

# Unmasking Duterte's Populism: Populist Rhetoric versus Policies in the Philippines

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## INTRODUCTION

Some analysts say that there is a populist tsunami sweeping across the world right now. And this is not new—the Thaksin in Thailand, Chavez in Venezuela, and Erdogan in Turkey, among others, signalled its arrival in many developing countries many years back. More recently, even the industrialised economies were not spared, with the election of President Donald Trump in the United States (US) and the Brexit vote in the United Kingdom (UK). Some would argue that Xi Jinping in China and President Rodrigo Duterte in the Philippines could also be considered populist leaders.<sup>1</sup>

While there are several conceptions of populism, there are at least two ways to describe this phenomenon. One approach, popular in political science, describes populism as an ideology separating society into two antagonistic groups—the vast majority of people and a corrupt elite.<sup>2</sup> On the other hand, among the economists, populism has sometimes been described as an economic strategy emphasising redistribution, with rising risks linked to higher inflation and deficits later on. Populism is often seen as an unsustainable strategy, as growth eventually sputters and the costs associated with populist policies lead to debt-related challenges.<sup>3</sup>

In many cases, populist waves end in crises, as redistribution policies appealing to large numbers of citizens often impose unsustainable fiscal burdens. In the worst

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<sup>1</sup> For recent analyses of the populist wave, see A. Chen, “When A Populist Demagogue Takes Power,” *The New Yorker*, 21 November 2016, <http://www.newyorker.com/magazine/2016/11/21/when-a-populist-demagogue-takes-power>; and Ronald Inglehart and Pippa Norris, “Trump, BREXIT and the Rise of Populism: Economic Have-Nots and Cultural Backlash” (Harvard Kennedy School Faculty Working Paper Series 16-026, Cambridge, Mass., August 2016).

<sup>2</sup> See C. Mudde, “The Populist Zeitgeist,” *Government and Opposition* 39, no. 4 (2004): 541-563, <http://onlinelibrary.wiley.com/doi/10.1111/j.1477-7053.2004.00135.x/abstract>.

<sup>3</sup> See R. Dornbusch and S. Edwards, “The Macroeconomics of Populism,” in *The Macroeconomics of Populism in Latin America*, eds. R. Dornbusch and S. Edwards (Chicago: University of Chicago Press, 1991), 7-13, <http://www.nber.org/chapters/c8295>; and Jeffrey Sachs, “Social Conflict and Populist Policies in Latin America” (NBER Working Paper, Cambridge, Mass., 1989), <http://www.nber.org/papers/w2897>.

cases, redistribution policies also often come at the cost of deep structural reforms, including those that make the economy much more competitive and inclusive. Deeper reforms are often delayed by temporary and often shallow redistribution policies, while the country lingers in a populist euphoria.

In today's world, populist leaders could come from the political left or the conservative right, often leveraging social discontent, as well as either racial or economic anxieties brewing in society. Often, they leverage deep social, political, and economic divides in society, separating a large mass of voters from an elite, portrayed to be unnecessarily and unfairly advantaged.

Trump's rise to power, for example, has been accompanied by strong anti-immigrant and protectionist rhetoric, leveraging a public sentiment which might actually be embedded in deep economic divides. Researchers from Brookings Institution, for example, found evidence that Hillary Clinton won in only 472 counties, which nevertheless accounted for over 60 percent of US economic output. Trump, on the other hand, won in over 2,500 counties accounting for a mere 36 percent of US GDP. Brookings therefore attributes part of the election divide as having to do with the differences across "high-output America" and "low-output America".

**Table 1: US Counties Won by Candidates and their Share of GDP in 2000 and 2016.**

Year	Candidates	# of Counties won	Aggregate share of GDP
2000	Al Gore	659	54%
	George W. Bush	2397	46%
2016	Hillary Clinton	472	64%
	Donald Trump	2584	36%

Source: M. Muro and S. Liu.<sup>4</sup>

In the Philippines, it seems that a mix of factors could be contributing to the tendency towards some populist politics. One of these factors could be the rising inequality, which seems to favour a "high-output Philippines" that probably benefited relatively more from greater economic integration in the last several decades.

On the other hand, sectors which may have benefited less—or may even have been harmed—could then be targeted for redistributive policies: farmers with no means to invest in irrigation, young people aspiring for better jobs through higher education, small firms marginalised by the formal financial sector despite the benign credit environment, and an urban lower middle class, feeling the pinch from rising transport, housing, food and other costs, combined with job uncertainty. Top this off with an urban population that witnesses the proliferation of rapidly

<sup>4</sup> M. Muro, and S. Liu, "Another Clinton-Trump divide: High-output America vs low-output America," *The Avenue*, 29 November 2016, <https://www.brookings.edu/blog/the-avenue/2016/11/29/another-clinton-trump-divide-high-output-america-vs-low-output-america/>.

improving lifestyles, and the mushrooming of high-end condominiums, and you have the makings of deep discontent—an “in-your-face inequality” that will likely generate growing pressure for a pushback.

In urban areas, growing concerns over the challenges and risks associated with rapid urbanisation—including the threat of crime and illegal drugs, rising transport costs and traffic, as well as economic uncertainty—could also be contributing to the strong support for policies that cater specifically to these issues. That in itself does not necessarily make those policies populist—rather it’s the focus on quicker yet ultimately unsustainable policy shortcuts, which may give rise to the canonical populism that has led to policy failure and crises in many countries where this has taken hold.

In Latin American countries affected by populist waves, for example, spend-thrift populist leaders failed to address structural inequality as their policies merely triggered inflation, which in turn triggered wage increases and macroeconomic instability. In these countries, populist policies were exposed for their lack of sustainability, and for missing out on deeper structural reforms.<sup>5</sup>

In what follows, an analysis of three examples of Duterte policies paints a mixed picture as regards the claim to populism. The analysis focuses on the President’s vocal stance against oligarchs, the policies to support free irrigation, and finally the government’s tax reform programme. These examples suggest that there is a high degree of incoherence and inconsistency in Duterte’s brand of populism.

## ANTI-OLIGARCH?<sup>6</sup>

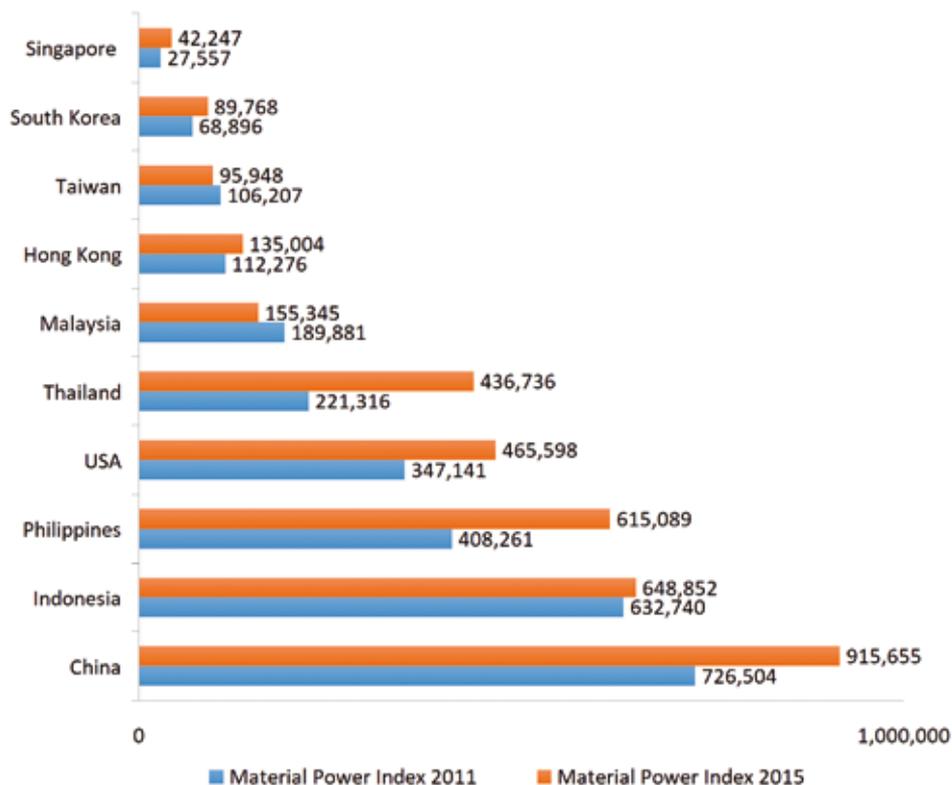
Populists the world over almost always attack the rich, branding them as “oligarchs”. The common definition of oligarchy actually refers to a government run by a small group of powerful individuals. The Greek philosopher Plato, however, referred to oligarchs as “greedy men” reluctant to pay their fair share of taxes. In oligarchies, Plato further warned, the majority are poor and disempowered, while a small ruling class consolidates power and subverts laws to press their own interests over the common good.

<sup>5</sup> See among others David Doyle, “The Legitimacy of Political Institutions: Explaining Contemporary Populism in Latin America,” *Comparative Political Studies* Volume 44, issue 11 (2011): 1447-1473; Jeffrey Sachs, “Social Conflict and Populist Policies in Latin America” (NBER Working Paper, Cambridge, Mass., 1989), <http://www.nber.org/papers/w2897>; and more recently, “Why populism is in retreat in Latin America,” *The Economist*, 21 November 2016.

<sup>6</sup> This section draws on Ronald U. Mendoza, “How to tame your oligarch,” *Rappler*, 11 August 2016, <https://www.rappler.com/thought-leaders/142623-taming-oligarchs-competition>.

How dominant (or potentially dominant) are the oligarchs in their respective economies? Figure 1, for example, shows the “material power index” developed by Jeffrey Winters of Northwestern University. This indicator is the ratio of the average wealth of the top 40 richest individuals to the GDP per capita of the country.

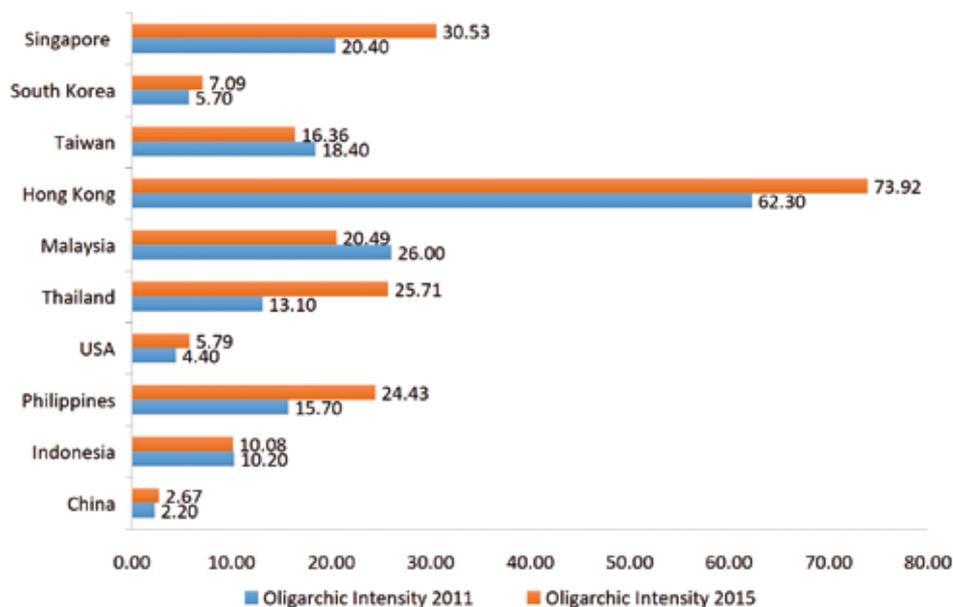
**Figure 1: Material Power Index across Selected Economies.**



Source: Author’s calculations using data from Forbes and the World Bank, and based on the formula developed by Winters.<sup>7</sup>

<sup>7</sup> Jeffrey Winters, “Oligarchy and Democracy in Indonesia,” *Indonesia* 96: 11-33 (2013), <https://bcventura.files.wordpress.com/2016/11/2-oligarchy-and-democracy-in-indonesia.pdf>.

**Figure 2: Oligarchic Intensity across Selected Economies.**



Source: Author’s calculations using data from Forbes and the World Bank, and based on the formula developed by Winters.<sup>8</sup>

Furthermore, Figure 2 provides a snapshot of “oligarchic intensity” as measured by the total wealth of the top 40 wealthiest individuals in each of the selected economies, expressed as a share of total GDP. Between 2011 and 2015, most countries in the sample experienced an increase in both oligarchic intensity and the material power index, suggesting increasing wealth (relative to the overall economy) among this small group of individuals.

The Philippines stands out in terms of the dramatic increase in its “material power index” during this period. Put differently, the country’s top 40 richest individuals experienced a phenomenal increase in wealth over the past five years—growth outpacing the average Filipino income.

Perhaps it is in this light that President Duterte seems to have called them out. “Ang plano talaga is...destroy the oligarchs that are embedded in government. Iyan-iyang sila. I’ll give you an example, publicly...Ongpin, Roberto.”<sup>9</sup> In his public comments, President Duterte emphasised specific problematic characteristics of oligarchs—they obtain lucrative government contracts using political connections, and they engage in illegal activities to gain an advantage, such as insider-trading.

<sup>8</sup> Ibid.

<sup>9</sup> *GMA News Online*, “Duterte vows to destroy ‘monster’ oligarchs,” 4 August 2016, <http://www.gmanetwork.com/news/money/companies/576357/duterte-vows-to-destroy-monster-oligarchs/story/>.

A patrimonial state and a predatory oligarchy combine to extract rent for selected powerful vested interests, often to the detriment of public policy goals and the common good. Scholars of Asian industrialisation have since called this either “booty capitalism” or “crony capitalism”.<sup>10</sup>

Weeks after assuming office, Duterte’s tirade against oligarchs in general and Ongpin in particular generated a swift response from the financial market. Following the President’s comments on the ills of online gambling in early August, the shares of PhilWeb Corporation (Ongpin’s company) plunged, resulting in paper losses reaching at least PhP14 billion. Figure 3 juxtaposes the trading price of PhilWeb Corporation from June 2016 to November 2017.

Essentially, the pressure exerted by the Duterte administration (i.e., the President’s public comments combined with the non-renewal of PhilWeb’s contract by the Philippine Amusement and Gaming Corporation or PAGCOR) influenced the stock price to plunge by almost 90%. Ongpin then resigned; and Gregorio Araneta was elected the new chair of PhilWeb. (Note that Araneta also belongs to one of the wealthiest families in the Philippines; and he is also very politically connected, being the son-in-law of Ferdinand and Imelda Marcos and the husband of Irene Marcos.) Araneta then acquired Ongpin’s shares for a song (PhP2.6 per share). PhilWeb subsequently gained provisional accreditation from PAGCOR, and its stock price recovered—translating to at least roughly PhP5 billion in gains for Araneta since he purchased the controlling stake in PhilWeb.

**Figure 3: PhilWeb under the Duterte Administration.**



Source: News reports collected by the staff of the Ateneo Policy Center.

<sup>10</sup> Paul Hutchcroft, *Booty Capitalism: The Politics of Banking in the Philippines* (Manila, Ateneo University Press, 1998).

The PhilWeb saga may have exposed the true nature of Duterte's rant against oligarchs—addressing very little by way of eroding oligarchic control of markets, while simply transferring economic rents from one wealthy clan to another.

## FREE IRRIGATION?<sup>11</sup>

Another case is irrigation. Access to irrigation remains one of the main challenges of agriculture in the Philippines. With the country having one of the highest irrigation fees in Asia, irrigation continues to be a burden for farmers. With this, President Rodrigo Duterte advocated for free irrigation (along with land distribution) during the campaign period.

In an attempt to fulfil this campaign promise, PhP2.3 billion was added to the budget of the National Irrigation Administration (NIA) to cover the irrigation services fees (ISF), which used to be paid by farmers, increasing the total budget to PhP38.7 billion.<sup>12</sup> But is this enough to provide free irrigation for all?

According to NIA's Annual Report, a total of PhP1,671,729,887 was allocated for ISF in 2015.<sup>13</sup> From this, it would seem that the additional PhP2.3 billion is already enough to cover the ISF. However, according to NIA, the total firmed-up service area (FUSA) or the service area to be covered by irrigation facilities as of December 2015 is 1.7 million hectares, covering only about 57% of irrigable land.<sup>14</sup> Of the remaining 1.3 million hectares, NIA is targeting to cover 75% over a 10-year period, which is 96,636 hectares per year.<sup>15</sup> Moreover, of the total FUSA, there are still about 400,000 hectares that need repair.

Based on the available figures, Mendoza et al.<sup>16</sup> estimated the true total cost of irrigation, if all irrigable land were to be included. Their estimates suggest that the government will have to pay a total of PhP3.8 billion every year to cover the ISF of the entire 3 million hectares. Compare this with the present allocation of PhP2.3 billion.

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<sup>11</sup> This section draws on Ronald U. Mendoza, Michae Ilagan, Miann Sombise Banaag, and Ivyrose Baysic, "Costing Populist Policies" (Ateneo Policy Center, Ateneo School of Government, 2017), SSRN: <https://ssrn.com/abstract=3040451>.

<sup>12</sup> Philippine Information Agency, "NIA offers free irrigation service," *Philippine Information Agency*, 2 December 2016, accessed 1 February 2017, <http://pia.gov.ph/news/articles/1251480663465>.

<sup>13</sup> National Irrigation Commission (NIA), "2015 Annual Report," accessed 21 January 2017, <http://www.nia.gov.ph/sites/default/files/newsletter/2015-annualreport.pdf>.

<sup>14</sup> National Irrigation Commission (NIA), "2015 Annual Report," accessed 21 January 2017, <http://www.nia.gov.ph/sites/default/files/newsletter/2015-annualreport.pdf>.

<sup>15</sup> P. Pasion, "Agri chief seeks P4B additional funds for NIA," *Rappler*, 25 August 2016, accessed 2 February 2017, <http://www.rappler.com/nation/144181-agriculture-chief-wants-additional-funds-for-irrigation>.

<sup>16</sup> Mendoza et al., "Costing Populist Policies."

In addition, the above computation has not yet accounted for the cost of expanding the FUSA. Unless the government builds the necessary infrastructure, it will remain “a challenge to bring water to farmlands.”<sup>17</sup> According to a study of the Philippine Institute for Development Studies (PIDS) on irrigation development, NIA in 1995 estimated the average cost per hectare of constructing a gravity irrigation system to be PhP100,000.<sup>18</sup> Note, however, that this is still underestimated if we are to consider the current cost. The computation below illustrates the estimated cost to be incurred in constructing the additional target irrigation systems:

Additional areas to be irrigated in 2017	96,636
Cost per hectare	PhP100,000
Estimated additional cost	PhP96,636 x 100,000 = PhP9,663,600,000

Adding 96,636 hectares per year to the FUSA thus costs an additional PhP9.6 billion per year, in 1995 prices. In comparison, the NIA budget in 2017 increased only by PhP3.6 billion from the 2016 budget. In other words, the increase in budget from 2016 to 2017 will have to be more than doubled for the government to reach its target for the year.

In summary, adding PhP2.3 billion is enough to subsidise irrigation services for the current FUSA. However, implementing a comprehensive programme that will fully provide a free and sustainable irrigation system for Filipino farmers will require a much more extensive effort to repair and expand the existing system, as well as the mobilisation of sufficient resources to undertake these investments. The Duterte administration’s quick fix on the matter might actually distract from these deeper structural issues.

Once again, the focus on “quick fixes” masks the lack of action on deeper structural reforms. Yet for many, this may actually be more palatable compared to the much slower pace of reforms (and impact) in relation to institutions and governance.

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<sup>17</sup> Julio, H., “Government vows free irrigation program will take effect this year,” *ABS-CBN News*, 10 January 2017, accessed 1 February 2017, <http://news.abs-cbn.com/news/01/10/17/government-vows-free-irrigation-program-will-take-effect-this-year>.

<sup>18</sup> David, W., “Constraints, Opportunities and Options in Irrigation Development,” *Philippine Institute for Development Studies*, Discussion Paper Series No. 2000-39, 14, October 2000, accessed 24 January 2017, <http://dirp3.pids.gov.ph/ris/ris/pdf/pidsdps0039.PDF>.

## PROGRESSIVE PUBLIC FINANCE?<sup>19</sup>

A focus on deeper reforms in the Philippines should inevitably tackle public finance issues—both on the taxing and spending sides of the public sector. Article VI, Section 28 of the Philippine Constitution states that “the rule of taxation shall be uniform and equitable” and that “Congress shall evolve a progressive system of taxation.” Yet most experts would acknowledge that the country’s public finance policy is far from progressive.

The Duterte administration recently passed the first instalment of a comprehensive package of tax reforms (Tax Reforms for Acceleration and Inclusion Act or TRAIN) long advocated by many in the policymaking community.

There are a variety of motivations for various parts of the reforms—on top of fixing the progressivity and fairness of the income tax system and providing relief to the middle class, the government also seeks to generate over Php300 billion in new revenues to help fund its infrastructure programmes. In addition, concerns over the lack of competitiveness of Philippine tax rates abound, as the country’s corporate income taxes and personal income taxes (top tier) are among the highest in the region.

Finally, some tax policies (notably exemptions and lower rates) are used as a means to protect vulnerable members of society (e.g., the elderly and poor families), while others are used as part of the country’s efforts to boost investments and job creation in certain industries (e.g., business process outsourcing, industries in export processing zones, etc.). Nevertheless, there is evidence that the hodge-podge of fiscal incentives has created an incoherent fiscal environment whereby contradictory and ineffective policies fail to satisfy policy objectives.<sup>20</sup>

Unsurprisingly, some of these goals are often conflicting in their expected impact. Increased revenues from indirect taxes are unlikely to reduce inequality. Removing VAT exemptions, while making the tool more efficient, will likely erode government support for key industries unless especially designed subsidies and support packages are ready.

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<sup>19</sup> This section draws on Ronald U. Mendoza, “Redirecting TRAIN against inequality,” *Rappler*, 4 October 2017, <https://www.rappler.com/thought-leaders/184229-redirecting-train-against-inequality>. See also Ronald U. Mendoza, Patricia Thea Basilio and Eunice Lalic, “Tax Reform Options to Generate Revenues While Reducing Inequality” (ASOG Working Paper 17-011, 5 October 2017), SSRN: <https://ssrn.com/abstract=3048166> or <http://dx.doi.org/10.2139/ssrn.3048166>.

<sup>20</sup> Renato Reside, “Towards rational fiscal incentives: Good investments or wasted gifts?” (UP School of Economics Working Paper, 2006), <http://www.econ.upd.edu.ph/dp/index.php/dp/article/view/74/66>; Renato Reside, “Can fiscal incentives stimulate regional investment in the Philippines?” (UP School of Economics Working Paper, 2007), [https://www.researchgate.net/publication/242264312\\_CAN\\_FISCAL\\_INCENTIVES\\_STIMULATE\\_REGIONAL\\_INVESTMENT\\_IN\\_THE\\_PHILIPPINES\\_An\\_update\\_of\\_empirical\\_results](https://www.researchgate.net/publication/242264312_CAN_FISCAL_INCENTIVES_STIMULATE_REGIONAL_INVESTMENT_IN_THE_PHILIPPINES_An_update_of_empirical_results).

As expected, the difficult trade-offs in the still-evolving tax package are generating mixed reviews from various groups. Yet, Filipino legislators now have a genuine opportunity to form a coherent narrative on how taxing and spending policies could help promote more inclusive development, improving dramatically from what past administrations have been able to achieve.

Rather than simply focussing on tax revenues and growth (through infrastructure spending), this administration can address deep-seated inequality in society and economy through tax and spending reforms combined. Nevertheless, the emerging versions of TRAIN pushed by the House of Representatives differ significantly from the version supported by the Senate.

Based on calculations by the Ateneo Policy Center, the version of the tax package produced by the House of Representatives (dominated by allies of the Duterte administration under his political party, PDP-Laban) would have exacerbated inequality as measured by the Gini index, a common measure of income inequality. Applying the measures proposed by House Bill 5636<sup>21</sup> to households included in the 2015 Family Income and Expenditure Survey, the pre-tax reforms Gini of 49.1 worsened to a post-tax reforms Gini of 50.7. Even complete delivery of transfers would not improve upon this dramatically, driving the Gini down to only about 50.

By comparison, the Senate version reduces inequality much further than HB 5636—thanks largely to adjustments in personal income tax schedules, much higher per household transfers, and a longer and fixed transfer period. There is even good reason to believe that the Senate version of the tax package will be able to produce a post-tax reforms Gini that will be even better (read: less inequality) compared to the pre-tax reforms situation, if its more extensive pro-poor earmarks fully worked out.

Compared to HB 5636, which allocated only 40% of incremental revenues of the oil excise tax (a projected PhP29.8 billion for 2018) to a “*social benefits programme*” which includes cash transfer, Senate Bill 1592<sup>22</sup> temporarily earmarks all incremental revenues to an even more expansive range of social benefits and investments for poor and near-poor households.

Figure 4 illustrates the distribution of the net impact of the government’s tax reforms (based on the House of Representatives version, which is also supported by the Department of Finance). It becomes clear that the main beneficiaries from the reforms include high-income families, the upper middle class and part of the larger middle class. Poor families and the lower-middle-income families are likely to be adversely affected by the tax package if the House version was approved. Fortunately, that version was somewhat improved by the Senate later on, even if

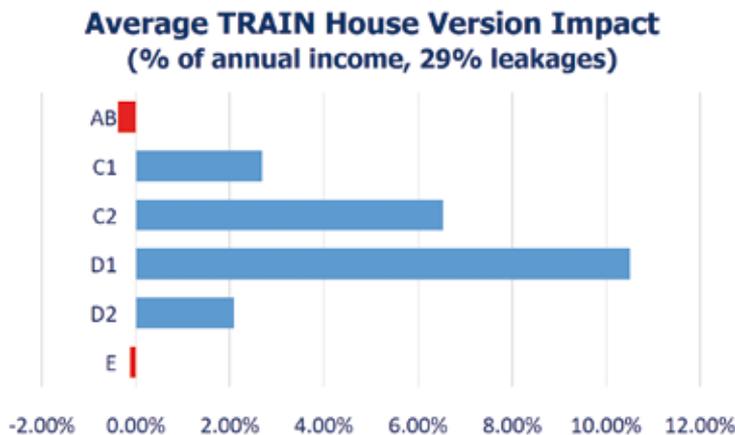
<sup>21</sup> See [https://www.senate.gov.ph/lis/bill\\_res.aspx?congress=17&q=HBN-5636](https://www.senate.gov.ph/lis/bill_res.aspx?congress=17&q=HBN-5636).

<sup>22</sup> See [https://www.senate.gov.ph/lis/bill\\_res.aspx?congress=17&q=SBN-1592](https://www.senate.gov.ph/lis/bill_res.aspx?congress=17&q=SBN-1592).

the final version still did not produce dramatic improvements in the benefits for the poor and subsequently on the equity effect of the overall tax package.

Once again, the Duterte administration’s purported populism becomes less compelling given that the primary beneficiaries from the tax programme are actually from the mid- to higher-income levels. In related analyses, the Ateneo Policy Center has advocated to leverage tax policy reforms (TRAIN) within a broader portfolio of economic development reforms that build stronger inclusiveness in the country’s growth pattern. Notably, by linking the tax reforms to food security reforms, as the transition from quantitative restrictions to tariffs will also generate revenues which can be channelled to protect vulnerable groups. It is not too late for the government to adjust its policy, which seems to prioritise growth-driving reforms, with very little progress on equity-focused and inclusiveness-enhancing economic policies.<sup>23</sup>

**Figure 4: The Distribution of Tax Reforms Impact.**



Source: Ateneo Policy Center staff calculations.

## CONCLUSION

The three policy examples discussed in this article help to expose Duterte’s highly incoherent stance on populism. Taken together—and along with many other policy moves under Duterte—they reveal key divergences between rhetoric and action. They send mixed signals as to the true extent of redistribution or pro-poor stance that one normally associates with populism.

<sup>23</sup> See Jerome Cruz and Ronald U. Mendoza, “Saving tax reform from TRAIN,” *GMA News Online*, 1 February 2018, <http://www.gmanetwork.com/news/opinion/content/641867/saving-tax-reform-from-train/story/>.

First, his anti-oligarchy bark is worse than his bite. He does not really seem to be against oligarchy per se—and his actions on PhilWeb appear to have merely transferred economic rents from one business tycoon to another. Furthermore, the system of rent-seeking for government contracts—a structural challenge that has plagued the Philippine public sector for decades—has not really been debilitated in any institutional way.

Moreover, his stance on the agricultural sector—as evidenced by his rhetoric to make irrigation accessible and free—masks a disregard for the true extent of resource needs in the sector. It also exposes the lack of clear metrics to meet the true demand for support in this sector, implying that the impact of the “free irrigation” promise could be much more on the political sphere rather than on the agricultural reality in the Philippines.

And the tax reform programme of the Duterte Administration has created some benefits for middle-class workers; but it has led to more inflation pressure, in turn affecting many poor and low-income households. The latest national surveys by Pulse Asia (released in April 2018) note that about 86% of respondents reported being “strongly affected” by inflation in early 2018, with over 90% of respondents reporting food price increases, with rice price inflation topping the list of commodities most affecting them.<sup>24</sup> Nevertheless, the tax reform programme was well received by credit rating agencies and some investors. Most recently, Standard and Poor’s upgraded the country’s outlook to “positive”, noting the Philippines’ strong fiscal reforms so far.<sup>25</sup>

For these reasons, it is difficult to consider President Duterte a “populist” in the traditional redistributive sense. For instance, his administration’s controversial and bloody anti-drugs campaign has led to significant casualties among poor communities. Recently, there has been growing evidence of police abuse. Unsurprisingly, the slippage in his political support as evidenced by recent satisfaction surveys is among the poor and low-income groups, while his support among upper-income classes is holding steady (at the time of writing this article).<sup>26</sup>

As regards his political style, which tends to be adversarial and divisive, it is also unclear to what extent he favours the marginalised sectors of society (e.g., farm-

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<sup>24</sup> Jessica Phenol, “Pulse Asia: Most Filipinos ‘strongly affected’ by price hikes in basic goods,” *ABS-CBN News*, 27 April 2018, <http://news.abs-cbn.com/business/04/27/18/pulse-asia-most-filipinos-strongly-affected-by-price-hikes-in-basic-goods>.

<sup>25</sup> Luchi de Guzman, “Standard & Poor’s upgrades Philippines credit outlook to ‘positive’,” *CNN Philippines*, 27 April 2018, <http://cnnphilippines.com/business/2018/04/27/standard-poors-upgrade-Philippines-credit-outlook-positive.html>.

<sup>26</sup> Dharel Placido, “SWS: Duterte admin’s net satisfaction rating still ‘very good’ but drops in Luzon, Class E,” *ABS-CBN News*, 19 October 2017, <http://news.abs-cbn.com/news/10/19/17/sws-duterte-admins-net-satisfaction-rating-still-very-good-but-drops-in-luzon-class-e>.

ers, students, the poor). Some of the major reforms under his administration imply mixed effects on some of these groups. As shown in the analysis herein, promises may appear bigger than the actual programme coverage and benefits that could be prudently absorbed by the public sector budget (as is the case in free irrigation); and reform benefits may not necessarily benefit the poor (as in the case of tax reforms). This carries political risk, if the President's support base is eroded by a growing recognition that he may actually care less about poor and low-income Filipinos and he instead continues to behave unpredictably.

Reformists in the Duterte administration could still implement a few reforms that could truly deliver for the vast majority of poor and low-income Filipinos. Clearly, one area would be to recalibrate the government's bloody anti-drugs campaign, which has been focused on poor drug users for the most part while failing to address some of the main sources of the drugs problem. Drawing on international evidence and best practice, the government could instead implement a more health-based approach to curbing the drugs challenge in the country. A stronger partnership involving the Church, drug-affected communities, civil society and the Philippine National Police could help rebuild trust and address addiction challenges, notably among the youth. Drug supply interdiction focused on the sources of drugs could also help address the root causes of this problem in the Philippines.

In addition, the government's tax reforms and infrastructure investments ramp-up are going to be good for economic growth. These will be even more impactful on the lives of more Filipinos if public sector investments go well beyond urban centres like Metro Manila and Metro Cebu. If these investments are more strategically developed, they could begin to better interconnect the sources of growth in the Philippines with more regions and populations that have not yet connected well with the country's economic boom. In particular, the creation of "growth corridors" could dramatically increase the participation of many smaller firms, workers and communities in the country's growth dynamic. By tapping more productive factors, this could also help to sustain the country's industrial push, avoiding immediate inflationary pressure which would result from tapping only a limited pool of resources and regions.

Finally, addressing the country's food security policy—in particular rice policy—could also help address hunger and poverty in dramatic ways. One way to dramatically reduce the number of hungry and poor families is to stabilise the price of rice at a much lower level than present. This is possible—and much more cost-effective for taxpayers—if a combination of increased importation and targeted agricultural investments for increased productivity and economic support for affected farmers could be designed as a package. Similar approaches already exist in the Association of Southeast Asian Nations—for example the Malaysians have a 65% rice self-production target, with the rest of their rice supply more competitively

purchased from international markets. Such a reform could prove popular among poor and low-income households, for whom food constitutes a relatively larger share of the household budget. And it could also provide relief to many minimum-wage and informal workers who may not have benefited from the tax reforms (principally because the poor in the Philippines are not covered by personal income taxes anyway).

There is still time to create real positive change in the lives of the vast majority of poor and low-income households in the Philippines. Beyond mere populist-sounding promises, deep structural reforms are necessary to help ensure more inclusive development and less socio-economic and political division in the Philippines.

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