THE GDP

Between 2012 and 2019, it averages **19.4%**. Slight increase in that period.

Average in Southeast Asia.

Fitch recently confirmed the Philippines' BBB rating but upgraded its prospect from stable to positive, meaning it is closer from an A grade. The ratings company praised its "sound macroeconomic policy", whilst it expected it to continue with its progress in fiscal reform, including its intention of implementing higher taxes on alcohol, tobacco and vapers.

Standard and Poor's, and **Moody's** also maintained their rating.

Rating institutions appreciate the Philippines' **positive fiscal policies**.

(SOURCES: IMF PHILIPPINES, 2020; IMF SOUTHEAST ASIA, 2020, BOTH CONSIDERING 2000 AS YEAR BASE, AND ABS-CBN, 2020).

4. TRADE

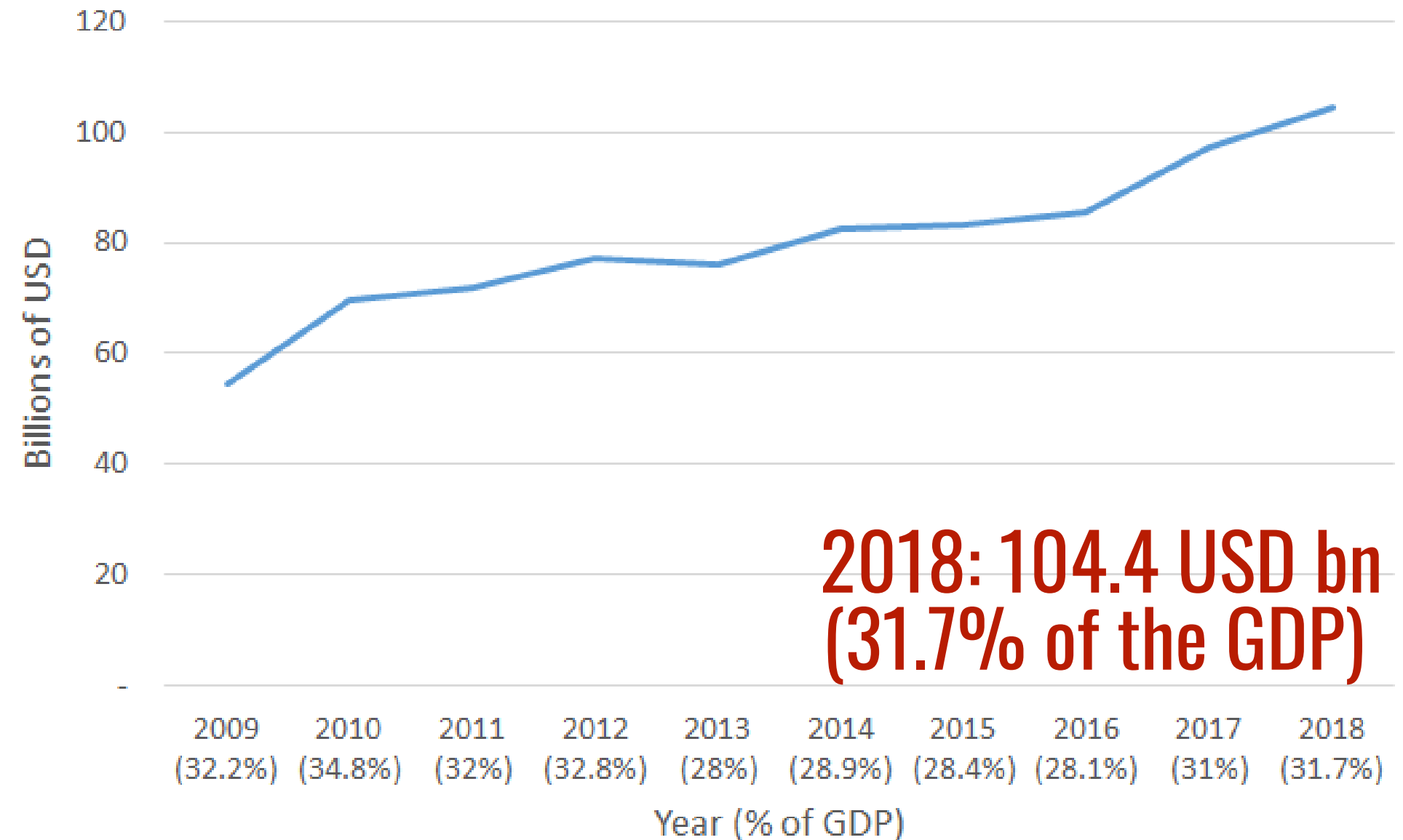
EXPORTS

6th largest exporter in Southeast Asia, behind Singapore, Thailand, Vietnam, Malaysia, and Indonesia.

In the **past decade**, the Philippines was **one of the fastest growing exporters in the region**.

Trade played a **significant role in the GDP annual growth** between 2012 and 2017.

EXPORTS VALUE (BILLIONS OF USD)



(SOURCES: WORLD BANK DEVELOPMENT INDICATORS AND WORLD TRADE ORGANIZATION).

4. TRADE

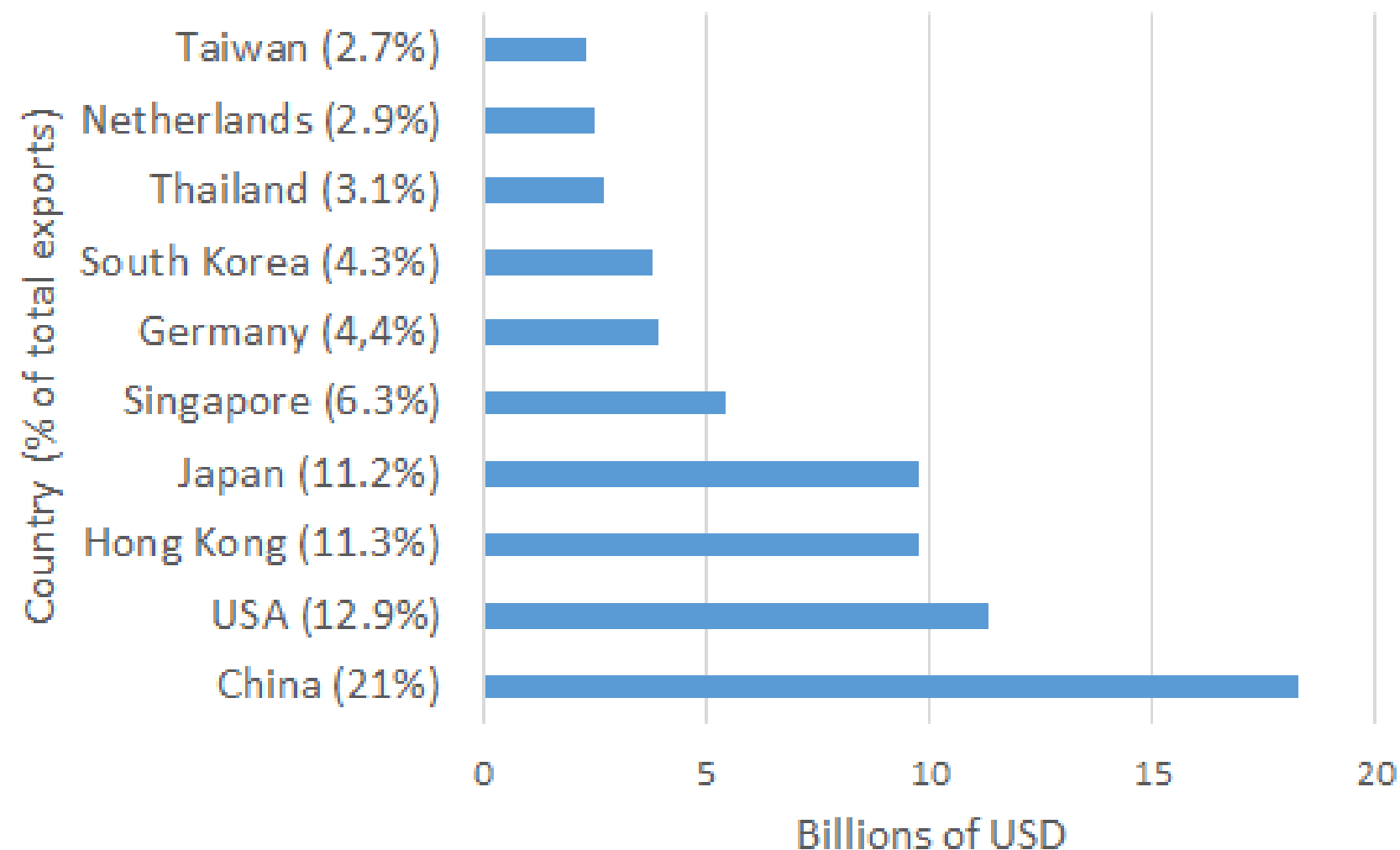
EXPORTS

The Philippines ranks **43rd out of 133** countries in the Economic Complexity Index (ECI).

It is the **37th largest exporter** in the world.

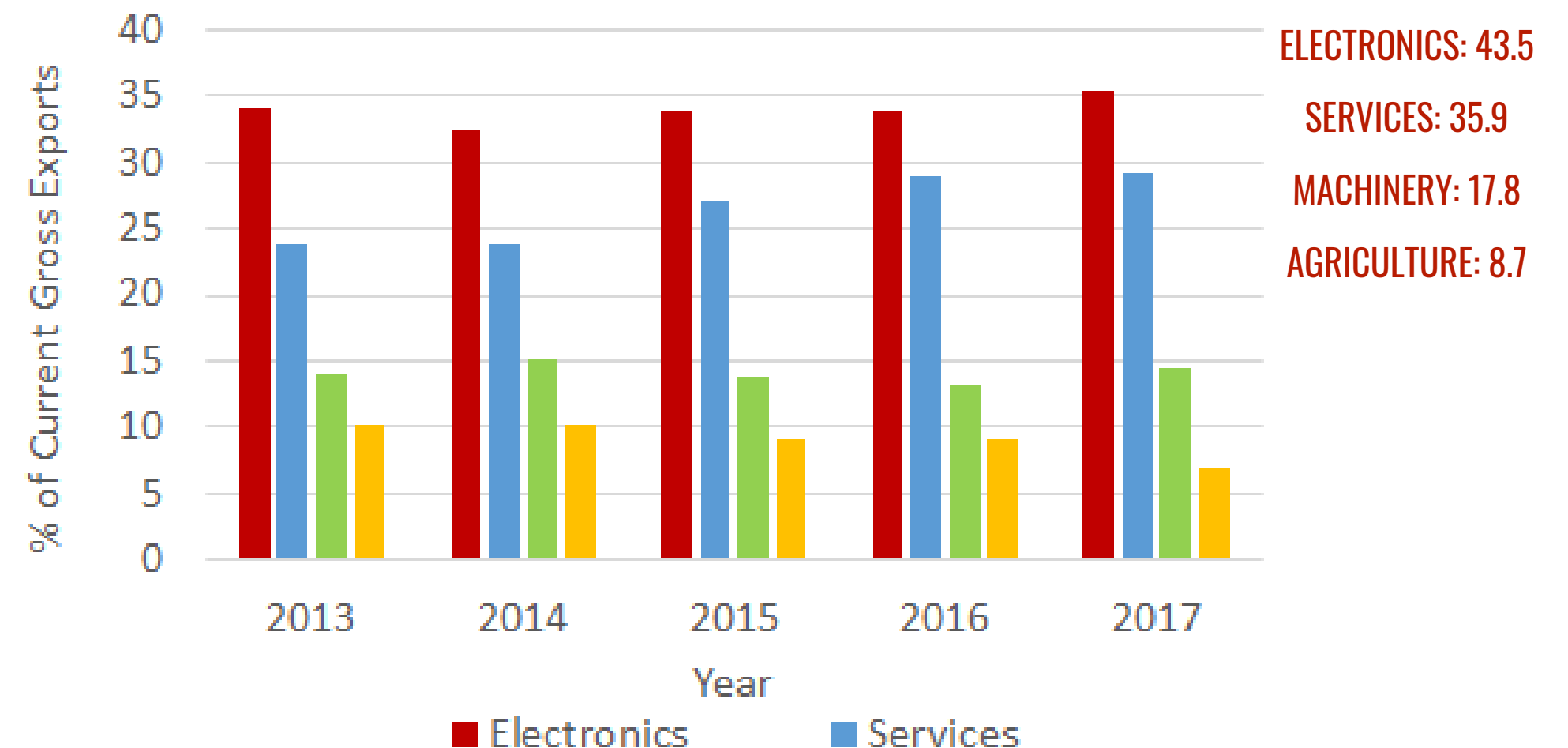
Its **ranking has improved** due to an increase in exports, lead by the Electronic Integrated Circuits sector.

MAIN EXPORT PARTNERS IN 2017 (BILLIONS OF USD)



(SOURCE: ALTAS OF ECONOMIC COMPLEXITY).

% CURRENT GROSS EXPORTS



(SOURCE: ALTAS OF ECONOMIC COMPLEXITY).

4. TRADE

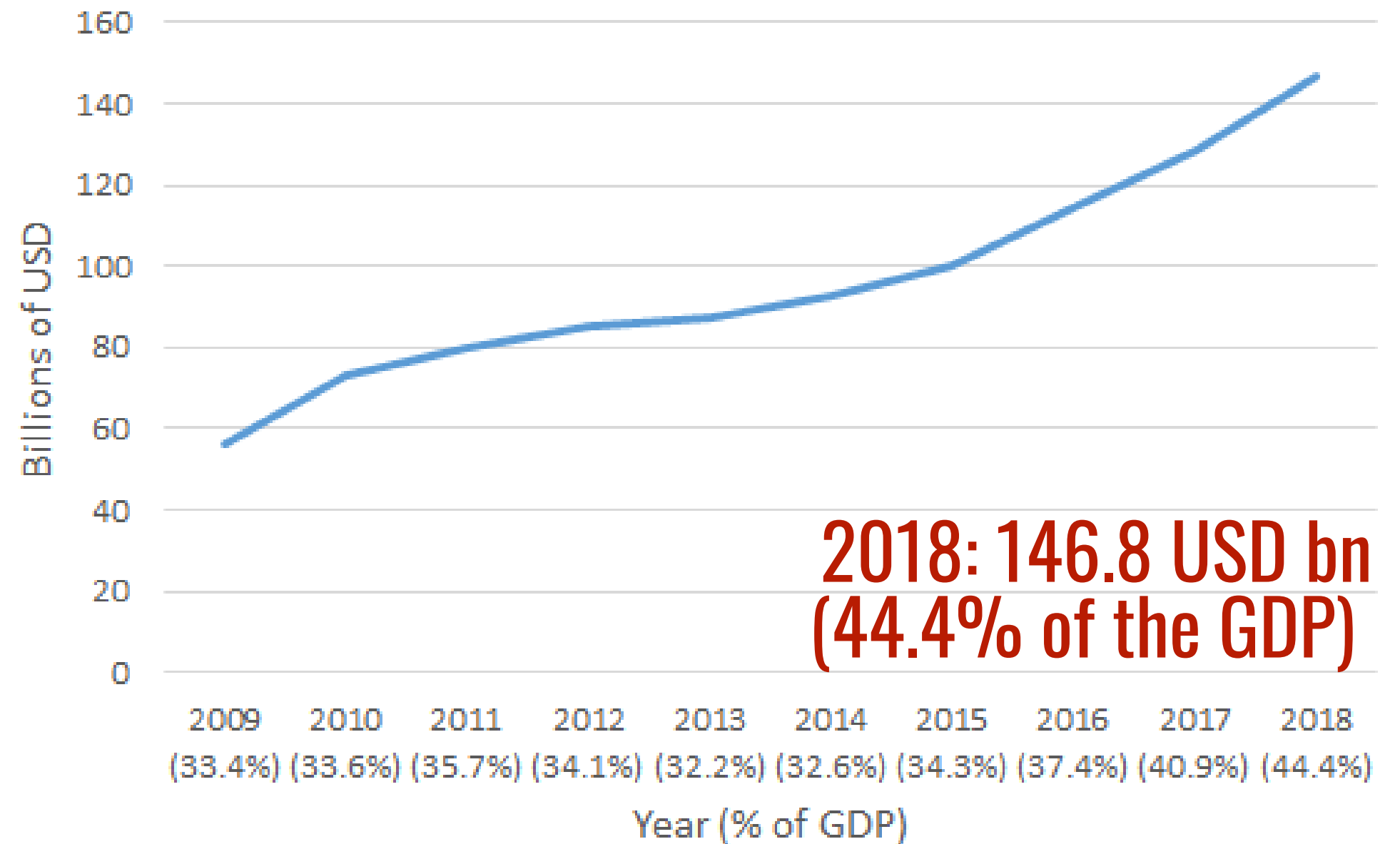
IMPORTS

6th largest importer in Southeast Asia, behind Singapore, Thailand, Vietnam, Indonesia, and Malaysia.

Increased 15% from 2017 to 2018.

Total trade was **76.1% of GDP**, after a growth tendency since 2013.

IMPORTS VALUE (BILLIONS OF USD)



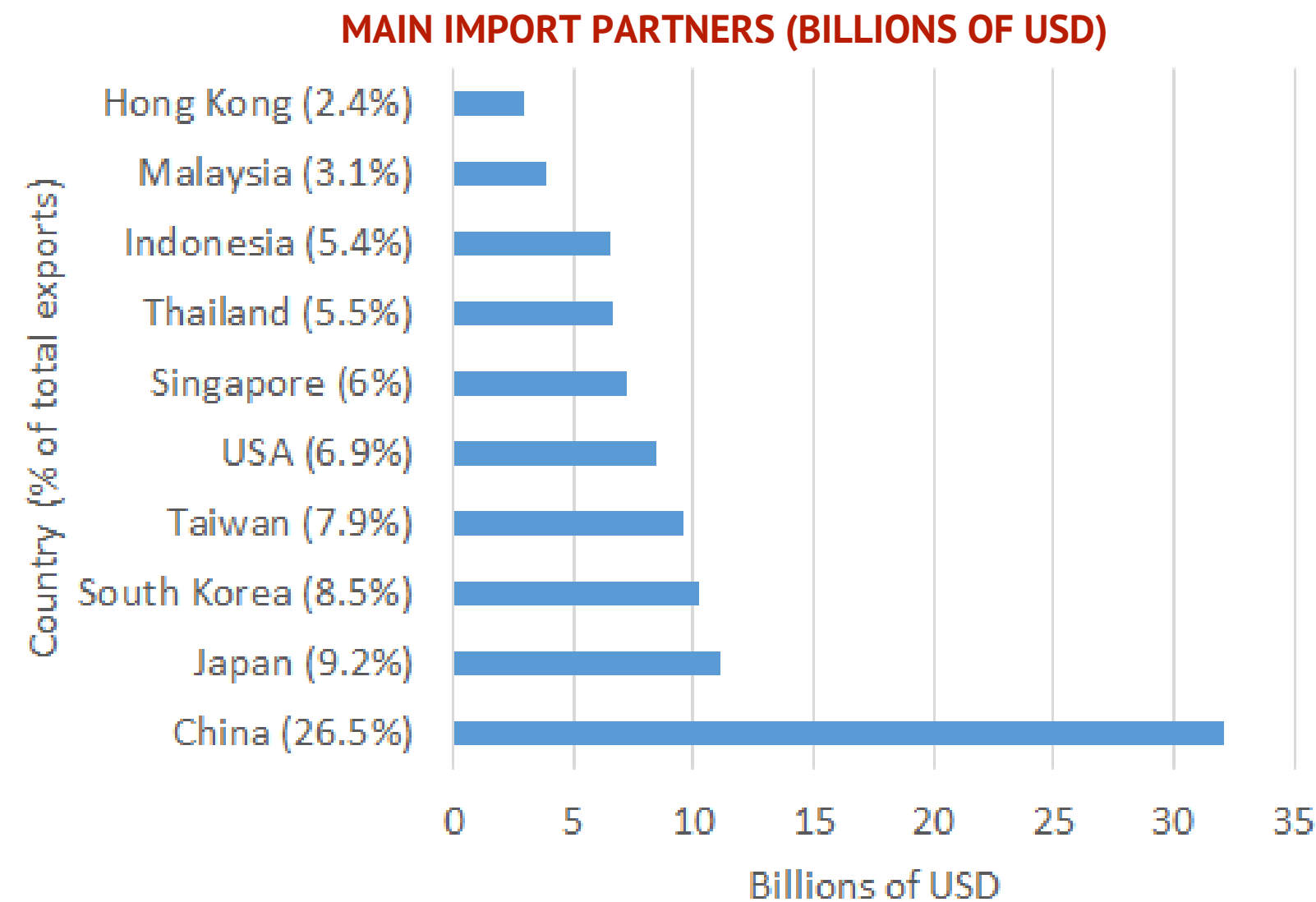
(SOURCE: WORLD BANK DEVELOPMENT INDICATORS).

4. TRADE

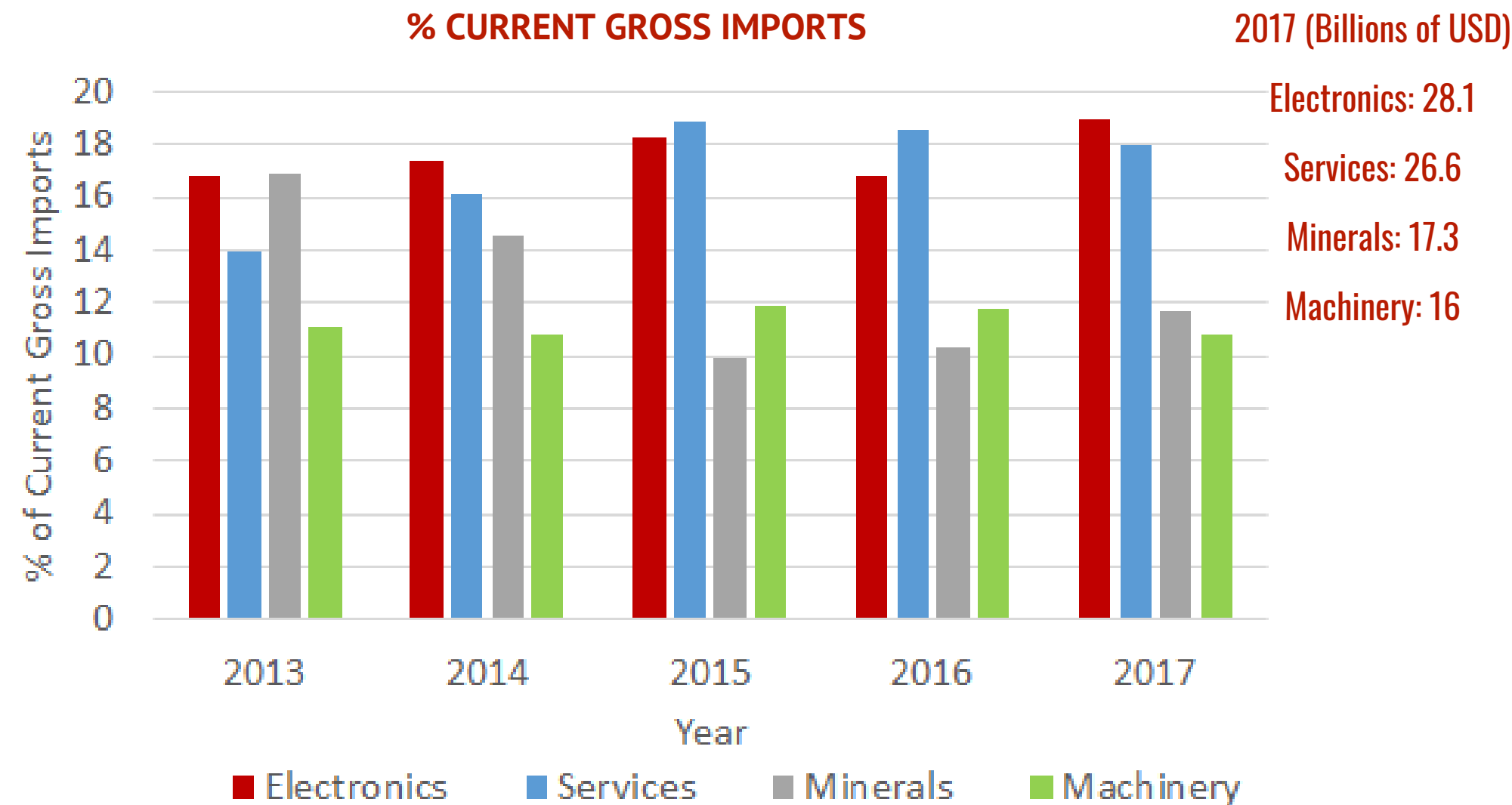
IMPORTS

32nd largest importer in the world, according to the Observatory of Economic Complexity.

Between 2012 and 2017, imports increased at an **annualized rate of 7%**.



(SOURCE: ALTAS OF ECONOMIC COMPLEXITY).



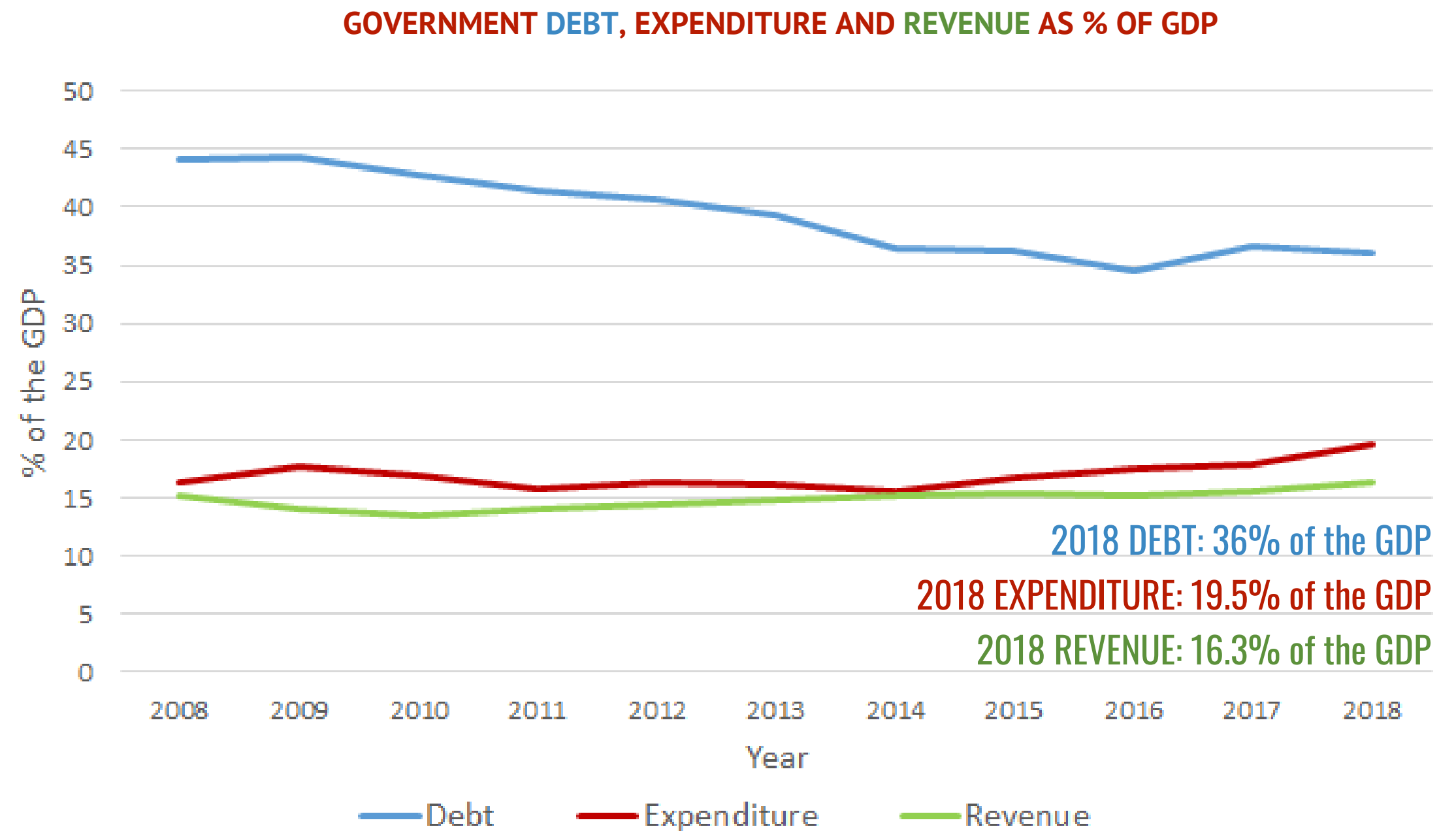
(SOURCE: ALTAS OF ECONOMIC COMPLEXITY, 2019).

5. GOVERNMENT FINANCE

In 2018, as % of GDP:

- Expenditure: **19.5%**
- Expenses: **14.9%**
- Revenues: **16.3%**
- Gross operating balance: **1.4%**

The IMF projects that the **debt-to-GDP ratio will decline to 37.5% in 2024**, that it will be most vulnerable to a growth shock, and also to real interest rate and primary balance shocks.



(SOURCES: INTERNATIONAL MONETARY FUND DATA; AND PHILIPPINES' DEPARTMENT OF FINANCE FOR DEBT).

5. GOVERNMENT FINANCE

CURRENCY RATE RISK PROTECTION PROGRAM

In October 2018, the Bangko Sentral ng Pilipinas relaunched the **Currency Rate Risk Protection Program (CRPP) Facility**, previously implemented in the 1997 Asian Financial Crisis.

The CRPP is a "non-deliverable forward (NDF) contract between the BSP and a universal/commercial bank (UKB) **in response to the request of bank clients who are seeking to hedge their borrowings denominated in foreign currency to protect them from exchange rate volatility**".

Under the CRPP, when signing a contract both parties agree that "only the net difference between the contracted forward rate and the prevailing spot rate shall be settled in pesos".

Regulatory reliefs include:

- Exposures "shall not be subject to NDF position limits".
- "Reduced market risk capital charges shall be applied for net open positions for NDFs".
- Banks "will not need additional derivatives authority since transactions under the CRPP are considered generally authorized derivatives activities".

(SOURCE: BANGKO SENTRAL NG PILIPINAS, 2019).

6. FINANCIAL MARKETS

After seven years of steady decrease from a 10% in 2005, in 2012 the lending rate stabilized.

Challenges:

1. Prone to **external shocks**.
2. Exposure to **natural disasters** and **climate change**.

The **IMF Financial Sector Assessment Program** recommends:

1. **Levelling up bank supervision** with further limits on banks and by harmonizing the definitions of single borrower limits and large exposure.
2. **Improve capital market supervision** with more self-regulatory organizations.
3. **Strengthen insurance supervision** with a broader set of discretionary intervention tools.
4. Foster **nonbank financial sectors**.

2018 LENDING INTEREST RATE: 6.1%

Since 2012, the lending interest in Philippines has remained stable, between 5.6% and 6.1% until 2018.

(SOURCES: PHILIPPINES: FINANCIAL SYSTEM STABILITY ASSESSMENT UPDATE, IMF;
IMF FINANCIAL SPOTLIGHT IN 2020, AND WORLD BANK DEVELOPMENT INDICATORS)

6. FINANCIAL MARKETS

CAPITAL MARKETS AND INVESTMENT

The Philippine Stock Exchange (PSE) had less than 270 entities by 2017. It is weaker than its regional neighbors in size, product offerings, and trading activity.

The Philippines does not have sovereign wealth funds.

Good quality banking system

1. The Central Bank, **Bangko Sentral ng Pilipinas (BSP)**, is a trusted and reliable public institution.
2. **Capital adequacy ratios** above the 10% required by BSP.
3. Enough **liquidity**, ratio of liquid assets to deposits at 48%.

Non-performing loan ratio of 1.7%, 20 lowest in the world.

(SOURCE: U.S. DEPARTMENT OF STATE)

BANKING AND MONEY SYSTEM

Dec. 2019

552 banks

46 commercial banks

51 thrift banks

455 rural banks

Total resources: ₱18.7 trillion, 370 USD bn

Commercial banks account for 92% of total banks' resources.

(SOURCE: BANKING SYSTEM, FINANCIAL SECTOR, REPORT ON ECONOMIC AND FINANCIAL DEVELOPMENTS, FOURTH QUARTER 2019, BANGKO SENTRAL NG PILIPINAS)

7. COMPETITIVENESS AND DOING BUSINESS

GLOBAL COMPETITIVENESS INDEX

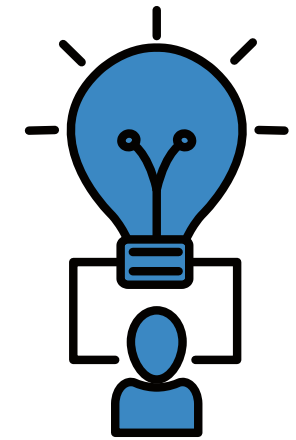
POSITION: 64/141

SCORE: 61.9/100

The **Philippines** is **below** the **Southeast Asian average score** (64.5/100) in the Global Competitiveness Index. It ranks below its neighbors Thailand and Indonesia and far away from world-leader Singapore. However, it performs better than Vietnam and Cambodia.

Its best scores are related with its **workforce**. The country's internal labor mobility and sectoral diversification of workforce are amongst the top ten in the world. Also, its **entrepreneurial culture (18/141)** is amongst the best in the world.

However, its bad **road connectivity** (125/141), lack of **realibility of police services** and **high terrorism incidence** (137/141), hinder the country's competitiveness.



(SOURCE: GLOBAL COMPETITIVENESS REPORT 2019, WORLD ECONOMIC FORUM)

7. COMPETITIVENESS AND DOING BUSINESS

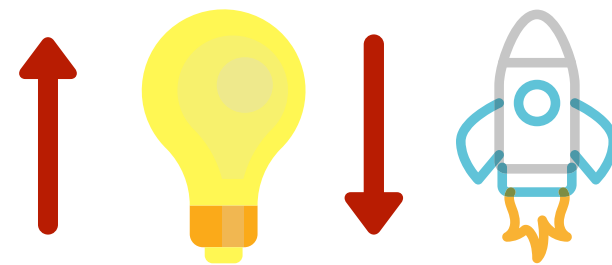
DOING BUSINESS

The Philippines is just **below** the **Southeast Asian average** score (64.7/100).

This is mainly due to its relatively poor performance on the **starting a business** and **enforcing contracts** categories, where it ranks 171 and 152 out of 190 countries worldwide, respectively. Meanwhile, the country's **best** scores are on **getting electricity** and **resolving insolvency**, where it ranks 32nd and 65th out of 190 countries across the world, respectively.

POSITION: 95/190

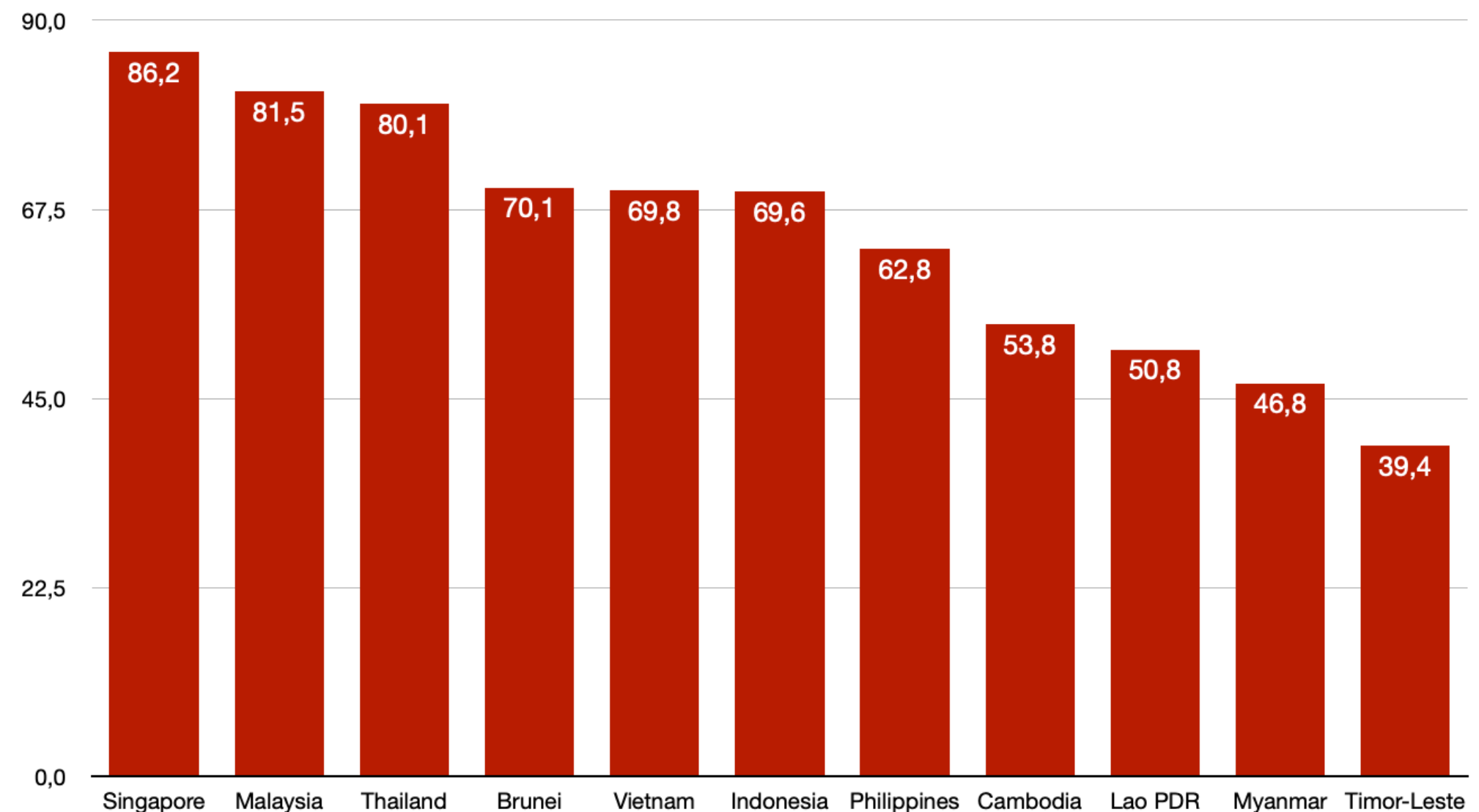
SCORE: 62.8/100



PHILIPPINES COUNTRY REPORT

NAVARRA CENTER FOR INTERNATIONAL DEVELOPMENT

SOUTHEAST ASIA EASE OF DOING BUSINESS SCORE



(SOURCE: DOING BUSINESS 2020, WORLD BANK).

8. EDUCATION

According to the World Bank, the literacy rate in Philippines is around **98%**.

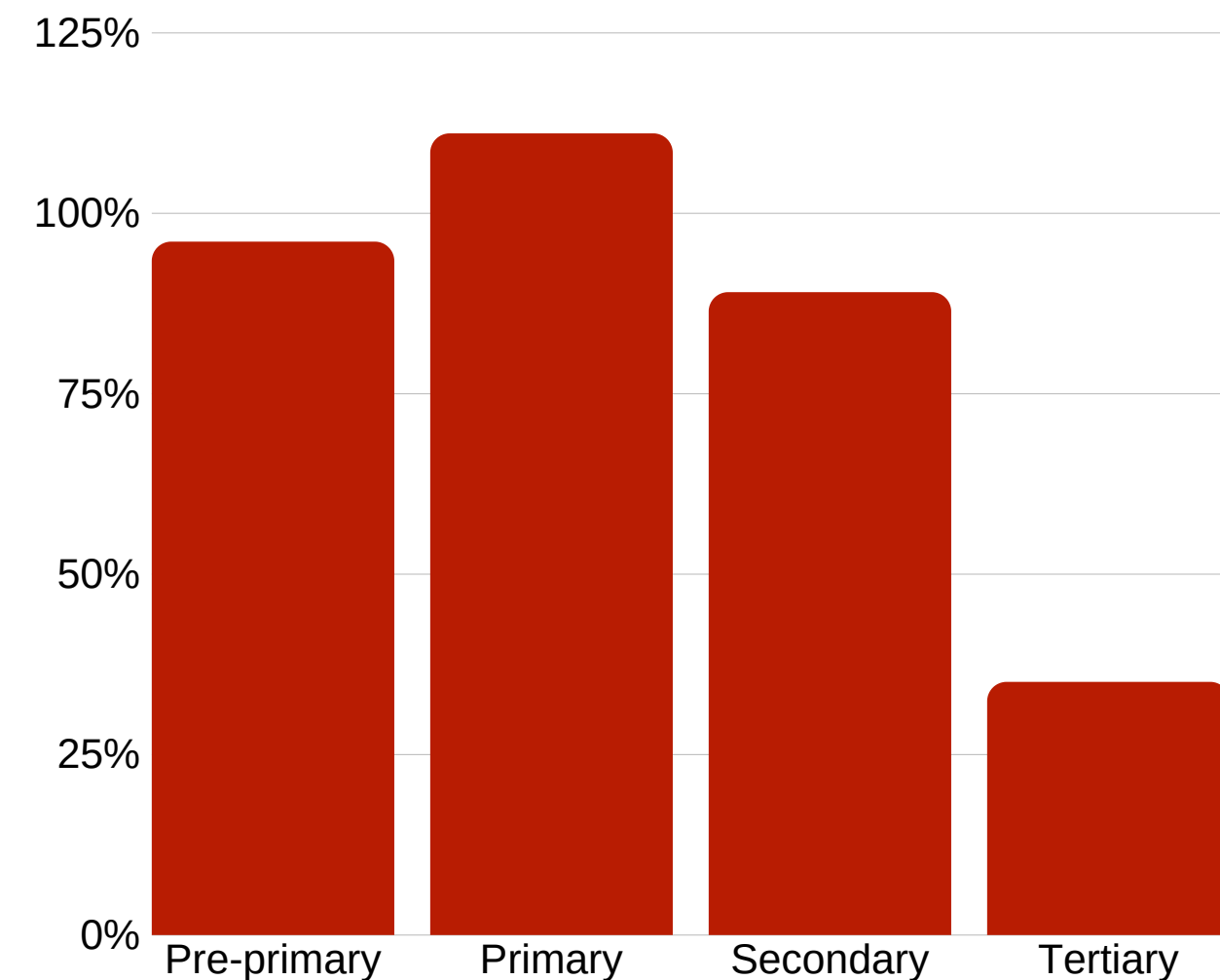
While gross enrolment rates in pre-primary, primary and secondary schools are high, there is a decline in tertiary enrolment.

Philippines invests **about 2.6% of its GDP in education**.

HUMAN DEVELOPMENT INDEX

EDUCATION INDEX SCORE: 0.66/1

GROSS ENROLMENT RATIO

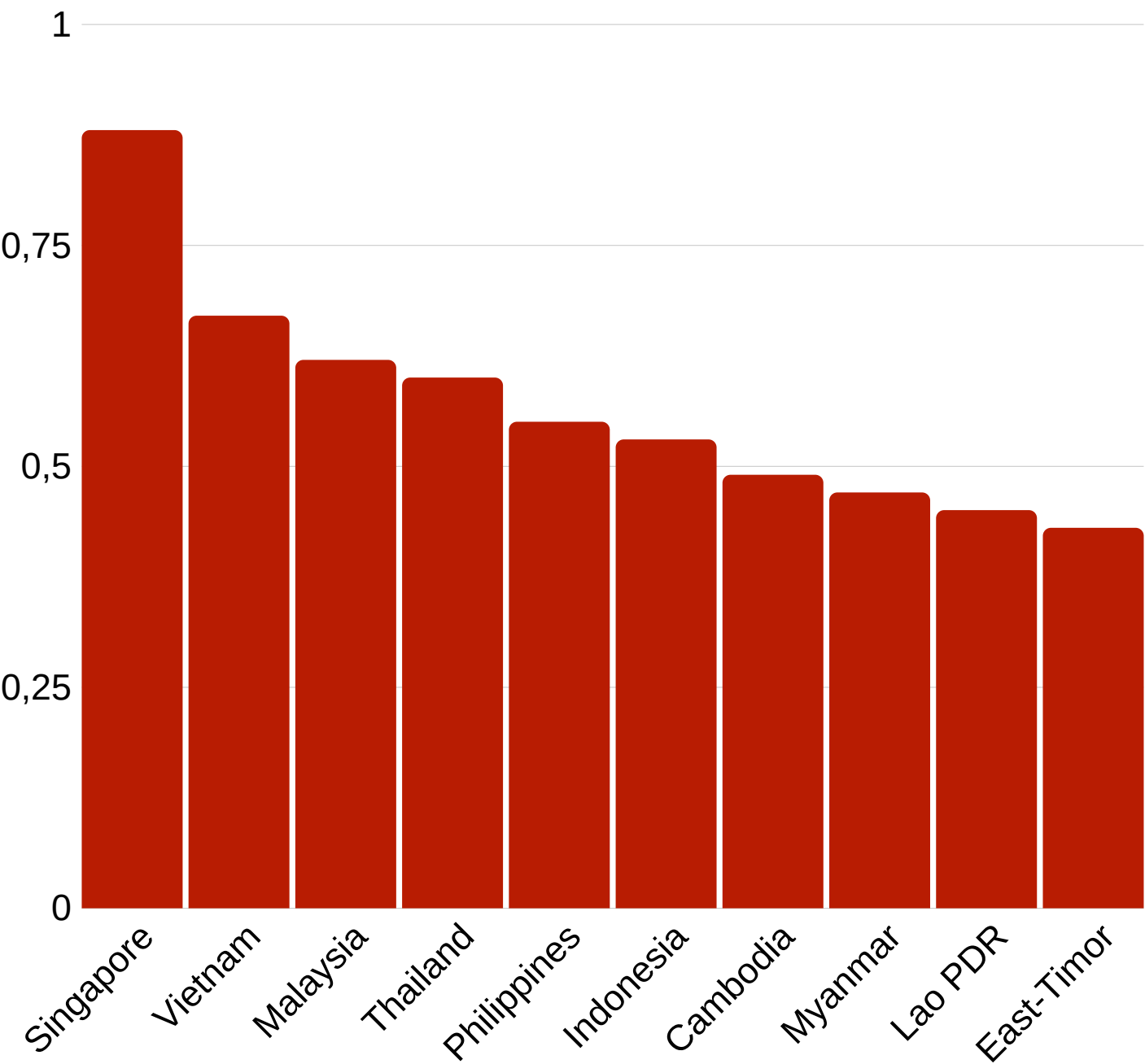


(SOURCE: WORLD BANK DEVELOPMENT INDICATORS)

(SOURCES: PHILIPPINE DEPARTMENT OF EDUCATION, 2019, AND HUMAN DEVELOPMENT INDEX, 2019)

8. EDUCATION

SOUTHEAST ASIA SCORES IN THE HCI



(SOURCE: HUMAN CAPITAL INDEX, 2018)

HUMAN CAPITAL INDEX

0.55/1

The **World Bank** measures in the HCI "the **human capital that a child born today can expect to attain by her 18th birthday**, given the risks of poor health and poor education in the country where she lives."

The WB index also highlights that, by the age of 18, children can expect to have completed **12.8 years of education in Philippines**. But when years of schooling are adjusted for quality of learning, these are **equivalent to just 8.4 years**. So there is a **learning gap of 4.4 years**.

8. EDUCATION

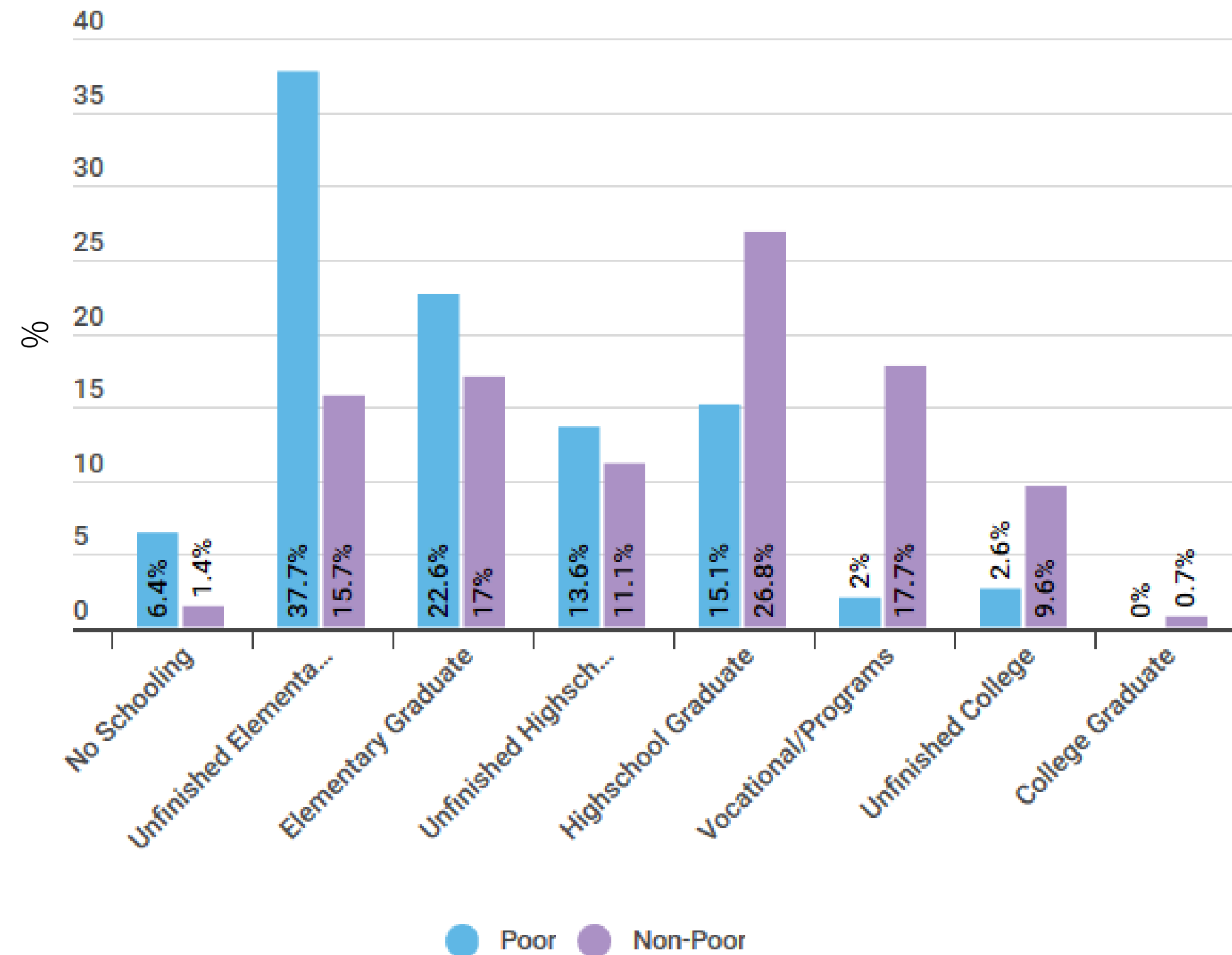
WHY EDUCATION MATTERS

Secondary education is the key threshold. **Households headed by people who have not graduated from secondary school have a higher risk of poverty than the average.**

In Philippines, approximately 60% of households headed by uneducated people and 40% of those headed by people who have not completed primary education are poor.

On the other hand, **households headed by people with full tertiary education have a minimal risk of falling into poverty.**

EDUCATIONAL ATTAINMENT OF HOUSEHOLD HEAD



(SOURCE: WORLD BANK: MAKING GROWTH WORK FOR THE POOR, 2018.)

8. EDUCATION

SUCCESSFUL PROGRAMS

LEAPS

The **Project to support the Learning, Equity and Accountability Programme** (LEAPS) provides reading and mathematics support to children in their early grades, focusing primarily on disadvantaged children. The World Bank claims that the Project **has benefited approximately 4.4 million students, teachers, school principals and education officials.**

PANTAWID PAMILYANG PILIPINO PROGRAM

The Pantawid Pamilyang Pilipino Program seeks to **break the cycle of intergenerational poverty through investment in human capital.** The Program helps poor households invest in the education and health of their minor children. According to the World Bank, the Pantawid Pamilyang Program has influenced the increase in gross enrolment rates and **has helped reduce the gender gap in enrolment between boys and girls aged 6 to 14 by 30%.**

(SOURCE: WORLD BANK RESULTS IN THE PHILIPPINES, 2019).

9. CORRUPTION



CORRUPTION PERCEPTION INDEX

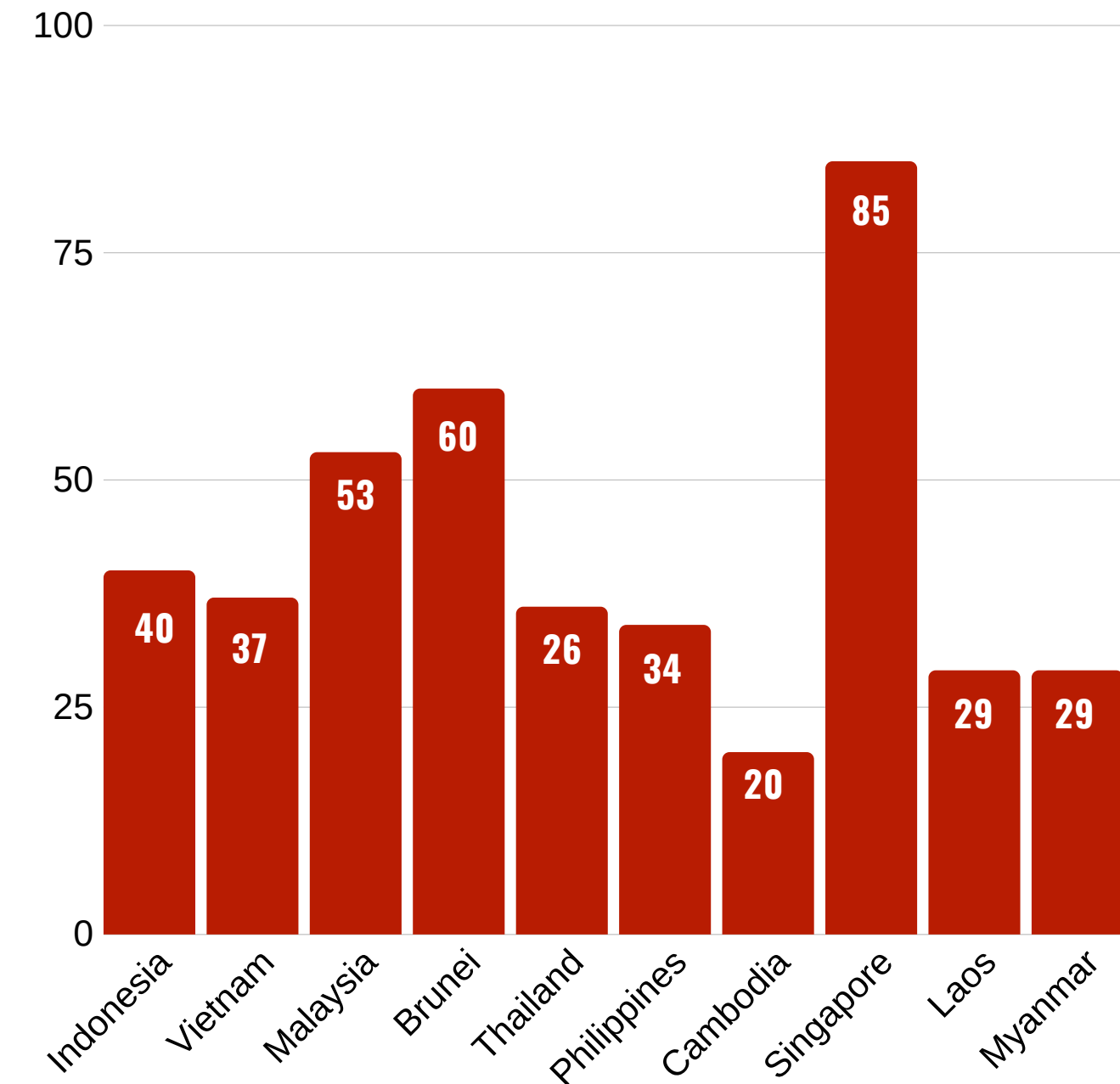
SCORE: 34/100

Philippines has dropped 14 places from last year's position (99th) and two points from last year's score (36).

PHILIPPINES COUNTRY REPORT

NAVARRA CENTER FOR INTERNATIONAL DEVELOPMENT

SCORE IN NEIGHBORING COUNTRIES



Philippines is below Asia's Pacific's CPI average (45) and below the average of its neighbouring countries in Southeast Asia (42).

(SOURCE: CPI 2019, TRANSPARENCY INTERNATIONAL)

9. CORRUPTION

CORRUPTION AS A BURDEN

Corruption is a transversal reality that hinders development through its effect on competitiveness and productivity.

The 2019 Global Competitive Index highlights the following issues in Philippine institutions:

- a. Security.
- b. Transparency.
- c. Corporate governance.
- d. Checks and balance.

INSTITUTIONS PILLAR

SCORE 0-100 (BEST)

RANKING: 87/141

SCORE: 50/100

(SOURCE: GLOBAL COMPETITIVENESS REPORT 2019, WORLD ECONOMIC FORUM)

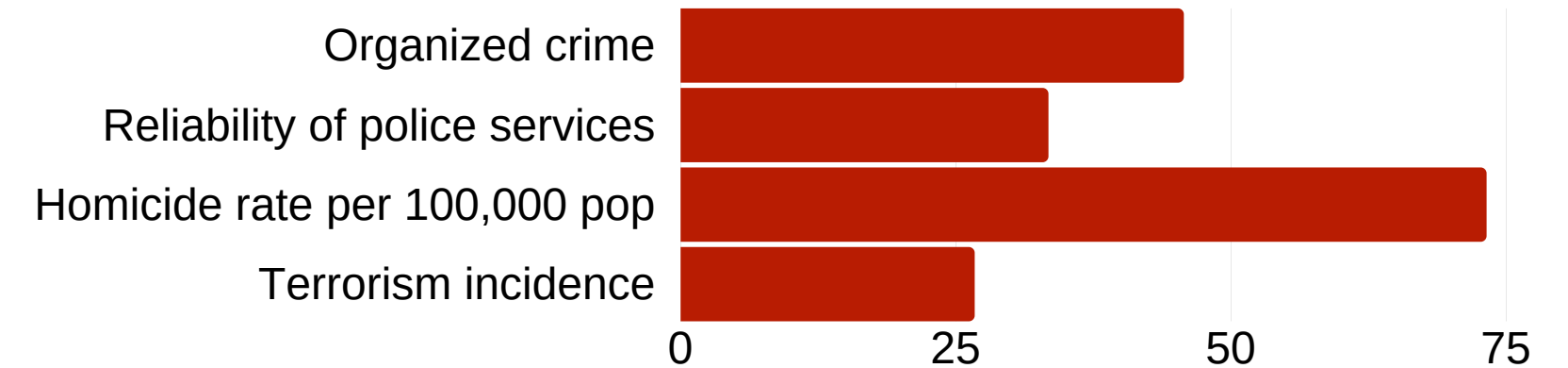
9. CORRUPTION

INSTITUTIONS PILLAR SCORE 0-100 (BEST)

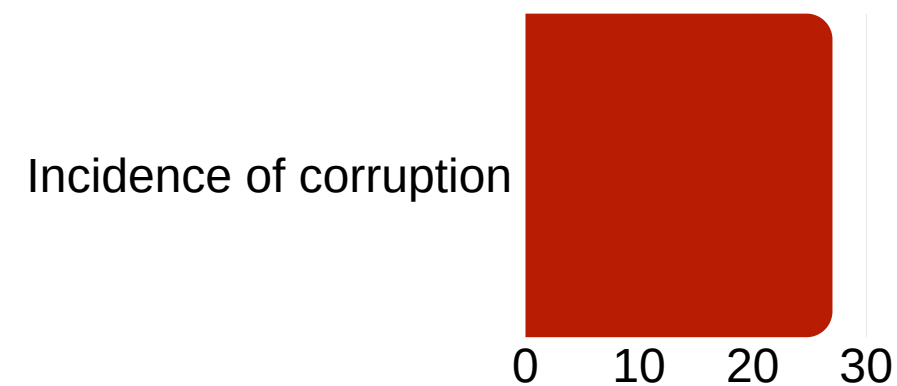
CORPORATE GOVERNANCE



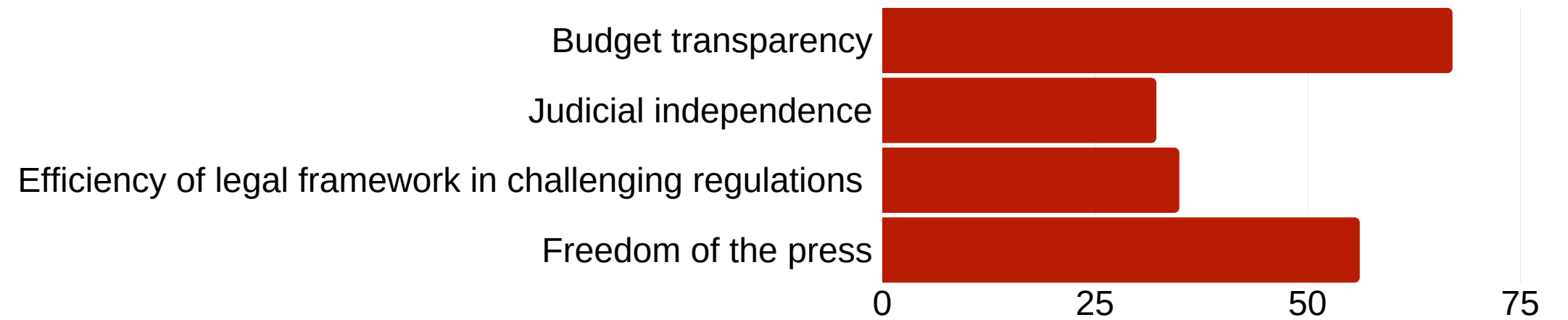
SECURITY



TRANSPARENCY



CHECKS AND BALANCE



(SOURCE: GLOBAL COMPETITIVENESS REPORT 2019, WORLD ECONOMIC FORUM)

9. CORRUPTION

BRIBERY COMPARED

PHILIPPINES

21% were asked to pay a bribe.

GLOBALLY

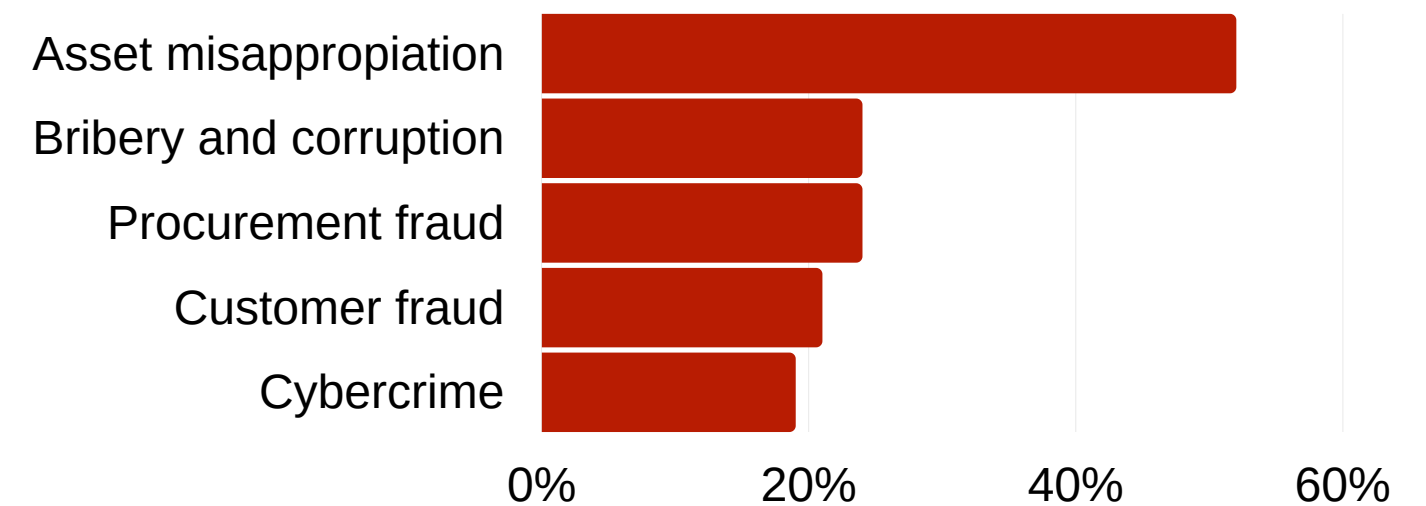
29%

14% lost an opportunity to a competitor who they believed paid a bribe.

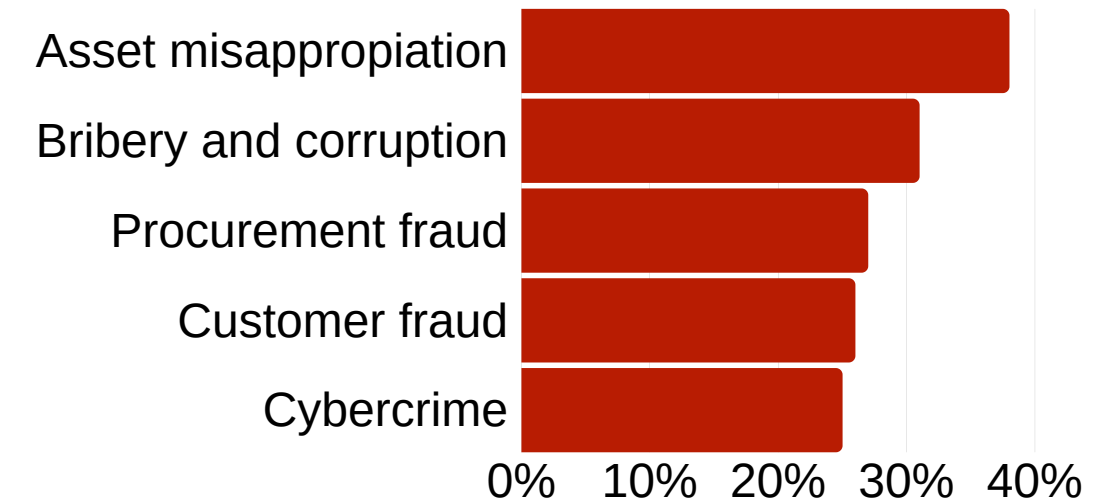
30%

TOP FIVE TYPES OF FRAUD, CORRUPTION AND ECONOMIC CRIME

PHILIPPINES



SOUTHEAST ASIA



(SOURCE: PWC'S GLOBAL ECONOMIC CRIME AND FRAUD SURVEY-THE PHILIPPINE REPORT, 2020)

10. STATE OF DEMOCRACY

DEMOCRACY

DEMOCRACY INDEX 2019

RANKING: 54/167

SCORE: 6.64/10

The Philippines is commonly named **Southeast Asia's oldest democracy**. It ranks 54/167 worldwide, third in the regional ranking behind Malaysia and Timor-Leste. It is considered a flawed democracy, but its best ranking is in its **pluralism**, considered as one of the best in the world with a **9.17/10 score**.

(SOURCE: THE ECONOMIST INTELLIGENCE UNIT DEMOCRACY INDEX 2019).

PHILIPPINES COUNTRY REPORT

NAVARRA CENTER FOR INTERNATIONAL DEVELOPMENT

FREEDOM OF PRESS

WORLD PRESS FREEDOM INDEX 2020

RANKING: 134/180

GLOBAL IMPUNITY INDEX 2019

RANKING: 5TH WORST

83 Journalists killed between 1992-2020

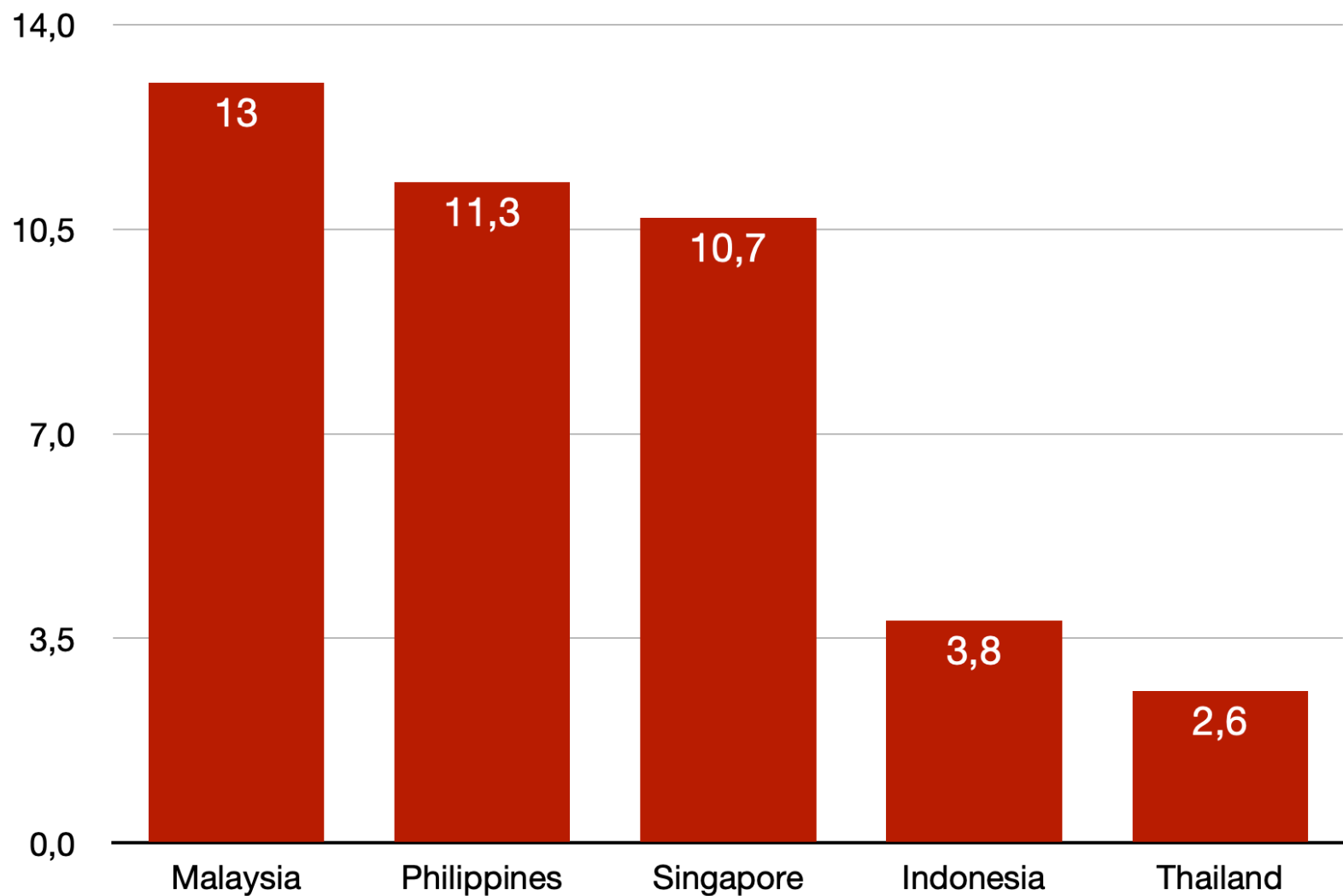
41 Unsolved killings of journalists

3 Media Stations targeted for their reporting

(SOURCES: REPORTERS WITHOUT BORDERS, AND COMMITTEE TO PROTECT JOURNALISTS).

10. STATE OF DEMOCRACY

BILLIONAIRE WEALTH AS A % OF THE GDP, RANKED BY
CRONY-SECTOR WEALTH IN SOUTH EAST ASIA



(SOURCE: CRONY CAPITALISM INDEX)

CRONY CAPITALISM INDEX RANKING: 3RD WORLDWIDE

Despite being considered a democracy, The Philippines has worked for long as an oligarchical state with a few elites that have controlled state resources.

As The Economist indicates, crony capitalism suggests rent-seeking or using power and connections to increase one's personal wealth without actually creating wealth for the country.

This is a common trend in South East Asia. Malaysia, Singapore and Indonesia join The Philippines as countries with a higher share of billionaires who have made their wealth from crony sectors than those who've created their fortune without help or connections.

2014	BILLIONAIRE WEALTH AS % GDP	2016
11.9	CRONY	11.3
2.3	NON-CRONY	2.9

11. WAR ON DRUGS

GENERAL FRAMEWORK

The **war on drugs began in 2016**, with the arrival of **Rodrigo Duterte** to the presidency after an electoral campaign that was mainly based on the fight against corruption, drug trafficking and crime, as well as the consolidation of peace, poverty reduction and economic and social development.

It is **key** to understand that the fight against drugs would not only focus on the drug dealers, but also on the consumers.

According to a government survey, there were **1.8 million drug users in the Philippines in 2016**, although President Duterte raised the figure to 4 million people.

PROFILE OF THE DRUG ABUSER IN 2016, ACCORDING TO THE GOVERNMENT

AGE: Mean age of 31 years

SEX: Ratio of male and female 13:1

CIVIL STATUS: Single 48.96%

STATUS OF EMPLOYMENT: Unemployed 44.69%

EDUCATIONAL ATTAINMENT: College level 27.14%

ECONOMIC STATUS: Average Monthly Family Income Php 13,937.65

PLACE OF RESIDENCE: Urban (Specifically NCR 42.41%)

DURATION OF DRUG ABUSE: More than 6 years

NATURE OF DRUG TAKING: Mono drug use*

DRUGS/SUBSTANCES OF ABUSE: Shabu, Marijuana, Ecstasy

*Mono drug user - abuse of one (1) drug only

(SOURCE: DANGEROUS DRUGS BOARD'S, 2016).

11. WAR ON DRUGS

IN NUMBERS

OVER 6000

Are the people the Philippine authorities believe have died during the war on drugs. Philippine officials have consistently argued that these deaths occurred as a result of officials acting in legitimate self-defence.

1.18
MILLION

Persons who voluntarily surrendered until March 2017 because they were on police lists of traffickers or consumers, according to the Philippine National Police (PNP).

OVER 27000

Are the people that institutions like Amnesty International, Human Rights Watch or the Office of the United Nations High Commissioner for Human Rights (OHCHR) believe have died during the war on drugs.

54

Number of rehabilitation centres in the Philippines in 2018. In total, 5447 individuals were admitted.

3

Policemen have been convicted of murder since the war on drugs began.

79%

This is the approval rate that Duterte had in 2019, according to the Social Weather Survey.

(SOURCES: INTERNATIONAL CRIMINAL COURT: REPORT ON PRELIMINARY EXAMINATION ACTIVITIES, 2019; DANGEROUS DRUGS BOARD STATISTICS, 2018; THE DEVELOPMENT OF A COMMUNITY-BASED DRUG INTERVENTION FOR FILIPINO DRUG USERS, AND THE FIRST QUARTER 2019 SOCIAL WEATHER SURVEY).

11. WAR ON DRUGS

FREEDOM IN THE WORLD INDEX

(A SCORE OF 0 REPRESENTS THE SMALLEST DEGREE OF FREEDOM AND 4 THE GREATEST DEGREE OF FREEDOM)

Is there an independent judiciary?

1/4

Does due process prevail in civil and criminal matters?

0/4

Is there protection from the illegitimate use of physical force and freedom from war and insurgencies?

1/4

Do laws, policies, and practices guarantee equal treatment of various segments of the population?

1/4

(SOURCE: FREEDOM IN THE WORLD, 2020).

12. VIOLENCE AND LIMITED WARS

GENERAL FRAMEWORK



GLOBAL PEACE INDEX 2019

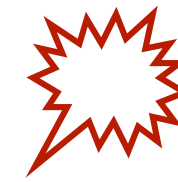
(SOURCE: INSTITUTE FOR ECONOMICS AND PEACE)

The Philippines is ranked **134** out of **163** countries.

Violence costs as much as **7% of GDP**.

Despite it improved 4 positions in regarding the previous year, **in Asia-Pacific it's only ahead of North Korea**.

Asia-Pacific has six of the nine countries with the highest **natural hazard risk scores**, where the **Philippines is at the top**.



CONFLICT BAROMETER 2019

(SOURCE: HEIDELBERG INSTITUTE FOR INTERNATIONAL CONFLICT RESEARCH)

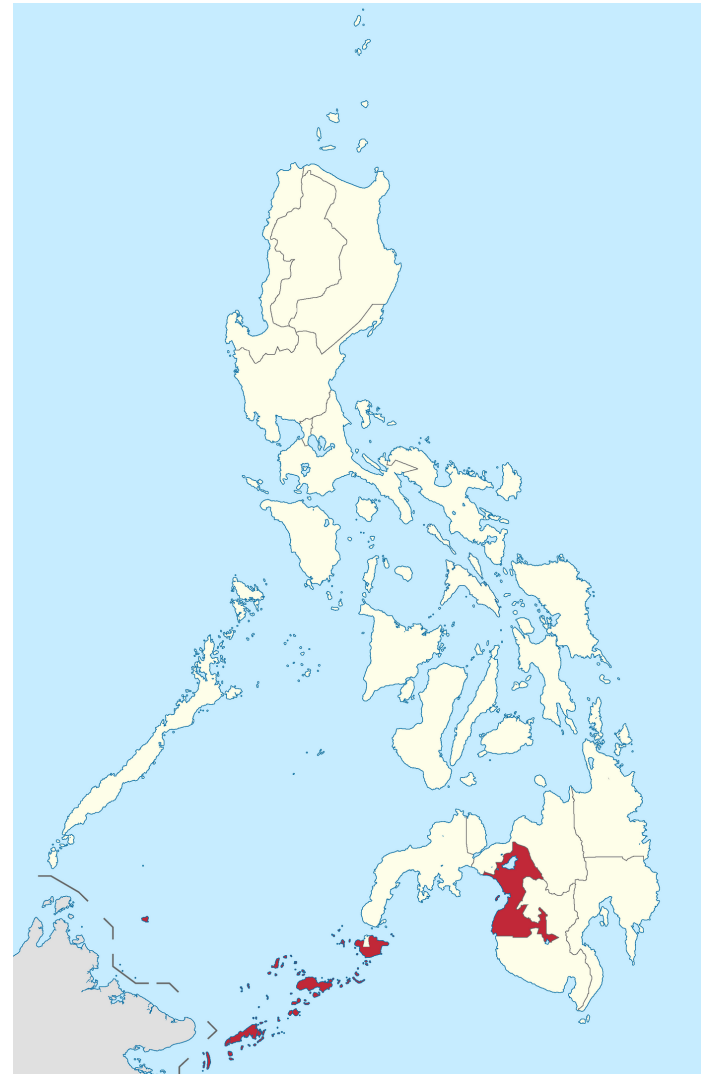
Intensity scores between 3 and 4 out of 5.

This implies the country or part of it is in a **violent crisis**.

12. VIOLENCE AND LIMITED WARS

THE 'MORO' CONFLICT

In July **2018**, President Rodrigo Duterte signed the **Bangsamoro Organic Law**, previously approved by the Congress. This organic law, **in force since 2019**, established the **Bangsamoro Autonomous Region**, replacing the 1989 created Autonomous Region of Muslim Mindanao.



This new administrative entity was supposed to **redistribute political and economic competences** to a historically religion and ethnicity differentiated population, but also to **finish the uprising of several separatist or autonomist armed groups that have appeared since 1969**.

However, **violence has not finished: there are still limited wars** between the state and those groups or even between them, and terrorist attacks.

Deaths since 1969 are calculated in more than **120,000**.

(SOURCES: BANGSAMORO ORGANIC LAW, AND PHILIPPINE INFORMATION AGENCY)

12. VIOLENCE AND LIMITED WARS

THE 'MORO' CONFLICT - BACKGROUND

Initially, through Arab and Malays merchants, there are Muslims since the 15th century in the later known Philippines. However, Islam did not expand because of the prevalence of Catholicism that started with the Spanish colonization since the 16th century.

Since then, most of the Filipino Muslims have been in the central and western territories of Mindanao island, and the smaller ones in the south of the Sulu Sea.

Under the monarchy of Spain, struggles began within conversion attempts, and differentiation was progressively marked until 1898. In that year, Spain lost its control over the Philippines in favor of the United States, but Moros (as this population is known) did not want to be part of that transfer.



The United States tried to promote integration, among others, through intermigration policies, which gradually made Moros a minority and led to separatist uprisings.

With the recognized independence in 1946, Moro nationalists fueled their identity and ideology against the Spanish dominance, then against the one of the United States, and finally, against what they considered the Filipino dominance on their impoverished territory.

In the 1960s, the separatist movement got adapted with intellectuals that promoted organized uprising. Preceded by other groups, the Moro National Liberation Front (1969) started facing the Armed Forces of the Philippines under the Martial law (1972-1986).

(SOURCE: CHINYONG, JOSEPH. 2016. '2. SOUTHERN PHILIPPINES. REFRAMING MORO NATIONALISM FROM (BANGSA) MORO TO BANGSAMORO'. IN *RELIGION AND NATIONALISM IN SOUTHEAST ASIA*. CAMBRIDGE: CAMBRIDGE UNIVERSITY PRESS).

12. VIOLENCE AND LIMITED WARS

CURRENT GROUPS AND CONFLICTS

Moro Islamic Liberation Front (MILF), Islamist-separatist:

- Founded in the 80s by Moro National Liberation Front (MNFL) former members that were against the peace agreements.
- Peace agreement between 2012 and 2014. There are **still armed members** that want an independent Bangsamoro Republic.

Abu Sayyaf, Yihadist-separatist:

- Founded in 1989 by radicalized MNLF members. Its leader **declared loyalty to Daesh in 2014**.

Bangsamoro Islamic Freedom Fighters (BIFF)/Movement (BIFM), small recent player:

- Founded in 2008 as a separated faction from the MILF.

GOVERNMENT VS MILF

BIFF/BIFM VS MILF, GOVERNMENT

Maute, Islamist/Yihadist-separatist:

- Founded in 2012 by former MILF members.

GOVERNMENT VS ABU SAYYAF, MAUTE

National Peoples Army (NPA), marxist-leninist-maoist:

- Founded in 1969 as the military wing of the Communist Party.
- After several interrupted ceasefires, incomplete amnesties and failed peace agreements, Duterte focuses on counterinsurgency.

GOVERNMENT VS NPA

(SOURCE: CONFLICT BAROMETER 2019, HEIDELBERG INSTITUTE FOR INTERNATIONAL CONFLICT RESEARCH)

PHILIPPINES COUNTRY REPORT

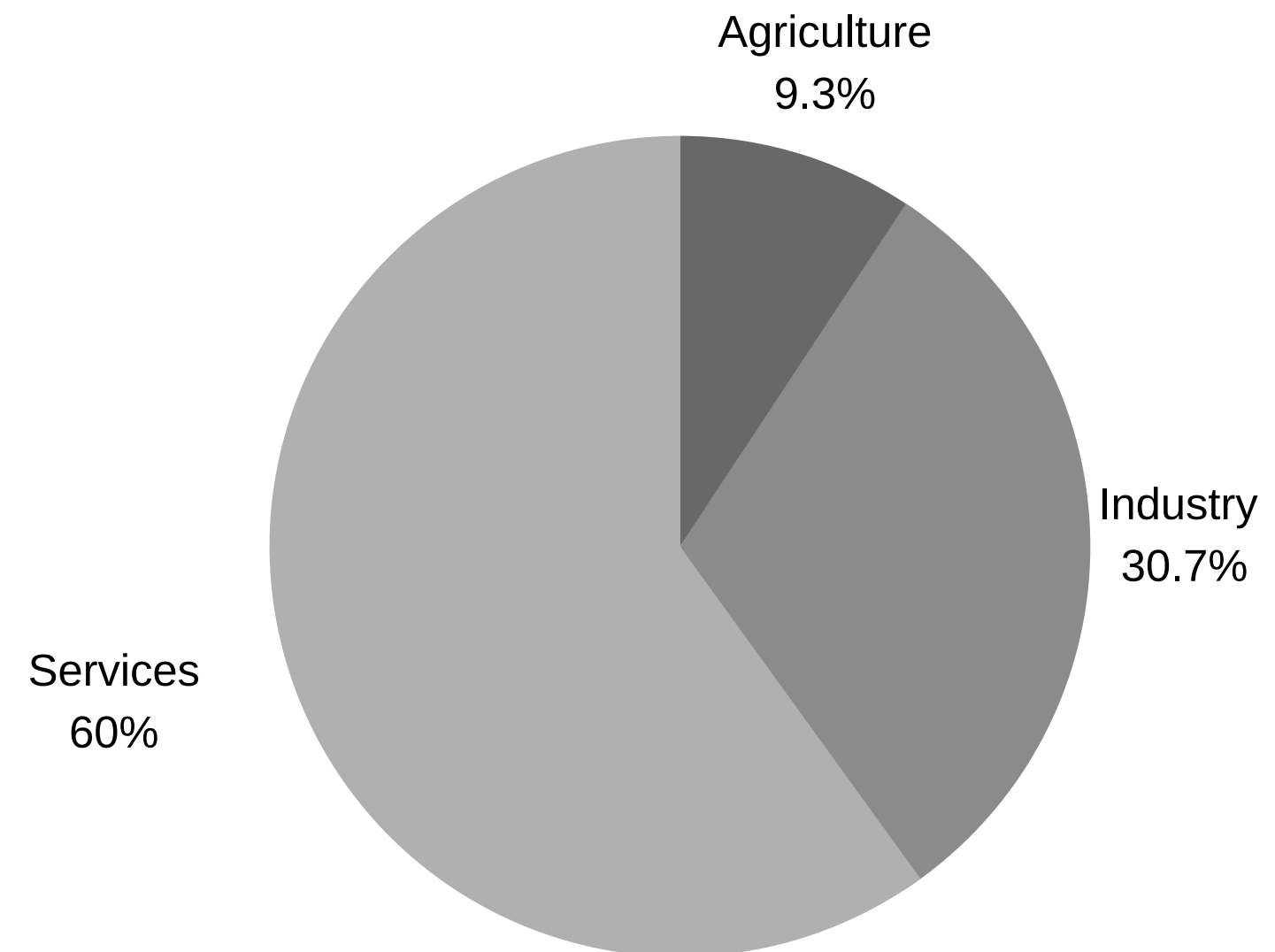
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13. ECONOMIC GEOGRAPHY

In 2018, the regions of the Philippines were mainly oriented towards the service sector, with more than half of the total activity directed towards that sector.

On the other hand, there is a concentration of wealth in the northern part of the country, known as Luzon, which includes Metro Manila (Nacional Capital Region-NCR) among its regions.

GROSS REGIONAL DOMESTIC PRODUCT BY SECTOR
THROUGHOUT THE PHILIPPINES (2018)



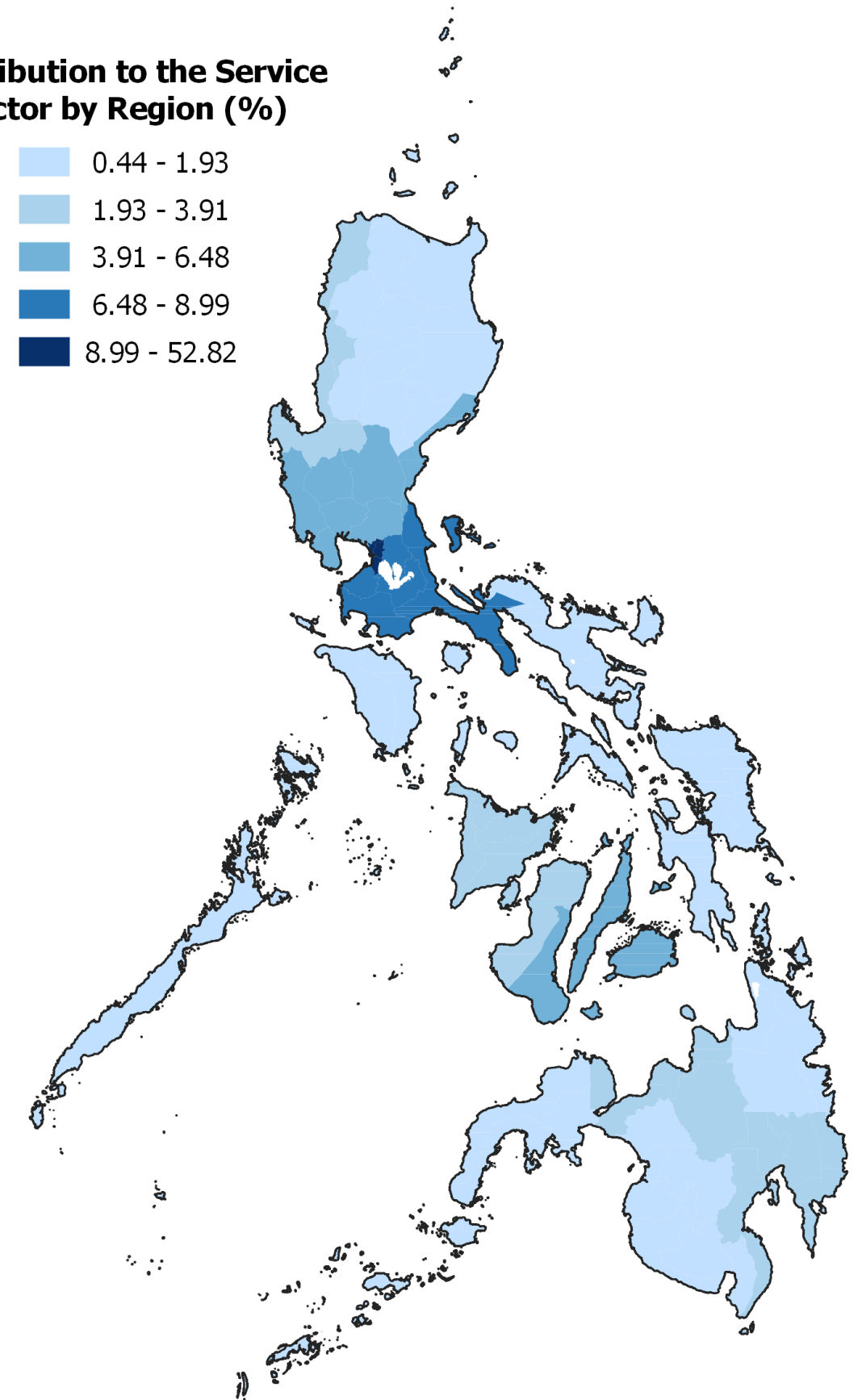
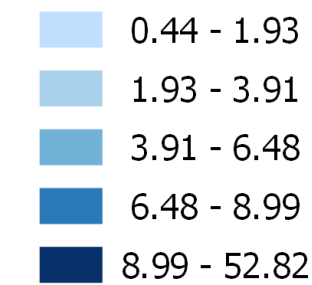
(SOURCES: PHILIPPINE STATISTICS AUTHORITY: GDP BY INDUSTRY AND GDP BY REGION)

13. ECONOMIC GEOGRAPHY

SERVICE SECTOR

In the service sector, the **Metro Manila area (NCR)** concentrates more than 50% of the national contribution of this sector. **Calabarzon** is the next largest contributing region for this sector, with about 9%. Both are in **Luzon**, the northern zone of the country.

Contribution to the Service Sector by Region (%)



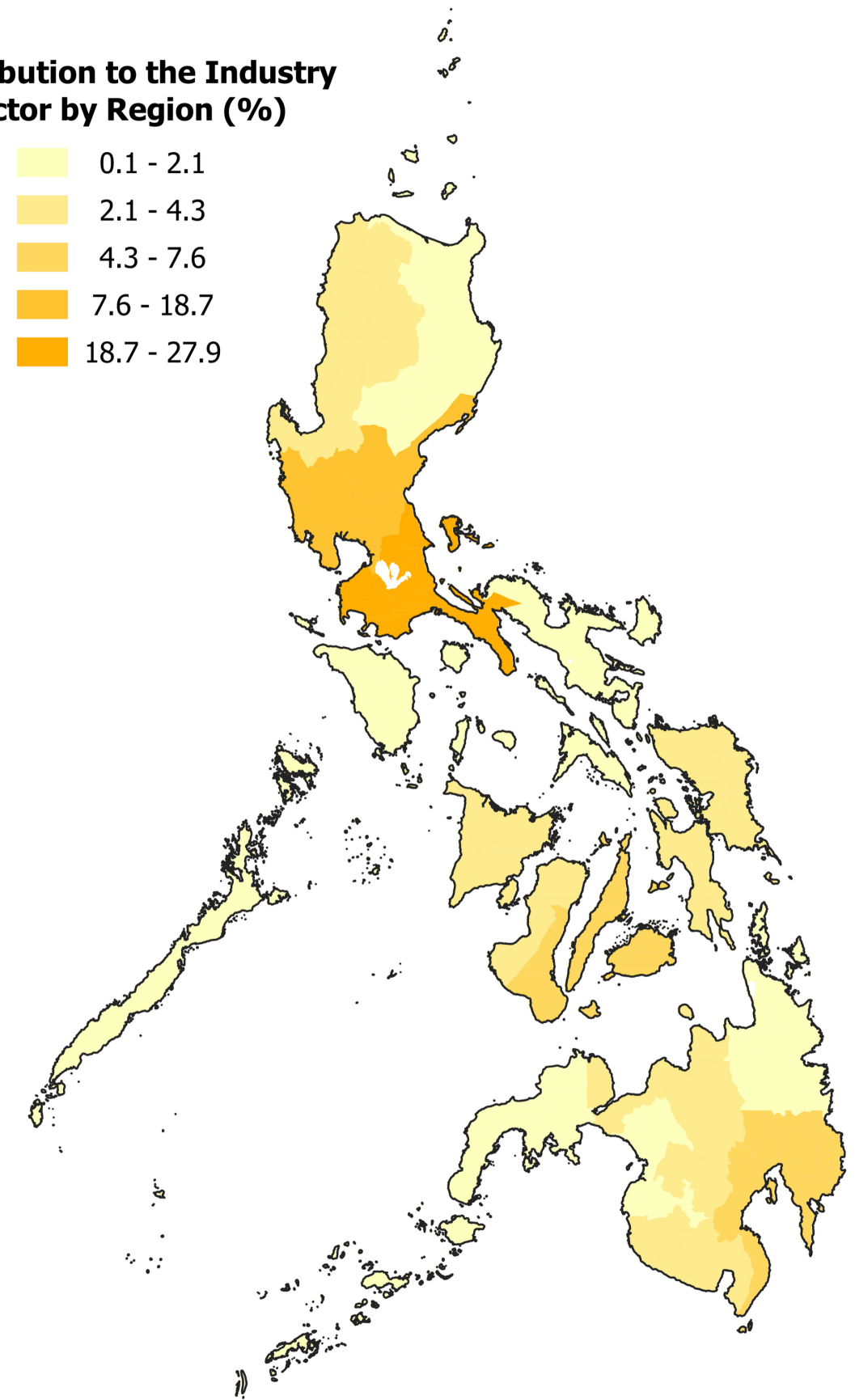
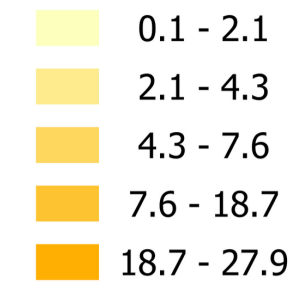
(OWN MAP. SOURCES: PHILIPPINE STATISTICS AUTHORITY: GDP BY INDUSTRY AND GDP BY REGION)

13. ECONOMIC GEOGRAPHY

INDUSTRY SECTOR

Also in the industry sector, the activity is mainly concentrated in the northern zone, Luzon, especially in regions like Calabarzón or Metro Manila (NCR) that concentrate a production higher than 18% each.

Contribution to the Industry Sector by Region (%)



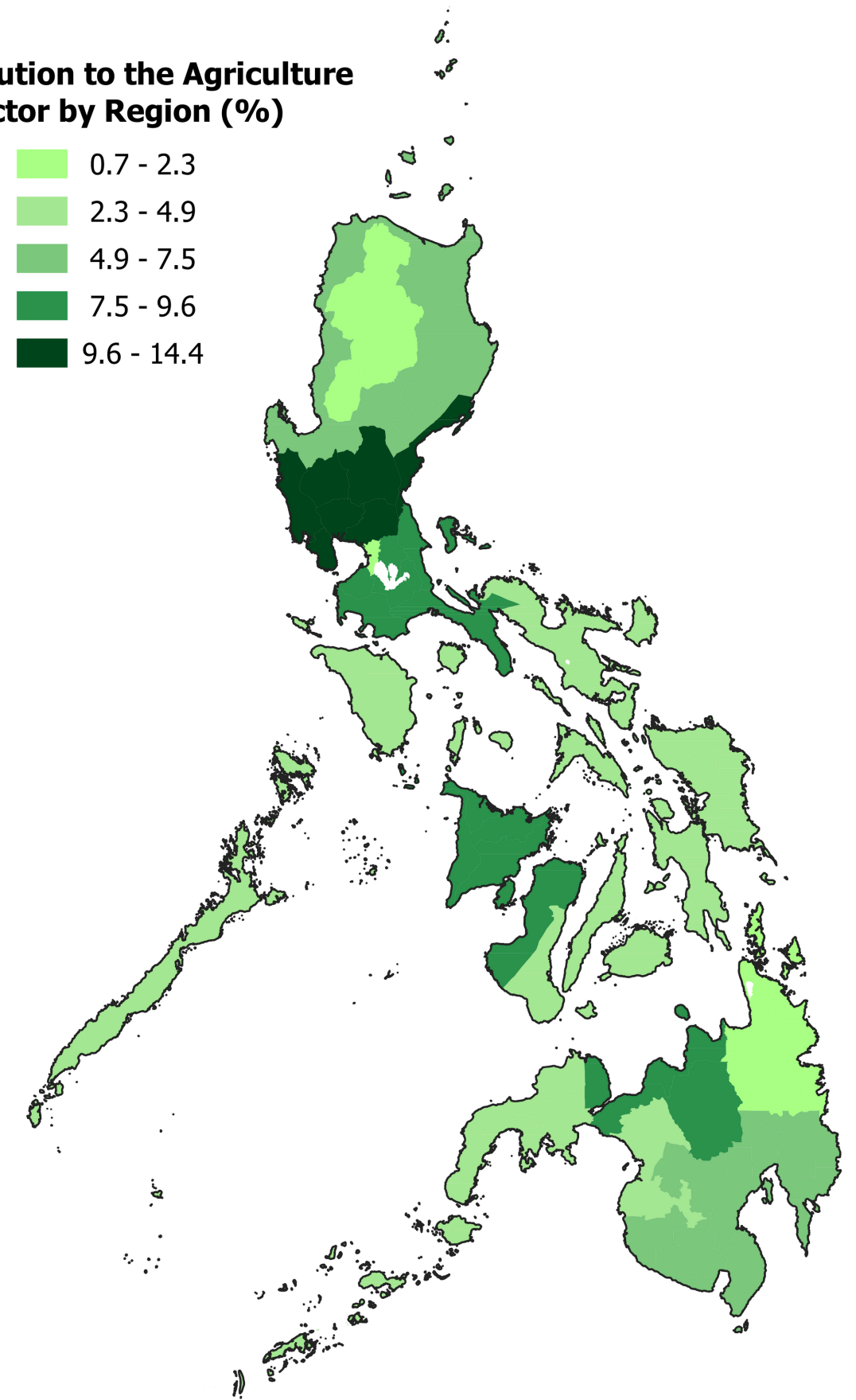
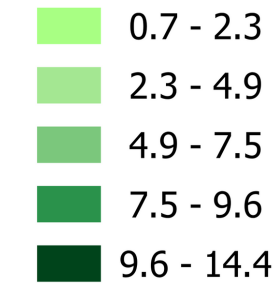
(OWN MAP. SOURCES: PHILIPPINE STATISTICS AUTHORITY: GDP BY INDUSTRY AND GDP BY REGION)

13. ECONOMIC GEOGRAPHY

AGRICULTURE SECTOR

Agricultural production is **somewhat more distributed** throughout the country. Regions in the central part of the country, such as **Western Visayas**, or in the southern part, such as **Northern Mindanao**, are important agricultural producers. In spite of this, **the area that concentrates most production is again in the north of the country, in the regions of Central Luzon and Calabarzon.**

Contribution to the Agriculture Sector by Region (%)



(OWN MAP. SOURCE: PHILIPPINE STATISTICS AUTHORITY: GDP BY INDUSTRY).

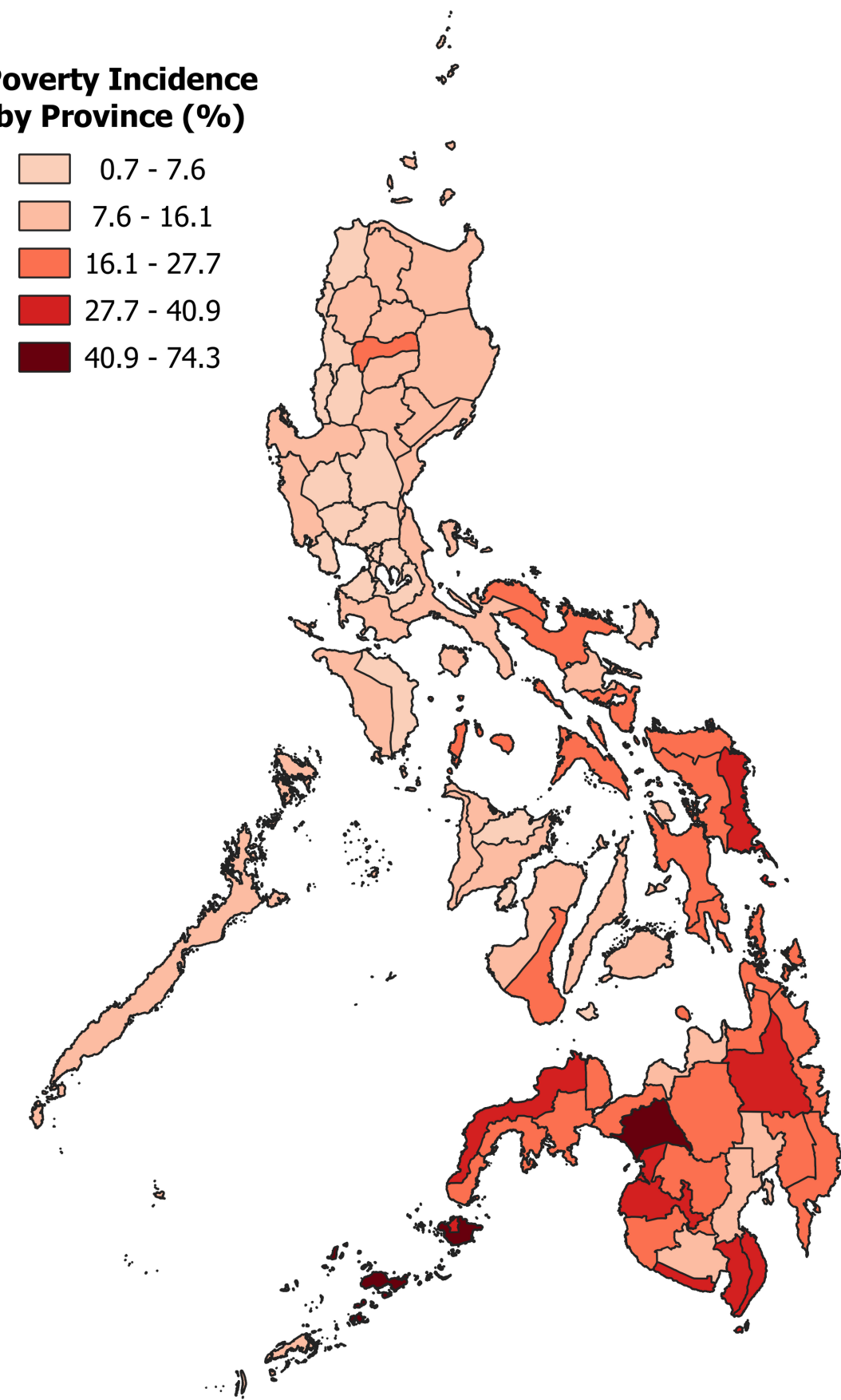
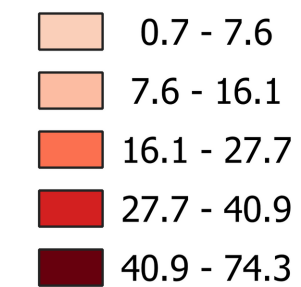
13. ECONOMIC GEOGRAPHY

POVERTY INCIDENCE

The incidence of poverty affects the Visayas, the central zone of the country, however the most critical impact lies **in Mindanao**, the southern zone, which has the highest rate.

On the other hand, **it affects Luzon the least**, the northern part of the country and the area that concentrates most production in the three main sectors.

Poverty Incidence
by Province (%)



(OWN MAP. SOURCES: PHILIPPINE STATISTICS AUTHORITY: GDP BY INDUSTRY AND GDP BY REGION)

13. ECONOMIC GEOGRAPHY

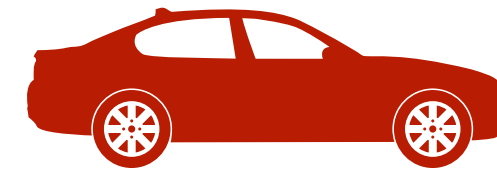


THE METRO MANILA CASE



Approximately **25 million people** live in the most productive region of the country, the urban area of Metro Manila. It represents around **23% of the country's total population**.

This means that it is the **fourth largest urban area in the world**, only smaller than Tokyo, Jakarta and New Delhi.



A research by the Asian Development Bank (ADB) ranked Metro Manila as the **most congested city** out of all 278 cities studied with more than 5 million people in developing Asia.

The study attributed the congestion values to the **lack of efficient and affordable public transportation** in the country.

(SOURCES: DEMOGRAPHIA WORLD URBAN AREAS, 2019, AND ADB OUTLOOK UPDATE FOSTERING GROWTH AND INCLUSION IN ASIA'S CITIES, 2019).

14. CLIMATE RISK

GLOBAL CLIMATE RISK INDEX 2020

	2018	1999-2018 annual average
World ranking	2nd worst	4th worst
Score (1 = worst)	11.17	17.67
Death toll	455	869.80
Death per 100,000 people	0.43	0.96
Losses in USD millions	4547	3118
Losses as GDP %	0.48	0.57

(SOURCE: GLOBAL CLIMATE RISK INDEX 2020, GERMAN WATCH).

Philippines has suffered **between 1999 and 2018 a total of 317 hazardous climate events** such as typhoons, floods, landslides, droughts, earthquakes, tsunamis and volcano eruptions. In **2018** it was the **second most affected country in the world** just behind Japan. **60% of its territory and 74% of its population are exposed to extreme weather events.**

The main risks are:

- **Tropical cyclones:** A total of 20 cyclones arrive each year between june and december, with 8 making landfall. In 2018 Typhoon Mangkhut of category 5 was the most powerful in the world.
- **Sea level rise:** It's expected for sea level to rise by 43 centimetres until 2100. This would affect severely a country with 10 of its main cities along the coastline.

(SOURCE: GLOBAL FACILITY FOR DISASTER REDUCTION AND RECOVERY, WORLD BANK).

15. NCID WORK



The Navarra Center for International Development has signed a **Memorandum of Understanding with The Philippines Army** to develop a strategic partnership on research in the country. The agreement aims to strengthen collaboration between both institutions which will work together to undergo **research on promoting personnel effectiveness and formation**, as well as **social assistance programs**.



OFFICIAL VISITS IN MANILA AND MADRID



The NCID Director Luis Ravina and Junior Researcher Iván Kim visited in September 2018 **The Philippines Army at its headquarters in Manila**, where initial talks were settled to undergo research on formation for their personnel.

After that, **Col. Joel Paloma** led a **delegation** of the Army Governance and Strategy Management Office (AGSMO), who visited in June 2019 the **University of Navarra in Madrid**, where talks advanced on the program.

15. NCID WORK - Network



The Navarra Center for International Development has a longstanding relation with **Jess Estanislao**, The Philippines' foremost authority on good governance. He is the Founder of the **Institute for Solidarity Asia (ISA)**, an institution which works to improve **governance** and has guided the NCID in its travels in The Philippines. He is also Founding President of the **University of Asia and the Pacific (UA&P)**.

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NCID MEMBERS

The NCID has relations with several stakeholders and researchers in The Philippines.

Bernardo Villegas is part of the NCID's Steering Committee. He is a leading economist who has been adviser to five recent Presidents of The Philippines.

Dr. Abigail de Leon was an NCID visiting researcher in the academic year 2016-2017. She has worked as a UA&P professor and now is the Manager of the Training and Development Unit at the Institute for Solidarity in Asia.

15. NCID WORK - Research Network

The Navarra Center for International Development has during its years developed a **strong relations with researchers who work on the Philippines**. Here are **two** of them that have visited the NCID and participated in our events.

JULIEN LABONNE



The Associate Professor of Economics and Public Policy at the University of Oxford presented his paper **Making policies matter: Voter responses to campaign promises** at the 8th NCID Research Workshop in 2019, which is now published in our Working Paper series.

Labonne's research focuses on vote buying, political dynasties and family networks in the Philippines.

DEAN YANG



The Professor in the Department of Economics and the Ford School of Public Policy at the University of Michigan presented his paper **Abundance from Abroad: Migrant Earnings and Economic Development in the Philippines** at a Weekly Seminar in 2018.

Yang is a philippine researcher with interests in migration.

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MAY 2020
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