

# Policies for Stable, Sustainable and Equitable Development : Background Note on Multi-Dimensional Review for the Philippines

7 March 2013, Manila  
NEDA-OECD-ADB MDCR Kick-off Seminar

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- **Why the Philippines?**
- **Policies for sustainable and equitable development**
  - Job creation and human capital
  - Quality of institution and informality
  - Urban-rural disparities
  - Economic upgrading and diversification
  - Service sector growth
  - Infrastructure and tax mobilization

# Why the Philippines ?



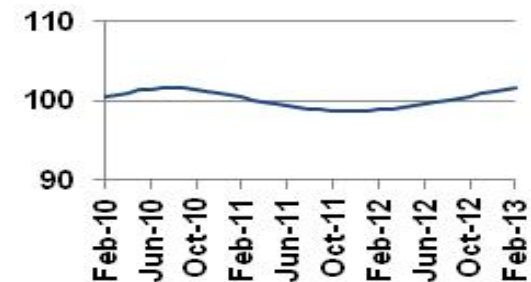
- The growth momentum was robust in 2012 and this favorable trend will continue in the medium term.

Real GDP growth of the Philippines  
(annual percentage change)

|             | 2011 | 2017 | 2000-07 | 2013-17 |
|-------------|------|------|---------|---------|
| Philippines | 3.9  | 5.3  | 4.9     | 5.5     |

Note: The cut-off date for data is 1 November 2012.  
Source: OECD Development Centre, MPF-2013, Southeast Asian Economic Outlook: with Perspectives on China and India, 2013

Composite leading indicator - Philippines



Source: Asian Business Cycle Indicators in forthcoming "This Quarter in Asia", Vol. 10, OECD Development Centre

- The current favorable macroeconomic situation has opened a window of opportunity to facilitate several reforms.

# Many Southeast Asian countries started searching for new development strategies



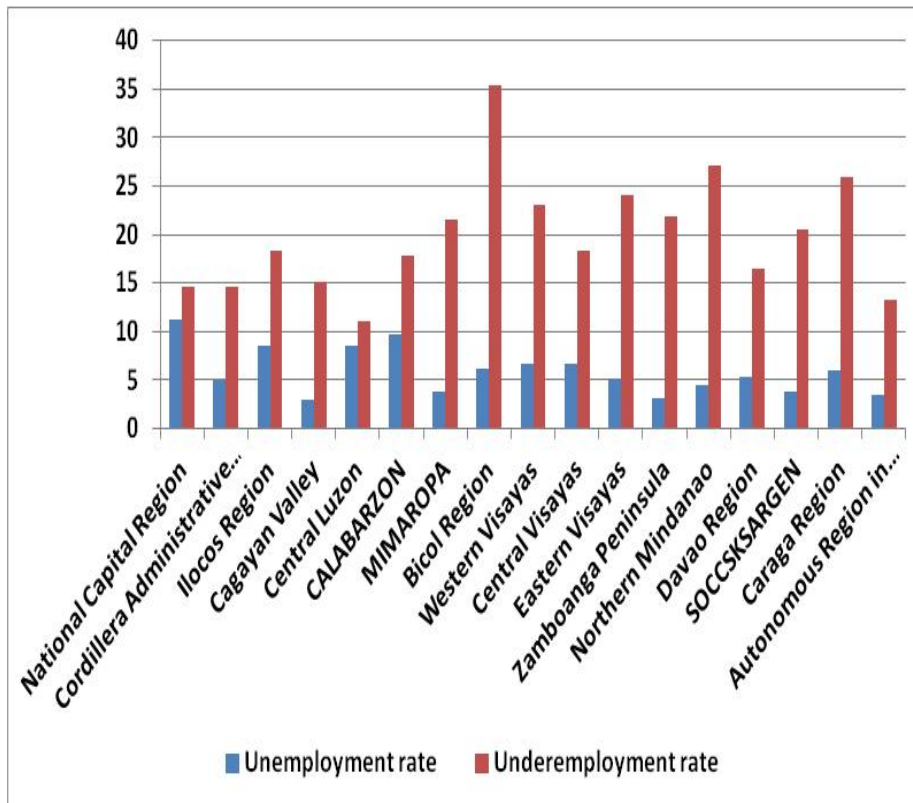
## Medium-term development plans of Southeast Asian countries

| Country            | Period  | Theme/vision  |
|--------------------|---------|---|
| <b>Cambodia</b>    | 2009-13 | For growth, employment, equity and efficiency   |
| <b>Indonesia</b>   | 2010-14 | Towards the realisation of an Indonesia that is prosperous, democratic and just           |
| <b>Malaysia</b>    | 2011-15 | Charting development towards a high-income nation   |
| <b>Philippines</b> | 2011-16 | In pursuit of inclusive growth  |
| <b>Singapore</b>   | 2010-20 | High skilled people, innovative economy, distinctive global city                          |
| <b>Thailand</b>    | 2012-16 | Philosophy of Sufficiency Economy   |
| <b>Viet Nam</b>    | 2011-15 | Strong and sustainable growth by improving the quality and competitiveness of the economy |

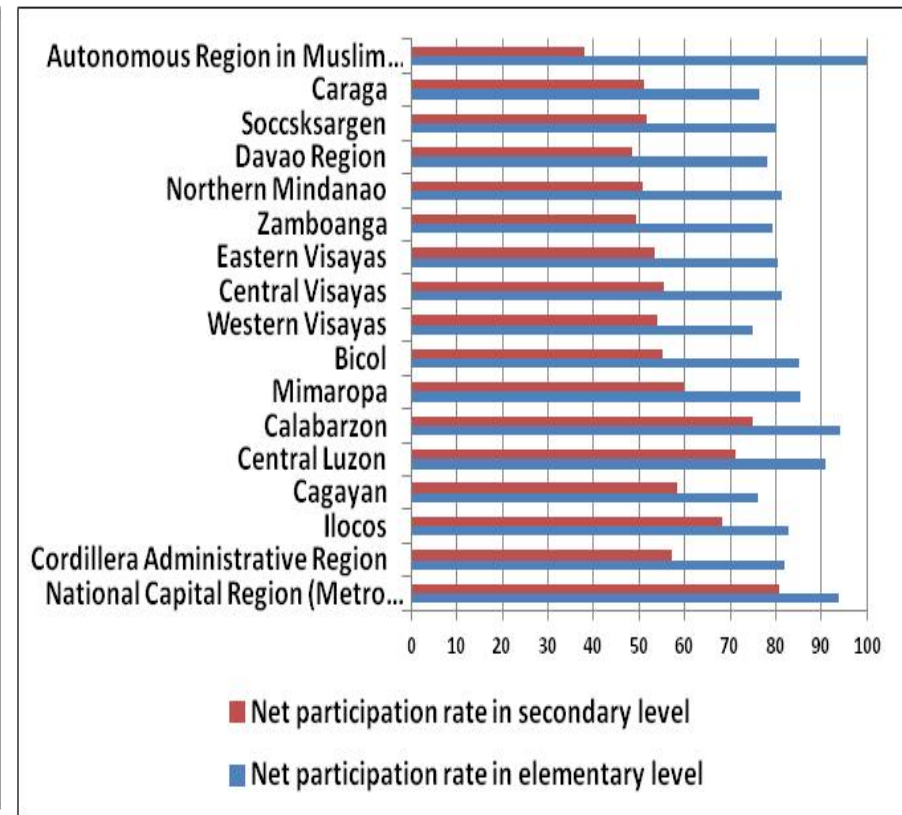
Source: Southeast Asian Economic Outlook: With Perspectives on China and India, 2013, Chapter 2

# Strengthening job creation and upgrading human capital are primary steps

Unemployment and underemployment rates in the Philippines, by region (%; 2011)



Regional disparities in enrolment rates (%; 2008-2009)



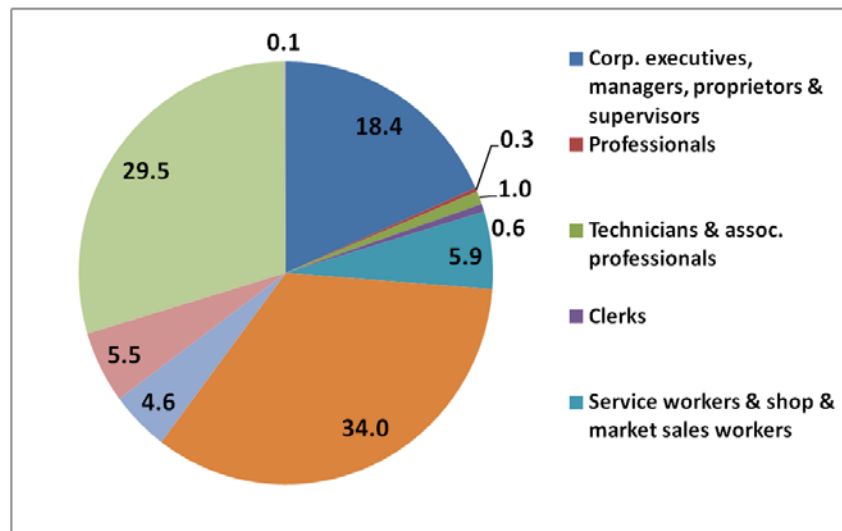
Sources: National Statistics Office, Labour Force Survey CEIC

# The quality of institutions does matter - Size of informal sector is large

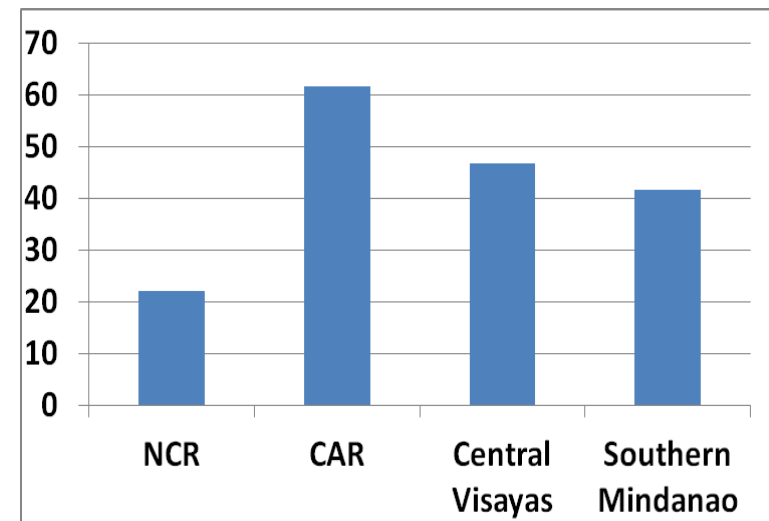


- 44.6 percent of total employed work in the informal sector
- 47.9 percent work in agriculture, forestry and hunting, and 27.3 percent work in wholesale and retail trade
- Huge regional disparities

Percent distribution of informal sector workers (2002-2007)



Percent of informal sector workers to total employment by region (2002-2007)



# Urban-rural disparities in particular rural development and poverty needs to be addressed



**Poverty Incidence Among Families by Region (%; 2006 and 2009)**

| Region                               | Poverty Incidence Among Families, estimates (%) |      |
|--------------------------------------|---|------|
|                                      | 2006  | 2009 |
| Philippines                          | 21.1  | 20.9 |
| National Capital Region              | 3.4   | 2.6  |
| Cordillera Administrative Region     | 18.6  | 17.1 |
| Ilocos Region                        | 20.4  | 17.8 |
| Cagayan Valley                       | 15.5  | 14.5 |
| Central Luzon                        | 12.0  | 12.0 |
| CALABARZON                           | 9.4   | 10.3 |
| MIMAROPA                             | 34.3  | 27.6 |
| Bicol Region                         | 36.1  | 36.0 |
| Western Visayas                      | 22.1  | 23.8 |
| Central Visayas                      | 33.5  | 30.2 |
| Eastern Visayas                      | 31.1  | 33.2 |
| Zamboanga Peninsula                  | 34.2  | 36.6 |
| Northern Mindanao                    | 32.7  | 32.8 |
| Davao Region                         | 26.2  | 25.6 |
| SOCCSKSARGEN                         | 27.1  | 28.1 |
| Caraga Region                        | 36.9  | 39.8 |
| Autonomous Region in Muslim Mindanao | 36.5  | 38.1 |

**Income and Poverty Gaps by Region; 2006 and 2009)**

| Region                               | Income Gap |      | Poverty Gap |      |
|--------------------------------------|------------|------|-------------|------|
|                                      | 2006       | 2009 | 2006        | 2009 |
| Philippines                          | 27.2       | 25.7 | 5.7         | 2.7  |
| National Capital Region              | 19.2       | 16.9 | 0.7         | 0.4  |
| Cordillera Administrative Region     | 27.5       | 28.0 | 5.1         | 4.8  |
| Ilocos Region                        | 23.5       | 22.4 | 4.8         | 4.0  |
| Cagayan Valley                       | 21.2       | 21.0 | 3.3         | 3.0  |
| Central Luzon                        | 22.3       | 22.9 | 2.7         | 2.8  |
| CALABARZON                           | 22.2       | 20.2 | 2.1         | 2.1  |
| MIMAROPA                             | 28.8       | 25.6 | 9.9         | 7.1  |
| Bicol Region                         | 28.7       | 25.1 | 10.3        | 9.0  |
| Western Visayas                      | 24.2       | 23.8 | 5.4         | 5.7  |
| Central Visayas                      | 31.7       | 28.8 | 10.6        | 8.7  |
| Eastern Visayas                      | 27.6       | 27.4 | 8.6         | 9.1  |
| Zamboanga Peninsula                  | 32.9       | 30.8 | 11.3        | 11.3 |
| Northern Mindanao                    | 31.1       | 29.9 | 10.1        | 9.8  |
| Davao Region                         | 28.4       | 27.5 | 7.4         | 7.0  |
| SOCCSKSARGEN                         | 26.4       | 27.0 | 7.2         | 7.6  |
| Caraga Region                        | 30.1       | 30.5 | 11.1        | 12.1 |
| Autonomous Region in Muslim Mindanao | 23.3       | 20.2 | 8.5         | 7.7  |

# Targeted rural development planning can contribute to the economic development



## Cordillera Administration Region (CAR region)

- Agriculture productivity by modernization

## Central Visayas Region

- A huge pool of unskilled workers
- TEVT, TWSP , etc

## Davao Region

- “Davao Region Industry Clusters Development Plan”  
(agro-ecozones)

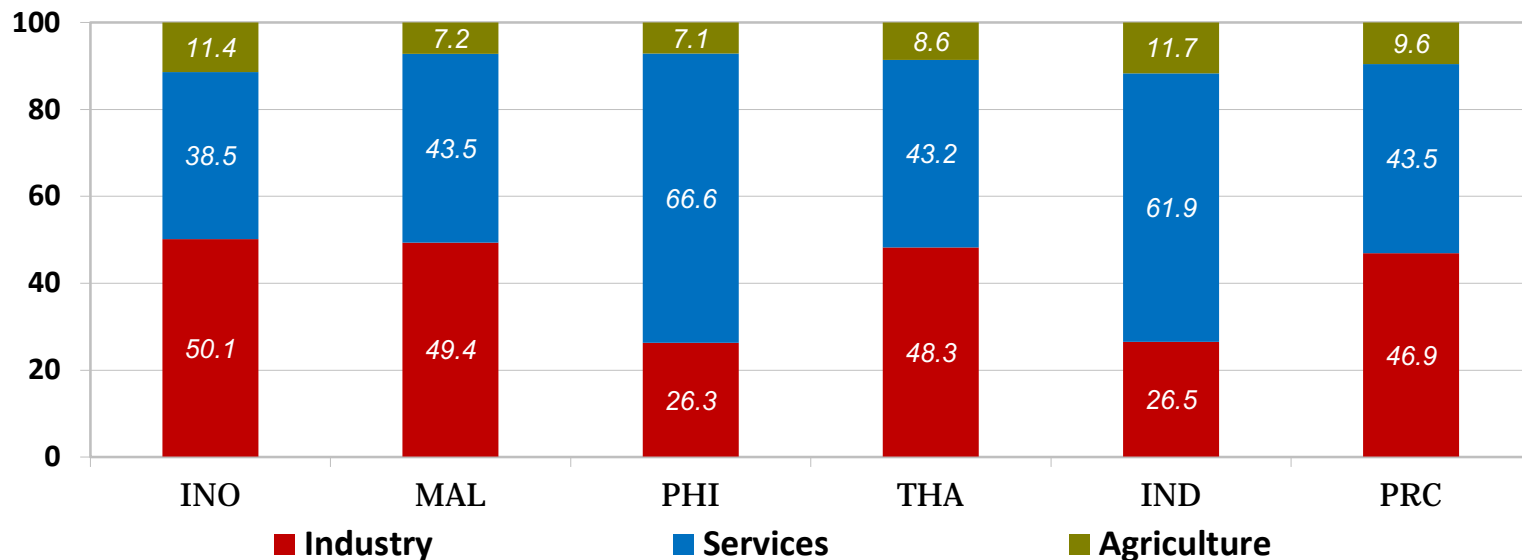




# Goods produced by the economy need to be upgraded and diversified



- Product- specific constraints in manufacturing need to be addressed
- The quality of services-led growth needs to be improved

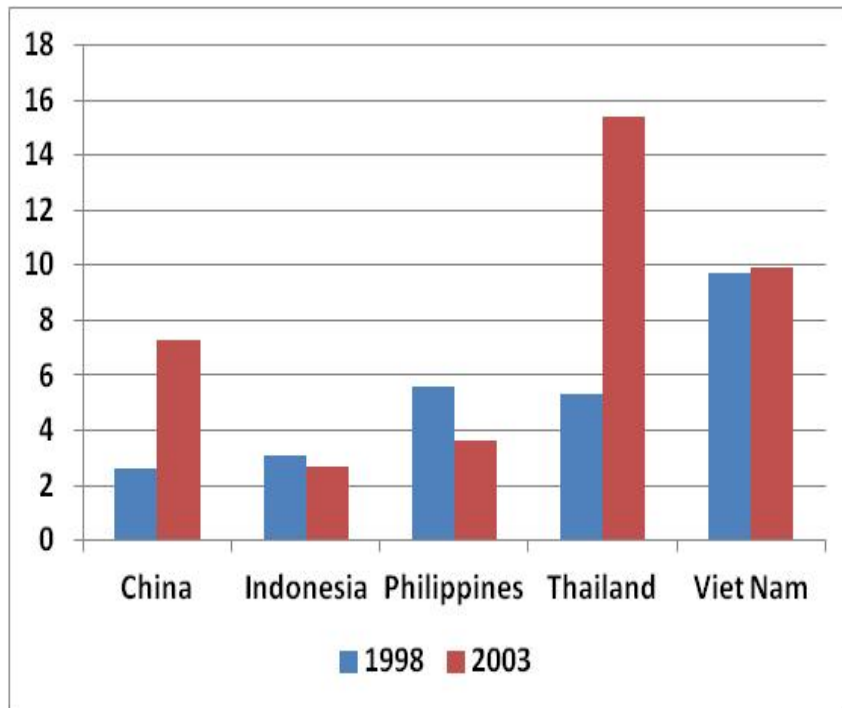


Source: N. Usui (2012), Taking the Right Road to Inclusive Growth, ADB.

# Long standing problems in infrastructure need to be addressed

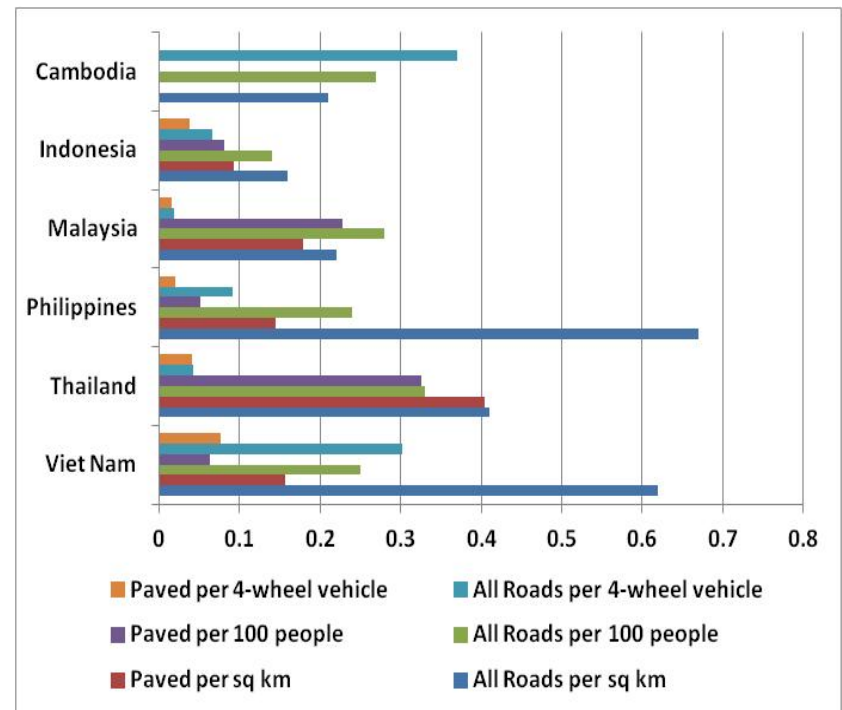


Infrastructure expenditure in the Philippines and other Southeast Asian countries, 1998-2003 (as a % of GDP)



Source: World Bank and WDI.

Road network coverage in the Philippines and other Southeast Asian countries, 2003-2004 (road length in kilometers)



# Tax base needs to be broadened and collection improved



## Recent regulatory reforms and programmes to enhance tax collection

|      | Regulatory reform / Programme   |
|------|---|
| 2005 | The RATE Program seeks to identify and prosecute high-profile tax evaders with the aid of an extensive information campaign, as well as periodic news reports in the print and broadcast media on the prosecution of prominent individuals or entities found to be engaged in tax fraud schemes   |
| 2009 | The “Oplan Kandado” Program aims to increase voluntary compliance with the basic requirements of tax administration, particularly in the area of VAT payments (by sanctions – primarily the closure of business establishments – on taxpayers who have been found to be in violation of the applicable provisions of the Tax Code)        |
| 2010 | Audit Program for the Revenue District Offices (RDOs) prescribes the policies, guidelines and procedures for the audit and investigation of tax returns and seeks to enhance voluntary compliance by encouraging the payment of the correct amount of tax through the exercise of the Bureau’s enforcement function                       |
|      | Stop-Filer Program (if a taxpayer has filed tax returns in the past and then a return is not filed for the next tax period, that taxpayer is identified as a "stop filer") for the identification, handling, closure and monitoring in connection with the roll-out of the Returns Compliance System (RCS) at the newly computerised RDOs |
|      | The “Premyo Sa Resibo” (PSR) Promo, an SMS text-based raffle promo urging consumers to ask for official receipts, was enhanced significantly  |
|      | Update of the Zonal Valuations Project seeks to enhance tax collections from the sale, exchange or disposition of real properties through the updating of zonal values across the country, and their publication in the BIR Portal for easy electronic access by the public   |
|      | Monitoring of tax exemptions and fiscal incentives provided by Incentives Promoting Agencies (IPAs) such as the Philippine Economic Zone Authority (PEZA) or the Board of Investments (BOI)   |

# Surveys in MDCR for the Philippines



- **Informal Sector Survey**
- **SME Survey**



# Thank you !