

# Economic Reform & Development in the Philippines

With an average 6.6 percent GDP growth over the past five years, the Philippines is among the fastest-growing economies globally. With a gross domestic product of US\$329 billion and per capita income of US\$3,280, it is quickly nearing upper middle-income status. Despite the positive developments, the principal challenge is the stubbornly high poverty rate estimated at 21 percent. Among the causes, analysts have highlighted weak governance, corruption, elite capture, inadequate education, health services and infrastructure, limited access to financing, and increased frequency and intensity of natural disasters.



Since establishing its economic reform program in the early 1990s, The Asia Foundation has taken a political economy approach to help to introduce transformational reforms.

## TAX REFORM FOR INCLUSIVE ECONOMIC GROWTH

There is increasing global evidence that rising excise taxes on alcohol and tobacco products can serve two purposes: raise much-needed revenues and discourage their consumption to improve the health of citizens. In 2012, The Asia Foundation supported Philippine government and nongovernment partners in their successful contribution to the passage of the Tobacco and Alcohol Excise Tax Reform Law. Revenues generated from the increased tax on alcohol and tobacco products support the government's universal health care program. The law's passage resulted to an unprecedented 57.9 percent increase in the health budget, with US\$448 million) directed to more accessible health services for about 45 million Filipinos in 2014. Furthermore, the law changed the behav-



ior of alcohol and tobacco consumers to improve health outcomes. According to Social Weather Stations' survey, the number of smokers decreased to from 38 percent in 2012 to 25 percent in 2014.

## ADVANCING PHILIPPINE COMPETITIVENESS

Since 2009, The Asia Foundation with the support of USAID, has worked on the Economic Growth Hubs (EGH) program, which focused on better provision of infrastructure, better performing Economic Growth Hubs, and promoting a political economy approach to economic policy reform process. As a continuation of its work on EGH, the Foundation is currently implementing the USAID-funded, five-year project on Advancing Philippine Competitiveness (COMPETE) which aims to assist the Philippines improve its competitiveness to attain higher levels of trade and investment. To this end, the Foundation provides technical assistance to enhance the regime for infrastructure provision, improve productivity in key industries, and increase access to credit.



## PHILIPPINES

Through the COMPETE project, the Foundation contributed to increasing tourism road infrastructure financing from US\$15 million in 2010 to \$444 million in 2015.

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For the priority tourism sector, the Foundation supports the effective implementation of the 2011-2016 National Tourism Plan, particularly in efforts to develop strategic destination areas and tourism clusters. COMPETE also contributed to significantly increasing tourism road infrastructure financing—from US\$15 million in 2010 to \$444 million in 2015.

In agriculture, COMPETE works to advance a policy agenda to promote agri-food export competitiveness and provide technical assistance to boost productivity. Through COMPETE, the Foundation supported a cacao production-purchase agreement to cover 6,000 hectares benefiting 6,000 families, and seaweeds upscaling to cover 4,500 hectares, benefiting almost 2,000 farmers in Palawan.

## PROMOTING SECURE PROPERTY RIGHTS

Secure property rights are an essential component for promoting inclusive growth. Unfortunately, about 12 of the 28 million land parcels in the Philippines remain untitled. The Asia Foundation has several initiatives to help title all parcels.

- **Residential Free Patent Act.** In 2010, the Foundation supported Philippine partners to introduce the Residential Free Patent Law that created a faster and less expensive titling process. Since the law was passed in 2010, more than 342,000 families have received formal titles, boosting the pace of land titling by 1,400 percent.
- **National-Local Government Partnerships.** Another initiative is to establish partnerships between the national titling agency, Department of Environment and Natural Resources (DENR) and local governments to drive titling. Through this institutional arrangement, the Governor of the Bohol province provided \$70,000 to the Department of Environment and Natural Resources (DENR) to title 5,000 parcels. The original target set by the DENR was only 1,200. This innovation represents an unprecedented approach to titling—a provincial government funding a national agency.
- **Drones for surveying.** Drones have the possibility of reducing the cost and time of surveys needed for titling. The Foundation is working with government, academe, and professional associations to introduce a policy to allow the

use of drones for surveys. A study by the University of the Philippines concluded that the use of drones can be an alternative tool to generate orthomosaic images can provide parcel information comparable to current survey methods.

- **Mobile application for titling applications.** The prevalence of the use of paper-based title applications and supporting documents can hamper the efficiency of titling. The Foundation is working with the Philippine government and nongovernment partners to introduce a tablet-based app to assist the government and applicants submit and track requirements. The efficiency gains are emerging. In the pilot site, the number of title applications reached 172 in a seven-month period while the previous 12-month period registered only 116 applications.
- **School titling.** About 90 percent of all public schools are not titled properly making them vulnerable to expulsion and eviction. Working with the Department of Education, the Foundation introduced new rules in March 2015 to allow the titling of public schools through a simpler administrative process. As a result, 2,053 schools were titled in 2015 and further increased to 2,860 schools in 2016 significantly outpacing the previous annual average of four schools.

## REDUCING CONGESTION IN THE MANILA AIRPORT

To alleviate some of congestion, The Asia Foundation has been working with stakeholders to develop Clark Airport, an airport located 90 kilometers from the capital that can help alleviate congestion in NAIA. After a series of briefings with constituents, President Duterte announced his support to develop Clark as a secondary hub in his July 2016 State of the Nation Address. The impact of the announcement was immediate. Carriers resumed operations and increased flights to and from Clark, gradually decreasing traffic in Manila airport. From January to May 2017, the number of domestic passengers in Clark increased by 127,879 while the number of international passengers escalated by 99,981 compared to the same period of last year.

In the Philippines, The Asia Foundation's programs are also funded by the U.S. Department of State, the U.S. Agency for International Development, Australia's Department of Foreign Affairs and Trade, the UK's Department for International Development, the British Foreign Commonwealth Office, UNICEF, the Canadian Department of Foreign Affairs, Trade and Development, and private organizations, companies, and individuals.

*The Asia Foundation is a nonprofit international development organization committed to improving lives across a dynamic and developing Asia. Headquartered in San Francisco, The Asia Foundation works through a network of offices in 18 Asian countries and in Washington, DC. Working with public and private partners, the Foundation receives funding from a diverse group of bilateral and multilateral development agencies, foundations, corporations, and individuals.*

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