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Impact of the Global Financial and Economic Crisis on the Philippines

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Paper Prepared for the United Nations Development Programme

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List of Abbreviations and Acronyms

AWOL	Absence Without Official Leave
AHMP	Accelerated Hunger Mitigation Plan
AMP	Adjustment Measures Program
ABF	Asian Bond Fund
ABMI	Asian Bond Markets Initiative
ADB	Asian Development Bank
AIIF	Asia Investment Infrastructure Fund
ASEAN	Association of Southeast Asian Nations
BSP	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
BESF	Budget of Expenditures and Sources of Financing
BIR	Bureau of Internal Revenue
BPAP	Business Processing Association of the Philippines
CAR	Capital Adequacy Ratio
CBCP	Catholic Bishops Conference of the Philippines
CBMS	Community-Based Monitoring System
CIIP	Comprehensive Integrated Infrastructure Program
CLEEP	Comprehensive Livelihood and Emergency Employment Programs
CCTs	Conditional Cash Transfers
CSF	Credit Surety Fund
DCCs	Day-Care Centers
DA	Department of Agriculture
DepEd	Department of Education
DENR	Department of Environment and Natural Resources
DOH	Department of Health
DILG	Department of Interior and Local Government
DOLE	Department of Labor and Employment
DSWD	Department of Social Welfare and Development
DAP	Development Academy of the Philippines
DBP	Development Bank of the Philippines
DBCC	Development Budget Coordinating Committee
ERP	Economic Resiliency Plan
EFWs	Expatriate Filipino Workers
FIES	Family Income and Expenditure Survey
FFCCCI	Federation of Filipino-Chinese Chamber of Commerce and Industry
FELSF	Filipino Expatriate Financial Livelihood Support Fund
FSP	Food for School Program
FIVIMS	Food Insecurity and Vulnerability Information Mapping System
FCDU	Foreign Currency Deposit Unit
FDI	Foreign Direct Investment
GAA	General Appropriations Act
GC	Global Crisis
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immunodeficiency Syndrome
HH	Household
IMR	Infant Mortality Rate
ISLA	Integrated Services for Livelihood Advancement
LBP	Land Bank of the Philippines
LGUs	Local Government Units
MTEF	Medium Term Expenditure Framework

MTPDP	Medium Term Philippine Development Plan
MDGs	Millennium Development Goals
NCR	National Capital Region
NEDA	National Economic and Development Authority
NFA	National Food Authority
NHTS	National Household Targeting System
NSCB	National Statistical and Coordination Board
NEAT	Network of East Asian Think Tanks
NPLs	Non-Performing Loans
NARS	Nurses Assigned for Rural Services
OPIF	Organizational Performance Indicator Framework
OYSTER	Out-of-School Youth Servicing Towards Economic Recovery
OFWs	Overseas Filipino Workers
OWWA	Overseas Workers' Welfare Administration
4Ps	Pantawid Pamilyang Pilipino Program
PCSO	Philippine Charity Sweepstakes Office
Philhealth/PHIC	Philippine Health Insurance Corporation
POEA	Philippine Overseas Employment Administration
PhP	Philippine Peso
PGMA-TWSP	President Gloria Macapagal-Arroyo (PGMA) Training for Work Scholarship Program
PGS	Pangulong Gloria Scholarship
PMT	Proxy Means Test
RA	Republic Act
RIPS	Revenue Integrity Protection Service
RATE	Run After Tax Evaders
RATS	Run After the Smugglers
SARS	Severe Acute Respiratory Syndrome
SESP	Skill for Employment Scholarship Program
SAE	Small Area Estimates
SMEs	Small and Medium Enterprises
TESDA	Technical Education and Skills Development Authority
TUCP	Trade Union Congress of the Philippines
TB	Tubercle Bacillus or Tuberculosis
TB DOTS	TB Directly Observed Treatment, Short-course
TUPAD	Tulong Panghanapbuhay Para sa Ating Disadvantaged Workers
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
WIN-AP	Workers Income Augmentation Program

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Abstract

The 2008 global economic and financial crisis spawned a synchronized recession among industrialized countries leading to a contraction in world trade. Exports from developing countries fell sharply dragging many of them into the global economic downturn. The Philippines was not spared the fallout from the crisis as GDP growth decelerated considerably in the fourth quarter of 2008 and first half of 2009. Asset prices experienced volatility but unlike the 1997 East Asian crisis, the financial sector remained fairly stable. Unemployment increased moderately, but was more pronounced in the manufacturing sector which felt the brunt of the slowdown mainly through the export channel. Remittances from overseas Filipino workers continued to grow, however, albeit at a lower rate. Foreign exchange reserves therefore maintained an upward trend despite the fall in exports and larger capital outflows. A cause of concern is the widening fiscal deficit, which is largely due to the need to increase government expenditures to offset lower consumption, investment, and exports. The Economic Resiliency Plan is a key component of the Government response to the crisis and 2009 first half data indicate modest success. However, another factor behind the wider fiscal deficit is the weak tax effort and if this persists, the resources to finance achievement of the Millennium Development Goals will likely be reduced. Thus, even if preliminary survey data derived from the Community Based Monitoring System indicate a moderate adverse effect on the income and employment of lower income households, lower economic growth and fiscal troubles imply that the Government will not have enough resources to improve their situation in the medium term. This is definitely a problematic scenario given that the poverty situation in the Philippines deteriorated even when economic growth was relatively robust. To its credit, the Government embarked on a campaign to increase and expand social protection in response to the deteriorating poverty situation. In the wake of the crisis, resources were increased and programs were improved. However, many social protection programs continue to be hindered by low coverage and inadequate benefits, poor targeting, and operational constraints due to lack of coordination among program implementers. This is a microcosm of the institutional problems that have constrained economic development in the Philippines over many decades.

Part I. Introduction

Objectives

This paper examines the 2008 global financial crisis and the ensuing recession in many economies and their impacts on the performance of the Philippine economy. Unlike the 1997 crisis, the real sector has taken a more direct hit, mainly through the export sector. The implications for employment and poverty are therefore likely to be more severe. In view of this, a major portion of this paper is devoted to the social impacts of the crisis, particularly the progress in achieving the Millennium Development Goals (MDGs).

Part I of the paper provides a brief background on the situation of the Philippine economy in order to identify key vulnerabilities. This is followed by a section on the macroeconomic impacts, focusing on output and employment. Part III deals with the social impacts of the crisis, with attention on the MDGs. The analysis is aided by survey data from selected barangays or communities. The data are in line with Community Based Monitoring Systems (CBMS) that have been established across the country over the past decade. Hence, there are benchmarks to provide a basis for determining the impact of the economic crisis in specific communities.

Related to the impacts or the crisis are the various policy responses of the Government. These responses are evaluated based on their design and their ability to offset the adverse effects of the crisis. The latter is based on preliminary data largely derived from secondary sources and aided by the CBMS data.

Overview of the Philippine Situation

Sustainable economic development continues to be elusive for the Philippines. A wide spectrum of economic policies has been implemented during the past five decades. Yet the boom-bust cycle has remained a constant feature of the economy along with relatively high poverty incidence. The overview underscores the dilemma that currently faces policy makers in the Philippines: long-term structural problems limit the effect of responses to the current economic crisis.

Compared with other economies in East Asia, the Philippines' economic growth record has been disappointing. While the region's middle and high income economies experienced at least two per cent average growth of real per capital Gross Domestic Product (GDP) during the past 50 years, the Philippines recorded only a 1.9 per cent average (Table 1). As a result, the Philippines was not even described as a "high-performing economy" by the World Bank in its 1993 study of the East Asian Miracle while Thailand, Malaysia and Indonesia were included in this select group.

The Philippines' per capita GDP was almost twice as large than that of Thailand and thrice that of Indonesia in 1960 (Table 2). The gap narrowed through time and by 1984, Thailand's per capita GDP was higher than that of the Philippines. In 2006 Thailand's per capita GDP was more than double that of the Philippines while Indonesia—which has a population more than twice as large—has nearly caught up.

Meanwhile, the Philippines is also a laggard in East Asia in terms of poverty alleviation. Absolute poverty incidence—based on the one dollar a day threshold applied to recent data—is 13.2 per cent in the Philippines, higher than Indonesia (7.7 percent) and Viet Nam (8.40 percent). In stark contrast, Malaysia and Thailand have virtually eliminated absolute poverty (Table 3). At 0.44, the Philippines' Gini coefficient per capita income is highest among all middle income countries in Southeast Asia (Table 3). This is evidence that economic benefits have not been equitably shared and recent studies have argued that an inequitable distribution of wealth is a constraint to economic growth and development.

Mainstream economists attribute this situation largely to economic protectionism and the import-substitution policy that were followed after World War II up to the 1970s. Protection of selected sectors led to the misallocation of the country's resources, i.e. sectors in which the Philippines did not have a comparative advantage benefited from this policy stance. Moreover, the lack of competition removed the incentive of protected firms to become innovative and adopt modern technology. This resulted in monopolistic firms producing poor quality goods and services at relatively high cost, the burden of which was passed on to the Filipino consumer.

In response to this analysis, the Philippines—like many other developing countries—adopted the "openness model". This reform package began modestly in the early 1970s and was interrupted by the debt crisis in 1983-85. The reform program, however, was accelerated in the late 1980s and has been the government mantra since. The general thrust of the reforms was closer global economic integration underpinned by liberalization, deregulation and privatization. At the same time—similar again to other developing countries—the Philippines adopted measures to strengthen the supply capacity of its economy with a view to building competitive industries which would be the main beneficiaries of increased access to world markets. More attention was given to macroeconomic stability and exchange rate movements; appropriate sequencing of liberalization of the trade, financial and capital-account regimes, supported by prudential regulation and financial sector reform; strengthening domestic institutional capacity; and attracting foreign direct investment (UNCTAD, 2004).

Unfortunately, these policies did not generate the desired results and the Philippines continued to lag behind its neighbors. As seen from Table 1, per capita GDP growth in 2001-06 was still below the peak reached in 1951-60 and was also lower than that of other East Asian economies. Moreover, the "openness model" did not generate the structural transformation that it was supposed to. Data in Table 4 shows that the GDP share of valued added from the manufacturing sector declined between 1980 and 2007. This stands in contrast to the experience of Thailand, Malaysia and Indonesia.

The Philippines is therefore in a relatively unique position wherein a whole range of policies where implemented without much success. More recent analysis attributes this predicament to the role of institutions (De Dios, 2008; Philippine Human Development Network, 2009). If indeed institutions, or more precisely weak institutions, are the primary cause of the relatively poor track record of the Philippine economy, then there is a huge risk that the current economic crisis will not be managed well. Nevertheless, policy recommendations related to the current crisis at both the macro- and micro-level are proposed.

The 2008 Global Financial and Economic Crisis

On September 15, 2008 the global investment bank Lehman Brothers filed for bankruptcy protection, sending shock waves across the international financial system. This was soon followed by other bankruptcies, bailouts and takeovers of financial institutions in the US and Europe. Subsequently many economies—Germany, Japan, Singapore and Hong Kong among others—were declared to be in recession. The high point came when the National Bureau of Economic Research announced on December 1, 2008 that the US economy was in recession since December 2007.

Many of these events can be traced to the subprime mortgage crisis which began to unravel in August 2007. For example, the sharp fall in housing prices in 2007 was the primary cause of the US recession. The nature of the various relationships has been discussed elsewhere.[1] This paper instead examines the impacts of the global financial and economic crisis on the Philippine economy.

The extent of the global financial and economic crisis can be gleaned from the indicators in Table 5. A synchronized recession in major industrialized countries—a rare event after the last world war—is forecast for 2009. As a result, global trade is expected to contract by 3.5 percent, a major cause for concern given that world trade has expanded by an average of 6 percent over the past quarter century.

Like many other emerging markets, the Philippine economy slowed down considerably in 2008. Latest data show that GDP growth rate in 2008 fell to 3.8 percent, compared to 7.1 percent in 2007 (Table 6). However, also like many other emerging markets, the slowdown was not primarily a result of the global financial crisis. Rather, the deceleration in the Philippine economy was largely brought about by a surge in inflation triggered by the sharp rise in food and fuel prices (Figure 1) and to a lesser extent the US recession.[2] Inflation jumped to 9.3 percent in 2008 after averaging only 2.8 percent in 2007. The negative effect of high inflation came through various channels: households postponed consumption expenditures, particularly durable goods; the high cost of fuel scaled back services in the transportation sector; and higher prices caused an increase in the cost of production.

That the slowdown of the Philippine economy in 2008 is not primarily a result of the current global financial crisis and the ensuing recession in major economies should be a cause of concern. This implies there is a huge downside risk for the economy which is reflected in the sharp deceleration in the first two quarters of 2009 (Table 6).

Based on the introductory discussion, it is clear that the Philippines is in an unenviable position of having to deal with both the short-term issues brought about by the 2008 crisis and unresolved structural problems. One area that can be explored is whether the present crisis can be an impetus for more fundamental reforms. However, there is also the possibility that the crisis will simply expose the fragile nature of the Philippine economy and exacerbate the poverty situation.

Another theme that is developed is whether policies implemented in response to the 1997 East Asian financial crisis will enable the Philippines to better cope with the current crisis. The flip side is whether there were gaps in the policies that were implemented, particularly in the area of social protection. The existence of such gaps implies that the Philippines did not learn its lesson and is destined to relive the effects of past mistakes.

[1] The UNDP refers to the following studies for a recent overview of the causes and nature of the financial crisis, see Felton, A., and K. Reinhart (2008). 'The First Global Financial Crisis of the 21st Century; Barth, J. R. (2008) 'US Sub-prime Mortgage Meltdown'. Paper presented at the 14th Dubrovnik Economic Conference, 25 June; Taylor, J. B. (2009) 'The Financial Crisis and the Policy Responses: An Empirical Analysis of What Went Wrong', NBER Working Paper 14631. Professor Barry Bosworth of the Brookings Institute gave a comprehensive and insightful discussion about this topic during the 11th International Convention of the East Asian Economic Association held in Manila on November 15, 2008. The title of his lecture was "Global Imbalances after the Financial Crisis".

[2] The subprime mortgage crisis, surge in fuel and food prices, and even the current global financial crisis have a common root cause: global excess liquidity caused by the unipolar financial system. For a brief description, see Yap (2008b). Meanwhile, primarily because of historical low correlations between US and Philippine GDP growth rates, it has been argued that the US recession will have minimal impact on the Philippine economy (Yap, 2008a).

Part II. Macroeconomic Impact of Crisis

Impact on Asset Markets

The financial turmoil that emerged in the aftermath of the Lehman Brothers debacle magnified tensions in the global interbank and credit markets. As a result there was a virtual freeze in liquidity in US and European financial markets which stopped and, in many cases, reversed capital flows to emerging and developing countries. In large part, the latter reflected sales of debt and equity securities by nonresidents, selective withdrawals of bank deposits held with domestic banks and a decline in inflows of foreign direct investment (World Bank, 2008).

The immediate impact of the liquidity squeeze in international capital markets was a rise in the price of risk—as measured by bond spreads—a sharp drop in equity prices, and exchange rate volatility. Data in Table 7 show that the foreign currency government bond spread for the Philippines jumped from 155 basis points in June 2007 to 549 basis points in November 2008. Meanwhile, the main index of the Philippine stock market fell by 24 percent between July 2008 and January 2009 (Figure 2). The Philippine stock market was actually one of the least affected by the global financial crisis in the Asia-Pacific region.

The exchange rate also exhibited volatility with the peso depreciating by 16.6 percent between March 1, 2008 and November 30, 2008 after appreciating by 39 percent against the US dollar between September 20, 2005 and February 29, 2008. Between July 2008 and January 2009—which is the relevant period for monitoring the immediate impact of the financial crisis—the peso depreciated by only 3 percent (Figure 3). Similar to stock prices the peso was one of the currencies least affected by the crisis.

Asset prices across the Asia-Pacific region largely recovered between February and May of 2009 (Figures 4 and 5). A more stable global environment led to a resurgence in foreign portfolio equity investment into emerging markets. However, the situation remains fluid and management of volatile capital flows is still an important but unresolved issue in East Asia.

Monitoring the impact of these events on the real sector of the economy is important. Rising bond spreads will raise the cost of financing external debt with attendant effects on the fiscal position of the national government. However, higher interest payments are not expected to materialize in the short-term. Meanwhile, portfolio flows have been shown to have a negligible impact on consumption and investment (Yap 2008c). Hence the gyrations in the stock market are not expected to have a strong effect on the real sector.

Stock market and exchange rate volatility do affect macroeconomic stability and this has implications for private investment. Data in Table 6 show that investment in durable equipment contracted by 18.5 percent in the first quarter of 2009 and a further 18.9 percent in the second quarter. In terms of international trade, prices of traded commodities are mostly set in the global market. Exchange rate movements, therefore, affect profitability of exporters rather than demand for their products. Profitability of exporters, however, has an impact on their investment and employment decisions. Exchange rate movements affect the propensity to import, the degree of protection of import-substituting industries, and the peso value of remittances from abroad.

Impact on the Financial Sector

The onset of the global financial crisis raised fears that many emerging markets will face a debacle similar to the 1997 financial crisis that hit East Asia. The initial impact on asset markets did put pressure on financial markets especially in economies with high foreign participation in local equity markets, banking systems that depend heavily on short-term foreign currency funding, and those running external current account deficits (ADB, 2008). In East Asia, Korea and Indonesia experienced severe foreign currency liquidity shortages leading to sharp depreciations of the won and rupiah (Figure 3). However, the situation improved considerably in the first five months of 2009 (Figure 5).

East Asian financial sectors have largely weathered the crisis. Data in Table 8 show that non-performing loans were fairly stable in 2008. Reports for early 2009 indicate only small increases for the countries with preliminary data. A similar pattern can be observed with the capital adequacy ratio (Table 9). The rule-of-thumb threshold for the CAR is 8 percent. Meanwhile, the loans to deposit ratio has also been steady (Figure 6), reflecting the absence of any sharp market reaction to the crisis.

The relative resilience of regional banking and financial systems in East Asia reflects a number of factors, including:[3] (i) the very limited direct exposure of the region to subprime and other related securitized products; (ii) relatively strong bank balance sheets with a return to profitability—as impaired loans from the 1997/98 Asian financial crisis have been worked off; (iii) improvements in risk and liquidity management; (iv) strengthening of supervisory and regulatory systems; and (v) moves by banks into new and profitable domestic business lines such as consumer lending. The move into consumer lending implies an absence of the strong search for yield that led many banks and other financial institutions in industrialized countries to take on too much leverage and risk.

These factors largely reflect the Philippine situation. Crucial prudential indicators show the relative health of the banking systems in terms of capital adequacy, profitability, and liquidity cushions (Tables 8 and 9). Loan to deposit ratios have been rather conservative and many banks report high ratios of short-term assets to liabilities (Figure 6). The ratio of nonperforming loans (NPLs) to total loans has continued to decline through 2008 although there was a slight uptick in the early part of 2009. Meanwhile, the key measure of capital adequacy has been sustained at relatively high levels although it has been declining during the past three years.

In 2008 most banks continued to report relatively high rates of return on assets and equity, and did not experience increases in impaired assets. This performance reflects the insignificant exposure of Philippine banks to the toxic structured mortgage products that were extensively sold globally. Given largely domestically-focused business and relatively strong economic activities in 2007, profitability of Philippine banks has generally remained high in 2008.

Undoubtedly, the Philippine financial sector remains vulnerable to further shocks that emanate from global financial centers. However, there has been no meltdown yet similar to the events of 1997. The resilience stems from more prudent policies and a more conservative approach by the banking system.[4] It would be difficult to establish which factor has been more important. Nevertheless, policies implemented in the aftermath of the 1997 crisis did play a role in limiting the impact of the 2008 global liquidity crunch. The BSP, however, must remain vigilant and implement measures to maintain stability of the financial sectors.

[3] This paragraph is lifted from ADB (2008), page 46.
[4] A case of “once burned, twice shy”.

Impact on the Real Sector

Production and Expenditure

As mentioned earlier, the slowdown of the Philippine economy in 2008 was largely due to a sharp rise in inflation. Another important factor was the pronounced deceleration in construction activity following a surge related to the 2007 elections and the initial implementation of President Macapagal-Arroyo's ambitious infrastructure program. Data in Table 6 show a fall in the growth rate of personal consumption expenditures and fixed investment in 2008. In particular, investment in public construction contracted by 0.4 percent in 2008 after surging by 29.2 percent in 2007.

In order to isolate the impact of the crisis, the combined output of the first two quarters and immediately preceding fourth quarter are monitored over the past four years. The assumption is that the impact of the crisis manifested itself in the fourth quarter of 2008 and first half of 2009. The data in Table 10 show that GDP growth fell to only 1.7 percent in the combined 4th quarter of 2008 and first two quarters of 2009 after averaging 5.7 percent in the previous 3 years.

On the production side, significant slowdowns occurred in manufacturing, electricity, gas, and water, trade, and finance services (Table 10). The manufacturing sector was buffeted by the 29.2 percent contraction in exports during this period. The food manufacturing sector was able to offset the contraction in other sub-sectors, particularly electronics and furniture, in the first 3 quarters of 2008. This is the reason that value added in manufacturing actually grew slightly faster in 2008 compared to 2007 (Table 6). Unfortunately this momentum was not sustained in the 4th quarter of 2008 and first half of 2009.

The rather surprising outcome was the reversal in the service trade sector. The latter, which contributes 17 percent to GDP, is normally spared the harshest effects of economic downturns. The combined performance in the 4th quarter of 2008 and 1st half of 2009 shows only a mild growth of 2.1 percent which contrasts with the 6.7 percent average growth in the previous 3 years (Table 10). One possible reason for this result is the slowdown in consumption expenditure to only 2.9 percent in the three combined quarters. In particular, consumption grew by a mere 1.3 percent in the first quarter of 2009 and 2.2 percent in the second quarter (Table 6).

One critical issue is whether the economic slowdown will persist in the last half of 2009. The National Economic and Development Authority (NEDA) scaled down its 2009 GDP growth target to 0.8 – 1.8 percent from 3.1 – 4.1 percent after first half performance turned out to be much worse than expected. However, the Philippines has fared better than most countries in East Asia.[5] One reason is that food and fuel prices have come down sharply from their peaks in mid-2008. Inflation has been much lower in 2009.

Ironically, the relative resilience of the Philippine economy would be partly due to factors that limited its economic expansion during the past 3-4 decades. It is expected the synchronized recession in major economies and the global credit squeeze will continue to adversely affect exports, foreign direct investment and domestic private investment. However, Philippine exports generally have low value added in terms of their contribution to GDP. In addition, the share of Philippine exports to the US has fallen from a peak of 34 percent in 1998 to only 16

[5] The 2009 first and second quarter year-on-year GDP growth rates of major East Asian economies are as follows: China: 6.1%, 7.9%, Indonesia: 4.4%, 4%; Malaysia: -6.2, -3.9%%; Japan: -8.7%, -7.2%; Korea: -4.3%, -2.7%; Philippines: 0.6%, 1.5%; Singapore: -9.5%, -3.5%; Thailand: -7.1%, -4.9; Viet Nam: 3.1%, 4.1%. Source: Asia Regional Integration Center, ADB.

percent in 2008. Another factor is the role of FDI in the Philippines where it has not been a source of economic growth to the same degree as some its neighbors in East Asia.

On the domestic front, it was expected that since total private investment had been sluggish for the past decade, there would be little room for further deterioration.[6] Unfortunately, only public construction activity was buoyant, expanding by 11.5 percent in the first quarter and by 29.9 percent in the second quarter of 2009 (Table 6). Moreover, this is a result of stimulus measures by the national government and is likely to be only temporary. As mentioned earlier, investment in durable equipment contracted sharply in this same period. Fixed capital during the combined 4th quarter of 2008 and 1st half of 2009 contracted by 12.6 percent (Table 10). The data, therefore, indicate that certain investment activities expanded despite the crisis but these were not enough to offset the downturn in other sectors. Future production capacity remains to be a serious problem for the Philippine economy.

The 2009 first half performance does not augur well for the Philippine economy. Both value added in the manufacturing sector and private investment plunged during this period. Hence, as mentioned in the first part of the paper, the Philippines has to contend simultaneously with both short-term demand management issues and medium-term structural issues. It should be noted that even before the crisis, the Philippines had one of the worst records in terms of poverty alleviation in East Asia and one major reason is that it has not yet hurdled the low-equilibrium growth trap.

Employment and OFW Remittances

Critical to the prognosis in 2009 is the impact of the recession in major economies on employment of overseas Filipinos (OFWs). Remittances have been the lifeblood of the economy during the past decade. In 2008 alone, remittances—as reported in the balance-of-payments account— amounted to $16.4 billion or 13 percent of GDP.

The Department of Labor and Employment (DOLE) identified the following OFWs who are vulnerable to displacement due to the global economic and financial crisis:

- OFWs who work in the US under temporary working visas (129,000)
- Seafarers in cruise ships (130,000)
- Factory workers in Korea, Taiwan, and Macau (268,000)
- Household service workers in Singapore, Macau, and Hong Kong (48,000)

These groups comprise only about 15 percent of the roughly 4 million OFWs. Data from the Philippine Overseas Employment Administration (POEA) indicates that during the first ten months of 2008, the number of Filipinos deployed abroad rose considerably by 18.1 percent to 1,049,077 compared to 888,339 in the same period in 2007. For the entire year, 2008 deployment rose by 14.7 percent to 1,236,013 from 1,077,623 in 2007.

During the first quarter of 2009, the flow of returning OFWs did not increase significantly. However, there is concern that the slump in global shipping will adversely affect Filipino maritime workers. On the other hand, some shipping lines are replacing highly-paid Western nationals with lower-paid Filipinos.[7] As of this writing, there is no clear indication on the number of layoffs or the trend in new hires as a result of the global crisis.

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[6] A recent World Bank study explains the dilemma of rising economic growth and declining investment. See A. M. Bocchi (2008): “Rising growth, declining investment: the puzzle of the Philippines.” Policy Research Working Paper No. 4472. East Asia and Pacific Region. World Bank.

[7] Part of this discussion was lifted from the analysis and comments of the Joint Foreign Chambers of the Philippines entitled “Impact of the Global Economic Crisis on the Philippines: Preparing to Rebuild Foreign Investment Inflows” (June 2009).

Data, however, indicate a slowdown in the growth of remittances to only 3.8 percent in the first 7 months of 2009 compared to 18.2 percent in the same period last year (Table 11). The BSP sees growth to be sustained for the rest of this year which contrasts with the more pessimistic view of the World Bank, which predicts a contraction of 4 percent. This will definitely have a negative impact on the real sector, particularly on personal consumption expenditures. However, the impact will likely be offset by a higher exchange rate. If remittances are converted to peso terms, the growth in the first half of 2009 was actually much higher than the annual increase in 2007 and 2008 (Table 6). Nevertheless, this did not translate into sustained growth of consumption expenditure.

Employment in the domestic economy has been adversely affected by the economic slowdown. While the unemployment rate in 2008 increased as expected, it rose only to 6.8 percent from 6.3 percent in 2007. This is still much lower than the unemployment rates recorded during the past 20 years (Table 12). However, the unemployment rate jumped to 7.7 percent in the first quarter of 2009 although it recovered slightly to 7.5 percent based on the April 2009 survey and 7.6 percent in the July 2009 survey. The April survey also showed that while 2.4 million part-time jobs were created, nearly a million full-time jobs were lost. Overall, employment trends show a setback for poverty alleviation efforts.

Data on labor turnover rates in Metro Manila[8] also indicate the negative effects on employment (Table 13). The turnover rate is the difference between the accession rate and separation rate. Accessions or “new hires” refer to permanent or temporary additions to employment in the enterprise due to i) expansion of business activity; and ii) replacement of separated workers and employment resulting from changes in methods/technology of production or service. Meanwhile, separations refer to terminations of employment due to i) quits or terminations initiated by the employees; and ii) layoffs or terminations initiated by the employers due to economic reasons (e.g., lack of market, financial losses, and redundancy) and non-economic reasons (e.g., gross negligence, AWOL). Rates are obtained by dividing “accessions” and “separations” by the level of employment.

The imminent unemployment problem is manifested in the he sharp drop in the turnover rate in the first quarter of 2009 compared to the same period in 2008—0.27 percent and 4.76 percent, respectively (Table 13). However, this is more a result of a fall in the accession rate rather than a rise in the separation rate. This is particularly true for the transportation, communication, and storage sub-sector and the real estate, renting and business activities sub-sector, which have the two lowest turnover ratios in the first quarter of 2009. Hence, the rise in unemployment is due more to a reluctance to hire more people. However, in the case of the manufacturing sector, there was a relatively sharp rise in the separation rate. This is consistent with the observation that the manufacturing sector experienced the sharpest downturn in the aftermath of the crisis (Tables 6 and 10).

The varying experience in each sector indicates that there should be a sector specific dimension to policy responses in addition to the usual economy-wide assistance to laborers.

Impact on Macroeconomic Balance: Fiscal Deficit and External Accounts

The crisis has also taken its toll on macroeconomic balances in the Philippines. The fiscal deficit of the national government is expected to balloon to 3.2 percent of GDP in 2009. The target set in July 2008 was 0.5 percent and this was subsequently changed to 1.0 percent in November 2008 in the wake of the crisis. The fiscal deficit in 2008 was only 0.9 percent of GDP.

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[8] Metro Manila comprises the national capital region of the Philippines. The region is responsible for 45 percent of GDP, hence it would be representative of the entire country.

One reason that the deficit is expected to widen is that the Government is reluctant to cut expenditures at a time when the economy is slowing down considerably. The budget was increased by 15 percent in 2009 compared to a 6 percent increase last year (Table 14). The allocation for social services has also remained intact. This reflects the priority given to measures to counter the adverse effects of the crisis.

Apart from the required government expenditure to address the impact of the crisis, the Government has been buffeted by weak revenues. The tax to GDP ratio has stalled in the range of 12-13 percent of GDP compared to 14 percent in 2008 and a peak of 17 percent in 1997. As a result, the fiscal deficit already reached P111.8 billion in the first four months of 2009 compared to P25.8 billion in the same period last year. While there are policy changes that can explain the reversal in the tax to GDP ratio[9], the Philippines remains to be one of the countries with a relatively low tax effort in East Asia. It is clear that the institutional changes required to significantly improve tax effort have not yet been implemented.

Despite the sharp fall in exports, the current account even improved in the first quarter of 2009, posting a surplus of $2,168 million compared to a surplus of $1,281 million in the first quarter last year (Table 15). As mentioned earlier OFW remittances still grew in the first half of 2009 albeit at a slower pace. Moreover, the given the trade structure of the Philippines, the fall in exports was accompanied by an equally sharp fall in imports.

Meanwhile, the private sector flows in the external account have declined, leading to a deterioration in the capital and financial account from a net inflow of $507 million in the first quarter of 2008 to a net outflow of $708 million in the same period in 2009 (Table 15). This contributed to the fall in stock prices and the peso depreciation as discussed earlier and shown in Figures 2 and 3. Surprisingly, FDI recorded a net inflow of $1,283 million in 2008 compared to a net outflow of $514 million in 2007. However, consistent with the global economic uncertainty, FDI reverted to an $8 million outflow in the first quarter of 2009.

Portfolio outflows—which are more sensitive to global economic swings—registered a net outflow of $2,584 million in 2008 compared to a net inflow of $4,382 billion in 2007, a turnaround of $7.2 billion. The outflow continued in the first quarter of 2009. The decline in capital and financial account was not enough to put a dent in the country's gross international reserves. In fact, foreign exchange reserves increased from $34.8 billion in January 2008, to $37.6 billion in December 2008, to $39.6 billion in June 2009.

Comparing 1997 and 2008

A useful exercise would be to monitor the impact of the 1997 crisis on selected economic and social indicators and where possible compare it to the 2008 crisis. At the very least the impact of the 1997 crisis will help identify areas of vulnerability that may emerge as a result of the more recent crisis.

Table 16 shows that average GDP growth fell during the period surrounding the 1997 crisis (1997-99). Hence it is expected that economic growth during the period 2008-10 will average between 2–2.5 percent, after posting a robust 5.8 percent in 2005-07. This will be lower than the 2.7 percent average in 1997-1999 largely because the crisis at that time did not involve a

[9] Among the measures with an adverse impact on revenue collection are the lowering of corporate income tax from 35 to 30 percent, the higher personal exemptions for individual taxpayers and income tax exemption for minimum wage earners, the tax incentives granted to investors in Personal Equity Retirement Accounts, the tourism incentives under the National Tourism Policy Act, and the imposition of franchise tax on power transmission in lieu of all national and local taxes.

synchronized recession among industrialized economies. Exports therefore provided a buffer.

A cause for concern is that poverty incidence actually increased during the “stable period” of 2005-07. The food and fuel crisis in the first half of 2008 and the subsequent financial and economic crisis will likely exacerbate the poverty situation. However, the preliminary employment data and the CBMS survey data to be discussed in the next section indicate that the impact will not be that severe. Nevertheless, social protection programs, which were absent during the 1997 crisis, have become more urgent in the aftermath of the current crisis.

Other social indicators show steady progress despite the disruption caused by the crisis. The human development index has improved over the years. However, the rank of the Philippines declined despite the improvement, indicating that many other countries have made greater strides.

What is common in both crises is the deterioration in the fiscal situation. A major cause for concern is that reforms were introduced in response to the ‘fiscal crisis’ that emerged in the latter part of 2000-2004. While these reforms bore fruit as gleaned from the improvement in the fiscal deficit in 2005-08, it is clear from the projected 2009 deficit that the gains have not been sustained. Given political economy constraints, it is uncertain whether a new round of revenue generating measures can be implemented in the near future. Perhaps emphasis can be shifted towards reforms in tax administration.

Part III. Social Impacts of the Crisis

Impact on MDGs

There is great concern that the economic slowdown and rise in unemployment will be a setback for the Millennium Development Goals. The more direct impact would be on family income which would affect the capacity to meet basic needs. The MDG that is most vulnerable would be poverty reduction. A less direct albeit important channel is the effect of the economic downturn on government revenues. This has important implications for the ability of the Government to meet the financing requirements for the MDGs.

Progress in attaining MDGs

An assessment of the impact of the crisis on the MDGs should benefit from a progress report in terms of their attainment. Part of a recent report submitted to UNDP by the National Economic and Development Authority (NEDA, 2007) is replicated in Appendix 1. The Philippines is expected to meet most of its targets. Unfortunately there are MDG indicators that face low probability of achievement, namely: maternal mortality ratio; contraceptive prevalence rate; and participation rate, cohort survival rate, and completion rate in elementary education.

Some of the progress, however, should be contextualized in terms of the achievements of other countries in the region. A case in point is the achievement in poverty reduction. While the Philippines is on target for this MDG, as pointed out earlier, it is actually a laggard in East Asia in terms of poverty alleviation and income distribution (Table 3).

The uneven picture portrayed by the MDGs simply underscores the development constraints of the Philippines. As stated earlier, the Philippines is in an unenviable position of having to deal with short-term demand management problems brought about by the 2008 global economic crisis and medium-term structural issues that are epitomized by the poverty situation. Hence, Philippine policymakers should take no consolation in the fact that GDP growth in the first quarter was marginally positive compared to the output contractions in Malaysia, Indonesia, Thailand, and Singapore.

Impact of the Crisis on Attainment of MDGs

The crisis will definitely lower the probabilities of attaining the MDGs. Slower economic growth will lead to higher poverty, a relationship that has been established empirically (e.g. Edillon, 2006). A rough number for poverty incidence can be derived for a given trend of economic growth. However, this entails a number of assumptions about the nature of the economic expansion (e.g. whether or not it favors the lower income households) and the modeling techniques are not readily available. Hence, the safer statement is that the crisis will definitely increase poverty incidence due to its negative impact on economic growth.

A more succinct view of the impact on MDGs can be gleaned from Tables 17 and 18 which are lifted from the study of Manasan (2007). The resources required to finance the MDGs are estimated along with the resources available. The latter depend a great deal on economic growth and the associated stream of tax revenues. Both a high and low growth scenario are simulated.

As expected, the financing gap—the difference between required resources and those that are available—increases with lower economic growth. The “high” growth scenario yields an average resource gap of 0.76 percent of GDP over the period 2007-2015. Meanwhile, a “low” growth scenario yields an average resource gap of 1.1 percent over the same period.

The crisis will definitely lead to lower economic growth during the period 2009-2011 compared with the 5.5 percent average assumed in the “low” growth scenario. As mentioned earlier, tax effort seems to have been adversely affected, too, implying a lower stream of government revenues. Hence the resource gap during the period 2007-2015 is expected to increase, most likely in the range of 1.5 – 2 percent of GDP. Since this is a substantial amount, the likelihood of missed MDG has increased significantly in the aftermath of the crisis.

Impacts on Households and Communities

The economic downturn described in Part II has likely negative social impacts. It would be important to analyze these impacts at the level of individuals, households and communities in order to design countervailing measures and monitor their effectiveness. Unfortunately, while monthly or quarterly data on economic output and prices are available, data on social indicators have lower frequency and in certain cases are irregular. For example, assessing the impact of the crisis on poverty in the Philippines based on official data would not yet be possible since the latest official poverty statistics were obtained in 2006 and the next set would be available only late next year when the results of the 2009 Family Income and Expenditure Survey are made available. Thus, to assess the social impacts of the crisis, data collected by local government units using the community based monitoring system (CBMS) will be used.

As part of research efforts to monitor and mitigate the impacts of the global financial and economic crisis, the CBMS Network has launched an initiative to conduct household surveys in selected areas in 10 countries that are implementing CBMS in Asia and Africa. Information from these poverty observatories or sentinel sites has been collected over several years thus providing a benchmark for assessing the effects of the crisis. Data collected from March 2009 would then provide information not just on the impacts of the crisis but would also show which individuals, households and communities are able to recover faster.

In the Philippines, there are 13 sentinel sites all over the country. This section shows the results for 7 barangays in the Philippines. They have been classified into Urban NCR (or national capital region), Urban outside NCR and rural areas. The combined sample consists of 2,802 households representing a population of 11,935 persons. The breakdown is shown in Table 19. The survey was conducted between March and July of 2009.

The more significant transmission channel of the crisis based on the survey appears to be through overseas and domestic employment. Impact on domestic employment was examined by looking at changes among self-employed through their entrepreneurial activities and wage and salaried workers.

Table 19: Distribution of Sample Households

Barangay	Municipality/City	Province	Households		Population	
			Magnitude	Proportion	Magnitude	Proportion
Urban NCR			848	30.3	2,894	24.2
192	Pasay City	NCR-4	848	30.3	2,894	24.2
Urban Outside NCR			1,511	53.9	6,777	56.8
Gumamela	Labo	Camarines Norte	432	15.4	2,060	17.3
Villa Angeles	Orion	Bataan	354	12.6	1,401	11.7
Poblacion III	Sto.Tomas	Batangas	466	16.6	2,086	17.5
Magbangon	Cabucgayan	Biliran	259	9.2	1,230	10.3
Rural			443	15.8	2,264	19.0
Ando	Borongan	Eastern Samar	174	6.2	892	7.5
San Miguel	Llorente	Eastern Samar	269	9.6	1,372	11.5
Total			2,802	100.0	11,935	100.0

Overseas Employment

Out of the sample of 2,802 households, 415 or 14.6 percent had a member who is an OFW (Table 20). 39 percent of the 415 households had an OFW who returned during the past 6 months. Moreover, 26 of these 162 households—which is 16 percent—indicated retrenchment or lay-off as the reason for returning home. Another way to look at it is that 6.3 percent of households which rely on OFW remittances—or 26 out of 415—saw this source of income disappear as a result of the crisis.

Meanwhile, 9 percent of the households with an OFW, indicated that he/she experienced wage reduction during the period November 2008-April 2009. 8.7 percent of the households who received remittances during the past 6 months experienced reduction in amount of remittances received during the same period.

Table 20: Outcome indicators, OFW-related, 2009.

Indicator	Magnitude	Proportion
HH with OFW	415	14.8
HH with returning OFW	162	39.0
HH with returning OFW who was retrenched or laid off from work	26	6.3
HH with OFW who experienced wage reduction	38	9.2
HH who received remittances during the past 6 months	411	99.0
HH who experienced a decline in the amount of remittances received	36	8.7
HH who experienced a decline in the frequency of receipt of remittances	31	7.5

Source: CBMS Survey 2009

The effects through overseas remittances seem to be mild. As discussed earlier in the macroeconomic section, deployment of OFWs and remittances from OFWs continue to grow. This has mitigated the impact of the crisis. Information on geographical distribution of the overseas workers may offer some possible explanations. A majority of OFWs are based in the Middle East. The said regions are weathering the global crisis relatively better than industrialized countries and therefore not experiencing widespread retrenchment of foreign workers. Many overseas workers either work as a service and sales worker or is classified in the category “trades and related worker”. Some of the jobs of overseas workers include housekeepers and related workers, cooks, waiter, waitresses and bartenders, child-care workers, institution- or home-based personal care workers, security guards, and shop or market salespersons (under the services and sales worker classification), carpenters, motor vehicle mechanic, electricians, bakers, and pastry cooks (under the trades and related worker classification). Demand for these kinds of workers remains strong despite the global crisis. The Department of Labor and Employment (DOLE) and Philippine Overseas Employment Administration (POEA) acknowledge that some markets, particularly the United States, have cut job orders due to the global crisis but they also insist that labor markets elsewhere remain relatively strong.

Domestic employment: Entrepreneurial Activities

Only 2 percent of surveyed households engaged in new entrepreneurial activities in the past 6 months totaling to 53 new businesses set up in all the barangays (Table 21). However, 46.4 percent of the households surveyed derived income from at least one entrepreneurial activity. Eight of these (or 0.6 percent) closed their business as a result of the economic downturn. 59 or 4.6 percent experienced a significant downward movement in income from the business while 8 or 0.6 percent experienced an upward movement.

Table 21: Outcome indicators, Entrepreneurial Activities, 2009.

Indicator	Magnitude	Proportion
HH with at least 1 member who engaged in new entrepreneurial activity	53	2.0
HH which derived income from at least one entrepreneurial activity	1,299	46.4
HH with at least 1 member who closed his/her business	8	0.6
HH with at least 1 member who experienced a significant change in the monthly income from business	67	5.2
Direction of change		
Increase	8	0.6
Decrease	59	4.6
HH with at least 1 member who experienced a significant change in the number of employed persons from the business	4	0.3
Direction of change		
Increase	2	50.0
Decrease	2	50.0

Source: CBMS Survey 2009

Only 4 households, which is a negligible 0.3 percent of the 1,299 households, reported a change in number of employed persons in their business. Two of the households said that they decreased the number of their employees.

Domestic Employment: Wage Earners and Salaried Workers

77 households reported job loss of at least one of their members representing 2.8 percent of the 2,802 households surveyed (Table 22). 2.5 percent of households had a member who experienced a reduction in wages in the past 6 months. Meanwhile 2.2 percent of households surveyed reported reduction in working hours and less than half of a percent of households reported reduction in benefits during the past 6 months.

Table 22: Outcome indicators, Wage Earners and Salaried Workers, 2009.

Indicator	Magnitude	Proportion
HH with member who lost job	77	2.8
HH with member who experienced wage reduction	71	2.5
HH with member who experienced a reduction in the number of working hours	62	2.2
HH with member who experienced reduction in employment benefits	7	0.3

Source: CBMS Survey 2009

Overall Well-being

A greater proportion of households in the urban areas felt that they were moderately or severely affected by the global financial crisis than those in the rural areas (Table 23). Moreover, the proportion was greater in the NCR than in urban areas outside NCR. This is expected since the global financial crisis was expected to hit more severely the financial sectors and areas that are linked with exports to the US and Europe.

Table 23: Household's Self-Rated Effect of Global Crisis, 2009

Effect of global financial crisis	Urban NCR		Urban Outside NCR		Rural	
	Magnitude	Proportion	Magnitude	Proportion	Magnitude	Proportion
Total	848	100.0	1,508	100.0	443	100.0
Not affected	63	7.4	30	2.0	24	5.4
Mildly affected	145	17.1	452	30.0	263	59.4
Moderately affected	386	45.5	649	43.0	104	23.5
Severely affected	189	22.3	366	24.3	50	11.3
Don't know	65	7.7	11	0.7	2	0.5

Source: CBMS Survey 2009

The same pattern is observed with regards to how households felt about their well-being. A greater proportion of households in urban areas felt that they were worse off now than six months ago (Table 24). The percentage was higher in the NCR. A lower proportion was observed among those in the rural areas.

Table 24: Household's Self-Rated Change in Well-being, 2009

Self-rated status compared to 6 months ago	Urban NCR		Urban Outside NCR		Rural	
	Magnitude	Proportion	Magnitude	Proportion	Magnitude	Proportion
Total	848	100.0	1,508	100.0	443	100.0
Better now	66	7.8	112	7.4	72	16.3
Same as before	356	42.0	716	47.5	265	59.8
Worse now	426	50.2	680	45.1	106	23.9

Source: CBMS Survey 2009

Coping Strategies: Finance-related

To cope with the negative repercussions of the crisis, households have resorted to varying their spending pattern or the sources of financing for their expenditures. Close to 22 percent reduced their spending and saved money, 11 percent used their savings to smooth consumption, 5 percent pawned assets, 2 percent sold assets, 36 percent borrowed money and 5 percent defaulted on debts (Table 25). Households in the NCR tended to rely more on borrowing, pawning and selling of assets while those households outside NCR tended to rely more on using savings and defaulting on debts, in addition to borrowing money to tide them over.

Table 25: Household's Coping Strategies, Finances-Related, 2009

Finances-related coping strategy	Urban NCR		Urban Outside NCR		Rural	
	Magnitude	Proportion	Magnitude	Proportion	Magnitude	Proportion
Total	848	100.0	1,511	100.0	443	100.0
Saved money	160	18.9	369	24.5	79	17.8
Used savings	49	5.8	214	14.2	53	12.0
Pawned assets	74	8.7	50	3.3	14	3.2
Sold assets	24	2.8	22	1.5	6	1.4
Tried borrow money	443	52.2	473	31.4	143	32.3
Able to borrow money	441	52.0	451	29.8	129	29.1
Defaulted on debt	28	3.3	89	5.9	28	6.3

Source: CBMS Survey 2009

Coping Strategies: Education

With regards to education, some of the coping mechanisms adopted by households included transferring children from private schools to public schools, and withdrawing children from school (Table 26).

Table 26: Household's Coping Strategies, Education, 2009

Indicator	Urban NCR		Urban Outside NCR		Rural	
	Magnitude	Proportion	Magnitude	Proportion	Magnitude	Proportion
HH with expenses on education	412	100.0	875	100.0	276	100.0
HH with at least one member who transferred from private school to public school during the past 6 months	5	1.2	10	1.1	1	0.4
HH with at least one member who was withdrawn from school during the past 6 months	0	-	9	1.0	3	1.1
HH with at least one member who transferred from private school to public school this school year	3	0.7	8	0.9	1	0.4
HH with at least one member who was withdrawn from school this school year	5	1.2	9	1.0	7	2.5

Source: CBMS Survey 2009

To reduce spending on education, households reduced the allowance of the students, or resorted to secondhand uniforms, shoes and books (Table 27). Interestingly, major adjustments were made by more urban households in the NCR and rural households compared with urban households outside the NCR. For example 25.2 percent of urban households in the NCR reduced the allowance of members who are studying. 48.2 percent of rural households did the same thing while only 13.5 percent of urban households outside the NCR had a similar response. The reason may be that urban households outside the NCR have higher incomes than rural households and at the same time have a lower cost of living relative to urban households in the NCR.

Table 27: Household's Coping Strategies, Education, 2009

Education-related coping strategy	Urban NCR		Urban Outside NCR		Rural	
	Magnitude	Proportion	Magnitude	Proportion	Magnitude	Proportion
HH with expenses on education	412	100.0	875	100.0	276	100.0
Transferred children from daycare to homecare	0	0.0	5	0.6	0	0.0
Members who are studying skipped classes	5	1.2	6	0.7	4	1.4
Reduced allowance for members who are studying	104	25.2	118	13.5	133	48.2
Members who are studying used second-hand books	146	35.4	110	12.6	71	25.7
Members who are studying used second-hand uniform/shoes	211	51.2	110	12.6	94	34.1
Shifted from private vehicle/school bus to commuting	11	2.7	31	3.5	10	3.6
Others	8	1.9	10	1.1	2	0.7

Source: CBMS Survey 2009

Coping Strategies: Health

In the area of health, common response of households was resorting to self-medication, or shifting to government health centers and hospital, buying generic drugs or using herbal medicine which are cheaper (Table 28). Some of these coping strategies may negatively affect the long-term health status of the affected households.

Table 28: Household's Coping Strategies, Health, 2009

Health-related coping strategy	Urban NCR		Urban Outside NCR		Rural	
	Magnitude	Proportion	Magnitude	Proportion	Magnitude	Proportion
Total	848	100.0	1,511	100.0	443	100.0
Did not buy medicine	32	3.8	74	4.9	53	12.0
Discontinued intake of prescribed medicine	24	2.8	50	3.3	13	2.9
Shifted to government health centers and hospitals	221	26.1	300	19.9	53	12.0
Shifted to alternative medicine	42	5.0	238	15.8	81	18.3
Resorted to self medication	254	30.0	344	22.8	42	9.5
Reduced prescribed drug intake	43	5.1	105	6.9	4	0.9
Lessened the availment of medical treatment for any illness	34	4.0	121	8.0	11	2.5
Did not seek medical treatment for any illness	35	4.1	74	4.9	25	5.6
Used medicinal plants/herbal medicines	248	29.2	392	25.9	192	43.3
Shifted to generic drugs/cheaper drug brands	481	56.7	398	26.3	62	14.0
Others	6	0.7	20	1.3	24	5.4

Source: CBMS Survey 2009

Some Conclusions

The results of the CBMS survey show that the global financial crisis has indeed adversely affected some households, particularly in the urban areas. The employment responses indicate a relatively mild impact, which is consistent with the trend at the macro-level (Table 12). However, this is not quite consistent with responses to the questions on overall well-being. Nevertheless, the adverse impacts at this point are not as widespread as was observed in more developed countries like the United States. This is consistent with the observed slowdown in our economy, with the country still posting a 2.9 percent growth in the fourth quarter of 2008 and managing to avoid a contraction in the first half of 2009.

There have been OFWs who have returned to the country and some who have experienced wage cuts. There were also job losses in the domestic labor market, and they were more than the new jobs created. These have led to a few households taking their children out of school or transferring them from private schools to public schools. However, the survey results indicate that this was not prevalent (Table 26). Many coped by adopting cost-cutting measures. This is true not just in education but also in health. Many households in the urban sector shifted to generic drugs while rural households tended to use herbal medicines (Table 28). The lingering effects of the food and fuel price shocks experienced last year could also have influenced some of these coping strategies and the perception about the crisis.

The results so far suggest that if the economy recovers by 2010, the social impacts would not be very large. However, if the economy continues to slow down and even contract, then the economic impact would become more widespread and lower school participation rate, lower health status and greater poverty should be expected. Moreover, even if the lower income households are not greatly affected by the crisis, the deteriorating fiscal situation implies that the Government will lack the resources to improve their situation. Achievement of the MDGs has been jeopardized by lower economic growth and less fiscal resources.

Part IV. Policy Responses

Macroeconomic programs

The Philippine Government, through the Department of Finance and National Economic and Development Authority (NEDA), crafted a PhP330-billion fiscal package, formally known as the Economic Resiliency Plan (ERP)[10] to respond to the global crisis. The ERP is geared towards stimulating the economy through a mix of government spending, tax cuts, and public-private partnership projects. The implementation of ERP is spearheaded by NEDA with the following specific aims:

- To ensure sustainable growth, attaining the higher end of the growth rates;
- To save and create as many jobs as possible;
- To protect the most vulnerable sectors: the poorest of the poor, returning OFWs, and workers in export industries;
- To ensure low and stable prices to support consumer spending; and
- To enhance competitiveness in preparation for the global rebound.

The more vulnerable sectors expected to be adversely affected by the current crisis are:

- OFWs vulnerable to displacement including i) OFWs who work in the US under temporary working visas (129,000); ii) seafarers in the cruise ships (130,000); iii) factory workers in South Korea, Taiwan and Macau (268,000); and iv) household service workers in Singapore, Macau and Hong Kong (48,000)
- Commodity exports jobs related to i) garments (121,000); ii) electronics (111,000); iii) wiring and harness (2,000); and iv) coconut oil (2,000)

The ERP initially involved an increase in the capital outlay in 2009 amounting to PhP275 billion or 3.3 percent of GDP. This is higher than the amount in 2008 which was PhP225 billion. Subsequently, the ERP was announced as a P330 billion package that would prioritize "easy to implement projects" like repair and rehabilitation of roads, hospitals, bridges and irrigation facilities, school and government buildings. The breakdown of funding has been identified as follows:[11]

[10] "The Global Crisis and the Economic Resiliency Plan," NEDA power point presentation during the ILO workshop on "Decent Work and Social Justice in Times of Crisis" on April 22, 2009 in Manila. A useful summary of the responses of the National Government is presented in Appendix 2.
[11] Economic Resiliency Plan Frequently Asked Questions in http://www.neda.gov.ph/erp/downloads_/Q&A%20on%20ERP.pdf

- PhP160 billion is the increase in the 2009 budget compared to the 2008 budget. This funds small, community-level infrastructure projects and social protection measures.
- PhP40 billion is the combined tax cuts for low and middle income earners and the scheduled cut in corporate income taxes as provided in the Revised Value Added Tax Law.
- PhP100 billion is outside the budget. Part of the fund will be provided by government financial institutions and social security institutions to finance large infrastructure projects.
- PhP30 billion is the additional benefits to members by social security institutions. This will be taken from the gap between contributions and claims/benefits.

The said plan emphasizes the importance of infrastructure in job generation and thus involves two waves of infrastructure. In 2009, the PhP160-billion increment will be used to fund the 4,000-5,000 small projects in the BESF (or Budget of Expenditures and Sources of Financing) which are geared towards quick job creation. Award of contracts for small projects will be expedited to take advantage of the window of opportunity (i.e., good weather). Budget for projects that may be difficult to implement will be realigned to fast moving projects. Implementation of projects without official approval and/or those that are difficult to implement immediately will be deferred. Small community-scale projects that are labor-intensive and with high local value-added will be scaled up. These projects include construction, repair, or rehabilitation of irrigation systems, and rural roads. The Government intended to front-load infrastructure spending in the first half of the year. The agencies indicated commitments to spend at least 60% up to 80% of their infrastructure budgets in the first semester. Progress will be regularly monitored by the Economic Managers. In 2010 and beyond, PhP100B will fund big-ticket items under Public Private Partnerships. These projects will take longer as they entail complex engineering plans and approval processes.

Meanwhile, the government has set aside plans to balance the budget. This is to give greater room for the domestic economy to expand. As of the latest Development Budget Coordinating Committee (DBCC) meeting on June 10, 2009, the target year for a balanced budget was not yet been set. Philippine economic managers have also implemented a set of policies to ensure stability of the financial system. These are summarized in Table 29, including the “fiscal stimulus measures”. For example, the Bangko Sentral ng Pilipinas (BSP) opened a US dollar repurchase agreement or repo facility to augment dollar liquidity in the foreign exchange market and ensure the ready availability of credit for imports and other qualified funding instruments.

In addition, the BSP recently approved guidelines allowing financial institutions to reclassify financial assets from categories measured at fair value to those measured at amortized cost. The latter measure eased the pressure on the balance sheets of financial institutions. The BSP has likewise reinforced its credit access facility to micro entrepreneurs by launching its Credit Surety Fund (CSF) which provides guarantee to small cooperatives with credit good standing. Recent efforts also include introducing a series of policy rate cuts which has now accumulated to 175 basis points since December last year.[12] With inflation tightly monitored, the BSP hopes that the excess liquidity will spur investment and consumption.

These measures indicate the Philippine policy makers have heeded the advice to be proactive rather than reactive, and to forestall emerging threats to financial stability. The measures are largely in line with the three sets of short-term policy responses ADB (2008) identified that are needed to bolster the foundations of financial stability:

[12] BSP http://www.bsp.gov.ph/publications/media.asp?id=2080

- Close monitoring of the region's financial systems and the identification of both weak financial institutions and systemic vulnerabilities;
- Provision of adequate foreign currency as well as domestic liquidity to systemically critical financial institutions so that credit continues to flow into the economy; and
- Prevention of the effects of slowing economic growth from spilling over onto the region's banking systems.

In addition, the ADB identified the longer-term aims of reforms of regulation and oversight of financial systems:

- Strengthen transparency and accountability;
- Enhance sound regulation and prudential oversight;
- Mitigate the pro-cyclicality of financial markets;
- Broaden and deepen financial markets to enhance resilience; and
- Reinforce cross-border cooperation.

Output and employment data indicate that the macroeconomic programs of the Government had moderate success. Valued added from public construction recovered to 11.5 percent in the first quarter of 2009 and surged to 29.9 percent in the second quarter (Table 6). This followed a mild contraction in 2008. One reason for the jump in the second quarter is the acceleration of the implementation of various infrastructure projects under the Comprehensive Integrated Infrastructure Program (CIIP). The CIIP focuses on upgrading road networks and air and water transport facilities. This is to support the thrust to link the entire country though an effective transport network that would open up new economic opportunities, reduce logistic costs, and increase access to social services. It should be noted, however, that the "massive government spending that helped buy us some growth now will surely come back to us as a renewed heavy debt burden later. Our past experience has consistently shown how such debt overhang has gotten in the way of faster and broader-based economic growth and development."[13]

Unfortunately, private investors have not responded favorably to the looser monetary conditions and fiscal stimulus. Private construction even shrank by 6.5 percent in the second quarter of 2009. Hopefully, a favorable outcome from the proposed Public-Private partnerships materializes. The implementation of ERP programs that focus on infrastructure is expected to put the country in a better position in attracting foreign investments, which could create more employment during the recovery period. Nevertheless, it should be emphasized that with a larger fiscal deficit looming, the Government will have little leverage left in addressing the adverse impact of the crisis.

Social Protection Programs[14]

One area where the Government has made great strides in response to the 1997 financial crisis is in social protection.[15] Several programs were initiated to address both the lack of mechanisms to combat crisis situations and the deteriorating poverty situation. Majority of the programs were initiated under the Accelerated Hunger Mitigation Plan (AHMP), a strategy under the Medium Term Philippine Development Plan 2004-2010. The AHMP aims to answer the causes of hunger: poverty, unavailability of food to eat, and a large family size.

[13] C. F. Habito "Where did the growth come from?" Philippine Daily Inquirer, August 31, 2009.
[14] Draws heavily from Manasan (2009).
[15] For a background, see Torregosa (2005).

The ERP includes strengthening and expanding selected social protection programs to help vulnerable sectors cope with the 2008 crisis. This is a follow through from earlier efforts of the Government to address the deteriorating poverty situation. It should be noted that the budget allocation for "Social Security, Welfare, and Employment" increased from 4.5 percent in 2007, to 5.7 percent in 2008 and 6.1 percent in 2009 (Table 14).

The relevant programs are: i) Conditional Cash Transfers (CCTs) program for the poorest of the poor; ii) PhilHealth Indigent Program; iii) Training for Work Scholarship Program; iv) Department of Health (DOH) program for primary and secondary hospitals; and v) Other programs and interventions which include a) Nurses Assigned for Rural Services (NARS) program where nurses are deployed to underserved areas in pursuit of the Millennium Development Goals; b) Matching grants to local government units; and c) student loans.[16] In addition to these programs, the government has scaled up the implementation of the Food for School Program (FSP) to help the chronic poor. Some of the programs are discussed in detail below.

Conditional Cash Transfers (CCTs)

Dubbed as Pantawid Pamilyang Pilipino Program (4Ps),[17] the Philippine's CCT program has dual objectives: (i) social assistance, i.e., 4Ps provides cash assistance to the poor to alleviate their needs in the short-term; and (ii) social development, i.e., 4Ps aims to break the inter-generational transmission of poverty through investment in human capital particularly education, health, and nutrition in the long term.

The program package[18] includes health and nutrition, and education grants. On the one hand, the health and nutrition grant amounts to PhP6,000 a year or PhP500 per month per eligible household that complies with the health conditionalities. These conditionalities include:

1. Pregnant women must avail pre- and post-natal care and be attended during childbirth by skilled attendant;
2. Parents must attend responsible parenthood sessions;
3. Children 0-5 years old must receive regular preventive check-ups and vaccines; and
4. Children 0-5 years old must receive deworming twice a year.

On the other hand, the education grant amounts to PhP3,000 for one school year or PhP300 per month for 10 months. A household is allowed a maximum of three children beneficiaries. The conditions for the education grant are as follows:

1. Children 3-5 years old must attend day care or pre-school classes at least 85% of the time;
2. Children 6-14 years old must be enrolled in elementary and high school at least 85% of the time, and;

Overall, a household with three qualified children gets a subsidy of PhP1,400 per month or PhP15,000 per year provided the household complies with the conditions.

The expected outcomes of the 4Ps include:

- a significant increase in the number of children enrolling in day care/ pre-school;

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[16] Economic Resiliency Plan Frequently Asked Questions in http://www.neda.gov.ph/erp/downloads_/Q&A%20on%20ERP.pdf
[17] "Pantawid Pamilyang Pilipino Program (4Ps)," DSWD powerpoint presentation
[18] "What You Need to Know About Pantawid Pamilyang Pilipino," DSWD 4Ps Brochure

- a significant increase in number of children enrolling in elementary and secondary school;
- a significant increase in the school attendance of children in elementary and secondary school;
- a significant increase in the number of years of education completed;
- a significant increase in the number of pregnant women getting pre-natal, post-natal care and whose child birth is in a health facility and attended by health professional;
- a significant increase in the number of children 0-5 years old availing of preventive services and immunization;
- a significant decrease in stunting among children 0-5 years old;
- a significant decrease in the baseline level of population growth; and
- a significant increase in food consumption.

To date, 4Ps is implemented in 255 municipalities and 15 cities located in 45 provinces. In terms of households, 363,388 are enrolled and benefiting from the 4Ps package. With the expansion, the program is expected to cover 700,000 households starting June 2009. This requires an additional budget of PhP5 billion.[19] The areas included in the 2nd cycle of implementation were identified from the 100 poorest municipalities from the poorest provinces based on 2003 Small Area Estimates (SAE) of the National Statistical and Coordination Board (NSCB). A proxy means test (PMT) is used to select household beneficiaries of the 4Ps. Such targeting instrument appears to have performed well in the pilot areas. To wit, the reported number of cases of inclusion error was less than 10% of the selected number of beneficiaries. The use of the PMT enforces the credibility of the program and reduces the risks associated with political interference in selection of beneficiaries (Manasan 2009).

The government has developed a National Household Targeting System (NHTS) based on a proxy means test to identify prospective beneficiaries of the 4Ps and other poverty reduction programs in the future. The NHTS is envisioned to improve selection of potential beneficiaries and in turn, ensure that program benefits are concentrated to deserving ones. The appropriation for NHTS is PhP1 billion under the 2009 General Appropriations Act (GAA). The said amount is considered enough to survey and assess some 2.6 million households in the poorest provinces and municipalities. Another PhP0.7 billion will be needed to complete the identification of all 4.6 million poor households in the country by 2010.

PhilHealth Indigent Program

The PhilHealth Indigent Program is the main pro-poor program under the PhilHealth's Sponsored Program.[20] As the program name implies, it covers the poor or the indigent, which refers to people who do not have sufficient income to meet the subsistence requirements of their families. It provides a comprehensive package of benefits to principal members and their dependents.

More specifically, PhilHealth in-patient care benefits provide "first-peso" coverage up to a maximum amount which is payable to providers on a fee-for-service basis. As such, PhilHealth pays the provider from the first peso of the bill up to the maximum benefit allowable while members are responsible for paying the remaining balance. The coverage cap varies with case type (surgical, general medicine, maternity, pediatrics, etc.) and level of the facility (primary, secondary, tertiary). In contrast, PhilHealth uses capitation payments for

[19] http://webdev.dswd.gov.ph/web/index.php/news/50-4ps-beneficiaries-now-700000
[20] Strictly speaking, the Sponsored Program of PhilHealth, being non-contributory, is a social welfare program.

the special outpatient care provided to indigent members. On the other hand, fixed case-payments are made for the TB DOTS, the Maternity package and the SARS and Avian Influenza package.

The Implementing Rules and Regulations of the National Health Insurance Act of 1995 (RA 7875) as amended by RA 9241 provide that the members of this program should be identified through a means test using the data from a survey[21] conducted by the Social Welfare and Development Office of the LGU. The number of enrolled beneficiaries in the program increased from 2,904 households in 1997 to 551,328 households in 2000, and to 1.8 million in 2003. It surged to 6.3 million households in 2004 as the Arroyo Administration launched the Plan 5/25 prior to the elections held in the same year. The said initiative aimed to enroll five million families, or 25 million beneficiaries, under the Sponsored Program using funds from the Philippine Charity Sweepstakes Office (PCSO). The PCSO shouldered the full premium contributions of indigent members.

However, PCSO assistance was not sustained and so the number of beneficiaries declined such that only 3.3 million households were enrolled in 2008, which accounts for 20% of PhilHealth's total membership. When reckoned relative to the estimated number of poor households, such proportion represents 67% of the total.[22] Apparently, the national government allocated enough money in the 2008 General Appropriations Act to cover the national government's share of the premium contributions of *all* poor households in 2008. Thus, the constraint in expanding the enrollment in the Sponsored Program very clearly lies on the side of the local government unit which initiates the enrollment process (Manasan 2009).

Pangulong Gloria Scholarship (PGS)

The Pangulong Gloria Scholarship, formerly known as the PGMA Training for Work Scholarship Program (PGMA-TWSP) was launched in May 2006. It has been expanded under the ERP to reduce unemployment and underemployment in the midst of global and financial crisis. In particular, it seeks to address not only the mismatch between the skills requirement of available jobs and the skills of job seekers but also the geographical mismatch between location of job openings and job seekers. It provides for free job-directed training program to poor but deserving Filipinos and as such, it enhances their employability in hard-to-fill and in-demand skills in emerging industries like the business process outsourcing industry (call centers, medical and legal transcription, animation, software development), health care and the like.

The Technical Education and Skills Development Authority (TESDA) is the lead agency for the implementation of the PGS program in partnership with private sector organizations like the Business Processing Association of the Philippines (BPAP) and various training institutions. The scholarship program includes training fees, training support fund and free competency assessment and certification.

The PGS accounts for 43 percent and 56 percent of the total national government spending on active labor market programs in 2007 and 2008, respectively. Based on the 2007 GAA, PhP500 million was appropriated and released for the PGS as part of the TESDA budget while PhP1 billion was appropriated and released in 2008. The target was to enroll some 100,000 scholars in 2007 and double that number in 2008. Initially, the program targeted a

[21] The survey aims to determine the socio-economic and health profile of the LGU. At present, the survey follows the so-called Community-Based Information System-Minimum Basic Needs (CBIS-MBN) approach but the Implementing Rules and Regulations of the RA 7875 as amended provides for the adoption of other means test mechanisms.
[22] Based on the 2006 FIES, 26.9 percent of households are considered poor.

90 percent employment rate but more recent pronouncements now places the target employment rate at 50 percent.

Food for School Program

The FSP is a conditional in-kind transfer program and is the main social protection program under the AHMP. As such, it has dual objectives: 1) address hunger among poor families, and 2) improve school attendance by reducing the dropout rate. It provides one kilo of rice to eligible families for every day their children attend school. The rice ration is distributed to each eligible pupil after class. In the event that two or more siblings are enrolled in eligible grade levels in public elementary schools or day care centers, only one child gets the rice ration.

The program runs in selected geographical areas and is intended for households with children who are in enrolled in eligible grade levels in public elementary schools or children who attend accredited day-care centers (DCCs). In this sense, the FSP combines geographic targeting with institutional targeting at the level of the public school or day care center. The Department of Education (DepEd) implements the pre-school/ Grade1 component of the FSP while the DSWD manages the DCC component.

To date, the FSP is on its third cycle of implementation. The selection of beneficiaries and the eligibility rules for the program has been changed twice since the introduction of the FSP: first in SY 2007-2008 and second in SY 2008-2009. In the first cycle of FSP implementation (SY 2005-2006 and SY 2006-2007), the geographic areas covered by the FSP included the 17 cities and municipalities of the National Capital Region (NCR) and the 49 provinces that have been identified by the Food Insecurity and Vulnerability Information Mapping System (FIVIMS) as either very, very vulnerable (VVV), very vulnerable (VV) or vulnerable (V).[23] In the second implementation (SY 2007-2008), targeting of LGUs was based on the provincial level poverty incidence estimates derived from the 2003 FIES following its official release in October 2006.

In the third cycle of implementation (SY 2008-2009), target LGUs were selected based on the provincial level poverty incidence estimates derived from the 2006 FIES and the small area estimates of poverty incidence for municipalities. In this cycle, government decided to limit NCR coverage to 21 barangays identified as “hotspots” by the DILG and to include the poorest 100 municipalities (according to the SAE) in the list of LGUs targeted for the FSP. In particular, the FSP in SY 2008-2009 targeted *all* pre-school/Grades 1-3 pupils in *all* public elementary schools and *all* children attending DSWD-supervised day care center in the following LGUs:

- 21 “hotspots” in the NCR as identified by the DILG for the DepEd component and all cities and municipalities of the NCR for the DSWD component;
- All municipalities in the 20 food-poorest provinces based on the 2006 FIES; and
- the poorest 100 municipalities based on the SAE exclusive of the municipalities already covered in the 20 food-poorest provinces.

According to Manasan (2009), the number of beneficiaries under the FSP was 369,840 pre-school and Grade 1 pupils under the DepEd component and 74,261 children under the

[23] The FIVIMS is designed to identify food insecure and vulnerable provinces in the country. The FIVIMS is anchored on an index that is composed of 12 core indicators. These indicators are: (1) ratio of per capita income to per capita expenditure, (2) poverty incidence, (3) median family income, (4) ratio of food expenditure to total household expenditure, (5) ratio of cereal food expenditure to total food expenditure, (6) unemployment rate, (7) cohort survival rate at the elementary level, (8) percentage of families with working children, (9) percentage of households with safe water, (10) percentage of underweight children, (11) percentage of underweight adults, (12) percentage of agricultural land under tenancy. The FIVIMS was largely based on data referring to 2000.

DSWD component for a total of 444,101 children in SY 2005-2006; 596,939 pre-school and Grade 1 pupils under the DepEd component and 289,877 children under the DSWD component for a total of 886,816 children in SY 2006-2007; and 1,348,200 pre-school and grade school pupils under the DepEd component in SY 2007-2008.

Other Programs

To deal with labor market changes brought about by the global crisis, the government put in place active labor market interventions in terms of job creation, skills training, and employment services. A concrete example of these interventions is the Comprehensive Livelihood and Emergency Employment Programs (CLEEP). CLEEP aims "to protect the most vulnerable sectors (poor, hungry, returning expatriates, workers in the export industry, out of school youth) from threats and consequences of reduced or lost income as a consequence of the global economic crisis." It specifically aims to hire for emergency employment and to fund and supervise livelihood projects. Some of the programs under CLEEP are Out-of-School Youth Servicing Towards Economic Recovery (OYSTER) and Tulong Panghanapbuhay Para sa Ating Disadvantaged Workers (TUPAD). These two programs can be classified as a public workfare program.

In addition, the Department of Labor and Employment (DOLE) designed safety nets that aim to help workers affected by the global crisis or for crisis-affected workers. The services for GC-affected workers include:[24]

- Pagpapayo - Counseling and advisory services to guide GC-affected workers on the processes for their re-entry to productive employment.

  The service providers include agencies under DOLE; Department of Social Welfare and Development and Personnel Management Association of the Philippines or PMAP. To date, accomplishments of the program are: 1) 4,262 economically displaced overseas Filipino workers counseled and provided pre-qualification orientation by OWWA for livelihood assistance of PhP22.3M; and 2) 50,000 local or domestic workers counseled.

- Pangnegosasyon – Negotiation/legal services to ensure that unpaid salaries, benefits and other monetary claims of GC-affected workers are recovered.

  The service providers include agencies under DOLE. Accomplishments include: 1) 1,064 displaced expatriate Filipino workers were provided assistance in their monetary claims; and 2) 623 cases were resolved through settlement with monetary awards amounting to PhP12.7 million.

- Panghanapbuhay - Employment services to reconnect GC-affected workers to productive employment

  The service providers include the Public Service Employment Services of the Local Government Units; agencies related to DOLE; PRAs, Federation of Filipino-Chinese Chamber of Commerce and Industry; PMAP, Foreign Chambers, Business Processing Association of the Philippines (BPAP), Trade Union Congress of the Philippines, Catholic Bishops Conference of the Philippines, Government agencies such as the Department of Agriculture, Department of Environment and Natural Resources, Development Bank of the Philippines and Land Bank of the Philippines.

[24] "DOLE Safety Nets: Responding to Workers Affected by the Global Crisis," DOLE powerpoint presentation during the ILO workshop on "Decent Work and Social Justice in Times of Crisis" on April 22, 2009 in Manila

To date, the accomplishments are:

1. PhP124.60 million emergency employment and livelihood funds were released between October 2008 and 15 April 2009 under the DOLE Adjustment Measures Program (AMP), Workers Income Augmentation Program (WIN-AP), Tulong Pangkabuhayan para sa Disadvantaged/ Displaced Workers (TUPAD), and Integrated Services for Livelihood Advancement (ISLA) of fisher folks;
2. 27,096 worker-beneficiaries;
3. 8,313 disadvantaged/displaced workers were provided emergency employment under TUPAD; Disaggregation by major island group is as follows: 1) 6,890 in Luzon; 2) 418 in Visayas; and 1,005 in Mindanao.
4. PhP45.99 million released for salaries/wages of workers under emergency employment;
5. 4,530 fisher folks were benefited from ISLA; In particular, 1,473 in Luzon; 584 in Visayas; and 2,473 in Mindanao
6. PhP22,913 million released as livelihood fund to acquire fishing equipment and motor boats, and skills training/upgrading for various projects (e.g. seaweed processing, mud crab, and catfish fattening, crab meat production);
7. 1,178 expatriate Filipino workers (EFWs) were awarded livelihood/certificate of eligibility to avail of PhP10,000/worker microfinance assistance under Phase 1 of Filipino Expatriate Financial Livelihood Support Fund (FELSF) of OWWA;
8. 766 EFWs were endorsed to Phase 2 of FESFs where they can avail of up to PhP50,000/worker additional business capital.

❖ Pagsasanay – Training services to equip GC-affected workers with relevant skills that will enhance their employability in other employment opportunities

The service providers include agencies under DOLE ; CBCP, TUCP, BPAP; private firms such as HOLCIM, Monark, DM Consunji, San Miguel Corporation; government agencies such as Subic Bay Metropolitan Authority, Clark Development Council, and Department of Public Works and Highways. Accomplishments include:

1. Some 486 displaced workers and their dependents have either undergone training, have been provided Pangulong Gloria Scholarships and other TESDA services, or have completed TESDA qualifications; additional 363 displaced workers signify intention to avail of TESDA training;
2. 268 economically displaced EFWs availed of OWWA's Skill for Employment Scholarship Program (SESP); and
3. 255 EFWs underwent continuing computer literacy training under OWWA-Microsoft Tulay Program

Evaluating the Social Protection Programs[25]

The impact of the social protection programs in helping mitigate the effects of the crisis cannot be evaluated comprehensively at this stage. The CBMS survey data will only give a general indication of the direction of the impact. However, the structural problems related to these programs should provide a clue of what to anticipate.

[25] Draws heavily from Manasan (2009).

Many of the country's social protection programs suffer from several drawbacks (Manasan and Cuenca 2007; ADB 2007). In particular, many of them are hindered by low coverage and inadequate benefits, poor targeting, and operational constraints due to lack of coordination among program implementers. Low coverage incurred through the years and over reliance on foreign grants meant lower government spending on social services and higher risk of program discontinuation. Lack of funding support is exacerbated by poor targeting, causing leakage and wastage of resources on the non-poor and the near-poor. Furthermore, social protection programs are in most cases implemented on a piece-meal basis, due to differing mandates of program implementers. As a result, overlaps and redundancies in sectoral and geographical beneficiaries abound, causing additional strain on scarce resources. It would be useful for the government to address the shortcomings of these programs because they can play an integral role in addressing the possible economic slowdown in 2009.[26]

Manasan (2009) also identifies a number of shortcomings of the country's social protection programs. She argues that "national government's spending on social welfare programs, social safety nets and active labor market programs compares unfavorably with that of other countries. National government spending on social protection, including active labor market programs and community driven development projects, in 2008 was less than half than the mean spending on social safety nets (1.9 percent of GDP) in 1996-2006 by a group of 87 countries surveyed by Weigand and Grosh (2008). It is also lower than the median spending on social safety nets (1.4 percent of GDP) of the same group of countries." Moreover, "it is problematic that the bulk of national government spending on social safety nets went to a program that has been proven to be the least effective in reaching the poor."

With regard to the fiscal stimulus package, the government has put in a considerable amount of funds notwithstanding the concerns raised on the size of the fiscal deficit in 2009, which may make it more difficult to achieve a balanced budget in the near term. However, according to Manasan, "the aggregate expenditure outturns in 2009 will depend largely on how successful the implementing agencies will be in reversing the low utilization of their budgets that was evident in the first half of this year. The success of the government in providing a stimulus to economic activity in 2009 will help ensure that some of the negative impulses coming from the international markets will be mitigated and the need for increased spending on social protection programs will be reduced."

Moreover, Manasan's findings suggest that the objectives and the intended beneficiaries of a number of programs (e.g., Food-for School Program and the 4Ps) overlap. These two programs have very similar objectives and run in the same geographical areas. While it is clear that there is a need to expand the coverage of these programs to meet the needs of chronic poor, it is important to address the concern on the duplication inherent in the current implementation of these programs. It should be noted, however, that based on the assessment done, the 4Ps is more effective in identifying the intended beneficiaries. Also, the monitoring and enforcement of the conditionalities on school attendance is more stringent under the 4Ps than under the FSP which enhances the positive impact on school attendance.

Nonetheless, the 4Ps, which is appropriate for the chronic poor, is not suitable for addressing the needs of the transient poor and the near poor. Manasan's study emphasizes that "the capacity of the transient poor and the near poor, many of whom belong to the informal sector, to cope with the income risk arising from loss of employment or reduction in earnings that are typically associated with a macro-economic crisis is limited." This is a cause for concern especially that "the social health insurance scheme (PhilHealth) and many

[26] This evaluation is largely based on ADB (2007).

of the non-contributory social protection programs that are currently in place are severely inadequate."

Further, "expanding the coverage of the Sponsored Program of PhilHealth and improving the selection of beneficiaries are critical for two reasons. First, PhilHealth provides the poor financial protection against illness. Second, achieving universal coverage of PhilHealth supports the health sector reform agenda and make the health system, in general, and the public hospital system, in particular, more sustainable. At present, at least 33% of the total number of poor households is not covered under the Sponsored Program. Moreover, there are indications that some of the so-called poor households who are currently enrolled in the program are not poor, bringing the undercoverage rate up to 50% or more. As a result, poor households which are not covered under the Sponsored Program have no recourse but to go to the no-pay wards of government hospitals and/or line up for emergency assistance at the DSWD/LGUs."

As regards hastily designed programs launched to respond to the crisis, Manasan mentions that programs of this sort are not usually effective in reaching the poor and the vulnerable. This rings truer in the absence of a credible targeting system. It is good that the government initiated the installation of the National Household Targeting System (NHTS), which is expected to prevent local rent-seeking and local capture that may arise from a greater LGU role in targeting. Nevertheless, the study recognizes the importance of putting in place program/s that can be scaled up rapidly in times of crisis to provide protection to the informal sector, the transient poor, and the near poor. At present, the government implements the OYSTER and TUPAD. In this regard, the study pointed out that for a public workfare program to succeed, two things should be taken into consideration:

1. Setting the wage rate at the appropriate level

   Setting the wage rate at a level that is lower than the prevailing market wage rate will ensure coverage of only those who have difficulty in finding work. Thus, they will voluntarily drop out of the program when the labor market improves and better paying jobs become available. In this sense, the workfare program is self-targeting.

2. Selecting projects that enhance productivity and which are pro-poor

   The list of eligible projects under the OYSTER and TUPAD include both productive infrastructure projects and not-so-productive projects such as beautification and street-sweeping. According to Manasan (2009), "there is a need revisit the list of eligible projects under the OYSTER and the TUPAD. At the same time, the experience with the implementation of a program similar to the OYSTER and the TUPAD in 2004 indicates that less-productive activities tend to capture a bigger share of the budgetary resources allocated to the program. Implementers of the OYSTER and the TUPAD are advised to guard against this downside risk."

It is noteworthy that there are other efforts to assess the country's various social protection programs. To wit, the Development Academy of the Philippines (DAP) was tasked by the government through AO 232 and AO 232-A to undertake the project entitled "Review and Strengthening of the National Social Protection and Welfare Program." The said project is a quick assessment of existing social protection and welfare programs with the end in view of determining which programs are worthy to be scaled up, consolidated or scrapped to create impact on target beneficiaries. The initial results of the assessment were presented to the President during the closing program of the "Strategic Conference on Social Welfare and Protection" on July 7, 2009.

On the other hand, the DSWD is currently working on an impact evaluation of the 4Ps. The results of such evaluation are expected to be available by 2010.

A Note Based on the CBMS Survey

Several programs have been implemented to mitigate the impact of the crisis. The results of the survey suggest that the coverage of some of these programs are limited. For instance, only two of the 14 sites have been covered by the conditional cash transfer program (the 4Ps). While this was not originally designed to mitigate the impact of the crisis, the program has been expanded in the wake of the crisis.

Meanwhile, the Comprehensive Livelihood and Employment Emergency Program (CLEEP), one of the major programs promoted to address the crisis, reached very few of the survey respondents. Only the NFA rice access program had a wide coverage and this is because this program has been in existence for a long time. This program suffers, however, from poor targeting.

These initial results indicate that the government is not equipped to put in place quickly programs that can mitigate the impact of economic shocks such as the global financial crisis. The lack of readiness is not just in terms of the institutional and logistical infrastructure but also in the resources required to run such programs.

At this stage it is clear that there has been some improvement in the targeting process of the social protection programs. However, until such time these programs are evaluated comprehensively, it will be difficult to make pronouncements about their success or failure. This is true not only in the context of the current crisis, but also in terms of the long-term objectives of these programs.

Regional Responses

The government's policy responses seem to be timely and comprehensive. Only time will tell whether the measures are effective. What is clear though is that policies that were designed in the aftermath of the 1997 crisis seem to have shielded the economy from more serious damage. Nevertheless, the government must be aware that the overall situation for the Philippine economy remains grim. Poverty incidence remains to one of the highest in the region and continued anemic domestic private investment will severely limit future prospects.

Meanwhile, multilateral institutions, especially the Asian Development Bank, can encourage regional cooperation in crucial areas. Intra-regional trade must be bolstered and even restructured to reduce dependence on markets outside East Asia. One area that can be analyzed is consolidating the bilateral and sub-regional free trade agreements.

Regional financial cooperation must be recalibrated to overcome legal, political and institutional constraints. The multilateralization of the Chiang-Mai Initiative can be put on hold until the prospects of reform of the international financial architecture under the G20 are ascertained. Continuing negotiations will likely magnify political differences among the ASEAN+3 and derail financial cooperation permanently. ASEAN+3 financial cooperation can instead promote further the development of domestic financial markets and regional financial integration in order to facilitate the intermediation of Asian savings within the region, as well as attract foreign investment in instruments denominated in the domestic currency. Such alternative sources of funding would reduce Asia's reliance on foreign currency borrowing and concomitantly, the risk exposure of the region to maturity and currency mismatches.

This type of regional financial cooperation has already been initiated in the form of the Asian Bond Markets Initiative (ABMI) and the Asian Bond Fund (ABF). However, the ABMI and ABF consider only the financial side of the issue. Regional cooperation can also be useful in identifying infrastructure projects to be funded. Recently, the Network of East Asian Think Tanks proposed the establishment of the Asia Investment Infrastructure Fund (AIIF) which is a mechanism by which infrastructure projects in the region can be prioritized and funded. By considering the "real" side of the issue, more substance and relevance will be given to regional financial cooperation. The AIIF will lead to greater domestic demand and intra-regional trade to offset the decline in exports to industrialized countries. The AIIF will likewise contribute to narrowing the development gap in the region.

Part V. Policy Recommendations

The 2008 global and economic financial crisis magnified the existing structural problems underlying the Philippine economy. It behooves the Government to use the current crisis as a platform to design and implement wide-ranging reforms. There are many comprehensive analyses of the Philippine economic situation which cover extensive policy recommendations (e.g. ADB, 2007). However, the current crisis has put two areas in the forefront: fiscal reforms, particularly measures to increase resources needed to achieve the MDGs; and measures to revive private investment in the Philippines. This section focuses on these two areas.

Fiscal Reforms

Manasan (2007) identified eleven major challenges that the Government had to address if it were to finance the resource gaps in basic social services. They include reforms at the national level which coincide with generating a sustainable fiscal position. The more important ones are as follows:[27]

"One, the government has to further improve its tax effort to enable it to increase the allocation for MDG-related programs while at the same time balancing the budget by 2008/9. Three new tax measures were legislated in 2005/6. Prospectively, further improvements in the tax effort will have to come from improved tax administration. In this regard, there is a need to sustain the Bureau of Internal Revenue's Run After Tax Evaders (RATE), the Bureau of Custom's Run After the Smugglers (RATS) and the Department of Finance's Revenue Integrity Protection Service (RIPS). There is also a need to strengthen the systems and procedures in the revenue collection agencies so as to improve their capability to collect taxes more efficiently.

Two, given that the internal revenue allotment (which represents the share of LGUs in the central government revenues) accounts for an increasing share of the central government budget, it is critical that LGUs are mobilized as effective partners in meeting the MDGs. However, because of the public good nature of basic social services (i.e., not all of the benefits arising from the provision of basic social services can be internalized by local residents), it might be necessary to design matching grants programs to encourage LGUs to spend more on the provision of said services.

Three, although some LGUs may have enough resources to support the attainment of the MDGs, the wide disparity in the distribution of the LGU tax base suggests that there might be a need to explicitly take into account the equalization objective (i.e. equalization relative to

[27] Manasan (2007), pages 41-50. The PIDS discussion paper contains a complete list and discussion of the proposed 11 measures.

LGUs’ capacity to provide minimum service standards) in the distribution formula of the internal revenue allotment.

Four, on-going budget reform initiatives in the public sector should be sustained and supported. These reforms augur well for a more effective allocation of scarce government resources by shifting the focus of the budget process from inputs and rules-based compliance to outputs/ outcomes and results/ performance orientation, and by promoting greater flexibility, transparency, and accountability. Two of the more important strands of this reform agenda are the institutionalization of the Organizational Performance Indicator Framework (OPIF) and the Medium Term Expenditure Framework (MTEF).

The OPIF is an approach that focuses budget decision making and accountability on three core items: outcomes – what impacts on society the government wishes to achieve; outputs – what goods and services government delivers to attain said outcomes; and performance indicators – how the government and society know whether the desired outcome is being achieved in an efficient and effective manner. As such, the OPIF aims to allocate resources in line with the results that government seeks to achieve.

On the other hand, the MTEF is a budget formulation process which provides government decision makers with mechanisms to assist them in allocating public resources to their strategic priorities while ensuring overall fiscal discipline. The MTEF consists of a top-down resource envelope, a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources. The matching of costs should normally occur in the context of the annual budget process, which should focus on the need for policy change to reflect changing macroeconomic conditions as well as changes in strategic priorities of the government.”

Promoting Private Investment and Employment

There is no dearth in analysis and policy recommendations to address weakness in private investment in the Philippines. Some of these studies, however, tend to highlight weak institutions, a factor that has not figured prominently in this paper. These studies overlook the fact that recommendations to strengthen and improve institutions do not readily flow from standard economic analysis. A political economy framework must be adopted along with a variant of the new institutional economics. For example, De Dios (2008) emphasizes the need to nurture and reinforce existing groups and constituents that adhere strongly to democratic principles.

What follows instead is a discussion that unequivocally addresses the problem of employment generation. Many recommendations stem for individual country experiences that are readily applicable in the Philippine context. Following the diagnostic approach, policies are divided into the demand side and supply side.

Demand Side Policies

These are measures geared towards generating economic activity in areas that require a significant amount of labor. The general policy prescription is to encourage investment into these sectors. For example, a prevalent prescription is to increase economic activity in the rural sector where the majority of Asia’s workers are employed.

The rural sector is characterized by a high degree of underemployment and low productivity. Increased public investment in rural infrastructure and provision of extension services are vital for raising productivity in agriculture. A rise in productivity in the farm will also benefit the non-farm rural economy. For example, rural roads and rural electrification will directly facilitate the expansion of the non-farm sector. Meanwhile, increased incomes from improved farm productivity will raise demand for the output of the farm sector.

Economic managers can also consider policies that simultaneously address labor demand and supply issues. One set of policies are those that promote diversification of production activities into new areas, facilitate restructuring of existing activities, and foster coordination between public and private entities to make all of this happen. These policies form the core of ‘industrial policy’ although they need not be restricted to the industry sector. They also apply to the development of nontraditional activities in agriculture and services. Additionally, the use of industrial policies should not imply that governments make production and employment decisions. Instead, it requires that governments play a ‘strategic and coordinating role’ in the development of nontraditional activities—activities where the underlying costs and opportunities are unknown to begin with and unfold only when such activities start (Rodrik 2004).

A good example for the application of strategic industrial policy is in the area of foreign direct investment. Attracting a large amount of FDI generates economic growth and additional employment. But to maximize the gains, there should be spillover effects on the domestic sector. The Singaporean government implemented a Local Industries Upgrading Program that encouraged multinational firms to source their inputs from domestic firms. While the main objective was technology transfer, it had the effect of turning domestic small and medium enterprises (SMEs) into attractive input and service suppliers. The overall effect was to increase the demand for domestic labor. The success of this program is clearly indicated by the increasing employment elasticity of Singapore in the 1990s and beyond.

This type of policy can also be used to integrate domestic SMEs—which are more labor-intensive than large firms—to growth areas. One successful case is Korea. While industrialization in the 1970s and 1980s is largely attributed to large-scale enterprises, subcontracting with small and cottage producers was practiced widely especially in later years. In the case of the electronics industry, which was the main driver of the Korean economy in the 1990s, the government took active steps to encourage the formation of a domestic equipment and supplies industry (Matthews and Cho, 2000). For example, there has been active encouragement of clustering supply firms on the Chonan Second Industrial Complex in central Korea so that several emerging supply firms such as DNS Korea, Mirae and POSCO-Huls are now located there or in its vicinity.

In cases where globalization and competition have left no other recourse for exporting firms but to employ capital-intensive production technologies developed in industrial countries, these firms can turn around and engage domestic SMEs for support production services. This ‘local production strategy’ is similar to the national autonomy strategy pursued by Japan to avoid ‘import dependence’ (Matthews and Cho, 2000). Such a policy can be considered by economic managers in their attempt to stem the decline in employment elasticity.

The food processing industry of India can also be considered in the context of industrial policy. This is a labor-intensive industry that has strong direct linkages with the agriculture sector. Less than 2 percent of fruit and vegetable production in India is processed, compared with 30 percent in Thailand and 80 percent in Malaysia (Sundaram and Tendulkar 2002). Several market analysts have identified food processing as an industry with significant potential to expand. However, there are a number of constraints that have prevented this. The most important are: cultivation of traditional varieties of fruit and vegetables unsuitable for processing; weak infrastructure for post-harvest preservation and quality control; and lack of modern storage, transportation, processing, and packaging facilities. While some of these constraints may result from misguided government policies, coordination failures abound in preventing the growth of a sector in which there are so many inputs and players.

Supply Side Policies

It is widely accepted that investments in education are critical for economic growth. At the aggregate level societies would like to prepare their labor force for the increasing sophistication of production, the challenges of globalization and rapidly changing market demand. At the firm level, production decisions are shaped by the type of workers available to it. If highly-skilled workers are relatively abundant, firms would likely choose to produce high-value products. Conversely, with low-skill workers firms will tend to produce low-value products. At the individual level, workers decide to invest on skills that will facilitate productive employment in rapidly changing production environments. Individuals may not be fully compensated for investing in high-skill education (i.e., there are differences between private and social returns to investment in knowledge) resulting in under-investment. In this situation, firms react by choosing to produce low-value products thereby triggering a “low-skill, bad-job trap” (Felipe and Hasan, 2006).

Felipe and Hasan point out the importance of gearing human resource programs for trainability. Trainability is defined as the capacity to understand how to use a given technology and for assimilating new technologies effectively. This means good basic education rather than gearing for a tertiary level diploma for majority of the students. In addition, low quality basic education can mean that higher education is merely performing remedial training to cover what was lost in basic education. This can also mean high training costs for firms for majority of its entering workers. Felipe and Hasan also emphasize the importance of making the structure and content of education appropriate for the economic environment in which most students will live. Without this slant, education can turn out to be urban-biased so that it contributes to rural-urban migration or similarly foreign-labor-market-biased contributing to exodus of trained workers abroad.

In the case of vocational training, the emphasis should be in improving the link between industry needs and training provision by allowing industry associations to participate fully in both the planning and conduct of the training.

East Asian and Southeast Asian economies have demonstrated how investments in education have kept their workers productively employed as well as propel their economies into much faster growth. Some (e.g. Korea and Taipei,China) have invested ahead of demand. Others (e.g. Thailand) were forced to reconsider their human capital policies after it become clear that severe skill shortage was hampering their growth potential. On both cases, the emphasis is on high-quality basic education and these are accompanied by complementary capital investments.

However, experiences of other countries have also revealed that investments in human capital do not necessarily improve the chances for productive employment and contribute to economic growth. It can even cause new sets of problems. In the Philippines, for instance, the highest unemployment rates are among those with secondary education and higher, partly indicating misplaced investments. In addition, it also produced what appears to be a dualistic education system where few expensive high quality schools are catering to a small set of students while the bulk of the students are enrolled in cheap but low quality training institutions. As a result, only the high-wage formal sector benefits from the high quality training of elite school students but the rest of the economy has to make do with the bulk of poorly trained workers. This situation is also observed in India where elite schools are presumably providing highly trained workers for a few world-class service sector firms. Thus, investments in education in these cases have contributed to rather than eradicated the dualities in the labor market.

Moderating the growth of the population would also be critical in containing unemployment particularly for countries whose population is still growing very rapidly. This is very clear in the case of the Philippines where high employment elasticities and moderate economic growth failed to reduce unemployment rates.

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Table 1: Annual Average Growth Rate of Real Per Capita GDP, 1950-2006 (in %)								
Period	Hongkong, China	Indonesia	Korea	Malaysia	Philippines	Singapore	Taipei, China	Thailand
1951-1960	9.2	4.0	5.1	3.6	3.3	5.4	7.6	5.7
1961-1970	7.1	2.0	5.8	3.4	1.8	7.4	9.6	4.8
1971-1980	6.8	5.3	5.4	5.3	3.1	7.1	9.3	4.3
1981-1990	5.4	4.3	7.7	3.2	-0.6	5	8.2	6.3
1991-2000	3.0	2.9	5.2	4.6	0.9	4.7	5.5	2.4
2001-2006	4.0	3.3	4.2	2.7	2.7	3.2	3.4	4.0
Average growth rate for 56 years	5.9	3.6	5.6	3.8	1.9	5.5	7.3	4.6
Source: Asian Development Bank (2007)								

Table 2: Per Capita in GDP in 2000$				
	1960	1983	1984	2006
Hongkong, China	1,960	13,028	14,163	31,779
Indonesia	196	444	467	983
Korea, Republic of	1,110	3,884	4,147	13,865
Malaysia	784	2,059	2,161	4,623
Philippines	612	1,004	908	1,175
Singapore	2,251	10,386	11,042	27,685
Taipei, China	1,468	2,846	3,169	15,482
Thailand	329	897	933	2,549
Source: Asian Development Bank (2007)				

Table 3: Poverty and Inequality in East Asia			
	Population in Poverty (in percent)	Proportion of Population Below $1 (PPP) a Day (%)	Gini Coefficient
PRC	2.50	10.80	0.47
Indonesia	16.70	7.70	0.34
Malaysia	5.10	0.00	0.40
Philippines	30.00	13.20	0.44
Thailand	9.80	0.00	0.42
Viet Nam	19.50	8.40	0.37
Source: Asian Development Bank Key Indicators, 2007			

Table 4: Share of Manufacturing in GDP (%)

	1980	1985	1990	1995	2000	2006	2007
China	34.6	33.3	35.4	44.9	48.2	50.8	50.9
Indonesia	13.4	19.1	23.0	26.7	29.5	29.6	29.9
Malaysia	16.7	16.8	22.9	25.3	29.8	30.0	29.1
Philippines	26.9	24.5	24.8	24.7	23.7	23.4	22.5
Thailand	17.9	17.4	21.5	25.2	28.2	30.3	30.6
Viet Nam	14.8	15.0	12.3	14.1	17.1	21.5	20.7

Source: UN Statistics Division

Table 5: Global outlook for 2009 and 2010

	2007 Actual	2008 Actual	2009 Projection	2010 Projection
GDP growth, Industrial countries (%)	2.3	0.7	-2.6	1.1
United States	2.0	1.1	-2.4	1.6
Eurozone	2.6	0.8	-2.6	0.5
Japan	2.4	-0.6	-3.5	1.1
Inflation (G3 average)	2.2	3.2	-0.3	1.2
World trade volume (% change)	7.5	6.2	-3.5	1.9

Source: Asian Development Outlook, ADB (2009)

Table 6: Key Indicators of the Philippines (in percent)

	2007	2008	1Q2009	2Q2009
GDP	7.1	3.8	0.6	1.5
Agriculture	4.8	3.2	2.1	0.3
Industry	6.8	5.0	-2.5	-0.3
Manufacturing	3.3	4.3	-7.6	-7.2
Construction	21.1	7.8	14.0	16.9
Services	8.1	3.3	2.0	3.1
Transp, Comm, Storage	8.3	4.2	5.6	1.7
Trade	8.2	1.2	0.4	3.0
Personal Consumption	5.8	4.7	1.3	2.2
Fixed Capital	10.9	2.9	-7.2	-1.9
Construction	19.4	4.6	6.7	11.7
Public Construction	29.2	-0.4	11.5	29.9
Private Construction	13.0	8.2	4.3	-6.5
Durable equipment	4.5	1.9	-18.5	-18.9
Exports (US$)	6.4	-2.8	-36.8	-28.9
Imports (US$)	7.2	2.2	-34.3	-28.0
Remittances (PhP)	1.8	9.8	19.8	14.7
Inflation (average; 2000=100)	2.8	9.3	6.9	2.0

Notes:

[1/] *All figures are growth rates in percent unless otherwise indicated; variables are based on constant prices except for remittances, exports and imports*

[2/] *2Q2009 inflation data refers to April-August period average*

Sources: BSP, NSO and NSCB, Philippines

Table 7: Foreign-Currency Government Bond Spreads (EMBIG), end-of-period, in basis points over U.S. Treasuries

	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Oct-08	Nov-08
China	53	54	88	120	154	137	191	329	214
Indonesia	171	165	217	275	329	381	490	803	930
Malaysia	73	75	108	119	144	153	194	451	401
Philippines	167	155	184	172	207	303	324	434	549
Vietnam	108	122	156	203	283	368	404	880	802

Note: EMBIG is the JP Morgan Emerging Markets Bond Index

Source: World Bank, East Asia Economic Update, December 2008.

Table 8: Nonperforming Loans
(% of commercial bank loans)

	2000-2004 Average	2004	2005	2006	2007	2008	2009
Australia	0.4	0.2	0.2	0.2	0.2	0.5	…
China, People's Rep. of	21.0	13.2	8.6	7.1	6.2	2.5	2.0
Hong Kong, China	4.8	2.3	1.4	1.1	0.9	1.2	…
India	10.1	7.2	5.2	3.3	2.5	2.3	…
Indonesia	10.3	4.5	7.6	6.1	4.1	3.2	3.6
Japan	5.8	2.9	1.8	1.5	1.4	1.5	…
Korea, Rep. of	3.1	2.0	1.3	0.9	0.7	1.2	…
Malaysia	8.9	6.8	5.6	4.8	3.2	2.2	2.2
Pakistan	18.7	11.6	8.9	6.9	7.2	8.4	…
Philippines	14.8	12.7	8.2	5.7	4.4	3.5	3.7
Singapore	5.3	5.0	3.8	2.8	1.5	1.4	…
Taipei,China	5.2	2.8	2.2	2.1	1.8	1.5	…
Thailand	13.5	10.9	8.3	7.5	7.3	5.3	5.5

… = not available

Data for India as of March 2008; Australia, Japan, Pakistan, and Singapore as of September 2008; Hong Kong, China, Rep. of Korea, Taipei,China as of December 2008; Philippines as of February 2009; PRC, Indonesia, Malaysia and Thailand as of March 2009

Notes:
1. The table excludes nonperforming loans transferred from bank balance sheets to asset management companies.
2. The measurement of NPLs follows official definitions and differs across economies depending on loan classification (for example, whether a 3–month or 6–month rule is used), the treatment of accrued interest, and whether specific provisioning is deducted from the NPL measure.

3. For Malaysia and the Philippines, reported NPLs are net of specific provisioning.

Sources: National sources; CEIC; and *Global Financial Stability Report,* International Monetary Fund.

Table 9: Risk-Weighted Capital Adequacy Ratios
(% of risk-weighted assets)

	2000-2004 Average	2004	2005	2006	2007	2008	2009
Australia	10.1	10.4	10.4	10.4	10.2	10.9	…
China's People Rep. of	-2.3	-4.7	2.5	4.9	8.4	8.2	…
Hong Kong, China	16.1	15.4	14.8	14.9	13.4	14.8	…
India	12.0	12.9	12.8	12.3	12.3	13.0	…
Indonesia	12.0	19.4	19.5	20.5	19.3	16.8	17.8
Japan	11.6	11.6	12.2	13.1	12.9	12.3	…
Korea, Rep. of	10.7	11.3	12.4	12.3	12.0	12.7	…
Malaysia	13.4	14.3	13.6	13.1	12.8	12.2	12.9
Pakistan	11.4	10.5	11.3	12.7	13.2	11.8	…
Philippines	17.0	18.7	17.7	18.5	15.9	15.7	…
Singapore	17.7	16.2	15.8	15.4	14.0	14.3	…
Taipei,China	10.5	10.7	10.3	10.1	10.6	10.8	…
Thailand	13.2	13.0	14.2	14.5	15.4	14.1	14.9

… = not available.

Data for China, People's Rep. of and India as of March 2008; Australia, Japan, Pakistan, Philippines, and Singapore as of September 2008; Hong Kong, China, Korea, Rep. of, and Taipie,China as of December 2008; Indonesia as of January 2009; Malaysia and Thailand as of March 2009.

Note: Based on officially reported risk-adjusted capital adequacy ratios under Basel I and applied to commercial banks (except Republic of Korea, where data includes nationwide commercial banks, regional banks, and specialized banks). Data for the Philippines on consolidated basis. Data for Japan refers to major commercial banks only.

Sources: CEIC, national sources, and *Global Financial Stability Report,* International Monetary Fund.

Table 10: Combined 4th, 1st and 2nd Quarter Performance
(In percent unless otherwise indicated)

	GROWTH RATES			
	2005Q4+2006 Q1+2006Q2	2006Q4+2007 Q1+2007Q2	2007Q4+2008 Q1+2008Q2	2008Q4+2009 Q1+2009Q2
Gross National Product	5.90	7.14	5.81	4.80
Gross Domestic Product	5.40	6.85	4.85	1.68
Agri., Fishery & Forestry	4.68	3.06	4.51	1.88
Agri. & Fishery	4.43	3.22	4.55	1.91
Forestry	66.03	(21.11)	(4.36)	(5.64)
Industry	4.53	6.90	3.86	0.95
Mining and quarrying	9.19	11.12	2.28	19.93
Manufacturing	4.51	4.09	3.71	(3.48)
Construction	2.40	23.93	2.57	15.43
Electricity, Gas and Water	4.84	4.82	8.01	2.45
Service	6.28	8.34	5.63	2.08
Transport, communication & storage	6.66	8.97	5.65	3.90
Trade	5.51	7.65	4.51	1.09
Finance	11.63	15.47	7.84	(0.48)
Ownership of dwellings and real estate	5.12	6.05	6.56	1.94
Private services	6.84	8.66	6.46	2.56
Government Services	2.44	2.56	4.30	5.03
Personal Consumption Expenditure	5.15	5.90	5.15	2.94
Government Consumption	5.73	10.20	2.13	5.68
Capital Formation	(2.66)	13.01	6.64	(12.59)
91-Day Treasury Bills [1/]	5.42	3.82	4.62	4.81
Inflation (2000=100) [1/]	7.04	3.33	6.19	6.61
PhP-US$ ER [1/]	52.91	48.44	42.36	48.02
Exports	12.98	7.10	6.03	(29.25)
Imports	10.40	4.83	15.23	(29.18)

Sources: BSP; NSCB

[1/] *Period averages*

Table 11: Remittances of Overseas Filipinos 2007-09 (thousand USD)						
	2007	**growth (%)**	**2008**	**growth (%)**	**2009**	**growth (%)**
	14449928	13.2	**16426854**	13.7		
Jan	1,099,354	19.9	1,264,036	15.0	1,265,515	0.12
Feb	1,085,544	25.4	1,258,638	15.9	1,320,032	4.9
Mar	1,304,847	26.4	1,427,807	9.4	1,471,482	3.1
Apr	1,191,540	32.6	1,410,210	18.4	1,441,741	2.2
May	1,237,140	8.4	1,429,832	15.6	1,482,175	3.7
Jun	1,115,753	1.0	1,450,838	30.0	1,498,737	3.3
Jul	1,096,558	4.6	1,366,796	24.6	1,494,038	9.3
Aug	1,206,942	10.6	1,332,023	10.4		
Sep	1,139,845	12.4	1,332,912	16.9		
Oct	1,388,459	17.1	1,434,726	3.3		
Nov	1,186,970	3.8	1,311,322	10.5		
Dec	1,396,976	5.9	1,407,714	0.8		

Source: Bangko Sentral ng Pilipinas

Table 12: Employment Data, Sectoral Distribution: Philippines, 1988-2009Q3

	Labor force	Total Employed (% of the Labor Force)	% of Total Employed Persons					Total Unemployed (% of the Labor Force)
			Employed, agriculture	Employed, industry [a/]	Employed, manufacturing	Employed, mining	Employed, services [a/]	
1988	23,451	91.67	46.15	15.57	10.41	0.73	38.3	8.33
1989	24,120	90.83	45.19	15.73	10.57	0.77	39.0	9.17
1990	24,244	91.62	44.94	15.24	10.07	0.58	40.3	8.38
1991	25,631	89.40	44.90	16.09	10.36	0.61	38.8	10.60
1992	26,290	90.13	45.27	11.88	10.65	0.62	39.0	9.87
1993	26,879	90.71	45.68	15.56	10.08	0.55	38.8	9.29
1994	27,654	90.52	45.09	15.78	10.14	0.44	39.1	9.48
1995	28,380	90.47	43.41	15.61	10.19	0.42	40.4	9.53
1996	29,733	92.22	42.47	16.66	9.83	0.41	41.7	8.56
1997	28,902	91.22	39.51	17.67	10.32	0.46	45.4	8.78
1998	29,674	89.75	37.89	16.68	10.20	0.43	47.1	10.25
1999	32,000	86.69	38.84	16.29	9.95	0.35	47.4	12.35
2000	30,911	88.81	37.08	16.19	10.00	0.39	47.1	11.19
2001	32,809	88.87	37.21	16.06	9.97	0.35	48.5	11.13
2002	33,936	88.58	37.00	15.53	9.54	0.38	47.5	11.42
2003	34,571	88.62	37.75	16.15	9.94	0.33	46.0	11.38
2004	35,862	88.15	36.00	15.44	9.68	0.37	47.7	11.85
2005	35,287	92.21	36.02	15.02	9.54	0.37	48.6	7.79
2006	35,788	92.11	35.84	14.90	9.28	0.43	48.7	7.89
2007	35,918	93.75	36.11	15.10	9.09	0.40	48.8	6.25
2008	37,058	93.19	35.70	14.70	8.40	0.50	49.6	6.81
2009Q1	37,113	92.31	34.60	14.10	8.30	0.40	51.3	7.69
2009Q2 [b/]	37,823	92.52	35.20	14.50	8.10	0.50	50.3	7.48
2009Q3 [b/]	38,431	92.40	33.60	14.80	8.30	0.50	51.5	7.60

Source: ADB, 2008, 2007 and 2006 Key Indicators; ADB, Statistical Database System Online; NSO

a/ NSO ; b/ Preliminary figures, NSO

Table 13: STATISTICS ON LABOR TURNOVER RATES IN LARGE ENTERPRISES IN METRO MANILA BY INDUSTRY: 2008 (1st QUARTER - 4th QUARTER)
(in percent)

Major Industry Group	Accession Rate					Separation Rate					Percent Difference				
	1st Qtr	2nd Qtr	3rd Qtr	4Qtr	Average	1st Qtr	2nd Qtr	3rd Qtr	4Qtr	Average	1st Qtr	2nd Qtr	3rd Qtr	4Qtr	Average
All Industries	12.23	10.56	11.05	9.14	10.75	7.46	8.57	9	8.45	8.37	4.76	1.99	2.05	0.69	2.38
Agriculture, Fishing and Forestry	4.23	4.47	6.2	2.14	4.26	4.12	2.34	4.05	3.68	3.55	0.1	2.13	2.15	-1.34	0.71
Agriculture, Hunting and Forestry	3.39	5.78	8.67	2.54	5.1	2.37	1.88	5.41	4.22	3.47	1.01	3.9	3.26	-1.68	1.63
Fishing	4.74	2.54	1.99	1.31	2.65	5.2	3.03	1.74	1.93	2.98	-0.45	-0.49	0.25	-0.63	-0.33
Industry	9.67	7.54	9.29	8.95	8.86	6.7	8.49	10.44	12.46	9.52	2.97	-0.95	-1.14	-3.51	-0.66
Mining and Quarrying	14.98	9.97	11.2	7.47	10.91	1.92	16.81	11.35	15.82	11.48	13.06	-6.84	-0.15	-8.35	-0.57
Manufacturing	6.32	3.87	8.45	10.68	7.33	2.46	3.87	8.82	10.58	6.43	3.86	0	-0.37	0.1	0.9
Electricity, Gas and Water Supply	1.87	2.13	3.44	1.08	2.13	8.92	1.26	1.41	0.92	3.13	-7.05	0.87	2.03	0.17	-1
Construction	20.08	18.93	12.41	5.74	14.29	19.24	22.05	16.39	19.9	19.4	0.84	-3.11	-3.98	-14.16	-5.11
Service	13.46	11.64	11.65	9.29	11.51	7.85	8.66	8.6	7.22	8.08	5.61	2.97	3.05	2.07	3.43
Wholesale and Retail Trade	10.82	13.51	12.18	12.61	12.28	9.1	11.9	12.72	13.93	11.91	1.72	1.62	-0.54	-1.32	0.37
Hotels and Restaurants	14.24	15.83	22.64	12.62	16.33	11.86	11.44	40.98	8.31	18.15	2.38	4.39	-18.34	4.31	-1.82
Transport, Storage and															
Communications	5.59	5.31	5.61	3.31	4.96	3.34	4.23	3.58	3.41	3.64	2.25	1.09	2.02	-0.1	1.32
Financial Intermediation	4.96	6.02	5.01	4.98	5.24	3.27	4.15	3.3	2.54	3.32	1.69	1.86	1.72	2.43	1.93
Real Estate, Renting and															
Business Services	23.69	14.62	14.86	10.94	16.03	11.02	9.96	8.64	7.56	9.3	12.67	4.65	6.22	3.37	6.73
Private Education	1.66	7.34	7.34	3.78	5.03	2.74	16.09	2.34	3.19	6.09	-1.08	-8.76	5	0.59	-1.06
Health and Social Work	4.86	6.68	7.06	4.96	5.89	4.92	5.28	4.95	3.76	4.73	-0.06	1.4	2.11	1.2	1.16
Other Community, Social and															
Personal Service Activities	9.38	10.74	10.88	8.13	9.78	10.15	9.95	8.16	8.29	9.14	-0.77	0.79	2.72	-0.17	0.65

Source: Bureau of Labor and Employment Statistics

Table 13 (continued): Statistics on Labor Turnover Rates in Large Enterprises in Metro Manila by Industry: 1st Quarter 2009 (in percent)

SECTOR	Number of Enterprises	Labor Turnover Rate (%)		
		Accession Rate	Separation Rate	Percent Difference
All Sectoral Groups	**2,845** [a]	**9.29**	**9.02**	**0.27**
Agriculture, Fishery and Forestry	**18**	**3.64**	**1.57**	**2.07**
Agriculture, Hunting and Forestry	10	3.22	2.09	1.13
Fishing	8	4.04	1.07	2.97
Industry	**773**	**13.41**	**10.02**	**3.39**
Mining and Quarrying	19	17	14.63	2.37
Manufacturing	578	9.82	11.2	-1.38
Electricity, Gas and Water Supply	26	3.05	3.57	-0.53
Construction	150	23.16	8.19	14.98
Services	**2,054**	**8.13**	**8.8**	**-0.67**
Wholesale and Retail Trade and Related Services	1,057	16.69	16.38	0.31
Hotels and Restaurants	74	9.09	5.76	3.33
Transport, Storage and Communications	193	3.26	4.88	-1.63
Financial Intermediation	170	2.9	3.25	-0.36
Real Estate, Renting and Business Activities	467	7.82	9.61	-1.79
Private Education Services	8	1	1.28	-0.28
Health and Social Work (Private)	19	4.95	3.74	1.21
Other Community, Social and Personal Service Activities	66	12.25	11.61	0.64

Note: Details may not add up to total due to rounding of figures.

Source: Bureau of Labor and Employment Statistics

Table 14: Expenditure Program by Social Service Sectors, FY 2007-2009

In Million Pesos

	LEVELS			Share to Total NG Expenditure		
	FY 2007	FY 2008	FY 2009, Proposed	FY 2007	FY 2008	FY 2009, Proposed
TOTAL	**1,155,509**	**1,226,700**	**1,415,000**			
Growth rate of total (percent)	10.6	6.2	15.4			
SOCIAL SERVICES	**320,210**	**377,491**	**433,992**	**27.71**	**30.77**	**30.67**
Education, Culture and Manpower Development	167,425	186,635	204,893	14.49	15.21	14.48
Health	18,238	28,664	35,797	1.58	2.34	2.53
Social Security, Welfare and Employment	52,169	69,556	86,348	4.51	5.67	6.10
Housing and Community Development	7,938	5,017	5,337	0.69	0.41	0.38
Land Distribution	5,290	4,127	4,127	0.46	0.34	0.29
Other Social Services	1,093	5,523	4,994	0.09	0.45	0.35
Subsidy to LGUs	68,057	77,970	92,496	5.89	6.36	6.54

Source: Department of Budget and Management

Table 15: Current Account, Current Transfers and Net Capital Flows in the Philippines (in million US$)

	2007	2008	1Q2007	2Q2007	3Q2007	4Q2007	1Q2008	2Q2008	3Q2008	4Q2008	1Q2009
Current Account	**7119**	**4227**	**1896**	**1851**	**1330**	**2042**	**1281**	**937**	**-273**	**2282**	**2168**
Goods & Services	**-6142**	**-11144**	**-666**	**-1761**	**-1896**	**-1819**	**-2202**	**-3412**	**-3822**	**-1708**	**-1365**
Export	59278	58396	14144	14434	15061	15639	14794	15424	15701	12477	10416
Import	65420	69540	14810	16195	16957	17458	16996	18836	19523	14185	11781
Goods	**-8391**	**-12582**	**-1150**	**-2109**	**-2523**	**-2609**	**-2759**	**-3678**	**-4036**	**-2109**	**-2128**
Exports	49512	48202	11948	12221	12555	12788	12298	12849	13082	9973	7744
Imports	57903	60784	13098	14330	15078	15397	15057	16527	17118	12082	9872
Services	**2249**	**1438**	**484**	**348**	**627**	**790**	**557**	**266**	**214**	**401**	**763**
Exports	9766	10194	2196	2213	2506	2851	2496	2575	2619	2504	2672
Imports	7517	8756	1712	1865	1879	2061	1939	2309	2405	2103	1909
Income	**-892**	**146**	**-896**	**150**	**-85**	**-61**	**-194**	**429**	**-95**	**6**	**-308**
Credit: Receipts	5351	5973	1161	1256	1498	1436	1678	1573	1556	1166	1378
Debit: Disbursements/Payments	6243	5827	2057	1106	1583	1497	1872	1144	1651	1160	1686
Current Transfers	**14153**	**15225**	**3458**	**3462**	**3311**	**3922**	**3677**	**3920**	**3644**	**3984**	**3841**
Credit: Receipts	14573	15780	3536	3572	3412	4053	3774	4064	3788	4154	3936
Debit: Payments	420	555	78	110	101	131	97	144	144	170	95
Capital and Financial Account	**2889**	**-1914**	**958**	**-391**	**3103**	**-143**	**507**	**441**	**400**	**-3262**	**-758**
Capital Account	24	53	15	-21	18	12	21	9	18	5	17
Credit: Receipts	108	114	28	29	30	21	33	24	32	25	31
Debit: Payments	84	61	13	50	12	9	12	15	14	20	14
Financial Account	2865	-1967	943	-370	3085	-155	486	432	382	-3267	-775
Direct Investment	-514	1283	1498	-2796	434	244	272	357	453	201	-8
Debit: Assets, Residents' Investments Abroad	3442	237	122	3276	91	47	-6	77	102	64	52
Credit: Liabilities, Non-Residents' Investments in the Phil	2928	1520	1620	480	525	291	266	434	555	265	44
Porfolio Investments	4623	-2584	608	1688	1668	659	540	-680	-944	-1500	-146
Debit: Assets, Residents' Investments Abroad	-813	-1000	1104	-542	-735	-661	-1141	-1051	1149	43	28
	0										
	0										
Credit: Liab., Non-Residents' Investments in Phil.	3569	-3584	1712	1146	933	-2	-601	-1731	205	-1457	-118
	0										
	0										
Financial Derivatives	-288	-144	-60	-90	-18	-120	-88	61	81	-198	30
Debit: Assets, Residents' Investments Abroad	-170	-415	-30	-11	-56	-73	-92	-99	-150	-74	-89
Credit: Liabilities, Non-Residents' Investments in the Phil	-458	-559	-90	-101	-74	-193	-180	-38	-69	-272	-59
Other Investments	-715	-522	-1103	828	1001	-938	-238	694	792	-1770	-651
Debit: Assets, Residents' Investments Abroad	4852	-3764	961	2364	-25	1540	-1991	441	-1850	-364	31
Credit: Liabilities, Non-Residents' Investments in the Phil	4137	-4286	-142	3192	976	602	-2229	1135	-1058	-2134	-620

Source of Data: Bangko Sentral ng Pilipinas

Table 16: Comparing Key Indicators Across Two Crisis Periods

Indicators	Pre-crisis period 1994-1996 [a]	Crisis Period 1997-1999 [a]	Recovery period 2000-2004 [a]	Stable period 2005-2007 [a]	Crisis Period 2008	2009
Economic						
GDP Growth (average)	5.00	2.70	4.38	5.8	3.8	1.04 [b]
Per capita GDP based on purchasing-power-parity (PPP) (Current international $) [e]	1,980.2	2,175.2	2,513.3	3,149.5	3,546.2	3509.0
Investment/GDP	0.23	0.22	0.18	0.14	0.15	0.16
Fiscal Deficit (As % of GDP)	0.65	(1.85)	(4.39)	(1.32)	(0.92)	(3.20) [c]
Inflation	8.2	6.9	4.7	5.6	9.30	3.8 [d]
Employment rate	91.9	90.9	89.8	93.0	93.2	92.5
Social/MDG						
Poverty Incidence						
Families		28.1 (1997)	28.4 (2000); 24.4 (2003)	26.9 (2006)		
Population	40.6 (1994)	33.0 (1997)	33.0 (2000); 30.4 (2003)	32.9 (2006)		
Human Development Index (end period) [f]	0.714 (1996)	0.722(1999)	0.739(2004)	0.745 (2006)		
HDI Ranking (Philippine Rank/Number of Countries) [g]	98/174	70/162	84/177	102/179		
Gini		0.4881 (1997)	0.4814 (2000); 0.4605 (2003)	0.4580 (2006)		
MDG Indicators						
MDG 1: Eradicate extreme poverty and hunger						
A. Proportion of families below						
Subsistence threshold	20.4 (1991)	13.6 (1997)	12.3 (2000); 10.4 (2003)	11 (2006)		
Poverty threshold		28.1 (1997)	28.4 (2000); 24.4 (2003)	26.9 (2006)		
B. Proportion of population below						
Subsistence threshold	24.3 (1991)	17.0 (1997)	15.8 (2000); 13.8 (2003)	14.6 (2006)		
Poverty threshold	40.6 (1994)	33.0 (1997)	33.0 (2000); 30.4 (2003)	32.9 (2006)		
Prevalence of malnutrition among 0-5 year-old children (%underweight)	29.9 (1993)	30.8 (1996); 32.0 (1998)	30.6 (2001); 26.9 (2003)	24.6 (2005)	26.2	
Proportion of households with per capita intake below 100 percent dietary energy requirement	69.4 (1993)		56.9 (2003)			
MDG 2: Achieve universal primary education						
Elementary participation (enrolment) rate	91.4	95.9	92.0	84.8 (2007)		
Elementary cohort survival rate	67.2	69.3	70.4	75.3 (2007)		
Elementary completion rate	64.1	68.4	68.7	73.1 (2007)		
MDG 3: Promote gender equality and empower women						
Ratio of girls to 100 boys						
A. Elementary education	1.0	1.0	0.97	0.98 (2006)		
B. Secondary education	1.0	1.1	1.09	1.08 (2006)		
C. Tertiary education	1.3	1.3	1.22			
MDG 4: Reduce child mortality						
Under 5 mortality rate (per 1,000 live births)	69.0 (1994); 67.0 (1995)	54.9 (1998)	40.0 (2003)	31.0 (2006)	33.5	
Infant mortality rate (per 1,000 live births)	50.0 (1994); 49.0 (1995)	36.0 (1998)	35.0 (2003)	23.0 (2006)	24.9	
Proportion of children under 1-year old fully immunized against measles (%)	86.9	87.2	80.16	81.7 (2007)		
MDG 5: Improve maternal health						
Maternal mortality ratio (per 1,000 live births)	186.0 (1994); 180.0 (1995)	172 (1998)		162.0 (2006)		
Proportion of births attended by skilled health personnel (%)	62.6	67.9	65.6	70.4 (2006)		
MDG 6: Combat HIV, AIDS, malaria, and other diseases						
Prevalence rate of men and women/couples practicing responsible parenthood	50.7 (1995); 48.1 (1996)	47.6	48.7	50.6 (2006)		
Prevalence of malaria cases	89.9	94.7	46.06	27.6 (2006)	41.5	
Death rates associated with TB [h]	39.4	37.8	35.0			
MDG 7: Ensure environmental sustainability						
Proportion of households with access to safe drinking water [i]	73.0 (1990)	78.1 (1998); 81.4 (1999)	79.8			
Proportion of households with sanitary toilet facility [i]	67.6 (1990)	85.8 (1999)	83.9			
MDG 8: Develop a Global Partnership for Development						
Debt service as a percentage of goods and services	15.3	12.6	15.3	11.7 (2006)		
Unemployment rate of 15-24 year olds	15.9	18.7	20.7	16.9 (2006)		

Sources: NSCB; World Bank Development Indicators (Online); IMF World Economic Outlook (Online); HDR Interactive Database http://hdr.undp.org/en/statistics/data/motioncl

a/ all data pertain to period averages unless otherwise indicated

b/ 1Q-2Q, 2009

c/ Official forecast for 2009

d/ Average for the first 8 months of 2009

e/ IMF figures, including the 2008 and 2009 estimates

f/ HDI data were lifted from HDR interactive database (http://hdr.undp.org/en/statistics/data/motionchart/; accessed: July 27, 2009)

g/ data under pre-crisis period refer to 1995 data; rankings were based on HDR reports (1998 HDR, for 1995 ranking; 2002 HDR for 1999; 2006 HDR for 2004; 2008/09 for 200

h/ data under the recovery period refer to 2000-2003 average

i/ data under recovery period refer to 2000,2002,2004 average

Table 17: Assumptions for Deriving Resources Available for Financing MDGs
[Source: Table 5 of Manasan (2007)]

Table 5. Alternative Scenarios: Some Parameters

	2007	2008	2009	2010	2011	2012	2013	2014	2015
real GDP growth rate									
MTPDP growth rate (%)	6.5	6.8	7.0	7.0	7.0	7.0	7.0	7.0	7.0
low growth rate (%)	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Inflation rate (%)									
MTPDP growth rate	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
low GDP growth rate	5.3	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Growth in NG revenues									
MTPDP growth rate (%)	12.2	11.0	11.9	10.2	12.8	12.2	12.2	12.3	12.3
low growth rate (%)	11.7	9.7	10.4	8.8	11.3	10.6	10.7	10.7	10.8

Table 18: Estimated Resource Gaps for Achieving MDGs
[Source: Table 32 of Manasan (2007)]

Table 32. Summary of Resource Gaps in Current Prices, 2007-2015 (in million pesos)
(High cost assumption)

Year	Resource gaps - MTPDP GDP growth rate					
	Educ	Health	Watsan	Poverty red'n	Total	Percent to GDP
2007	31,966	7,903	367	54,359	94,595	1.39
2008	36,271	8,258	352	53,338	98,219	1.28
2009	44,185	8,631	325	51,265	104,406	1.21
2010	53,326	9,110	305	49,502	112,243	1.16
2011	52,547	9,350	255	39,510	101,663	0.94
2012	50,080	9,680	199	34,552	94,511	0.78
2013	38,658	9,979	129	28,395	77,161	0.56
2014	28,255	10,237	44	20,858	59,394	0.39
2015	13,574	10,455	(58)	11,833	35,804	0.21
2007-2010	165,748	33,902	1,350	208,463	409,463	1.25
2007-2015	348,863	83,602	1,918	343,611	777,995	0.76
Year	Resource gaps - low GDP growth rate					
	Educ	Health	Watsan	Poverty red'n	Total	Percent to GDP
2007	34,253	8,325	380	55,440	98,398	1.45
2008	40,618	8,799	376	55,389	105,182	1.40
2009	51,353	9,330	363	54,645	115,690	1.39
2010	63,786	9,984	359	54,443	128,572	1.39
2011	67,150	10,450	329	46,401	124,330	1.22
2012	69,657	11,043	297	43,780	124,778	1.10
2013	64,198	11,653	257	40,423	116,531	0.93
2014	60,913	12,278	207	36,223	109,622	0.79
2015	54,426	12,916	146	31,063	98,551	0.64
2007-2010	190,010	36,438	1,477	219,917	447,842	1.41
2007-2015	506,355	94,778	2,713	417,807	1,021,654	1.07

Table 29: Summary of Measures to Address the Impact of the Global Financial Crisis in the Philippines (as of December 2008)

	Deposit Guarantee	Government Stakes in Banks	Regulatory Forbearance	Monetary Policy (Policy Rate and Reserve Ratio)	Exchange Rate (New Arrangement & Government Intervention)	Stock Market Intervention	Fiscal and Administrative Measures
Philippines	Announced plans to raise deposit guarantee from P250,000 to P1 million, pending Congress approval, on 21 Oct 08.		Allowed financial institutions to reclassify their investments in debt and equity securities from 23 Oct 08 until 31 Dec 2008. Eased FCDU asset cover requirements on 31 Oct 2008.	Policy rates kept at 6% since Jun 08. Reduced regular reserve requirment on bank deposits and deposit substitutes by 2 percentage points effective 14 Nov 2008. Increased central bank budget for the peso rediscounting facility from P20 billion P40 billion on 7 Nov 2008. Opened a $ repo facility on 20 Oct 2008 to ensure dollar liquidity with the banks' dollar-denominated Philippine sovereign bonds as underlying collateral.	Massive intervention in the forex market in Jul 08.		Postponed planned 2008 budget balance to 2010 in Mar 08. Imposed domestic petrol price rollbacks in the third quarter of the year.

Source: ADB (2008), page 17.

Figure 1: Brent Crude Oil Price (US$/barrel), January 2000 – July 2008

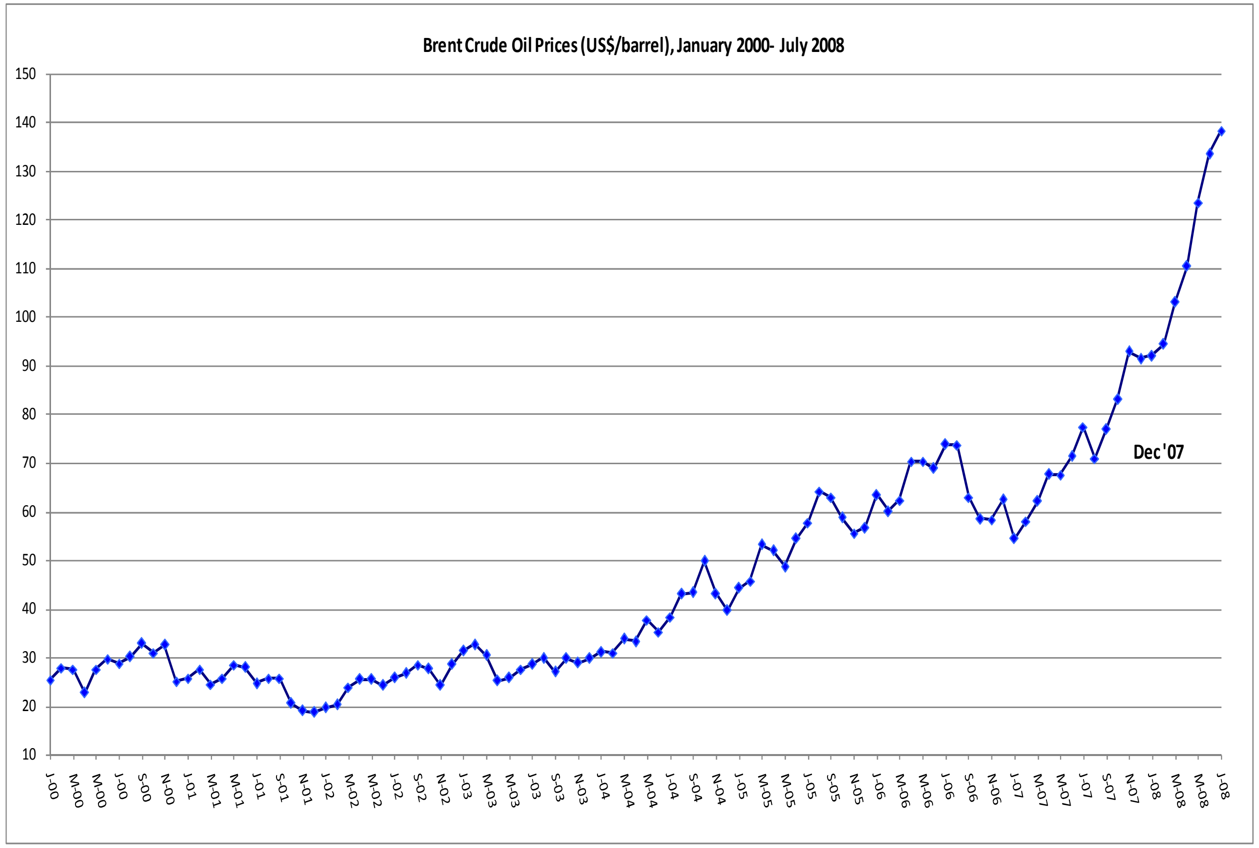
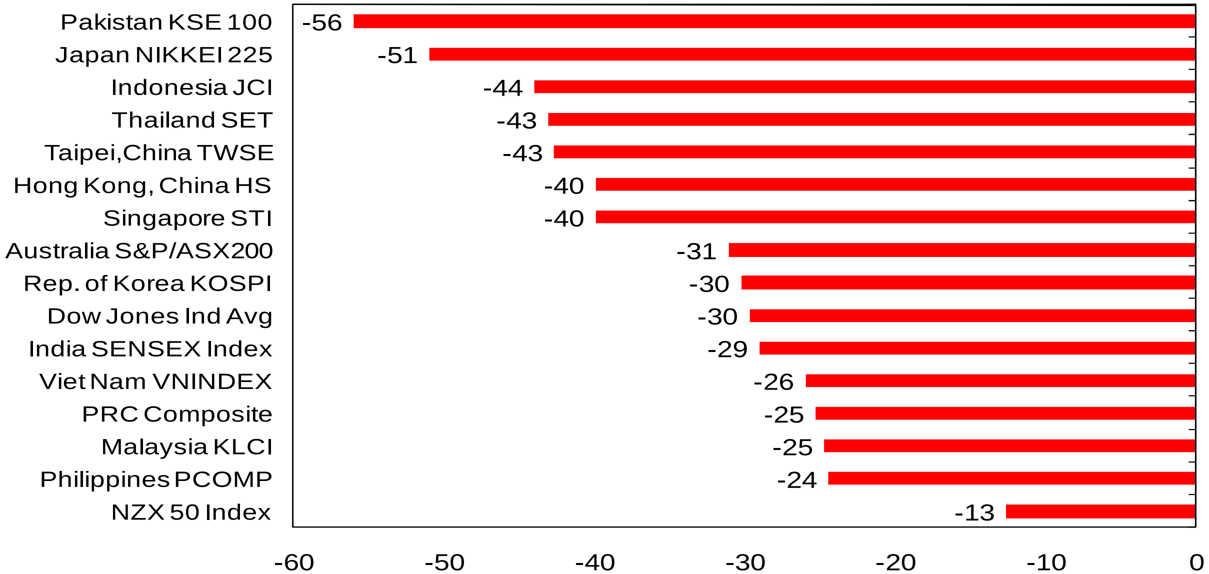
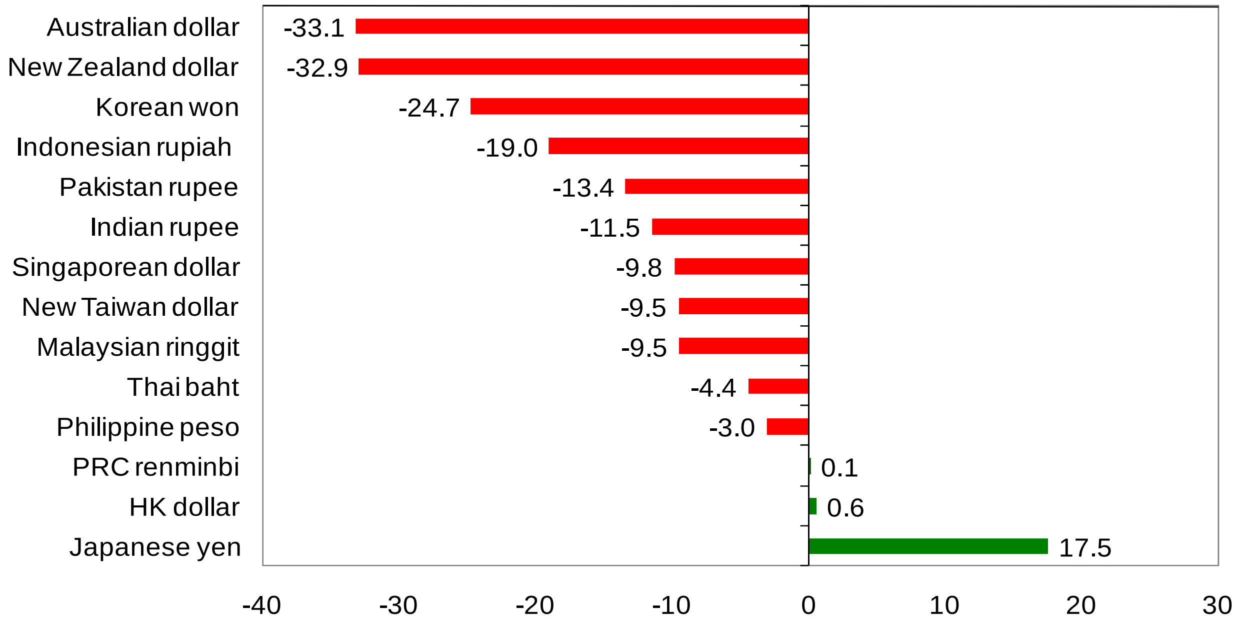


Figure 2: Stock Price Indexes*
(1 Jul 2008 to 30 January 2009, % change)



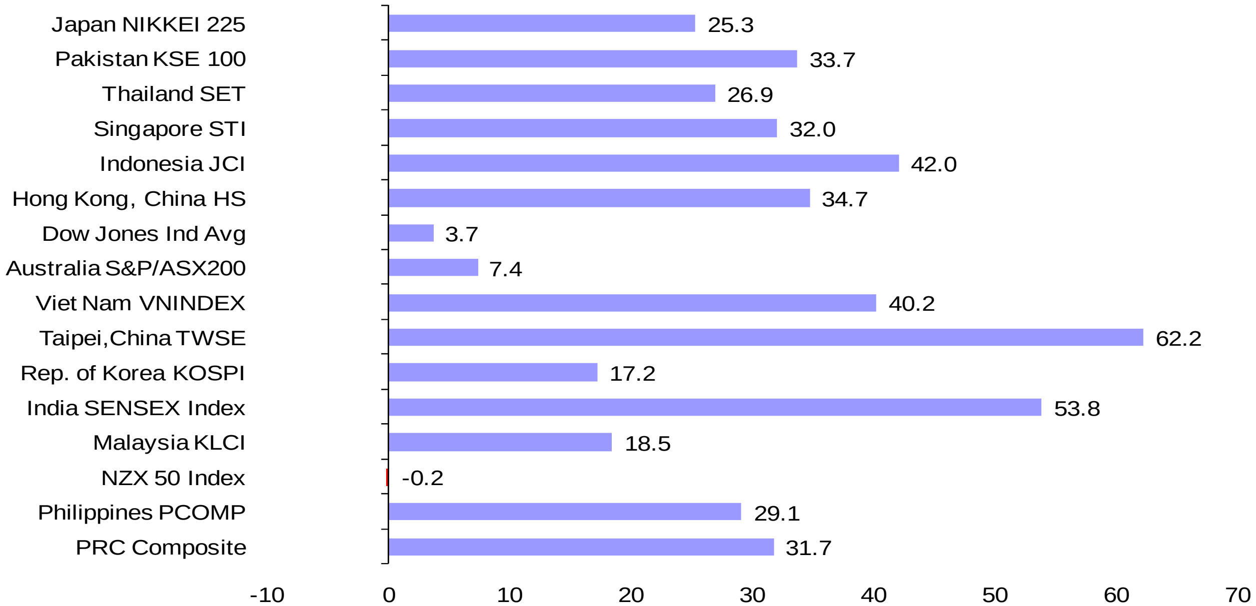
Source: Staff calculations based on Bloomberg data.

Figure 3: Regional Currencies*
(1 July 2008 to 30 January 2009, % change)



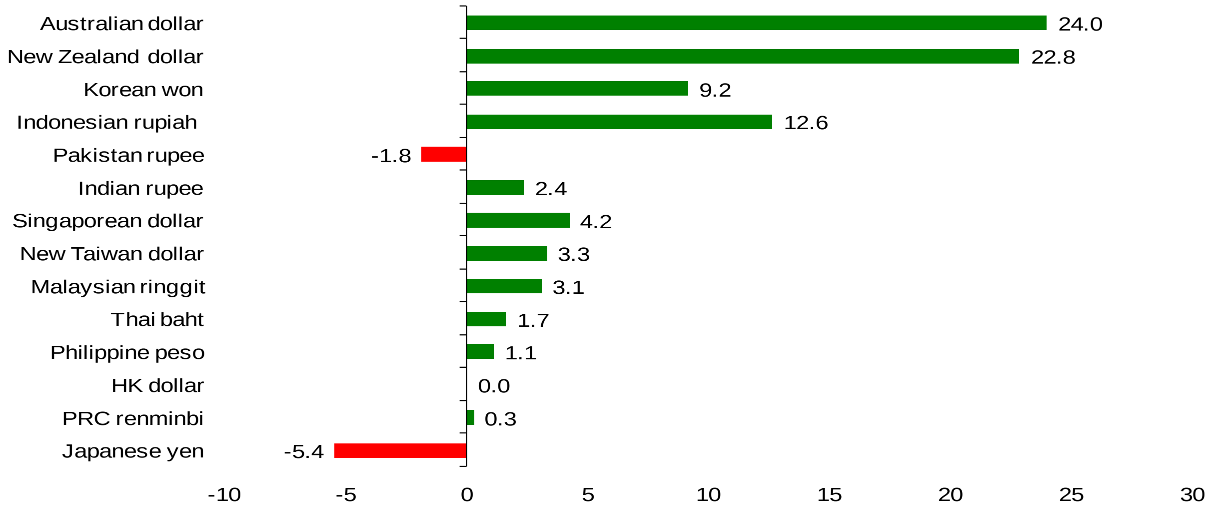
* Latest closing as of 30 January 2009, based on the US$ value of local currency. Negative values indicate depreciation of local curerncy.
Source: Staff calculatinos based on Bloomberg data.

Figure 4: Stock Price Indexes
(1 February 2009 to 27 May 2009, % change)



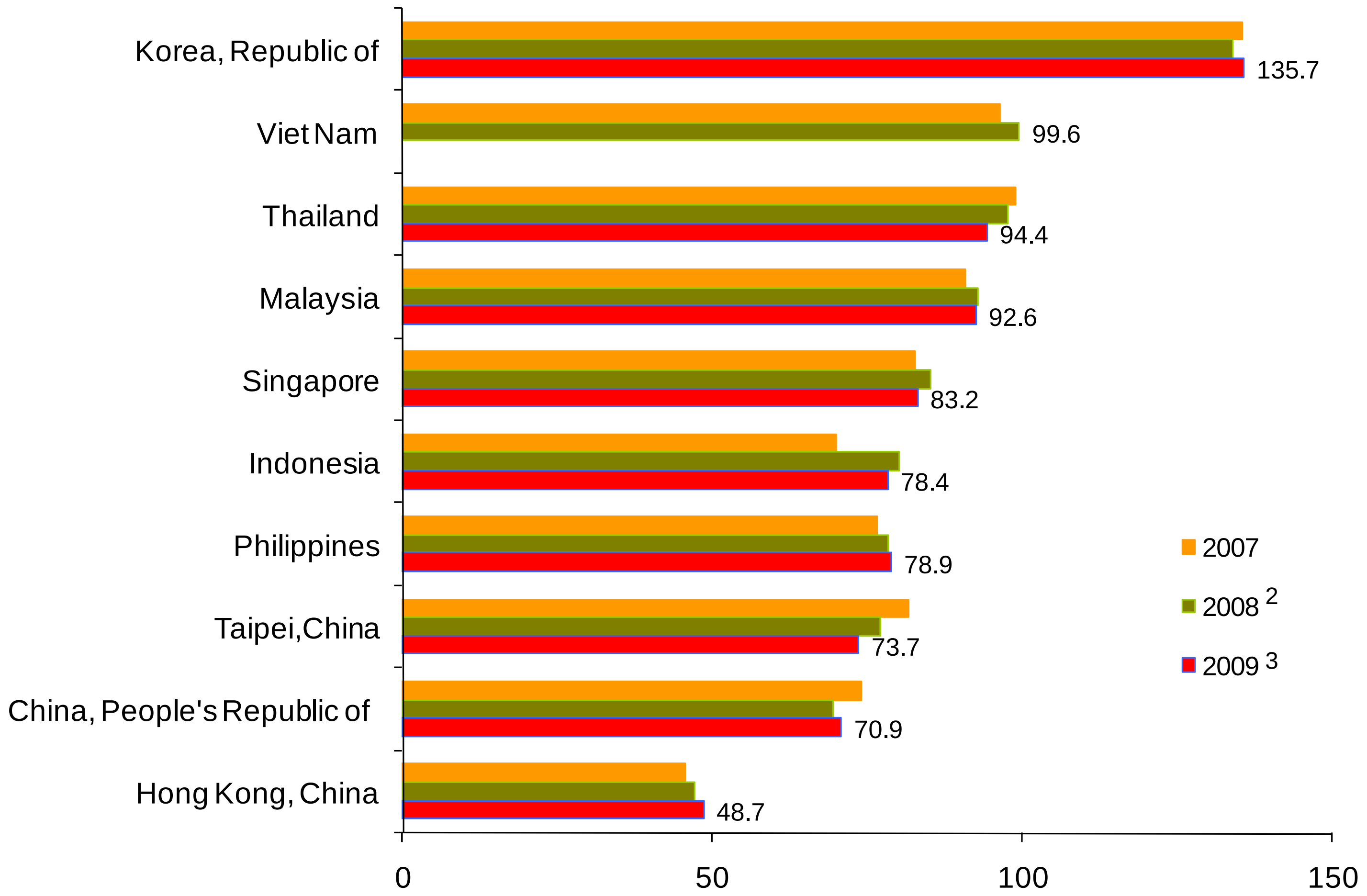
Source: Staff calculations based on Bloomberg data.

Figure 5: Regional Currencies*
(1 February 2009 to 27 May 2009, % change)



* Latest closing as of 27 May 2009, based on the US$ value of local currency. Negative values indicate depreciation of local curerncy.
Source: Staff calculatinos based on Bloomberg data.

Figure 6: Private Sector Loans to Deposit Ratio[1] (%)



[1] Covers loans to the private sector and non-financial institutions, and deposits (demand, time, savings, foreign currency, bond and money market instruments) of banking institutions, deposit money banks or other depository corporations of each country.
[3] Data for the Philippines and Taipei,China as of Mar 2009; for People's Republic of China, Indonesia, Singapore and Thailand, as of Feb 2009; and for Hong Kong, China and Republic of Korea as of Jan 2009.
Sources: Staff calculations based on data from IMF, International Financial Statistics Online, CEIC for the Philippines and the Central Bank of the Republic of China for Taipei,China.

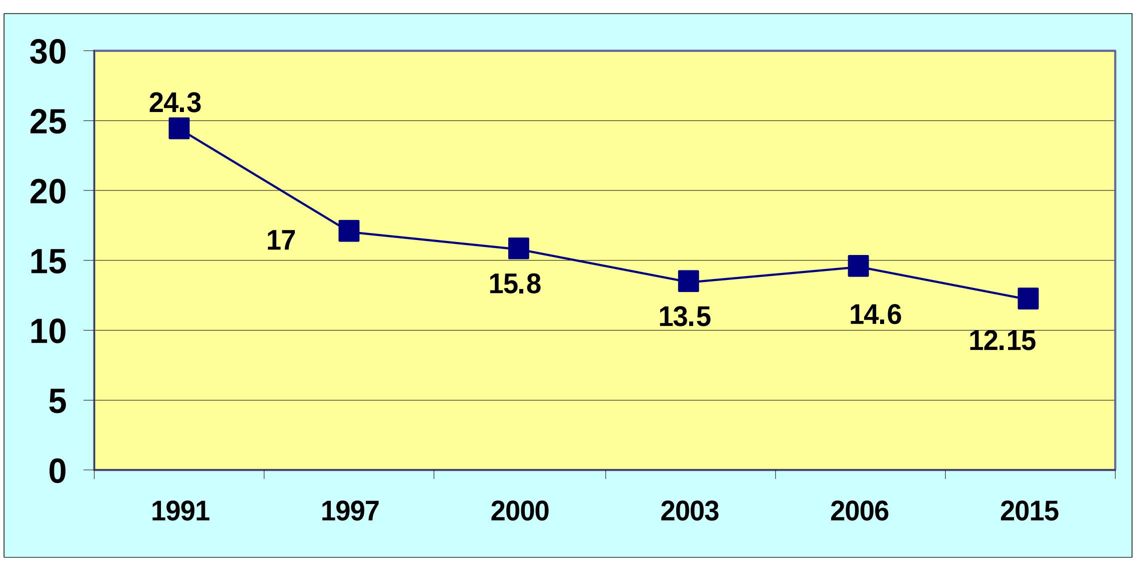
APPENDIX 1: Status and Trends of the MDGs

The following information and assessment of MDG status and trends is drawn from NEDA (2007), the country's official progress report at the middle of the MDG timeline (2000 – 2015).

MDG 1: Eradicate extreme poverty and hunger

The proportion of people living in extreme poverty, referring to individuals whose incomes cannot support a recommended minimum food basket, showed a decrease from the 1991 baseline figure of 24.3 percent to 14.6 percent in 2006 (Figure A1). Target indicators for household and population poverty incidence also indicated visible improvements. At these rates of decline in poverty incidence, the 2015 targets are expected to be met. Prevalence of malnutrition among 0-5 year old children meanwhile showed a decline from 34.5 percent in 1990 to 24.6 percent in 2005. If this rate of decline can be maintained, there is a high probability that the 17.25 percent target for 2015 can be met. It should be recognized, however, that there are wide disparities across regions, with the poor and underweight mostly located in the Mindanao areas.

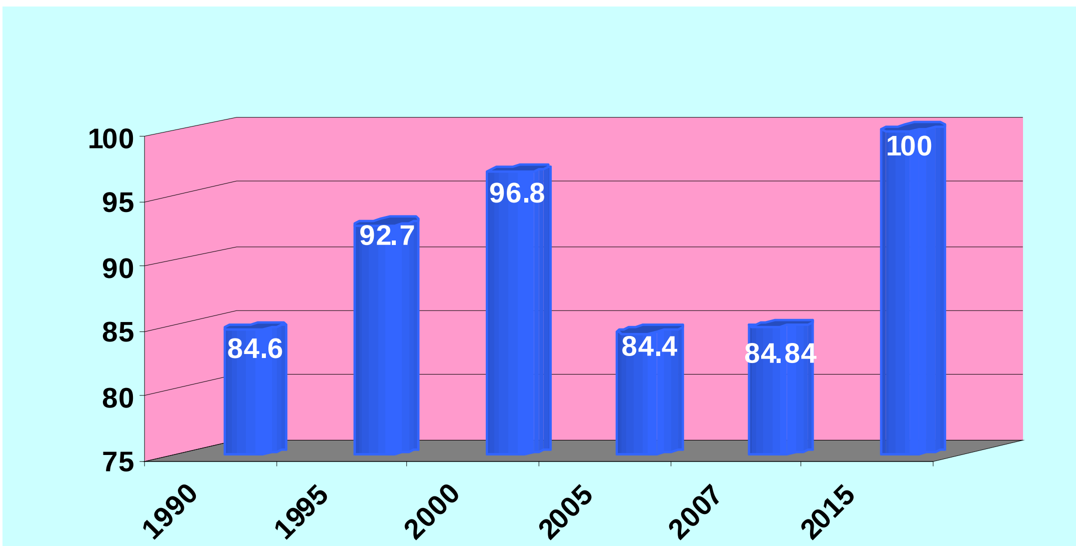
Figure A1: Proportion of population below subsistence threshold



MDG 2: Universal primary education

Access to primary education worsened in SY 2007-2008 (Figure A2). This can be attributed to pedagogical factors (school buildings, teachers, textbooks) and some non-pedagogical factors (socio-economic status, motivation, alienation). This represented a decline in the participation rate from the 2000 level of 96.8 percent to 84.84 percent in school year 2007-2008, thereby setting back the 2015 target of universal access (DepEd, 2007).

Figure A2: Primary school participation rate



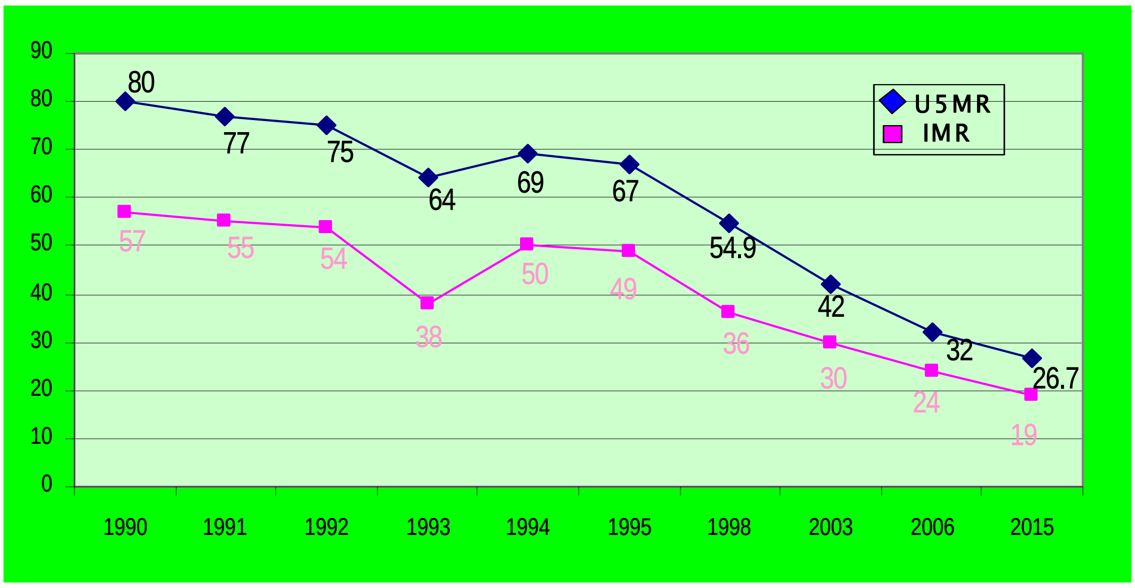
MDG 3: Reduced gender inequality

Contrary to what is observed in other developing countries, in the Philippines basic education indicators favor females over males. Primary school participation rates for females was 85.3%, and for males was 83.6% (in 2005-2006). A similar gap exists for high school participation rates (63.5% versus 53.7%), cohort survival (higher for females), and school leaver rates (lower for females). This suggests that males and females already have equal access to primary and secondary schooling. The government and other education stakeholders should also look more seriously into the factors contributing to the comparatively low completion and retention among boys in the school system, such as financial difficulties and low level of motivation (DepEd, 2007)

MDG 4: Reduced child mortality

Clear gains have also been made in reducing infant deaths per 1,000 live births. This measure of infant mortality rate (IMR) showed a decline from 57 to 24 deaths per 1,000 live births between 1990 and 2006. This decline can be further achieved with the acceleration of child-related health programs particularly the immunization program.

Figure 3. Under-five mortality and infant mortality rates (per 1,000 live births)



MDG 5: Improved maternal health

On maternal health, there is very little decline in the number of maternal deaths per 100,000 live births from 209 deaths in 1993 to 162 deaths in 2006. It is unlikely that the 2015 target of 52 maternal deaths per 100,000 live births will be met. Meanwhile, access to reproductive health care of currently married women aged 15-49, slightly improved from 49 percent in 2001 to 50.6 percent in 2006. At this rate, the 2015 target of 80 percent access is difficult to achieve.

MDG 6: Combat HIV, AIDS, malaria, and other diseases

Meanwhile, the prevalence of human immunodeficiency virus and acquired immune deficiency syndrome (HIV and AIDS) has been kept below the national target of one percent (1%) of the population. However, the number of cases is increasing. The HIV/AIDS Registry showed an average of 29 new HIV cases per month for 2007 compared to the previous years (2003-2006) which was only 20 new cases per month.

Malaria morbidity rates (per 100,000) meanwhile exhibited a fluctuating trend, from 72 cases in 1998, down to 47 cases in 2002, and back up to 55 cases in 2005. Mortality rates from tuberculosis showed a weak decline from 38.7 deaths in 1999 to 33 deaths in 2003.

MDG 7: Ensure environmental sustainability

On environment, the Philippine Agenda 21 is considered as the guiding document for the country's strategy for sustainable development. The action agenda for protecting the ecosystem, for example is comprehensive, with targets for the following: forest and upland, coastal and marine, urban ecosystem, freshwater, lowland and agricultural, minerals and biodiversity. Persisting problems remain, however, such as pollution and garbage, mostly in the country's major urban centers.

On the MDG target for water and sanitation, the country has already achieved and surpassed the 2015 target of 83.8 percent on access to sanitary toilet facility as early as 2004, while the 2015 target of 86.5 percent on access to safe drinking water is likely to be achieved. In terms of access to safe drinking water, data from the 2004 Annual Poverty

Indicators Survey show that there is a slight improvement from 80.0 percent in 2002 to 80.2 percent in 2004.

To summarize: The Philippines is expected to meet most of its MDG targets (Table A1). The target on access to sanitary toilet facility has already been achieved; considerable progress has also been made on meeting the targets on poverty reduction, nutrition, reducing child mortality, combating HIV and AIDS, malaria and other diseases and access to safe drinking water. On the other hand, the remaining MDG indicators face low probability of achievement, namely: maternal mortality ratio; contraceptive prevalence rate; and participation rate, cohort survival rate, and completion rate in elementary education.

Table A1: Philippines MDG Rate of Progress at the National Level

MDG Goals and Targets	Baseline (1990 or year closest to 1990)	Current Level (2005/2006 or year closest to 2005/2006)	Target by 2015	Average Rate of Progress (1990-2005/06 or year closest to 2005/06) (a)	Required Rate of Progress (2005/2006-2015) (b)	Ratio of Required Rate to Average Rate (I =b/a)	Probability of Attaining the Targets
Eradicate extreme poverty and hunger							
A. Proportion of families below							
Subsistence threshold [/a]	20.4	11 (2006)	10.2	-0.63	-0.09	0.14	**High**
Poverty threshold [/a]	39.9	26.9 (2006)	19.95	-0.87	-0.77	0.89	**High**
B. Proportion of population below							
Subsistence threshold [/a]	24.3	14.6 (2006)	12.15	-0.65	-0.27	0.42	**High**
Poverty threshold [/a]	45.3	32.9 (2006)	22.65	-0.83	-1.14	1.38	**High**
Prevalence of malnutrition among 0-5 year-old children (%underweight) - Based on international reference standards [/b]	34.5	24.6 (2005)	17.25	-0.66	-0.74	1.11	**High**
Proportion of households with per capita intake below 100 percent dietary energy requirement [/b]	69.4	56.9 (2003)	34.7	-1.25	-1.85	1.48	**High**

MDG Goals and Targets	Baseline (1990 or year closest to 1990)	Current Level (2005/2006 or year closest to 2005/2006)	Target by 2015	Average Rate of Progress (1990-2005/06 or year closest to 2005/06)	Required Rate of Progress (2005/2006-2015)	Ratio of Required Rate to Average Rate	Probability of Attaining the Targets
Achieve universal primary education							
Elementary participation rate *	85.1 /c	84.84 /d (2007-08)	100	-0.02	1.90	-116.62	**Low**
Male Female	95.27 /m 93.63 /m (1996-97)	82.39 /d 84.08 /d (2006-2007)					
Elementary cohort survival rate	68.65 /c	75.26 /d (2007-08)	84.67/k	0.43	1.18	2.74	**Low**
Male Female	63.41 /m 73.02 /m (1996-1997)	68.79 /d 78.64 /d (1996-1997)					
Elementary completion rate	66.5 /c	73.06 /d (2007-08)	81.04/k	0.32	0.99	3.11	**Low**
Male Female	61.98 /m 72.05 /m	67.28 /d 76.70 /d					

MDG Goals and Targets	Baseline (1990 or year closest to 1990) (1996-1997)	Current Level (2005/2006 or year closest to 2005/2006) (1996-1997)	Target by 2015	Average Rate of Progress (1990-2005/06 or year closest to 2005/06)	Required Rate of Progress (2005/2006-2015)	Ratio of Required Rate to Average Rate	Probability of Attaining the Targets
Promote gender equality and empower women							
Ratio of girls to 100 boys							
A. Elementary education	95.8	94.17 (2006-07)	100	-0.16	0.65	-3.97	**Low**
B. Secondary education	104.5	105.7 (2006-07)	100	0.12	-0.63	-5.27	**Target achieved in 2006**
Improve maternal health							
Maternal mortality ratio	209 [/e]	162 [/f] (2006)	52.2	-3.62	-12.2	3.37	**Low**
Increase access to reproductive health services							
Prevalence rate of men and women/couples practicing responsible parenthood	40.0 [/e]	50.6 [/f] (2006)	80	0.82	3.27	4.01	**Low**

MDG Goals and Targets	Baseline (1990 or year closest to 1990)	Current Level (2005/2006 or year closest to 2005/2006)	Target by 2015	Average Rate of Progress (1990-2005/06 or year closest to 2005/06)	Required Rate of Progress (2005/2006-2015)	Ratio of Required Rate to Average Rate	Probability of Attaining the Targets
Reduce child mortality							
Under 5-mortality rate (per 1,000 live births)	80.0 /g	32.0 /f (2006)	26.7	-3.0	-0.59	0.2	**High**
Infant mortality rate (per 1,000 live births)	57.0 /g	24.0 /f (2006)	19.0	-2.06	-0.56	0.27	**High**
Combat HIV and AIDS, Malaria and other Diseases							
HIV prevalence	< 1%	< 1% (2005)	< 1%/l	0	0	0	**High**
Malaria morbidity rate (per 100,000 population) /h	123.0	55.0 (2005)	24.0 /l	-4.53	-6.20	1.37	**High**
Ensure environmental sustainability							
Proportion of households with access to safe drinking water	73.7 /i	80.2 (2004) /j	86.8	0.50	0.60	1.20	**High**
Proportion of households with sanitary toilet facility	67.6 /i	86.2 (2004) /j	83.8	1.33	-0.22	0.17	**Target achieved in 2004**

Rate needed to reach target/current rate of progress <1.5 High; 1.5 to 2.0 Medium; >2.0 Low

Sources:
a/ TC on Poverty Statistics (former TWG on Income Statistics, NSCB); b/ National Nutrition Survey(NNS), FNRI; c/ DECS Statistical Bulletin SY 1991-1992; d/ DepEd-Basic Education Information System (BEIS); e/ 1993 National Demographic Survey, NSO; f/ 2006 Family Planning Survey, NSO; g/ National Demographic and Health Survey (NDHS), NSO; h/ Field Health Service Information System-DOH; i/ 1990 Census of Population and Housing, NSO; j/ Annual Poverty Indicator Survey, NSO; k/Target in the Philippine EFA 2015 Plan; l/ Target by 2010 based on the MTPDP, 2004-2010; m/ DepEd Statistical Bulletin SY 2006-2007
** Beginning SY 2002-2003, participation rate was derived based on the age group consisting of 6-11 years old for elementary and 12-15 years old for secondary whereas the previous system used 7-12 and 13-16 years old for elementary and secondary, respective*

APPENDIX 2: Details of Budget Interventions

1) Maximize Personal Services (PS) Budget
   - hire teachers, policemen, soldiers
   - hire doctors/nurses for hospitals and underserved areas

2) Maximize Maintenance and Operating Expenditures Budget
   - step-up repair and rehabilitation of government buildings
   - fast-track purchases of supplies, equipment (patrol cars, ambulances)

3) Improve absorptive capacity of government agencies/infra agencies
   - prepare program of works/procurement plans
   - award contracts by 1Q 2009
   - realign portions of the budget from projects that maybe difficult to implement
   - downscale/defer implementation of new projects without ICC/NEDA Board approval
   - implement/upscale quick-disbursing high impact projects (i.e., labor intensive, high local value added) such as: Accessibility facilities for the Disabled (DPWH); Construction, Repair or Rehabilitation of Irrigation Systems (DA); other local infrastructure like roads, asphalt overlay, etc
   - work with LGUs on infrastructure projects

4) Expand Social Protection
   - target vulnerable sectors
   - NG and LGU emergency hiring program
   - realign resources to increase allocation for:

	2009 NEP (PhP B)	Additional (PhP B)	Goal	Agency involved
Pantawid Pamilyang Pilipino Program (4Ps) / Conditional Cash Transfer	5.00	5.00	Double 2009 target of 321,000 poor households at maximum cash grant of PhP 9,000/year for 5 years	DSWD
National Health Insurance Program (Indigent Program)	5.00	1.00	The additional 1B to Philhealth will ensure full NG contribution to the Indigent Program; This translates to P1,200/family with 5 members	DOH/Philhealth
Training for Work Scholarship Program	1.00	5.66	Increase allocation to cover additional 565,980 beneficiaries at PhP10,000 per qualification	TESDA
Health Facilities Enhancement Program	2.03	1.97	Increase allocation for primary & secondary hospitals; Requirement is PhP4B/year per National Hospital Development Plan	DOH

Note: NEP - National Expenditures Program; DSWD - Department of Social Welfare and Development; DOH - Department of Health;
TESDA - *Technical Education and Skills Authority*