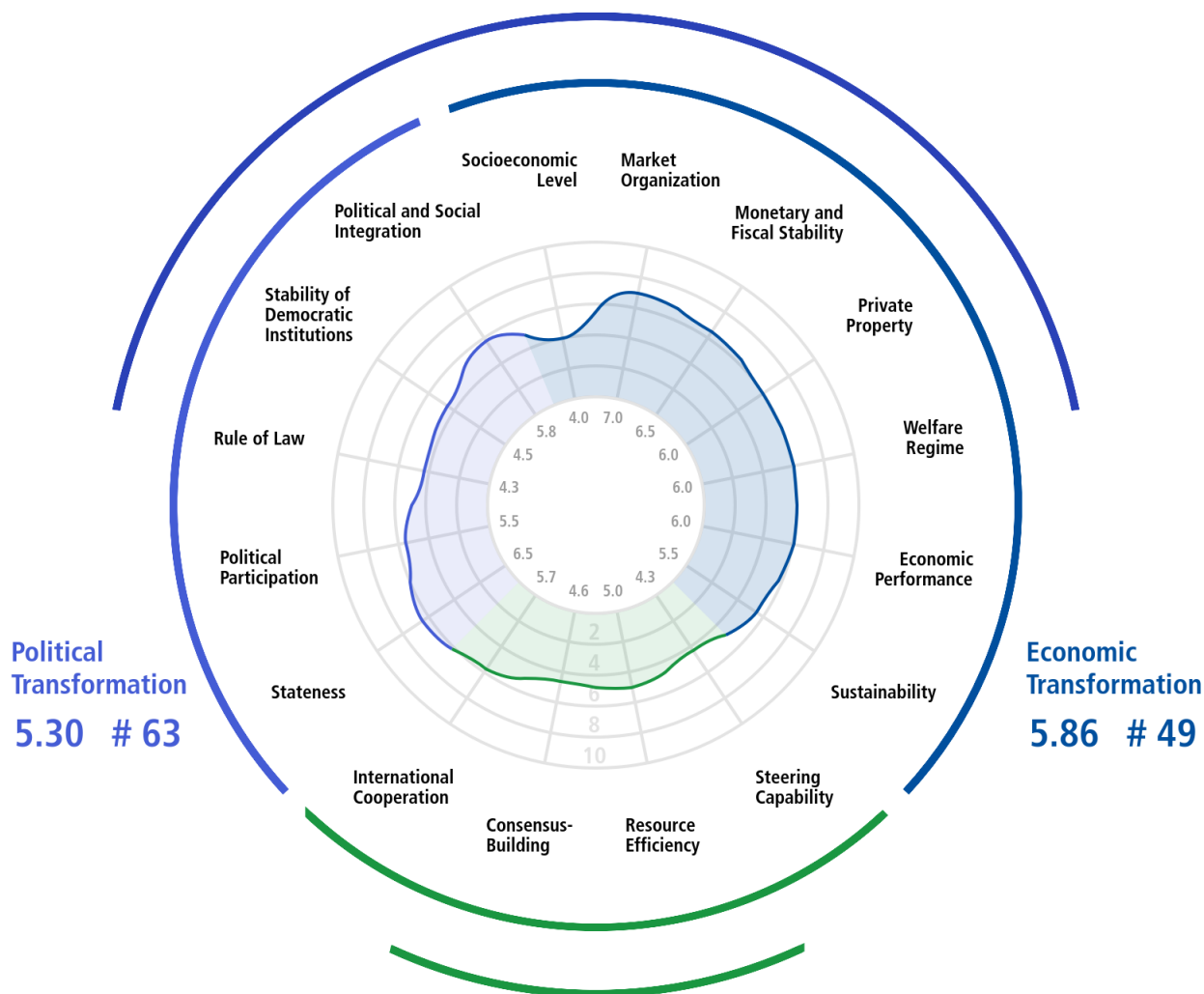


# Philippines

## Status Index

**5.58 # 59**

on 1-10 scale out of 137



**Political Transformation**  
**5.30 # 63**

**Economic Transformation**  
**5.86 # 49**

## Governance Index

**4.39 # 83**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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      | <b>115.6</b> | HDI                            | <b>0.699</b> | GDP p.c., PPP \$     | <b>10133</b>  |
| Pop. growth <sup>1</sup> | % p.a. | <b>1.5</b>   | HDI rank of 189                | <b>116</b>   | Gini Index           | <b>40.7</b>   |
| Life expectancy          | years  | <b>69.3</b>  | UN Education Index             | <b>0.664</b> | Poverty <sup>3</sup> | % <b>17.8</b> |
| Urban population         | %      | <b>48.0</b>  | Gender inequality <sup>2</sup> | <b>0.419</b> | Aid per capita \$    | <b>14.3</b>   |

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

## Executive Summary

During Rodrigo Duterte’s presidency, spanning from May 2016 to May 2022, the Philippines underwent a notable shift toward an increasingly authoritarian political system. Presenting his governance as grounded in a law-and-order model, Duterte focused blame on drug users for various societal issues. This approach enabled him to consolidate his power by suppressing opposition, diminishing checks and balances within the legislative and judiciary branches, and curtailing media freedoms.

After six years under former President Duterte’s leadership, the Filipino electorate opted not for change but for continuity in the May 2022 elections. Ferdinand “Bongbong” Marcos Jr., the son of former dictator Ferdinand Marcos Sr., secured victory with 58.8% of the votes – a record high among the six presidents elected since the 1986 People Power Revolution that ousted his father. Furthermore, Sara Duterte, the outgoing president’s daughter, triumphed in the vice presidential race with 61.5% of the votes, surpassing the support garnered by any president or vice president in the last 36 years.

President Ferdinand Marcos Jr. has sought to exhibit a more conciliatory leadership style compared to his predecessor. Up to this point, the Marcos Jr. administration has followed a trajectory similar to Duterte’s. There have been no significant policy deviations in areas such as education, infrastructure, economy and social welfare. The anti-drug campaign has undergone some modifications but remains in place. Regarding foreign policy, the Philippines has reverted to its pre-Duterte stance, fostering closer cooperation with the United States.

In recent years, the Philippines has grappled with the challenges posed by the COVID-19 pandemic to its socioeconomic landscape. Under the Duterte administration, a COVID-19 task force dominated by police and military personnel adopted a forceful, security-oriented approach, often overlooking health considerations. This approach contributed to the Philippines recording the fifth-highest count of reported COVID-19 fatalities in Southeast Asia.

The imposition of stringent and prolonged lockdowns resulted in a severe negative GDP growth rate of -9.5% in 2020, marking the region's most pronounced economic decline and one of the steepest in Asia. However, the subsequent years (2021 and 2022) suggest potential for a relatively robust recovery. The country boasts a stable banking sector, a moderate approach to financial and monetary policies, and some incentives for foreign direct investment, although these remain insufficient at present. Expert forecasts unanimously predict substantial economic expansion for the Philippines in the years ahead. Nevertheless, the persistent challenges of poverty and inequality continue to loom large.

The progress of both democratic and economic transformation in the Philippines faces significant impediments due to the entrenched oligarchic structures present in both political and economic spheres. The enduring dominance of various family clans, exemplified by the likes of the Marcos family, obstructs essential reforms necessary for advancing democracy and establishing a more equitable market economy. Former President Duterte did not seek to challenge these power dynamics; rather, he leveraged them to reinforce his authoritative governance style. A new dynasty, symbolized by his daughter Sara Duterte's ascent to the role of vice president, is already well in motion. Meaningful shifts in politics and economics can ultimately materialize only if a new generation of independent political leaders emerges, capable of confronting the prevailing authority of traditional clan systems and addressing the economic influence wielded by ruling dynasties.

## History and Characteristics of Transformation

On June 12, 1898, the Philippines declared its independence following more than three centuries of Spanish rule. However, actual independence from the United States wasn't realized until 1946. At independence, the country embraced a democratic presidential system and exhibited promising prospects. With advances in industrialization, economic potential, and public education, the Philippines stood as one of Asia's most progressive nations.

In September 1972, President Ferdinand Marcos Sr. declared martial law, ushering in a military-backed dictatorship. He curtailed civil and political liberties, shuttered Congress and universities, and ordered the arrest of opposition figures. Moreover, he seized enterprises, distributing them among his family, associates, and the military, whose numbers multiplied.

The national economy bore the brunt of Marcos' crony capitalism, coupled with rampant corruption and mounting foreign debts. The assassination of key opposition figure Benigno "Ninoy" Aquino in June 1983 galvanized resistance against the authoritarian regime. Early in 1986, massive "people power" demonstrations marked the end of Marcos' rule and the return of democracy.

As the inaugural post-authoritarian president, Corazon “Cory” Aquino (1986 – 1992), widow of “Ninoy” Aquino and mother of a subsequent president, led the initial phase of democratic transition. Her tenure witnessed the drafting of a new democratic constitution, the dismantling of the centralized authoritarian structure through decentralization, and the restoration of pre-martial-law democratic institutions.

Fidel Ramos (1992 – 1998), her successor, focused on guiding the Philippines toward a market economy through liberalization and privatization initiatives. These endeavors aimed to bolster competitiveness on the global stage. Under his guidance, the country experienced economic growth and political stability, although it lagged economically behind other East and Southeast Asian nations.

Subsequent presidents, Joseph “Erap” Estrada and Gloria Macapagal-Arroyo (GMA), chipped away at the foundations of Philippine democracy. Estrada, embroiled in allegations of power abuse, extravagant living, and corruption, was ousted by “people power II” demonstrations. The Supreme Court subsequently elevated Gloria Macapagal-Arroyo to the presidency in 2001. Despite facing serious fraud allegations in the 2004 presidential election, she secured re-election for a full six-year term. GMA’s nine-year rule intertwined credible economic growth with deepening legitimacy crises. Gains from economic progress waned due to widespread corruption scandals and a growing authoritarian undertone.

In June 2010, Benigno “Noynoy” Aquino, the son of former President Corazon Aquino, won the presidency, capitalizing on his mother’s popularity, who had passed away just before the campaign. Aquino’s tenure brought about democratic stability and notable macroeconomic expansion. However, essential reforms to uplift a rapidly growing population’s living standards fell short.

Come May 2016, Rodrigo Duterte, previously the mayor of Davao, ascended to the presidency. Over time, his administration gradually shifted the Philippine democratic landscape toward authoritarianism by eroding civil rights and political freedoms. Prioritizing the battle against drug abuse, Duterte’s approach led to extrajudicial killings by vigilantes, police, and military personnel operating with virtual impunity. The outbreak of the COVID-19 pandemic in 2020 not only inflicted substantial infections and fatalities on the Filipino populace but also triggered the country’s most severe economic contraction since it attained independence in 1946.

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 claims to have a monopoly on the use of force throughout the entire territory. In fact, the Philippines is a relatively weak state compared to other Southeast Asian countries. Due to its vast territory and archipelagic nature, it is difficult for the central 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 and frequently employ private armies that take the law into their own hands. Additionally, there are territories that are under de facto control of communist insurgents and Moro separatist groups.

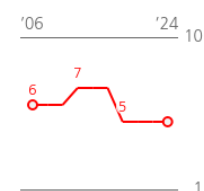
The state's monopoly on the use of force decreased significantly after Rodrigo Duterte became president in May 2016. Alleged criminals, mostly impoverished Filipinos associated with the illegal drug trade, were killed not only by official police units but also by vigilante groups operating outside the official legal system. This practice has continued under the Marcos Jr. administration since May 2022. The number of extrajudicial killings, however, seems to have declined. According to police reports, there were only 46 drug suspect killings during President Ferdinand Marcos Jr.'s term, compared to 3,600 during Duterte's first 100 days as president. However, international human rights organizations note that these numbers may underestimate the true level of violence, as they do not include killings by unidentified actors.

During the COVID-19 pandemic, the Duterte administration, led by a task force dominated by the police and military, adopted a heavy-handed security approach in an attempt to establish complete control over the nation, resulting in the arrest of tens of thousands of individuals for violating quarantine regulations.

Question  
Score

Monopoly on the  
use of force

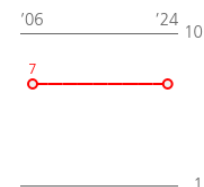
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Despite the country's multiethnic and multilingual composition, the vast majority of citizens support the concept of the nation-state as outlined in the 1987 constitution. Access to citizenship is not denied to any specific group. Resistance only comes from certain ethnic and religious minorities, particularly from the many Muslims in Mindanao who identify more as Moro (the Spanish word for Moor, the term used during the Reconquista to refer to Muslims) than Filipino. As a result, the idea of Bangsamoro (Moro nation) is prevalent in the western parts of the island of Mindanao and the adjacent smaller islands of the Sulu Archipelago. After negotiating with various governments, a majority of Bangsamoro leaders agreed to remain with the Philippines in exchange for a higher degree of autonomy. In January 2019, a local referendum in the Muslim-majority regions of Mindanao overwhelmingly supported the implementation of the Bangsamoro organic law (BOL), with 90% in favor. Currently, the interim regional government of the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM) – led by Interim Chief Minister Murad Ebrahim and composed primarily of members of the MILF (Moro Islamic Liberation Front) – is working to establish the necessary legal framework for the BARMM. The first elections were initially planned to coincide with the Philippine general election in May 2022, but had to be postponed to May 2025 due to delays in finalizing the Bangsamoro electoral code and other essential local administrative regulations caused by the COVID-19 pandemic.

#### State identity

7

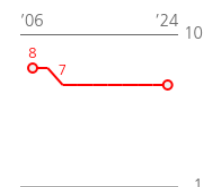


Due to the Spanish colonial past, the vast majority of Filipinos are Roman Catholics. However, in recent decades, the membership and importance of evangelical Christian groups such as Iglesia ni Cristo, El Shaddai or Jesus is Lord has steadily increased.

#### No interference of religious dogmas

7

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.



During the presidency of Rodrigo Duterte (2016 – 2022) many Catholic bishops and priests were intimidated and harassed for speaking out against extrajudicial killings and Duterte's war on drugs.

In the run-up to the 2022 presidential elections, the Filipino Catholic Church broke from decades of political neutrality to speak out against the campaign of Ferdinand "Bongbong" Marcos. A group of more than 1,000 Catholic clergymen across the archipelago named Clergy for the Moral Choice officially endorsed Maria Leonor "Leni" Robredo against her rival, Ferdinand Marcos Jr. The church and particularly then-Manila Cardinal Jaime Sin were key forces in the People Power Revolution that overthrew Ferdinand Marcos Sr. in 1986.

For decades, fierce opposition by most Christian groups hindered the passing of a reproductive health bill in Congress. The Catholic Bishops Conference of the Philippines (CBCP) strongly opposed the passage of a law mandating the public availability of contraceptives. Despite the bishops' objections, the law was finally

fully enacted in 2021. 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, a bill that would permit divorce under very strict conditions, has been debated in the Philippine Congress, but Catholic resistance has so far prevented its passing.

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, are free of corruption and are without patronage. With the introduction of the local government code in 1991, some administrative functions were delegated to the provincial and communal levels.

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 education and health care are available almost everywhere in the Philippines, but the quality, particularly in rural areas, is often relatively low. Access to a basic water source (94.1%) and to electricity (96.8%) is near universal, but access to basic sanitation (82.%) is substantially more limited.

Many infrastructure projects, planned by the Duterte administration and continued by the Marcos Jr. administration, have been delayed not only because of the COVID-19 pandemic but also because of the repeated changes in the initiative's project master list and flawed spending plans.

## 2 | Political Participation

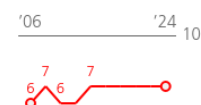
Since 1992, elections have been held regularly in a synchronized manner: every six years for the president, and every three years for half of the Senate, House of Representatives, governors, and mayors. The last presidential elections took place on May 9, 2022. The latest Senate (12 out of 24 senators), House of Representatives, and provincial and municipal elections were also held on the same day.

Elections are generally competitive, and political posts are filled according to the 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 underrepresented groups and sectors of society, this system has been increasingly undermined by the political dynasties that file their members as representatives of marginalized groups.

### Basic administration

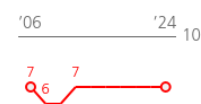
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### Free and fair elections

7



1



The electoral management, and particularly vote counting, of the Commission on Elections (COMELEC) was previously fraught with manipulations and irregularities and remains far from being fully professional. The automated ballot-counting system introduced for the first time in the 2010 elections has improved the fairness of general elections. In the 2016, 2019 and 2022 elections, the automated system allowed the determination of clear winners for the presidential and vice presidential elections within 24 hours of polls closing.

The registration procedures for voters, candidates and parties are not free of flaws, but in general relatively transparent and fair. There is no level playing field between the candidates, however. Well-off representatives of established dynasties dominate the media coverage during elections.

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. These deficiencies, however, do not have a decisive impact on the overall outcome of an election. Therefore, general elections in the Philippines can still be regarded as being in accordance with democratic standards.

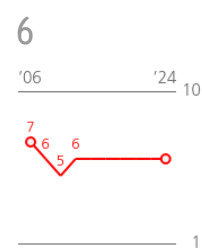
In principle, elected leaders have the power to govern without any restraint. However, there are some informal veto players who are still sufficiently powerful to restrain executive actions. This refers to the approximately 60 very powerful political clans that dominate the local and national political arenas. 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.

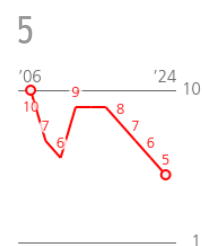
Article III of the 1987 constitution (bill of rights) guarantees the freedom of association and assembly. Many organizations working on a wide range of issues exist. However, due to relatively weak state structures and powerful non-state actors, violence against people who make use of their constitutional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

The current government under President Ferdinand Marcos Jr. has continued the practices of his predecessor by regularly using 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.

Effective power to govern



Association / assembly rights



During the COVID-19 pandemic, the Philippine government imposed several restrictions on assembly rights, such as varying levels of lockdown and/or stay-at-home orders comparable with measures applied in most other countries around the world. In the Philippines, however, the sanctions against perpetrators were harsher.

Another potential source of restrictions on political freedoms and civil liberties is the so-called anti-terror law, which was passed by Congress during the pandemic. The rampant “red-tagging” of dissidents, NGOs, and other critics, which began in the Duterte presidency, is continuing under the Marcos Jr. administration.

For a long time, the Philippines enjoyed a relatively high degree of media freedom in comparison to other states in Southeast Asia. Since 2009, there has been a Freedom of Information Act designed to allow access to key public documents, which, in practice, however, is not very effective. Since the Duterte administration took over in 2016, the Philippines has incrementally turned into a state that suppresses freedom of expression.

The Freedom of the Press report 2022 by Reporters without Borders ranks the Philippines quite low at position 147 out of 180 countries (down from position 136 in 2020). The organization stated that in the Philippines, several journalists were killed by thugs working for local politicians operating with complete impunity. In general, the Philippines is one of the deadliest countries for journalists and people working in the media sector with an average of three to four journalists killed in connection with their work every year.

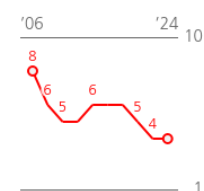
In October 2022, Percival Mabasa, an outspoken and popular radio journalist was ambushed and killed in Metro Manila. According to news reports, he recently exposed irregularities in the importation of sugar by an agency directly connected with the administration led by Marcos Jr. In December 2021, Jesus “Jess” Malabanan, a Philippine reporter for national and international news media, who had investigated for the American news agency Reuters certain aspects of the “war on drugs” launched by President Rodrigo Duterte, was shot at his home by an unidentified gunman.

In the last two years, several incidents of legal harassment were waged against critical media such as The Daily Philippines Inquirer, the TV network ABS-CBN and the news website Rappler, led by senior journalist Maria Ressa, who was awarded the Nobel Peace Prize 2021 “for her courageous fight for freedom of expression” in an autocratic and repressive environment.

A Social Weather Stations (SWS) poll conducted in September 2021 found that (despite the otherwise very high support for the Duterte administration) 45% of Filipinos agreed with the statement, “It is dangerous to print or broadcast anything critical of the administration, even if it is the truth.”

Freedom of expression

4



Freedom of the press is also endangered by aggressive cyber armies and social media trolls who have launched cyberattacks on their political opponents. As social media news is an important source of information for most Filipinos, the struggle over truth and alternative truth is fought out on social media with full force. In the 2022 election campaign, for example, the message that the Marcos Sr. dictatorship (1972 – 1986) was a brilliant time in the history of the Philippines, was successfully propagated on social media.

### 3 | Rule of Law

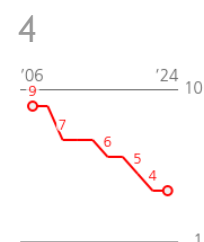
The Philippines has a presidential system of government with a clear separation of powers. The authoritarian governance style of the Duterte and Marcos Jr. administrations, however, shows little understanding of a system of checks and balances. During the Duterte presidency (2016 – 2022) the composition of two institutions that had in the past limited presidential power, the Supreme Court and the Senate, was altered. 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. In total, Duterte appointed 13 of the 15 members of the current top judiciary, the latest being his fraternity brother Antonio Kho Jr. in February 2022. Due to these presidential appointments, the Supreme Court is no longer an obstacle to presidential action.

The Senate since the May 2022 elections is also now firmly in the hands of pro-Marcos and pro-Duterte senators. In the May 2022 elections, Risa Hontiveros from Akbayan was the only opposition candidate that made it to the so-called Magic 12 in the campaign for the Senate. To date, the Senate minority bloc for the 19th Congress includes only two senators, Risa Hontiveros and Senator Aquilino “Koko” Pimentel III.

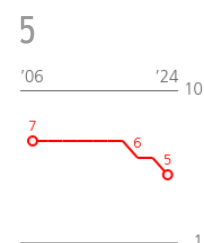
The judiciary in the Philippines is formally independent. However, in practice, bribes by rich and powerful people have frequently influenced prosecution, conviction, and sentencing in countless civil and criminal cases. Consequently, courts often favor the rich and powerful. The relatively low salaries 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 took more than 10 years for the court process to finally conclude.

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 and the appointment of 13 of the 15 members of the top judiciary by former President Duterte must be regarded as serious infringements 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.

Despite promises made during his election campaign, former President Duterte took no serious steps against widespread corruption and abuse of power in national and local governments. In his first half year in office, President Marcos Jr., whose family has a long track record of abuse of power and ill-gotten wealth, has likewise taken no particular actions to address these ills.

In a 2022 CEO survey by PricewaterhouseCoopers (PwC) Philippines and the Management Association of the Philippines (MAP), 67% of 119 business leaders ranked corruption as the most urgent economic obstacle. The respondents specifically identified corruption in the handling of pandemic funds under the Duterte administration. Another scandal was the Department of Education's purchase in 2021 of outdated and overpriced laptops for public school teachers for more than \$100 million. So far, nobody has been held to account for this waste of public funds.

The Duterte administration was 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 the war on drugs began in 2016. Only five policemen (three in 2018, and two in 2022) were convicted of planting evidence on and the murder of victims of the war on drugs.

Civil freedoms and human rights in the Philippines declined significantly after former President Duterte came to power in May 2016. During the COVID-19 pandemic, the situation further deteriorated.

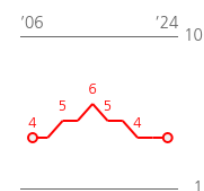
CIVICUS Monitor, a global research collaboration that tracks fundamental freedoms in 196 countries, kept the lowest possible rating for the Philippines: "repressed." The reasons cited include the systematic intimidation and vilification of, and attacks on civil society activists; a further crackdown on press freedoms; and a pervasive culture of impunity for murders during the war on drugs. As during the Duterte administration, human rights defenders continue to face attacks, killings, judicial harassment, arbitrary detention and stigmatization campaigns by state agents, proxies, supporters and enablers under the Marcos Jr. administration.

The 2020 anti-terrorism law contains vague provisions that the government can use to unjustly target critics and dissidents. The newly created Anti-Terrorism Council is a government-appointed body that can designate individuals and organizations as terrorists, meaning that their habeas corpus rights are temporarily suspended. Red-tagging has become routinely used as a tactic under the Duterte and Marcos Jr. administrations.

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.

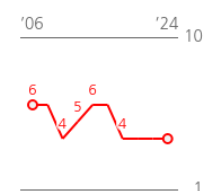
#### Prosecution of office abuse

4



#### Civil rights

4



#### 4 | Stability of Democratic Institutions

In the presidential system of the Philippines political power is concentrated in the person of the president. The personalistic and authoritarian leadership style of the Duterte and Marcos Jr. administrations has seriously undermined the performance of other democratic institutions in the Philippines. Congress is dominated by members of 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, seem to have improved in recent years.

In general, all relevant political and social players accept democratic institutions as legitimate. No major political party, association, interest group or civic organization is openly campaigning against democratic institutions. However, democracy in the Philippines is being slowly eroded by elected governments. The Duterte administration (2016 – 2022) incrementally rolled back democratic achievements, a global trend that can be observed in many other states worldwide. The current administration under Marcos Jr., the son of a former dictator, has shown no attempts to revitalize democratic principles in the Philippines.

Most Filipinos, be they politicians or the common people, have an electoral rather than a liberal conception of what constitutes a democracy. Hence, clear authoritarian tendencies such as the reduction of civil rights, political liberties, checks and balances, as well as massive human rights violations are tolerated and not seen as critical to the substance of a democracy.

The current Marcos administration has, to some extent, reduced the growing political importance of military and police leaders under the Duterte administration. Nevertheless, the high political influence of leading members of the Philippine National Police (PNP) and the Armed Forces of the Philippines (AFP) poses a threat to democratic institutions.

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 to democracy are those already in power.

Performance of democratic institutions

5

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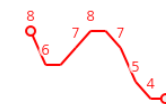


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Commitment to democratic institutions

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## 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.

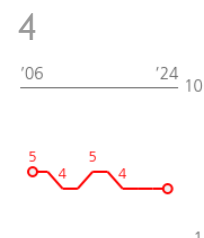
Party-switching, with members switching from a losing to a winning party, is relatively common. Political parties in the Philippines are only able to articulate and aggregate societal interests in a very limited way. They are rather vehicles for powerful individuals. In 2018, the Federal Party of the Philippines (Partido Federal ng Pilipinas/PFP) was founded by supporters of President Rodrigo Duterte. In October 2021, current President Marcos Jr. joined the party and directly became its chairman. The party nominated him as a presidential candidate for the 2022 elections, together with Sara Duterte as a candidate for the vice presidency. Both won their campaigns, but the weakness of the party can be seen in the fact that nationwide, only two candidates running under the banner of the PFP were elected to the House of Representatives.

A substantial 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 nonprofit civil liberty groups.

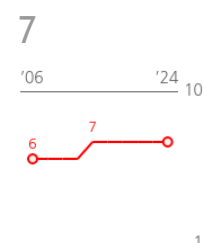
Whereas the Aquino administration (2010 – 2016) had relatively good connections to various social groups and organizations, the relationship between the Duterte administration (2016 – 2022) and NGOs, trade unions and social movements was rather strained. This has not changed during the first half year of the Marcos Jr. administration.

As before, 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 since 2016 have taken a toll on interest groups and civil society associations. Despite this, there remains a robust and resilient, albeit fragmented, system of interest groups.

### Party system



### Interest groups



At first glance, 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 that 65% of Filipinos were satisfied with the way democracy is working in their country, while 34% were not. The survey also revealed 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%).

This stands in contrast to the very high approval rates for presidents and politicians who do not implement important elements of a liberal democracy.

Most Filipinos trust and approve of President Ferdinand Marcos Jr. and Vice President Sara Duterte, according to a representative survey by Octa Research in November 2022. Both received a support rate of 86% nationwide. Trust was particularly high in Mindanao (92% and 98%, respectively) and among poorer Filipinos, while it was lower in the area of Metro Manila and among more wealthy Filipinos.

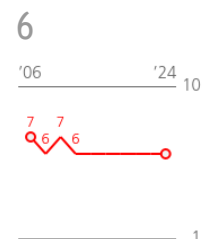
Support for democracy is based on an illiberal, electoralist and output-oriented understanding of democracy. A survey conducted by the French think tank Foundation for Political Innovation (Fondation pour l'innovation politique) in June 2021, found that the idea of a political system based on “a strongman who does not have to worry about parliament or elections” enjoys a high rate of support (67%) in the Philippines.

The latest survey results concerning trust in political institutions date back to September 2020, when a representative Pulse Asia Survey found that 61% of respondents had trust in the Senate, 58% had trust in the House of Representatives and 54% had trust in the Supreme Court.

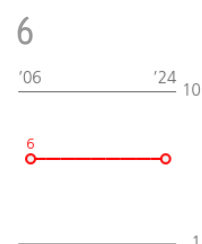
As in other Southeast Asian societies, many elements of social capital, such as mutual networks, trust among people, informal societal structures and volunteerism are widespread in the Philippines. Particularly close network ties with family and friends are of utmost importance in Philippine society.

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 predominantly voluntary and autonomous.

Approval of democracy



Social capital



## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Between 2006 and 2021, overall economic growth contributed to a decrease in the poverty rate in the Philippines. According to the Philippine Statistics Authority, poverty declined from 26.6% in 2006 to 18.1% in December 2021. The poverty rates had fallen to 16.8% in 2018, but they have increased in recent years, not least due to the economic downturn during the COVID-19 pandemic.

A national survey by the Social Weather Stations (SWS) in December 2022 on self-rated poverty, however, found that 51% of Filipino families, or around 12.9 million people, rated themselves as “poor.” In a report from the same organization in October 2022, 11.3% of Filipino families – or around 2.9 million people – had nothing to eat at least once in the past three months. Involuntary hunger was highest in Metro Manila at 16.3%, followed by Mindanao at 15.3%, Luzon at 9.6%, and the Visayas at 7.0%.

A more positive picture emerges if one looks at the values of the U.N. Human Development Index, which indicates that the Philippines experienced significant positive development before it was halted by the outbreak of the COVID-19 pandemic. The HDI value rose from 0.630 in 2012 to 0.718 in 2020. However, in the last two years, the HDI value declined to 0.699 (2022). The Philippines is currently ranked 116, slightly below Vietnam (115) and Indonesia (114).

The level of social exclusion caused by poverty remains high. The gap between the rich and poor in Southeast Asia is notably wide. However, the Philippine Statistics Authority has reported that the COVID-19 pandemic has led to a reduction in income inequality within the country. According to the authority, the Gini coefficient, which measures income inequality, decreased from 0.4267 in 2018 to 0.4119 in 2021.

Opportunities for individuals from the lower strata of society to secure satisfactory employment and advance socially are significantly limited. Consequently, millions of Filipinos opt to migrate either temporarily or permanently, seeking work opportunities abroad as overseas Filipino workers (OFWs).

Inequality between genders remains a concern. However, compared to other Southeast Asian and developing countries, discrimination against women is not extreme. In Western countries, there are fewer educated women in high-ranking positions compared to the Philippines. Yet, in rural areas, violence against women by their husbands remains common. According to the Gender Inequality Index 2019 of UNDP, the Philippines scored 0.419 (rank 101 worldwide), indicating the persistence of widespread gender-based inequalities.

Question  
Score

Socioeconomic  
barriers

4

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In the World Economic Forum's 2022 Global Gender Gap Index, however, the Philippines ranked relatively highly at 19 out of 146 countries, with a score of 0.783. This was slightly lower than the 0.784 in 2021, when the Philippines ranked 17 out of 156 countries.

The negative economic impact of the COVID-19 pandemic has resulted in an increase in social exclusion. As the pandemic approaches its end, it is expected that poverty will decrease in the upcoming years. However, it remains uncertain whether the Philippines will be able to achieve its ambitious goal, as outlined in the Ambisyon Natin 2040 initiative, of completely eradicating poverty by the year 2040.

| <b>Economic indicators</b>       |          | 2019     | 2020     | 2021     | <b>2022</b>     |
|----------------------------------|----------|----------|----------|----------|-----------------|
| <b>GDP</b>                       | \$ M     | 376823.4 | 361751.1 | 394087.4 | <b>404284.3</b> |
| <b>GDP growth</b>                | %        | 6.1      | -9.5     | 5.7      | <b>7.6</b>      |
| <b>Inflation (CPI)</b>           | %        | 2.4      | 2.4      | 3.9      | <b>5.8</b>      |
| <b>Unemployment</b>              | %        | 2.2      | 2.5      | 2.6      | <b>2.2</b>      |
| <b>Foreign direct investment</b> | % of GDP | 2.3      | 1.9      | 3.0      | <b>2.3</b>      |
| <b>Export growth</b>             | %        | 2.6      | -16.1    | 8.0      | <b>10.9</b>     |
| <b>Import growth</b>             | %        | 2.3      | -21.6    | 12.8     | <b>13.9</b>     |
| <b>Current account balance</b>   | \$ M     | -3046.8  | 11578.4  | -5942.7  | <b>-17832.0</b> |
| <b>Public debt</b>               | % of GDP | 37.0     | 51.6     | 57.0     | <b>57.5</b>     |
| <b>External debt</b>             | \$ M     | 83625.3  | 98493.7  | 106428.0 | -               |
| <b>Total debt service</b>        | \$ M     | 10616.1  | 9369.2   | 12212.6  | -               |
| <b>Net lending/borrowing</b>     | % of GDP | -3.3     | -7.4     | -8.3     | -               |
| <b>Tax revenue</b>               | % of GDP | 14.5     | 14.0     | 14.1     | -               |
| <b>Government consumption</b>    | % of GDP | 12.5     | 15.3     | 15.6     | <b>15.0</b>     |
| <b>Public education spending</b> | % of GDP | 3.4      | 3.9      | 3.9      | <b>3.6</b>      |
| <b>Public health spending</b>    | % of GDP | 1.7      | 2.3      | 2.5      | -               |
| <b>R&amp;D expenditure</b>       | % of GDP | -        | -        | -        | -               |
| <b>Military expenditure</b>      | % of GDP | 1.1      | 1.3      | 1.4      | <b>1.0</b>      |

Sources (as of December 2023): 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 likely to be 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 businesses. However, there are numerous conglomerates and cartels owned by clans with strong ties to the political elite.

Prices are generally determined by market forces, but there are some restrictions due to a number of the aforementioned conglomerates and cartels. Despite existing antitrust legislation and 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.

One hindrance is the inefficient bureaucracy that regulates investments and business operations in the country. Even if there are legal assurances regarding competition, bureaucratic red tape and the lack of institutional autonomy of regulatory agencies increase the risk of doing business in the country.

High rates of corruption are also frequently cited as one of the most significant obstacles to private investment in the Philippines. Despite increasing efforts to combat corruption, the problem remains one of the most pressing challenges facing the government.

Cross-border labor and capital movements were restricted for a long time in the Philippines. In recent years, however, the Duterte and Marcos Jr. administrations have initiated several pieces of legislation, such as amendments to the Foreign Investment Act, to allow more foreign investment in the country. In March 2022, the government permitted foreign investment in additional business sectors. This marked the first time international investors were allowed to establish and wholly own small and medium-sized businesses, as well as hold 100% equity in firms within sectors where they were already permitted to operate.

In terms of currency convertibility, the Philippines adopted a floating exchange rate regime more than 50 years ago.

Market  
organization

6

'06 '24 10

7 6

1

| Year | Market Organization Score |
|------|---------------------------|
| 2006 | 7                         |
| 2010 | 6                         |
| 2024 | 6                         |

The Philippine administrative system has a wide range of antitrust regulations 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.”

However, there is a lack of decisive enforcement due to vague formulations, overlapping competencies between several agencies, and strong ties between the economic and political elites.

The Philippine Fair Competition Act, which drew heavily on 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. However, its powers are limited.

The Philippines has participated in the International Competition Network’s (ICN) annual conferences since 2017. In 2021, the PCC was chosen to co-chair one of the working groups at the ICN.

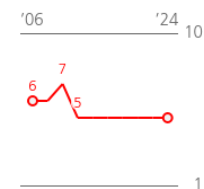
While, rhetorically, the Philippines has always supported a free-trade and non-protectionist foreign trade policy, the reality on the ground was somewhat different. It comes, therefore, as no surprise that the level of foreign direct investment was, for decades, very low compared to other Southeast Asian states.

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

The average most-favored nation (MFN) tariff applied to imports was 6.1% in 2020. Foreign investors face various restrictions on ownership, particularly in natural resource exploration, the operation and management of public utilities, and educational institutions. Sectors deemed strategically important, including agriculture, fishery and certain services, are generally subject to restrictions. Similar to numerous other ASEAN countries, the Philippines maintains several nontariff barriers (NTBs) that limit foreign imports. Despite the government’s official rhetoric, several foreign chambers of commerce express dissatisfaction with the continuing presence of NTBs.

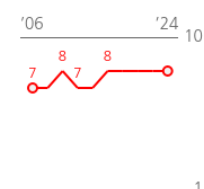
## Competition policy

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## Liberalization of foreign trade

8



The Philippine banking system is generally seen as very stable and well capitalized. In June 2022, the consolidated capital adequacy ratio (CAR), which displays a bank's risk-weighted credit exposure, averaged 16.5%. This is well above the Basel III standard of 8%.

The number of nonperforming loans increased significantly in 2020 due to the COVID-19 pandemic but declined to 3.3% by November 2022, which is low compared to global and regional levels. The Philippines has relatively high foreign exchange reserves of \$94 billion (October 2022). The reserve adequacy ratio of the Philippines was 190% as of September 2022, the highest among ASEAN countries.

The Philippine central bank (Bangko Sentral ng Pilipinas, BSP) is the highest monetary authority in the Philippines and is generally considered to be relatively independent of the government. The central bank has supervision over the operations of banks and exercises regulatory powers as provided in the new central bank act.

All major international rating agencies refrained from downgrading the Philippines during the economic downturn caused by the COVID-19 pandemic and maintained the country's investment-grade credit ratings. In September 2022, Moody's Investor Service confirmed the Philippines' Baa2 credit rating, with a "stable" outlook. Fitch Ratings likewise maintained the Philippines' long-term foreign currency issuer default rating at BBB, while Standard & Poor's affirmed the country's investment grade rating of BBB+.

## 8 | Monetary and fiscal stability

International ratings agencies and actors in financial markets generally have a positive opinion of the BSP and the Philippine banking system.

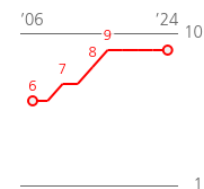
In general, inflation volatility is decreasing in the Philippines. During the 1990s, yearly inflation rates of around 10% were common, but this figure fell to approximately 5% between 2000 and 2010. In the years since 2010, the yearly inflation rate fell further to approximately 3% annually.

Not least, as a result of global developments, including the COVID-19 pandemic, the Philippines was (like many other countries worldwide) confronted with rising inflation in 2022. The Philippines' annual inflation data for November and December 2022 was 8.0%, marking the country's fastest inflation in the last 14 years. For the entirety of 2022, inflation averaged at 5.8%. High fuel prices owing to disruptions in oil supply, as a result of Russia's invasion of Ukraine, were the major source of inflation. Food items were another driver of inflation, resulting from limited supply due to inadequate domestic production and weather-related disturbances.

In the last two years, the Philippine currency, the peso (PHP), has remained relatively stable and free from high volatility in relation to major foreign currencies. The Philippine peso has not been pegged to any foreign anchor currency for more than 50 years.

### Banking system

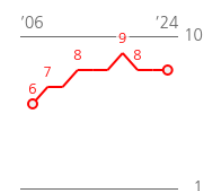
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### Monetary stability

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The Duterte administration (2016 – 2022) pursued an expansionary fiscal policy strategy with high expenditure on education, military/police, and infrastructure. Simultaneously, the Duterte administration enacted the Tax Reform for Acceleration and Inclusion (TRAIN) law, which resulted in increased government revenues. However, those revenues proved insufficient to cover the heightened state expenditures. During the COVID-19 pandemic, when economic activities were restricted and the economy experienced significant contraction, the country's fiscal situation deteriorated even further.

The fiscal deficit rose from 3.4% of GDP in 2019 to 8.6% by 2021. Consequently, the country's outstanding debt increased from a pre-pandemic level of PHP 8.220 trillion at the end of 2019 to PHP 13.206 trillion as of June 2022. This signifies a debt-to-GDP increase from 42% to 64% over that period.

The Marcos Jr. administration appears to be continuing the expansionary fiscal policy strategy of the previous administration. The budget for the year 2023 represents a 4.9% increase from the previous budget and includes projected new debts of around 6% of the GDP.

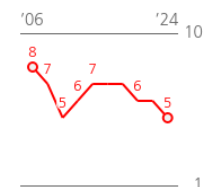
## 9 | Private Property

Although the constitution provides a legal framework for private property rights, enforcement remains inconsistent. Outdated and conflicting laws hinder coordination between administering agencies, allowing for arbitrariness and corruption, increasing transaction costs, and consistently leading to conflicts with informal settlers. In the 2022 International Property Rights Index from the Property Rights Alliance, the Philippines ranked 83 out of 129 countries. The ratings regarding judicial independence, the rule of law, and control of corruption were relatively low.

Ownership of land in the Philippines is highly regulated and reserved for individuals or entities legally defined as Philippine nationals. However, non-Philippine nationals are allowed to purchase condominiums, buildings and enter into long-term land leases. To streamline the land registration process, the Philippine Congress has been discussing a land administration act for over 15 years. According to the proposals, all administrative powers related to land should be transferred to a single agency, the Land Administration Authority, which would have quasi-judicial powers to resolve private property disputes. In November 2022, a new National Land Use and Management Bill was introduced in the House of Representatives, emphasizing the urgent need to establish a comprehensive, national, and holistic mechanism for land use and physical planning.

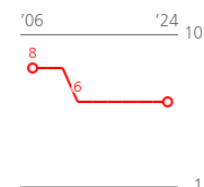
### Fiscal stability

5



### Property rights

6



In recent years, the Philippines has made starting a business easier by abolishing the minimum capital requirement for domestic companies. Additionally, the country has improved coordination and streamlined the process for obtaining an occupancy certificate, making dealing with construction permits easier. The Philippines has also taken measures to strengthen minority investor protections, such as requiring greater disclosure of transactions with interested parties and enhancing director liability for such transactions.

A significant constraint for micro, small, and medium enterprises (MSMEs) – which employ 98% of the workforce primarily in the agricultural, trade, hotel, and restaurant sectors – is access to finance. The reliance on internal sources of financing greatly hampers investments and expansion plans, thereby undermining the competitiveness of the Philippine economy and impeding its transition from agriculture to manufacturing. Moreover, the high concentration of capital in various sectors further obstructs undercapitalized enterprises.

The Marcos Jr. government continues the approach of the previous administration to promote public-private partnerships (PPPs), such as the Build, Build, Build Program, in order to attract new investors and to tackle bottlenecks in infrastructure projects. However, there are no plans to privatize economically important state-owned enterprises, known in the Philippines as government-owned and controlled corporations (GOCCs).

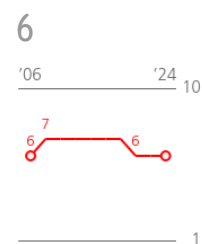
Current President Ferdinand “Bongbong” Marcos Jr. is generally regarded as friendly to private business activities. At the 48th Philippine Business Conference and Exposition of the Philippine Chamber of Commerce and Industry (PCCI) in Manila in October 2022, for example, he made a commitment to the private business sector and recognized its role as a driver of economic growth as the Philippines recovers from the COVID-19 pandemic.

## 10 | Welfare Regime

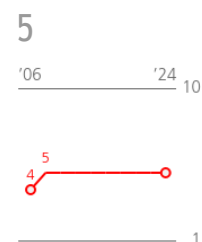
Social safety nets in the Philippines are still underdeveloped compared to many other countries in Southeast Asia. Most Filipinos rely on support from family, particularly remittances from relatives living overseas, or village-level structures.

The primary instrument of the state’s social safety system is the conditional cash transfer (CCT) Pantawid Pamilyang Pilipino Program (4Ps), which was launched in 2007. The 4Ps is a cash transfer program funded by the Department of Social Welfare and Development. Families living below the national poverty line (earning less than PHP 12,030 or \$200 per month) are entitled to receive PHP 5,000 to 6,000 (\$85 to \$100) per month under the program.

Private enterprise



Social safety nets



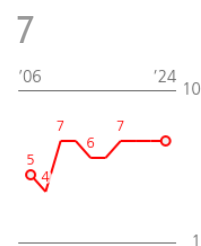
In April 2019, then-President Duterte signed Republic Act No. 11310, which made the 4Ps the official national poverty reduction strategy of the government. Currently, the CCT program covers approximately 4.3 million poor households (October 2022), reaching more than 10 million children. CCT grants regular payments of about \$33 to mothers, conditional on their children regularly attending school and receiving preventive health checkups. 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. A recent report from the Philippine Commission on Audit (COA), published in October 2022, is more critical, stating that 90% of the families that receive financial transfers have remained poor and cannot escape poverty. New President Ferdinand Marcos Jr. has promised to reduce the percentage of people below the official poverty line from the current level of approximately 20% to less than 10% by the end of his term in 2028. Detailed plans on how he wants to achieve this ambitious goal have not yet been revealed.

There is a system of unemployment benefits in the Philippines, but it is only accessible for workers in the formal sector who are required to have paid into the system for at least 36 months. Public pension schemes are only accessible to government employees. All Filipino citizens are entitled to free health care under the government-organized Philippine Health Insurance Corporation, known as PhilHealth. However, PhilHealth does not cover all medical treatments and costs. For a long time, PhilHealth was only available for those working in the formal sector. In early 2019, the Universal Healthcare Act was passed with the target of incorporating all Filipino citizens into the PhilHealth system.

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, 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, the most developed part of the Philippines). There is structural inequality between different ethnic groups in terms of access to education and employment, but compared to many other Asian countries, women have much better access to education and public office. The critical situation of indigenous groups, who 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 an impressive 19 out of 146 countries in the 2022 Global Gender Gap Index of the World Economic Forum. The Philippines has the smallest gender gap among all Asian countries by a significant margin; the second best is Singapore, ranked at position 49, followed by Laos at position 53. The index encompasses economic participation and opportunity, educational attainment, health outcomes, and political empowerment.

Equal opportunity



Under the Duterte administration, Republic Act 10911 was passed, penalizing employers who refuse to hire workers because of their advanced age. This represents a significant step in implementing anti-discrimination in employment. A bill on anti-discrimination based on SOGIESC (Sexual Orientation, Gender Identity and Expression, and Sex Characteristics) promoted by Senator Risa Hontiveros has been stalled in Congress for many years. In December 2022, the panel for women, children, family relations, and gender equality of the Philippine Senate recommended the passage of the SOGIESC bill, with 19 out of the 24 senators endorsing it.

## 11 | Economic Performance

Between 2009 and the outbreak of the coronavirus pandemic in early 2020, the Philippines experienced significant economic growth. However, the harsh mobility restrictions imposed by the Duterte administration in response to the pandemic led to a disastrous economic year in 2020. The Philippines suffered a negative GDP growth of 9.5%, marking not only the worst economic recession in its history since independence, but also the poorest economic performance among all Asian economies in 2020.

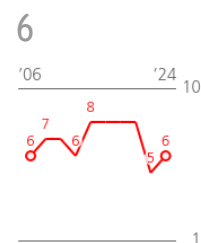
In the following years, the Philippines slowly recovered from the economic damages caused by the COVID-19 pandemic, and in 2021, it achieved a GDP growth of 5.7%. The World Bank has predicted GDP growth of approximately 7.2% for 2022.

At the end of 2022, Finance Secretary Benjamin E. Diokno stated that “for the Philippines, the worst is over, and better years are expected.” The Marcos Jr. administration projects GDP growth of 6% to 7% in 2023. In December 2022, the Asian Development Bank (ADB) provided a 6% GDP growth forecast for the following year. This forecast ranked as the second-fastest among Southeast Asian economies, behind Vietnam’s 6.3%. The Philippine Ministry of Finance attributes this positive outlook to the early approval of the 2023 national budget, the adoption of the first-ever Medium-Term Fiscal Framework, and the Philippine Development Plan (PDP).

In early 2023, the World Bank was more skeptical than the Philippine government and projected in its Global Economic Prospects report that the Philippines would grow by only 5.4% in 2023 due to Russia’s prolonged invasion of Ukraine and intensifying geopolitical uncertainty, which could further reduce business and consumer confidence globally.

Two factors that will reduce the output strength of the Philippine economy in the near future are the high budget deficit and rising state debts. However, both are still considered to be manageable.

Output strength





## 12 | Sustainability

Between 2020 and 2022, the Philippines witnessed a significant decline in the Environmental Performance Index (EPI). In 2020, the Philippines was ranked 111 out of 180 countries, but in 2022, it fell to 158. The most noticeable deteriorations occurred in the species habitat subindex and the growth rate of carbon dioxide and nitrogen oxide emissions. The EPI evaluates countries' performance and rankings in two key areas: environmental health, which assesses the protection of human health from environmental harm, and ecosystem vitality, which examines 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 recent years. The new administration of President Ferdinand Marcos Jr. seems to be more aware of the dangers that climate change poses to the Philippines than the previous Duterte administration. In his first state of the nation address, Marcos Jr. mentioned climate change at least six times. In a speech delivered before Congress, he stressed that the use of renewable energy is “at the top” of the government’s climate agenda.

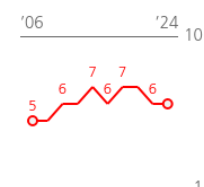
It is remarkable that more than 25% of the Philippines’ electrical energy comes from renewable energy sources. Geothermal energy production is among the highest in the world. In contrast, mining, which causes numerous environmental problems in neighboring countries, is heavily restricted in the Philippines. However, in 2021, the Duterte administration lifted the nationwide ban on open-pit mining and the nine-year-old prohibition on new mining agreements.

Similarly to his predecessor, President Marcos Jr. remains silent about the threats faced by Filipino climate advocates and environmental defenders. According to a report by watchdog Global Witness, the Philippines remains the worst place in Asia for land and environmental defenders. Global Witness reported that 19 environmentalists were killed in the Philippines in 2021 and 2022.

In an October 2022 press release, Greenpeace Philippines complained about the lack of a holistic climate action strategy from the Marcos administration. Additionally, the international environmental protection organization highlighted the nonexistence of an energy transition plan from the government. During his campaign, the president pledged to support renewable energies, but, according to Greenpeace Philippines, his policy direction on energy fully contradicts his rhetoric.

Environmental  
policy

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Human capital development is a key element in the Philippine development plan (2023 – 2028). Recent education reforms have improved the quality of higher education and have increased enrollment levels, graduation rates, and mean years of schooling in elementary and secondary 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.

The Philippines has historically scored very low in international math and science high school rankings. In the 2022 PISA tests, the Philippines scored the lowest in reading and the second lowest in mathematics and science among the 79 participating countries. The World Bank estimates the learning poverty rate in the Philippines to be 90.9%. This means that nine out of 10 10-year-old Filipino children are unable to read and understand a simple text. 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 Philippine Development Plan (2023 – 2028) states that “decades of incapacity and suboptimal investment in education (only 3.9% of GDP in 2020)” have led to an “educational crisis.”

Some efforts have been made to improve the situation. The education budget has been steadily increased under the Duterte administration. In addition, the Universal Access to Quality Tertiary Education Act was passed, which includes provisions for the state to pay the tuition fees for undergraduate students in state universities. In his first state of the nation address, newly elected President Ferdinand Marcos Jr. described, in very general form, his plans for improving the education system, which revolved around reconsidering the use of English as the medium of instruction in schools.

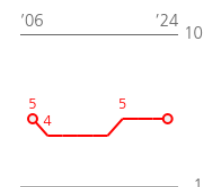
Some hope for change was connected with the Philippine Innovation Act, which was passed with the intention of encouraging research and development by providing a PHP 1 billion revolving fund to support startups, as well as innovative micro-, small and medium enterprises (MSMEs). In June 2022, however, some senators publicly complained that the programs under the Philippine Innovation Act were yet to receive their annual grant despite the law being signed in 2019.

Investment in R&D in the Philippines increased marginally from 0.14% of GDP in 2014 to 0.16% of GDP in 2020. It is still one of the lowest rates in Southeast Asia.

All the deficits mentioned in the education system constitute a significant constraint on further inclusive growth for the Philippines.

Education policy /  
R&D

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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 approximately 113.2 million inhabitants (2022), and an additional 10 million who live and work abroad, the Philippines is the 13th most populated state in the world, posing a very difficult challenge for good governance and development.

The Philippines is an extremely multiethnic and multilingual country. Additionally, its close location to the Pacific Ring of Fire leaves it 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 resulting in numerous human casualties and billions of dollars in damage.

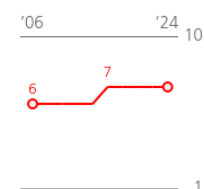
In the 2022 Weltrisiko-Index by the University of Bochum, the Philippines is now ranked number one out of 192 countries before India and Indonesia on a scale of countries most vulnerable to natural and other disasters. It is obvious that under these geographic and demographic conditions, it is difficult 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 approximately 50 million in 1982 to approximately 113 million in 2022.

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 fallen relatively 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



As mentioned in “Interest groups,” the Philippines has a vibrant associational system. Its traditions date back to the Spanish colonial 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 of civil society 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 fails to translate sufficiently into politics, meaning that the dominance of oligarchic clans has been challenged but not broken by civil society. The authoritarian governance style of the Duterte and Marcos Jr. administrations is 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 primarily 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 an extremely multilingual and multiethnic country is the one between the center and periphery. Urban areas, particularly Metro Manila, which is responsible for approximately 40% of the total GDP of the country, enjoy a much higher standard of living than rural areas and will (if no major decentralization efforts take place) continue to do so in the near future.

The conflict in Muslim Mindanao is not only driven by ethnic and religious issues. The western 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 throughout the country 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 are above-average.

The war on drugs and criminality that former 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.

#### Civil society traditions

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#### Conflict intensity

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## II. Governance Performance

### 14 | Steering Capability

The top priorities of the Duterte administration, namely, the improvement of economic conditions and the reduction of poverty, have been adopted by the current Marcos Jr. administration. In his most prominent public speeches, Marcos Jr. has touted a post-pandemic recovery plan for the economy, pledging targets such as an annual GDP growth of 8% over his six-year term in office so that the Philippines will achieve a middle-income status for most citizens by the end of his term. He also promised to achieve single-digit poverty rates by 2028.

President Ferdinand Marcos Jr. has outlined a series of ambitious initiatives, but analysts suggest the plans lack detail and contain glaring omissions on key issues such as human rights. The importance of the war on drugs, which was a top policy priority in the Philippines under the Duterte administration, has been reduced by Marcos Jr., who stated that rehabilitation and prevention should be the new measures applied instead of extrajudicial killings. Together with the fact that top government positions are no longer dominated by military or police forces as under Duterte, it seems that post-pandemic economic recovery and poverty reduction are higher on the priority list of the Marcos Jr. administration than the war on drugs prioritized by the Duterte administration.

In general, the National Economic and Development Authority (NEDA) has the strategic planning capacity to prioritize and organize policies. NEDA coordinates with the staff of the president.

The previous Duterte administration and the current Marcos Jr. administration have demonstrated a commitment to reform and have also set clear priorities, even if many observers question whether these priorities are the correct ones. However, both presidents' lack of respect for human rights and their authoritarian leadership style are incompatible with the basic principles of liberal democracy.

Policy implementation is a major problem in the Philippines. Compared to his electoral campaign promises, former President Duterte only realized a small number of his planned projects. The substantial 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.

The COVID-19 pandemic was not the primary reason for the lack of implementation of important government policies, since projects were already halted prior to the pandemic. It is worth mentioning that the substantial problem of policy implementation is not a new one but existed under the previous Aquino and GMA administrations.

Question  
Score

Prioritization

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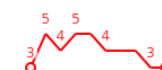


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Implementation

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The newly elected Marcos Jr. administration is under pressure to speed up the infrastructure measures, which, for example, were implemented in neighboring Indonesia much faster, cheaper, and without massive delays. The National Economic and Development Authority (NEDA) of the Philippines pushed on various occasions for the swift completion and implementation of the newly-enacted CREATE Law and key economic liberalization reforms such as the amendments to the Public Service Act, Retail Trade Liberalization Act and Foreign Investments Act.

A major policy reform that failed under the Duterte administration was the introduction of a new constitution, which was intended to address many of the weaknesses of the 1987 constitution. All of Duterte's plans to restructure the political system of the Philippines (introducing a federal state, a 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. New President Marcos Jr. has never voiced any wish to amend the current constitution, and the public debate about federalism and constitutional change has almost come to an end.

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. Usually, a newly elected administration distances itself from previous policies and tries to avoid past mistakes. President Marcos Jr. did not do this. Instead, he continued the policies of his predecessor, including highly controversial domestic policies such as the war on drugs, albeit at a lower scale.

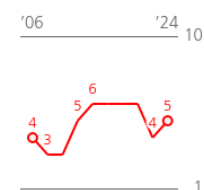
In terms of the government's performance in responding to the COVID-19 pandemic, the government failed to learn much from other countries seeking to find the right balance between individual/economic freedom and state rigidity in containing the spread of the virus. Instead, the government pursued an 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.

Under previous administrations, the Philippines was generally very open to receiving foreign advice and consultancy. This became less so under former President Duterte. However, this trend appears to have been reversed under new President Marcos Jr., who seems more open and has refrained from the aggressive rhetoric and affronts of his predecessor against other countries and leaders.

Another element of policy learning of the new president seems to be that he appointed not only personal friends and military/police figures to his cabinet (as did his predecessor), but also more politically neutral and often more capable senior experts and technocrats. In terms of foreign policy, new President Marcos Jr. revised the questionable and unpopular pro-China course of his predecessor and made it clear that the Philippines stands closely with the United States.

#### Policy learning

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## 15 | Resource Efficiency

In general, 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 recruitment procedures but rather used as 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 a 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.

The current Marcos Jr. administration has continued the expansive fiscal policy of the previous administration, whose budgets were always deficient, leading to increasing state debts. Several national and international experts have expressed their concerns about the negative long-term consequences of the country’s debt-driven financial policies.

During the COVID-19 pandemic, the distribution of additional financial government expenditures was marred by fraud. Most were related to the Philippine Health Insurance Corporation (PhilHealth), which operates under the Department of Health. In addition, several private companies, such as Pharmally Pharmaceuticals, a company close to former President Duterte, have been indicted for financial irregularities by the Commission on Audit (COA) and accused of corruption by critical media reports.

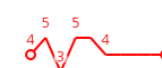
Currently, there are no major frictions or contradictions between the various departments of state. As under the previous administration, current President Ferdinand “Bongbong” Marcos Jr. controls more than 90% of the members of the House of Representatives. Marcos Jr.’s cousin Ferdinand Martin G. Romualdez is the House speaker.

In the Senate, currently only two out of 24 senators are not supporters of the president, and nearly all appointed members of the Supreme Court are Duterte/Marcos loyalists. The national government is supported by allies in a large majority of the local governments.

Efficient use of assets

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'06 '24 10



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Policy coordination

7

'06 '24 10



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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.

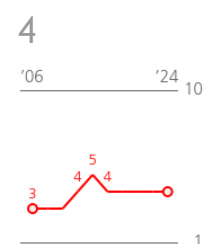
In his election campaign of 2016, former President Rodrigo Duterte took a tough stance on the fight against corruption and declared that if elected, he would eradicate corruption “in about three to six months.” After six years in office, he had to admit in his last state of the nation address in 2022 that corruption was “endemic in this government,” but it will also be there in the government “that will come after me and in the past – it is always there.” In 2021, Duterte slammed the Commission on Audit and accused its officials of corruption. He dared them to publish the list of cases filed against its General Auditing Office. Duterte’s rant came after the agency published reports of mismanagement of funds by his government offices. The case illustrates how the General Auditing Office has a certain degree of independence and bravery.

Beside the two corruption cases related to the COVID-19 pandemic mentioned under “efficient use of assets,” the largest corruption scandal in recent years involved officials from the Bureau of Immigration, including former Immigration Deputy Commissioner Marc Red Mariñas, who allowed several Chinese citizens to enter the country without background checks in exchange for bribes.

Current President Marcos Jr. did not highlight the fight against corruption in his 2022 election campaign. This is no wonder, since the Marcos clan still benefits from the millions of dollars that were stolen during the authoritarian era of former dictator Ferdinand Marcos Sr. (1972 – 1986). Nonetheless, media reports suggest that the Philippine tax authority, the Bureau of Internal Revenue (BIR), has pursued more cases of tax evasion than previously. A website, phone hotline and 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 and the police. Regarding the latter, in January 2023, Interior Secretary Benjamin Abalos urged more than 300 police colonels and generals to offer “courtesy” resignations after a probe found that many of them were involved in illegal activities such as corruption and the drug trade.

The Philippine Ombudsman plays a less important role in the struggle against corruption. Current Ombudsman Samuel Martires even suggested that the Office of the Ombudsman should be abolished due to its limited authority.

Anti-corruption  
policy





## 16 | Consensus-Building

Electoral democracy and the market economy enjoy robust support from a substantial majority of the Filipino political and economic elite, as well as the general public. However, the notable popularity of authoritarian leaders like Rodrigo Duterte and Ferdinand Marcos Jr. highlights that this broad democratic backing doesn't encompass all the aspects of a fully realized democracy. Despite facing economic turbulence, high inflation and a firm-handed approach to the COVID-19 pandemic involving unpopular and prolonged lockdowns, former President Duterte consistently maintained a strong level of support among the general public. Similarly, there exists a pronounced consensus, evident in the May 2022 election outcomes and subsequently confirmed by public sentiment in opinion polls, that Ferdinand Marcos Jr. and Sara Duterte are well-suited to lead the Philippines in the near future (their terms run from 2022 to 2028).

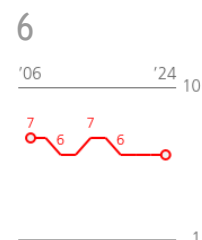
Although small minorities, such as orthodox Communist groups and radical Islamists, outright reject the concept of democracy, these groups have negligible influence on the national stage. Thus, democracy remains the predominant paradigm in the Philippines, though it tends to be interpreted in the narrow sense of the term, that is, involving elections only.

Most Filipinos embrace the concept of a market economy. The emphasis on the fundamental principles of a market economy like competition and private enterprise has left a lasting impression on both the elite and everyday Filipinos. Nonetheless, the concept of a free market economy faces substantial critique from a considerable portion of those on the political left, from moderate critics of neoliberalism to radical communists, who advocate for an economic system that is guided more strongly by the state.

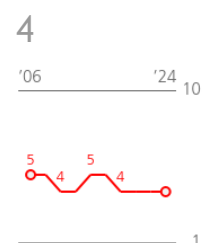
Many of the current political elite of the Philippines, including current President Marcos Jr. and his predecessor President Rodrigo Duterte can be regarded as anti-democratic actors, bearing in mind their low regard for human rights and civil liberties. Nevertheless, they stick to most of the formal rules of Philippine democracy and are willing to step down from their elected post when their term limit is reached.

As explained in “Consensus on goals,” established family clans, who care more for their economic and political power than for a liberal democracy, are an inherent challenge to the establishment of a higher quality of democracy 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.

Consensus on goals



Anti-democratic actors



The Armed Forces of the Philippines (AFP) is a potential veto player and some of its 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 (2010 – 2016), former President Rodrigo Duterte raised it significantly. This trend was continued under newly elected President Marcos Jr., who increased the military budget for 2023 by around 8%.

There is a wide alliance of democratically oriented reformers in the Philippines, who primarily rallied around former Vice President Leni Robredo in the 2022 elections. These groups from civil society organizations try to convince ordinary Filipino voters to support them instead of the aforementioned anti-democratic actors in upcoming elections.

The most important internal conflict in the Philippines is in the Muslim areas of Mindanao (Bangsamoro). In 2018, the Philippine national government negotiated with the Moro Islamic Liberation Front (MILF) to produce the Bangsamoro Organic Law (BOL), which enabled the establishment of the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM).

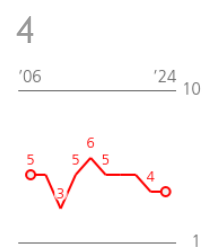
Under the deal for BOL, the rebels gave up their goal of an independent state in exchange for broad autonomy. A referendum in January 2019 ratified the BOL, and a more autonomous Bangsamoro transition government under interim Prime Minister Murad Ebrahim was formed. Elections were scheduled for May 2022 but were postponed to May 2025.

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 have been amassed by the already wealthy. Since a redistribution of wealth is only weakly implemented in the Philippines, this cleavage is likely to widen in the coming years. The previous Duterte administration and the current Marcos administration both relied on traditional liberal economic programs (trickle-down effect) and failed to seriously engage in tackling this socioeconomic cleavage.

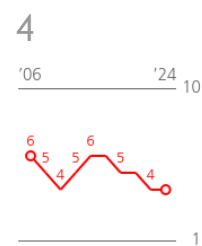
In general, civil society organizations and NGOs are usually excluded from formal decision-making in the Philippines, but they play an important role in initiating legislation and influencing debates in Congress. A multitude of watchdog organizations closely monitor policy implementation. Community-based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

Under the presidencies of Rodrigo Duterte and Ferdinand Marcos Jr., 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,

Cleavage / conflict management



Public consultation



environmentalists and human rights defenders. Despite the (in contrast to his predecessor) softer rhetoric of President Marcos Jr., the situation for the aforementioned groups remains very dangerous on the ground.

The election of the son and namesake of ousted Philippine dictator Ferdinand Marcos Sr. (1972 – 1986) was a huge blow for the reconciliation between supporters and the thousands of victims of the dictator’s rule. The electoral victory of Ferdinand “Bongbong” Marcos Jr. was only possible due to a substantial fake news campaign in traditional and social media that manipulated Philippine history.

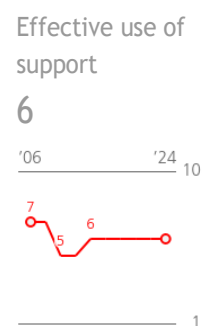
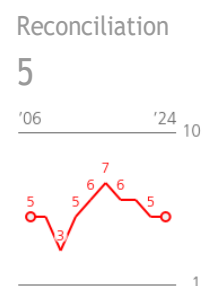
The election victory did not come as a surprise. Former President Rodrigo Duterte made no secret of his admiration for the former dictator, whom he allowed to be buried at the National Heroes Cemetery nearly 30 years after his death. Duterte’s daughter Sara became the running mate for Marcos Jr. and ultimately became vice president in May 2022. The rise of the Marcos clan to presidency, and the whitewashing of widespread human rights violations, corruption and abuse of power during the authoritarian past did nothing to contribute to reconciliation between the supporters and victims of the authoritarian rule of Ferdinand Marcos Sr.

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 the agreement 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 has run relatively smoothly and without major interruptions in the last few years.

### 17 | International Cooperation

Philippine governments have repeatedly underlined their willingness to benefit from international loans, grants and knowledge in order to improve their internal weaknesses in terms of governance and economic development.

According to NEDA, the Philippines’ active official development assistance (ODA) portfolio reached \$30.7 billion in 2020 (latest available data), which represented a 46.6% increase on the previous year. The ODA portfolio consisted of 30 program loans, 76 project loans, and 251 grants. As of 2020, Japan remained the country’s overall top provider of ODA, with \$11.2 billion (36.4%) worth of loans and grants, followed by the Asian Development Bank with \$8.8 billion (28.5%), and the World Bank with \$6.4 billion (21.0%).



Despite all the Philippine interest in international cooperation, implementation is in several cases hampered by an inefficient bureaucratic system and excessive red tape within 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, former President Duterte announced that he would forge "new alliances" with China and Russia. He went so far as to cancel the Visiting Forces agreement with the United States. Duterte's distinctive foreign policy has led to a loss of credibility with the United States, and many Western and East Asian countries.

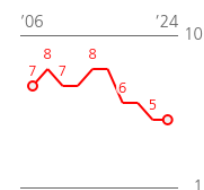
President Marcos Jr., who, in contrast to Duterte, has no resentment of the United States, reverted foreign policy back to its traditional pro-American orientation. However, he did not revise the decision to withdraw from the International Criminal Court (ICC), made in 2018 by the Duterte administration, after the judicial body started an inquiry into the former president's controversial war on drugs. In October 2022, the U.N. Human Rights Council ended its 51st session in Geneva without taking action against the Philippines regarding this issue.

During the six years of the Duterte Administration, the Philippines lost significant credibility at the international level. The new Marcos Jr. administration appears to favor a clear commitment to the alliance with the United States and a "return to normality" in Philippine foreign relations. Consequently, the Philippines was among those Southeast Asian countries condemning the Russian invasion of Ukraine. Marcos Jr. was also the first president in almost 20 years to appoint an experienced career diplomat to the post of foreign minister. Accordingly, the international credibility of the Philippines will most probably increase in the following years.

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 has traditionally played a leading role within the ASEAN community in promoting democracy and open markets. Between 2016 and 2022, 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. Now, President Marcos Jr. has revised this foreign policy orientation and emphasized closer relations with the United States, while keeping the ASEAN region his main foreign policy priority.

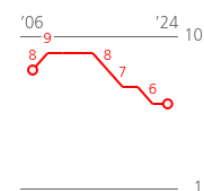
#### Credibility

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#### Regional cooperation

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Symbolically, Marcos Jr. made his first foreign visit as newly elected president to Southeast Asia, where he met with most regional leaders, including Indonesian President Joko Widodo. Regarding the Myanmar issue in ASEAN, the Philippines under Marcos Jr. followed Indonesia, Malaysia and Singapore in pushing for stricter sanctions against the military junta in Naypyidaw. It seems plausible that regional cooperation, particularly with the aforementioned countries, will improve under Marcos Jr.

## Strategic Outlook

The Philippines can still be classified as a democracy. However, the integrity of the country's democratic framework deteriorated significantly after the ascension of Rodrigo Duterte to the presidency in 2016. While in office, he centralized power, took measures that undermined civil liberties, and was responsible for thousands of extrajudicial killings. The subsequent election of Ferdinand Marcos' son as president in 2022, with Duterte's daughter Sara as vice president, underscored the prevalence of political clans and a disconcerting disregard for human rights violations.

To enhance the caliber of democracy in the Philippines, a greater emphasis on political education regarding the components of a full-fledged democracy is imperative. This includes understanding political and human rights, civil liberties, and safeguards for minorities. Drawing from their own historical experience, the Philippines should establish an independent commission tasked with assessing the events spanning the period from 1972 to 1986, thus preventing a distorted narrative from infiltrating school curricula.

Breaking free from the dominance of political clans and dynasties necessitates constitutional amendments. The entrenched influence of family clans must be curtailed to inject more transparency and competitiveness into politics and the economy. The long-debated anti-dynasty law should finally be enacted to provide a platform for a fresh generation of politicians to engage in politics.

The creation of a new constitution should encompass provisions that fortify checks and balances, diminish the president's ability to exert undue control over legislative and judicial bodies, and institute safeguards for civil and human rights, including an autonomous commission for human rights with an unhampered budget and personnel.

Education is pivotal for the economic transformation of the Philippines. Despite positive economic growth over the past two decades, poverty and inequality remain persistently high. Realizing meaningful change requires additional state resources and astute reforms in the education sector to lift individuals out of the informal economy. Enhanced education levels are pivotal to meaningfully reducing poverty and augmenting international competitiveness.

An additional significant stride toward positive economic transformation lies in modernizing the country's outdated infrastructure. While some extensive infrastructure initiatives are underway, administrative mismanagement has led to substantial delays in implementation. The Marcos Jr. administration should glean insights from Indonesia, where Joko Widodo's government expedited infrastructure enhancement within a relatively short time frame.

To address poverty, the government must steer economic growth toward inclusivity, improving the lives of millions of impoverished Filipinos. The potential for a swift economic rebound after the COVID-19 pandemic seems promising, with international financial institutions like the Asian Development Bank and the World Bank projecting robust GDP growth rates in the coming years.

Internal and external stability serve as foundational prerequisites for a resurgence of democratic values and the continuity of economic growth. Therefore, the Philippine government must cautiously navigate the implementation of the Bangsamoro Organic Law (BOL) to ensure peace in the region, preempting radical elements from destabilizing it. In terms of international relations, recalibrating toward a more balanced stance between China and collaboration with the United States and European nations could foster heightened security and economic expansion. With a united and widely endorsed national government in place, the Philippines has the foundation to initiate the socioeconomic reforms previously outlined, rather than merely perpetuating the status quo.