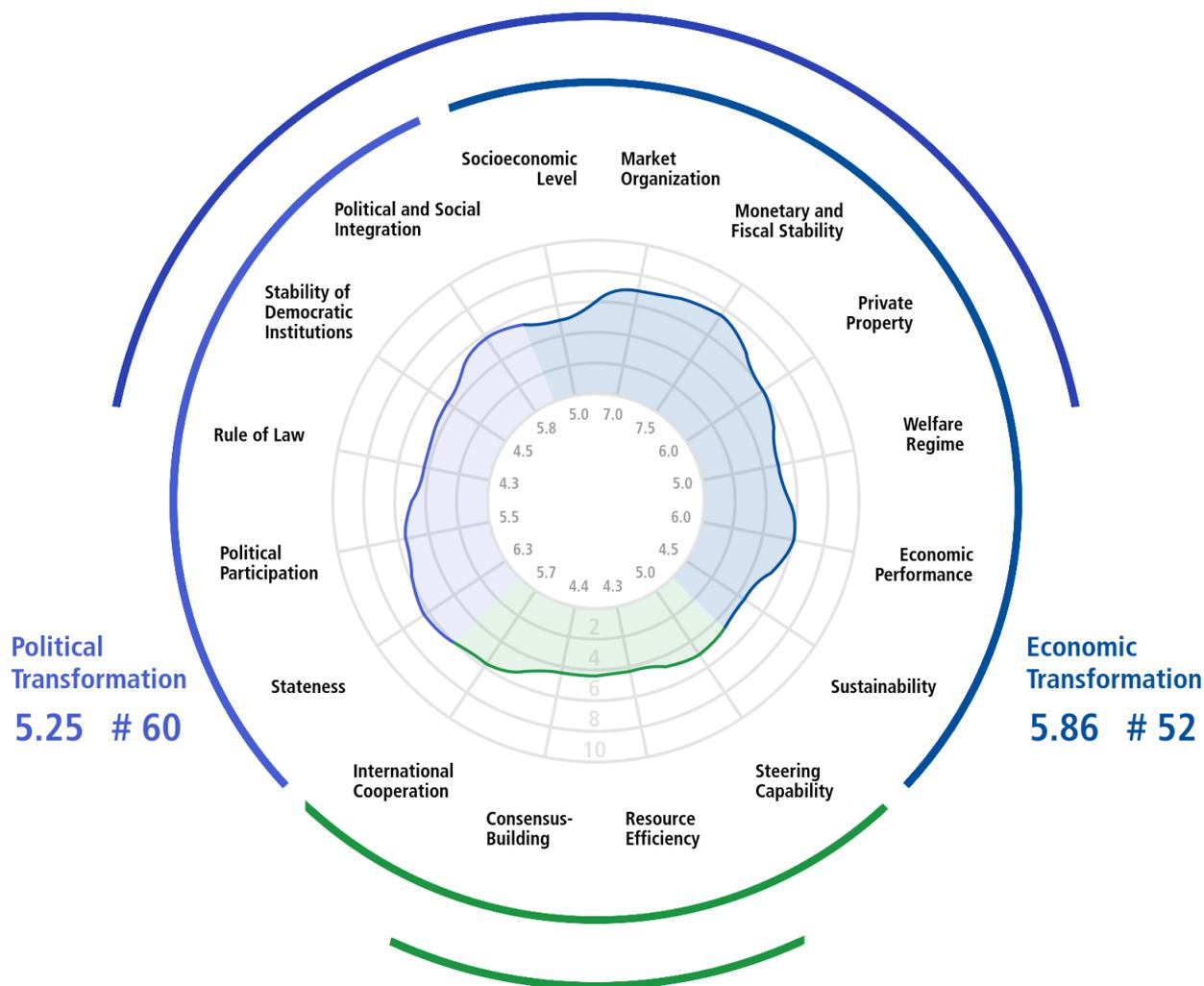


Philippines

Status Index

5.55 # 58

on 1-10 scale out of 137



Political Transformation
5.25 # 60

Economic Transformation
5.86 # 52

Governance Index

4.34 # 82

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2026 Country Report – Philippines. Gütersloh: Bertelsmann Stiftung, 2026.

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Key Indicators

Population	M	115.8	HDI	0.720	GDP p.c., PPP \$	11794
Pop. growth ¹	% p.a.	0.8	HDI rank of 193	117	Gini Index	39.3
Life expectancy	years	69.8	UN Education Index	0.689	Poverty ³	% 17.8
Urban population	%	48.6	Gender inequality ²	0.351	Aid per capita \$	16.0

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. 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

As the Philippines approaches the midpoint of President Ferdinand Marcos Jr.’s six-year term, the country faces significant political and economic upheaval.

The falling-out between Marcos Jr. and Vice President Sara Duterte triggered a major political upheaval. Once allies, Marcos Jr. and Sara Duterte saw their partnership unravel into open confrontation, culminating in Sara Duterte’s impeachment by the House of Representatives in December 2024. She faced charges of corruption, conspiracy to assassinate Marcos Jr. and involvement in extrajudicial killings. Once seen as a strong presidential contender, she faces a highly uncertain political future.

Meanwhile, former President Rodrigo Duterte staged a controversial political comeback by announcing his bid to return as mayor of Davao City. His move was widely criticized, especially as the International Criminal Court (ICC) investigation into his bloody drug war gained traction. While his supporters saw his return as a fight for his legacy and legal survival, critics argued it reinforces a culture of impunity.

On the economic front, the Philippines’ GDP grew 5.6% in 2024, short of its 6% to 6.5% target. Extreme weather events, including typhoons and droughts, disrupted agriculture and government spending, slowing economic momentum. In response, Marcos Jr. signed a major tax reform law in November 2024, lowering corporate taxes and introducing fiscal incentives to attract foreign investment. While supporters praised it as a key step toward making the country more competitive, critics warned that short-term tax revenue losses could strain public services and infrastructure projects.

Although both Marcos Jr. and Rodrigo Duterte displayed authoritarian tendencies, their policy priorities diverged sharply. While Duterte focused on security and law enforcement, Marcos Jr. prioritized economic revitalization. His administration launched “Bagong Pilipinas” (New

Philippines) in early 2024, a flagship program aimed at creating jobs and reducing poverty. While the initiative promised structural transformation, many questioned whether the necessary economic and governance reforms were in place to achieve its ambitious goals.

Amid these domestic challenges, the Philippines faced growing regional security concerns. With China becoming increasingly aggressive in the South China Sea, the country strengthened its defense alliances, particularly with Japan. The two countries expanded military cooperation, conducting joint exercises and sharing intelligence. France also participated, deploying its nuclear-powered aircraft carrier Charles de Gaulle for combat drills with Filipino forces, signaling strong international backing for the Philippines in its territorial disputes.

In summary, power struggles within the ruling coalition, key shifts in the country's geopolitical engagements with the region and the world, rising regional tensions, and major policy divergences resulting from shifts in strategic foci created a dynamic and uncertain environment. While the government pursued economic reforms and strategic alliances, deep political divisions and unresolved conflicts continued to shape the country's trajectory.

History and Characteristics of Transformation

On June 12, 1898, the Philippines declared independence after more than three centuries of Spanish rule. However, full independence from the United States was not achieved until 1946. Following independence, the country adopted a democratic presidential system and showed promise. With industrialization and public education advancing, and with strong economic potential, the Philippines stood among Asia's most progressive countries.

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 Sr.'s crony capitalism, rampant corruption and mounting foreign debt. 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 Sr.' rule and the return of democracy.

As the first post-authoritarian president, Corazon "Cory" Aquino (1986 – 1992), widow of "Ninoy" Aquino and mother of a subsequent president, led the initial phase of the democratic transition. Her tenure saw 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 efforts aimed to bolster the Philippines' competitiveness globally. Under his leadership, the country experienced economic growth and political stability, although it lagged economically behind other East and Southeast Asian countries.

Subsequent presidents Joseph "Erap" Estrada and Gloria Macapagal-Arroyo (GMA) chipped away at the foundations of Philippine democracy. Estrada, embroiled in allegations of abuse of power, 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 a deepening legitimacy crisis. 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 the popularity of his mother, who had died just before the campaign. Aquino's tenure brought democratic stability and notable macroeconomic expansion. However, essential reforms to improve living standards for the rapidly growing population fell short.

In May 2016, Rodrigo Duterte, a former mayor of Davao, became president. Over time, his administration shifted the Philippine democratic landscape toward authoritarianism by eroding civil rights and political freedoms. His prioritization of the battle against drug abuse 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 caused substantial infections and fatalities among Filipinos but also triggered the country's most severe economic contraction since it attained independence in 1946.

Ferdinand Marcos Jr., son of the former dictator, was elected president in 2022, promising to focus on economic revitalization. His administration has prioritized economic growth, tax reform and infrastructure development, while strengthening alliances with the United States, Japan and European countries. This report covers the first three years of his presidency.

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 Philippine government's monopoly on the use of force remains fragmented and contested, challenged by both internal and external threats across its archipelagic territory comprising 7,000 islands.

Insurgent activities continue to undermine state authority. While President Marcos Jr. lifted the state of national emergency in Mindanao in 2023, violence associated with Muslim insurgents persists. The late 2023 bombing at Mindanao State University, claimed by Islamic State, and clashes between Moro Islamic Liberation Front (MILF) factions over land disputes in late 2024 – both of which led to fatalities – underscore ongoing instability. Meanwhile, the Communist Party of the Philippines and its armed wing, the New People's Army (NPA), though weakened, still exert influence in rural areas of Luzon, Visayas and Mindanao.

Extrajudicial killings remain a concern despite the decline in the Duterte-era drug war. Human Rights Watch reports 471 drug-related killings under the Marcos Jr. administration as of November 2024, involving both law enforcement officers and unidentified assailants. The practice of “red-tagging” – labeling individuals or groups as communists or terrorists without substantial evidence – continues, endangering activists and journalists.

The ruling coalition between Marcos Jr. and Vice President Sara Duterte is fracturing, with impeachment proceedings against Duterte fueling political turmoil. Calls from the Duterte camp for Mindanao's secession, and pronouncements related to threats of political assassination and the possibility of a military coup d'état further threaten centralized authority.

Meanwhile, the Philippines faces increasing maritime aggression from China in the South China Sea. In response, the government plans a 6.4% increase in the 2025 defense budget to strengthen military capabilities amid rising regional tensions.

Question
Score

Monopoly on the
use of force

5



In general, there is widespread acceptance of the Philippine state as a legitimate and inclusive vessel of national identity, although pockets of resistance persist among Indigenous peoples and those who identify with Bangsamoro.

The main challenge remains in Muslim-majority areas of Mindanao, where the distinct Bangsamoro identity – a concatenation of “Bangsa” (nation) and “Moro” (Muslim) – is strong. The terms of their integration into a national framework are encapsulated in the establishment of the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) in 2019 through peace agreements that granted self-governance to Moro groups after decades of conflict with the Philippine government. While the Bangsamoro Transition Authority (BTA) has made progress in legal and administrative frameworks, challenges persist, particularly in governance and security. The long-delayed Bangsamoro Electoral Code was finally ratified in March 2023, paving the way for the region’s first parliamentary elections in May 2025. Internal conflict between groups, such as the violent clashes between MILF factions, illustrates ongoing tensions that persist in the face of the peace agreement. Delays in the decommissioning of ex-combatants have further tested the transition to stable autonomy.

Meanwhile, Indigenous Filipinos, comprising 10% to 20% of the population, face land rights issues amid government-backed foreign investments in mining, renewable energy and infrastructure. The 1997 Indigenous Peoples’ Rights Act remains poorly implemented, with delays in the recognition of ancestral domains. The Philippine government’s expansion of renewable energy is said to threaten Indigenous lands, with hydropower and geothermal projects said to violate free, prior and informed consent. According to the NGO International Work Group for Indigenous Affairs, President Marcos Jr.’s administration promotes energy projects without addressing Indigenous concerns, intensifying land rights violations. In light of this, Indigenous Filipinos have resisted state policies perceived as a threat to their ancestral lands through organized protests, legal advocacy and community initiatives. One prominent example is the Kaliwa Dam project, a China-backed initiative to address water shortages in Manila, which threatens to displace about 56 Indigenous families and submerge about 300 hectares of ancestral lands in the Sierra Madre mountain range. In February 2023, about 300 members of the Dumagat-Remontado tribe undertook a nine-day, 150-kilometer march from General Nakar, Quezon, to Malacañang Palace, the official residence of the president, to appeal directly for the project’s termination. Despite their efforts, including seeking dialogue with President Ferdinand Marcos Jr., their pleas were reportedly ignored and construction continued, leading to significant progress on the dam.

In general, Filipino citizenship grants fundamental rights such as suffrage, education and social services. However, access to these rights is not always equal because of economic disparities, bureaucratic challenges and social discrimination. For example, bureaucratic inefficiencies mean many low-income individuals struggle to obtain the

State identity

7

'06 _____ '26 10

7 ————— 10

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legal documents needed to access education and health care, and to vote. Social discrimination against ethnic minorities may limit land rights and fair treatment. These examples illustrate some of the structural barriers that perpetuate inequality and prevent some Filipinos from enjoying the full benefits of citizenship.

The Philippine state is formally secular, with the principle of separation of church and state clearly articulated in its constitution. However, church groups in the Philippines have historically wielded significant influence over societal and political matters. The Roman Catholic Church, constituting approximately 79% of the population, continues to play a pivotal role in shaping public opinion and policy, particularly regarding the regulation (or absence thereof) of divorce, abortion and same-sex marriage.

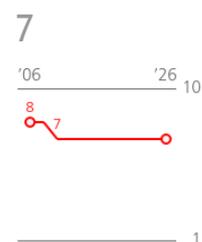
Additionally, other Christian denominations and groups exert considerable influence during and between elections. For example, the Iglesia ni Cristo (INC) is known for its practice of bloc voting during elections, which amplifies its political clout. The group’s political endorsements are significant because the INC’s practice of bloc voting has been shown to sway election outcomes. Since the 1970s, all but one presidential candidate endorsed by the group, including the incumbent President Marcos Jr., have gone on to win the subsequent election.

The complex interplay between religious influence and politics is further exemplified by the 2024 operation to arrest Apollo Quiboloy, leader of the Kingdom of Jesus Christ, a group known for its support of the Duterte. Quiboloy, a self-proclaimed divine figure, faced charges of child abuse, sexual abuse and human trafficking, all of which he denied. The deployment of 2,000 police officers for his arrest drew vociferous criticism from political figures, including former President Rodrigo Duterte and Vice President Sara Duterte, highlighting the sensitive nature of actions involving prominent religious leaders.

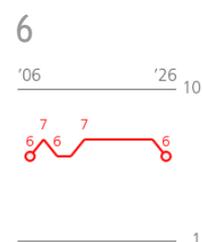
The state apparatus for providing public services is well established but deficient. In 2022, about 62% of the population had access to safely managed sanitation, 48% to a safe water source and 95% to electricity. Although the country is not the worst performing on these metrics in Southeast Asia, the slow pace of improvement over the past decade – particularly in water and sanitation – suggests a weakened government capacity to manage the development of infrastructure services after decades of privatization that began in the 1990s.

Meanwhile, despite continued (if modest) increases in government funding for education and health services, quality and accessibility remain concerns. In 2023, households bore 44.4% of health expenditures out of pocket, indicating a significant financial burden on individuals. Infrastructure deficits in education persist, with reports indicating that 5,000 schools lacked electricity and 10,000 lacked water access as of 2023. Teacher shortages also persist, with a reported deficit of 144,789 educators for the 2023/24 academic year.

No interference of religious dogmas



Basic administration



Similarly, persistent concerns remain about the government's capacity to administer justice and uphold the rule of law. For example, the Philippines ranked 99th out of 142 countries in the World Justice Rule of Law Index 2024. This places it among the weaker performers in the East Asia and Pacific region, ranking 13th out of 15 countries, ahead of only Myanmar and Cambodia. This capacity is weakened by corruption within law enforcement agencies. According to the Philippine National Police, 5,457 officers faced administrative charges in 2024 and were involved in 3,751 cases.

Meanwhile, with regard to tax collection, the government struggles to meet revenue targets despite year-over-year increases in collections. Although the Bureau of Internal Revenue (BIR) reported an 8.6% increase in tax collections as of November 2023, reaching PHP 2.34 trillion, concerns remain about its overall performance. The BIR has acknowledged that achieving the 2024 collection target of PHP 3 trillion is challenging, despite surpassing the previous year's record-high collection of PHP 2.5 trillion.

2 | Political Participation

Since the 1986 People Power Revolution, which ended Ferdinand Marcos Sr.'s authoritarian rule, the Philippines has maintained regular elections. Presidential elections occur every six years, while mid-term elections for legislative seats and in local governments are held every three years. The results of the May 2022 presidential election were largely accepted as legitimate, though assessments of fairness were mixed. The Asian Network for Free Elections (ANFREL) praised the high voter turnout and peaceful conduct, while the International Coalition for Human Rights in the Philippines (ICHRP) reported vote-buying and harassment, questioning the fairness of the election. The Center for Media Freedom and Responsibility (CMFR) compiled media reports, including videos, of money being distributed as "cash prizes" to those attending campaign sorties by some local and national candidates.

Over the past four decades, the Philippines has pursued electoral reforms to enhance transparency. The 1987 constitution reinstated a bicameral Congress and introduced term limits to prevent prolonged incumbency. The 1995 Party-List System Act aimed to represent marginalized groups, though political dynasties are seen as having co-opted it. The 1997 Automated Election System (AES) Law modernized vote counting and was first used in the 2010 elections to reduce fraud.

As the May 2025 mid-term elections approach, the Commission on Elections is preparing a series of reforms. Plans include online voting for overseas Filipinos and provisions enabling more than 68,000 detainees to vote. These efforts reflect continued attempts to improve electoral integrity and inclusivity, though political dynasties and transparency concerns remain key challenges.

Free and fair elections

7

'06 '26 10



1

In the Philippines, democratically elected officials hold significant formal powers, particularly under its strong presidential system. However, governance is often constrained by political dynasties, institutional veto players and informal power brokers, such as warlords, private armies and the military.

The president wields extensive executive and legislative authority, often backed by a compliant Congress. Since Ferdinand Marcos Jr. took office in 2022, his administration has advanced key policies with minimal opposition. However, the Armed Forces of the Philippines (AFP) serves as an informal veto player, occasionally asserting itself as a guardian of national stability. This influence became evident in 2024 when rising tensions between President Marcos Jr. and Vice President Sara Duterte raised fears of potential military intervention reminiscent of past political crises.

Political dynasties maintain a tight grip on elections and policymaking. The Philippine Center for Investigative Journalism reports that, as of October 2024, more than 80% of congressional seats are controlled by dynastic politicians, limiting electoral competition and weakening public representation. These dynasties form the base of pyramidal patron-client networks that underpin the strength of informal political power in the Philippines.

Independent media and civil society remain critical watchdogs but face increasing repression. Between July 2022 and April 2024, media watch groups in the Philippines – such as the CMFR and the National Union of Journalists in the Philippines (NUJP) – recorded 135 attacks and threats against journalists, purportedly surpassing figures from Duterte’s term. These included 45 cases of red-tagging and 19 cases of surveillance.

While individuals in the Philippines retain constitutional rights to form and join independent political or civil society groups, practical challenges – such as red-tagging, the misuse of anti-terrorism laws and localized violence – create conditions that curtail these freedoms. This is exemplified by local political conflicts marked by impunity, such as in Negros Oriental, where the assassination of Governor Roel Degamo was allegedly orchestrated by his political rival Arnolfo Teves Jr. in 2023.

The Anti-Terrorism Act of 2020 also remains a major concern. Although the Supreme Court struck down some provisions in late 2020, the law’s broad definitions allow authorities to detain people without a warrant and surveil activists. In 2023 and 2024, human rights groups documented arbitrary arrests of Indigenous leaders and environmental activists, reinforcing fears that the law is used to suppress dissent.

Despite these challenges, civil society remains active, with legal groups such as the Free Legal Assistance Group (FLAG) and international pressure helping sustain democratic space. Digital platforms have also become key advocacy tools, countering government restrictions on civil society engagement.

Effective power to govern

6

'06 '26 10



1

Association / assembly rights

5

'06 '26 10



1

In 2024, press freedom in the Philippines further deteriorated, with the country slipping to 134th out of 180 countries in the World Press Freedom Index, down from 132nd in 2023. This decline reflects escalating challenges to free expression. Incidents of red-tagging – which the Supreme Court ruled a threat to life, liberty and security in May 2024 – have further curtailed the space for expression among civil society leaders and journalists. Amnesty International has warned about officials’ use of Facebook to red-tag young activists, intensifying online harassment.

Legal mechanisms also suppress dissent. Aside from the continuing problems associated with the Anti-Terrorism Act of 2020, libel remains a criminal offense and is often weaponized against journalists. The legal case of community journalist Frenchie Mae Cumpio, who was arrested in 2020 and is still imprisoned as of 2024 based on reporting about alleged human rights abuses perpetrated by state forces, exemplifies the use of legal charges to stifle critical reporting. The U.N. special rapporteur for freedom of expression has called the practice of imposing nonbailable charges and subsequent extensive pretrial detention of government critics unacceptable and in need of an end.

3 | Rule of Law

In the Philippines, the constitutional framework establishes a presidential system with separation of powers. However, executive dominance, and weakened legislative and judicial branches undermine checks and balances.

Since taking office, President Marcos Jr. has centralized executive authority by transferring key agencies to the Office of the President through executive orders. He abolished the Presidential Anti-Corruption Commission and Office of the Cabinet Secretary in 2022, and later placed the National Irrigation Administration under his direct control. In 2024, he removed Vice President Sara Duterte from the National Security Council and limited the mandate of the National Intelligence Coordinating Authority to cybersecurity, thereby consolidating control over national security.

Meanwhile, the Senate, traditionally independent, has lost its role as a counterbalance as Marcos Jr. commands a legislative supermajority. Following the 2022 elections, only two opposition senators remain: Risa Hontiveros and Aquilino Pimentel III. This shift has reduced legislative scrutiny and debate.

The judiciary, while constitutionally independent, faces corruption and political influence. A PHP 6 million bribery case filed in May 2024 against a district court employee underscores its vulnerability. Yet, in August 2024, courts annulled the shutdown order against the critical media outlet Rappler, showing occasional independence. However, the Supreme Court, where 13 out of 16 justices were appointed by former President Duterte, now faces a major test as it reviews the vice president and daughter of the former president’s impeachment case.

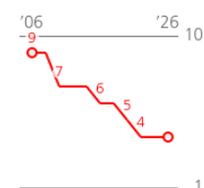
Freedom of expression

4



Separation of powers

4



The constitutionally enshrined independence of the judiciary in the Philippines continues to be tested. Vice President Sara Duterte faced criminal complaints in December 2024 for allegedly assaulting authorities in Congress, while a presidential adviser sought her disbarment for threats against President Marcos Jr. Together with the Supreme Court's review of the impeachment case against the vice president, the judiciary's handling of these matters will indicate whether it can resist political pressure.

Meanwhile, the International Criminal Court (ICC) investigation into former President Rodrigo Duterte adds another layer of scrutiny. In November 2024, President Marcos Jr. said his government would not block the probe if Duterte cooperated voluntarily, a stance that reflects diplomatic maneuvering but raises questions about judicial authority in prosecuting high-profile figures.

The Supreme Court's independence has historically been contested, especially during Rodrigo Duterte's presidency, when the former president is seen as having engineered the ouster of Maria Lourdes Sereno as chief justice. The ongoing developments highlighted above exemplify the fragility of judicial independence.

While the Philippines has made efforts to penalize corrupt officials, accountability remains inconsistent. High-profile cases and budgetary concerns illustrate both progress and challenges in anti-corruption initiatives.

Several prominent officials faced legal action in 2024. Former Bamban Mayor Alice Guo was charged with graft and espionage for allegedly facilitating offshore gambling operations linked to Chinese criminal syndicates. The Philippine Offshore Gaming Operators scandal led President Marcos Jr. to ban Chinese-run gaming operations, citing fraud and human trafficking concerns.

The Office of the Ombudsman reported the successful prosecution of more than 300 corruption cases between January and July 2023, reflecting active anti-corruption efforts. However, budget cuts for 2025 have raised concerns about weakened oversight institutions, with critics calling the 2025 budget "the most corrupt budget in Philippine history" because of reduced funding for essential services and a rise in discretionary funds.

Vice President Sara Duterte faced impeachment complaints in late 2024 over allegations of corruption, extrajudicial killings and threats against Marcos Jr. Simultaneously, the 2025 national budget sparked controversy by eliminating a PHP 74 billion health subsidy and increasing legislative discretionary funds, raising fears of a return to pork-barrel politics.

Despite legal actions against corrupt officials, institutional weaknesses, political interference and budgetary manipulations hinder consistent accountability. Without stronger safeguards and independent oversight, the fight against corruption remains fragile, leaving the system vulnerable to continued abuse of power.

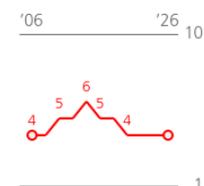
Independent judiciary

5



Prosecution of office abuse

4



Under President Ferdinand Marcos Jr., the human rights situation in the Philippines has seen slight improvements, yet significant challenges persist. Extrajudicial killings, particularly those associated with the “drug war,” have decreased but continue with near impunity. Dahas, a human rights monitoring group in the Philippines, reports that 332 individuals were killed in drug-related incidents in the first 10 months of 2024, with security forces responsible for more than half of these deaths. Since Marcos Jr. assumed office in 2022, a total of 841 drug-related killings have been recorded. However, the Marcos Jr. administration’s hard-line position toward the ICC’s investigation into potential crimes against humanity softened as the president’s feud with the vice president intensified. In August 2024, Congress initiated joint hearings on extrajudicial killings and the alleged use of illicit funds by the previous administration to finance police operations. Former police officials implicated former President Rodrigo Duterte and other high-ranking officers in the murders of detained suspected “drug lords.” Additionally, witnesses testified about being coerced into fabricating allegations against former Senator Leila de Lima, leading to her nearly seven-year detention.

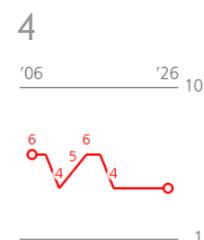
Finally, as this report repeatedly notes, the practice of red-tagging remains prevalent, resulting in the harassment and intimidation of journalists and activists. Reflecting these ongoing issues, the CIVICUS Monitor still rated the Philippines’ civic space as “repressed,” assigning scores of 31 out of 100 in 2023 and 34 out of 100 in 2024.

4 | Stability of Democratic Institutions

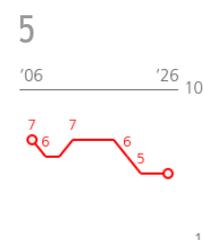
In 2024, the Philippines’ democratic institutions functioned but faced major challenges, with judicial actions, political conflicts and constitutional reform debates testing their resilience. Red-tagging is a persistent problem, but a landmark Supreme Court ruling declaring it a threat to life, liberty and security has helped reinforce judicial independence in protecting civil liberties.

The rift between President Marcos Jr. and Vice President Sara Duterte has severely strained governance in the Philippines, disrupting executive cohesion and legislative focus. In October 2024, Sara Duterte accused Marcos Jr. of incompetence, escalating tensions. By November, threats against Marcos Jr. led to legal actions, further destabilizing governance. In February 2025, the House of Representatives impeached Duterte for alleged conspiracy and corruption, deepening political divisions. This power struggle has diverted attention from policymaking, weakened public trust and raised concerns about the resilience of democratic institutions. Meanwhile, efforts to amend the 1987 constitution led to a legislative impasse as the House of Representatives pushed for reforms while the Senate resisted, highlighting tensions in the system of checks and balances.

Civil rights



Performance of democratic institutions



International bodies, including Freedom House, expressed concerns about political rights and civil liberties, urging vigilance to uphold democratic norms. Although Philippine institutions remained functional, ongoing internal conflicts and governance issues underscored the need for stronger democratic safeguards and institutional independence.

While there are no social forces – except perhaps for radical insurgent groups – that openly call for democratic reversals, there is also little resistance to the democratic backsliding that threatens the space for civil and political liberties, and weakens checks and balances.

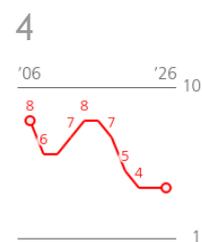
Current political dynamics are further straining the legitimacy of democratic practice. In particular, the intensifying rift within the ruling coalition of Marcos Jr. and Sara Duterte, which has included threats of violence and allegations of corruption, is undermining public confidence in democratic processes. Additionally, the dominance of political dynasties continues to suppress political competition and diversity, further eroding institutional legitimacy. While the military has notably maintained a stance of nonpartisanship and civil society activism remains vibrant, international organizations such as the National Democratic Institute express concern over the Philippines’ democratic backsliding.

5 | Political and Social Integration

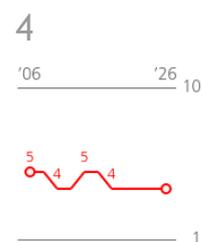
The Philippine party system remains weak and dominated by opportunistic alliances. Lacking grassroots engagement and ideological coherence, parties are limited in their ability to effectively represent societal concerns or drive meaningful political reform. Instead of being ideologically driven organizations, political parties have often been vehicles for powerful families and politicians who control resources and networks. The weakness of platforms means that allegiances shift on the basis of convenience, undermining their ability to provide stable and consistent representation of societal interests. For example, the merging of major parties into coalitions – such as the Alyansa para sa Bagong Pilipinas (Alliance for a New Philippines) in 2024, constituted by parties supportive of the president – reflects a focus on consolidating power rather than addressing diverse societal concerns.

The Philippines is home to a wide range of interest groups, including business associations, labor unions, peasant organizations, religious groups and advocacy coalitions. These groups influence policy, governance and public opinion through lobbying, protests or alliances with political figures. Business groups, such as the Makati Business Club, often align with policymakers to protect economic interests, while labor unions and peasant groups push for workers’ rights and agrarian reform. Religious organizations, such as the Catholic Church, wield moral and political influence. Many interest groups form coalitions, creating a dynamic interplay of competing and cooperative relationships that shape national policies and reforms. For

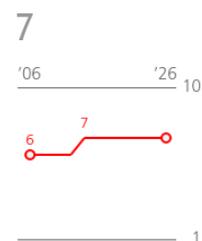
Commitment to democratic institutions



Party system



Interest groups



example, business groups such as the Philippine Business for Social Progress have partnered with civil society organizations to promote sustainable development and corporate social responsibility initiatives.

The effectiveness of many of these organizations in influencing elite-driven political coalitions has been curtailed by political repression and resource constraints. Red-tagging has constrained organizations accused of being fronts for communist groups. Exemplifying this environment of distrust and repression are military accusations against the Community Empowerment Resource Network, composed of nine humanitarian and development NGOs active in the Visayas islands in the central Philippines, for allegedly funding insurgent activities. Concerns about this case were raised by the U.N. special rapporteur on human rights defenders in August 2024.

In general, civil society organizations struggled to convert their demands into concrete policy changes. Political elites and dynastic leaders frequently sidelined grassroots and civil society voices to maintain control of decision-making.

Many organizations faced financial and logistical challenges that further limited their reach and effectiveness.

While a significant majority of Filipinos – as many as 89% – expressed satisfaction with the functioning of democracy in a 2023 Social Weather Stations poll, there remains a notable openness to authoritarian governance. In the same poll, 26% of respondents indicated that “under some circumstances, an authoritarian government can be preferable to a democratic one,” while 15% were indifferent to the type of governance. These findings suggest that, despite widespread approval of formally democratic institutions, a considerable portion of the population may be receptive to authoritarian practices. This public receptiveness to democratic backsliding – which became especially evident with the election of strongman leaders such as Rodrigo Duterte and Marcos Jr. – has partly been traced to the failure of the so-called EDSA republic, which refers to the institutions of democratic restoration that followed the post-1986 People Power Revolution era, to deliver on security, prosperity and inclusion.

The 2024 Philippine Trust Study by the EON Group found that Filipinos demand transparency and accountability from institutions before extending trust. The Office of the President received an 82.3% trust rating, while the Senate and House of Representatives recorded lower trust levels of 58.5% and 53.8%, respectively. This disparity suggests greater confidence in executive leadership compared with legislative bodies. A March 2024 Pulse Asia survey found that 88% of Filipinos opposed amending the 1987 constitution, indicating a strong attachment to existing democratic frameworks. However, the same study noted that 67% of Filipinos favored a “strongman” political system, reflecting an inclination toward authoritative leadership.

Approval of
democracy

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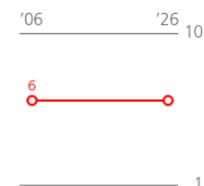


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Social capital formation in the Philippines is robust in many respects, particularly through familial bonds, community cooperation and civil society engagement. The Philippines consistently ranks high in global indices of volunteerism and civil society participation, reflecting strong citizen engagement in civil society and community activities. For example, the Philippines rose 68 places to rank 30th out of 142 countries in the 2024 World Giving Index (WGI) by the Charities Aid Foundation, scoring higher than the global average. The WGI ranks and scores countries by examining three aspects of giving behavior: helping a stranger, donating money and volunteering time. During crises, such as typhoons and the COVID-19 pandemic, Filipinos demonstrated remarkable solidarity through relief efforts, mutual aid and community support initiatives.

Social capital

6



II. Economic Transformation

6 | Level of Socioeconomic Development

Economic growth has enabled notable advances in poverty alleviation, particularly during the post-COVID-19 pandemic recovery. In 2023, the national poverty rate declined to 15.5% from 18.1% in 2021. The Philippines has been performing relatively well on the HDI, scoring 0.710 in 2023, which places it in the “high” classification. However, it ranks 113th out of 193 countries, placing it in the lower half of the global ranking. It also remains below the East Asia and Pacific regional, and global averages in human development.

Question
ScoreSocioeconomic
barriers

5



Recent strides in poverty alleviation and well-being do not ensure that the benefits of growth are equitably distributed. Over the past decade, the Philippines’ Gini coefficient has remained relatively stable, indicating persistent income inequality. In 2015, the Gini coefficient was 40.1, rising slightly to 40.7 in 2021.

Moreover, regional disparities significantly impact socioeconomic inclusion. For instance, in 2023, the national poverty incidence among families was 10.9%. But the rate stood at 37.2% in the Bangsamoro Autonomous Region in Mindanao (BARMM), while it was significantly lower in the National Capital Region (NCR) at 3.5%. This trend is mirrored in HDI. Regionally, the NCR has the highest HDI at 0.851, classified as “very high”; in contrast, the BARMM has the lowest at 0.646, indicating “medium” human development.

The Philippines has historically been a leader in gender equality in Southeast Asia. However, its ranking in the World Economic Forum’s Global Gender Gap Report 2024 fell nine places to 25th out of 146 countries, with a gender parity score of 77.9%, down from 79.1% in 2023.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	394087.4	404353.4	437055.6	461617.5
GDP growth	%	5.7	7.6	5.5	5.7
Inflation (CPI)	%	3.9	5.8	6.0	3.2
Unemployment	%	3.4	2.6	2.2	2.2
Foreign direct investment	% of GDP	3.0	2.3	2.0	1.9
Export growth	%	8.0	11.0	1.3	3.3
Import growth	%	12.8	14.0	1.0	4.2
Current account balance	\$ M	-5942.7	-18260.8	-12386.7	-17514.3
Public debt	% of GDP	57.0	57.4	56.5	56.6
External debt	\$ M	106449.9	111233.1	121402.1	-
Total debt service	\$ M	12155.4	9017.0	12981.3	-
Net lending/borrowing	% of GDP	-8.3	-7.2	-6.1	-
Tax revenue	% of GDP	14.1	14.6	14.1	-
Government consumption	% of GDP	15.6	15.0	14.2	14.5
Public education spending	% of GDP	3.9	3.6	3.6	3.9
Public health spending	% of GDP	2.7	2.3	2.2	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	1.4	1.3	1.2	-

Sources (as of December 2025): 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

The Philippine economy has undergone significant liberalization since the 1980s and 1990s, enlarging the scope of market-based competition. Protectionist restrictions in key sectors remain in place – though they are not directly linked to an explicit industrial policy. The 1987 constitution limits foreign ownership of land, public utilities and media. Reforms such as the amendments to the 2022 Public Service Act now allow 100% foreign ownership in telecommunications and transport, although not in electricity, water or seaports. Foreigners continue to face restrictions on owning land but can secure long-term leases, while media and advertising remain exclusively Filipino-owned.

The banking and finance sector has seen increased foreign participation, with the 2014 Banking Liberalization Law allowing full foreign ownership of banks. Additionally, business regulations have improved through digitalization, streamlining registration and taxation. The 2021 CREATE Act reduced corporate tax rates, benefiting both small and medium-sized enterprises (SMEs), and larger firms.

Infrastructure and energy liberalization have expanded under the “build more better” initiative, a continuation of former President Duterte’s “build, build, build” program, which encouraged private sector participation. The renewable energy sector now allows 100% foreign ownership in solar, wind and geothermal projects, reflecting broader energy sector reforms.

According to World Economics, the informal sector plays a significant role in the economy, contributing about 34.2% of GDP – equivalent to \$414 billion (PPP terms). As of March 2022, about 17 million people, or 36% of the workforce, were engaged in informal employment. While the informal sector provides economic stability, challenges such as job insecurity and a lack of social protection persist.

Micro, small and medium enterprises (MSMEs) dominate the business landscape, accounting for 99.63% of enterprises and 62% of employment. However, they contribute only 30% – 40% of GDP, suggesting that large enterprises control a significant share of economic output.

Labor and capital movements remain regulated, and – although foreign exchange policies are liberalized – the Central Bank of the Philippines (Bangko Sentral ng Pilipinas, BSP) monitors foreign exchange flows to ensure stability and prevent excessive volatility.

Moreover, the ostensibly liberalized economy rests on historically close ties between big business and the government. This is partly explained by the concentration of political power in dynastic political families, many with business interests. The Marcos Sr. era fostered crony capitalism, granting monopolies to allies. Today,

Market
organization

6

'06 '26 10

7 6

1

Year	Market Organization Score
2006	7
2010	6
2026	6

political and business elites maintain influence over key industries, creating a regulatory environment that favors large enterprises. This close relationship between politics and business limits competition, reinforces economic disparities and shapes policies to benefit entrenched elites.

The Philippine Competition Act of 2015 provides the legal foundation for antitrust regulation and is enforced by the Philippine Competition Commission (PCC). While the law prohibits anti-competitive agreements, abuse of dominance and monopolistic mergers, enforcement remains weak. Investigations are slow and proving violations is challenging due to the need for extensive economic evidence. Large business conglomerates continue to dominate industries with minimal regulatory consequences.

Although the PCC has reviewed more than 200 mergers and issued new guidelines for digital markets in 2023, its enforcement remains reactive. Many transactions evade scrutiny because of notification thresholds. The PCC's limited funding and limited political influence further weaken its ability to act decisively. The digital economy presents additional challenges, as monopolistic practices in emerging industries remain largely unchecked.

Despite a strong legal framework, Philippine antitrust regulations remain largely symbolic without greater institutional independence, faster enforcement and broader oversight – particularly in politically sensitive and rapidly evolving sectors.

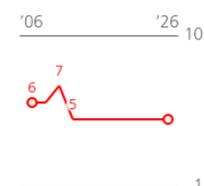
The Philippines, an import-dependent country that has persistently run a trade deficit over the past 10 years, continues apace with opening the economy to foreign trade. The Philippines has partially liberalized trade but maintains protectionist barriers. As of 2023, its average most-favored-nation tariff is 6%, with agricultural products at 9.6% and nonagricultural products at 5.5%. High tariff-rate quotas on sensitive goods, such as rice, pork and sugar, indicate a cautious approach that limits full trade openness.

The most significant development in trade liberalization during 2023 and 2024 has been the Philippines' entry into a number of free trade agreements. It ratified the Regional Comprehensive Economic Partnership in June 2023, joining the world's largest trade bloc, comprising 15 economies in the Asia-Pacific region. It has also either entered into or is actively negotiating free trade agreements with South Korea, the European Union and Canada.

To attract foreign investment, the government reduced corporate income tax rates and offered fiscal incentives via the CREATE law in November 2024; loosened foreign entry restrictions for public utilities via amendments to the Public Service Act that took effect in April 2023; and loosened entry restrictions for foreign investors in SMEs via amendments to the Foreign Investments Act in March 2022.

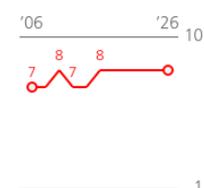
Competition policy

5



Liberalization of foreign trade

8



However, the main deterrents to foreign investment are not necessarily addressed by the government's formal incentives. In particular, the Philippines continues to struggle to attract investment due to outdated infrastructure, exorbitant power costs, sluggish broadband speeds and persistent regulatory inconsistencies. A bureaucratic maze riddled with inefficiencies and corruption further deters investors, slowing approvals and complicating operations. The judicial system, plagued by delays, redundancies and corruption, undermines fair resolution of commercial disputes. In addition, severe traffic congestion in major cities and inefficient port logistics increase business costs, reinforcing the country's reputation as a challenging environment for investment.

As of March 2024, the Philippine banking sector remains stable and well capitalized, with a capital adequacy ratio (CAR) of about 16%, significantly above Basel III's 8% minimum. This underscores the sector's resilience amid economic challenges. However, the non-performing loan (NPL) ratio rose slightly to 3.5%, reflecting pressures from post-COVID-19 pandemic recovery and rising interest rates. Despite this, the 95% NPL coverage ratio suggests banks maintain sufficient buffers to absorb potential loan losses.

The BSP maintains strict regulatory oversight to ensure stability in the financial system. In 2024, the BSP reduced key policy rates to stimulate economic activity amid easing inflation. Foreign exchange reserves reached \$90.8 billion in December 2024, providing a strong safeguard against external shocks.

In general, BSP oversight of the banking sector is Basel III compliant, including enforcement of hard budget constraints through strict regulatory oversight and preventing excessive risk-taking. For example, to ensure stability and adequate funding, the BSP oversees the sector's compliance with key Basel III-mandated norms, including the CAR threshold of 8%, the liquidity coverage ratio of 100% and the net stable funding ratio of 100%. To promote transparency, the Securities and Exchange Commission mandated new guidelines for annual financial statements starting in 2024 to enhance disclosure quality.

In September 2024, Fitch Ratings reaffirmed the Philippines' "BBB" credit rating with a stable outlook, signaling confidence in the country's macroeconomic fundamentals. While liquidity and capital buffers remain strong, challenges such as elevated NPLs and global uncertainties underscore the need for continued vigilance.

Banking system

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8 | Monetary and fiscal stability

The BSP has earned positive recognition from rating agencies such as Moody's and Fitch for its effective monetary policies, which balance inflation control, financial stability and economic growth.

In 2023/24, the BSP implemented a cautious yet flexible monetary approach. Inflation, which peaked at 8% in 2022 due to supply chain disruptions and rising energy costs, gradually moderated to 3.2% by 2024, aligning with the 2% to 4% target range. The BSP responded by raising its key policy rate to 6.5%, then easing the rate to 5.75% in late 2024 to support economic recovery. To manage liquidity, the BSP used term deposit facilities and reverse repurchase agreements, ensuring stability in the financial system.

Meanwhile, the Philippine peso operates under a floating exchange rate system, meaning it is not pegged to any anchor currency and its value moves in line with market dynamics. As of December 2024, the Philippine peso closed at PHP 58.025 per \$1, reflecting modest depreciation over the year. The real effective exchange rate stood at 101.94 (2020 = 100), indicating consistent peso performance in real terms and signaling that Philippine exports remain competitively priced while import pressures are not excessively distorting the external sector. In general, the peso remained relatively stable, bolstered by \$90.8 billion in foreign reserves and targeted BSP interventions in the foreign exchange market.

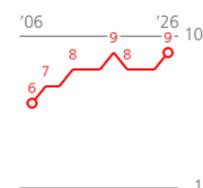
While the BSP's policies have been largely effective, challenges remain, including global uncertainties and potential inflationary pressures. Maintaining independence and proactive monetary management will be crucial to ensuring price stability, currency resilience and sustainable economic growth.

The Marcos Jr. administration has pursued an expansionary fiscal policy, increasing spending on infrastructure, social services and defense. The national budget grew 4.9% in 2023 and 10% in 2024, reaching PHP 6.33 trillion. While this stimulated economic activity, persistent deficits – 5.8% of GDP in 2024 – led to rising debt, now PHP 16.05 trillion (60.7% of GDP). To address fiscal pressures, the government introduced tax reforms, including a 12% value added tax on digital services. While these measures signal efforts toward fiscal sustainability, continued reliance on borrowing to fund spending poses risks to long-term economic stability.

To address debt sustainability, the Philippines implemented the Medium-Term Fiscal Framework, a nonbinding statement of goals and strategies to reduce the debt-to-GDP ratio to below 60% by 2025 and the deficit-to-GDP ratio to 3% by 2028.

Monetary stability

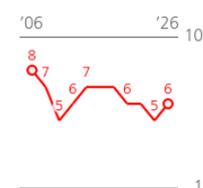
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Fiscal stability

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While economic resilience remains intact, balancing growth and debt sustainability is critical. The government needs to increase efficiency in tax collection, better target spending and reduce debt to ensure fiscal stability while maintaining public investment.

9 | Private Property

Property rights in the Philippines are legally recognized but face enforcement challenges because of bureaucratic inefficiencies, judicial weaknesses and corruption. Although the Civil Code, Land Registration Act and Property Registration Decree provide legal protections, inconsistent enforcement and lengthy legal processes weaken property security in practice. Land disputes, corruption and weak enforcement continue to undermine property security.

In the 2024 International Property Rights Index, the Philippines ranked 84th out of 125 countries, with low scores for judicial independence and the rule of law. The World Justice Project Rule of Law Index ranked the country 99th out of 142, reflecting concerns about governance.

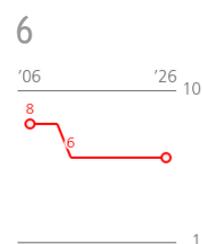
Land ownership remains highly restricted, with only Filipino citizens and corporations that are 60% Filipino-owned allowed to own land. Foreigners may invest through corporations, own up to 40% of a condominium or enter into long-term leases.

Recent legal reforms have been enacted to improve the regulatory environment. The 2024 Real Property Valuation and Assessment Reform Act standardized valuations to improve transparency. The 2023 New Agrarian Emancipation Act enhanced the land tenure security of agrarian reform beneficiaries by condoning their debts. While these reflect de jure progress, stronger judicial institutions and de facto governance improvements are necessary to enhance the protection of property rights.

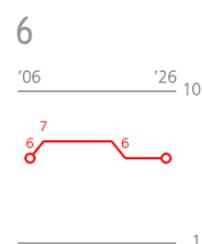
The Marcos Jr. administration continues its rhetoric of promoting private sector participation, with tax reforms and improved regulations for MSMEs serving as key elements of recent policy reforms. However, systemic challenges persist.

Infrastructure remains a critical bottleneck, with public-private partnerships – which have been pursued and emphasized by the past three administrations – failing to resolve inefficiencies. Delays in transportation projects, energy grid expansion and land acquisition – particularly the Mindanao Railway – hinder progress. In 2024, the Philippines ranked 61st out of 67 countries for infrastructure competitiveness in the International Institute for Management Development World Competitiveness Ranking.

Property rights



Private enterprise



Government-owned and controlled corporations (GOCCs) operate in key sectors such as energy, transportation and finance. GOCC oversight is managed by the Governance Commission for Government-Owned or Controlled Corporations (GCG), which is the central advisory and oversight body for the public corporate sector, ensuring that GOCCs operate efficiently and align with national policies.

While privatization efforts continue, progress has been gradual, with about 10 GOCCs under evaluation by the GCG for potential privatization as of 2022. The PHP 170 billion public-private partnership contract for the rehabilitation of Ninoy Aquino International Airport in 2024 marked progress, though comprehensive privatization remains elusive.

10 | Welfare Regime

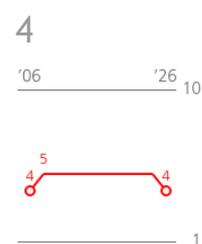
The Philippines’ social protection system has expanded yet remains segmented, leaving many vulnerable groups without adequate support. Challenges persist in ensuring comprehensive support for all older adults, people in informal employment and individuals without a consistent contribution history. The World Bank and the ILO highlight the system’s lagging performance compared with regional counterparts, with coverage below the Asia-Pacific average.

Contributory social insurance schemes such as SSS and GSIS cover only a fraction of the workforce, with informal workers – potentially 75% of the workforce – mostly excluded. These schemes are also the main means of providing pensions, as well as death and disability benefits. For indigent senior citizens without access to these contributory schemes, the Social Pension Program for Indigent Senior Citizens offers a modest monthly stipend to assist with basic needs.

Meanwhile, public health funding primarily comes from national and local government revenues, social health insurance contributions and out-of-pocket payments by individuals. Of these sources, 44% in 2024 came from out-of-pocket payments. This indicates heavy reliance on personal funds for health care services, highlighting ongoing challenges in achieving equitable health financing and access. PhilHealth, the state-run health insurance program, reported 91% coverage in December 2024. However, only 69.7% of households reported having PhilHealth insurance in 2022, highlighting accessibility and awareness issues.

The Pantawid Pamilyang Pilipino Program (4Ps) provides conditional cash transfers of about \$33 per month to only four million out of 26 million households. Exclusion errors, delays in updating the social registry used to target households, bureaucratic inefficiencies and the stigmatization of beneficiaries undermine its impact. Although the World Bank has praised the program’s efficiency – it costs less than 0.5% of GDP and reaches 15 million people – a 2022 COA report found that 90% of beneficiaries remained poor, raising doubts about its long-term effectiveness.

Social safety nets



The Philippine constitution affirms a commitment to equal rights, nondiscrimination and equal access to opportunity. However, gaps remain in implementation, particularly in addressing socioeconomic and identity-based inequalities. While the Philippines maintains relatively strong standing in gender parity compared to regional counterparts, glaring gaps persist in ethnic inclusion, Indigenous rights and LGBTQ+ protections.

The country's decline in the World Economic Forum's Global Gender Gap Report signals troubling setbacks in political representation and economic opportunities for women despite its reputation as a leader in Asia.

As of 2024, the SOGIE Equality Bill – which seeks to prohibit discrimination based on sexual orientation, gender identity and gender expression, and to ensure equal rights and protections for LGBTQ+ individuals nationwide – remains stalled in Congress because of opposition from conservative groups and its exclusion from priority legislation. Although it was resubmitted in 2022, no significant progress has been made. In December 2023, President Marcos Jr. created the Special Committee on LGBTQ+ Affairs. However, critics see this as a delaying tactic. While some local anti-discrimination ordinances exist, advocates argue a national law is needed to address widespread discrimination and hate crimes.

Ethnic and regional inequalities persist, particularly in Muslim-majority areas such as Bangsamoro, where poverty remains disproportionately high and human development disproportionately low. Government efforts to close these gaps have proved insufficient, perpetuating economic marginalization and social exclusion. Similarly, Indigenous communities continue to face systemic dispossession of their ancestral lands, and policy protections remain weak and largely ineffective. The failure to implement genuine reforms leaves these communities trapped in cycles of poverty and disenfranchisement.

Meanwhile, socioeconomic, systemic and geographic disparities undermine equitable access to education, employment and public office. While public education is widely accessible, students in rural and underserved areas often face limited resources and infrastructure. Barriers to youth employment are evident in the rise in the number of young people not in education, employment or training from 11.7% in 2023 to 12.4% in 2024. Although the legal framework supports inclusive representation in public office, de facto barriers to running for public office include the dominance of political dynasties, high campaign costs and worsening gender disparities.

Equal opportunity

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11 | Economic Performance

Over the two decades to 2023, the Philippine economy grew at an average annual rate of about 6%. In 2020, due to the COVID-19 pandemic lockdowns, GDP contracted 9.5%, the deepest recession in Southeast Asia. Recovery began in 2021 and in 2023 the economy grew about 5.6%. Economic expansion has been driven by infrastructure spending, strong consumption, remittances, digital finance and post-COVID-19 pandemic business recovery. However, gross domestic capital formation, which stood at about 23% of GDP in 2023, was below the regional average of 31%. This implies lower-than-average investment in infrastructure, capital goods and machinery, in turn highlighting the country’s enduring problems in fostering long-term structural transformation.

Inflation remained a key challenge, averaging 6%, with an early-year peak of 8.2% due to food and fuel price hikes. Despite these pressures, the unemployment rate dropped to a record low of 3.1% by August 2024, signaling labor market recovery. However, job quality remains a concern, with many workers still in informal and low-wage sectors.

Foreign direct investment reached \$9.3 billion in 2023, indicating some investor confidence. Yet, the Philippines continues to lag behind regional competitors due to bureaucratic inefficiencies and infrastructure deficits. The current account deficit widened, driven by sluggish export growth and high import dependence. While infrastructure investments boosted gross capital formation, regulatory delays have slowed progress.

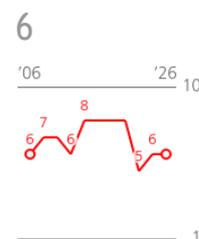
Looking ahead, the World Bank projects an average growth of 6% for the period from 2024 to 2026, supported by easing inflation and declining borrowing costs. Inflation is expected to stabilize at 3.2% in 2024, aided by policy interventions such as rice tariff reductions.

12 | Sustainability

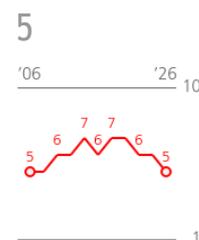
Despite being one of the most climate-vulnerable countries, the Philippines has failed to implement bold and effective environmental policies to mitigate these threats. While President Marcos Jr. has acknowledged climate change more than his predecessor, his administration has done little to back his rhetoric with action. Illustrating these inconsistencies, the government lifted the open-pit mining ban and eased restrictions on new mining agreements, undermining conservation efforts and exacerbating ecosystem degradation.

In 2023 and 2024, the Philippines launched several environmental policies, including the Comprehensive Roadmap for the Electric Vehicle Industry (CREVI) in 2023, and the National Adaptation Plan (NAP) and the Philippine Energy Plan (PEP) in 2024.

Output strength



Environmental policy



While these frameworks mark progress in addressing climate resilience and sustainable energy, their effectiveness is hampered by weak enforcement, limited funding and institutional fragmentation. For instance, the NAP lacks clear financing mechanisms and relies heavily on donor support, raising concerns about long-term implementation. The PEP’s emphasis on renewables is undercut by an ongoing reliance on coal and gas. Renewable energy accounts for only a little over 25% of the country’s electricity, largely from geothermal sources. Greenpeace Philippines finds these legal frameworks wanting and has criticized the administration for lacking a clear energy transition road map. Meanwhile, the CREVI’s ambitious targets – such as a target of achieving 50% electric vehicles by 2040 – face major infrastructure and affordability barriers.

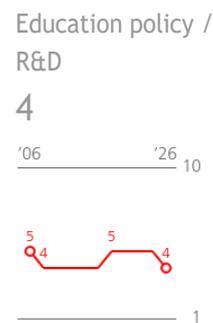
The Philippines also remains the most dangerous country in Asia for environmental defenders. With 19 activists killed in 2021 and 2022, international watchdogs have condemned the government’s failure to protect environmental advocates. This climate of impunity weakens civil society’s ability to hold policymakers accountable.

Economic constraints further hinder sustainability. High debt and dependence on fossil fuel imports limit the government’s capacity to fund long-term green initiatives. Given a climate strategy that is poorly articulated and weakly enforced, the Philippines risks deeper environmental decline. The government must align economic policies with sustainability goals or risk further environmental and social instability.

Despite increased government investment and policy reforms, the Philippine education system continues to grapple with significant challenges in quality, accessibility and long-term effectiveness. Initiatives such as the K-12 reform, which extended basic education from 10 to 12 years, and the Universal Access to Quality Tertiary Education Act, which aims to provide free tuition at state universities and colleges, may have expanded access. However, the country still lags in learning outcomes, teacher quality and curriculum relevance.

In 2023, the education budget rose to PHP 852.8 billion, approximately 4% of GDP, which is still below UNESCO’s recommended 6%. While this funding has improved school infrastructure, teacher salaries and learning resources, it has not markedly enhanced academic performance. In the 2022 PISA assessments, the Philippines ranked last in reading, and second lowest in math and science among 79 countries, highlighting a severe learning crisis. Additionally, 90.9% of Filipino children experience learning poverty, unable to read and understand simple texts by age 10.

Teacher quality remains a critical issue, with a high student-teacher ratio averaging 35 students per teacher, limiting individualized instruction and contributing to poor classroom engagement. The vocational education sector is also underdeveloped; technical and vocational education and training programs often fail to equip graduates with job-ready skills.



The Philippine tertiary education system faces significant challenges in quality and equity, with only 12.9% of the population having attained a college degree or higher as of 2024. The system's heavy reliance on private institutions raises concerns about accessibility and the consistency of educational standards nationwide.

Investment in research and development is notably low, with gross expenditure on R&D at 0.324% of GDP, significantly below the global average of 2.04% and UNESCO's 1% benchmark. This underinvestment hampers innovation and the development of a competitive, skilled workforce.

Despite government pledges under the Philippine Development Plan (2023 – 2028) to improve the quality of education, reform has been slow. Without better teacher training, updated curricula and stronger industry-academia partnerships, the system risks producing graduates unprepared for an evolving economy – further widening the country's skills gap.

Governance

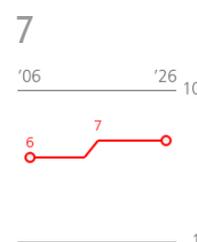
I. Level of Difficulty

Governance in the Philippines faces formidable constraints because of some of its demographic, geographic and other structural characteristics. The country spans more than 7,000 islands and stretches 1,850 kilometers from north to south; its fragmented geography complicates infrastructure development, economic integration and disaster response. In 2023, its population exceeded 114 million, comprising about 182 ethnolinguistic groups. While there has been a secular decline in the total fertility rate over the last three decades, the country remains the 14th most populous in the world, with a population growth rate of about 0.8% per year.

The frequency of natural disturbances – including earthquakes, volcanic eruptions and an average of 20 typhoons – has left the Philippines ranked the world’s most disaster-prone country in the University of Bochum’s 2023 Weltrisiko-Index. In late 2024 alone, five major typhoons devastated communities, displacing nine million people and overwhelming government response efforts. This predisposition to disasters is exacerbated by the country’s poor infrastructure, which the Institute for Management Development’s World Competitiveness Index ranked 61st out of 67 in 2024. Even with the touted infrastructure program of the past two administrations and the government’s allocation of more than PHP 1 trillion for infrastructure in 2023, rapid urbanization, congestion and climate-related destruction continue to outpace investments.

The state of human capital development further strains governance conditions. While 71% of tertiary-educated Filipinos participated in the workforce in 2022, general and youth unemployment remain high, reflecting mismatches between education and labor market demands. Consequently, the Philippines serves as a major source of human capital given the number of Filipinos working overseas. Coupled with widespread economic inequality, this weakens social mobility and trust in institutions.

Structural
constraints



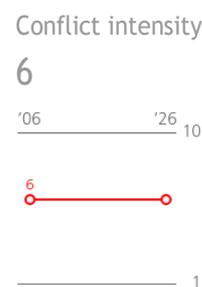
The Philippines has a vibrant, deeply engaged civil society composed of advocacy groups, social and grassroots movements, business associations and many types of NGOs. These include prominent human rights watchdogs, which document abuses and support victims; environmental groups, which push for sustainable policies; CSOs, which actively challenge systemic issues; and labor and peasant movements, which advocate for fair wages, land reform and workers’ rights. Faith-based organizations influence public discourse on poverty, social justice and governance. The vibrancy of associational life is also evident in the country’s position in global rankings of social capital. For instance, the Philippines ranks 22nd out of 167 countries for social capital (measured by the density of social networks and community engagement) in the 2023 Legatum Prosperity Index.



In 2024, CSOs demonstrated their influence by playing a prominent role in the impeachment complaint against Vice President Sara Duterte over alleged constitutional violations. Climate justice groups mobilized survivors of typhoons to demand accountability from major polluters. Filipino activists received international recognition for their environmental and Indigenous rights advocacy.

Despite the many signs of a vibrant associational life in the country, civil society engagement is weakened by the threat of democratic backsliding under the previous and current administrations. Activists, journalists and civil society groups face mounting threats, including government harassment, red-tagging and extrajudicial actions, partly enabled by legislation such as the Anti-Terrorism Act of 2020.

Conflicts in the Philippines remain serious and multifaceted, spanning political, ethnic and religious dimensions that threaten national stability and governance.



The escalating rift in the ruling coalition, culminating in the impeachment of Vice President Sara Duterte, is at the forefront of Philippine political conflict in 2024.

She was impeached on charges of threatening the life of President Marcos Jr., alleged involvement in extrajudicial killings and mishandling of PHP 612.5 million in confidential funds. She petitioned the Supreme Court to dismiss the charges, calling them politically motivated. The House of Representatives, dominated by allies of Marcos Jr., is advancing the case, potentially leading to a Senate trial that could remove her from office. Illustrating the consequences of this rift, former President Rodrigo Duterte has called for the secession of Mindanao, with critics warning that such rhetoric could fuel separatist movements and destabilize the already conflict-ridden region.

Beyond politics, ethnic and clan violence persists, particularly in Mindanao. Duterte’s incendiary calls for the secession of Mindanao do not foster national integration of this historically marginalized region of the country. The current administration’s efforts to foster peace have centered on integrating some Muslim combatants and preparing to hold elections in the BARMM in 2025. These do little

to address the root causes of the conflict in the region. Apart from the land disputes and religious grievances that underpin violent clashes in Muslim Mindanao – including incidents in 2023 and 2024 – the region’s continuing marginalization, exemplified by markedly poorer levels of human development compared with the rest of the country, clearly stands in the way of peace.

There have also been no clear advances in peace talks with communist insurgents. President Marcos Jr. initially pursued localized peace talks with communist insurgents, but the CPP-NPA rejected them as ineffective. In November 2023, he shifted his strategy, granting political amnesty and reopening peace negotiations with the NDF in Oslo. However, ongoing military operations raise doubts about such negotiations.

Finally, while the scale of extrajudicial killings has abated, state impunity in the Philippines persists, along with various types of harassment faced by activists and journalists.

II. Governance Performance

14 | Steering Capability

In a strong presidential system such as that of the Philippines, the president sets the strategic direction. In this regard, there are significant developments that mark the evolution of strategic priorities under President Marcos Jr. and a divergence from the policies of his predecessor, Rodrigo Duterte. While the leadership styles of both presidents hew to strongman approaches, there are key differences. Duterte’s leadership was marked by populist, security-driven governance, whereas Marcos Jr. has leaned toward technocratic economic modernization and balanced foreign policy engagement.

Duterte’s administration focused on law and order, with his infamous war on drugs shaping domestic policies. Infrastructure development was prioritized, but industrialization and digital transformation were secondary concerns. His foreign policy largely pivoted toward China, sidelining the United States and regional allies. In contrast, Marcos Jr.’s governance focuses more on economic revitalization. His Tatak Pinoy Act (2024) aims to boost industrial production and global competitiveness, while tax reforms have lowered corporate rates to attract foreign investment. His “build more better” program continues to expand infrastructure, but with a stronger emphasis on digital connectivity and flood management. Unlike Duterte, Marcos Jr. prioritizes digital transformation, forming global partnerships for cybersecurity, e-governance and internet infrastructure. Unlike Duterte’s China-

Question
Score

Prioritization

6

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leaning diplomacy, he has strengthened military alliances with Japan, the United States, South Korea and Canada, boosting joint defense exercises and strategic security cooperation.

Despite differences in strategic policy stances, implementing a long-term vision is hindered by ongoing institutional dysfunction and political instability. Corruption, bureaucratic inefficiencies and human rights concerns persist, limiting institutional effectiveness. Political divisions at the highest levels of governance threaten political continuity.

As President Marcos Jr. approaches the midpoint of his term, pressure is high to deliver on the electoral platform of “unity,” which emphasized national reconciliation, economic recovery and the continuation of Duterte-era policies, while leveraging nostalgia for his father’s regime. Political conflicts and fiscal controversies both illustrate and drive the administration’s inability to implement its own policies.

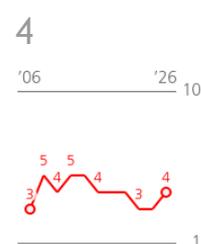
A major issue in 2024 was the delayed passage of the PHP 6.326 trillion national budget, exposing deep-seated political infighting. Accusations of blank appropriations and irregularities led to intense debates, while the cut to Vice President Sara Duterte’s office budget escalated tensions within the government. Marcos Jr.’s veto of PHP 194 billion in line items further complicated budget adjustments, delaying infrastructure and public service funding. These disputes undermined policy continuity and raised concerns about governance stability.

Infrastructure development under ongoing public-private partnership schemes also faces delays, particularly in transportation and highways. Housing programs, despite initial momentum, risk stagnation without sustained funding and efficient project execution. An initiative to modernize public transportation has encountered resistance from transport groups. Deadlines for compliance have been extended multiple times, and drivers report financial losses and fear a corporate takeover, indicating implementation issues.

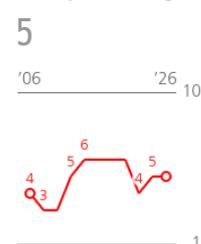
Although economic modernization is a central component of reforms, surveys reveal deepening dissatisfaction with the economy. More Filipinos see themselves as poor, with self-rated poverty reaching its highest level in 21 years, according to Social Weather Stations survey data from December 2024.

Policy learning under Marcos Jr. remains performative, marked by selective borrowing of international frameworks without the institutional depth to make them sustainable. While his government pursued some policy innovations, and exhibited more openness to technocratic and foreign advice than his predecessor, the implementation of key policies reveals a government that is more focused on optics than long-term impact.

Implementation



Policy learning



Economic initiatives such as the Tatak Pinoy Act emphasize value addition and export competitiveness, but weak execution of industrial policy limits meaningful economic transformation. The rise from 53rd to 56th out of 133 countries in the Global Innovation Index in 2024 is commendable, but the education sector's ongoing struggles – including chronic underfunding, teacher shortages and outdated infrastructure – illustrate the lack of policy learning about the sustainability of innovation.

Environmental policies, such as transition credits for coal plant closures, aim to follow global best practices, but coal dependence remains entrenched and the government has failed to deliver a coherent national renewable energy road map. Disaster resilience programs claim to incorporate lessons from past crises, yet post-disaster recovery remains slow, corruption-ridden and inequitable. Expanded cash transfer programs provide temporary relief but fail to address systemic poverty. All this calls into question the government's flexibility and ability to innovate.

In general, the persistence of patronage politics – including budgets favoring high-visibility projects over long-term reforms – means that the focus of policymaking tends to shift from long-term effectiveness to short-term political gains. This, in turn, minimizes the need for policy learning and for establishing the institutional infrastructure to support such learning. Kinship and political affiliations influence bureaucratic appointments and there is frequent leadership turnover in the executive branches of government. This disrupts institutional continuity, undermining the government's ability to evaluate past policies and integrate lessons into future decision-making.

15 | Resource Efficiency

Despite promises of modernization and reform, the Marcos Jr. administration struggles with financial mismanagement, bureaucratic inefficiency and entrenched patronage politics – all of which hinder efficient resource mobilization.

Bureaucratic inefficiency – driven by regulatory bottlenecks, red tape and inconsistent policy execution – stifles economic growth. Infrastructure projects have remained stalled because of logistical failures and delays in public-private partnerships, while public transportation modernization remains disjointed, leaving both transport operators and commuters navigating a deteriorating system.

The civil service remains plagued by patronage politics, in which merit-based hiring is frequently sidelined in favor of political connections. Despite efforts to reform human resource management, career advancement often depends on loyalty rather than competence, weakening government institutions.

Efficient use of assets

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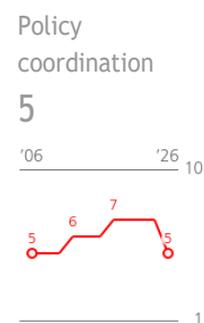
While increased revenue collection and a PHP 5.768 trillion national budget signal an effort to fund development initiatives, political infighting and budgetary irregularities have delayed implementation. The government's inability to streamline tax collection, with a value added tax efficiency rate of only 40%, results in massive revenue losses.

Major corruption scandals in 2024 highlight a key aspect of the inefficient mobilization of fiscal resources: the lack of transparency and grievous misuse of public funds. For instance, the Pharmally scandal, involving PHP 8.68 billion in overpriced contracts for COVID-19 medical supplies awarded to an undercapitalized firm in 2020 and 2021, resurfaced as the ombudsman pursued graft charges against errant officials. Meanwhile, Vice President Sara Duterte faced scrutiny for spending PHP 125 million in confidential funds within 11 days in 2022.

The main bottleneck in policy coordination stems from political discord at the highest level, caused by a rift in the ruling coalition. The discord between the executive leaders has led to legislative gridlock, with key policy initiatives stalling amid factional disputes. The passage of the 2025 national budget faced delays because of disputes over allocations, particularly concerning the Vice President's Office. The House of Representatives significantly reduced the budget for Vice President Sara Duterte's office by nearly two-thirds, a move seen as politically motivated amid the ongoing feud. This budgetary contention not only strained executive-legislative relations but also delayed approval of the national budget, affecting government operations and public services.

Moreover, the impeachment proceedings against Vice President Sara Duterte have consumed significant legislative time and resources, diverting attention from essential policy discussions and leading to delays in addressing pressing national issues. They have, therefore, diverted attention from policy coordination and implementation.

Beyond high-level politics, interagency disputes highlight structural inefficiencies. In 2024, bureaucratic inefficiencies and infighting have stalled the Public Utility Vehicle Modernization Program in the Philippines, which aims to replace old jeepneys with eco-friendly models. The Land Transportation Franchising and Regulatory Board (LTFRB) has repeatedly extended deadlines for compliance, reflecting a lack of clear direction and commitment. Disagreements between government bodies have further stalled progress. The Department of Transportation and the LTFRB have faced challenges in aligning their policies, leading to inconsistent directives and confusion among stakeholders. For instance, the LTFRB's requirement for operators to form cooperatives has been met with resistance, as many drivers and small operators feel excluded from decision-making. This lack of a cohesive strategy and communication between agencies has resulted in delays, protests and a fragmented approach to modernizing the country's public transportation system.



Ultimately, policy coordination in the Philippines is paralyzed by power struggles and institutional dysfunction. Instead of unified governance, political survival dictates decision-making, compromising national interests.

The Philippines has a fully elaborated legal framework for combating corruption, much of which has ironically evolved from authoritarian abuses during the era of former President Ferdinand Marcos Sr. and from post-1986 democratization efforts.

As his father's son, President Marcos Jr. has not overtly prioritized anti-corruption policy as a core element of his governing agenda. But administrative and political developments in 2024 have made it a central part of political discourse in the country.

There were some de jure advances in 2024 under the current government. For example, the New Government Procurement Act was signed into law and introduces reforms in public procurement by mandating electronic transactions, standardizing processes and reducing opportunities for bribery. The Securities and Exchange Commission (SEC) strengthened its whistleblower protection policy, aiming to create a safer environment for individuals exposing corporate and government misconduct. Reforms in election campaigning were also set in motion. Congress approved House Bill 8370 to raise outdated campaign spending limits, acknowledging inflation since 1991. By 2024, concerns had grown over premature digital campaigning, with potential senatorial candidates spending PHP 3.5 million on Facebook ads – PHP 1 million of which came from Senator Bong Go – well before the official campaign period. In response, the Commission on Elections proposed a ban on early campaigning starting in October 2024, signaling incremental but important steps toward campaign finance reform.

At the national level, two prominent cases have captured the national imagination in 2024. First, the graft charges that have played a prominent role in the impeachment case against Vice President Sara Duterte. Second, the corruption charges brought against officials involved in the Pharmally scandal, which involved dubious procurement contracts effected at the height of the COVID-19 pandemic. The case of the mayor of Bamban, Tarlac, Alice Guo, who was accused of money-laundering, human trafficking and ties to Chinese criminal syndicates, sparked renewed scrutiny over foreign criminal influence in government operations.

However, none of these cases demonstrates progress in containing corruption. As has historically been the case, corruption charges such as those above are often used in political maneuvering to weaken factions among contentious political forces. These cases, therefore, mostly illustrate the continuing intractability of the problem – even in the face of some legislative and administrative changes intended to make it less so.

Anti-corruption
policy

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16 | Consensus-Building

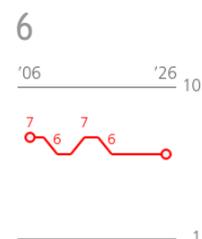
Support for democracy in the Philippines is underpinned by a strong democratic tradition – particularly after the ouster of strongman President Marcos Sr. in 1986 – involving regular elections and vibrant political engagement by a wide range of social forces. There is nothing to suggest erosion of support for electoral democracy. The latest Social Weather Stations survey results in this regard for 2022 found that 89% of adult Filipinos were satisfied with the way democracy worked in the country, an increase from 78% in 2021. However, the election of leaders like Duterte and Marcos Jr., both associated with strongman leadership styles, also portends some backsliding in liberal-democratic practice. The political landscape in 2024 faced challenges that could influence public perceptions of democracy, including a significant feud within the executive branch. Additionally, the enduring role of dynastic politics – exemplified by former President Rodrigo Duterte seeking a return to local politics – continues to raise concerns about the concentration of political power and its implications for democratic processes.

The robust support for formal electoral democracy is also mirrored in the wide acceptance of market-driven economic policies, championed most strongly by the political and technocratic elite. One ironic legacy of the country’s experience with authoritarian rule in the 1970s is cynicism about all forms of state intrusion – including in the economy. But there is no surfeit of groups warning against worsening inequality and threats to national interests fostered by unregulated markets. These include nationalist organizations, labor unions and advocacy groups typically associated with the political left.

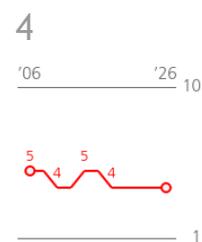
The challenges for reformers seeking to deepen democracy in the Philippines emanate from key aspects of the democratic praxis – in particular, anti-democratic tendencies embedded in the functioning of the political system. Reversals in protections for human rights and civil liberties, which have been supported by the incumbent president and his predecessor, and unopposed by the wider public, create precarious conditions for advancing democratic reforms. The entrenchment of political dynasties weakens any prospect of widening access to power, even as it creates a base for resistance to any change that threatens the dynasties’ interest in preserving power arrangements and the status quo.

However, associational life in the Philippines remains vibrant, including a network of civil society actors and remnants of the political opposition that supported Leni Robredo’s unsuccessful 2022 presidential election campaign. These CSO actors have continued to resist perceived democratic reversals since Rodrigo Duterte’s 2016 election. Their strategies involve both attempting to win elections and maintaining democratic social movements between elections.

Consensus on goals



Anti-democratic actors



There have been no clear advances in bridging or resolving some of the most important cleavages in the country. The most important of these remains the continuing conflict in Mindanao, where sporadic violence persists despite the abatement of large-scale hostilities. Attention is focused on the first parliamentary elections in the BARMM, which are set for late 2025 and will fill 69 of the 80 seats in the Bangsamoro parliament. Given clan and group infighting in the region, it is difficult to determine the extent to which the elections will establish a political settlement that could forge lasting peace.

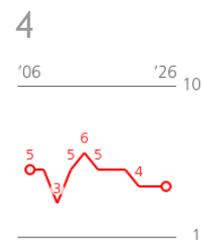
Benefits from recent economic growth have not been evenly distributed and, therefore, socioeconomic cleavages remain largely unmoderated. The World Bank reported in 2022 that the top 1% of earners captured 17% of the national income, while the bottom 50% shared only 14%. Despite 4.6% growth in labor productivity in the second quarter of 2024, real minimum wage increases have lagged, leading to a lower labor income share. This suggests that productivity gains are disproportionately benefiting capital owners over workers. Against this backdrop, the entrenchment of a segmented social protection system that has failed to mitigate social and economic risks faced by large swaths of the population indicates that political leaders have neither the wherewithal nor the will to systematically address enduring socioeconomic cleavages.

President Marcos Jr. has not deviated from the strongman tactics of his predecessor in suppressing reform-oriented, left-wing and human rights-focused organizations. Leaders and members of these groups have been targeted with impunity and minimal legal repercussions. Despite Marcos Jr.'s toned-down rhetoric compared with Duterte's administration and pushback from judicial bodies, the climate of fear persists. Reports from Amnesty International and Human Rights Watch indicate that state-linked violence against civil society actors remains a major concern, undermining democratic participation and political freedoms. Under these conditions, it is not surprising that the scope for civil society consultation is constrained, even as the country has fully articulated legal frameworks for enshrining civil society participation.

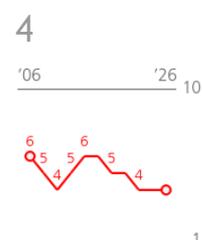
Nothing has happened under the leadership of President Marcos Jr. to address the perceived injustices and economic plunder associated with the abusive authoritarian regime of his father, Ferdinand Marcos Sr. Rather than fostering processes for transitional justice, accountability and reconciliation, President Marcos Jr. has promoted historical revisionist accounts of that era, having won the presidential election on the back of such narratives. Unsurprisingly, there is not much to report on this administration's efforts to reconcile those associated with the Marcos Sr.-era regressions with those who were wronged by them.

In contrast, there has been clear progress in addressing the injustice of extrajudicial killings associated with former President Rodrigo Duterte. In October 2024, the Philippine House of Representatives initiated inquiries into the alleged use of

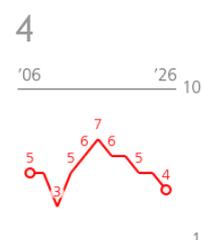
Cleavage / conflict management



Public consultation



Reconciliation



intelligence funds to finance a “reward system” for police officers involved in drug-related extrajudicial killings during Duterte’s tenure. A retired police colonel has testified in these hearings, alleging that Duterte aimed to implement his “Davao model” – a system of incentivizing killings – on a national scale. These revelations have reignited calls for accountability. The current administration has dropped its initial resistance to the ICC investigation into this matter. Because accounts of extrajudicial killings continue and these developments are unfolding amid the president’s rift with Vice President Sara Duterte, whose alleged involvement in extrajudicial killings is among the grounds for her impeachment, it is hard to see these as anything more than the current administration’s use of historical injustice as a political weapon.

17 | International Cooperation

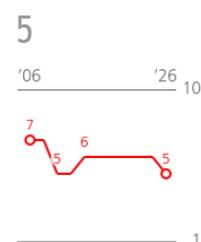
The Philippine government actively collaborates with international partners to advance its long-term development strategy, a principle outlined in the country’s most recent national development plan. Based on data from National Economic and Development Authority (NEDA), the country’s official development assistance (ODA) portfolio reached \$37.29 billion, up 15% from \$32.40 billion in 2022. This portfolio comprises 113 loans totaling \$35.07 billion and 325 grants totaling \$2.22 billion. Japan was the largest source of ODA, contributing 32% of the total, followed by the Asian Development Bank at 31% and the World Bank at 22%.

However, the mobilization of ODA funds is delayed by procurement and disbursement inefficiencies, and poor coordination among funding sources, resulting in slow project implementation. According to the Loewy Institute Southeast Asia Aid Map, only 50% of committed ODA funds were disbursed between 2015 and 2022, well below the regional average. This calls into question the extent to which the embrace of ODA by political leaders actually translates into the crystallization of long-term development strategies.

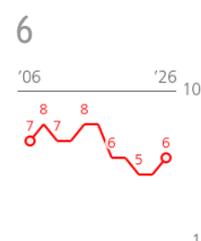
President Marcos Jr. has worked to reverse the loss of credibility stemming from former President Rodrigo Duterte’s foreign policy stance. The administration has reinforced alliances, notably with the United States, expanding military cooperation through the Enhanced Defense Cooperation Agreement, which now includes nine Philippine bases accessible to U.S. forces. This move underscores a renewed commitment to regional security and has been complemented by joint military exercises with countries such as France.

The Philippines’ stance toward the ICC has shifted significantly. In late 2024, the president announced that his administration would be obligated to apprehend former President Duterte if requested by Interpol on behalf of the ICC. Local and international commentators largely see this as an effort to leverage the international justice system in the president’s rift with the Dutertes.

Effective use of support



Credibility



Economically, the Philippines' removal from the anti-money-laundering watchdog Financial Action Task Force "gray list" in early 2025 reflects substantial progress in combating financial crimes, bolstering the country's financial reputation.

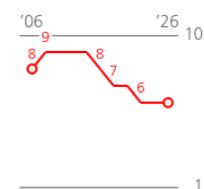
As of 2024, the Philippines remains a signatory to several pivotal international treaties across human rights, environmental and trade domains. In human rights, it upholds commitments to core U.N. conventions, including the International Covenant on Civil and Political Rights and the Convention Against Torture. In environmental governance, the Philippines continues to support agreements such as the Paris Agreement on climate change and the Convention on Biological Diversity. In international trade, the country benefits from the European Union's Generalised Scheme of Preferences Plus, granting tariff-free access to numerous EU markets since 2014. Notably, in March 2024, the Philippines and the European Union announced the resumption of negotiations for a free trade agreement, aiming to enhance economic ties. During the review period, the Philippines did not withdraw from any major international treaties.

Following the previous administration's pro-China stance, which had strained relations with ASEAN neighbors despite the country's previously prominent role in promoting democracy and economic liberalization, President Marcos Jr. has pursued a strategic diplomatic agenda to repair ties in the region. Diplomatic efforts in 2023/24 included state visits to Vietnam, Malaysia and South Korea, securing a strategic defense partnership with Seoul. His participation in ASEAN and Gulf Cooperation summits further cemented the Philippines' proactive regional role.

Meanwhile, to manage relations with China, the government pursued diplomatic efforts while asserting the national interest through legislative action and international alliances. In January 2023, Marcos Jr. visited Beijing, signing 14 agreements to enhance economic cooperation. Even then, territorial disputes intensified in June 2024, when Chinese vessels blocked a Philippine resupply mission to Second Thomas Shoal, prompting international criticism. In November 2024, Marcos Jr. signed the Maritime Zones Act and the Archipelagic Sea Lanes Act, reinforcing maritime sovereignty, a move China strongly opposed. Marcos Jr. has also deepened military ties with the United States and other allies through joint military exercises – a strategy that could be construed as rallying international allies as a counterbalance to the projection of Chinese power in the region.

Regional
cooperation

6



Strategic Outlook

Rodrigo Duterte's ascent to power signaled a historic turn in democratic politics in the Philippines, laying the foundation for a populist, right-wing and illiberal political praxis. The deterioration in the democratic framework in the Philippines has continued through the first half of President Ferdinand Marcos Jr.'s term, Duterte's successor. Despite the current president's promises to improve human rights, extrajudicial killings persist – as do other practices, such as “red-tagging” – that, in turn, instantiate state impunity. Any cooperation by the current government with the international investigation would likely be motivated by political convenience – given the deepening rift between Marcos Jr., and his erstwhile ally and running mate Vice President Sara Duterte – rather than a genuine commitment to democratic principles.

Arresting the weakening of democracy in the Philippines requires strengthening and protecting the social forces currently threatened by illiberal advances: journalists, human rights advocates and community leaders. While global conditions for the flourishing of democracy are not ideal, the international community – with which the current administration is trying to improve its standing – has an important role to play in countering state impunity and democratic backsliding in the country. More crucially, it requires the hard work of convincing larger swaths of the local population – who seem increasingly open to illiberal transgressions – of the merits of democracy beyond expectations of regular electoral cycles. That requires nurturing a broader understanding of the substantive value of human rights and civil liberties. This, in turn, also requires fighting historical revisionism in schools and in public discourse, particularly the proliferation of distorted narratives about the country's authoritarian past.

Related to the above, information wars are a key arena of resistance. The rise of fake news and the harassment of journalists threaten informed public discourse. Enforcing stronger protections for press freedom, improving fact-checking mechanisms and holding state-backed disinformation networks accountable would help combat propaganda and misinformation, ensuring a more transparent and informed electorate.

In a political system dominated by dynasties and patronage networks that limit genuine representation, electoral and political party reforms are imperative. Enacting a stronger anti-dynasty law, regulating campaign financing and implementing state funding for political parties would encourage issue-based platforms over personality-driven politics, fostering a more competitive and democratic electoral system.

An honest reckoning with what decades of market-driven development have wrought is needed. It is evident that a focus on infrastructure development, the promotion of foreign direct investment and opening even more sectors of the economy without a clear industrial policy have led to only modest growth patterns – hardly launching the economy into sustained high-growth orbits or creating a base for mass employment. Meanwhile, the continuing problems with inequality and relatively limited advances in poverty alleviation need to be addressed by reforming the

redistributive regime – including strengthening the universal aspects of the social protection system, and enhancing the provision of education and health services. The best foundation for substantially deepening democracy in the Philippines would be to address the feudal structure of its domestic economy, and institute effective antitrust regulations to foster a more liberalized and competitive economy. In so doing, this would foster an economy that enables mobility, participation and the flourishing of well-being not just for the privileged few but for everyone.