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The Impact of Macroeconomic Management, and Fiscal, Trade and Financial Inclusion Reforms on Poverty, Economic Growth and Income Distribution in the Philippines, 1961-2023

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Abstract

The Philippines has implemented significant reforms in macroeconomic management, fiscal governance, trade and financial inclusion, leading to major improvements in poverty incidence, economic growth, and income distribution.

First, the country shifted from import substitution strategy to a more export-led development strategy. It reduced for over two decades quantitative restrictions (QRs) and tariff protection, and allowed the exchange rate to move more freely in response to market forces, thus reducing the bias against exports.

Second, it implemented tax reforms that raised the tax effort, reduced debt ratios, and boosted the fiscal headroom, resulting in higher expenditures for infrastructure, health and education, and social services.

Third, it instituted programs that delivered financial services to the marginalized sectors, enabling them to set up microenterprises, generate income, and create employment.

Fourth, it set up a government investment policy that raised both the share of public investment in GDP and the economic internal rate of return (EIRR) of major infrastructure projects.

This paper tracks the reforms that have led to this massive transformation from being the slowest growing country to one of the fastest growing emerging economies in Asia.

Introduction

The Philippines has a highly unequal income distribution compared with those of other emerging economies in Southeast Asia. Unfavorable income distribution is accompanied by high poverty incidence. Thus, a better distribution of income has always been in the agenda of development plans of the Philippines.

However, not much positive change on income distribution was achieved between the 1960s and the 1990s despite the high rank of equity and poverty reduction in the country's development agenda. The reason is that the government relied on measures which did not bring in the desired results until much later (see Figure 1).

First, it relied on unsustainable directed credit programs (DCPs) which resulted in high borrowers' arrearages and weak rural financial markets, and contributed to a weak fiscal sector. Subsidized credit led to weak financial results of micro-, small- and medium enterprise (MSME) beneficiaries, low repayment rates and weakened the environment for credit and savings mobilization (Lamberte & Llanto, 2005).

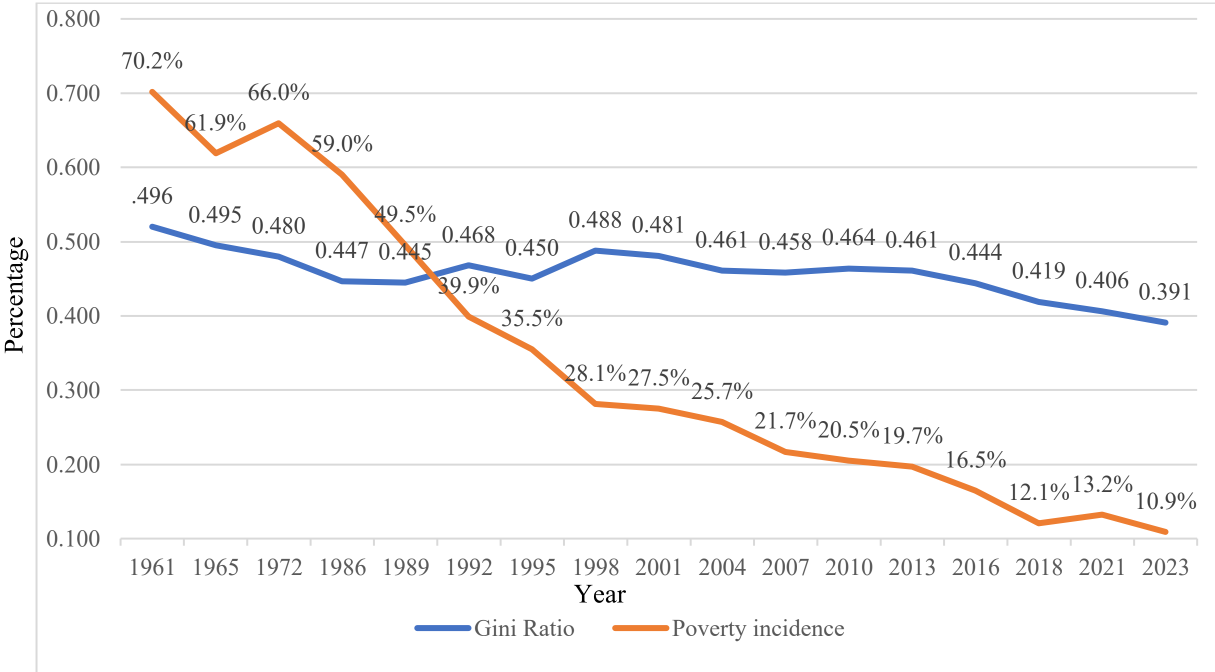
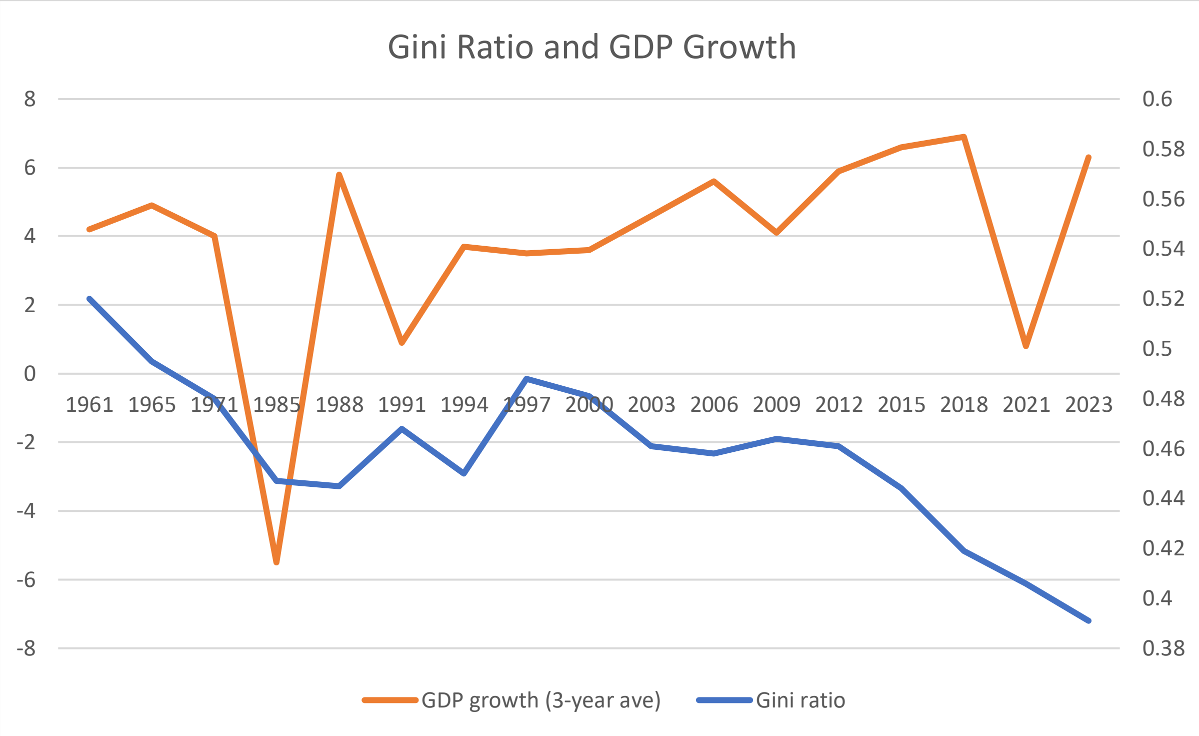


Figure 1. *Poverty Incidence and GINI Ratio*

Second, up to the 1980s, the country relied on import substitution which resulted in a trade policy and exchange rate policies biased against exports and agricultural activities. The bias against agriculture created a high cost, uncompetitive agricultural sector that existed only because of the high effective rate of protection which was maintained even after the import substitution strategy was abandoned in the 1980s. The bias against exports also led to chronic balance-of-payments crises which led to steep GDP growth slowdowns in 1960, 1967-69, 1970, 1974-75, and 1982-84 (see Figure 2).



Note. *From Distortions to Agricultural Incentives in the Philippines* by R. Bautista and G. Tecson, 2003. Updated to 2004-2023 using data from the Philippine Statistics Authority website.

Figure 2. *GINI Ratio and GDP Growth (3-year average).*

The import substitution strategy led to a heavily skewed distribution of income. Based on the *Family Income and Expenditures Survey*, the income share of the bottom 40% of families fell slightly from 12.6% in 1956 to 12.4% in 1961, 11.6% in 1965 before rebounding slightly to 11.7% in 1971. The results of the 1971 Central Bank-BOI survey of 900 corporate firms also indicate that the share of wages in total value added fell from 38.6% in 1960 to

30.1% in 1970. This is consistent with Baldwin's (1975) assessment that the major beneficiaries of the government's development policies were those who own or control businesses in the industrial sector. They were able to exploit the windfall gains and profit opportunities created by the import substitution policies devised by the government (Bautista & Power, 1984).

Third, an underdeveloped agriculture sector contributed to poverty and unequal income distribution (Intal & Power, 1990). High food prices contributed to the high poverty incidence and low nutritional status of children. Families who have emerged from poverty are usually hurled back to impoverishment due to severe loss of purchasing power from high food prices. Food accounted for an average 48% of total expenditures from 1961 to 2024 but food inflation accounted for 69% of total inflation during the period. Later data show that while food accounts for a little over a third of the consumer price index (CPI) basket, it has accounted for close to half of the inflation rate over the period 2013 to 2020 (Department of Finance, 2021).

A study of the International Food Policy Research Institute (IFPRI) and published in the ***Journal of Nutrition*** found a significant link between food prices and undernutrition in emerging economies. IFPRI concludes that "In seven of nine food groups, children were less likely to eat foods with higher relative caloric prices." Likewise, "h*igher milk prices were associated with a 2.8 percentage point increase in stunting* xxx." (International Food Policy Research Institute, 2019). In a 2022 study of 1.27 million children in 44 low- and middle-income countries (LMICs), IFPRI found that "exposure to food inflation in the womb and first years of life is associated with greater risks of child wasting in the short run and stunting in the long run." They added that "Food inflation also poses larger wasting risks for children of poor and landless rural households, exacerbating existing inequalities." (Headey & Ruel, 2022). Fourth, a combination of these factors---weak fiscal sector, weak balance of payments (BOP) position, high food inflation, and growth periodically interrupted by macroeconomic imbalances, until 2012, led to an economy unable to improve income distribution and reduce poverty.

The Philippines was identified as "the most extreme case of prolonged use of IMF resources, with 23 programs between 1962 and 2000" (International Monetary Fund, 2002; Montes, 1987)Compared with emerging and formerly emerging economies, the Gini ratio of the Philippines is more favorable than those in Latin America like Brazil, Colombia and Mexico. Like the Philippines, Latin American economies, except Chile, used import substitution as a strategy for development. However, the Philippines compares poorly with neighboring Asian countries like Indonesia, Singapore, and Thailand which started at the lower rung of the development ladder in the 1960s but shifted to a more neutral trade regime during the earlier years of their development (see Table 1).

Table 1. *GINI Ratio of Emerging & Formerly Emerging Economies*

Country	Gini Ratio	Year
Philippines	0.391	2023
Brazil	0.534	2019
Colombia	0.513	2019
Mexico	0.454	2018
Indonesia	0.388	2022
Singapore	0.360	2023
Thailand	0.350	2023

Note. Data from the World Bank Website and the Philippine Statistics Authority Website (for the Philippines)

Due to prolonged reliance on weak policies, poverty and inequality continued to be a huge economic issue in the country. Thus, addressing poverty and inequality remains a key priority in the Philippines' development agenda. This is aligned with the United Nations' Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty) and SDG 10 (Reduced Inequalities). "Despite persistent efforts through various policy reforms, the country continues to face challenges in achieving a more equitable income distribution and reducing poverty levels. While economic growth has contributed to poverty reduction in recent years, disparities in wealth and opportunity remain significant, reinforcing the need for sustained and inclusive policy interventions. Understanding the historical trends in income distribution and their policy implications is crucial in evaluating the country's progress toward its SDG commitments." (Department of Economy, Planning, and Development, 2022).

Objective

This paper analyzes income distribution movements in the Philippines during the last sixty-two years (1961 to 2023) and identifies the policy reforms that contributed most to the changes, if any, on income distribution and poverty incidence. It assesses the impact of GDP growth, government expenditures including infrastructure, social services and conditional cash transfers (CCT), the microfinance program, the microinsurance program, and the surge of overseas Filipino (OF) remittances on income distribution. It uses regression analysis to determine causality and the Gini ratio to measure the degree of inequality in income distribution. In some cases, due to limited degrees of freedom, correlation of various economic indicators with real GDP growth is used. In the statistical analysis, 5% level of significance is used.

Review of Literature

The earliest study on income distribution in the Philippines covering the 1965 to 1971 period was undertaken by Berry who did not find any change in income distribution despite rapid structural change (Berry, 1978). A decade later, a study on income undertaken by Terasaki (1985) finds that the worsening income distribution in the Philippines is due to its development policies, including the expansion of commercial crops which drove a gap between rice farmers and commercial crop farmers, a trade policy which protected industrialization but penalized agriculture, and a land reform program which reduced the sizes of farmland to uneconomic sizes (Terasaki, 1985).

In 1994, Balisacan used statistical decomposition and econometric approaches to examine sources of poverty and inequality in the distribution of welfare in the Philippines. He concludes that "between-region inequality or rural-urban inequality accounts for only a small proportion of the total (national) Inequality" and that "Redistributing income away from economically advanced regions to lagging regions may not reduce overall income inequality and poverty as substantially as expected". This is because "more than three fourths of the observed Inequality in any given year comes from inequality within regions or locations." He further adds that "Within-region inequality arises from differences in possession of both physical and human assets and that "the distribution of these assets is within the influence of public policy." He also says that "The recent changes in overall inequality and poverty, albeit small, are also accounted for largely by changes in intraregional or intra-locational inequality." He concludes that "The observed increase in poverty from 1988 to 1991 is attributable mainly to intraregional deterioration in the distribution of living standards, not so much to changing relative fortunes (or misfortunes) of regions or locations." (Balisacan, 1992). In another study, Balisacan also found that "rapid agricultural growth in the Philippines in the 1960s and 1970s did not result in a reduction of poverty and improved income distribution like in other East and Southeast Asia (Balisacan, 1994).

In 1998, a study by Gerson says that "the slow progress in enhancing equity can be apportioned to economic policies that have either discriminated against agriculture—where most of the poor earn their incomes—retarded growth, or led to underinvestment in the most abundant resource of the poor, their potential for human capital development." He adds that

"In turn, these policies have sustained powerful interest groups which in the past have blocked or delayed economic reform." He concludes that "Recent political and economic policy reforms, including widespread deregulation of the economy, should improve the prospects for progress in poverty alleviation and increase equity. However, it will likely take some time before the poorest elements of Philippine society experience the benefits of recent rapid economic growth" (Gerson, 1998). That same year, another study which focuses on another aspect of income distribution done by Rodriguez (1998) concludes that "remittances from international migrants contributed to income inequalities" but argued that such inequalities should decline over time.

In 2001, a study by Hossain et al. concludes that "inequality in the distribution of education and landholdings are more important factors contributing to income inequality than the diffusion of modern rice technologies". He also says that "rice accounts for a small and declining fraction of the total household income, and that rice income is relatively less unequally distributed than income from non-farm sources." (Hossain et al., 2001).

In 2007, Estudillo, studying income distribution from 1961 to 1990, concludes that "household income inequality in the Philippines is due primary to "urbanization and education of household head". The increase in the number of urban households results in an increase of overall inequality while the increase in the number of household heads with a college education tends to decrease the inequality. Among the household income sources, wage income is the largest contributor to total income inequality. Wage rate inequality appears to be a major source of wage income inequality (Estudillo, 2007).

In 2012, a study by Balisacan et al. confirms that agricultural growth positively affected the growth of the services sector in the Philippines and this has contributed to the rise in off-farm employment which improved income distribution.

Other studies focus on the role, or the lack of it, of directed credit programs (DCPs) in income distribution. Studies by Esguerra (1981) and Castillo (1983) on Masagana 99 and Dale et al. (1993) on rural financial markets confirm why DCPs and rural financial markets did not contribute to improved income distribution. Dale et al. (1993) back up their conclusion by comparing Taiwan and the Philippines which were very much alike in the 1960s but were very dissimilar in 1990s. The authors contend that “Taiwan used its formal rural financial market more effectively than did the Philippines and that this explains an important part of the superior economic performance in Taiwan. They conclude that “The Philippines used financial markets to handle targeted loans and subsidies while Taiwan mostly used these markets to support the efficient allocation of resources.”

In the mid-1990s, the National Credit Council (NCC) was created under the Department of Finance (DOF) after the Credit Policy Improvement Program was established as part of the policy reforms to set up a more financially inclusive economy. A study conducted by Llanto et al. (1997) for the DOF-NCC confirms the unsustainability of 86 directed credit programs (DCPs), estimates their large fiscal losses, and their ultimate bankruptcy. Data available on the initial fund allocation for 63 DCPs show that more than P40 billion or 1.8 percent of GNP in 1996 was invested in these programs by 21 government agencies, the bulk of which were funded by borrowing from foreign sources. And in terms of beneficiaries, available data from 24 reporting directed credit programs show that for two years (1995-1996), approximately 685,794 farmers- borrowers received loans from these programs. This number of beneficiaries was miniscule, just 6% compared with 11.2 million farmers employed in the country’s labor force. According to former Finance Secretary Carlos Dominguez who was the Secretary of Agriculture immediately after the EDSA revolution, there were about 800 rural banks that were bankrupted by that program. He added that “We (government)had to rescue them” (Cigaral, 2020).

The amounts made available to the agencies represented 11% of the country's annual revenues. The low 25% repayment rate of the DCPs where data were available suggests that the amounts were almost totally wiped out in just half a decade. For the DCPs to continue operating, annual infusions were necessary to avoid closure. In short, the DCPs became "costly, financial albatross around the neck of the government". Likewise, unfair competition between DCPs and potential private providers constrained the development of a sustainable credit market, strengthened patronage politics and maintained the "dole out mentality" of borrowers in the marginalized sectors (Esguerra, 1996; Llanto et al., 1999; Adams & Lim, 2000). Many of the conduits of these DCPs also became bankrupt as a result. Multiple cases filed by the conduits against farmers were dismissed en masse by the lower courts (Municipal Judge F. Beltran, personal communication, 1982).

As part of the reforms advocated by DOF-NCC, the DCPs were abolished and their balances were transferred to government financial institutions (GFIs) for lending to farmers and to micro- small and medium enterprises (MSMEs) using market interest rates. In 1987, the government terminated 42 subsidized credit programs in the agriculture sector and consolidated the remaining fund balances into a loan guarantee scheme for farmers called the Comprehensive Agricultural Loan Fund (CALF). It then announced that the CALF shall be used to encourage private bank lending to small farmers and other small-scale borrowers. The expectation was that by taking as much as 85 percent of the credit risks of small farmer loans, the CALF would be able to encourage private banks to lend to small farmers (Llanto, 2004). The government rid itself of these money-losing directed credit programs and embraced market-oriented credit and financial policies as provided for in Executive Order No. 138 series of 1999 (Llanto et al., 1996). Since the GFIs are supervised by the Bangko Sentral ng Pilipinas (BSP), they focused their operations on maintaining financial viability and thus, they used market interest rates to price their credits, thus effectively removing the subsidy which the previous DCPs provided.

A follow-up study conducted by Geron in 2012 delves on subsidies to agricultural credit in recent years and provides policy implications. It finds that credit policy has evolved, from provision of subsidized credit to one that is more market-oriented, focusing on providing access to credit to farmers while exposing them to market interest rates." She continues that "there remains a significant public outlay for credit largely through unintended default subsidy." It recommends that publicly supported credit be provided solely through competent government financial institutions under independent regulatory oversight, rather than through agencies (such as the Agricultural Credit Enhancement Fund) or through government-owned and controlled corporations (such as QUEDANCOR). She concludes that "Government may also need to invest in other support services that would attenuate agricultural risk and encourage greater private sector participation in agricultural lending" (Geron, 2012).

That same year, in a study on income distribution presented at the Philippine Economics Society Meeting in 2012, the author found that real GDP growth, microfinance, and conditional cash transfers (CCT) are significant explanatory variables of Gini ratio movements. This new study will reconfirm these findings and determine whether other programs, e.g., microinsurance and OFW remittances, contribute significantly to income distribution changes.

In 2015, a study by Chua et al. on urban-rural income and wage gaps shows that "unequal endowments account for most of the urban-rural income gaps." Individual attributes of workers and households explain the majority of the urban-rural gaps, and schooling, skill, and experience are the three individual characteristics that matter most. Provincial variables, like typhoon incidence, government corruption, school crowding, and access to health facilities, matter far less." "Workers born in the cities and immigrants to the cities invest more in human capital than do rural workers" which is the main reasons for the income gap (Chua et al., 2015).

A study made by the World Bank in 2022 concludes that since the mid-2000s, "the expansion of secondary education and mobility to better-paying jobs, citizen ownership of more assets and access to basic services, and government social assistance has succeeded in reducing inequality. However, the study notes that "several structural factors contribute to the persistence of inequality". It notes the unequal opportunities, lack of access to tertiary education and a scarcity of skills, coupled with inequality in returns to college education, gendered social norms and childcare, and spatial gaps, as sources of persistent inequality. The study further notes that "While there has been considerable progress in expanding access to basic services such as electricity, safe drinking water, and school enrollment, large disparities limit the development of human capital." Likewise, "While schooling is widely accessible, its quality and attainment vary by income group. Additionally, tertiary education tends to deliver much higher returns for rich than poor households, possibly due to differences in school quality or fields of study and employment." The study concludes that "Policy can reduce inequality by supporting employment and workers, improving education access and quality, promoting inclusive rural development, strengthening social protection mechanisms, and addressing inequality of opportunity." (Belghith et al., 2022).

Income Distribution Movements, 1965-2021

The Family Income and Expenditure Survey (FIES) show a significant improvement in income distribution in 2023, with the Gini ratio falling to 0.391 compared with 0.496 in 1961. This is the best result in six decades. It took 62 years to achieve this feat, too long compared with other Asian emerging economies.

The Gini ratio fell from 0.496 in 1961 to 0.444 in 1988. However, it hovered between 0.449 to 0.488 during the period 1985 to 1997 with no decisive improvement. Income distribution improved from 1997 to 2006, worsened in 2009, and then improved continuously since then to 2023 (See Table 2).

Table 2. *Poverty Incidence, GINI Ratio, and GDP Growth (3-Year Average)*

Year	Poverty Incidence	Gini Ratio	GDP Growth*
1961	70.2%	0.496	4.2%
1965	61.9%	0.495	4.9%
1972	66.0%	0.480	4.0%
1985	59.0%	0.447	-5.5%
1988	49.5%	0.444	5.8%
1991	39.9%	0.468	0.9%
1994	35.5%	0.450	3.7%
1997	28.1%	0.488	3.5%
2000	27.5%	0.481	3.6%
2003	25.7%	0.461	4.6%
2006	21.7%	0.444	5.6%
2009	20.5%	0.464	4.1%
2012	19.7%	0.461	5.9%
2015	16.5%	0.444	6.6%
2018	12.1%	0.419	6.9%
2021	13.2%	0.406	0.8%
2023	10.9%	0.391	6.0%

*3-Year Average prior to and during the period

Note. Data from the National Statistical Coordination Board, Philippine Statistics Yearbook, various issues from 1970 to 2000 and the Philippine Statistics Authority Website

A regression analysis with poverty incidence as the dependent variable and Gini ratio, GDP growth and food inflation as explanatory variables show that poverty incidence is positively correlated with the Gini ratio and food inflation and negatively correlated with GDP growth. When income distribution is more equally distributed (with lower Gini ratio), poverty incidence goes down. Every percentage point increase in the Gini ratio raises the poverty incidence by 47.5 percentage points and vice versa. Likewise, every percentage point in the average GDP growth of the past three years lowers the poverty incidence by 0.97 percentage point. A percentage point rise in food inflation raises the poverty incidence by 1.26 percentage points (See Table 3).

Table 3. *Regression Result: Poverty Incidence, GINI Ratio, and GDP Growth*

Predictor	Coefficient (B)	t	P
Gini Ratio	47.51	5.19	0.000
GDP Growth	-0.97	-2.9	0.05
Food Inflation	1.26	3.51	0.006

Note. Adjusted $R^2 = 0.87$, (3, 8) = 175.88, $p < .001$, n = 1

By income class, the income shares of lowest income deciles rose significantly for more than four decades with the first decile rising from 1.5% to 4.1%; second decile rising from 2.4% to 5.2%; and third decile rising from 3.5% to 5.9%. The shares of fourth to eighth deciles also rose progressively. On the other hand, the shares of the highest income deciles declined — from 41.0% to 25.4% for the tenth decile; and from 15.4% to 14.5% for the ninth decile (See Tables 4-A and 4-B on pages 14-16).

Table 4-A. *Share in Total Income of each Decile, 1961-1997*

	% Share							
	1961	1965	1971	1985	1988	1991	1994	1997
1st Decile	1.5	1.1	1.2	2.0	2.0	1.8	1.9	1.7
2nd Decile	2.7	2.4	2.4	3.2	3.2	2.9	3.0	2.7
3rd Decile	3.4	3.5	3.5	4.1	4.1	3.8	3.9	3.4
4th Decile	4.5	4.6	4.6	5.0	5.0	4.7	4.9	4.3
5th Decile	5.5	5.7	5.9	6.0	6.0	5.7	6.0	5.4
6th Decile	6.6	7.1	7.4	7.3	7.3	7.0	7.4	6.8
7th Decile	8.3	8.9	9.9	8.9	9.1	8.8	9.1	8.7
8th Decile	11.0	11.2	11.1	11.4	11.6	11.4	11.8	11.5

9th Decile	15.5	15.4	16.9	15.7	16.0	16.1	16.4	16.2
10th Decile	41.0	40.1	37.1	36.4	35.8	37.8	35.5	39.3
GINI Ratio	0.496	0.495	0.480	0.447	0.444	0.468	0.450	0.490

Note. Data from Department of Economy, Planning, and Development (DEPDev) Statistical Yearbook and Philippine Statistics Authority (PSA)

Table 4-B. *Share in Total Income of each Decile, 2000-2023*

	% Share								
	2000	2003	2006	2009	2012	2015	2018	2021	2023
1st Decile	1.7	1.8	1.9	2.0	2.9	3.2	3.6	3.8	4.1
2nd Decile	2.7	2.9	2.9	3.1	3.9	4.3	4.6	5.0	5.2
3rd Decile	3.5	3.8	3.8	3.9	4.6	5.0	5.4	5.7	5.9
4th Decile	4.4	4.7	4.7	4.8	5.5	5.9	6.3	6.6	6.8
5th Decile	5.5	5.8	5.8	5.9	6.5	6.8	7.2	7.4	7.7
6th Decile	6.9	7.2	7.2	7.3	7.8	8.2	8.4	8.5	8.7
7th Decile	8.8	9.1	9.1	9.2	9.7	9.7	9.8	9.9	10.0
8th Decile	11.7	11.9	11.9	11.9	12.2	12.0	11.8	11.8	11.8
9th Decile	16.3	16.6	16.9	16.6	16.3	15.6	15.2	14.9	14.8
10th Decile	38.3	36.3	36.0	35.3	30.5	29.5	27.7	26.5	25.4
GINI Ratio	0.481	0.461	0.458	0.464	0.461	0.444	0.419	0.406	0.391

Note. Data from Department of Economy, Planning, and Development (DEPDev) Statistical Yearbook and Philippine Statistics Authority (PSA)

By region, from 1997 to 2023, the Gini ratio shows lower levels for all the 17 regions (See Table 5). Among the regions, the top three with the most significant improvement in income distribution were the National Capital Region (NCR), where the Gini ratio declined from 0.462 to 0.343 (-0.119); the Cordillera Administrative Region (CAR) from 0.464 to 0.353 (-0.111); Northern Mindanao (Region X) from 0.494 to 0.391 (-0.104); Bangsamoro, from

0.341 to 0.254, by -0.087; Eastern Visayas (Region VIII),where the Gini ratio declined from 0.446 to 0.365 or by 0.081; followed by Zamboanga, 0.468 to 0.390 by -0.078; Central Visayas, from 0.475 to 0.404, by -0.071; Ilocos Region (Region I), from 0.426 to 0.369, -0.057. Rounding up the rear were Cagayan Valley from 0.413 to 0.357, by -0.056; Central Luzon (Region III) from 0.408 to 0.362 CALABARZON from 0.425 to 0.374, by -0.054; (-0.046); Western Visayas from 0.441 to 0.397 (-0.044); Davao, from 0.449 to 0.408, by -0.41; Bicol (Region VI), from 0.436 to 0.396, by -0.040; CARAGA from 0.439 to 0.399, by -0.040; and lastly, SOCKSARGEN, from 0.450 to 0.434, by -0.016 (See Table 5 on page 17).

The region with the lowest gross regional domestic product (GRDP) per capita and the slowest growth until 2018, that is, the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM) is also the most equitable. The reason is that due to peace and order problems until 2019, the region has the smallest non-agriculture value added and the smallest business class. Most of its population is involved in agriculture with low variation in income levels, implying that most of them belong to the lowest income deciles. Fortunately, starting 2019, due to the peace agreement and the passage of the Bangsamoro Organic Law (Presidential Communications Office, 2018, 2019), the region is now one of the fastest growing regions. Driven by improved peace and security, investments in the region surged by 140% in 2023, reaching PHP 3.1 billion in the third quarter alone and generating 1,927 jobs for residents. (Office of the Presidential Adviser on Peace Reconciliation and Unity, 2024).

Table 5. *GINI Ratio, by Region*

	GINI Ratio					Change	Growth Rate (Annual)	Growth (Annual)
	1997	2000	2012	2021	2023	2023 vs 1997	1997-2023	1997-2023
Philippines	0.487	0.451	0.431	0.406	0.391	- 0.096	4.91%	1.69%
National Capital Region	0.462	0.451	0.403	0.335	0.343	- 0.119	4.45%	1.57%
Cordillera Administrative Region	0.464	0.451	0.468	0.417	0.353	- 0.111	4.09%	1.32%
I Ilocos Region	0.426	0.407	0.427	0.402	0.369	- 0.057	4.77%	1.08%
II Cagayan Valley	0.413	0.424	0.410	0.423	0.357	- 0.056	4.62%	1.26%
III Central Luzon	0.364	0.359	0.408	0.351	0.308	- 0.056	5.30%	1.97%
IV-A CALABARZON	0.425	0.429	0.419	0.371	0.374	- 0.051	4.81%	2.61%
IV-B MIMAROPA	-	-	0.448	0.418	0.405	- 0.043	5.32%	1.55%
V Bicol	0.436	0.448	0.423	0.411	0.396	- 0.040	5.55%	1.28%
VI Western Visayas	0.441	0.465	0.428	0.444	0.397	- 0.044	5.14%	1.15%
VII Central Visayas	0.475	0.470	0.471	0.411	0.404	- 0.071	5.74%	1.59%
VIII Eastern Visayas	0.446	0.490	0.483	0.433	0.365	- 0.081	4.34%	1.35%
IX Zamboanga	0.468	0.459	0.459	0.413	0.390	- 0.078	4.76%	1.34%
X Northern Mindanao	0.494	0.475	0.484	0.413	0.391	- 0.104	6.05%	1.70%
XI Davao	0.449	0.439	0.433	0.413	0.408	- 0.041	5.67%	1.78%
XII	0.450	0.457	0.457	0.424	0.434	- 0.016	4.85%	1.84%

Soccsksargen								
CARAGA	0.439	0.413	0.440	0.045	0.399	- 0.039	5.60%	1.32%
BARMM	0.341	0.328	0.288	0.278	0.254	- 0.087	4.86%	2.17%

Note. Data from Philippine Statistics Authority (PSA)

A regression analysis using the change in the Gini ratio by region every decade from the 1990s to 2020s as dependent variable, and gross regional domestic product (GRDP) growth and population growth as explanatory variables show that GRDP growth and population trigger significant changes in the Gini ratio. A 1% rise in GRDP growth reduces the Gini ratio by -0.498 basis points. A 1% rise in population likewise reduces the Gini ratio by -1.869 basis points. The reason for the latter is the movement of population towards regions with more jobs and economic opportunities. Population growth and GRDP growth are positively correlated. The correlation coefficient is 0.700 with 0.0% level of significance (Probability value or P-value) using 63 sample data points (See Table 6).

Table 6. *Change in the GINI Ratio*

Predictor	Coefficient (B)	t	p
Constant	-0.041	-4.39	0.000
GRDP Growth	-0.498	-4.2	0.000
Population Growth	-1.869	-7.52	0.000

Note. N = 63, Adjusted R^2 = .50, F(2, 60) = 33.03, p < .001.

Policy Reforms

A. Trade and Tariff policy

Until the 1980s, postwar economic policy focused on protection as a means to boost industrialization and economic growth. In 1949, following the end of the free-trade agreement between the Philippines and the United States (US) under the Bell Trade Act of 1946, the Philippines introduced a tariff rate structure ranging from 10% to 100% and a comprehensive quantitative restriction (QR) system to limit imports. Additionally, the exchange rate was fixed from 1946 to 1960 at PHP 2/US$1. In 1961, the peso was devalued, and the exchange rate remained relatively fixed, with occasional adjustments, until 1970. After 1970, the exchange rate became more flexible, transitioning to a managed or 'dirty float.' During this period, the Central Bank intervened periodically in the foreign exchange market to smoothen fluctuations through the buying and selling of foreign currencies.

These protective measures distorted the economic structure in favor of import substitutes, mainly manufacturing, and against exports, mainly agriculture. Since a significant proportion of employment was in agriculture, income distribution was distorted in favor of industrial workers and investors vs. farmers. Agriculture continued to employ the largest share of the population until 1990, but its growth was stifled by prolonged protectionism. In 2024, agricultural employment is down to 21% (See Table 7 on page 20).

Table 7. *Employment by Sector, % of Total, 1950-2020*

Year	Agriculture	Industry	Services
1950	0.62	0.13	0.25
1960	0.60	0.14	0.26
1970	0.57	0.13	0.30
1980	0.51	0.12	0.37
1990	0.45	0.16	0.39
2000	0.37	0.16	0.47
2010	0.33	0.15	0.52
2020	0.25	0.18	0.57
2024	0.21	0.18	0.61

Note. Data from Philippine Statistics Authority

As of 1981, the Philippines has an effective protection rate (EPR) of 44.2%, with manufacturing enjoying the highest nominal tariff protection level at 70.3%; agriculture at 43.23%; and mining at 16.46%. A comparison of ASEAN economies in 1978 shows the

Philippines had the highest EPR rate but showed the lowest GDP growth from 1960 to 1980 reflecting the negative effects of prolonged, high protectionism on broader economic growth (See Tables 8 and 9).

Table 8. *Philippines: Tariff Protection*

	Average Nominal Tariff Rate (%)				Effective Protection
Year	Agriculture	Mining	Manufacturing	Overall	Rate (%)
1981	43.23	16.46	70.30	34.60	44.20
1985	34.61	15.30	31.00	27.60	35.30
1990	34.77	14.00	27.50	27.80	35.60
1995	27.99	6.30	14.00	15.90	20.30
2000	14.40	3.30	6.90	8.00	10.20
2005	11.85	2.50	7.30	7.80	10.00
2010	11.94	2.30	6.20	7.00	9.00
2025	7.31	-	-	1.40	1.70

Note. 1981-1985 data from *The 1981-1985 Tariff Changes and the Effective Protection Rate of Manufacturing Industries* by Bautista, Department of Finance, 2025; 1990-2010 data from the Tariff Commission

Table 9. *ASEAN Effective Protection Rate and Annual GDP Growth Rate*

	Effective Protection Rate	Annual GDP Growth
	1978	1960-1980
ASEAN	25.5	7.0
Indonesia	33.0	5.8
Malaysia	15.3	7.1
Philippines	44.2	5.7
Singapore	5.6	8.7
Thailand	29.4	7.8

*Note***.** Data for Effective Protection Rate (EPR) from Tariff Commission (1978/1981), p. [X]; data for Annual GDP Growth Rate from International Monetary Fund, *International Financial Statistics* (1981 Yearbook). Adapted with permission.

A major macroeconomic policy shift away from import substitution was pursued in 1981 when, under the World Bank structural adjustment program, the country launched a comprehensive trade and tariff restructuring program to reduce overall effective protection rate of the manufacturing sector and non-sensitive agricultural products. From 1980 to 1990, the overall nominal tariff rate declined from 34.6% to 8% in 2000 and, further, to 1.35% in 2024. The maximum tariff rate declined from 100% in 1980 to 30% in 2000 and remained at that level in 2024.

The QRs and high tariff rates on 25 agricultural products, including rice and major food products, remained in place to protect domestic agriculture despite the tariff cuts in the manufacturing sector.

In 1977, the ASEAN adopted the Preferential Trading Arrangement (ASEAN-PTA) providing for a system of tariff margins of preference on ASEAN-originating products. The preference was initially set at 20% of the existing tariff rates with an exclusion list for sensitive products negotiated by the members. This was replaced in 1992 by the ASEAN Common Effective Preferential Tariff (CEPT) with deeper tariff cuts for member-countries.

When the ASEAN Economic Community was launched in 2015, the ASEAN Trade in Goods Agreement (ATIGA) became effective with zero to 5% tariff for ASEAN-originating, non-sensitive goods. Under ASEAN, the Philippines concluded preferential trade agreements with China, Hong Kong, India, Japan, South Korea, and Australia and New Zealand (Association of Southeast Asian Nations, 2024; Beltran, 2010; Menardo, 2004).

In addition, the country negotiated free-trade agreements (FTAs) with countries outside ASEAN. The Philippines and European Free Trade Area (EFTA) members – Iceland, Liechtenstein, Norway, and Switzerland – signed an FTA in 2016 which entered into force in

2018. The Philippines-EFTA covers trade in goods, trade in services, investment, competition, intellectual property, government procurement, and trade and sustainable development.

The Philippines and 14 Asia Pacific countries – Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, Singapore, Thailand, and Vietnam – signed the Regional Comprehensive Economic Partnership (RCEP) agreement in 2020, which entered into force in 2022. The RCEP agreement covers trade in goods, trade in services, investment, intellectual property, e-commerce, competition, small and medium enterprises, and government procurement. In February 2023, the Senate ratified the Philippines' membership to the RCEP (Association of Southeast Asian Nations, 2025).

These agreements eased the EPRs of many commodities. By 2025, after the tariff rate on rice was lowered to 15%, the EPR reached its lowest level of 1.7% (see Table 8 on pages 20-21).

In addition to tariff restructuring, the government reduced the number of regulated commodities. From 1,820 items in 1980, the number of PSCC lines subject to QRs was reduced to 463 in 1990 and further, to 161 in 1996. By 2022, it was reduced to 71. Many agricultural commodities remained regulated because they cannot compete against imports. As an exception, rice was deregulated in 2018 due to spiraling rice prices. Its protection was tariffed, initially at 35% for ASEAN countries and 40% for non-ASEAN countries, in 2019. The tariff was cut down and unified to 15% in 2024 (see Table 10 on page 23). As of 2022, based on data from the Department of Finance, the number of regulated items dwindled to 71.

Table 10. *Number of Regulated Commodities*

Year	No. Of PSCC Lines Subject to Restrictions	% Regulated Items (as to Total PSCC Lines)
Total PSCC Lines	**5,632**	**100.00**
1970	1,307	23.2
1980	1,820	32.3
1985	1,802	32
1986	827	14.7
1987	653	11.6
1988	598	10.6
1989	470	8.3
1990	463	8.2
1991	439	7.8
1992	160	2.8
1993	253	4.5
1994	246	4.4
1995	222	3.9
1996	161	2.9
2022	71	1.3

Note. Data from Trade an Industrial Policy Beyond 2000: An Assessment of the Philippine Economy by E. Medalla, 1998; and Department of Finance, 2022.

B. Fiscal reforms

Tax reform was pursued vigorously for almost four decades starting in 1986. With revolutionary powers strengthening its hand, the Corazon Aquino administration introduced the value-added tax (VAT) to replace a complex, multiple-rated, highly distortionary, and uneven sales tax (Executive Order [EO] No. 273, s.1987); broadened the tax base by withdrawing all tax exemptions and created the Fiscal Incentives Review Board (FIRB) to study and approve tax exemptions that need to be reinstated thereafter (EO 93, s. 1986); and enhanced equity and improved administrative efficiency through an overhaul of income taxes (EO No. 37 s.1986).

Later, major tax reforms include the expansion of VAT to include services (Republic Act [RA] 9010, 2003) and petroleum products and the rise the rate to 12% (RA 9337, 2005), the Tax Reform for Acceleration and Inclusion (TRAIN) Act in 2017, reform of sin taxes to finance the universal health care program (first done under RA 10351 in 2012 and expanded under RA Nos. 11346 and 11467 in 2019, and reform of corporate income tax and fiscal incentives rationalization as provided under the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act (Republic Act No. 11534, 2022) and the CREATE MORE Act (Republic Act No. 12066, 2024; see Table 11).

Table 11. *Major Legislative Tax Reforms, 1980-2018*

VAT reform law BIR & BOC	0.50%	1986
Sin tax reform/UHC funding	1.11%	2006
Removal of all tax exemptions/FIRB review	0.30%	2013
TRAIN BIR & BOC	0.34%	2018
Personal income tax	-0.61%	
Excise tax oil	0.25%	
Excise tax SSB	0.22%	
Excise tax cars	0.01%	
VAT introduction	0.11%	1988
CTRP BIR & BOC	-0.40%	1998-2000
Exemption from income tax of GSIS/SSS/health insurance plans	-0.23%	1998
Lowering of CYT from 35% to 32%	-0.22%	2000
Rationalization of personal exemptions	-0.05%	1999
NOLCO	-0.05%	2002
Reduction of CGT on unlisted stocks	-0.05%	1998
Taxation of nonresidents on Philippine Income	0.00%	1998

Reimposition of dividend tax (6% in 1998)	0.01%	1999
Minimum corporate income tax	0.01%	1999
Fringe benefits tax	0.02%	1998
Increase in CGT from 5% to 6%	0.05%	1998
BOC		
Tariff restructuring – Average annual loss	-0.17%	1980-2000
Oil Deregulation Law		
Lower oil duties to 3%	-0.10%	2000
Zero oil duties	-0.15%	2010

Note. Data from the files of the Department of Finance-Fiscal Policy and Planning Office
*Revenue impact as % of GDP

Table 12. *Major Tax Administration Reforms*

BOC		
Import levy	0.67%	1991-1992
Broadening of published values/CISS/digitalization	0.32%	1989
CISS globalization	0.11%	1991
Auction of seized goods	0.10%	1990
Digitalization	0.07%	2020
Digitalization & procedural reforms	0.05%	1992
BIR		
Withholding income tax/disallowance of back-to-back loans	0.22%	1989
VAT on sugar	0.10%	1989
Affixing of strip stamps on liquor & beverages	0.08%	1990
Fuel marking	0.03%	2019-2020
Digitalization	0.06%	2020
Stamping of sales receipts/raffles	0.05%	1990
Tax system computer matchings & data linkages with government offices	0.05%	2005
Audit of ecozone locators & GOCCs	0.01%	2005

Note. Data from the files of Department of Finance-Fiscal Policy and Planning Office
*Revenue impact as % of GDP

Government corporate reforms and privatization were also implemented after the financial collapse of three government financial institutions and major non-financial government corporations which recorded huge fiscal deficits averaging 6.7% of GDP for 10 years from 1976 to 1985. In 1984, the inter-agency Government Corporate Monitoring and Coordinating Committee (GCMCC) was created under the Department of Finance (DOF) to rationalize government corporate operations. It introduced corporate planning and performance evaluation for government corporations and required an annual remittance of dividends equivalent to 50% of their net income to the National Government (NG) with a few exceptions[1]. In 2006, the Government Commission on Government Corporations (GCG) was created to conduct independent performance evaluation of GOCCs and formulate and implement further rationalization, absorbing the functions of the GCMCC.

In addition to rationalization, the hardest hit financial institutions which were the two largest government-owned banks — the DBP and the PNB — had to be rehabilitated. This had to be done to stop the freefall to a deeper financial crisis, avoid contagion, and hasten economic recovery. Commercial bank credit had to be resuscitated; it fell by 53 percent in real terms between the end of September 1983 and the end of September 1986. A massive restructuring

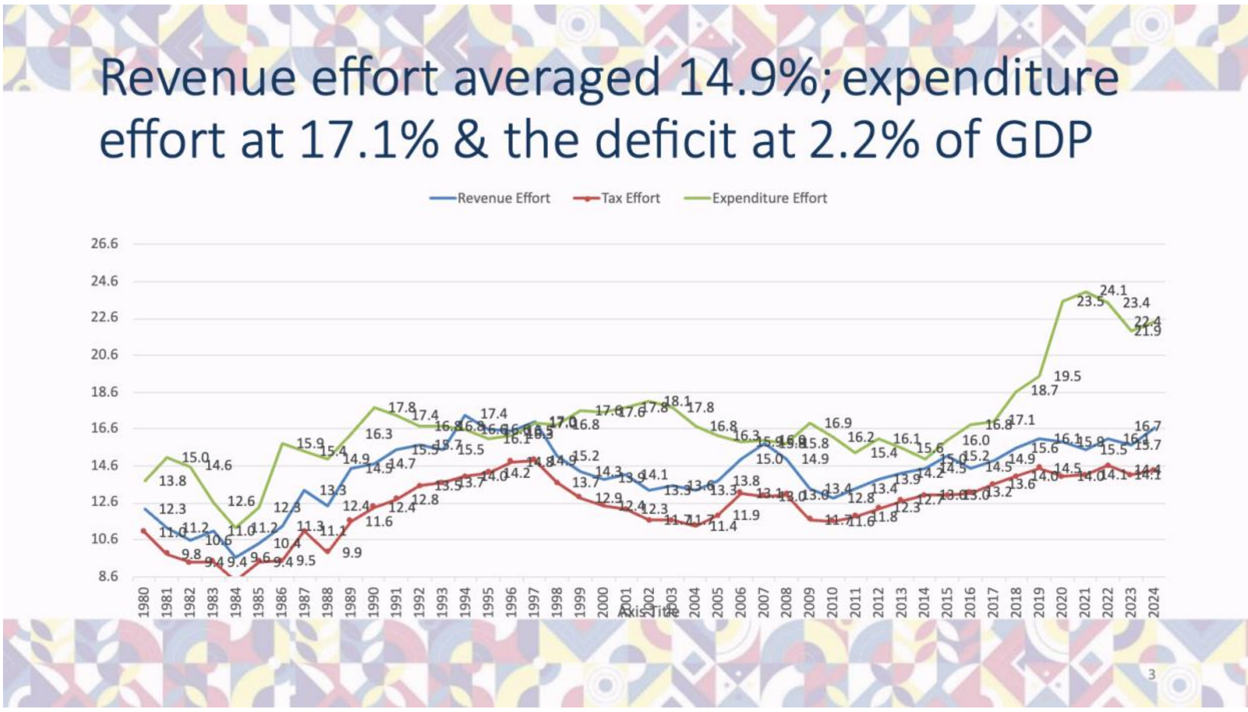
[1] Exempt from dividend law are:
a. The Government Service Insurance System;
b. Social Security System;
c. Home Development Mutual Fund;
d. Employees Compensation Commission;
e. Overseas Workers Welfare Administration; and
f. Philippine Health Insurance Corporation.

For government banks, the remittance shall be pursuant to applicable banking laws and regulations as per the Revised Implementing Rules and Regulations to RA 7656 issued by Department of Finance in 2016.

of the DBP and the PNB, which led in November 1986 to a transfer of PHP108 billions of nonperforming assets (representing nearly 30 percent of total bank assets) to a government agency — the Asset Privatization Trust (APT) for proper disposition, e.g., privatization or write-off. Included in the transfer were PHP23.4 billion of nonperforming assets from the PNB, which contributed to a decline of 20.5 percent, in real terms, in commercial bank credit to the private sector during the last quarter of 1986 (Nascimento, 1991).

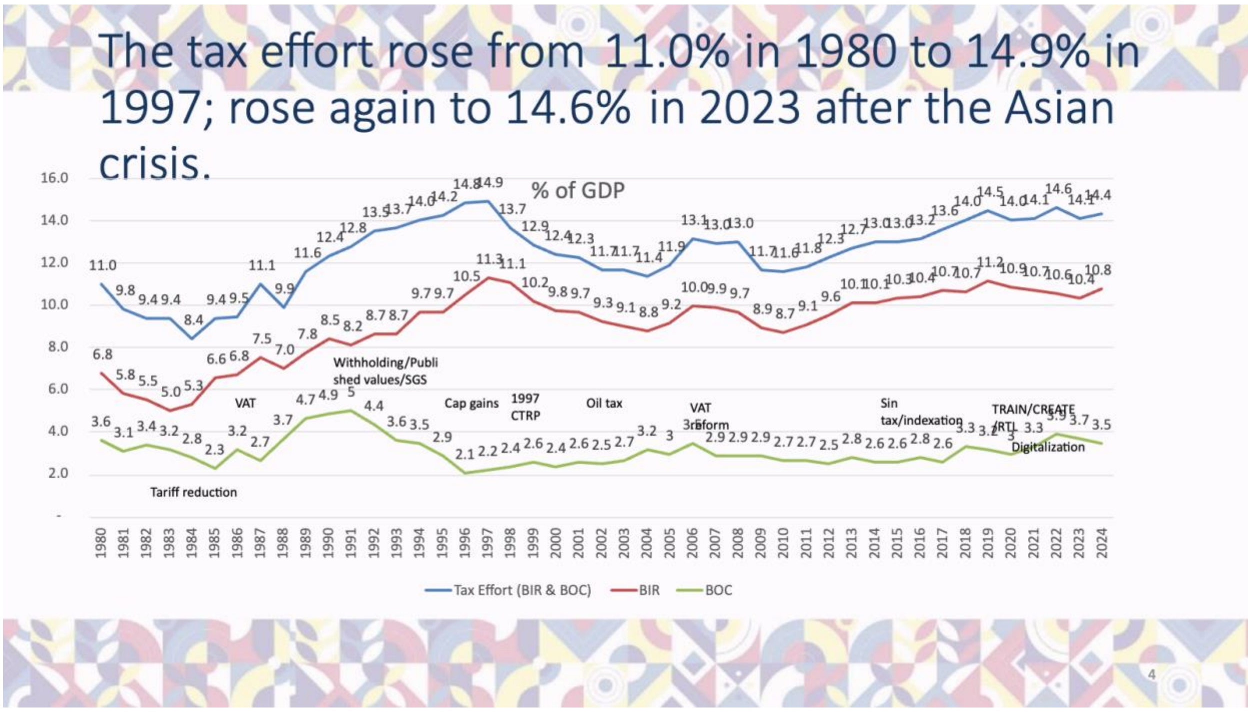
The liabilities associated with such assets were also transferred to the NG and became assumed liabilities to be amortized until the liabilities matured. Assumed liabilities from these two government banks plus those by PHILGUARANTEE and the National Power Corporation (NPC) amounted to P86.6 billion as of end-1986, equivalent to 12.5% of GDP (Bureau of the Treasury website, 2025).

Fiscal reforms boosted the revenue effort from 12.6% in 1980 to its peak of 17.4% in 1997, recovered from the Asian financial crisis to another peak at 16.1% in 2019, and then recovered from the COVID pandemic to its highest in 27 years at 16.7% in 2024 (see Figure 3 on page 28). Tax reforms also boosted the tax effort from 11.1% in 1980 to 14.9% in 1997, recovered from the Asian financial crisis to another peak of 14.5% in 2019, and recovered to 14.6% in 2022 before dropping to 14.4% in 2024 even after lowering income tax levels, aligning these to international norms (see Figure 4 on page 28).



Note. Data from the files of the Department of Finance-Fiscal Policy and Planning Office

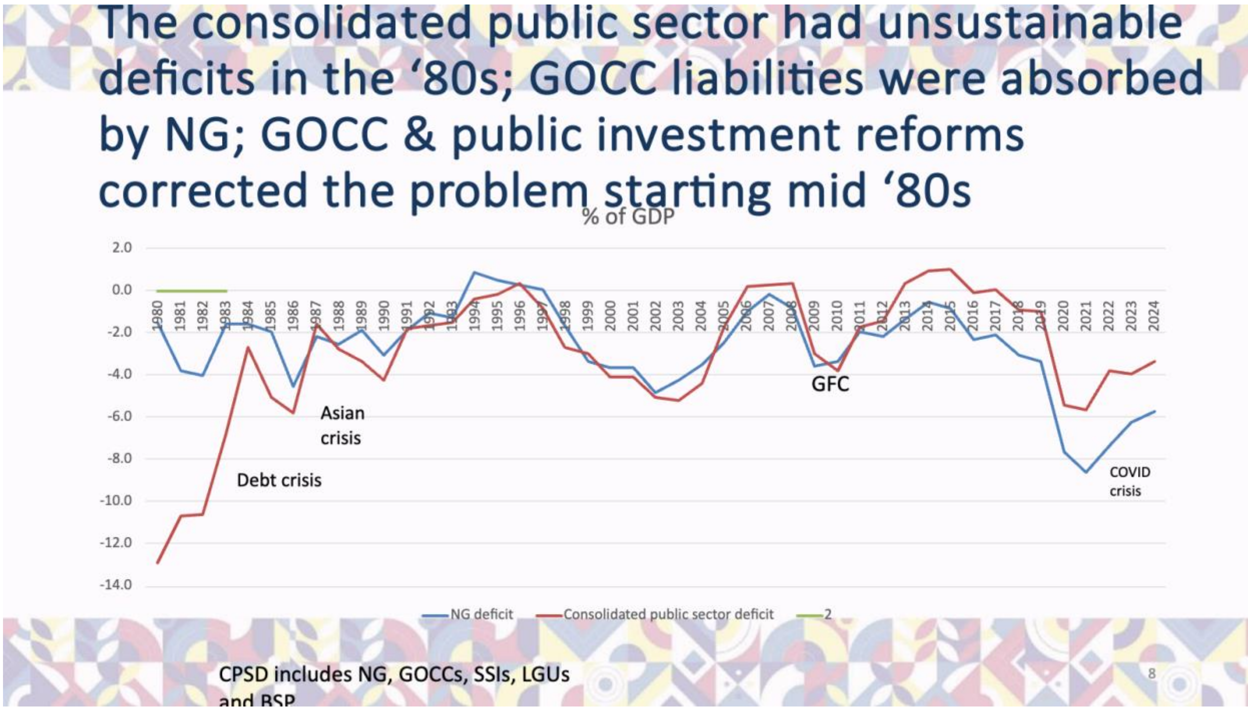
Figure 3. *Revenue Effort, Expenditure Effort, & Deficit as % of GDP*



Note. Data from the Department of Finance and the Philippine Statistics Authority Website

Figure 4. *Tax Effort, BIR, & BOC Effort*

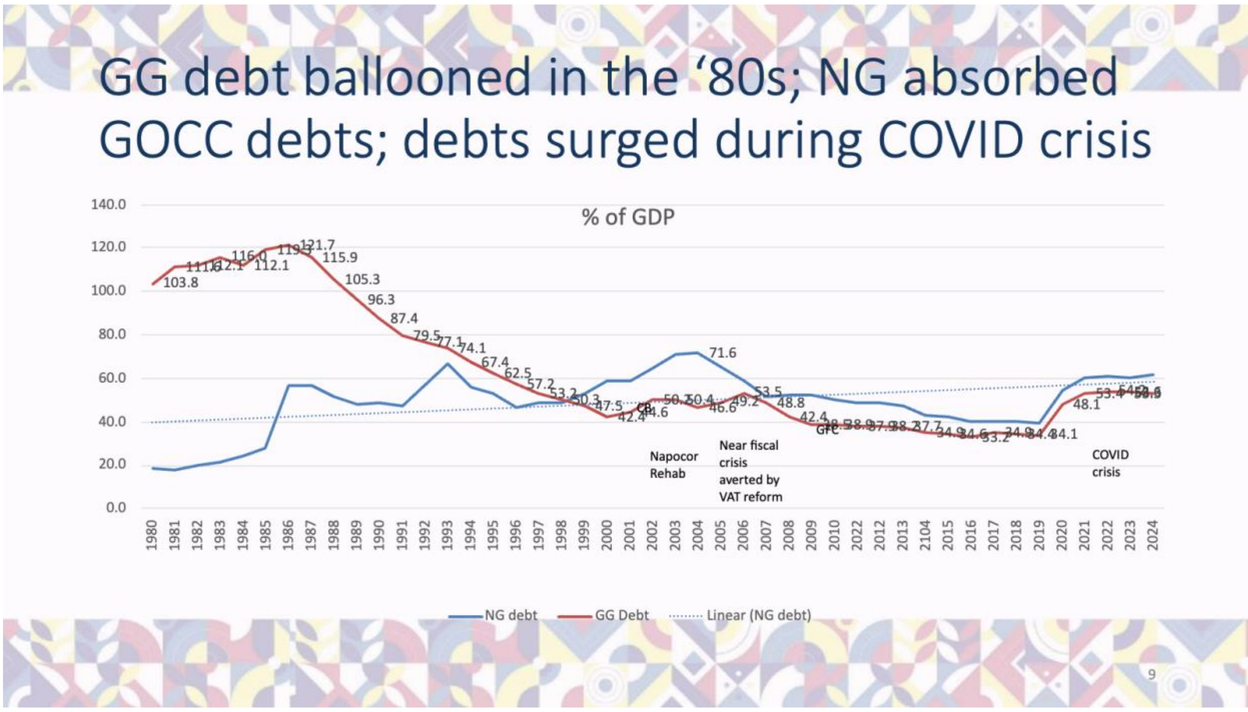
Better revenue mobilization and debt management led the consolidated public sector deficit (CPSD) to shrink from double-digit percentages of GDP in the early 1980s to surpluses in eight years (1996, 2006, 2007, 2008, 2013, 2014, 2015 and 2017) as the government corporate (GOCC) sector became financially and economically viable. As a result, the public sector was able to implement fiscal stimulus programs during periods of severe global economic shocks during the global financial crisis (GFC) in 2008-2009 and the COVID pandemic in 2020-2021. Meanwhile, even after assuming huge levels of debt from the GOCC sector, the NG deficit remained manageable (see Figure 5).



Note. Data from the Department of Finance-Fiscal Policy and Planning Office and the Philippine Statistics Authority Website

Figure 5. *Consolidated Public Sector Deficit & NG Budget Deficit as % of GDP*

Sound fiscal management also led the NG-debt ratio to shrink from a peak of 71.6% in 2004 to its lowest at 39.6% of GDP in 2019 before the pandemic-related borrowings pushed it back up to 60.9% in 2022 and then to 60.7% in 2024. The more comprehensive general government (GG) debt dropped from 103.8 % in 1980 to 34.1% in 2019 before the COVID pandemic pushed it back to 54.2% in 2023. Fiscal consolidation reduced the level to 53.3% in 2024 (see Figure 6).



Note. Data from the Department of Finance-Fiscal Policy and Planning Office and the Philippine Statistics Authority Website

Figure 6. *General Government Debt and NG Debt as % of GDP*

Due to these improvements, the NG raised its expenditure outlay from 12.6% of GDP in 1985 to almost double its peak of 24.1% during the middle of the COVID crisis. Infrastructure outlay rose to 6% in 2022 from 1% in 1991; education to 3.6% from 2.7 % in 1995; and health to 5% from 0.9% in 2000.

Trade and fiscal reforms led to vastly improved macroeconomic fundamentals and higher investor confidence which boosted GDP growth. Real GDP growth rose from 4.03% in 1965-1988 to 6.6% in 2013- 2019. The period 1965-1988 had two years of negative growth, -7.3% in two successive years 1984 and 1985, the country's deepest postwar recession. It also experienced two years of excellent growth---10.4% in 1973 due to the global commodity boom and again, 8.0% in 1976 for the same reason. BOP and fiscal problems were issues that led to the country's long period of borrowing under the IMF facilities and the low average GDP growth rate (see Table 13 on page 32).

Table 13. *Average Annual GDP Growth & Consumer Inflation, 1965-2022*

Year	GDP Growth	Consumer Inflation
1965-1988	4.03%	12.4%
1988-2012	4.12%	9.9%
2013-2019	6.60%	3.0%
2020	-9.52%	2.6%
2021-2024	6.12%	4.9%

Note. Data from the Philippine Statistics Authority Website

Real growth continued to be slow at 4.12% from 1988-2012. During this period, the country faced two years of negative growth. The Mt. Pinatubo eruption in 1991, the spate of coup attempts, and long hours of brownouts pushed the economy to slip by -0.6% and, in 1998, the Asian financial crisis took its toll, pushing down GDP growth to a lower -0.5%.

From 2013 to 2019, the economy emerged with 6.6% average GDP growth due to policy reform measures that helped strengthen the BOP and fiscal position. With fiscal and BOP problems finally tamed and shuttered, the country was able to emerge from IMF programs and was able to focus on growth and equity as twin economic agenda.

During the COVID-19 pandemic, the economy shrunk by 9.52% due to lockdowns that severely impacted on mobility and trade. But starting 2021, as the pandemic gradually waned, despite mobility restrictions still in place although loosened gradually, GDP growth recovered significantly. Even in the face of global economic shocks in 2023 and 2014, GDP growth soared, averaging 6.12% from 2021 to 2024.

Better macroeconomic management also reined in on consumer inflation which was at double-digit levels during most of 1965 to 2012. Starting 2013, this dropped to 3% but rose ahead in 2021-2024 to 4.9% due to spiraling global food prices caused by climate change.

After the pandemic, the country adopted fiscal consolidation to lower deficit and debt levels and maintain the country's strong fundamentals.

C. Credit policy

In 1993, after an Economic and Social Summit, President Fidel V. Ramos issued Administrative Order No. 86 creating the National Credit Council (NCC) under the Department of Finance (DOF) to:

a. Rationalize and optimize the use and delivery on a sound basis of the various credit programs of all government institutions;
b. Develop, through multisectoral consultations/linkages and policy dialogues, a national credit delivery system, incorporating the attendant capability upgrading and institutional strengthening mechanisms towards enhancing the credit beneficiary groups productive capability and the financial intermediaries' efficiency and effectivity;
c. Encourage a higher level of private sector participation, with its extensive network of commercial bank branches with combined resources which are far greater than that of government, in credit delivery of countryside small and medium enterprises and rural entrepreneurs, to spur countryside development and the creation of workplaces with small per-capita investments; and for rural infrastructure and other economic projects; and

d. Define and rationalize the role of guarantee programs and guarantee agencies and review the adequacy of guarantee funds and coverage towards undertaking the necessary adjustments thereto." (EO 86 s. 1993)

In 1999, the government, through interagency coordination under the NCC, phased out the unsustainable DCPs of the government which, for a long time, drained the resources of government but with no perceptible impact on poverty, and transferred these to government financial institutions (GFIs). The DCPs were replaced with a comprehensive credit program based on market interest rates and private sector-led provision of microfinance services. From providing dole-outs, the government shifted support to capability building measures. The policy became effective through EO 138 s. 1999, and RA 8435 which set up the Agro-Industry Modernization Credit and Financing Program (AMCFP) using the government financial institutions (GFIs) as wholesale credit providers. (EO 138 s. 999 and RA 8435, 1997).

Of the estimated P2.86 billion budget allocated and released to 21 DCPs from 1973 to 1998, P2.14 billion was lost as credit subsidy (interest and default) to conduits and end-users. As of September 2004, around P720 million from 12 terminated DCPs was deposited at the Bureau of the Treasury (BTr). Of the terminated DCPs, the Department of Agriculture (DA consolidated the remaining loan funds into the AMCFP (Adams & Lim, 1998; Geron & Casuga, 2012; Geron et al., 2016; Esguerra, 198). The Agricultural Credit Policy Council (ACPC) was tasked to develop the design of the AMCFP which is the only credit pipeline for agriculture and fisheries under the law. Subsequently, the ACPC was tasked to oversee the implementation of the AMCFP as per AMCFP Guidelines, as outlined in Council Resolution No. 01-1999 (Agricultural Credit Policy Council, 1999).

The Land Bank and QUEDANCOR also tried to provide more loans to the sector, but serious gaps prevent greater synergy between the government financial institutions and private financial institutions in addressing the AFMA mandate. The DA and Land Bank failed to develop the details of the AMCFP: what strategies and specific instruments to be used to finance the modernization of agriculture; how to implement the envisaged partnership between government financial institutions (GFIs) and private financial institutions in addressing the outstanding gaps in the agriculture and rural sector, e.g., loss of the collateral value of agriculture lands, lack of long-term investment credit in the sector, etc; how to address various constraints to formal lending in the sector. Any effort to map out details of the AMCFP should have taken into account the DA's agriculture development strategy and programs to modernize agriculture and the expected financing requirements of the sector that will emanate from that strategy (Llanto, 2006).

In 1997, the NCC formulated and adopted the National Strategy for Microfinance which is built on the following principles (DOF National Credit Council, 1997):

1. Greater role of the private sector/MFIs in the provision of financial services;
2. An enabling policy environment that will facilitate the increased participation of the private sector in microfinance;
3. Market-oriented financial and credit policies, e.g., market-oriented interest rates on loan and deposits; and
4. Non-participation of government line agencies in implementation of credit/guarantee programs.

Later, the NCC would develop a Standardized Chart of Accounts for Credit Cooperatives and Microcredit Providers to enable managers of microcredit providers to monitor their performance and a set of performance indicators known as COOP-PESOS to set benchmarks for managers to gauge their financial strength and sustainability. COOP-PESOS evaluates cooperatives across several categories to ensure regulatory compliance, sound operations, and management effectiveness. It provides standards for transparency, governance, financial stability, and service quality. The system generates scores in key areas like compliance, organization, operations, portfolio quality, and efficiency to assess performance over time (National Credit Council, 1997, 2001).

In 2015, the financial inclusion agenda was continued by the Bangko Sentral ng Pilipinas (BSP) when it formulated and adopted the National Strategy for Financial Inclusion (NSFI) and created a steering committee covering a broad list of government agencies. The focus of the strategy is broadly similar to that of the DOF-NCC's National Strategy on Microfinance---"developing an enabling environment wherein market-based solutions lead to broader access to responsive and responsible financial products and services by all, particularly the unserved and underserved markets such as the low-income and marginalized, MSMEs, overseas Filipinos (OFs) and their beneficiaries, agriculture and agrarian reform sectors, among others. The key areas necessary for promoting inclusive financial systems were identified in the NSFI, namely: policy and regulation, financial education and consumer protection, advocacy programs, and data and measurement (National Strategy for Financial Inclusion, 2015).

Likewise, in 2015, the Microfinance Non-Government Organizations (NGOs) Act (RA 10693) was passed, setting the core principles of Microfinance NGOs and setting accreditation criteria for their operations. The new law provides that microfinance NGOs shall conduct their operations in accordance with the basic principles of microfinance which include, but are not limited to, the following:

(a) The government recognition of Microfinance NGOs as effective partners in promoting social welfare and development and pursuing poverty alleviation and holistic transformation and acknowledges microfinance as a viable solution to empower the poor;

(b) Provision of access by the poor to appropriate financial services that are convenient, flexible and reasonably priced including, but not limited to, credit, savings, and insurance;

(c) Sustainable operations where providers shall be able to recover all of costs to allow sustainable operation and regular provision of financial services to the poor;

(d) Provision of both financial and social protection programs to an increasing number of disadvantaged and for underprivileged people;

(e) Use of Client Protection Principles such as, but not limited to, appropriate product design and delivery, prevention of over-indebtedness, promotion of transparency, practice of responsible pricing, fair and respectful treatment of clients, privacy of client data, and mechanisms for complaint resolution;

(f) Development of financial, social and governance performance standards that shall help define and govern the industry toward greater outreach and sustainability; and

(g) Development and provision of the appropriate community development projects and programs to ensure attainment of social welfare and holistic transformation of the poor.

The accreditation process requires that they meet minimum standards set by the Securities and Exchange Commission (SEC) on compensating balance, gross receipts from operations, focus on the poor as clientele, and use of nontraditional and innovative methodologies to provide diversified financial services needed by such clientele, according to Republic Act No. 10693.

The implementation of the microfinance program and the financial inclusion strategy led to a massive increase in private sector-provided microloans and the rise of microentrepreneurs. The microfinance clientele of banks and nonbanks rose from 0.5 million in 1997 to 16.3 million in 2022, a 14.4% annual increase. The microfinance loan portfolio expanded from P6.02 billion to P312.6 billion during the same period. At current terms, it rose by 16.1% but, deflated by the GDP price deflator, it grew by 11.0% annually (see Table 14).

Table 14. Microfinance Coverage

1997	2000	2003	2006	2009	2012	2013	2016	2019	2022
No of microfinance clients (M of families)									
0.50	0.84	1.42	2.4	5.84	7.00	10.0	12.47	16.41	16.32
Microfinance loans (PB)									
6.02	10.16	17.15	28.93	48.44	80.00	114.29	181.14	343.09	312.60

Note. Data from the Department of Finance – National Credit Council

As demand for microloans increased and the financing needs of micro-entrepreneurs were satisfied, the DOF-NCC developed a microinsurance program that would cover the insurance requirements of micro-entrepreneurs and their families to be provided by private insurance companies. Insurance became a necessity due to the intensified occurrence of natural disasters which reduced GDP growth by at least 1% of GDP every year.

First, the NCC formulated the National Strategy for Microinsurance which echoes similar principles espoused by the National Strategy for Microfinance. In support of the microinsurance program launched by the government as a tool for poverty alleviation, the Insurance Commission (IC) issued Circular Letter No. 5-2011 prescribing a set of performance standards covering the areas of solvency and stability, efficiency, governance, understanding of the products by the client, risk-based capital and outreach (SEGURO) on which entities offering microinsurance products and services shall be evaluated and monitored. Likewise, IC issued was Circular Letter No. 6-2011 which sets out the guidelines for the approval of training programs and licensing of individuals and entities interested in becoming microinsurance agents. Under the circular, microfinance institutions like rural banks and non-government organizations, may also be allowed to become microinsurance agents subject to certain conditions.

From just one in 2006, as of end-2024, 27 micro-mutual benefit associations (Micro-MBAs) have been issued licenses to operate. The total accumulated assets of Micro-MBAs reached ₱38.17 billion, marking an increase of 14.2% compared to the previous year's PHP33.43 billion (Insurance Commission, 2022). Prototype microinsurance products for life and non-life insurance were also approved in 2011 with simplified and easy-to-understand policy provisions. These types of policies which may be adopted by microinsurance providers are envisioned to enhance the salability of microinsurance to target groups. In addition, a roadmap to financial literacy on microinsurance was formulated and rolled out in the 4th quarter of 2011 (Insurance Commission Annual Report, 2011).

Table 15. Microinsurance

Year	Microinsurance Coverage Millions of Lives	% of Population	Microinsurance Premiums (Billion Pesos)	% of GDP
2011	0.62	0.7%	0.08	0.001%
2012	3.05	3.2%	1.04	0.009%
2013	23.9	24.3%	3.28	0.027%
2014	27.9	27.9%	3.83	0.029%
2015	28.7	28.4%	4.53	0.032%
2016	27	26.6%	5.42	0.036%
2017	32.2	31.2%	7.13	0.043%
2018	38.2	36.4%	8.4	0.046%
2019	48.7	45.7%	8.82	0.045%
2020	53.7	49.6%	7.8	0.043%
2021	53.7	49.2%	10.117	0.052%
2022	57.8	52.1%	11.534	0.052%

Note. Data from the Philippine Statistics Authority Website and the Insurance Commission Website

Microinsurance access expanded from 0.62 million households as of end-2011 to 57.8 million as of end-2022, a 45.8% annual growth. Microinsurance coverage rose from 0.7% of total Philippine households in 2011 to 52.2% in 2022. This is the highest microinsurance coverage in the developing world (Department of Finance, 2022). Premiums collected on microinsurance policies rose from P0.08 billion to P11.53 billion, showing a 51.3% annual growth. As a % of GDP, this rose from a negligible 0.001% to 0.052% (see Table 15).

Microfinance coverage and microinsurance coverage are heavily intertwined. Due to the prevalence of natural disasters in the country, microentrepreneurs purchase microinsurance to protect their livelihoods from risks. A regression analysis showing microinsurance coverage as dependent variable and microfinance coverage as explanatory variable confirms this; it shows that for every microfinance borrower, microfinance coverage rises by 3.778 implying that microentrepreneurs not just cover their microenterprises from risk; they also cover their family members (see Table 16).

Table 16. *Regression Results: Microinsurance and microfinance*

Predictor	Coefficient (B)	t	p
Constant	47.51	5.19	0.000
Microfinance coverage	-0.97	-2.9	0.05
Food Inflation	1.26	3.51	0.006

Note. Dependent variable: microinsurance coverage, n=25, $p < .001$

D. Public Investment Policy

The collapse of three government financial institutions (GFIs), namely: the Philippine National Bank (PNB), the Development Bank of the Philippines (DBP), and the Philippine Export and Foreign Loan Guarantee Corporation (Philguarantee), and the large fiscal deficits of the government corporate sector in the 1980s led to a rethinking of the public investment policy. These bankruptcies precipitated a debt crisis that gripped the country for two years as the country's real GDP dropped by a cumulative 15.1% in two consecutive years. To avoid future crises, the government needed to set up a policy framework for public investment to ensure that only economically viable projects are implemented. Likewise, projects which pass the economic internal rate of return (EIRR) benchmark but have low financial rates of return will need to tap grants and fund sources with lower interest rates to ensure that the projects continue their operations during difficult. This is especially true for GOCC projects.

The EIRR criterion ensures that all projects implemented by government are economically viable. In the computation of the EIRR, economic costs including capital investment and operation and maintenance are compared against the stream of benefits. The ultimate goal of EIRR is to identify the rate of discount at which the present value of the sum of annual nominal cash inflows equals to the net cash outlay for the investment. EIRR considers its overall benefits, rather than just financial returns. It takes into account factors such as economic growth, employment generation, social benefits, and environmental impact. EIRR captures indirect and long-term benefits that may not be immediately profitable but are valuable for national development.

Thus, the Investment Coordination Committee (ICC) was created in 1977 through Presidential Decree No. 120. In the early 1980s, the ICC Subcommittee on Major National Projects (ICC-SMNP) formulated and adopted the methodology for project evaluation and investment programming and monitoring. The ICC was formally organized under the National Economic and Development Authority (NEDA) in 1987 through EO 230 and was tasked to formulate the country's investment program. The ICC is composed of the following members: In the early 1980s, The ICC set up its methodology for project evaluation and investment programming and monitoring. The Investment Coordination Committee (ICC) was organized under the National Economic and Development Authority (NEDA) of the Philippines and was tasked to formulate the country's investment program. The ICC is composed of the following members:

- Chairman: Secretary of Finance
- Co-chairman: NEDA Director-General
- Members:
    - o Executive Secretary;
    - o Secretaries of Agriculture, Trade and Industry, and Budget; and the
    - o Governor of the Bangko Sentral ng Pilipinas (BSP).

Aside from formulating and monitoring the investment program, the ICC evaluates the fiscal, monetary, and balance of payments implications of major national projects. It then recommends to the President the implementation a timetable for these projects on a regular basis. The ICC also advises the President on matters related to the domestic and foreign borrowings program. Initially, the EIRR benchmark for major investment projects was set at 15%. Then, when interest rates declined, in September 2016, this was reduced to 10%.

The implementation of this strategy led to a higher EIRR of infrastructure projects. Estimates of average EIRR show a 47.6% rate based on regression analysis using 74 quarterly data points from 2000 to 2019. Unlike before the 1980s when government investments precipitated a debt crisis due to low efficiency levels, government investments after the ICC reform started to contribute significantly to GDP growth (see Table 16 on page 40). The reason is that NG capital outlays are strongly correlated to private investment. Every peso of NG capital outlay generates P3.7 in private investment over a period of 6 quarters after the implementation of a government investment project.

Table 17. Regression Results: GDP Growth as Dependent Variable and Investment as % of GDP as Explanatory Variables

Predictor	Coefficient (B)	t
NG investment, % of GDP	0.299	2.70
NG investment, % of GDP, lagged by 1 quarter	0.174	1.60
Private investment, % of GDP	0.097	3.00
Private investment, % of GDP, lagged by 1 quarter	0.079	2.30

Note. From *the DOF Statistical Bulletin* by the Department of Finance, 2019; Adjusted $R^2 = 0.45$, n = 74

Data for two decades (1988 to 2018) show that for every percentage point of GDP that public construction rises, private investment rises by 1.25 percentage points of GDP with a three-quarter lag and 2.03 percentage points of GDP with 4 to 6 quarters' lag. The regression results are highly significant.

Table 18. Regression Results: Impact of Public (National Government) Investment on Private Investment

Predictor	Coefficient (B)	*t*	*p*
NG investment (-3)	1.34	3.95	0.000
NG investment (-4 to -6)	2.03	3.32	0.003
Real lending rate (0 to -1)	-0.13	-1.55	0.125

Note. From *the DOF Economic Bulletin* by the Department of Finance, 2019; Dependent variable: private investment, Adjusted $R^2 = 0.24$, n = 69

Starting 2015, NG investments began to rise as % of GDP. From 2.55% during the period 1980 to 2014, NG capital outlays rose to 5.04% during the period 2015 to 2024 (see Table 19 on page 44). In addition, public-private partnerships (PPPs) which are partially accounted for in NG investment statistics contributed additional annual investments equivalent to 2.0% during the period 2020-2024 (Department of Finance, 2019).

Table 19. National Government Capital Outlay

Annual Average	% of GDP
1980-2014	**2.55%**
1980-1989	3.51%
1990-1999	2.13%
2000-2009	1.78%
2010-2014	2.80%
2015-2024	**5.04%**
2015-2019	4.45%
2020-2024	5.63%

Note. Data from *the* Department of Finance Statistical Bulletin, 1980 to 2024 and by the Philippine Statistics Authority Website

Determinants of Improvements in the Gini ratio

Regression analysis (see Table 20 on page 45) shows that the improvement in the Gini ratio is due to a combination of positive economic developments and policy reforms that made economic growth more inclusive. These include the following:

a) Stronger economic growth accompanied by lower inflation;
b) Wider fiscal space that allowed government to expand and improve the quality of expenditures for infrastructure, health, education, and conditional cash transfers which reached 4 million poor households;
c) The rise in microfinance clientele and microfinance loan portfolio;
d) The rise in microinsurance coverage; and
e) The conditional cash transfer program (CCT).

Table 20. Determinants Of Gini Ratio Movements and Income Shares of the Lowest Deciles

Dependent Variables	Independent Variables				Adjusted R^2	N
	GDP Growth	Microfinance Clientele	CCT Families	OFR as % of GDP		
Gini Ratio	-0.183 (-2.4) 6-year lag	-0.004 (-1.5) 3-year lag	Insignificant	0.541 (2.1) 6-year lag	0.90	14
First Decile Income Share	1.341 (1.66)	0.094 (7.23) 3-year lag	0.25 25.45	Insignificant	0.92	14
Second Decile Income Share	0.435 (41.42)	0.109 (7.29)	0.079 (2.33)	Insignificant	0.94	13
Third Decile Income Share	2.132 (1.40)	0.091 (2.97)	0.214 (2.70)	3.701 (40.11) 6-year lag	0.892	13
Fourth Decile Income Share	2.44 (1.44) 6-year lag	0.15 (2.59)	Insignificant	0.06 (1.54) 6-year lag	0.93	12
Fifth Decile Income Share	2.584 (2.29)	Insignificant	Insignificant	0.057 (1.46) 6-year lag	0.93	12

Note. Values in parentheses are t-statistics

Real GDP growth is a significant determinant of Gini ratio improvement with a coefficient of -0.183 which means that for every 1 percentage point of growth, the Gini ratio drops by -0.0018 with a 6-year lag. Real GDP and NG expenditures are highly correlated (0.253

at level of significance=0.0004) with a high probability ratio. Of the expenditures, infrastructure had the highest impact due to its high economic rate of return estimated by regression analysis at 47.6% for projects implemented from 1980 to 2022 (see Table 17 on page 41), contributing at least 1.6 percentage points to the GDP growth rate in 2013-2019 period. Infrastructure investment also attracts private investment to the extent of 3.37x its original value within six quarters from project implementation (Department of Finance, 2022).

Regression analysis also confirms that microfinance coverage is a significant variable contributing to the decline in Gini ratio. A million increase in the number of clients covered by microfinance services reduces the Gini ratio by -0.004. Replacing microfinance clientele as explanatory variable with loan portfolio deflated by the GDP price index yields a similar significant result.

OF remittances have a significant adverse impact on income share and on the Gini ratio equation. A 1 percentage point rise of its share in GDP raises the Gini ratio by +0.005. However, the income share equations for the lowest two deciles are insignificant; only the middle-income and higher income strata benefit from OF remittances. Most of the OFs deployed abroad are skilled professionals (e.g., doctors, nurses, teachers and engineers) and skilled laborers who attain their level of skills due to a higher level of education which can only be attained with higher income status. Likewise, OFs need to pay a significant amount to labor recruiters who pass on plane fares and other processing costs to job applicants; these are amounts that the lowest income groups cannot afford. The explanatory variable, OF remittances as % of GDP, is significant in the income shares of 4th decile and higher income brackets.

The combination of higher GDP growth, wider microfinance coverage, and CCT coverage is responsible for the significant improvement in the Gini ratio from 2012 to 2021.

Despite the big drop in GDP growth in 2020 due to the COVID-19 pandemic, the Gini ratio continued to move down in 2021.

The CCT coverage did not come out significant in the Gini ratio equation but was significant in the equations using income shares of the first to third deciles as dependent variable. The increase in the number of households covered by the CCT affects positively the movement of the income shares of the lowest the deciles up to the lowest three deciles; it was insignificant at the fourth lowest decile and the higher income brackets, implying good targeting.

The microinsurance coverage is not significant in the Gini ratio equation due to its strong correlation with microfinance beneficiaries ($r = 0.93$, $p = 0.004$). The reason for this is that microfinance clientele and microinsurance coverage overlap (see Table 16 on page 40); members of cooperatives with microenterprises financed by microfinance also purchase microinsurance coverage against health risks and disaster risks for their families and businesses. The microinsurance product was formulated in 2010 by the DOF-NCC task force implementing the GIZ Project on Microinsurance Development because of the clamor from microfinance beneficiaries; the Philippines is vulnerable to natural disasters and risk reduction from such phenomena are important to enable affected families to recover quickly and salvage their badly affected microenterprises.

The significant explanatory variables come with different lags. GDP growth has a positive impact on income distribution after 6 years; OF remittances (OFR), also after 6 years; microfinance coverage, after three years; while CCT coverage is immediate. The length of the lags may have been affected by the availability of FIES data which is every after three years.

The determinants of shares of lower deciles also indicate that:

1. The level of significance of GDP growth is positive from the lowest decile to the highest decile. This implies that growth has become more inclusive. The study result in 2012 shows no significance of this variable at the lowest decile; only higher income groups benefit.

2. Microfinance coverage has a positive impact only on the lowest three deciles. The biggest impact is on the second decile (0.109% for every percentage point increase), followed by the first decile (0.094%) and the third decile (0.091%) in declining magnitudes. Microfinance beneficiaries, mainly microentrepreneurs, come primarily from the lowest income groups and the rate of success appears to be high given the relatively large coefficient.

3. The CCT coverage has a positive impact only on the lowest three deciles. This implies that targeting of the CCT program has been very effective. The CCT coverage, however, reduces the significance of the microfinance variable when included in the regression equation, implying overlap between the two. CCT beneficiaries also enjoy microfinance access. Correlation analysis shows that 29.5% of the time, a CCT beneficiary is also a microfinance beneficiary (n=26, level of significance- 0.000)

Correlation Analysis on Real GDP Growth

Correlation analysis between GDP growth and certain policy-related variables also shows the factors that lead to or stray away from higher growth and improved income distribution. The logarithmic form of real GDP shows positive and significant correlation with the following:

1. The number of CCT beneficiaries;
2. The number of microfinance beneficiaries;
3. Real amount of microfinance loans with 2020 as the base year;

4. The number of microinsurance beneficiaries;
5. OF remittances as % of GDP;
6. Real NG revenues with 2020 as the base year;
7. Real tax revenues with 2020 as the base year;
8. Real NG expenditures with 2020 as the base year; and
9. Education expenditures as % of GDP.

Correlation results show that financial inclusion programs such as CCT, microfinance, and microfinance do not just boost equity; they also contribute to economic growth. The correlation analysis for CCT beneficiaries and OF remittances supplements the findings from the regression analysis on Table 20 showing positive relationship between these variables and improved distribution of income. In addition, real NG expenditures and education expenditures, in particular, turned out to be positively and significantly correlated with real GDP growth.

The logarithmic form of GDP also shows negative and significant relationship with the following:

1. Food inflation;
2. CPI Inflation;
3. Gini ratio; and
4. Poverty incidence.

When inflation rises, the BSP raises interest rates which dampen investment, employment creation and GDP growth. These delay the improvement in the distribution of income and attainment of poverty reduction. The Gini ratio has a low negative correlation, although statistically significant, with GDP growth at -0.113, using data from 1961 to 2023. This low correlation is due to economic growth strategy, i.e., import substitution, which was in place until 1980, being biased against agriculture, rural development and labor-intensive manufacturing. This in turn led to slow growth and unequal distribution of income. Using a smaller sample, from 1988 to 2023 after the anti-agriculture and anti-labor biases of the growth strategy have been largely corrected, results yielded a better, statistically significant coefficient at -0.350.

Moreover, the transmission mechanisms of GDP growth on income distribution may not be direct as observed by Topuz (2022) who found out that income inequality affected economic growth through complex channels, particularly by increasing fertility rates and reducing human capital, both directly and through credit market imperfections. These negative effects were more pronounced in low-income countries, where higher fertility rates had a stronger adverse impact on growth (Topuz, 2022).

The correlation results indicate that health expenditures have an unexpected sign and do not exhibit a significant relationship with GDP growth. One possible explanation is that health spending primarily serves to mitigate economic losses caused by illness and reduced productivity, rather than directly enhancing economic efficiency and driving growth. Additionally, health expenditures often surge during epidemics and pandemics, such as COVID-19, when governments allocate substantial resources to crisis response. While essential for public health and social stability, these expenditures may not translate into immediate or direct economic gains, potentially explaining the observed insignificance in the correlation analysis.

Although the correlation analysis indicates that health expenditures do not exhibit a significant direct relationship with GDP growth, broader evidence suggests that targeted health interventions can yield substantial economic benefits. A study by the World Health Organization (2021) found that investments in mental health interventions have a productivity-cost ratio of 0.5 to 1.8, indicating potential long-term economic returns. Additionally, WHO research on noncommunicable disease prevention and control concluded that such interventions not only save lives but could contribute to economic savings equivalent to 4.8% of the Philippines' annual GDP (WHO, 2019). These findings highlight that while health expenditures may not always have an immediate impact on GDP, strategic health investments can improve productivity and generate long-term economic gains.

Table 21. *Correlation Coefficients: GDP and Various Policy-related Variables*

	Coefficient (B)	*p*
ln (real GDP) vs. CCT beneficiaries	0.449	0.003*
ln (real GDP) vs. Microfinance beneficiaries	0.486	0.023*
Ln (OF remittances, 2020=100) vs. ln (Microfinance loans, 2020=100)	0.984	0.000*
ln (real GDP) vs. ln (Microfinance loans, 2020=100)	0.882	0.000*
ln (real GDP) vs. Microinsurance beneficiaries	0.380	0.016*
ln (real GDP) vs. OF remittances as % of GDP	0.674	0.002*
ln (real GDP) vs. Food inflation	-0.237	0.037*
ln (real GDP) vs. CPI Inflation	-0.139	0.047*
ln (real GDP) vs. ln (NG revenues)	0.669	0.012*
ln (real GDP) vs. NG tax revenues, 2020=100	0.608	0.000*
ln (real GDP) vs. ln (NG expenditures) 2020=100	0.798	0.017*
ln (real GDP) vs. Health expenditures as % of GDP	-0.033	0.661
ln (real GDP) vs. Education expenditures as % of GDP	0.224	0.025*
ln (real GDP) vs. Gini Ratio (1965-2023)	-0.113	0.000*

ln (real GDP) vs. Gini Ratio (1988-2023)	-0.350	0.000*
ln (real GDP) vs. poverty incidence	-0.581	0.000*
Gini ratio vs. poverty incidence	0.308	0.000*

Note. Data from the files of the Department of Finance-National Credit Council, the Bangko Sentral ng Pilipinas Website; the Philippine Statistics Authority Website, the World Bank Website and by the Bureau of Treasury Website
* Significant at 5% level of significance or less

Poverty incidence, Gini ratio and the logarithmic form of GDP are also correlated, positively in the case of poverty and Gini ratio, and negatively in the case of poverty and real GDP. These indicate that higher GDP growth and improved distribution of income are positively correlated with lower poverty incidence.

Other studies confirm that health and education expenditures do contribute positively to growth and equity.

A study conducted by the Asian Development Bank (ADB) shows high economic rates of return on education investment in the Philippines. In the study conducted by Yarcia and Raitzer (2024) for the ADB, the private rates of return to education are relatively low at 1.2% for the first 9 years of education, elementary up to 3rd year of high school, but this increases in the final year of high school and upon high school graduation to 15.5%. Postsecondary and college undergraduates, 16 to 17 years old, receive a 16.4% premium for each year of schooling, but college graduates receive a 51.9% premium. Postgraduate education yields slightly lower annual returns than college but is still quite substantial at 20% (Yarcia & Raitzer, 2024).

With regard to investment in health, a 2021 study conducted by the World Health Organization (WHO) on investment in interventions on a number of mental health issues shows a 0.5 to 1.8 productivity-cost ratio. Another 2019 WHO study on noncommunicable diseases prevention and control concludes that intervention measures save lives and contribute to the Philippines saving up to 4.8% of annual GDP.

Impact of Income Distribution and Economic Growth on Poverty

Regression results show that poverty incidence, Gini ratio and GDP growth are strongly correlated. With every percentage point rise in the Gini ratio, the poverty incidence rises by 0.931 percentage point. Likewise, a percentage point rise in the GDP growth reduces the poverty incidence by 2.62 percentage points (see Table 22).

Table 22. *Regression result: Poverty & Gini ratio & GDP growth*

Predictor	Coefficient (B)	*t*	*P*
Gini ratio	0.931	6.57	0.00
GDP growth	-2.62	-2.98	0.05

Note. Dependent variable: poverty incidence, Adjusted R^2 = 0.75, n = 16, F = 35.14

Using another model this time using food inflation as dependent variable, poverty incidence is negatively correlated with food inflation. For every percentage point rise in food inflation, the poverty incidence rises by 3.27 percentage points. The reason is that when the purchasing power of consumers declines, poverty worsens.

Table 23. *Regression result: Poverty & food inflation*

Predictor	Coefficient (B)	*t*	*p*
Food inflation	3.27	7.7	0.00

Note. Dependent variable: poverty incidence, Adjusted R^2 = 0.74, n = 14, F = 59.35

Policy Reforms and Poverty Incidence

A. Poverty Incidence

Poverty incidence as a % of families dropped from 70.2% in 1961 to 10.9% in 2023, an annual decline by almost a percentage points a year. The change has been slow compared with ASEAN neighbors and volatile as the country was subjected to intermittent economic crises. Poverty dropped by 8.3 percentage points from 1961 to 1965 but rose to 66.0% in 1971 due to the oil crisis which engendered an inflationary spiral averaging 18.9% from 1970 to 1974.

In 1985, poverty dropped to 59% but the drop would have been higher were it not for the 1984-1985 debt crisis that caused GDP growth to drop by 15.2% and prices to rise 85.1%. Poverty continued to drop since then as the country moved away from the import substitution strategy and policy reforms were implemented. From 59% in 1985, it dropped to 12.1% in 2018 and then rose to 13.2% due to the pandemic, after which, economic recovery pushed it back lower to 10.9% in 2023.

The Asian financial crisis slowed down poverty reduction in 2000 but improved macroeconomic management, including fiscal and financial reforms, enabled the economy to avoid bleeding from the global financial crisis, resulting in continued poverty reduction. The drop continued even in 2010 when a severe El Nino episode ravaged agricultural harvest and sent food inflation up to 7.1% average in 2008-2010. Poverty inched up during the two years in 2020 and 2021 when COVID-19 led to a severe economic downturn. Despite the global rise in inflation and interest rates after the Ukraine war and global tensions, the strong macroeconomic fundamentals boosted economic as the poverty rate moved closer to the single digit level (see Table 24 on page 55).

Table 24. *Poverty Incidence*

Year	% of Families	Change	Annual Change
1961	70.2	-	-
1965	61.9	-8.30	-2.08
1971	66.0	4.10	0.68
1985	59.0	-7.00	-0.50
1988	49.5	-9.50	-3.17
1991	39.9	-9.60	-3.20
1994	35.5	-4.40	-1.47
1997	28.1	-7.40	-2.47
2000	27.5	-0.60	-0.20
2003	25.7	-1.80	-0.60
2006	21.7	-4.00	-1.33
2009	20.5	-1.20	-0.40
2012	19.7	-0.80	-0.27
2015	16.5	-3.20	-1.07
2018	12.1	-4.40	-1.47
2021	13.2	1.10	0.37
2023	10.9	-2.30	-0.77

Note. Data from the Philippine Statistics Authority Website

B. Determinants of Poverty Incidence

The continuing drop in poverty incidence is due to a combination of positive economic developments and policy reforms that made economic growth more inclusive. These include:

a) Continuing positive economic growth averaging 4.1% from 1985 to 2024 except for four years of negative growth in 1985, 1991, 1998 and 2020;

b) Wider fiscal space that allowed government to expand and improve the quality of expenditures for infrastructure, health, education, and conditional cash transfers which peaked at 4.53 million poor households in 2020; and

c) The rise in microfinance coverage peaking 18.28 million poor households in 2022 (Bangko Sentral ng Pilipinas (BSP), Cooperatives Development Authority (CDA), and Microfinance Council of the Philippines) and microinsurance access covering 57.75 million individuals as of end-2023 (Insurance Commission, n.d.).

Regression analysis confirms that GDP growth, microfinance coverage loans, CCT coverage and OFW remittances are significant variables contributing to poverty reduction. A percentage point rise in GDP growth reduced poverty incidence by a range of 0.66 percent to 1.5 percent of families. A million increase in the number of families covered by microfinance services also reduced poverty incidence by 0.01 percent to 0.15 percent. A million increase in the number of households covered by the CCT program reduced poverty incidence by 0.67 percent. OF remittances also reduced poverty by 0.127 percent to 0.929 percent for every percentage point rise in its level as a share of GDP. However, the impact of both microfinance coverage and OFW remittances were not immediate---they were lagged by two years.

Regression analysis also confirms that rising food prices erode the positive impact of policy reforms. A rise in food inflation by a percentage point pushes 0.26 percent to 0.27 percent of families below the poverty index. This was most evident in 2010 when, despite higher average GDP growth, rising food prices in 2008-2010 slowed down the drop in poverty incidence to only 0.8 percentage point. Adding 7 more data points to the equation covering 2005 to 2021 lowered the coefficient of food inflation to 0.01 (Eq. 4) and to an insignificant level (Eq. 5) after adding 2023 data (see Table 25 on page 57). The lower negative impact of food inflation in recent years may be due to higher real income levels, lower food inflation, availability of alternative food substitutes or supplies, and transfers from government and other family members.

Table 25. *Regression Results: Determinants of Poverty*

Poverty incidence (Period covered)	Explanatory variables					Cons -tant	Adj R^2	N
	GDP Growth	CCT Families	OF Remittances	Food Inflation	Micro-finance Coverage			
Eq. 1 (1985-2006)	-1.50	-0.67	-0.132	0.27		30.61	0.99	8
t-stat	-14.74	-1.47	-2.01	5.21		48.83		
Lag			2 years					
Eq. 2 (1985-2006)	-1.43			0.26	-0.14	29.46	0.99	8
t-stat	-10.07			3.96	-1.57	76.33		
Lag					2 years			
Eq. 3 (1985-2006)	-1.47		-0.127	0.26	-0.15	30.61	0.995	8
t-stat	-15.86		-1.99	5.362	-2.4	50.35		
Lag			2 years		2 years			
Eq.4 (1971-2023)	-0.97			0.01	-0.02	0.38	0.979	15
t-stat	-3.22			5.472	-15.12	14.55		
Lag			2 years		2 years			
Eq. 5 (1985-2023)	-0.66		-0.929		-0.01	0.35	0.958	14
t-stat	-3.02		-4.402		-12.14	24.87		
Lag			2 years		2 years			

Note. Dependent variable: poverty incidence

OF remittances are highly correlated with microfinance loans with 0.97 correlation ratio (see Table 25). It is apparent that family members of remitters eventually end up as microentrepreneurs, and the funds deposited in the banks by remitters boost the level of funds available for microlending.

Likewise, microfinance coverage is also highly correlated with CCT coverage (0.89 correlation ratio). Both microfinance and CCT are concentrated at the lowest decile of the population. This implies higher access to financial services by lower income groups and possible overlap of these benefits (Department of Finance, 2014). ("The Determinants of Income Distribution in the Philippines", ***DOF Paper***, 2014)

A wider fiscal space allows government to spend more and boost the economy. The largest poverty reductions occurred during periods when the increments revenue effort increases were largest. When the tax effort rose from 11.6% in 1986 to 15.4% in 1997, the poverty incidence dropped by 30.9 percentage points. The reason is that when tax collections are at their peak, the government is able to raise its budgetary levels. Government expenditures have high correlation with GDP at 0.94 from 1992 to 2024.

Of government expenditures, infrastructure (which accounts for the bulk of National Government capital outlays) is a highly significant determinant of growth. A DOF study shows a 47.6% rate of return on NG infrastructure projects (see Table 16 on page 40). An IMF Mission study in 2016 shows that improving public investment by 4% of GDP raises real GDP by 4 to 5.6% annually relative to steady state after 15 years (Komatsuzaki, 2016). GDP growth, in turn, reduces poverty.

Inflation Management

Inflation has to be managed to avoid spiraling prices that penalize the poor and worsen poverty. The occurrence of natural disasters is frequent; at least 10 typhoons visited the country annually in the 1980s. This increased to 20 in the 2010s due to climate change.

The government has used several tools to dampen inflation. One is through enhancing supply, and the other is by dampening demand. Since the 1980s, the government has enhanced supply by encouraging more competition. It reduced tariff rates and QRs thus allowing more imports to come in. It abolished state monopolies and encouraged the private sector to participate in providing adequate supply. Among the sectors opened to private investors is power generation. It enhanced the provision of disaster insurance to enable businesses to recover from destruction. It opened sectors to FDI to allow for more industry players. These include, among others, petroleum refining and importation; commercial banking; public services such as railways and airports. It also allowed foreign equity participation up to 100% in all areas not specified in the Foreign Investment Negative List.

The BSP has enhanced its policy tools to dampen inflationary expectations. The BSP's new charter aligns its operations to global best practices, expands its resource base, restores the authority to issue its debt papers as part of its regular operation and refocuses the primary objective of the monetary policy according to Republic Act 11211 of 2019: "to promote price stability conducive to a balanced and sustainable growth of the economy." In January 2002, it adopted inflation targeting, an approach to monetary policy that involves the use of a publicly announced inflation target set by the government, which the BSP commits to achieve over a two-year horizon. The inflation target serves as a guide for the public's expectations about future inflation, allowing businesses to plan ahead with greater certainty.

After inflation peaked at 50.4% in 1984 during the height of the debt crisis, consumer inflation normalized, going down to single digit levels starting 1992. Even during the Asian financial crisis in 1997 and the GFC in 2008, it remained within single digit levels. Since 2002, it averaged 4.1%, spiking to 4.4%, 5.8% and 6.0% in 2021-2014 due to a global surge in food prices.

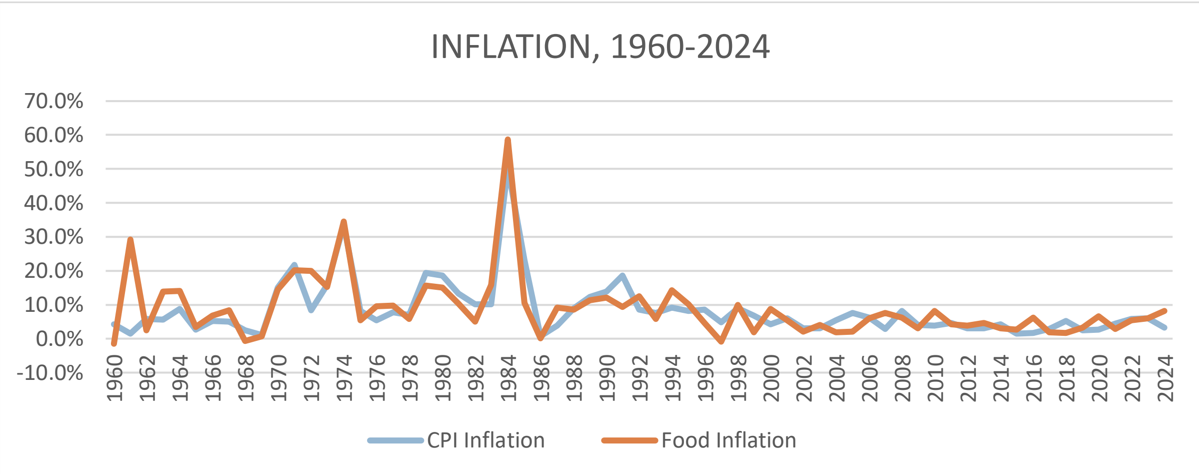


Figure 7. *Consumer Inflation, 1960-2024*

Conclusion

Before economic reforms were implemented, the economy suffered severely from the oil crisis in the 1970s and the debt crisis in the mid-1980s. This was due to weak macroeconomic fundamentals. Improved macroeconomic management starting in the early 1980s and policy reforms thereafter resulted in higher economic growth, lower inflation, and greater resiliency in facing economic shocks and avoiding economic downturns. At higher levels of GDP growth, the economy becomes more inclusive as more families are pushed up from poverty and their shares in the economic pie gets larger. But GDP growth does not trickle down to the lowest income groups immediately. It takes 6 years of good growth performance to sustain equity improvement, and with it, poverty reduction.

Trickle down effects is triggered and hastened by economic reforms when supplemented by inclusive development programs such as improved quality of education, health services, and skills development programs, broader microfinance and microinsurance coverage, and effectively targeted CCT. The CCT has an immediate impact on income share while microfinance has a positive impact on income after three years. Meanwhile, OF remittances have had a positive impact after a six-year lag. It takes some time for net returns from these activities to filter in. These programs, if effectively linked, coordinated and implemented, may reduce the lags and facilitate graduation from low-income status. Likewise, better skills, financial education and livelihood training could reduce the lags if the learning process for would-be entrepreneurs is facilitated, enhanced and easily accessed.

Upscaled reforms in other sectors including infrastructure, agriculture, education, and skills training will contribute to growth and equity, and go a long way in moving people out of poverty. The 5-6% of GDP infrastructure budget should continue given its large impact on GDP growth. Being the source of inflationary spiral in the last three years, which trimmed growth and delayed poverty reduction, the agriculture sector needs an upscaled productivity and modernization program. The protection measures still in place will need to be reviewed and an exit mechanism with budget support should be in place. An expanded skills and livelihood training is the best way to enable workers to boost their compensation levels and move them out of poverty.

Areas for Further Research

Despite recent positive developments, income distribution in the Philippines remains the most unequal among East and Southeast Asian economies. Of the sample of emerging countries on Table B (Appendix), the Philippines has the most unequal income distribution in Asia but compares favorably against its Latin American counterparts.

Future research would be needed on how farm productivity and a competitive agriculture sector would affect income distribution. The high protection given to the industry and the poor extension services provided to Filipino farmers have made prices of food products very expensive and fostered poverty among a large segment of the population. Rather than exert effort to improve productivity, farmers have become dependent on tariff protection to maintain their captive domestic market at the expense of the Filipino consumer. Likewise, the necessary services needed by farmers to boost productivity may need to be identified as suggested by Geron in her 2012 study.

Another area that may need to be looked at is the role of digital finance in financial inclusion. Given the rapid rise of digital financial services post-2015, future research could explore how mobile wallets, fintech lending, and digital payment systems are influencing financial inclusion, particularly in rural areas where there are few financial institutions. Mobile wallets such as GCash and Maya (formerly PayMaya) have provided accessible and convenient platforms for individuals and small businesses to perform various financial transactions, including sending and receiving money, saving, borrowing, and purchasing microinsurance products. These platforms, supported by regulatory initiatives from the Bangko Sentral ng Pilipinas (BSP), have enabled millions of Filipinos—especially those in remote areas — to participate in the formal financial system without the need for physical bank branches.

The BSP's Digital Payments Transformation Roadmap 2020-2023 set ambitious goals to increase digital payment adoption. By 2023, the share of digital payment transactions in total monthly retail payments grew from 42.1% in 2022 to 52.8%, surpassing the BSP's target of 50%. This shift towards digital finance has also facilitated government-to-person (G2P) payments, such as social aid distributions (e.g., 4Ps cash transfers), reducing transaction costs and improving financial access for low-income households (Bangko Sentral ng Pilipinas, 2023, 2022; Philippine Institute for Development Studies, 2022; Statista, 2025; World Business Outlook, 2024).

Appendices

A1. Technical Note on the Gini Index

The Gini coefficient (also known as the Gini index or Gini ratio) is a measure of statistical dispersion used to assess the income distribution of a geographic entity. A Gini coefficient of zero indicates perfect equality, where all values are the same (for example, where everyone has the same income). A Gini coefficient of one (or 100%) shows maximal inequality among values (for example, where only one person has all the income).

A2. Statistical Appendix

Table A2. *Gini Ratio, By Region*

	GINI RATIO						
	1991	1994	1997	2000	2012	2021	2023
PHILIPPINES	0.468	0.451	0.487	0.451	0.431	0.406	0.391
NATIONAL CAPITAL REGION	0.428	0.397	0.462	0.451	0.403	0.335	0.343
CORDILLERA ADMINISTRATIVE REGION	0.437	0.410	0.464	0.451	0.468	0.417	0.353
I ILOCOS REGION	0.404	0.381	0.426	0.407	0.427	0.402	0.369
II CAGAYAN VALLEY	0.417	0.406	0.413	0.424	0.410	0.423	0.357
III CENTRAL LUZON	0.399	0.363	0.364	0.359	0.408	0.351	0.308
IVA CALABARZON	0.424	0.402	0.425	0.429	0.419	0.371	0.374
IVB MIMAROPA	-	-	-	-	0.448	0.418	0.405
V BICOL	0.391	0.412	0.436	0.448	0.423	0.411	0.396
VI WESTERN VISAYAS	0.403	0.406	0.441	0.465	0.428	0.444	0.397
VII CENTRAL VISAYAS	0.460	0.442	0.475	0.470	0.471	0.411	0.404
VIII EASTERN VISAYAS	0.415	0.420	0.446	0.490	0.483	0.433	0.365
IX ZAMBOANGA	0.406	0.386	0.468	0.459	0.459	0.413	0.390
X NORTHERN MINDANAO	0.438	0.416	0.494	0.475	0.484	0.413	0.391
XI DAVAO	0.405	0.428	0.449	0.439	0.433	0.413	0.408
XII SOCCSKSARGEN	0.435	0.411	0.450	0.457	0.457	0.424	0.434
CARAGA	-	-	0.439	0.413	0.440	0.045	0.399

BARMM	0.320	0.313	0.341	0.328	0.288	0.278	0.254

Note. Data from the Philippine Statistics Authority

Table A3. *Gross Regional Domestic Product Growth Rate, By Region*

	GRDP Growth Rate			
	1991-2000	2000-2012	2012-2023	2000-2023
PHILIPPINES	6.18%	4.91%	4.92%	4.91%
NATIONAL CAPITAL REGION	3.76%	4.45%	4.45%	4.45%
CORDILLERA ADMINISTRATIVE REGION	3.13%	3.69%	4.52%	4.09%
I ILOCOS REGION	3.92%	4.31%	5.27%	4.77%
II CAGAYAN VALLEY	3.60%	4.39%	4.87%	4.62%
III CENTRAL LUZON	3.52%	5.45%	5.13%	5.30%
IVA CALABARZON	2.50%	4.64%	5.00%	4.81%
IVB MIMAROPA	-2.13%	6.11%	4.46%	5.32%
V BICOL	-6.46%	5.48%	5.61%	5.55%
VI WESTERN VISAYAS	-0.51%	5.35%	4.90%	5.14%
VII CENTRAL VISAYAS	10.56%	6.12%	5.33%	5.74%
VIII EASTERN VISAYAS	2.42%	3.91%	4.81%	4.34%
IX ZAMBOANGA	-5.02%	4.72%	4.80%	4.76%
X NORTHERN MINDANAO	-3.22%	6.64%	5.42%	6.05%
XI DAVAO	4.39%	5.24%	6.15%	5.67%
XII SOCCSKSARGEN	-	5.02%	4.67%	4.85%
CARAGA	-	5.91%	5.27%	5.60%
BARMM BANGSA MORO	-	4.73%	5.01%	4.86%

Note. Data from the Philippine Statistics Authority

Table A4. *Population Growth Rate, By Region*

	Population Growth			
	1991-2000	2000-2012	2012-2023	2000-2023
PHILIPPINES	2.10%	2.65%	1.50%	1.69%
NATIONAL CAPITAL REGION	0.21%	2.44%	1.37%	1.57%
CORDILLERA ADMINISTRATIVE REGION	0.40%	1.60%	0.98%	1.32%
I ILOCOS REGION	-0.18%	1.44%	0.94%	1.08%
II CAGAYAN VALLEY	-0.37%	1.98%	1.14%	1.26%
III CENTRAL LUZON	-0.83%	3.32%	1.81%	1.97%
IVA CALABARZON	0.36%	2.85%	2.19%	2.61%
IVB MIMAROPA	-7.47%	3.94%	1.34%	1.55%
V BICOL	-11.21%	2.25%	1.12%	1.28%

VI WESTERN VISAYAS	-5.56%	2.95%	0.96%	1.15%
VII CENTRAL VISAYAS	4.52%	3.55%	1.43%	1.59%
VIII EASTERN VISAYAS	-0.97%	1.65%	1.39%	1.35%
IX ZAMBOANGA	-8.58%	2.01%	0.88%	1.34%
X NORTHERN MINDANAO	-8.80%	3.74%	1.37%	1.70%
XI DAVAO	0.05%	2.06%	1.61%	1.78%
XII SOCCSKSARGEN	-	2.76%	1.52%	1.84%
CARAGA	-	2.85%	1.16%	1.32%
BARMM	-	2.83%	2.32%	2.17%

Note. Data from the Philippine Statistics Authority

Table A5. *Gini Ratio, Gross Domestic Product & Food Inflation, 1960- 2024*

Year	Gini Ratio	Real GDP Growth	Poverty incidence (% of families)	LN (Real GDP)	Food Inflation (Current Year)	Food Inflation (3-year Average)	Food Price Index (1997=100
1960	-	0.90%			-1.50%	-	1.80
1961	0.496	4.91%	70.2%	7.34	29.3%	11.6%	2.33
1962	-	4.49%	-	7.39	2.5%	-	2.39
1963	-	6.25%	-	7.44	13.8%	-	2.72
1964	-	2.95%	-	7.51	14.1%	-	3.10
1965	0.495	5.57%	61.9%	7.54	3.4%	10.4%	3.20
1966	-	3.53%	-	7.59	6.8%	-	3.42
1967	-	5.41%	-	7.63	8.30%	-	3.71
1968	-	5.47%	-	7.69	-0.60%	-	3.68
1969	-	4.15%	-	7.73	0.70%	-	3.71
1970	-	3.44%	-	7.78	14.50%	-	4.25
1971	0.480	4.91%	66.0%	7.82	20.1%	8.3%	5.10
1972	-	3.69%	-	7.87	20%	-	6.12
1973	-	10.37%	-	7.92	15.20%	-	7.05
1974	-	5.00%	-	8.01	34.50%	-	9.48
1975	-	6.41%	-	8.04	5.40%	-	9.99
1976	-	8.02%	-	8.09	9.60%	-	10.95
1977	-	6.15%	-	8.18	9.80%	-	12.03
1978	-	5.51%	-	8.23	5.90%	-	12.74
1979	-	6.25%	-	8.28	15.60%	-	14.72
1980	-	5.24%	-	8.34	15%	-	16.93
1981	-	2.86%	-	8.39	10.3%	-	18.68
1982	-	3.70%	-	8.42	5.1%	-	19.63
1983	-	1.875%	-	8.46	15.8%	-	22.74
1984	-	-7.324%	-	8.48	58.7%	-	36.09
1985	0.447	-7.307%	59.0%	8.40	10.5%	16.5%	39.88
1986	-	3.417%	-	8.34	0.1%	-	39.90

1987	-	4.312%	-	8.37	9.1%	-	43.53
1988	0.445	6.753%	49.5%	8.41	8.5%	12.8%	47.24
1989	-	6.205%	-	8.47	11.4%	-	52.62
1990	-	3.037%	-	8.53	12.1%	-	58.99
1991	0.468	-0.578%	39.9%	8.56	9.3%	13.4%	64.48
1992	-	0.338%	-	8.56	12.5%	-	72.53
1993	-	2.116%	-	8.56	5.8%	-	76.71
1994	0.450	4.388%	35.5%	8.59	14.2%	13.1%	87.59
1995	-	4.679%	-	8.63	10.0%	-	96.39
1996	-	5.846%	-	8.67	4.7%	-	100.91
1997	0.488	5.185%	37.0%	8.73	-0.90%	4.6%	100.00
1998	-	-0.514%	-	8.78	9.88%	-	109.88
1999	-	3.346%	-	8.78	1.83%	-	111.89
2000	0.481	4.383%	40.0%	8.81	8.83%	6.8%	121.78
2001	-	3.049%	-	8.85	5.37%	-	128.31
2002	-	3.716%	-	8.88	2.05%	-	130.94
2003	0.461	5.087%	-	8.92	4.06%	3.8%	136.26
2004	-	6.569%	-	8.97	1.95%	-	138.91
2005	-	4.943%	-	9.03	1.99%	-	141.68
2006	0.458	5.316%	36.6%	9.08	5.98%	3.3%	150.15
2007	-	6.519%	-	9.13	7.67%	-	161.66
2008	-	4.344%	-	9.19	6.28%	-	171.82
2009	0.464	1.448%	30.4%	9.24	2.97%	5.6%	176.91
2010	-	7.335%	-	9.25	8.15%	-	191.33
2011	-	3.858%	-	9.32	4.24%	-	199.45
2012	0.461	6.897%	-	9.36	3.79%	5.4%	207.01
2013	-	6.750%	25.2%	9.43	4.73%	-	216.79
2014	-	6.348%	-	9.49	3.12%	-	223.56
2015	0.444	6.206%	-	9.55	2.60%	3.5%	229.37
2016	-	7.293%	18.0%	9.61	6.14%	-	243.45
2017	-	6.931%	-	9.68	1.84%	-	247.93
2018	0.419	6.341%	-	9.75	1.71%	3.2%	252.17
2019	-	6.119%	12.1%	9.81	3.19%	-	260.22
2020	-	-9.518%	-	9.87	6.62%	-	277.44
2021	0.406	5.715%	13.2%	9.77	2.77%	4.2%	285.13
2022	-	7.581%	-	9.83	5.51%	-	300.84
2023	0.391	5.519%	10.9%	9.90	6.08%	5.8%	319.13
2024	-	5.692%	-	9.95	8.08%	-	344.91

Note. Data from Philippine Statistics Yearbook and various issues of Philippine Statistics Authority

Table A6. *Microfinance & Conditional Transfer Programs*

	Microfinance				CCT	ln CCT
	Number of borrowers/ loans	Loan Amount Current PHP	Loans 2018=100 Deflated PHP	Ln Loans 2018=100 Deflated PHP	Number of Beneficiaries	Ln (Number of Beneficiaries)
1998	0.50	6.02	12.37	2.52	-	-
1999	0.60	-	-	-	-	-
2000	0.71	-	-	-	-	-
2001	0.84	10.16	18.35	2.91	-	-
2002	1.00	-	-	-	-	-
2003	1.19	-	-	-	-	-
2004	1.42	17.15	25.20	3.23	-	-
2005	1.69	-	-	-	-	-
2006	2.01	-	-	-	-	-
2007	2.40	28.93	36.40	3.59	-	-
2008	2.88	-	-	-	0.006	-5.12
2009	3.46	-	-	-	0.34	-1.08
2010	4.15	48.44	51.96	3.95	0.63	-0.46
2011	4.98	-	-	-	0.80	-0.22
2012	5.92	-	-	-	4.20	1.44
2013	7.00	80.00	76.90	4.34	4.20	1.44
2014	7.45	114.29	107.64	4.68	4.00	1.39
2015	8.73	172.05	158.73	5.07	4.20	1.44
2016	10.43	163.96	146.87	4.99	4.38	1.48
2017	12.47	181.14	163.22	5.10	4.50	1.50
2018	13.91	231.37	205.81	5.33	4.40	1.48
2019	14.12	327.22	283.03	5.65	3.90	1.36
2020	16.41	343.09	289.61	5.67	4.10	1.41
2021	18.10	367.51	299.26	5.70	4.53	1.51
2022	18.28	423.10	341.00	5.83	4.25	1.45
2023	16.32	312.60	246.34	5.51	4.30	1.46
2024	16.58	-	-	-	4.40	1.48

Note. Data from the Department of Finance – National Credit Council; the Department of Budget and Management

Table A7. *Overseas Filipino Remittances & Microinsurance Beneficiaries*

	Overseas Filipino Remittances		Microinsurance Beneficiaries (Million)
	US$ Billion	% of GDP	
1981	0.55	0.015	-
1982	0.81	0.019	-
1983	0.94	0.020	-
1984	0.66	0.013	-
1985	0.69	0.010	-
1986	0.70	0.020	-
1987	0.81	0.021	-
1988	0.84	0.024	-
1989	1.03	0.024	-
1990	1.20	0.029	-
1991	1.65	0.035	-
1992	2.22	0.037	-
1993	2.28	0.051	-
1994	3.01	0.053	-
1995	3.87	0.055	-
1996	4.31	0.063	-
1997	5.74	0.041	-
1998	4.31	0.046	-
1999	5.74	0.061	-
2000	7.37	0.052	-
2001	6.79	0.064	-
2002	6.05	0.056	-
2003	6.03	0.067	-
2004	6.89	0.076	-
2005	7.64	0.078	-
2006	8.60	0.091	-
2007	10.69	0.098	-
2008	12.76	0.092	-
2009	14.45	0.090	-
2010	16.43	0.090	-
2011	19.08	0.103	-
2012	21.92	0.095	0.62
2013	23.35	0.091	3.05
2014	25.35	0.087	23.90
2015	27.27	0.086	27.90
2016	28.31	0.080	28.70
2017	27.27	0.078	27.00
2018	28.31	0.093	32.20
2019	32.21	0.089	38.20
2020	33.47	0.092	48.70
2021	33.19	0.089	53.70

2022	34.88	0.090	53.70
2023	36.14	0.085	57.75
2024	37.59	0.085	-

Note. Data from the Bangko Sentral ng Pilipinas and the Insurance Commission

Table A8. *GINI Ratio Movements*

Year	Poverty Incidence	Gini Ratio	GDP Growth (3-year average)	Food Inflation (3-year average)
1961	70.2	0.496	3.38	11.6
1965	61.9	0.495	4.82	10.4
1971	66	0.480	4.49	8.3
1985	59	0.447	3.6	16.5
1988	49.5	0.444	4.83	12.8
1991	39.9	0.468	2.89	13.4
1994	35.5	0.450	2.28	13.1
1997	28.1	0.488	5.24	4.6
2000	27.5	0.481	2.41	6.8
2003	25.7	0.461	3.95	3.8
2006	21.7	0.459	5.61	3.3
2009	20.5	0.464	4.1	5.6
2012	19.7	0.461	6.03	5.4
2015	16.5	0.444	6.44	3.5
2018	12.1	0.419	6.86	3.2
2021	13.2	0.406	0.77	4.2
2023	10.9	0.391	6.55	5.8

Note. Data from the Philippine Statistics Authority

TABLE A9. Revenue Effort, Tax Effort, Ng Deficit & Consolidated Public Sector Deficit (CPSD), 1970-2024

Year	RevenueEffort	Tax Effort	BIR Effort	BOC Effort	Expenditure Effort	NG Deficit	CPSD
	% of GDP						
1970	10.9	6.1	3.1	2.6	10.7	0.1	-
1971	10.9	7.1	4.3	2.2	11.2	-0.3	-
1972	9.9	7.1	4.4	2.6	11.6	-1.7	-
1973	13.4	8.0	5.5	2.5	12.1	1.4	-
1974	16.7	9.5	5.7	3.7	13.5	3.2	-
1975	17.5	11.2	6.2	5.5	18.3	-0.8	-6.30
1976	14.6	10.6	7.2	3.4	16.3	-1.7	-12.01

1977	15.0	10.3	7.1	3.3	16.7	-1.7	-7.82
1978	15.9	10.8	6.7	4.1	17.2	-1.3	-4.51
1979	15.3	11.3	7.1	4.0	15.5	-0.2	-4.75
1980	12.3	11.0	6.8	3.6	13.8	-1.5	-12.90
1981	11.2	9.8	5.8	3.1	15.0	-3.8	-10.69
1982	10.6	9.4	5.5	3.4	14.6	-4.0	-10.63
1983	11.0	9.4	5.0	3.1	12.6	-1.6	-6.73
1984	9.6	8.4	5.3	2.7	11.2	-1.6	-2.69
1985	10.4	9.4	6.6	2.3	12.3	-1.9	-5.1
1986	11.3	9.5	6.8	1.9	15.9	-4.5	-5.8
1987	13.3	11.1	7.5	3.1	15.4	-2.1	-1.6
1988	12.4	9.9	7.0	2.6	14.9	-2.5	-2.8
1989	14.5	11.6	7.8	3.6	16.3	-1.9	-3.4
1990	14.7	12.4	8.5	3.7	17.8	-3.0	-4.3
1991	15.5	12.8	8.2	4.5	17.4	-1.9	-1.8
1992	15.7	13.5	8.7	4.7	16.8	-1.0	-1.7
1993	15.5	13.7	8.7	4.9	16.8	-1.3	-1.5
1994	17.4	14.0	9.7	4.2	16.6	0.8	-0.4
1995	16.6	14.2	9.7	4.5	16.1	0.5	-0.2
1996	16.5	14.8	10.5	4.2	16.3	0.3	0.3
1997	17.0	14.9	11.3	3.4	17.0	0.1	-0.9
1998	15.2	13.7	11.1	2.5	16.8	-1.6	-2.7
1999	14.3	12.9	10.2	2.6	17.6	-3.3	-3.0
2000	13.9	12.4	9.8	2.6	17.6	-3.6	-4.1
2001	14.1	12.3	9.7	2.5	17.8	-3.7	-4.1

2002	13.3	11.7	9.3	2.3	18.1	-4.8	-5.0
2003	13.6	11.7	9.1	2.5	17.8	-4.2	-5.2
2004	13.3	11.4	8.8	2.4	16.8	-3.5	-4.4
2005	13.8	11.9	9.2	2.6	16.3	-2.5	-1.7
2006	15.0	13.1	10.0	3.0	15.9	-1.0	0.2
2007	15.8	13.0	9.9	2.9	16.0	-0.2	0.3
2008	14.9	13.0	9.7	3.2	15.8	-0.8	0.3
2009	13.4	11.7	8.9	2.6	16.9	-3.6	-3.0
2010	12.8	11.6	8.7	2.8	16.2	-3.3	-3.8
2011	13.4	11.8	9.1	2.6	15.4	-1.9	-1.7
2012	13.9	12.3	9.6	2.6	16.1	-2.2	-1.5
2013	14.2	12.7	10.1	2.5	15.6	-1.4	0.4
2014	14.5	13.0	10.1	2.8	15.0	-0.6	0.9
2015	15.2	13.0	10.3	2.6	16.0	-0.8	1.0
2016	14.5	13.2	10.4	2.6	16.8	-2.3	-0.1
2017	14.9	13.6	10.7	2.8	17.1	-2.1	0.1
2018	15.6	14.0	10.7	3.2	18.7	-3.1	-0.9
2019	16.1	14.5	11.2	3.2	19.5	-3.4	-1.0
2020	15.9	14.0	10.9	3.0	23.5	-7.6	-5.4
2021	15.5	14.1	10.7	3.3	24.1	-8.6	-5.6
2022	16.1	14.6	10.6	3.9	23.4	-7.3	-3.8
2023	15.7	14.1	10.4	3.6	21.9	-6.2	-4.0
2024	16.7	14.4	10.8	3.5	22.4	-5.7	-3.4

Note. Data from the Department of Finance

Table A10. General Government Debt & National Government Debt

Year	GENERAL GOVERNMENT DEBT % of GDP	NG DEBT % of GDP
1980	103.8	19.0
1981	111.6	17.7
1982	112.1	20.0
1983	116.0	21.3
1984	112.1	24.2
1985	119.3	28.3
1986	121.7	57.1
1987	115.9	56.9
1988	105.3	51.9
1989	96.3	48.1
1990	87.4	48.9
1991	79.5	47.3
1992	77.1	56.5
1993	74.1	66.9
1994	67.4	55.9
1995	62.5	53.2
1996	57.2	46.6
1997	53.2	48.7
1998	50.3	49.1
1999	47.5	53.0
2000	42.4	58.6
2001	44.6	59.3
2002	50.2	64.7
2003	50.4	71.1
2004	46.6	71.6
2005	49.2	65.7
2006	53.5	58.8
2007	48.8	51.6
2008	42.4	52.4
2009	38.5	52.4
2010	38.9	50.1
2011	37.9	48.8
2012	38.2	49.2
2013	37.7	47.1
2014	34.9	43.4
2015	34.6	42.6
2016	33.2	40.2
2017	34.9	40.2
2018	34.4	39.9
2019	34.1	39.6
2020	48.1	54.6
2021	53.4	60.4

2022	54.2	60.9
2023	53.6	60.1
2024	53.3	61.9

Note. Data from the Department of Finance

Table A11. CPI Inflation & Food Inflation, 1960-2024

Year	CPI Inflation	Food Inflation
1960	4.2%	-1.50%
1961	1.5%	29.3%
1962	5.8%	2.5%
1963	5.6%	13.8%
1964	8.8%	14.1%
1965	2.7%	3.4%
1966	5.3%	6.8%
1967	5.0%	8.30%
1968	2.4%	-0.60%
1969	1.2%	0.70%
1970	15.0%	14.50%
1971	21.7%	20.1%
1972	8.3%	20%
1973	15.9%	15.20%
1974	33.5%	34.50%
1975	8.1%	5.40%
1976	5.3%	9.60%
1977	7.8%	9.80%
1978	7.0%	5.90%
1979	19.3%	15.60%
1980	18.6%	15%
1981	13.3%	10.3%
1982	10.1%	5.1%
1983	10.1%	15.8%
1984	50.4%	58.7%
1985	23.1%	10.5%
1986	0.7%	0.1%
1987	3.8%	9.1%
1988	8.9%	8.5%
1989	12.2%	11.4%
1990	13.9%	12.1%
1991	18.5%	9.3%
1992	8.6%	12.5%
1993	7.6%	5.8%
1994	9.1%	14.2%
1995	8.1%	10.0%
1996	8.5%	4.7%

1997	4.9%	-0.90%
1998	9.0%	9.88%
1999	6.7%	1.83%
2000	4.3%	8.83%
2001	6.1%	5.37%
2002	3.1%	2.05%
2003	3.0%	4.06%
2004	5.5%	1.95%
2005	7.6%	1.99%
2006	6.2%	5.98%
2007	2.9%	7.67%
2008	8.3%	6.28%
2009	4.1%	2.97%
2010	3.9%	8.15%
2011	4.7%	4.24%
2012	3.1%	3.79%
2013	3.03%	4.73%
2014	4.18%	3.12%
2015	1.43%	2.60%
2016	1.78%	6.14%
2017	2.88%	1.84%
2018	5.20%	1.71%
2019	2.50%	3.19%
2020	2.63%	6.62%
2021	4.38%	2.77%
2022	5.82%	5.51%
2023	6.00%	6.08%
2024	3.22%	8.08%

Note. Data from *Philippine Statistics Yearbook* by the Department of Finance, [2024]; Bangko Sentral ng Pilipinas

Table A12a. Real GDP, Capital Formation, Private Investment, Public Investment & Employed Labor Force, 1980-2024

	Real GDP (PHP Billion) (2018 Prices)	LN(GDP)	Formation (PHP Billion) (2018 prices)	LN (CF)	Private Investment (PHP Billion) (2018 Prices)	LN (Private Investments)
1980	4,389.2	8.39	1,071.5	6.98	883.7	6.78
1981	4,539.4	8.42	1,102.0	7.00	852.1	6.75
1982	4,707.3	8.46	1,195.3	7.09	951.8	6.86
1983	4,796.6	8.48	1,275.8	7.15	1,091.2	7.00
1984	4,459.0	8.40	811.7	6.70	710.5	6.57
1985	4,198.8	8.34	556.6	6.32	476.9	6.17
1986	4,299.0	8.37	611.3	6.42	474.5	6.16

1987	4,486.5	8.41	727.6	6.59	610.7	6.41
1988	4,786.9	8.47	829.5	6.72	733.6	6.60
1989	5,082.9	8.53	994.8	6.90	819.9	6.71
1990	5,239.6	8.56	1,150.6	7.05	1,036.1	6.94
1991	5,216.8	8.56	953.9	6.86	886.5	6.79
1992	5,238.6	8.56	1,028.4	6.94	941.9	6.85
1993	5,352.9	8.59	1,103.8	7.01	989.3	6.90
1994	5,587.0	8.63	1,190.0	7.08	996.2	6.90
1995	5,845.4	8.67	1,221.9	7.11	1,127.7	7.03
1996	6,187.9	8.73	1,363.6	7.22	1,241.2	7.12
1997	6,508.9	8.78	1,513.5	7.32	1,374.9	7.23
1998	6,475.4	8.78	1,289.8	7.16	1,130.2	7.03
1999	6,692.1	8.81	1,121.2	7.02	1,007.0	6.91
2000	6,985.4	8.85	1,133.5	7.03	1,051.0	6.96
2001	7,198.4	8.88	1,365.8	7.22	1,277.4	7.15
2002	7,465.9	8.92	1,457.5	7.28	1,402.9	7.25
2003	7,845.7	8.97	1,451.5	7.28	1,399.3	7.24
2004	8,361.1	9.03	1,540.6	7.34	1,507.5	7.32
2005	8,774.3	9.08	1,473.8	7.30	1,273.0	7.15
2006	9,240.8	9.13	1,321.8	7.19	1,267.3	7.14
2007	9,843.2	9.19	1,431.9	7.27	1,169.5	7.06
2008	10,270.9	9.24	1,815.3	7.50	1,515.7	7.32
2009	10,419.6	9.25	1,706.4	7.44	1,365.2	7.22
2010	11,183.9	9.32	2,226.1	7.71	1,889.4	7.54
2011	11,615.4	9.36	2,169.6	7.68	1,883.2	7.54
2012	12,416.5	9.43	2,287.3	7.74	1,906.5	7.55
2013	13,254.6	9.49	2,709.2	7.90	2,382.8	7.78
2014	14,096.0	9.55	2,933.4	7.98	2,563.8	7.85
2015	14,970.9	9.61	3,326.8	8.11	2,956.6	7.99
2016	16,062.7	9.68	4,018.4	8.30	3,322.4	8.11
2017	17,176.0	9.75	4,456.3	8.40	3,745.4	8.23
2018	18,265.2	9.81	4,959.1	8.51	3,919.3	8.27
2019	19,382.8	9.87	5,132.35	8.54	4,048.4	8.31
2020	17,537.8	9.77	3,375.83	8.12	2,522.7	7.83
2021	18,540.1	9.83	4,051.80	8.31	2,970.5	8.00
2022	19,945.6	9.90	4,606.65	8.44	3,417.6	8.14
2023	21,051.8	9.95	4,878.67	8.49	3,571.2	8.18
2024	22,244.4	10.01	5,242.42	8.56	4,071.4	8.31

Note. Data from *Statistical Yearbook* by the Department of Finance and Department of Finance, [2024]

Table A12b. Real GDP, Capital Formation, Private Investment, Public Investment & Employed Labor Force, 1980-2024

Year	NG Investment (PHP Billions) (2018 prices)	ln (NG)	Employed Labor Force (Billions)	LN (Employed Labor)
1980	187.80	5.24	15.90	2.77
1981	249.86	5.52	16.60	2.81
1982	243.52	5.50	16.81	2.82
1983	184.57	5.22	17.79	2.88
1984	101.15	4.62	13.86	2.63
1985	79.63	4.38	18.05	2.89
1986	136.75	4.92	18.78	2.93
1987	116.95	4.76	20.04	3.00
1988	95.91	4.56	21.21	3.05
1989	174.96	5.16	21.89	3.09
1990	114.45	4.74	22.23	3.10
1991	67.40	4.21	22.91	3.13
1992	86.48	4.46	23.70	3.17
1993	114.50	4.74	24.38	3.19
1994	193.82	5.27	25.03	3.22
1995	94.20	4.55	25.68	3.25
1996	122.35	4.81	27.19	3.30
1997	138.58	4.93	27.71	3.32
1998	159.57	5.07	27.91	3.33
1999	114.24	4.74	28.98	3.37
2000	82.55	4.41	27.45	3.31
2001	88.45	4.48	29.15	3.37
2002	54.57	4.00	30.06	3.40
2003	52.26	3.96	30.63	3.42
2004	33.17	3.50	31.60	3.45
2005	200.75	5.30	32.31	3.48
2006	54.51	4.00	32.87	3.49
2007	262.41	5.57	33.55	3.51
2008	299.57	5.70	33.45	3.51
2009	341.15	5.83	35.08	3.56
2010	336.77	5.82	36.05	3.58
2011	286.39	5.66	37.19	3.62
2012	380.88	5.94	37.60	3.63
2013	326.34	5.79	37.47	3.62
2014	369.62	5.91	38.12	3.64
2015	370.19	5.91	39.12	3.67
2016	696.01	6.55	40.84	3.71
2017	710.96	6.57	40.33	3.70
2018	1,039.80	6.95	41.16	3.72
2019	1,083.94	6.99	42.24	3.74

2020	853.17	6.75	39.37	3.67
2021	1,081.33	6.99	43.99	3.78
2022	1,189.06	7.08	46.87	3.85
2023	1,307.42	7.18	48.19	3.88
2024	1,171.00	7.07	48.84	3.89

Note. Data from *Statistical Yearbook* by the Department of Finance and Department of Finance, [2024]

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