

Development partnerships for shared prosperity: the Philippine experience

by Arsenio M. Balisacan

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Dr Arsenio Balisacan, Secretary of the National Economic and Development Authority in the Philippines, opens the 2024 Australasian AID Conference

Photo Credit: Alexandra Orme

This blog is an edited version of the opening address of the 2024 Australasian AID Conference on December 4.

Much has been said about the spectacular rise of Asia in the past half century. Many economies in the region have emerged from developing economy status to advanced economy status in one generation. Emerging South and Southeast Asian economies made major strides toward raising their respective per capita incomes, with some countries such as India and Bangladesh seeing a more than fourfold increase in per capita incomes between 1980 and 2023. Similarly, the major Southeast Asian economies – Malaysia, Thailand, Indonesia, the Philippines, and Singapore – fared comparatively better than the world average. China, of course, was an astonishing growth outlier. Its per capita income increased by around 28 times during the same period (Figure 1).

Figure 1: GDP per capita growth in Asia, 1980-2023

GDP Per Capita (constant 2015 USD)			
Country	1980 (A)	2023 (B)	Ratio (B/A)
Bangladesh	425.0	1,869.2	4.4
China	430.9	12,174.0	28.3
Indonesia	1,067.2	4,247.9	4.0
India	388.8	2,239.3	5.8
Kazakhstan	...	11,700.8	...
Malaysia	3,159.7	11,691.4	3.7
Philippines	1,853.1	3,667.6	2.0
Papua New Guinea	2,095.5	2,482.7	1.2
Thailand	1,479.2	6,384.8	4.3
Uzbekistan	...	3,604.1	...
Viet Nam	...	3,817.2	...
Australia	30,717.8	61,340.7	2.0
Korea, Rep.	4,056.5	34,121.0	8.4
Japan	19,334.4	37,079.1	1.9
Singapore	13,953.9	65,422.5	4.7
United States	31,081.6	65,020.4	2.1
World	5,963.9	11,567.2	1.9

Source: World Development Indicators (2024)

Broadly, this has translated into historically rapid improvement in people’s welfare and related development outcomes, particularly in life expectancy and mortality. Poverty in Asia and the Pacific, particularly in China, has rapidly declined in the last 30 years, with China’s reduction contributing the lion’s share to the decline. Though pockets of poverty in the region exist, the near eradication of extreme poverty can be considered a monumental achievement in development never seen before.

However, while policies of deregulation, liberalisation and privatisation supported income convergence between countries, rising inequality within countries, as well as the destabilising and painful experiences from macroeconomic crises – for example, the Asian financial crisis and the global financial crisis – eventually led to widespread disenchantment with globalisation and the tenets of the so-called Washington Consensus. This socially polarising inequality, in part, fuelled the rise of populist nationalist rhetoric over the last two decades.

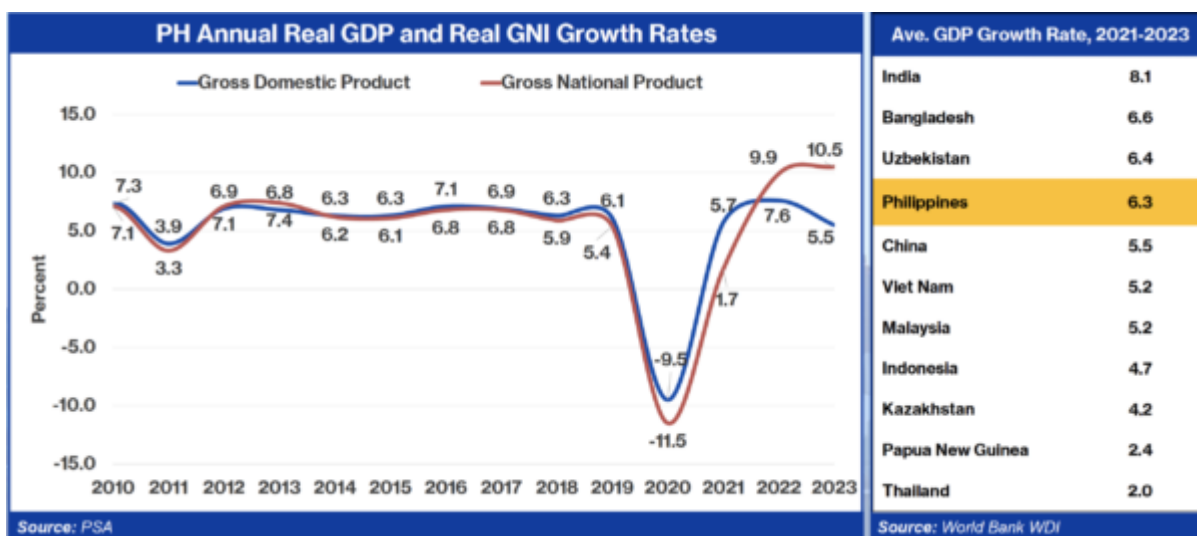
Rapid demographic shifts mean that by 2050 almost half of the 46 Asian economies will have elderly populations exceeding 20% of their total population. Old-age dependency ratios are projected to double, and fertility rates are declining or remaining low – indicating a substantial reduction in the working-age population supporting the elderly.

The COVID-19 pandemic exposed both the deep interdependence of economies and the weaknesses in international and national capacities to respond to crises. Industrial policy has made a comeback amid trade contractions and geoeconomic fragmentation. Rising geopolitical tensions and great power rivalry between the United States and China have elevated uncertainty for Asian economies.

Let me turn now to the Philippine narrative. It presents a unique set of development challenges, strategic priorities and opportunities, and shares the shadows cast by global and regional trends. In the 1960s, the Philippines had one of highest GDP per capita levels in Asia. However, periods of boom-bust economic growth until the turn of the 21st century resulted in slower increases in GDP per capita relative to its Asian peers.

Through a combination of major structural reforms that have been sustained over the last three decades, the country’s development fortunes improved. The past decade or so has seen encouraging trends in the country’s macroeconomic fundamentals, bringing the Philippines closer to the dynamism exhibited by its East Asian neighbours. GDP growth from 2010 to 2019, just before the COVID-19 pandemic, averaging about 6.4% a year, was more substantial than in any other decade since the 1960s. Notably, the economy recovered relatively quickly from its sharp dip brought by the COVID-19 pandemic, and its recent performance for the first three quarters of 2024 remains encouraging (figure 2).

Figure 2: Philippine economic growth, 2010-2023



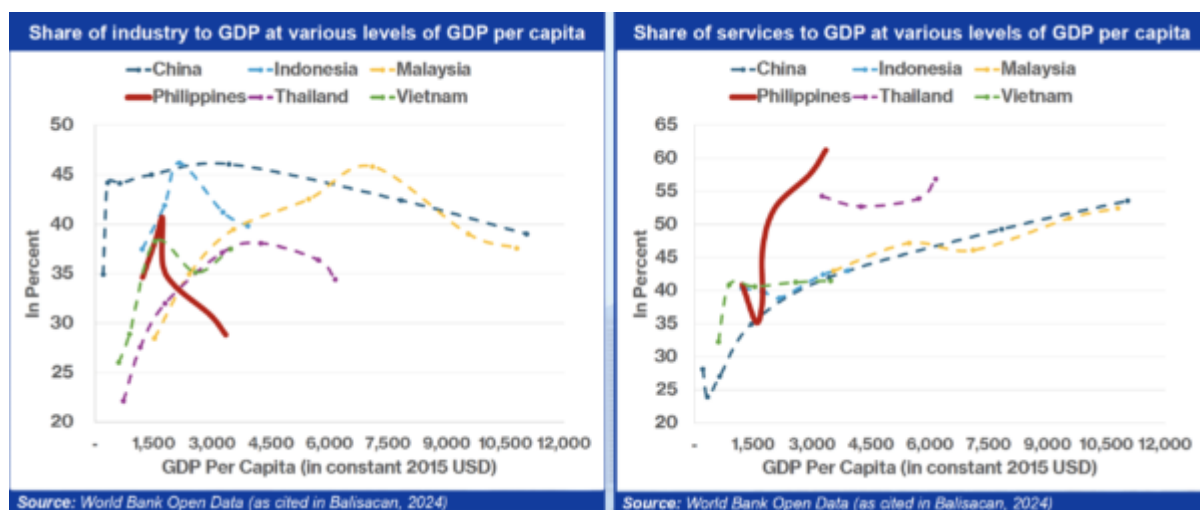
A robust labour market has accompanied this sustained economic expansion. Both unemployment and underemployment rates have been broadly trending downwards, with the unemployment rate reaching levels that are already comparable to those observed in the country’s economically dynamic peers. Inflation has been managed within the government’s target range despite recent global challenges. While COVID-19 response measures constrained fiscal space, as they did worldwide, the Philippines’ fiscal position remains sound under a consolidation program aimed at progressively reducing debt-to-GDP and deficit-to-GDP ratios.

These stronger macroeconomic fundamentals have enabled more inclusive growth

patterns. Income growth for the bottom 40% of households has outpaced that of the top 20% over the past decade. This has translated into faster poverty reduction than in earlier periods, making the government’s target of reducing poverty to single digits by 2028 potentially achievable. Productivity convergence is evident both within sectors (with lower-productivity firms growing faster) and across regions (with initially poorer regions outpacing wealthier ones).

However, the Philippines still grapples with deep structural challenges. Unlike many of our ASEAN neighbours, the Philippines underwent rapid deindustrialisation at a much lower GDP per capita. While other economies in the region managed to strike a balance between industry and services during their early stages of development, the Philippines made a premature shift toward a service-oriented economy (figure 3). This deviation from the traditional development path – which typically involves a gradual transition from agriculture to industry and then services – meant the Philippines did not fully capitalise on manufacturing’s potential for providing high-productivity employment opportunities.

Figure 3: Share of industry and services in Gross Domestic Product



While the Philippines faces several challenges to its economic growth, promising opportunities are on the horizon. Like its regional peers in previous decades, the Philippines has entered a demographic sweet spot. Since the 1990s, the country’s fertility rate has declined and the working-age population has grown faster than the overall population. In the next few years, the Philippines may take advantage of this demographic dividend, provided it plays its cards right by creating a favourable investment climate on the demand side and fostering robust human capital development on the supply side. With the right policies in place, the country could see a boost in economic growth, allowing us to replicate the experiences of the country’s East Asian neighbours.

The country is also well-positioned to leverage its extensive migrant networks to

support capacity building and technology infusion, especially in this age of digital connectedness. This calls for policies addressing immigration and encouraging talent to return, such as sufficient funding for research and strengthening academic-industry linkages.

To meet these development imperatives, the strategies identifying the way forward are contained in our [Philippine Development Plan 2023-2028](#). It serves as the country's roadmap for strengthening the economy's production and social sectors, as well as establishing a policy and regulatory environment in the medium term. This roadmap aims for socioeconomic transformation as it seeks to address the economy's most binding constraints to growth, even as it remains responsive to emerging development challenges. The plan guides the whole government by outlining the programs, projects and policies that must be implemented or enacted for the country to achieve its development objectives.

The challenges are daunting, but opportunities are present. While we acknowledge our ability to capitalise on the domestic and international trends we face fully, we also recognise the significant contributions of our development partners, both past and present, in supporting our journey towards sustainable development and progress. Foreign aid, including Australia's official development assistance, can significantly drive economic growth when strategically allocated and effectively managed. Evidence from decades of foreign aid implementation highlights the importance of directing aid towards critical sectors such as infrastructure, health, and education. These sectors enhance economic activity and foster sustainable development. Collaborations with donors like Australia, which mainly focuses on sectors like agricultural and agrarian reform, governance and institutional development, and infrastructure development, ensure that aid aligns with the Philippines' national development goals.

By aligning our policies and collaborative efforts with the long-term vision, we can ensure that development initiatives mutually benefit our nations as we deliberately respond to megatrends and political economy issues framing global and regional development. Together, we can address shared challenges, transform them into opportunities, and build a prosperous, resilient, and inclusive future for all.

Watch the opening address of the 2024 Australasian AID Conference on [Devpolicy YouTube](#).

View the [opening address presentation slides](#).

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