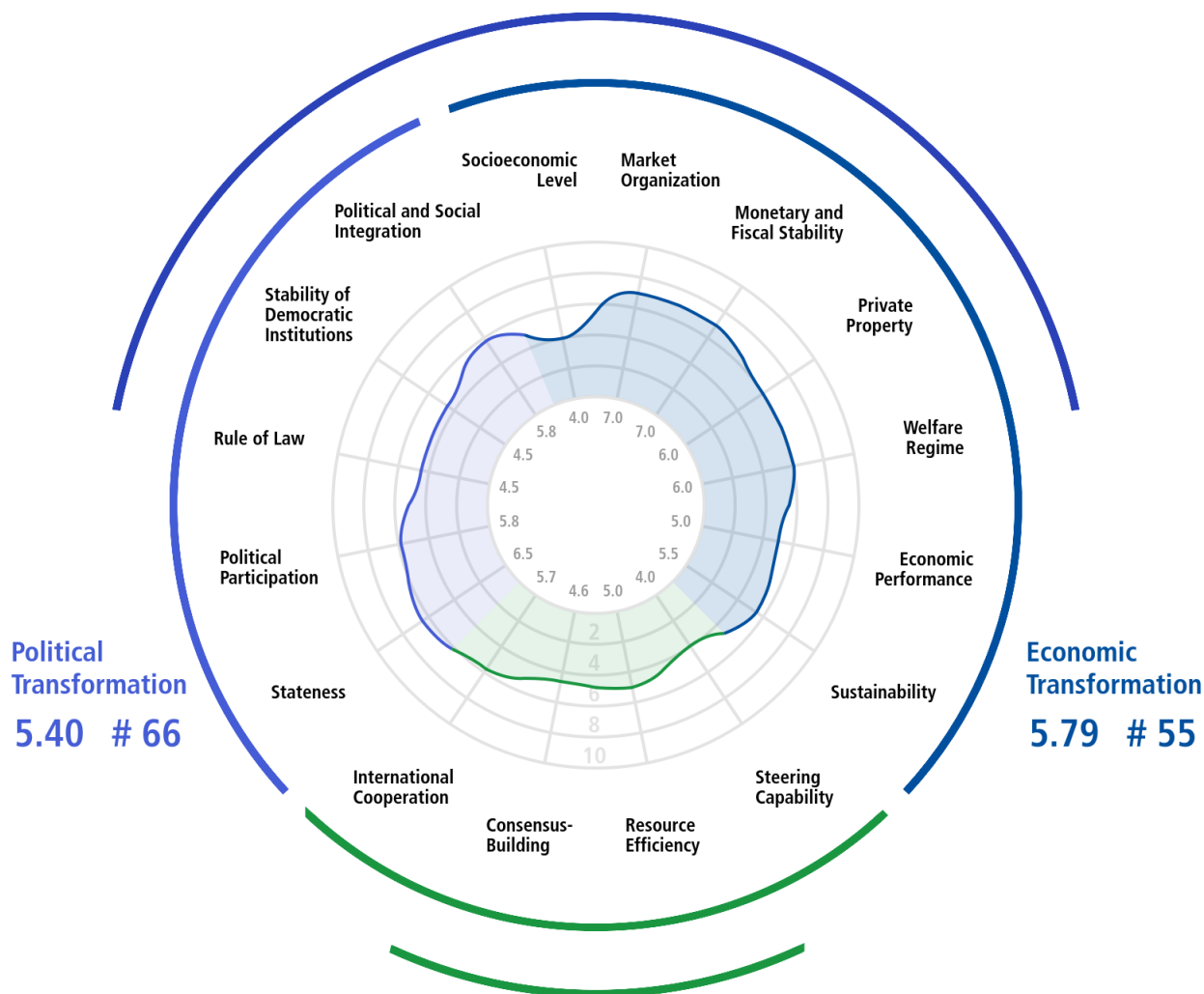


Philippines

Status Index

5.59 # 60

on 1-10 scale out of 137



Political Transformation
5.40 # 66

Economic Transformation
5.79 # 55

Governance Index

4.31 # 87

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	109.6	HDI	0.718	GDP p.c., PPP \$	8390
Pop. growth ¹	% p.a.	1.3	HDI rank of 189	107	Gini Index	42.3
Life expectancy	years	71.2	UN Education Index	0.678	Poverty ³	% 17.0
Urban population	%	47.4	Gender inequality ²	0.430	Aid per capita \$	8.4

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

The administration of current President Rodrigo Duterte, who has been in charge since mid-2016, has turned the Philippines into an increasingly authoritarian political system which still maintains a formal democratic shell. Presenting his rule as based on a law-and-order governance model, with drug users scapegoated for all social ills, Duterte has managed to increase his power by oppressing the opposition, and sidelining checks and balances. The legally questionable arrests of Senators de Lima and Trillanes, as well as the disputed removal of Chief Justice Sereno are cases in point.

Under Duterte human rights and civil liberties have declined dramatically. At the same time, the political influence of the military and the police has increased. The unrelenting and brutal campaign against drugs, often perpetrated by unidentified vigilante groups, has led to an erosion in the state's monopoly on the use of force. Freedom of speech and assembly have increasingly been reduced as opposition forces have faced harassment, and in several cases have been murdered by unidentified persons.

Despite the high support he continues to enjoy among the population and in the two chambers of Congress, President Duterte was not able to implement long-overdue reforms of the political system. The attempt to draft a new constitution and alter the political system of the Philippines by introducing federalism failed, because the president himself did not pursue it with utmost energy and political will.

The economic situation before the outbreak of the COVID-19 pandemic was solid but not great. GDP growth in 2019 was only 5.9% and was thus lower than in previous years (2018: 6.2%, 2017: 6.7%) and under the Aquino administration. The Duterte government has overseen no major changes in terms of economic policies in recent years and the promised building of infrastructure (e.g., roads, public transport and airports) has been sluggish.

In contrast to previous decades, however, the country is still regarded by investment bankers and ratings agencies as a promising and stable emerging market. Nevertheless, poverty is still high and mass emigration widespread.

The global outbreak of the COVID-19 pandemic in March 2020 hit the Philippines hard. The year 2020 saw a negative GDP growth rate of 9.5%, the worst in the whole of Southeast Asia and one of the highest in Asia. In addition, with more than 500,000 confirmed COVID-19 infections and with more than 10,000 COVID-19-related deaths as of January 2021, the Philippines had (together with Indonesia) the highest number of coronavirus cases in Southeast Asia. Consequently, the Philippines suffered one of the worst pandemic-driven economic contractions and death rates in Asia, and significantly lagged behind its Asian peers, particularly in North and Southeast Asia, which for the most part did relatively well in containing the coronavirus.

President Duterte initially and for a long time downplayed the danger of the virus, only to later radically change his stance and impose a very tough lockdown when the health situation in the Philippines worsened. The administration, led by a police and military-dominated COVID-19 task force, applied a heavy-handed security approach and arrested tens of thousands of people for violating quarantine rules, and expanded its operations in the war on drugs. In addition, a new anti-terrorism measure was passed that gave the government extensive powers to suppress dissent, restrict basic civil rights and allow arrests on suspicion of terrorism.

The democratic and economic transformation of the Philippines is severely hindered by the oligarchic structures of both the political and economic systems. The long-lasting and entrenched dominance of various family clans in both spheres prevent the reforms which are necessary for the further deepening of democracy and a transformation to a more just market economy. President Duterte has not challenged these power structures and instead has exploited them to benefit his authoritarian governance style. In the long term, however, significant political and economic transformation can only happen if the political decision-makers dare to challenge the political and economic dominance of the family clans.

History and Characteristics of Transformation

After achieving independence from the United States in 1946, the Philippines adopted a democratic presidential system. The future seemed to be bright, since in terms of industrialization, economic potential and public education the Philippines was one of the most advanced countries in Asia. In September 1972, then-President Ferdinand Marcos declared martial law and imposed a military-backed dictatorship. He drastically reduced civil and political liberties, closed down Congress and many universities, and ordered the arrest of opposition figures. Additionally, he confiscated enterprises and redistributed them among his family, his cronies and the military, whose personnel quadrupled. The national economy suffered not only from mismanagement due to Marcos' crony capitalism but also from rampant corruption and spiraling foreign debts.

After the assassination of one of the most important opposition figures, Benigno “Ninoy” Aquino in June 1983, resistance against the authoritarian regime gained momentum. In early 1986, mass demonstrations in the name of “people power” led to end of Marcos’ authoritarian rule and the reintroduction of democracy.

As the first post-authoritarian president, the widow of “Ninoy” Aquino and mother of the current president, Corazon “Cory” Aquino (1986 – 1992) presided over the initial phase of a democratic transition which saw the drafting of a new democratic constitution, the dismantling of the centralized authoritarian power structure through decentralization measures and the restoration of pre-martial-law democratic institutions.

Her successor Fidel Ramos (1992 – 1998) concentrated his efforts on transformation toward a market economy by utilizing programs of liberalization and privatization with the aim of greater competitiveness in the international market. His development program provided a period of economic growth and political stability, even though the Philippines were already lagging economically behind other East and Southeast Asian countries.

The next two presidents, Joseph “Erap” Estrada and Gloria Macapagal-Arroyo (GMA) eroded the fundamentals of democracy in the Philippines. Estrada, whose presidency was troubled by allegations of abuse of power, a lavish lifestyle and corruption was eventually ousted by mass demonstrations, called “people power II.” The Supreme Court inaugurated Gloria Macapagal-Arroyo as his successor in 2001. Three years later, despite serious charges of fraud in the course of the 2004 presidential election, she was re-elected to a full six-year term. GMA’s nine years in office were characterized by creditable economic performance amid a deepening crisis of legitimacy. The potential gains associated with positive economic growth were eroded by a series of large-scale corruption scandals that rocked her administration. The political system began to adopt increasingly authoritarian features under her administration.

In June 2010, Benigno “Noynoy” Aquino was elected president. His presidency led to a stabilization of the democratic system and remarkable macroeconomic growth. Necessary reforms to improve the living standard of a large part of the fast-growing population, however, were unsuccessful.

In May 2016, the mayor of Davao, Rodrigo Duterte, was elected president. Incrementally, he transformed the Philippine democratic regime into an increasingly authoritarian one by undermining civil rights and political liberties. His focus on eradicating drug abuse led to extrajudicial killings by vigilante groups and police and army personnel who enjoyed de facto immunity.

The outbreak of the COVID-19 pandemic in 2020 resulted not only in a high number of infections and deaths among the Philippine population, but also to the country’s worst economic contraction since independence in 1946. In addition, the government’s poor management of the crisis and increased police and military brutality against civil society actors also led to a political climate of fear and repression.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The central government state claims to have a monopoly on the use of force throughout the entire territory. In reality but, in fact, the Philippines is a rather weak state, at least compared to other Southeast Asian countries. Due to its vast territory and archipelagic nature, it is difficult for the central Manila government in Manila to effectively govern the whole country. Local clans and, in some areas (i.e., Mindanao), warlords are the de facto rulers of their areas who frequently employ private armies that take the law into their own hands. Additionally, there are territories which are under de facto control of communist insurgents and Moro separatist groups.

The state's monopoly on the use of force decreased significantly after Rodrigo Duterte was elected president in May 2016. Alleged criminals associated with the illegal drug trade were hunted not only by official police units but also by vigilante groups operating outside of the official legal system. According to official government figures, members of the Philippine National Police and the Philippine Drug Enforcement Agency killed 5,903 individuals during anti-drug operations from July 1, 2016 to September 30, 2020. This number, however, did not include the deaths of those killed by unidentified gunmen whom human rights organizations such as Human Rights Watch believe operate in cooperation with local police and officials. Thus, according to human rights organizations and the Philippine Commission on Human Rights, the actual number of those killed in the so-called war on drugs totals around 25,000 for the last five years.

Question
Score

Monopoly on the
use of force

5

'06 '22 10



1

Despite its multiethnic and multilingual composition, the large majority of citizens stand behind the concept of the nation-state as outlined in the 1987 constitution. Access to citizenship is not denied to any particular group. Resistance stems only from some ethnic and religious minorities, particularly from the many Muslims in Mindanao who see themselves more as Moro (the Spanish word for Moor, the Reconquista-period term used for Muslims) than Filipino. Therefore, the idea of Bangsamoro (Moro nation) is prevalent on the Western parts of the island of Mindanao and on adjoining smaller islands of the Sulu Archipelago. After a series of negotiations with various governments, a majority of Bangsamoro leaders accepted to stay with the Philippines in exchange for a greater degree of autonomy. A local referendum in the Muslim majority regions of Mindanao on the implementation of the Bangsamoro organic law (BOL) in January 2019 was supported by overwhelming majority (90%). Currently, the interim regional government of the BARMM (Bangsamoro Autonomous Region of Muslim Mindanao), the Bangsamoro Transition Authority (BTA), which is headed by Interim Chief Minister Murad Ebrahim and dominated by members of the MILF (Moro Islamic Liberation Front), is working to develop the necessary legal framework for the BARMM and the planned elections in May 2022.

Due to the Spanish colonial past, the vast majority of Filipinos are Roman Catholics. However, in recent decades the membership and importance of evangelical Christian groups, such Iglesia ni Cristo, El Shaddai or Jesus is Lord has steadily increased.

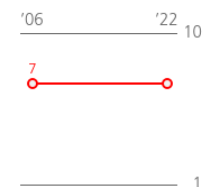
Officially, the principle of separation of church and state is stated in article II, section 6 of the 1987 constitution. However, in practice the Christian churches represent millions of Filipino citizens and their political influence cannot be underestimated.

For decades, fierce opposition by most Christian groups hindered the passing of the reproductive health bill in Congress. Current President Duterte supports family planning and has entered into conflict with representatives of the Catholic church. In addition, many Catholic bishops and priests have been intimidated and harassed for speaking out against extrajudicial killings and President Rodrigo Duterte's war on drugs. A report by the Uniting Church of Australia found 16 church members, ministers and priests were murdered by unidentified gunmen between 2017 and 2020.

The strong influence of conservative Christian values in the Philippines can also be seen in the issue of divorce. Apart from the Vatican state, the Philippines is the only country in the world without a divorce law. For many years, house bill 4408, which would permit divorce under very strict conditions, has been debated in the Philippine Congress, but Catholic resistance has so far prevented its passing.

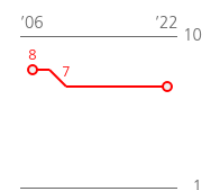
State identity

7



No interference of religious dogmas

7



The state's fundamental infrastructure extends throughout the entire territory of the country, but due to the archipelagic nature and vastness of the country, its operation is to some extent deficient. The number of civil servants is relatively high (1.2 million). However, not all of these have the necessary capabilities to fulfill their tasks properly, free of corruption and without patronage. With the introduction of the local government code in 1991, some functions were delegated to the provincial and communal level. President Duterte promoted the transformation of the Philippines into a federal state but had to give up his plans due to strong resistance within the Senate.

As pointed out in "Monopoly on the use of force," local clans and other groups further prevent the state apparatus from fulfilling basic state functions. Therefore, the Philippines suffers from weaknesses in collecting taxes and law enforcement. Communication, transport and basic infrastructure (water, education and health care) is available almost everywhere in the Philippines, but the quality particularly in rural areas is often relatively low. Many infrastructure projects have been delayed since the outbreak of the COVID-19 pandemic, but it is not justified to speak of a disruption to public service provision during this time.

2 | Political Participation

Since 1992, elections have been held regularly in a synchronized manner: every six years for president, and every three years for half of the Senate, House of Representatives, governors and mayors. The last presidential elections took place in May 2016. The latest Senate (12 out of 24 senators), House of Representatives, and provincial and municipal elections were held in May 2019.

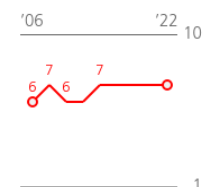
Elections are competitive and political posts are filled according to election outcome. Elections are conducted within a plurality (or first-past-the-post) electoral system, which favors well-known and affluent candidates. For generations, political dynasties have dominated their constituencies and national politics.

One-fifth of the House of Representatives is elected through a closed party-list proportional representation electoral system. Intended as an instrument to promote poor and under-represented groups and sectors of society, this system has been increasingly undermined by the political dynasties who file their members as representatives of marginalized groups.

The electoral management and particularly vote counting of the commission on elections (COMELEC) was previously fraught with manipulations and irregularities. The automated ballot-counting system introduced for the first time in the 2010 elections has improved the fairness of general elections. In the 2016 and 2019

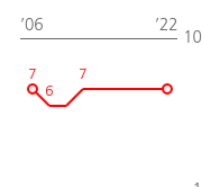
Basic administration

7



Free and fair elections

7



elections, the automated system allowed a determination of clear winners for the presidential and vice-presidential elections within 24 hours after voting had ended.

Election-related violence is a common feature in the Philippines. Particularly in rural areas, where local clans effectively rule, vote-buying and intimidation occur regularly. There are also cases in which polling stations run out of ballots or ballot boxes go missing. There have been allegations that computers have been manipulated to change results. In addition, media that support opponents of President Duterte have been victims of online harassment and legal prosecution (see “Freedom of expression”). These deficiencies, however, do not have a decisive impact on the overall outcome of election. Therefore, general elections in the Philippines can still be regarded as in accordance with democratic standards.

The COVID-19 pandemic has not impacted on elections in the Philippines, except for the postponement of the barangay (village) elections from May 2020 to December 2022.

In principle, elected leaders have the power to govern without any restraint. However, there are some informal veto players, still sufficiently powerful to restrain executive actions. This refers to the approximately 60 very powerful political clans who dominate the local and national political arena. To a large extent they and some other elite groups form an economic oligarchy, which has significant influence over national political decision-making. Their influence could be seen when they blocked the constitutional reforms proposed by the Duterte administration.

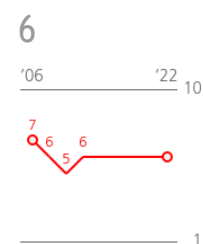
Another potential veto player is the armed forces of the Philippines whose subordination under civilian authority is only conditional. Some elements of the army leadership still consider themselves to have the right to interfere with the elected government if they believe the unity and stability of the nation to be threatened. This is bolstered by powerful networks between active and retired military officials and politicians. The effectiveness of the government’s power is not impeded by foreign actors.

Article III of the 1987 constitution (bill of rights) guarantees the freedom of association and assembly. Many organizations working on a wide range of issues exist. However, due to relatively weak state structures and powerful non-state actors, violence against people who make use of their constitutional right to assemble is still a major problem in the Philippines.

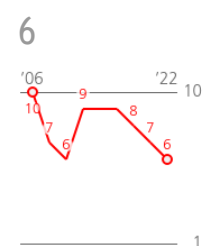
The current government under President Duterte regularly uses intimidation, harassment and/or threats of retaliation against the opposition. Many NGOs that are critical of the government have received death threats and are bullied in public, particularly by government-sponsored armies of social media trolls.

During the COVID-19 pandemic, the Philippine government imposed several restrictions on assembly rights, such as varying levels of lockdown and/or stay-at-

Effective power to govern



Association / assembly rights



home orders comparable with measures applied in most other countries around the world. In the Philippines, however, the sanctions against perpetrators were harsher. Reported abuses include local officials punishing curfew violations by locking people in dog cages or forcing people to sit for hours in the summer sun. In April 2020, President Rodrigo Duterte warned that anyone who violated the country's lockdown measures could be shot for causing trouble. Tens of thousands of people who were arrested for violating COVID-19 regulations were thrown into overcrowded detention facilities where social distancing was impossible, increasing their risk of contracting the virus.

For a long time, the Philippines enjoyed a relatively high degree of media freedom in comparison to other states in Southeast Asia. However, under the Duterte administration, the Philippines has incrementally turned into a state that suppresses freedom of expression.

The Freedom of the Press report 2020 by Reporters without Borders ranks the Philippines 136 out of 180 countries. The organization stated that in the Philippines several journalists were killed by thugs working for local politicians with complete impunity. In 2018, Reporters without Borders stated that the Philippines is second only to Iraq as the deadliest country for journalists and other people working in the media, with 76 work-related killings since 1992.

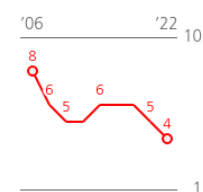
In the last two years, several incidents of legal harassment were waged against critical media such as The Daily Philippines Inquirer and the news website Rappler led by senior journalist Maria Ressa. One of the Philippines' oldest and most influential TV networks, ABS-CBN, was also the target of threats and intimidation by government agencies and institutions, which threatened to revoke the license of ABS-CBN in May 2020. ABS-CBN was subsequently forced to shut down and around 5,000 employees have been laid off. In this context, pro-Duterte armies of social media trolls have launched cyber-attacks on alternative news websites and the site of the National Union of Journalists of the Philippines in order to block them.

A Social Weather Stations national mobile phone survey conducted between July 3 and 6, 2020, found that 51% of Filipinos agree that it is risky to publish or air reports that are critical of the government. The same survey also showed that 56% of Filipinos view the government attack on ABS-CBN as "a major blow to press freedom."

The COVID-19 emergency law passed in March 2020 criminalizes the spreading of "false information," which is punishable by up to two months in prison and a PHP 1 million (around \$20,000) fine. In several cases, this law has been used to file cases against social media users, among them journalists, who criticized the government's COVID-19 policies.

Freedom of expression

4



3 | Rule of Law

The Philippines has a presidential system of government with a clear separation of powers. The authoritarian governance style of the Duterte administration, however, shows little understanding for a system of checks and balances. On various occasions, President Duterte has stated that the legislative and judicial branches of government should not hinder the implementation of his policies. These statements have been followed by actions taken against the Senate and the Supreme Court, two institutions that have the constitutional power to limit presidential policies.

On several occasions the president has prosecuted critical members of Senate. In July 2019, sedition cases were filed against top opposition figures, including Vice President Leni Robredo, incumbent Senators Leila de Lima and Risa Hontiveros, former Senators Antonio Trillanes IV and Paolo Benigno Aquino IV, and six senatorial candidates who took part in the 2019 mid-term elections. Senator Leila De Lima, who previously led a Senate probe into killings during the anti-drugs campaign, has remained in prison since 2017 on fabricated allegations of drug-trafficking.

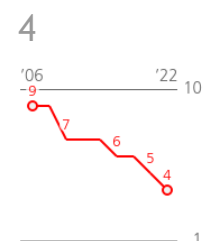
The independence of the Supreme Court was severely limited by the removal of Maria Lourdes Sereno as chief justice in May 2018 following a constitutionally questionable and politically motivated maneuver. She was appointed by the previous liberal Aquino administration, and opposed President Duterte's martial law and other executive actions.

During the COVID-19 pandemic, the Philippine Congress enacted the "Bayanihan to Heal as One Act" in March 2020, which gave President Duterte additional powers and authorized him to reallocate a budget of nearly PHP 275 billion (around \$5.37 billion) from the national budget approved for 2020 in response to the pandemic. The law expired at the end of June without a resolution extending it.

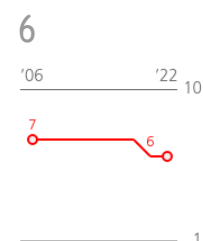
The judiciary in the Philippines is formally independent. However, in practice, bribes by rich and powerful people have frequently influenced prosecution, conviction, and sentencing in countless civil and criminal cases. Consequently, courts often take decisions in favor of the rich and powerful. The relatively low salaries of judicial officials perpetuate the problems of bribery and interference in court proceedings by government officials and military personnel at all levels. Another problem is the extremely long duration of court proceedings. A prominent example is the Maguindanao massacre, which occurred in November 2009. It took until December 2019 for the court process to finally come to an end.

Concerning the Supreme Court, a critical point for judicial independence is the current appointment practice of judges by the president. As explained under "Separation of powers," the politically motivated removal of Maria Lourdes Sereno as chief justice must be regarded as a serious infringement on the independence of the judiciary.

Separation of powers



Independent judiciary



The abuse of public office, not only at the national but also the local level, remains a crucial obstacle for the further enhancement of democratic and socioeconomic development in the Philippines.

President Duterte promised in his election campaign to take a tough stance on corruption. Indeed, he has fired more than 30 cabinet members and government officials who were appointed by him, over allegations of corruption. However, formal charges have yet to be filed against them and no major arrests have been made. In January 2021, President Duterte directed the Department of Justice (DOJ) to launch a sweeping investigation into graft across all government agencies, with a particular focus on the Department of Public Works and Highways (DPWH), which he earlier described as ridden with irregularities.

Duterte showed much greater leniency with suspects in major corruption cases, such as former President Gloria Macapagal-Arroyo and the Marcos family, all of whom are close supporters of the president. In December 2019, after 30 years of litigation, the Sandiganbayan – the Philippines’ anti-corruption court – dismissed based on a lack of substantial evidence forfeiture cases worth billions of U.S. dollars against the late dictator’s wife, Imelda Marcos, and her children.

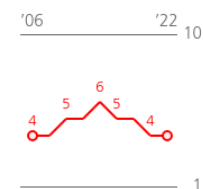
The Duterte administration is responsible for granting effective immunity to policemen and vigilante groups, who have been involved in the killing of thousands of alleged drug dealers and traffickers since taking office in 2016. The Philippine Commission on Human Rights reiterated its concern over the lack of accountability over these killings and complained about “the sense of impunity that has pervaded the country where violations occur and no one is held to account.”

De jure, the protection of personal liberty against state and non-state actors is guaranteed in Article 3 of the Philippine constitution. De facto, civil freedoms and human rights in the Philippines have declined since President Duterte came to power in May 2016. During the COVID-19 pandemic in 2020 and early 2021, the situation further deteriorated. In its 2020 annual report, *People Under Attack*, CIVICUS Monitor, a global research collaboration that tracks fundamental freedoms in 196 countries, downgraded the Philippines from “obstructed” to “repressed.” The reasons named include the systematic intimidation and vilification of, and attacks on civil society activists; a further crackdown on press freedoms; and a pervasive culture of impunity for murders during the war on drugs.

During the COVID-19 pandemic, in July 2020, the Philippine Congress passed the anti-terrorism law. This law contains vague provisions that the government can use to unjustly target critics. Among its provisions is the creation of the government-appointed Anti-Terrorism Council, which can designate a person or a group as a terrorist, meaning that they can be immediately arrested without a warrant or charges and be detained for up to 24 days.

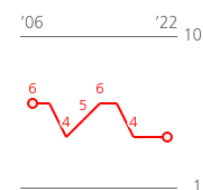
Prosecution of office abuse

4



Civil rights

4



It should be made clear that there is no systematic discrimination against women, ethnic or religious groups in the Philippines. The above-mentioned infringements on civil liberties are nevertheless serious.

4 | Stability of Democratic Institutions

President Duterte's leadership style is authoritarian, which seriously undermines the performance of the democratic institutions in the Philippines. Congress is dominated by members of the powerful political clans who have little interest in reforming the political status quo. This was reflected in the debates on reforms to the 1987 constitution, during which the House of Representatives blocked many reform-oriented proposals made by the consultative commission. In addition, the extremely time-consuming procedures in Congress hamper governmental effectiveness. Several important bills have been delayed or debated for more than five or sometimes even 10 years. The quantity and quality of legislative outputs are insufficient to substantially address the socioeconomic problems of the country.

As explained in "Separation of powers" and "Independent judiciary," judicial independence faces increasing political pressure. The efficacy and efficiency of many local government administrations by contrast, however, seems to have improved in recent years.

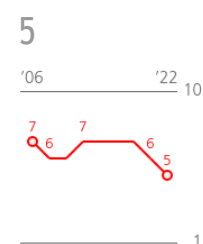
In general, all relevant political and social players accept democratic institutions as legitimate. No major political parties, associations, interest groups or civic organizations are openly campaigning against democratic institutions. However, democracy in the Philippines is being slowly eroded by an elected government that has incrementally rolled back democratic achievements, a global trend which can be observed in many other states worldwide.

President Duterte, his staff and most of his followers have an electoral rather than liberal conception of what constitutes a democracy. Hence, clear authoritarian tendencies are observable, including the reduction of civil rights and political liberties. The Duterte administration shows little appreciation for human rights or check and balances. It severely criticizes opposition views and actions.

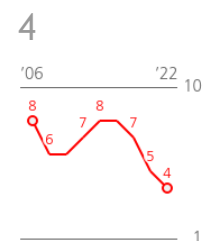
The growing political importance of military and police leaders is not a good sign for democracy. A case in point is the COVID-19 National Task Force, which is headed by Department of National Defense Secretary Delfin Lorenzana and composed mainly of the Philippine National Police (PNP) and the Armed Forces of the Philippines (AFP).

Several radical Islamist groups from Muslim Mindanao as well as underground communist groups more or less openly reject democratic institutions, but they represent only a small minority. They are not a real threat to the electoral democratic political order in the Philippines. More dangerous for democracy are those already in power.

Performance of democratic institutions



Commitment to democratic institutions



5 | Political and Social Integration

Due to the prevalent presidential system of government with a plurality voting system, all political parties play a subordinate role in Philippine politics. People vote for individuals rather than for parties. Therefore, the existing parties are not deeply socially rooted and organizationally institutionalized. They are not grounded in issues, ideologies and party platforms, but rather on personal connections and networks. Therefore, the level of polarization is relatively low and coalitions between all parties are possible.

Party-switching, with members switching from a losing to a winning party, is quite common. After the 2016 Congressional elections, dozens of members of the Liberal Party (the party of former President Aquino) switched to Duterte's party, PDP-Laban.

During his presidency, Duterte has not made any serious efforts to strengthen his party. Political parties in the Philippines are only able to articulate and aggregate societal interests in a very limited way. They are rather vehicles for powerful individuals.

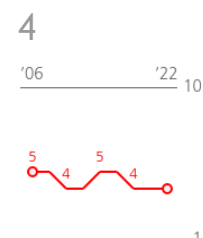
In the Philippines, a huge number of interest groups and organizations work as mediators between society and the political system. These groups and organizations all compete for political influence. As in all other political systems, access to financial resources is quite unequal between well-off business associations and non-profit civil liberty groups.

Whereas the Aquino administration had relatively good connections to various social groups and organizations, the relationship between the Duterte administration and NGOs, trade unions and social movements is rather strained. Representatives of certain business and social groups that refrain from criticizing the government enjoy relatively good access to the current president and his administration.

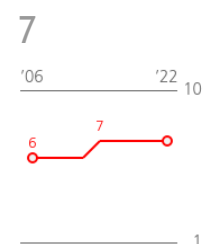
The authoritarian practices employed by the president have also taken a toll on interest groups and civil society associations. Despite this, there remains a robust and resilient, albeit fragmented, system of interest groups.

Popular support for and approval of the democratic system and democratic institutions is relatively high in the Philippines. A Pew Survey from February 2020 found out that 65% of Filipinos were satisfied with the way democracy is working in their country, while 34% were not. This result reveals a significant increase in dissatisfaction compared to a survey by the Social Weather Stations (SWS) from September 2018 in which 84% of the Filipinos voiced satisfaction. The previously mentioned Pew Survey also found that a majority of Filipinos support important elements of democracy such as press freedoms (64%), a free civil society (56%), a fair judicial system (80%) and regular elections (66%).

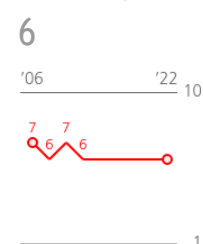
Party system



Interest groups



Approval of democracy



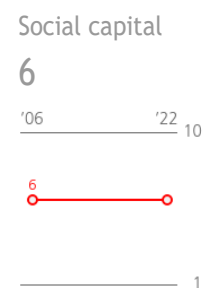
Concerning political institutions, a representative Pulse Asia Survey conducted in September 2020 found that (similar to the results in June 2018) 61% of respondents had trust in the Senate, 58% had trust in the House of Representatives and 54% had trust in the Supreme Court. This survey seems to indicate that the COVID-19 pandemic did not have any significant effect on people's attitude toward democratic institutions. On a less positive note, a Pulse Asia Survey published the following month shows that President Rodrigo Duterte registered an approval rating of 91%. Other surveys also show stable and strong public support for the president's punitive populism, and little concern about illiberal practices of executive aggrandizement. This might suggest that support for democracy is based on an illiberal, electoralist and output-oriented understanding of democracy.

As in other Southeast Asian societies, many elements of social capital such as mutual networks, trust among people, informal societal structures and volunteerism are widespread in the Philippines. Particularly close network ties with family and friends are of utmost importance in Philippine society.

Utang na loob (reciprocity), meaning the obligation to appropriately repay a person who has done one a favor, is a common Filipino cultural trait as well as pakikisama (togetherness). Pakikisama refers to the ability of a person to get along with others to maintain good and harmonious relationships. This includes offering help to neighbors who are in need.

Social life in the Philippines is structured to a high degree by many social organizations, which are mostly voluntary and autonomous.

There is anecdotal evidence to indicate that, during the COVID-19 pandemic, the sense of solidarity increased during the long periods of lockdown, which has also positively affected the self-organizational capacities of civil society. However, no academic research on this topic has yet been made available.



II. Economic Transformation

6 | Level of Socioeconomic Development

Between 2006 and 2018 (the latest available data), overall economic growth contributed to a decrease in the poverty rate in the Philippines of 10 percentage points. Poverty declined according to the Philippine Statistics Authority from 26.6% in 2006 to 16.6% in 2018. A national survey by the Social Weather Stations (SWS) in November 2020 on self-rated poverty, however, showed that 48% of Filipino families, or around 12 million people, rated themselves as “poor.”

A more positive picture emerges if one looks at the values of the U.N. Human Development Index, which indicates that the Philippines has experienced significant positive development in recent years but, nevertheless, remains at a “medium human development level.” The country reached a HDI value of 0.718 (2020), which is significantly higher than 0.699 in 2018 and 0.630 in 2012. The Philippines is now ranked 107, along with Bolivia and Indonesia, out of 189 economies.

The level of social exclusion due to poverty remains high, and the gap between rich and poor is showing no signs of narrowing. In fact, the country’s Gini coefficient increased in recent years, from 43.0 in 2012 to 47.9 in 2018. This is the second highest value in Southeast Asia after Thailand.

Opportunities for people from the lower strata of society to find a good job and to advance socially are very constrained. Therefore, millions of Filipinos choose to migrate temporarily or permanently to work abroad as an OFW (overseas Filipino worker).

Inequality between genders remains a concern. However, in comparison with other Southeast Asian and developing countries, discrimination against women is not extreme. More educated women are in high-ranking positions than in Western countries, whereas in rural areas violence against women by their husbands is still common. Still, the Philippines scored 0.430 in the Gender Inequality Index 2019, indicating that gender-based inequalities remain widespread.

Even without official statistics, it is probable that the COVID-19 pandemic had some effects on the level of social exclusion. The lockdowns particularly affected those who do not work in the formal sector, agriculture or public service. The millions of informal workers in small, precarious jobs were particularly affected by the stay-at-home orders. Many of them ended up in poverty as result of the COVID-19 pandemic.

Question
Score

Socioeconomic
barriers

4

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Economic indicators		2017	2018	2019	2020
GDP	\$ M	328480.9	346842.1	376823.3	361489.4
GDP growth	%	6.9	6.3	6.1	-9.6
Inflation (CPI)	%	2.9	5.2	2.5	2.6
Unemployment	%	2.6	2.3	2.2	3.4
Foreign direct investment	% of GDP	3.1	2.9	2.3	-
Export growth	%	17.4	11.8	2.6	-16.3
Import growth	%	15.1	14.6	2.3	-21.6
Current account balance	\$ M	-2143.0	-8877.0	-3046.8	12978.7
Public debt	% of GDP	38.1	37.1	37.0	51.7
External debt	\$ M	73098.4	78960.7	83617.3	98479.8
Total debt service	\$ M	11205.4	8799.8	10506.3	9251.4
Net lending/borrowing	% of GDP	-2.1	-3.1	-3.3	-
Tax revenue	% of GDP	13.6	14.0	14.5	-
Government consumption	% of GDP	11.3	12.0	12.5	15.3
Public education spending	% of GDP	4.4	3.1	3.2	-
Public health spending	% of GDP	1.4	1.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.2	0.8	0.9	1.0

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

De jure, the Philippines is probably one of the most liberal economies in Asia. State-owned enterprises do not play a significant role in the national economy, which is dominated by private business. However, there are still conglomerates and cartels owned by clans with strong ties to the political elite. Despite existing antitrust legislature and the accession to the WTO in 1995, the situation has not changed over the past couple of decades. Unfair trade practices exist especially in the sectors of telecommunications, energy, agriculture, food products and the cement industry. As a medium-developed country, the informal sector, which employs approximately 75% of the labor force, remains significant to the national economy. According to ILO, survey data indicate increasing numbers of workers in the informal sector, beyond the reach of social protection and labor legislation.

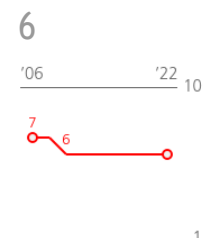
One hindrance is the inefficient bureaucracy that regulates investments and business operations in the country. Even if there are legal assurances over competition, bureaucratic red tape and lack of institutional autonomy of regulatory agencies increase the risk of doing business in the country. Establishing a business is particularly burdensome according to the World Bank's 2020 Doing Business report: it takes 13 procedures, 33 days and costs of 23.3% of the average income per capita, placing the country 171 out of 190 (2019: 166 out of 190) in the "Starting a Business" sub-index. High rates of corruption are also often named as one of the most significant obstacles for private investments in the Philippines. Despite increasing efforts to combat corruption, the problem remains one of the most pressing challenges facing the government.

The Philippine administrative system has a wide range of antitrust regulation at its disposal. Article 12, Section 19 of the constitution explicitly states that the Philippine state "shall regulate or prohibit monopolies when the public interest so requires." Additionally, "no combinations in restraint of trade or unfair competition shall be allowed."

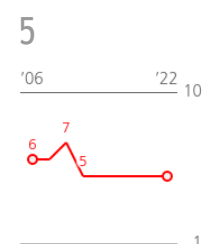
Nevertheless, the enforcement lacks decisiveness, due to vague formulations, overlapping competencies between several agencies and strong ties between the economic and political elites.

The Philippine fair competition act, patterned after the main antitrust laws in the United States, came into effect in July 2015. Its intention is to ensure efficient and fair market competition among businesses engaged in trade, industry and all commercial economic activities. It prohibits anti-competitive agreements, the abuse of dominant positions, and mergers and acquisitions that limit, prevent and restrict competition. The Philippine Competition Commission (PCC) has a generally good reputation for its struggle against cartels and reducing the high rates of concentration within the domestic market, but its powers are limited.

Market
organization



Competition policy



Many sectors of the Philippine economy are not open to foreign competition. Two amendments to the Foreign Investment Act of 1991, which were passed by Congress in November 2019, represent a small step toward increasing foreign involvement in the Philippine economy. The amendments removed restrictions on employing skilled foreign professionals and reduced the required number of local hires for foreign investors from 50 to 15.

Rhetorically, the Philippines has always supported a free-trade and non-protectionist foreign trade policy even if the reality on the ground was somewhat different. The Duterte administration has not altered this old tradition.

The Philippines' membership in the ASEAN economic community eliminates tariffs on approximately 99% of all goods for ASEAN trading partners, with some exceptions for sensitive goods. However, there are still import quotas for rice and some other food products.

The World Bank's Doing Business Report 2020 ranks the Philippines 113 out of 190 countries for trading across borders, which is below the regional average.

The level of foreign direct investment is very low compared to other Southeast Asian states. In 2019, FDI did not even reach \$6.5 billion, the lowest level since 2015. In a comment, the National Economic and Development Authority (NEDA) Director General Ernesto Pernia complained that the Philippines was the most restrictive country in terms of FDI in the Southeast Asia region.

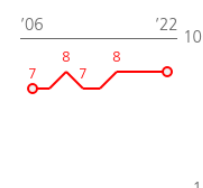
The simple average most favored nation (MFN) tariff applied to imports was 6.1% in 2019. Foreign investors experience several restrictions on what they may own, especially investors in natural resource exploration, the operation and management of public utilities, and educational institutions. Sectors of strategic importance, notably agriculture, fishery and several services, are generally restricted.

In 2015, the European Union granted the Philippines duty free entry to the European Union for many of the most important Philippine export goods under the European Union's Generalized Scheme of Preferences (GSP+). In September 2020, however, the European Parliament passed a resolution demanding that the European Union stop the preferential trading preferences for the Philippines in the light of gross and systematic violations of human rights occurring in the Philippines.

The Philippine banking system has been well-capitalized and resilient in the face of turbulence in the global economy. In June 2020, the consolidated capital adequacy ratio (CAR), which displays a bank's risk weighted credit exposure, averaged 16.7% (15.8% in 2018 according to World Bank data). This is well above the Basel III standard of 8%.

Liberalization of
foreign trade

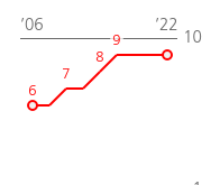
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Banking system

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In October 2020, Secretary of Finance Benjamin Diokno reported that the capital adequacy ratio of banks stood at 15.3% on a solo basis and 15.9% on a consolidated basis as of end-March 2020

The amount of non-performing loans rose significantly in 2020 as a consequence of the COVID-19 pandemic, but at 3.8% (November 2020) it remains average by regional comparison. A credit crisis has so far not occurred. The Philippines' foreign exchange reserves are sufficiently high at \$98 billion (July 2020). Ratings agency Fitch stated in January 2021 that the outlook for the Philippines banking system is stable, given that prospects in 2021 are broadly similar to those in 2020.

8 | Monetary and fiscal stability

The Philippine central bank (Bangko Sentral ng Pilipinas, BSP) is the highest monetary authority in the Philippines and is generally considered to be quite independent of the government. International ratings agencies and actors in financial markets generally have a positive opinion about the BSP and the Philippine banking system.

After a relatively high inflation rate (5.2%) in 2018, inflation decreased to 2.5% over 2019 and 2020. During the same period, the Philippine peso remained stable and without high volatility with respect to major foreign currencies. The COVID-19 pandemic has so far not significantly impacted on inflation or currency stability in the Philippines.

In order to stimulate the economy in the face of the coronavirus pandemic, the government launched an aid package worth around \$4 billion that was not previously included in the budget at the end of March 2020. It is the largest aid package ever provided by a government in the Philippines, but quite small in comparison to those of neighboring countries. Due to the economic crisis, special expenses and the expected reduction in tax revenue, budget deficit targets were raised to 9.6% of GDP for 2020 and 8.5% for 2021. The proposed budget for 2021 is 9.9% above the budgeted budget for 2020.

Public debt rose to 48.1% of GDP by the end of June 2020, from only 41.9% in 2019 and 33.9% in 2017, due to an increase in loans to fund programs to fight the pandemic.

Despite the economic crisis, until January 2021, the three largest ratings agencies (Standard and Poor's, Moody's, and Fitch) did not devalue Philippine government bonds, with government bonds continuing to be (as since 2013) classified as worth investing in. In May 2020, the World Bank approved a \$500 million loan to help the Philippines mitigate the impact of the COVID-19 pandemic.

Monetary stability



Fiscal stability



9 | Private Property

Although the constitution provides a legal framework for private property rights, enforcement remains inconsistent. Outdated and conflicting laws hinder coordination between administering agencies, allow for arbitrariness and corruption, increase transaction costs and consistently lead to conflicts with informal settlers. In the 2020 International Property Rights Index from the Property Rights Alliance, the Philippines ranked 69 out of 129 countries. The ratings with regard to judicial independence, rule of law and control of corruption are relatively low.

In order to resolve this situation and to streamline the process of land registration, the Philippine Congress has been deliberating a land administration act for more than 10 years. According to the proposals, all administering competencies should be transferred to a single agency, the land administration authority, with quasi-judicial powers to settle private property disputes. However, it remains questionable if the bill will be passed by Congress anytime soon.

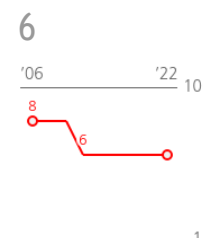
The World Bank's Ease of Doing Business Report 2020 ranks the Philippines 95 out of 190 countries (2019: 124, 2018: 113, 2017: 99). According to this report, the Philippines made starting a business easier by abolishing the minimum capital requirement for domestic companies. In addition, the Philippines made dealing with construction permits easier by improving coordination and streamlining the process for obtaining an occupancy certificate. The Philippines also strengthened minority investor protections by requiring greater disclosure of transactions with interested parties and enhancing director liability for transactions with interested parties.

A major constraint for micro, small and medium enterprises, which employ 98% of the workforce mainly in the agricultural, trade, hotel and restaurant sector, is accessing finance. A strong dependency on internal sources of financing hinders investments and expansion plans, thus undermining the competitiveness of the Philippine economy and the transformation of the economy from agriculture to manufacturing. High concentration in several sectors of the economy constitutes an additional barrier to under-capitalized enterprises.

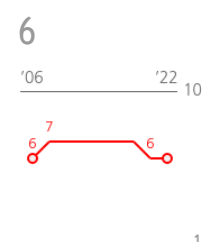
The government continued to promote public-private partnerships (PPPs) such as the Build, Build, Build Program in order to attract new investors, tackle bottlenecks in infrastructure projects and privatize some of the remaining state-owned enterprises.

The current administration in the Philippines has no plans for the privatization of the economically important state-owned enterprises. During the COVID-19 pandemic, the government did not take equity stakes in troubled firms or nationalize companies to prevent bankruptcy.

Property rights



Private enterprise



10 | Welfare Regime

Social safety nets in the Philippines are still underdeveloped compared to many other countries in Southeast Asia. Most Filipinos rely on support from family (particularly remittances from relatives living overseas) or village-level structures.

The main instrument of the state's social safety system is the conditional cash transfer (CCT) Pantawid Pamilyang Pilipino Program (4Ps), which was launched in 2007. Ex-president Aquino and current President Duterte continued the CCT program but enacted no new major social safety policy initiatives. In April 2019, President Duterte signed Republic Act No. 11310, which made the 4Ps the official national poverty reduction strategy of the government.

Currently, the CCT program covers about 4.3 million poor households (December 2019), reaching more than 10 million children. CCT grants regular payments of about \$33 to mothers conditional on their children regularly attending school and receiving preventive health check-ups. According to a study by the Asian Development Bank (ADB) and the World Bank, the Philippine CCT is one of the most efficient social safety systems: it costs less than 0.5% of GDP yet reaches approximately 15 million people. The program has one of the most comprehensive poverty targeting databases in the world today, covering 75% of the country's population. One of its main advantages is that it delivers basic support outside the traditional patronage systems.

Right after the outbreak of the COVID-19 pandemic in March 2020, the Philippine government introduced the large-scale Social Amelioration Program (SAP) under the Bayanihan to Heal as One Act. Around 18 million poor and vulnerable households, comprising 70% of the population, were covered by the SAP program, including the households already enrolled in the 4Ps but also including vulnerable groups such as informal workers.

According to the Philippine constitution, there is equal access to education, public office and employment. In practice, however, Muslim people living in peripheral rural areas (e.g., Bangsamoro is the poorest and least developed region in the Philippines) face greater difficulties finding a good job than Christian people living in urban areas (e.g., Metro Manila is the most developed part of the Philippines). The critical situation of indigenous groups which have experienced consistent marginalization and have been victims of land-grabbing has not improved in recent years.

In terms of gender equality, the Philippines is ranked a remarkable 16 out of 153 countries in the 2020 Global Gender Gap Index of the World Economic with a score of 0.781. The Philippines boasts the smallest gender gap of any Asian country by far – the second best is Lao PDR, which ranked 43. The index covers economic participation and opportunity, educational attainment, health outcomes, and political empowerment.

Social safety nets

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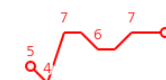


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Equal opportunity

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Under the Duterte administration, republic act 10911 was passed, which penalizes employers who refuse to hire workers because of their advanced age. This is a significant step in implementing anti-discrimination in employment. A bill on anti-discrimination based on SOGIE (sexual orientation or gender identification/expression) promoted by Senator Risa Hontiveros has been locked in Congress for many years.

11 | Economic Performance

Between 2009 and the outbreak of the coronavirus pandemic, the Philippines enjoyed considerable economic growth. However, growth in gross domestic product in 2019 was only 5.9% and was thus lower than in previous years (2018: 6.2%, 2017: 6.7%). In 2020, the coronavirus pandemic had a very negative impact on economic development in the Philippines. Household consumption, which accounts for around three-quarters of GDP, fell by 15.5% in the second quarter of 2020, down 7.8% for the first half of 2020. The unemployment rate more than tripled from 5.1% in April 2019 to 17.7% in April 2020. Over the whole of 2020, GDP contracted by 9.5%. As a result, the Philippines experienced one of the largest economic slumps of any country in East and Southeast Asia.

Another important component of GDP, remittances from Filipinos living abroad, declined 4.2% year-on-year in the first half of 2020. With over 500,000 seafarers, Filipinos make up around 25% of global shipping crews. Consequently, the relatives of Filipino seafarers were particularly affected by the restrictions on movement, with remittances from seafarers falling by almost 20%. In mid-August 2020, the government reported that in 2020 over 600,000 Filipinos previously employed abroad had returned because they had lost their jobs.

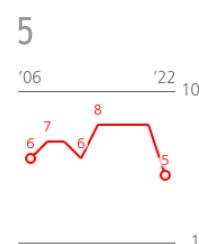
The budget deficit is higher than before and state debts have risen significantly, but both are still considered to be manageable.

12 | Sustainability

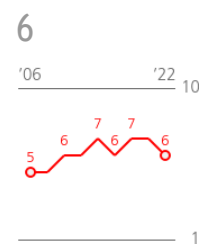
In the latest Environmental Performance Index (EPI) 2020, the Philippines ranked 111 out of 180 countries, a strong decline from 82 in 2018 and 66 in 2016. The biggest negative developments were noted in the species habitat sub-index, and the growth rate of carbon dioxide and nitrogen oxide emissions. The EPI scores and ranks countries on the basis of two areas: environmental health, which measures the protection of human health from environmental harm, and ecosystem vitality, which measures ecosystem protection and resource management.

The Philippines is one of the most vulnerable countries in the world to climate change and has experienced an increasing number of natural disasters such as typhoons over

Output strength



Environmental policy



recent years. Having adopted a skeptical position for a long time, President Duterte has now recognized the dangers that the consequences of climate change pose to the Philippines and has addressed this issue at various national and international events.

It is remarkable that more than 25% of the Philippines' electrical energy is from renewable energy sources. Geothermal energy production is one of the highest in the world. In contrast, mining which causes many environmental problems in neighboring countries is heavily restricted in the Philippines.

Human capital development is a key element in the Philippine development plan 2017-2022. Recent education reforms have increased enrollment levels, graduation rates and mean years of schooling in elementary and secondary education. They have also improved the quality of higher education. The 2013 basic education act extended the basic education cycle from 10 to 13 years.

However, simply increasing the number of years of schooling does not automatically result in greater learning and qualifications. In the U.N. Education Index 2019, which captures the level of education by measuring average years of schooling for adults, the level of education in the Philippines has grown only very slowly since the above-mentioned education extension. From a value of 0.655 in 2013, it grew to only 0.678 in 2019.

Nevertheless, the enacted educational reforms are a serious attempt to counter the vast deficits in the education system, which constitutes a significant constraint on further inclusive growth. The Philippines has historically scored very low in international math and science high school rankings. In the 2018 PISA tests of 15-year-old students' skills and knowledge in mathematics, the Philippines ranked 73 out of 75 countries. With around 35 students per teacher in high school, the Philippines has one of the worst teacher-student ratios at the secondary level of education in Southeast Asia.

The education budget has grown markedly from 2.9% of GDP in 2013 to 4.3% of GDP in 2017. The Duterte administration has further increased expenditure on education and passed the universal access to quality tertiary education act, which includes provisions for the state to pay the tuition fees for undergraduate students in state universities.

Investment in R&D in the Philippines increased slightly from 0.14% of GDP in 2014 to 0.18% of GDP by 2017, and (according to government information) to 0.15% of GDP, which is one of the lowest rates in all of Southeast Asia.

Some hope for change was connected with the Philippine Innovation Act, which was passed with the intention of encouraging R&D by providing a PHP 1 billion revolving fund to support startups, and innovative micro, small and medium enterprises (MSMEs). For many years, academics and sections of the business community have demanded that the Philippines invest more in science and technology in order to sustain economic growth rates.

Education policy /
R&D

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'06 '22 10



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Governance

I. Level of Difficulty

The Philippines is an archipelago consisting of more than 7,000 islands, which stretch approximately 1,850 kilometers from north to south and more than 1,100 kilometers from west to east. With around 108 million inhabitants (and an additional 10 million who live and work abroad), the Philippines is the 13th most populated state in the world, posing a more difficult challenge for good governance and development than in smaller states. The Philippines is predominantly mountainous. It is an extremely multiethnic and multilingual country. Additionally, its close location to the Pacific Ring of Fire leaves the Philippines prone to relatively frequent natural disasters, such as volcanic eruptions, earthquakes and typhoons. In the last few years, the Philippines witnessed several extremely strong typhoons.

In November 2020, Super Typhoon Goni (named Rolly in the Philippines), the world's most powerful tropical cyclone in 2020, brought torrential rains, violent winds, mudslides and storm surges to Luzon and other part of the Philippines. It was followed by Typhoon Vamco (named Ulysses in the Philippines) only a few days later. Together, the two typhoons caused around \$720 million in damage.

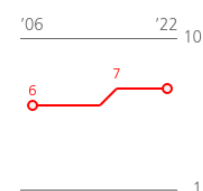
In the Weltrisiko-Index 2020 of the University of Bochum, the Philippines ranked ninth out of 181 countries (2018: third out of 171) on a scale of countries most vulnerable to natural and other disasters. It is obvious that under these geographic and demographic conditions, it is difficult for any government to provide adequate infrastructure and public services (e.g., health care and education) to all parts of the country. Weak state capacity and structurally ingrained social inequality further constrain the political leadership's governance capacity.

Despite remarkable GDP growth in recent years, the poverty rate is declining only slowly. The very high rate of population growth is one reason why addressing poverty is so difficult. Over the last 40 years, the population of the Philippines has more than doubled from around 50 million in 1982 to around 108 million in 2020.

Not least due to the prominence of Roman Catholic beliefs on sex and reproduction, the Philippine population is currently increasing at a rate of approximately 1.8 million people per year. The overall fertility rate per woman has gone down quite significantly over the last 20 years, but the Philippines nevertheless has one of the fastest growing populations in Southeast Asia (beside East Timor and Laos).

Structural
constraints

7



The lockdowns during the COVID-19 pandemic meant that hundreds of thousands of women were unable to access birth control, resulting in an increase in unplanned pregnancies across the country. It is estimated that an extra 214,000 unplanned babies will be born in 2021, according to projections by the University of the Philippines Population Institute and the United Nations Population Fund.

As mentioned in “Interest groups,” the Philippines has a vibrant associational system. Its traditions reach back to the late Spanish period and the period of U.S. rule, which emphasized and actively promoted the formation of societal associations. The country also has one of the highest densities of societal associations in Southeast Asia. Institutional factors such as the 1987 constitution and the local government code (the “decentralization law”) provide favorable political incentives for the flourishing of civic associations and interest groups.

The spectrum encompasses archconservative Christian organizations, business associations, civil liberty groups and leftist organizations. Many of them are very active and seek to make their voice heard in the public sphere.

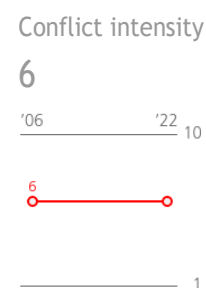
Transparency and frequent public participation lead to relatively high social capital. However, this advantage translates insufficiently into politics, meaning that the dominance of oligarchic clans has been challenged but not broken by civil society. The growing authoritarian tendencies of the Duterte government are a threat to civil society groups that are critical of government policies.

A variety of serious conflicts plague the Philippine state. The most important cleavage in the Philippines is the sharp division between a small, but extremely powerful upper-class, mostly consisting of established landowning family clans and the large majority of the population, who live in poverty. To date, all governments have failed to distribute the nation’s wealth in accordance with the principle of social justice.

Another major cleavage in the extremely multilingual and multiethnic country is that between center and periphery. Urban areas, particularly Metro Manila, enjoy a much higher standard of living than rural areas and will continue to do so in the near future.

The conflict in Muslim Mindanao is not only driven by ethnic and religious causes. The eastern parts of Mindanao are the poorest and least developed areas of the country. In addition, local warlords with private armies are responsible for widespread violence. The crime rate is not as high everywhere as in the troubled regions of Muslim Mindanao, but compared to other Southeast Asian countries, the number of conflicts and the use of violence in the Philippines is above average.

The war on drugs and criminality that President Duterte began in 2016 has led to extrajudicial killings and human rights abuses, particularly among the poor social classes, and adds another dimension to existing conflicts. The financial and political strengthening of military and police units, particularly the de facto immunity granted to them, is partly responsible for the continuation of violence in many parts of the country.



The COVID-19-related economic crisis came as a shock after more than 21 years of uninterrupted economic growth. It will take some time for the country to recover economically, but the economic crisis could increase the likelihood of political transformation with elections scheduled for May 2022.

II. Governance Performance

14 | Steering Capability

The top priority of the current administration under President Duterte is to improve economic conditions and reduce poverty in the country. Because drug dealing and consumption are regarded as major hindrances of socioeconomic development, the administration has also made the war on drugs a top policy priority in the Philippines. Additionally, the Duterte administration wants to reform existing political and administrative structures by proposing a new constitution, the main idea of which is to introduce federal government structures.

In general, the Duterte administration has shown a commitment to reform and has set clear priorities, even if many observers question whether these priorities are the correct ones. The president's lack of respect for human rights and his authoritarian leadership style are, however, not compatible with the idea of deepening democracy.

Following the outbreak of the COVID-19 pandemic, containing the spread of the virus and achieving economic recovery have become new priorities. The government, however, failed to achieve significant success in preventing the spread of the coronavirus and economic decline. With 521,413 confirmed COVID-19 infections and 10,600 COVID-19-related deaths (WHO data from January 31, 2021), the Philippines had (together with Indonesia) the highest coronavirus infection numbers in Southeast Asia. In addition, with a record negative economic growth rate of 9.5%, the Philippines had the worst economic performance of any ASEAN state in 2020. In an academic study on containing the coronavirus by the Australian think tank the Lowy Institute in January 2021, the Philippines ranked 79 out of 98 countries evaluated.

One long-term priority of the Duterte administration has not been affected by the impact of the COVID-19 pandemic, namely the war on drugs. According to Human Rights Watch's World Report 2020, "killings intensified during the COVID-19 pandemic in 2020, as did unnecessary arrests during lockdowns." It seems that the initial priorities of the Duterte administration, economic improvement and poverty reduction, have become less relevant over the last two years.

Question
Score

Prioritization

5

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Policy implementation is a major problem in the Philippines. Compared to his electoral campaign promises, President Duterte has only realized a small number of his planned projects. The massive investments in public private partnership programs to deliver urgently needed infrastructure projects such as highways and public transport have been plagued by significant delays in construction.

Another major policy reform that failed was the introduction of a new constitution, which was intended to address many of the weaknesses of the 1987 constitution and has so far not been amended. All of Duterte's plans to restructure the political system of the Philippines (the federal state, parliamentary system of government and electoral reforms) have not been realized and were blocked in the end not only by some obstinate senators, but also by the Duterte administration's lack of political will.

The COVID-19 pandemic was not the main reason for the lack of implementation of important government policies, since the projects were already stuck before the pandemic hit the Philippines. It is worth mentioning that the substantial problem of policy implementation is not a new problem but had already existed under the previous Aquino and GMA administrations.

The response of the Duterte administration to the threat posed by the COVID-19 pandemic was typical of Duterte's leadership style. Instead of focusing on protecting lives, the police and military-dominated COVID-19 task force decided to strengthen national security, and law and order. Consequently, the war on drugs was intensified, tens of thousands of people were arrested for violating quarantine measures, and new anti-terrorism measures were passed that extended the government's powers to suppress dissent and restrict basic civil rights.

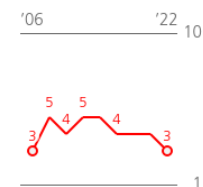
If judged by the rhetoric of leading politicians and technocrats, policy learning is an important part of Philippine policymaking, but the reality is often more sobering. It is relatively common in Philippine politics that the newly elected administration distances itself from the policies of their predecessors and tries to avoid their mistakes. President Duterte complained about the missing successes and the slow pace of reform of his predecessor and tried to speed up the process. To date, however, there are few visible examples of policy learning.

The Philippines was under previous administrations generally very open to receiving foreign advice and consultancy. This has become less so under President Duterte.

In terms of the government's performance in responding to the coronavirus pandemic, the government did not learn much from other countries which sought to find the right balance between individual/economic freedom and state rigidity in containing the spread of the virus. Instead, the government pursued an authoritarian police-led lockdown policy, which led not only to one of the highest rates of COVID-19 infections and deaths but also to one of the highest rates of economic damage in terms of negative GDP growth worldwide.

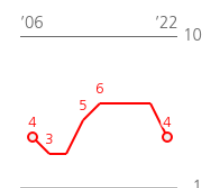
Implementation

3



Policy learning

4



15 | Resource Efficiency

The Philippine government makes efficient use of only some of its available human, financial and organizational resources. The appointment of public servants is in many cases not in accordance with competitive recruiting procedures but rather a tool of patronage. In particular, the Philippine president can appoint thousands of administrative positions and every president so far has made use of this power. The number of politically motivated dismissals is very high, reducing the efficient use of government administrative personnel. Public service is often inefficient, primarily due to lack of effective management.

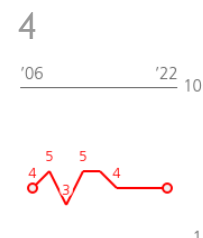
A substantial waste of public money is the pork barrel system, a lump-sum discretionary fund granted to each member of Congress to be spent in their respective constituencies. Many members of Congress divert this public money into their own pockets. Despite being officially abolished by a Supreme Court decision in 2014, this practice has continued. Members of Congress continue to submit “lists of projects” to the administration to be funded by the national budget.

Under the Aquino administration, the Philippines did relatively well in terms of fiscal policies and balanced state budgets. This has changed under President Duterte, with higher budget spending, particularly for the security sector and education. Consequently, state debts have risen since 2016 and the state’s currency reserves have been reduced. This trend has continued following the outbreak of the COVID-19 pandemic in March 2020, as extra-state spending for affected companies and citizens became necessary. So far, this reallocation of resources seems to have been done in a largely efficient and transparent manner. There was, however, one major corruption scandal around the Philippine Health Insurance Corporation (PhilHealth), which operates under the Department of Health, in which in midst of the COVID-19 pandemic around PHP 15 billion (approximately \$300 million) was pocketed by certain individuals within the agency.

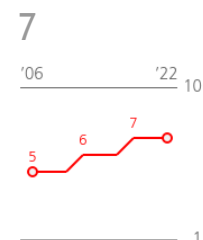
Currently there are no major frictions and contradictions between the various state departments. The Duterte administration controls the House of Representatives and the Supreme Court. Only a few senators are not supporters of the president, but the number of Duterte followers has increased since the 2019 mid-term elections. The national government is supported by allies in a majority of the local governments.

What is problematic in terms of policy coordination is the limited strategic orientation toward innovation in the Philippines, which would be necessary to improve international competitiveness. The coordination between state, private enterprises and research institutions, such as universities and think tanks, desperately needs further improvement.

Efficient use of assets



Policy coordination



With regard to the fight against the COVID-19 pandemic, policy coordination under the COVID-19 National Task Force has not been very successful. The task force focused too much on law and order, and neglected social, economic and humanitarian aspects.

In his election campaign of 2016, President Duterte took a tough stance on the fight against corruption. In July 2016, Duterte signed an executive order mandating full public disclosure by all offices under the executive branch.

However, some of Duterte’s cabinet members (e.g., former Tourism Secretary Wanda Tulfo-Teo and former Justice Secretary Vitaliano Aguirre) were allegedly involved in corruption and were forced to leave their offices. Formal legal procedures, however, have not been pursued in either case.

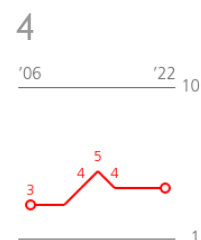
In terms of credibility in the fight against corruption, it must be noted that Duterte has very close ties with the Marcos clan and Gloria Macapagal-Arroyo. The latter is far from a good example of a “clean” leader and had been under house arrest for six years under the previous administration on charges of corruption, electoral fraud and plunder. The same holds true for the Marcos clan, the family of former dictator Ferdinand Marcos (1972–1986), whose members still benefit from the millions of U.S. dollars that were stolen during the authoritarian era. In a remarkable decision, the Sandiganbayan, whose task is to tackle graft and corrupt practices committed by public officers and employees, dismissed a civil case against the Marcos family involving the forfeiture of PHP 267 million (around \$5.5 million) of alleged ill-gotten wealth in December 2020.

According to media reports, the Philippine tax authority, the bureau of internal revenue (BIR) has pursued more cases of tax evasion than previously. A website, phone hotline and a Facebook page invite Filipinos to report tax cheaters, smugglers and officials guilty of graft or having a suspiciously lavish lifestyle. However, the rate of corruption remains high, particularly in the civil service (see the recent corruption scandal in PhilHealth described “Efficient use of assets”) and the police.

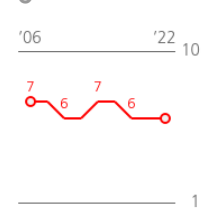
16 | Consensus-Building

Electoral democracy and the market economy are strongly supported by an overwhelming majority of the Filipino political and economic elite, as well as the general public. However, the high numbers of popular and elite support for an authoritarian leader like President Duterte reveals that this widespread support for democracy does not include all ingredients of a fully-fledged democracy. Despite the ongoing coronavirus pandemic and the related economic crisis, President Duterte still enjoys a high level of support among the general public. In a Pulse Asia survey from September 2020, 91% of Filipino respondents reported being satisfied with Duterte’s performance as president, only 5% disapproved of his performance, while 5% were

Anti-corruption policy



Consensus on goals



undecided. Democracy as a general concept is refused completely by only small minorities. This includes the radical left, who strive for a communist order, and radical Islamists in Mindanao who favor an Islamic caliphate. At beginning of his term, President Duterte made serious efforts to include the radical left in mainstream political decision-making but gave up after less than two years. At the end of 2018, he ordered the army to hunt down and kill all militant communists. In December 2020, President Duterte said that during the rest of his term there would be no truce with the communist rebels.

The market economy is generally accepted by a large majority of Filipinos. This is in part due to the strong American cultural influence and its emphasis on the key principles of market economy such as competition and private enterprise, which as a result are deeply engrained in the minds of the elites and ordinary Filipinos. However, free market economy is heavily criticized by a large segment of the political left, ranging from moderate critics of neo-liberalism to radical communists. These groups would prefer a more state-oriented economic system.

President Duterte himself can be regarded as an anti-democratic actor since he has displayed authoritarian tendencies, reflected by his low regard for human rights and civil liberties. Additionally, he has threatened on various occasions to declare martial law and/or abolish democratic institutions such as Congress or the Supreme Court if they oppose his policies.

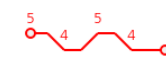
As explained in “Consensus on goals,” established family clans, who care more for their economic and political power than for a liberal democracy, are a danger to deeper democratization in the Philippines. They are mostly co-opted within the democratic structures but show resistance against any substantial reforms that would endanger their positions and privileges.

The Armed Forces of the Philippines (AFP) is a potential veto player, of which some factions have initiated several attempted coup d'états since the start of the democratization process in 1986. The administration of former President Gloria Macapagal-Arroyo relied heavily on their support due to its low level of public legitimacy. Whereas military expenditure (as a percentage of GDP) was declining under the Aquino administration, President Duterte has raised it. Additionally, he appointed many retired army members to top government and administrative positions. Around half of his secretaries are former high-ranking military or police officials.

Anti-democratic actors

4

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The most important internal conflict in the Philippines is in the Muslim areas of Mindanao (Bangsamoro). The Duterte administration began a new round of negotiations with the Moro Islamic Liberation Front (MILF) and agreed the Bangsamoro Organic Law (BOL), which enabled the establishment of the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM).

Under the deal for BOL, the rebels gave up their goal of an independent state in exchange for broad autonomy. A referendum in January 2019 ratified the BOL and a more autonomous Bangsamoro transition government under Interim Prime Minister Murad Ebrahim was formed.

The cleavage between labor and capital has not been reduced in recent years. Trade unions find themselves in a difficult position. As can be seen in many other countries, the main benefits of economic progress went to the already well-off people. Since a redistribution of wealth is only weakly implemented in the Philippines, the cleavage is likely to grow in the coming year.

So far, the Duterte administration relies on the traditional liberal economic programs (trickle-down effect) of his predecessors and shows insufficient engagement to seriously tackle this socioeconomic cleavage.

In general, civil society organizations and NGOs are usually excluded from formal decision-making in the Philippines, but they play an important role in initiating legislation and influencing debates in Congress. A multitude of watchdog organizations closely monitor policy implementation. Community-based organizations exert a strong influence on local level political decision-making.

Under the presidency of Rodrigo Duterte, reform-oriented, liberal and left-wing civil society organizations that promote human rights and civil liberties have been sidelined, and, worse, increasingly harassed and even murdered. Without any legal consequences, security forces and unidentified gunmen have committed dozens of extrajudicial killings of political activists, environmentalists and human rights defenders.

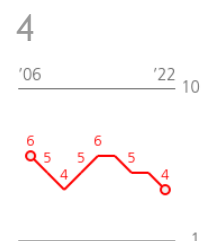
The Duterte administration hardly included any civil society actors in its COVID-19 response, focusing instead on the police and military, as can be seen in the composition and actions of the COVID-19 National Task Force.

Reconciling historical acts of injustice, such as those that were perpetrated under the military dictatorship of Ferdinand Marcos, is not a topic for President Duterte. He has made no secret of his admiration for the former dictator, whom he allowed to be buried at the national Heroes Cemetery nearly 30 years after his death. Additionally, he promoted the political careers of the son and wife of Marcos. These actions did not contribute to reconciliation between the supporters and victims of the authoritarian rule of Ferdinand Marcos.

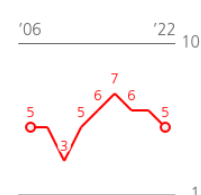
Cleavage / conflict management



Civil society participation



Reconciliation



Another important reconciliation process concerns that between the national government and the Muslim minority (Bangsamoro) in Mindanao. A major step was the signing of a comprehensive peace agreement between the central government and the MILF (Moro Islamic Liberation Front) in March 2014, followed by agreeing of the Bangsamoro Organic Law (BOL) in 2018, which was ratified by referendum in January 2019. In the BOL, the government explicitly acknowledged the Bangsamoro’s “distinct historical identity and birthright to their ancestral homeland.” This reconciliation process seems to have had greater success.

17 | International Cooperation

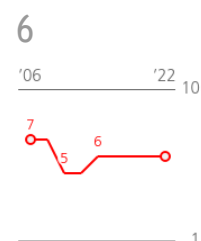
Philippine governments have repeatedly underlined their willingness to learn and to profit from international loans, grants and knowledge in order to improve their internal weaknesses in terms of governance and economic development. In February 2017, the national economic and development authority (NEDA) officially approved the Philippine development plan 2017 – 2022 targeting the socioeconomic improvement of the living conditions for all Filipinos. According to NEDA, the total official development assistance (ODA) portfolio as of December 2019 amounted to \$21.62 billion and consisted of 84 loans worth \$19.98 billion and 268 grants worth \$1.64 billion. Japan provided the bulk of ODA assistance to the country, accounting for a 39% share (\$8.51 billion for 41 loans/grants) of the active ODA portfolio, followed by the Asian Development Bank (ADB) with 26% (\$5.70 billion for 44 loans/grants) and the World Bank with 20% (\$4.31 billion for 25 loans/grants).

Despite all the Philippine interest in international cooperation, implementation is in several cases hampered by an inefficient bureaucratic system and excessive red tape within the implementing organizations. In some cases, bureaucrats and local organizations in charge have even misused development aid funds.

The Philippines has a history of being a generally reliable and well-reputed member of the international community. The Philippines’ traditional close cooperation with the United States, and its East Asian allies Japan and South Korea, however, was challenged by the foreign policy of the Duterte administration. Confronting the United States, President Duterte announced that he would forge “new alliances” with China and Russia. Surveys have shown, however, that China and Russia (in stark contrast to the United States) are not very popular among the Filipino population. China’s claims over maritime territory the Philippines considers its own are perceived as a threat by most observers. Duterte’s distinctive foreign policy has led to a loss of credibility with many Western and East Asian countries.

Additionally, Duterte’s war on drugs and the resulting deterioration of the human rights situation in the Philippines has diminished international trust in the current government, particularly among Western democracies. The harsh criticism made by President Duterte of the United Nations and his threat to revoke the Philippines’

Effective use of support



Credibility



membership, has irritated international organizations. In March 2018, the Philippines withdrew from the International Criminal Court (ICC), a month after the judicial body started an inquiry into President Duterte's controversial war on drugs. Duterte threatened to arrest ICC prosecutor Fatou Bensouda, who had announced the start of a preliminary examination, if she were to enter the country.

In July 2019, the U.N. Human Rights Council adopted a resolution requesting that the Office of the High Commissioner for Human Rights (OHCHR) present a report on the human rights situation in the Philippines. In retaliation, the Duterte government in late August issued a memorandum, ordering agencies of the Philippine government not to accept financial assistance from the 18 countries that voted in favor of the resolution.

In January 2020, President Rodrigo Duterte of the Philippines suspended the 1998 Philippine–U.S. Visiting Forces Agreement after the United States refused to grant a visitor visa to Ronald dela Rosa, a close confidant of Duterte and (as a former police chief) one of the main architects of the war on drugs. This decision was revised only in June 2020.

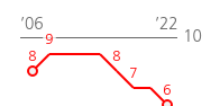
The mentioned examples illustrate the erratic and ad hoc diplomacy of the Duterte administration. It also reflects the low regard in which the Duterte administration holds traditional partners such as the United States or international organizations including the United Nations and the European Union. Accordingly, the credibility of the Philippines in the international sphere has substantially decreased.

As an island state with no land borders with any neighbor, the Philippines has in general good diplomatic relations with all Southeast Asian countries. Being, for a long time, one of the few pro-market democracies, the Philippines traditionally played a leading role within the ASEAN community in promoting democracy and open markets. In the review period, however, the Philippines irritated many of its ASEAN partners with its pro-China foreign policy, particularly with regard to the Chinese territorial claims in the South China Sea. Even when in June 2019, the Chinese steel-hulled vessel *Yuemaobinyu 42212* rammed, sank and abandoned a wooden Philippine fishing vessel, President Duterte (in contrast to the large majority of the ASEAN member countries) did not condemn but played down this incident.

Consequently, the political leadership of the Philippines still cooperates with its neighbors, although the Philippines' China-friendly foreign policy approach has led to concern in many ASEAN capitals. In addition, the Duterte administration has made it clear that it does not want to comply in all cases with the rules set by regional and international organizations such as the United Nations (see "Credibility").

Regional cooperation

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Strategic Outlook

So far, the constitution of 1987 has not been amended at all, despite its many weaknesses. One of the reasons for this is that there is widespread suspicion that the current powerholder would use the amendments for his or her own political gain, for example, by extending the president's term of office. It is, therefore, necessary to establish a non-partisan commission to provide a constitutional draft that cannot be obstructed by politicians in Congress or the incumbent administration. A new constitution should include features that strengthen checks and balances, reduce the possibilities for the president to dominate the legislative and judicial branches of government, establish a mechanism for the protection of civil and human rights, and also create an effective anti-dynasty provision to challenge the main structural problem of the Philippines, namely the dominance of entrenched family clans in politics and the economy. The influence of entrenched family clans must be reduced in order to make politics and the economy more transparent and competitive. The anti-dynasty law, which has been debated in Congress since 1987, must eventually be passed.

The major economic challenges for the Philippines are sustaining the current positive economic growth trajectory and reducing poverty and inequality. The Duterte administration should seek to promote industries with high potential for growth and impact (e.g., intra-Asian tourism and business process outsourcing). This could also act to limit the brain-drain of skilled workers who often emigrate to higher-income countries.

In addition, the government should place more efficacy on improving the country's outdated infrastructure. The congested traffic situation in Metro Manila, for example, is not only a major concern for all local citizens but causes immense financial damage to the country as well. Some large-scale infrastructure programs have already begun, but administrative mismanagement has created huge delays in implementation. The Duterte government should look to draw policy lessons from neighboring Indonesia, where the government of Joko Widodo significantly improved the country's infrastructure over a five-year period.

In terms of poverty reduction, the government should transform the country's current trajectory of economic growth into a more inclusive version which contributes to improving the living conditions of the millions of poor Filipinos. Despite the Duterte government increasing expenditure on health care and education, the absolute and relative poverty rates are still below the East Asian average. Only with a better educated population can the country significantly reduce poverty and increase its international competitiveness.

In the short and medium term, the Philippines needs to deal with the economic damage of the COVID-19 pandemic and rebuild the national economy. The perspective for economic recovery is not bad, as international financial organizations such as the Asian Development Bank and the World Bank predict a relatively quick recovery after the end of the pandemic. One lesson of the COVID-19 pandemic should be that the public health care sector needs adequate attention and

funding from the national government in “normal times” as well as during crises. However, it needs to be ensured that the work of the Philippine Health Insurance Corporation (PhilHealth), the state health care insurer affiliated with the Department of Health, remains free of corruption and the mismanagement of funds.

Internal and external stability are the basic preconditions for a return to a more democratic system and the continuation of economic growth. Therefore, the Philippine government should carefully implement the BOL in Bangsamoro and prevent as much as possible radical forces from undermining peace in the troubled region. In international affairs, the Philippines should continue to pursue alignment with the ASEAN community but also carefully cooperate with its long-term partner the United States and “new friend” the People’s Republic of China.

In May 2022, the Philippines will vote for a new president, since Duterte is not allowed to run again following the end of this six-year term. It might be possible that there will be a direct continuation of his authoritarian governance style, for example, if persons like former Police Chief Ronald dela Rosa, boxing champion Manny Pacquiao, former Senator Ferdinand “Bongbong” Marcos or the president’s daughter, Sara Duterte, are elected. There are, however, alternative candidates, such as Vice President Leni Robredo, Senator Grace Poe, Senator Risa Hontiveros and lawyer Chel Diokno, who are likely to care more for democracy and human rights than the incumbent administration. It is too early to speculate about the outcome of the 2022 presidential elections, but the mere fact that there is a high degree of uncertainty about the new political leadership is already a positive indicator for democracy in the Philippines.