Spatial Disparities and Development Policy in the Philippines

Arsenio M. Balisacan
University of the Philippines Diliman & SEARCA
Email: arsenio.balisacan@up.edu.ph

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Based on:

Stark features of Philippine development

- Anemic economic growth, barely exceeding population growth rate
- Disappointing performance in poverty reduction and human development
- Persistently high spatial disparities in living standards
Growth of the Philippine economy (2)

Average growth rate of real per capita GDP

Growth has picked up, but the pace is still slower than those of the country’s neighbors.
Poverty reduction has been fast in East Asia, but not so in the Philippines...

Notes: Estimates refer to the proportion of population with income per capita below US$1.25 a day (in PPP). Figures for Indonesia are approximation based on urban/rural estimates.

Sources: PovcalNet – World Bank; Chen and Ravallion (2008) for China estimates; Badan Pusat Statistik for urban and rural population ratios.
Why the poor performance

- High & rising geographic concentration of economic production?
- Too much focus on urban rather than rural development?
- Low supply of good governance?
Regional distribution of economic production

- NCR plus two adjoining regions account for one-half of GDP.
- Luzon’s economy contributes two-thirds to national income.
- BUT no major changes in economic geography during the past two decades.

Note: Regional GDP shares for 1988 and 2007 are averages for 1987-89 and 2006-07, respectively. Regions are defined consistently across years. Provincial income shares from household surveys are used.
International experience shows a link between urbanization, on the one hand, and per capita income and poverty, on the other.

Also true in the Philippines.

Per capita income tends to rise with urbanization.

Poverty tends to fall with urbanization.

Note: Unit observations are provinces based on Family Income and Expenditure Survey, National Statistics Office.
Urban-rural income gaps & urbanization

Cross-country evidence shows declines of urban-rural income gaps as density increases.

Persistent income gaps in the Philippines

Note: Unit observations are provinces based on Family Income and Expenditure Survey, National Statistics Office.
Geographic differences in poverty rates diverging, not converging as seen in the country’s neighbors (1)

Also broadly the case in provincial HDI: diversity is the rule
Unlocking the barriers to high growth and convergence of living standards

- Develop market-friendly institutions to exploit the benefits of agglomeration & specialization
  - Enforce property rights, particularly on land
  - Safeguard land tenure
  - Ease land use conversion to reflect market needs
- Invest in infrastructure to promote connectivity, especially between leading & lagging areas
- Expand ACCESS to basic and social services, particularly education & health
- Keep sound macroeconomic policies
  - Reduce market distortions
  - Improve business climate
The Big Challenge

- Allowing—even encouraging—“unbalanced” economic growth, while ensuring inclusive development in a regime of weak governance

- Upgrading quality of institutions
Salamat!